

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2024

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report.....

For the transition period from _____ to _____

Commission file number. 001-32618



ITURAN LOCATION AND CONTROL LTD.

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Israel

(Jurisdiction of incorporation or organization)

3 Hashikma street, Azour, 5800182 Israel

(Address of principal executive offices)

Guy Aharonov, General Counsel, 3 Hashikma street, Azour, 5800182 Israel, Tel: 972-3-5571314, Facsimile: 972-3-5571327

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading symbol(s)</u>	<u>Name of each exchange on which registered</u>
Ordinary Shares, par value NIS 0.33¹/₃ per share	ITRN	Nasdaq Global Select Market

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

19,893,580

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer", "accelerated filer", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards[†] provided pursuant to Section 13(a) of the Exchange Act.

[†]The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting
Standards as issued by the International
Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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USE OF CERTAIN TERMS

As used herein, and unless the context suggests otherwise, the terms “we”, “us”, “our” or “Ituran” refer to Ituran Location and Control Ltd. and its consolidated subsidiaries.

We have prepared our consolidated financial statements in US Dollars. Our consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”). All references herein to “dollars” or “\$” or “USD” are to United States dollars, and all references to “NIS” are to New Israeli Shekels.

CAUTIONARY NOTE REGARDING FORWARDLOOKING STATEMENTS

This Annual Report on Form 20-F contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The use of the words “projects,” “believes,” “expects,” “may,” “plans” or “intends,” or words of similar import, identifies a statement as “forward-looking.” The forward-looking statements included herein are based on current expectations that involve a number of risks and uncertainties. These forward-looking statements are based on the assumption that we will not lose a significant customer or customers or experience increased fluctuations of demand or rescheduling of purchase orders, that our markets will continue to grow, that our products will remain accepted within their respective markets and will not be replaced by new technology, that competitive conditions within our markets will not change materially or adversely, that we will retain key technical and management personnel, that our forecasts will accurately anticipate market demand, and that there will be no material adverse change in our operations or business. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions, and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. In addition, our business and operations are subject to substantial risks which increase the uncertainty inherent in the forward-looking statements. In light of the significant uncertainties inherent in the forward-looking information included herein, the inclusion of such information should not be regarded as a representation by us or any other person that our objectives or plans will be achieved. Factors that could cause actual results to differ from our expectations or projections include the risks and uncertainties described in this annual report in Item 3D: Risk Factors. Forward-looking statements speak only as of the date on which they are made, and we undertake no obligation to update any forward-looking statements or other information contained in this report, whether as a result of new information, future events or otherwise. You are advised, however, to review any additional disclosures we make in our reports on Form 6-K filed with the U.S. Securities and Exchange Commission (“SEC”).

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. (Reserved)

B. CAPITALIZATION AND INDEBTEDNESS

Not applicable.

C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

D. RISK FACTORS

Our business, operating results and financial condition could be seriously harmed due to any of the following risks, among others. If we do not successfully address the risks to which we are subject, we could experience a material adverse effect on our business, results of operations and financial condition and our share price may decline, which may result in a loss of all or part of your investment. We cannot assure you that we will successfully address any of these risks. You should carefully consider the following factors as well as the other information contained in this annual report before making any investment decision with respect to our securities.

RISKS RELATED TO OUR BUSINESS

Failure to maintain our existing relationships or establish new relationships with insurance companies or car manufacturers could adversely affect our revenues and growth potential.

Revenues from our stolen vehicle recovery services, which we refer to as SVR services (“SVR”) and automatic vehicle location (“AVL”) products, which we refer to as telematics products, are primarily dependent on our relationships with insurance companies and car manufacturers. In Israel, insurance companies drive demand for our SVR services and telematics products by encouraging and, in some cases, requiring customers to subscribe to vehicle location services and purchase vehicle location products such as ours. Our subsidiaries enter into agreements with insurance companies to subscribe to our services and purchase or lease our products directly. Our inability to maintain our existing relationships or establish new relationships with insurance companies could adversely affect our revenues and growth potential. In some of the territories in which we operate, we have business relationships with car manufacturers. Our inability to maintain our existing relationships or establish new relationships with car manufacturers could adversely affect our revenues and growth potential.

Changes in insurance company practices in the markets in which we provide our products and services could adversely affect our revenues and growth potential.

We depend on insurance company practices in the markets in which we provide our SVR services and sell our telematics products. In Israel, insurance companies either mandate the use of SVR services by use of telematics products, or their equivalent, as a prerequisite for providing insurance coverage to owners of certain medium- and high-end vehicles or provide insurance premium discounts to encourage vehicle owners to subscribe to services and purchase products such as ours. For our subsidiaries in Brazil and Argentina, insurance companies mainly lease our telematics products directly and subsequently require their customers to subscribe to our SVR services.

Therefore, we rely on insurance companies’ continued practice of:

- accepting vehicle location and recovery technology as a preferred security product;
- requiring or providing a premium discount for using location and recovery services and products; and
- mandating or encouraging use of our SVR services and telematics products, or similar services and products, for vehicles with the same or similar threshold values and for the same or similar required duration of use.

If any of these policies or practices change, revenues from sales of our SVR services and telematics products could decline, which could adversely affect our revenues and growth potential.

A reduction in vehicle theft rates may adversely impact demand for our SVR services and telematics products.

Demand for our SVR services and telematics products depends primarily on prevailing or expected vehicle theft rates. Vehicle theft rates may decline as a result of various reasons, such as the availability of improved security systems, implementation of improved or more effective law enforcement measures, or improved economic or political conditions in markets that have high theft rates. If vehicle theft rates in any or all of our existing markets decline, or if insurance companies or our other customers believe that vehicle theft rates have declined or are expected to decline, demand for our SVR services and telematics products may decline.

A decline in new car sales in the markets in which we operate could result in reduced demand for our SVR services and telematics products.

Our SVR services and telematics products are primarily used to protect vehicles and are often installed before or immediately after their initial sale. Consequently, a reduction in new vehicle sales could reduce our addressable market for SVR services and telematics products. New car sales may decline for various reasons, including an increase in new car tariffs, taxes or gas and electricity prices. A decline in vehicle production levels or labor disputes affecting the automobile industry in the markets where we operate may also impact the volume of new vehicle sales. A decline in new car sales in the markets in which we provide our SVR services or sell our telematics products could result in reduced demand for these services and products.

There is significant competition in the markets in which we offer our services and products and our results of operations could be adversely affected if we fail to compete successfully.

The markets for our services and products are highly competitive. We compete primarily on the basis of the technological innovation, quality and price of our services and products. Our most competitive market is the telematics services market and the related telematics products market, due to the existence of a wide variety of competing services and products and alternative technologies that offer various levels of protection and tracking capabilities, including global positioning systems, or GPS, satellite- or network-based cellular systems and direction-finding homing technologies. Some of these competing services and products, such as certain GPS-based products, are installed in new vehicles by vehicle manufacturers prior to their initial sale, which effectively precludes us from competing for these subscribers in the SVR market. Furthermore, providers of competing services or products may extend their offerings to the locations in which we operate, or new competitors may enter the telematics services market. Our telematics products also compete with less sophisticated theft protection devices such as standard car alarms, immobilizers, steering wheel locks and homing devices, some of which may be significantly cheaper. Some of these competing products have greater brand recognition than our telematics products.

The development of new or improved competitive products, systems or technologies that compete with our telematics products may render our products less competitive or obsolete, which could cause a decline in our revenues and profitability.

We are engaged in businesses characterized by rapid technological change and frequent new product developments and enhancements. The number of companies developing and marketing new telematics products has expanded considerably in recent years. The development of new or improved products, systems or technologies that compete with our telematics products, for both our SVR and fleet management services, may render our products and services less competitive and we may not be able to enhance our technology in a timely manner. In addition to the competition resulting from new products, systems or technologies, our future product enhancements may not adequately meet the requirements of the marketplace and may not achieve the broad market acceptance necessary to generate significant revenues. Any of the foregoing could cause a decline in our revenues and profitability.

The inability of local law enforcement agencies to timely and effectively recover the stolen vehicles we locate could negatively impact customers' perception of the usefulness of our SVR services and telematics products, adversely affecting our revenues.

Our telematics products identify the location of vehicles in which our products are installed. Following a notification of an unauthorized entry, or if we receive notification of the vehicle's theft from a subscriber, we notify the relevant law enforcement agency of the location of the subscriber's vehicle and generally rely on local law enforcement or governmental agencies to recover the stolen vehicle. We cannot control nor predict the response time of the relevant local

law enforcement or other governmental agencies responsible for recovering stolen vehicles, nor that the stolen vehicles, once located, will be recovered at all. In the past, some stolen vehicles in which our telematics products were installed were not recovered on timely manner, from the time an unauthorized entry is confirmed or reported to the time the vehicle is recovered. To the extent that the relevant agencies do not effectively and timely respond to our calls and recover stolen vehicles, our recovery rates would likely diminish, which may, in turn, negatively impact customers' perception of the usefulness of our SVR services and telematics products, adversely affecting our revenues.

The ability to detect, deactivate, disable or otherwise inhibit the effectiveness of our telematics products could adversely affect demand for these products and adversely affect our revenues.

The effectiveness of our telematics products is dependent, in part, on the inability of unauthorized persons to deactivate or otherwise alter the functioning of our telematics products or the vehicle anti-theft devices that work in conjunction with our telematics products. As sales of our telematics products increase, criminals in the markets in which we operate may become increasingly aware of our telematics products and may develop methods or technologies to detect, deactivate or disable our tracking devices or the vehicle anti-theft devices that work in conjunction with our telematics products. We believe that, as is the case with any product intended to prevent vehicle theft, over time, there may be an increased ability of unauthorized persons to detect, deactivate, disable or otherwise inhibit the effectiveness of our telematics products, although it is difficult to verify this fact. An increase in the ability of unauthorized persons to detect, deactivate, disable or otherwise inhibit the effectiveness of our telematics products could adversely affect demand for our products and adversely affect our revenues.

We rely on some intellectual property and licenses that we license from third parties, the loss of which could preclude us from providing our SVR services or market and sell some of our telematics products, which would adversely affect our costs, revenues and profitability.

We license from third parties some of the technology that we need in order to provide our SVR services and market and sell some of our telematics products. In the event that such licenses were to be terminated, or if such licenses were rendered unenforceable or invalid and we would not be able to license similar technology from other parties, it would require us, at a minimum, to obtain rights to a different technology and reconfigure our telematics products accordingly. In addition, some of the licenses we obtained from third parties are non-exclusive, which may enable other entities to obtain identical licenses from such third parties to operate in the places in which we conduct our business resulting in increased competition and could adversely affect our revenues. Our ability to sell some of our services and products depends upon the prior receipt and maintenance of various governmental licenses and approvals and our failure to obtain or maintain such licenses and approvals, or third-party use of the same licenses and frequencies, could result in a disruption or curtailment of our operations, a significant increase in costs and a decline in revenues.

We are required to obtain specific licenses and approvals from various governmental authorities in order to conduct our operations. For example, some of our telematics products use radio frequencies that are licensed and renewed periodically from the Ministry of Communications in Israel and similar agencies worldwide. As we continue to expand into additional markets, we might be required to obtain new permits and approvals from relevant governmental authorities. Furthermore, once our telematics infrastructure is deployed and our telematics end-units are sold to subscribers, a change in radio frequencies would require us to recalibrate all of our antennas and replace or modify all end-units held by subscribers, which would be costly and may result in delays in the provision of our SVR services. In addition, some of the governmental licenses for radio frequencies that we currently use may be preempted by third parties. In Israel, our license is designated as a "joint" license, allowing the government to grant third parties a license to use the same frequencies, and in Brazil our license is designated as a "secondary", non-exclusive license, which allows the government to grant a third party a primary license to use such frequencies, which third-party use could adversely affect, disrupt or curtail our operations. Our inability to maintain necessary governmental licenses and frequency approvals, or third-party use of or interference with the same licenses or frequencies, could result in a significant increase in costs and decline in revenues and profitability.

Our SVR services business model is based on the existence of certain conditions, the loss or lack of which in existing or potential markets could adversely affect our revenues and our growth potential.

Our SVR services business model and, consequently, our ability to provide our SVR services and sell our telematics products, relies on our ability to successfully identify markets in which:

- the rate of car theft or consumer concern over vehicle safety is high;
- satisfactory radio frequencies are available to us for our RF technology, that allows us to operate our business in an uninterrupted manner; and

- insurance companies, car manufacturers or car owners belief in the value of vehicles justifying incurring the expenses associated with the deployment of SVR services.

The absence of these conditions, our inability to locate markets in which these conditions exist or the loss of any one of these conditions in markets we currently serve could adversely affect our revenues generated in existing markets and our growth potential .Since October 7th massacre and due to the war that followed we encountered network disruptions which caused some disturbance to our stolen vehicle recovery services and Usage based insurance,(UBI).Nevertheless we sustained our rate of success in the recovery of stolen vehicles .

The loss of key personnel could adversely affect our business and growth prospects.

Our success depends upon the efforts and abilities of key management personnel, including our President and our Co-Chief Executive Officers. Loss of the services of one or more of such key personnel could adversely affect our ability to execute our business plan. In addition, we believe that our future success depends in part upon our ability to attract, retain and motivate qualified personnel necessary for the development of our business. If one or more members of our management team or other key technical personnel become unable or unwilling to continue in their present positions, and if additional key personnel cannot be hired and retained as needed, our business and growth prospects could be adversely affected.

We rely on third parties to manufacture our telematics products, which could affect our ability to provide these products in a timely and cost-effective manner, adversely impacting our revenues and profit margins.

We outsource the manufacturing of a significant part of our telematics products to third parties. We use manufacturers for production of our telematics products and we do not maintain significant levels of inventories to support us in the event of unexpected interruptions in the products manufacturing process. If our principal manufacturer or any of our other manufacturers is unable to or fails to manufacture our products in a timely manner, we may not be able to secure alternative manufacturing facilities without experiencing an interruption in the supply of our products or an increase in production costs. Any such interruption or increase in production costs could affect our ability to provide our telematics products in a timely and cost-effective manner, adversely impacting our revenues and profit margins.

We rely on three major suppliers to supply us with various products and software. Each of these suppliers supply us with different types of products and services and acts as single supplier of these products and services.

We rely on three major suppliers to supply us with various products and software, one of them is our subsidiary. Each of these suppliers supply us with different types of products and software and acts as the single supplier of these products and services. Termination of relations with one of our major suppliers would adversely affect our operations and revenues.

We depend on the use of specialized quality assurance testing equipment to produce our telematics products, the loss or unavailability of which could adversely affect our results of operations.

We and our third-party manufacturers use specialized quality assurance testing equipment in the production of our telematics products. The replacement of any such equipment as a result of its failure or loss could result in a disruption of our production process or an increase in costs, which could adversely affect our results of operations.

The adoption of industry standards that do not incorporate the technology we use may decrease or eliminate the demand for our services or products and could harm our results of operations.

There are no established industry standards in all of the businesses in which we sell our telematics products. For example, vehicle location devices may operate by employing various technologies, including network triangulation, GPS, satellite-based or network-based cellular or direction-finding homing systems. The development of industry standards that do not incorporate the technology we use may decrease or eliminate the demand for our services or products and we may not be able to develop new services and products that are in compliance with such new industry standards on a cost-effective basis. If industry standards develop and such standards do not incorporate our telematics products and we are unable to effectively adapt to such new standards, such development could harm our results of operations.

Expansion of our operations to new markets involves risks and our failure to manage such risks may delay or preclude our ability to generate anticipated revenues and may impede our overall growth strategy.

We anticipate future growth to be attributable to our business activities in new markets, particularly in developing countries, where we may encounter additional risks and challenges, such as longer payment cycles, potentially adverse

tax consequences, potential difficulties in collecting receivables and potential difficulties in enforcing agreements or other rights in foreign legal systems. The challenges and risks of entering a new market may delay or preclude our ability to generate anticipated revenues and may impede our overall growth strategy.

Part of our services rely on GPS/GPRS-based technology owned and controlled by others, the loss, impairment or increased expense of which could negatively impact our immediate and future revenues from, or growth of, our services and adversely affect our results of operations.

Part of our business relies on signals from GPS/GPRS satellites built and maintained by third parties. If GPS/GPRS satellites become unavailable to us, or if the costs associated with using GPS/GPRS technology increase such that it is no longer feasible or cost-effective for us to use such technology, we will not be able to adequately provide our services. In addition, if one or more GPS/GPRS satellites malfunction, there could be a substantial delay before such satellites are repaired or replaced, if at all. The occurrence of any of the foregoing events could negatively impact our immediate and future revenues from, or growth of, our telematics services and adversely affect our results of operations.

Material cybersecurity failure may harm our operations, which rely on use of information technology and wireless transmission.

Our telematics and SVR and cloud services, relies on the use of information technology which under a major cyber security breach, could harm our operations. We are using physical services, wireless transmitting stations, GPRS/GPS, and in lesser account cloud computing to provide our services. There are risks associated with storing and transmitting data, which due to cyber security breach may be corrupted, and the store data on remote servers may be destroyed, damaged, seized, or otherwise no longer accessible, which may temporarily decrease our ability to deliver telematics and SVR services.

We implemented cyber security controls – which consists of three pillars: prevention, detection and response (data recovery in the event of a cyber breach). We perform an ongoing review of our systems and an annual external review of our cyber security controls and their implementation. However, such cyber security controls may not be able to prevent all unexpected weaknesses. In the event of a cyber-attack, we could experience the corruption or loss of data, misappropriation of assets or sensitive information, including customer information, or operational disruption. This could result in response costs and various financial loss and may subject us to litigation and cause damage to our reputation, for which we may not be covered under our current insurance policies and may lead to substantial loss of revenues.

Some of our employees in our subsidiaries in Brazil and Argentina are members of labor unions and a dispute between us and any such labor union could result in a labor strike that could delay or preclude altogether our ability to generate revenues in the markets where such employees are located.

Some of our employees in our subsidiaries in Brazil and Argentina are members of labor unions. If a labor dispute were to develop between us and our unionized employees, such employees could go on strike and we could suffer work stoppage for a significant period of time. A labor dispute can be difficult to resolve and may require us to seek arbitration for resolution, which arbitration can be time consuming, distracting to management, expensive and difficult to predict. The occurrence of a labor dispute with our unionized employees could delay or preclude altogether our ability to generate revenues in the markets where such employees are located.

Inflation and shortage of semiconductor and other critical components supplies

In periods of shortages impacting the semiconductor industry such as during year 2022, we have placed and may continue to place non-cancellable inventory orders in advance of our historical lead times, and pay premiums and/or provide deposits to secure future supply and capacity. For example, while we previously placed orders with approximately six months' lead time, we have begun placing orders at least twelve months in advance. Our inventory and purchase commitments reflect our demand expectations for our future quarters and long-term supply and capacity needs. However, we may not be able to accurately predict when such periods of shortage will end, nor do we know whether those inventory orders accurately address our current and future demand needs. These actions increased some of our product costs .If this shortage will sustain we may suffer same economic extra costs in the future.

During the year 2023 and 2024 , we have encountered growing inflation rates and growing interest rates in the main territories where we operate. This has caused additional costs to our financing and operations. This environment has a potential negative impact on our results, as long as it sustains.

Regional or Global Health Pandemic

A regional or a global health pandemic, such as COVID-19, could severely affect our business, results of operations and financial condition due to impacts on our suppliers and customers, as well as impacts from remote work arrangements,

We have not applied nor obtained for several of the permits required for the operation of some of our base sites. To the extent enforcement is sought, the breadth, quality and capacity of our network coverage could be materially affected.

The provision of our SVR services depends upon adequate network coverage for accurate tracking information. In Israel, we have installed 98 base sites that provide complete communications coverage in Israel. Similarly, we have communications coverage in Sao Paulo, Brazil (124 sites) and Buenos Aires, Argentina (7 sites). The installation and operation of most of our base sites require building permits from local or regional zoning authorities as well as a number of additional permits from governmental and regulatory authorities.

Currently most of our base sites in Israel and Brazil and some of our base sites in Argentina operate without local building permits or the equivalent. Although relevant authorities in Israel, Brazil and Argentina have not historically enforced penalties for non-compliance with certain permit regulations, following ongoing press coverage and actions by various public interest groups, relevant Israeli authorities have begun seeking enforcement of permit regulations, especially with respect to antennas constructed for cellular phone operators. Some possible enforcement measures include the closure or demolition of existing base sites or the imposition of limitation on the building of new base stations. Should these enforcement measures be imposed upon us in Israel, Brazil or Argentina, the extent, quality and capacity of our network coverage and, as a result, our ability to provide SVR services, may be adversely affected. In Israel we are in process of achieving compliance with the regulation of our base stations, this process can take several years .

Currency fluctuations may result in valuation adjustments in our assets and liabilities and could cause our results of operations to decline.

The valuation of our assets and liabilities, our revenues received, and the related expenses incurred are not always denominated in the same currency. This lack of correlation between revenues and expenses exposes us to risks resulting from currency fluctuations. These currency fluctuations could have an adverse effect on our results of operations, such as currency fluctuations take place in several countries in which we operate which affects our operation results in these countries. In addition, fluctuations in currencies may result in valuation adjustments in our assets and liabilities which could cause our results of operations to decline.

RISKS RELATED TO OUR OPERATIONS IN ISRAEL

We are headquartered in Israel and therefore our results of operations may be adversely affected by political, economic and military instability in Israel.

Our headquarters are located in Israel and most of our key employees, officers and directors are residents of Israel. Accordingly, security, political and economic conditions in Israel directly affect our business. Over the past several decades, a number of armed conflicts have taken place between Israel and its Arab neighbours. During the recent years Israel was engaged in an armed conflict with a militant group and political party who controls the Gaza Strip. These conflicts involved missile strikes against civilian targets in various parts of Israel, including areas in which our employees and some of our consultants are located, and may negatively affect business conditions in Israel.

On October 7th, 2023, Hamas terrorist organization has launched an horrific hostile military assault against Israel. Hamas has murdered 795 civilians, 373 soldiers, policemen and foreigners and kidnapped more than 230 into the Gaza Strip. On that day, where militant groups launched a surprise attack on southern Israel from the Gaza Strip, marking the start of a most significant military escalation in the region. After clearing Hamas militants, the Israeli retribution war actions against Hamas which started from October 8th with more than 250,000 Israeli soldiers recruited from reserve military retaliated by conducting an extensive aerial bombardment campaign on Hamas targets, followed by a large-scale ground military act on Gaza. The aforementioned was also coupled with military actions taken on the Northern part of Israel against the Hezbollah from Lebanon which later turned into full scale fighting. Moreover during 2024 Iran has launched several missiles and ballistic missiles attacks against Israel to which Israel retaliated. We were not significantly affected by the aforementioned hostile and military actions. Continued or increased hostilities, future armed conflicts, political developments in other states in the region or continued or increased terrorism could make it more

difficult for us to conduct our operations in Israel, which could increase our costs and adversely affect our financial results.

Furthermore, there are number of countries, primarily in the Middle East, that still restrict business with Israel or Israeli companies and as a result our company is precluded from marketing its products in these countries. Restrictive laws or policies directed toward Israel or Israeli businesses could have an adverse effect on our ability to grow our business and our results of operations.

The Israeli government during year 2023 & 2024 pursued extensive changes to Israel's judicial system. This has sparked extensive political debate. In response to the foregoing developments, many individuals, organizations and institutions, both within and outside of Israel, have voiced concerns that the proposed changes may negatively impact the business environment in Israel, due to potential reluctance of foreign investors to invest or transact business in Israel, increased currency fluctuations, downgrades in credit rating which already occurred twice, increased interest rates, increased volatility in securities markets, and other changes in macroeconomic conditions. To the extent that any of these negative developments occur, they may have an adverse effect on our business, our results of operations, or our ability to raise additional funds.

Under Israeli law, we are considered a “monopoly” and therefore subject to certain restrictions that may negatively impact our ability to grow our business in Israel.

We have been declared a monopoly under the Israeli Economy competition Law (formerly known as Restrictive Trade Practices Law, 1988) (the “Israeli Antitrust Law”), in the market for the provision of systems for the location of vehicles. Under Israeli law, a monopoly is prohibited from taking certain actions, such as predatory pricing and the provision of loyalty discounts, which prohibitions do not apply to other companies. The Israeli antitrust authority (under its new name - Competition Authority) may further declare that we have abused our position in the market. Any such declaration in any suit in which it is claimed that we engage in anti-competitive conduct would serve as *prima facie* evidence that we are a monopoly or that we have engaged in anti-competitive behaviour. Furthermore, we may be ordered to take or refrain from taking certain actions, such as set maximum prices, in order to protect against unfair competition. If we breach certain provisions of the Israeli Antitrust Law, including as a monopoly, the Israeli Competition authority may also impose on us in an administrative procedure, financial sanctions in an amount of up to the lower of NIS 100 million (approximately US\$27.6 million, or 8% of our annual revenues for the last financial year prior to such breach. Restraints on our operations as a result of being considered a “monopoly” in Israel could adversely affect our ability to grow our business in Israel.

It may be difficult and costly to enforce a judgment issued in the United States against us, our executive officers and directors, or to assert United States securities laws claims in Israel or serve process on our officers and directors.

We are incorporated and headquartered in Israel. As a result, our executive officers and directors are non-residents of the United States and a substantial portion of our assets, and the assets of these persons are located outside of the United States. Therefore, service of process upon any of these officers or directors may be difficult to effect in the United States. Furthermore, it may be difficult to enforce a judgment issued against us in the United States or any of such persons in both United States courts and other courts abroad.

Additionally, there is doubt as to the enforceability of civil liabilities under United States federal securities laws in actions originally instituted in Israel or in actions for the enforcement of a judgment obtained in the United States on the basis of civil liabilities in Israel.

Provisions of Israeli corporate and tax law may delay, prevent or otherwise encumber a merger with, or an acquisition of, our company, which could prevent a change of control, even when the terms of such transaction are favourable to us and our shareholders.

We may be subject to Israeli corporate law which regulates mergers, requires tender offers for acquisitions of shares above specified thresholds, requires special approvals for transactions involving directors, officers or significant shareholders and regulates other matters that may be relevant to these types of transactions. In addition, our articles of association contain, among other things, provisions that may make it more difficult to acquire our company, such as classified board provisions and certain restrictions on the members of our board pursuant to regulatory requirements of the Israeli Ministry of Communication. Furthermore, Israeli tax considerations may make potential transaction structures involving the acquisition of our company unappealing to us or to some of our shareholders. See Item 10.B. – “Memorandum and Articles of Association” - “Our Corporate Practices under the Israeli Companies Law” under the

caption “Approval of Transactions under Israeli law” and Item 10.E. – “Taxation” under the caption “Israeli Tax Considerations” for additional discussion of some anti-takeover effects of Israeli law. These provisions of Israeli law and our articles of association may delay, prevent or otherwise encumber a merger with, or an acquisition of, our company or any of our assets, which could have the effect of delaying or preventing a change in control of our company, even when the terms of such a transaction could be favourable to our shareholders.

The rights and responsibilities of our shareholders will be governed by Israeli law and may differ in some respects from the rights and responsibilities of shareholders under United States law.

We are incorporated under Israeli law. The rights and responsibilities of holders of our ordinary shares are governed by our memorandum of association, articles of association and by Israeli law. These rights and responsibilities differ in some respects from the rights and responsibilities of shareholders in typical US-based corporations. In particular, a shareholder of an Israeli company has a duty to act in good faith toward the company and other shareholders and to refrain from abusing his, her or its power in the company, including, among other things, in voting at the general meeting of shareholders on certain matters. There is little case law available to assist in understanding the implications of these provisions that govern shareholders’ actions, which may be interpreted to impose additional obligations on holders of our ordinary shares that are typically not imposed on shareholders of US-based corporations.

GENERAL RISKS RELATED TO OUR ORDINARY SHARES AND THE ECONOMY

Future sales of our ordinary shares could reduce the market price of our ordinary shares.

If we or our shareholders sell substantial amounts of our ordinary shares on the Nasdaq Global Select Market, the market price of our ordinary shares may decline.

The market price of our ordinary shares is subject to fluctuation, which could result in substantial losses for our investors.

The stock market in general, and the market price of our ordinary shares in particular, are subject to fluctuation, and changes in our share price may be unrelated to our operating performance. The market price of our ordinary shares may fluctuate as a result of a number of factors, including:

- the gain or loss of significant orders or customers;
- recruitment or departure of key personnel;
- the announcement of new products or service enhancements by us or our competitors;
- quarterly variations in our or our competitors' results of operations;
- announcements related to litigation;
- changes in earnings estimates, investors' perceptions, recommendations by securities analysts or our failure to achieve analysts' earnings estimates;
- developments in our industry;
- general market conditions and other factors unrelated to our operating performance or the operating performance of our competitors.

These factors and price fluctuations may materially and adversely affect the market price of our ordinary shares and result in substantial losses to our investors.

Somewhat significant portion of our ordinary shares are held by a small number of existing shareholders and our articles of association provide for a staggered board, which may hinder change of control.

Moked Ituran Ltd. currently beneficially owns approximately 19.43% of our outstanding ordinary shares (not including treasury stock held by us). Other than applicable regulatory requirements under applicable law, Moked Ituran Ltd., is not prohibited from selling an interest in our company to a third party. In addition, our articles of association provide for a staggered board which may delay, prevent or deter a change in control. For additional information concerning our staggered board, see Item 6.A – Directors and Senior Management.

U.S. investors in our company could suffer adverse tax consequences if we are characterized as a passive foreign investment company.

If, for any taxable year, our passive income or our assets that produce passive income exceed levels established by the Internal Revenue Code, we may be characterized as a passive foreign investment company, which we refer to as PFIC, for US federal income tax purposes. This characterization could result in adverse US tax consequences to our

shareholders who are U.S. Holders. See Item 10.E. – “Taxation” under the caption “United States Tax Considerations” below, for more information about which shareholders may qualify as U.S. Holders. If we were classified as a PFIC, a U.S. Holder could be subject to increased tax liability upon the sale or other disposition of our ordinary shares or upon the receipt of amounts treated as “excess distributions.” Under such rules, the excess distribution and any gain would be allocated ratably over the U.S. Holder’s holding period for the ordinary shares and the amount allocated to the current taxable year and any taxable year prior to the first taxable year in which we were a PFIC would be taxed as ordinary income. The amount allocated to each of the other taxable years would be subject to tax at the highest marginal rate in effect for the applicable class of taxpayer for that year, and an interest charge for the deemed deferral benefit would be imposed on the resulting tax allocated to such other taxable years. In addition, U.S. holders of shares in a PFIC may not receive a “step-up” in basis on shares acquired from a decedent. U.S. Holders should consult with their own U.S. tax advisors with respect to the United States tax consequences of investing in our ordinary shares as well as the specific application of the “excess distribution” and other rules discussed in this paragraph. For a discussion of how we might be characterized as a PFIC and related tax consequences, please see Item 10.E. – “Taxation” under the caption “United States Tax Considerations–Passive foreign investment company considerations”.

Securities we issue to fund our operations or in connection with acquisitions could dilute our shareholders ownership or impact the value of our ordinary shares.

We may decide to raise additional funds through a public or private debt or equity financing to fund our operations or finance acquisitions. If we issue additional equity securities, the percentage of ownership of our shareholders will be reduced and the new equity securities may have rights superior to those of our ordinary shares, which may, in turn, adversely affect the value of our ordinary shares.

Global and local economic downturns could reduce the level of consumer spending and available credit within the automobile industry, which could adversely affect demand for our products and services and negatively impact our financial results.

Current and future economic conditions could adversely affect consumer spending in the automobile industry, as such spending is often discretionary and may decline during economic downturns when consumers have less disposable income. Consequently, changes in general economic conditions resulting in a significant decrease in dealer automobile sales or in a tightening of credit in financial markets, such as the 2007 U.S. subprime mortgage crisis and resulting credit crunch, could adversely impact our future revenue and earnings. Such decreases could also affect the financial security of the automobile dealers and manufacturers with whom we do business. The delayed payment from or closure of our larger dealer groups could affect our ability to collect on our receivables. Similar effects could result from local economic downturns in either one of our main markets of operations, i.e. Israel, Brazil and other regions which we operate. Given the volatile nature of the current market disruption, we may not timely anticipate or manage such existing or new risks. Our failure to do so could materially and adversely affect our business, financial condition, results of operations and prospects.

ITEM 4. INFORMATION ON THE COMPANY

A. HISTORY AND DEVELOPMENT OF THE COMPANY

Our History

Our legal name is Ituran Location and Control Ltd. We were incorporated under the laws of the State of Israel in 1994 as a subsidiary of Tadiran Ltd., an Israeli-based designer and manufacturer of telecommunications equipment, software and defence electronic systems, whose original business purpose was to adapt military-grade technologies for the civilian market.

We are mainly engaged in the area of Telematics services, consisting of stolen vehicle recovery, fleet management services, connected cars, UBI, and other tracking services. We also provide telematics products used in connection with our Telematics services and various other applications. We currently primarily provide our services and sell and lease our products in Israel, Brazil, and other regions where we operate. We also provide fleet management services in other countries through distributors.

In May 1998, we completed the initial public offering of our ordinary shares in Israel and our ordinary shares began trading on the Tel-Aviv Stock Exchange. In September 2005, we publicly offered our ordinary shares in the United States. On May 25, 2016, we voluntarily delisted our shares from the Tel Aviv Stock Exchange, and our ordinary shares are currently quoted only on Nasdaq under the symbol “ITRN”.

Our principal executive offices are located at 3 Hashikma Street, Azour 58001, Israel, and our telephone number is +972-3-557-1333. Our website address is www.ituran.com (the information contained therein or linked thereto shall not be considered incorporated by reference in this annual report). Our agent for service of process in the United States is Ituran USA Inc. 1700 NW 64th ST. SUITE 100 Fort Lauderdale, Florida 33309, and its telephone number is +1 (866) 543-5433. As a company whose ordinary shares are registered under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), we report publicly to the SEC. The SEC maintains an Internet site ([http:// www.sec.gov](http://www.sec.gov)) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

In the years 2018 and 2021, we completed in two steps, the acquisition of Road Track Holding S.L, (following transaction name was changed to Ituran Spain Holdings S.L) a telematics company operating primarily in the Latin American region ("RTH Transaction").

Principal Capital Expenditures

We had capital expenditures of \$ 13.6 million in 2024 of \$14.2 million in 2023, and \$26.5 million in 2022, primarily in Israel, Brazil and Mexico, consisting primarily of acquisitions of the operational equipment we use to provide. We financed our capital expenditures with cash flows generated from our operations.

B. BUSINESS OVERVIEW

Overview

We believe we are a leading provider of telematics services, consisting predominantly of stolen vehicle recovery, fleet management services and other tracking services as well as connected car and usage base insurance (UBI). We also provide telematics products used in connection with our telematics services. We currently primarily provide our services and sell and lease our products in Israel, Brazil, and our other regions which we operate and also other regions through our distributors. We utilize technologies that enable precise and secure high-speed data transmission and analysis. Some of the technology underlying our products was originally developed for the Israeli Defence Forces.

We generate our revenues from subscription fees paid for our telematics services and from the sale and lease of our telematics products.

We describe below the principal markets in which we compete. For a breakdown of total revenues by category of activity and geographic market for each of the last three financial years, please see Item 5.A - Operating Results under the caption "Revenues".

Telematics Services

In 2024, 72 % of our revenues were attributable to our telematics services. As of December 31, 2024, we provided our services in Israel, Brazil, and other countries to approximately 930,000, 725,000 and 754,000 subscribers, respectively.

We have direct agreements with three major car manufacturers and our products are embedded in their vehicles or otherwise approved by the car manufacturers. This connection requires us to meet the highest car manufacturer automotive standards.

Stolen vehicle recovery services

Our stolen vehicle recovery and tracking services, which we refer to as SVR services, enable us to locate, track and recover stolen vehicles for our subscribers. Our customers include retail and commercial who subscribe to our services directly, car manufacturers and insurance companies that either require their customers to install a security system or offer their customers financial incentives to subscribe to SVR services such as ours. In certain countries, insurance companies directly subscribe to our SVR services on behalf of their customers.

Fleet management services

Our fleet management services enable corporate and individual customers to track and manage their vehicles in real time. Our services improve appointment scheduling, route management and fleet usage tracking, thereby increasing efficiency and reducing operating costs for our customers. We market and sell our services to a broad range of vehicle fleet operators and individual vehicle owners in different geographic locations and industries. As of December 31, 2024,

we provided our services to approximately 474,000 end-users through corporate customers in countries where we operate directly and through 26,000 distributors.

Value-added services

The locator services that we offer allow customers to protect valuable merchandise and equipment. We currently provide locator services in Israel, Brazil, and other regions which we operate. In addition, through a call center, we provide 24-hour on-demand navigation guidance, information and assistance to our customers. Such services include the provision of traffic reports, help with directions and information on the location gas stations, car repair shops, post offices, hospitals and other facilities. We offer our concierge services to our subscribers in Israel, Brazil and other regions which we operate.

“Connected Car”- The service platform includes a back-office application, a telematics device installed in the vehicle, mobile apps for both IOS and Android and an interface using the car infotainment screen. Such services include information on car service history, information on some car systems, remote communication with the car in order to detect malfunctions, and to provide pre-emptive car maintenance alerts for both mechanical failures and operational issues such as a low tire pressure alert. The system also enables booking service appointments, both from the infotainment system interface in the system and from the user's mobile app and additional related operational, and marketing services, as well as information analysis. “Connected Car” is operating in Israel, Brazil, and other regions which we operate.

“Usage Based Insurance” (UBI) – we have developed a unique product (hardware and software) that measure and analyse the driving behaviour in a verity of aspects by the driver, which enables insurance companies to offer a tailor - made and personalized insurance policy. The UBI has already been implemented and marketed by the majority of the insurance companies in Israel.

“Auto Financing” - A strong second-hand car market in many of our geographies in Latin America, and new fintech start-ups as well as banks enter this segment to provide the financing in this market. However, they need a provider of location-based and connected-car technology, such as Ituran, to monitor the car location and driver’s behaviour and thereby decrease the risk of the car loans they make in these markets.

Telematics Products

In 2024, 28 % of our revenues were attributable to the sale of our telematics products. Our telematics products employ short - and medium-range communication between two-way wireless modems and are used for various applications, including automatic vehicle location, which we refer to as telematics products.

Our telematics products enable the location and tracking of vehicles, as well as assets, and are used by us primarily to provide SVR, fleet management services and UBI services to our customers. Each subscriber to our services has our telematics end-unit installed in their vehicle. Subscribers to services for locating equipment and merchandise use our SMART and GPS/GPRS products.

Our Services and Products

Telematics services

Stolen vehicle recovery

Our stolen vehicle recovery system is based on three main components: a telematics end-unit that is installed in the vehicle, a network of base stations and a 24-hour manned control center. Once the control center receives indication of an unauthorized entry into a vehicle equipped with our telematics end-unit, our operators decide whether it is a false alarm or an actual unauthorized entry. If it is determined to be an unauthorized entry, or if a notification of the vehicle’s theft is received directly from the vehicle operator, our operators transmit a signal that activates the transmitter installed in the vehicle. We then pinpoint the location of the transmitter with terrestrial network triangulation technology or GPRS technology as we communicate the location to our operations center and notify the relevant law enforcement agency. In Israel, Brazil, and the other regions which we operate, we also maintain private enforcement units, which work together with local police to recover the vehicle. In addition, we have the capability to immobilize vehicles remotely from our control centers.

Fleet management

We offer our customers the ability to use a comprehensive application for fleet management both by using an Internet site and workstations. Our system allows our customers 24-hour access to information on their fleets through our active control center and we are able to tailor our system to our customers' specific needs.

Our solutions allow our subscribers to effectively manage and control their fleet, and thereby to reduce their operating costs, optimize work hours and appointment scheduling and improve their services and operations. Our system includes the following features:

- the ability to locate the fleet's vehicles;
- continuous data communication with the fleet's vehicles;
- real-time vehicle status indicators: speed, distance driven, direction of travel, driver name, motion start/stop, engine start/stop, speeding, diagnostic alerts, driver behaviour and more;
- recording of determined events and analysis of data over time to improve driving and vehicle use;
- remote monitoring and processing of data, such as temperature control in refrigerated or chilled compartments, time stamp, tire pressure and heat and other complementary data;
 - connection to standard organization systems;
 - accident notification;
 - task management optimization.

Value-added services

Locator services. Our services allow consumers to protect valuable merchandise and equipment. We provide our locator services in Israel, Brazil, and other regions which we operate.

Concierge services and Connected car. Through a call center, we provide 24-hour on-demand navigation guidance, information and assistance to our customers. Such services include the provision of traffic reports, help with directions and information on the location of gas stations, car repair shops, post offices, hospitals and other facilities. We provide our concierge services to subscribers in Israel, Brazil and other regions which we operate.

"UBI" and "Connected Car". We provide UBI services in Israel to most of insurance companies, and Connected Car services in Israel, Brazil, and other regions which we operate. For additional information on the service, see Item 4.B. – "Information on the Company" – "Business Overview" under the caption "Telematics Services"

Telematics products

Our telematics products are used for various applications in the telematics markets and primarily in connection with our telematics services described above.

Our telematics products enable the location and tracking of vehicles, as well as assets or persons, and are primarily used by us in providing our telematics services. Most of our subscribers to our services have at least one of our end-units installed in his or her vehicle. Subscribers to services for locating persons or valuables will use our SMART and GPS/GPRS products. Our key telematics products for telematics applications include:

- **Base Site:** a radio receiver, which includes a processor and a data computation unit to collect and send data to and from transponders and send that data to controls centers as part of the terrestrial infrastructure of the location system;
- **Control Center:** a center consisting of software used to collect data from various base sites, conduct location calculations and transmit location data to various customers and law enforcement agencies;
- **GPS/GPRS-based products:** navigation and tracking devices installed in vehicles; and
- **SMART:** a portable transmitter installed in vehicles (including motorcycles) that sends a signal to the base site, enabling the location of vehicles, equipment or an individual.

Geographical Information

The following table lists the key services and products that we currently sell or lease in different regions of the world:

<u>Country</u>	<u>Services offered</u>	<u>Products sold</u>
Israel	SVR, Fleet Management, Value-added services, Connected Car, UBI	Telematics Products
Brazil	SVR, Fleet Management, Value-added services, Connected Car, Asset protection to Auto Lenders	Telematics Products
Mexico, Ecuador, Colombia	SVR, Fleet Management, Value-added services, including Accessories, App & web page services Connected Car	Telematics Products
United States	SVR, Fleet Management, Value-added services, Asset protection to Auto Lenders	Telematics Products
Argentina	SVR, Fleet Management, Value-added services, Connected Car Asset Tracking	Telematics Products

We maintain a control center in each of the countries listed above, which is operated 24 hours a day, 365 days a year. The following is a short description of key operating statistics about our telematics services in the countries in which we operate:

- **Israel:** We commenced operations in Israel in 1995. The operations in Israel were expanded through M&A transactions with local companies (following the RTH Transaction which was concluded in year 2018-”**RTH Transaction**”) as well as organic growth. We operate throughout Israel in providing services mainly through GPS/GPRS and also in some cases RF based products and services.
- **Brazil:** We commenced operations in Brazil in 2000. The operations were expanded through organic growth. We currently provide RF based products and services only in the metropolitan areas of Sao Paulo, Campinas, Americana and Rio de Janeiro. However, we operate throughout Brazil in providing GPS/GPRS based products and services.
- **Argentina:** We commenced operations in Argentina in 2002. We currently provide to our current customers (not for new installations) RF based products and services only in the metropolitan area of Buenos Aires. However, we also operate throughout Argentina in providing GPS/GPRS based products and services.
- **United States:** We commenced operations in the United States in 2000. We provide GPS/GPRS products and services throughout the United States.
- **Mexico:** We acquired the operations in Mexico in September 2018 as part of the RTH Transaction. We currently provide GPS/GPRS based products and services.
- **Ecuador:** We acquired the operations in Ecuador in September 2018 as part of the RTH Transaction. We currently provide GPS/GPRS based products and services.

- **Colombia:** We acquired the operations in Colombia in September 2018 as part of the RTH Transaction. We currently provide GPS/GPRS based products and services.

Customers, Marketing and Sales

We market and sell our products and services to a broad range of customers that vary in size, geographic location and industry. No single customer or group of related customers comprised more than 10% of our total annual revenues in the last three years.

Our selling and marketing objective is to achieve broad market penetration through targeted marketing and sales activities. As of December 31, 2024, our selling and marketing team consisted of 56 employees.

(A) Telematics services

Stolen vehicle recovery

Our customers in the SVR market include insurance companies, car manufactures, retail and commercial companies. As of December 31, 2024, majority of our subscribers use SVR services.

Our marketing and sales efforts are principally focused on five target groups: insurance companies and agents, car manufacturers, dealers and importers, cooperative sales channels (mostly vehicle fleet operators and owners), private fleet subscribers, and finance Institution.

We maintain marketing and sales departments in each geographical market in which we operate. Each department is responsible for maintaining our relationships with our principal target groups. These responsibilities also include advertising and branding, sales promotions and sweepstakes.

In Israel, we focus our marketing efforts on insurance companies and agents, dealers and importers, cooperative sales channels (mostly vehicle fleet operators and owners) and private subscribers.

In Brazil and Argentina our marketing and sales efforts are principally focused in all five target groups, as described above. In the United States, we believe that insurance companies do not constitute a material influence in the marketing of SVR services or telematics products. Most of our sales in the United States are made through car dealerships and dealers for new or used vehicles and cooperative sales channels.

In Mexico, Colombia and Ecuador we focus our marketing efforts on dealers and importers, cooperative sales channels (mostly vehicle fleet operators and owners), private subscribers and car manufactures.

Fleet management

Vehicle fleet management systems are primarily marketed through vehicle fleets' departments, which form a part of our regional marketing departments. We conduct in-depth research to identify companies that will gain efficiency and cost savings through the implementation of our products and services and conduct targeted marketing campaigns to these companies. In addition, we participate in professional conventions and advertise in professional publications and journals designed for our target customers. Our customers in the fleet management market include small-, mid- and large-size enterprises and individuals. As of December 31, 2024, we provided our services to approximately end users through 474,000 corporate customers and individuals in countries where we operate.

Value-added services

“Concierge Services” - Our concierge services are provided to existing SVR customers. A few thousands SMART devices were installed in valuable merchandise and equipment.

“Connected Car”- The service platform includes a back-office application, a telematics device installed in the vehicle, mobile apps for both IOS and Android and an interface using the car infotainment screen. Such services include information on car service history, information on some car systems, remote communication with the car in order to detect malfunctions, and to provide pre-emptive car maintenance alerts for both mechanical failures and operational issues such as a low tire pressure alert. The system also enables booking service appointments, both from the infotainment system interface in the system and from the user's mobile app, and additional related operational, and marketing services, as well as information analysis.” Connected Car’ is operating in regions where we operate.

“Usage Based Insurance (UBI)” – we have developed a unique product (hardware and software) that measure and analyse the driving behaviour in a verity of aspects by the driver, which enables insurance companies to offer a tailor -

made and personalized insurance policy. The UBI has already been implemented and marketed by the majority of the insurance companies in Israel.

(B) Telematics products

Our telematics end-units are primarily used by us in providing our telematics services, including, SVR, fleet management, “Connected Car” and value-added services, at the regions we operate.

Competition

We face strong competition for our services and products in each market in which we operate. We compete primarily on technology edge, functionality, ease of use, quality, price, service availability, geographic coverage, track record of recovery rates and response times and financial strength.

(A) Telematics services

We compete with a variety of companies in each of our markets. The major technologies utilized by our competitors are GPS/cellular, network-based cellular, UBI and radio frequency-based homing systems. In addition, new competitors utilizing other technologies may continue to enter the market.

Stolen vehicle recovery

- **Israel.** Our primary competitors in Israel are Pointer and Skylock Ltd.
- **Brazil.** Brazil is a highly fragmented market with many companies selling competing products and services (including immobilizers and other less-sophisticated vehicle security systems). Our main competitors in Brazil are Sascar, Zatix, CEABS, Car Systems, Sat-Company, 3S.
- **Argentina.** Argentina is a highly fragmented market with many companies selling competing products and services (including immobilizers and other less-sophisticated vehicle security systems). Our main competitors in Argentina are LoJack Corporation, Pointer Argentina S.A., Prosegur S.A. and Megatrans S.A.
- **United States.** In the United States, there are several major companies offering various theft protection and recovery products that compete with our product and service offerings, including LoJack Corporation, OnStar Corporation, Advantage GPS/Procon Analytics, Sarekon GPS, Calamp, Spireon (which also includes SysLocate and GoldStar), PassTime, Guide Point, Icon and I-Metrik SVR.
- **Colombia.** Colombia is a highly fragmented market. Main companies operate under the satellite/cellular infrastructure. Our main competitors are LoJack Corporation (under Detekor Brand), Hunter, SATRACK (Local Company).
- **Mexico.** Mexico is a highly fragmented market in tracking and satellite location services, in which there are multiple companies dedicated to providing comprehensive satellite tracking, fleet management and vehicle recovery solutions with GPS technology through the marketing of similar devices and technologies to ours, highly specialized in fleet management. The direct competitors are LoJack Corporation, Encontract S.A., On Star and Pointer Recuperación S.A.
- **Ecuador.** Ecuador is highly fragmented market. Main companies operate under the satellite/cellular infrastructure. Our main competitors are Hunter (Lojack Corporation), Tracklink and Carsync.

We believe that we are a leading provider of telematics services in Israel, as we are deemed a monopoly in this field; however, we are unable to provide specific market share information in the markets of our operations for various reasons, including the broad range of services and products that compete in these markets, the non-existence of trade publications with respect to the products and services we offer in such markets and the lack of meaningful or accurate market research or data available to us.

Fleet Management

The vehicle fleet management market is highly fragmented with many corporations offering location products and services. Our major competitors are:

- **Israel:** Pointer Telocation, ISR, Traffilog, INET, and Skylock;

- **United States:** GPS Insight, Trimble, Network Fleet, Street Eagle, FleetMatics, Navtrack, Teletrac, Trim Track, FleetBoss, PassTime, Verizon, AT&T, Geotab, Fleet-Complete, Sprint, Zubie, and Spireon;
- **Brazil:** Sascar, Zatic, CEABS, 3S and GolSat;
- **Argentina:** LoJack Corporation, Megatrans S.A., Sitrac S.A., American Tracer, Ubicar S.A., Sky Cop. and YPF S.A.;
- **Mexico:** LoJack Corporation, Encotrack, Easytrack, Geotab and Tracker;
- **Ecuador:** Hunter (LoJack Corporation), Tracklink, Carsync and Sherlock;
- **Colombia:** Satrack, Detector and Hunter.

(B) Telematics products

Our telematics system for automatic vehicle location is based on terrestrial network triangulation technology and GPS/GPRS and primarily competes with companies that use one of three main technologies: GPS/GPRS (in combination with telematics), network-based cellular communication and radio frequency-based homing.

Telematics products based on GPS, network-based cellular and homing technologies do not require the construction of a separate infrastructure of base stations as with terrestrial network triangulation systems.

GPS receivers require line of sight to at least three satellites, which reduces their effectiveness in areas where the satellite signals are subject to interference and “noise” (such as urban areas, buildings or parking garages, forests and other enclosed or underground spaces). GPS and network-based cellular systems are also prone to jamming since the tracking signal receivers are located in the vehicle and can be easily tampered with. In addition, the satellites utilized by GPS devices are managed by the United States Department of Defence and can be subject to forced temporary outages. The main disadvantage of homing systems is that they provide only the general direction and not the precise location of the end-unit. In addition, homing systems require that the vehicle be reported stolen before the tracking signal can be activated, which may result in a delay between vehicle theft and recovery.

The GPS technology can receive and transmit a massive capacity of data which enable us to provide a better data analysis and variety of additional services.

Terrestrial network triangulation system does not require line of sight and the signals are not easily interrupted in densely populated or obstructed areas. Also, the signals are transmitted from the end-unit in the vehicle to a network of base stations. Therefore, in order to jam the system, receivers in each individual base station within range of the end-unit would have to be jammed, which is difficult to accomplish. Additionally, since the primary application of terrestrial network triangulation systems in the telematics industry is vehicle location and not continuous two-way communication, short bursts of data are sufficient for tracking purposes, which enable the network of base stations to be deployed at a much lower density in the coverage area than traditional network-based cellular base stations. Terrestrial network triangulation systems are capable of determining the precise location, and not just the general direction, of a vehicle at any moment in time. Furthermore, when connected with the existing theft protection system in the vehicle, terrestrial network triangulation systems automatically alert the control center when a vehicle is stolen and do not require that the vehicle be reported stolen, which can potentially reduce stolen vehicle recovery times to a few minutes. The main disadvantage of terrestrial network triangulation systems is the necessity to deploy a physical infrastructure, including the construction, development and deployment of a network of base stations and a control center and the need to address the various financial, legal and practical issues associated with such deployment. Any such deployment entails an investment of a sizable amount of money prior to the receipt of any revenues.

Since our telematics end-units are primarily used by us in providing our telematics services, the information provided above concerning our competition in this market is applicable to the competition in the telematics products’ market as well.

Manufacturing Operations and Suppliers

Our telematics products are manufactured and assembled by a limited number of manufacturers in Israel (including our subsidiary E.R.M) and in China. We engage with our manufacturers on a full turn-key basis, where we supply detailed production files and materials list and receive a final product that we sell directly to our clients. Other than our dependency on manufacturing suppliers, as described in Item 3D -”Risk Factors” above, we do not depend on a single manufacturer for the production of our products. Our quality assurance and testing operations are performed by our

manufacturers at their facilities, while using our quality assurance and testing equipment and in accordance with the test procedures designated by us. We monitor quality with respect to key stages of the production process, including the selection of components and subassembly suppliers, warehouse procedures, assembly of goods, final testing, packaging and shipping. We are ISO 9001 certified. Some of our products are within the highest car manufacture automotive standard. We believe that our quality assurance procedures have been instrumental in achieving the high degree of reliability of our products.

Several components and subassemblies included in our products are presently obtainable from a single source or a limited group of suppliers and subcontractors. We maintain strong relationships with our manufacturers and suppliers to ensure that we receive an adequate supply of products, components and raw materials at favourable prices and to access their latest technologies and product specifications.

Proprietary Rights

We seek to protect our intellectual property through patents, trademarks, contractual rights, trade secrets, know-how, technical measures and confidentiality, non-disclosure and assignment of inventions agreements and other appropriate protective measures to protect our proprietary rights in the primary markets in which we operate. The continued use of some licenses granted by third parties to use their intellectual property is material to our business. Please refer to Item 3D. – Risk Factors, under the caption “We rely on some intellectual property that we license from third parties, the loss of which could preclude us from providing our SVR services or market and sell some of our telematics products, which would adversely affect our revenues” above.

We typically enter into non-disclosure and confidentiality agreements with our employees and consultants. We also seek these protective agreements from some of our suppliers and subcontractors who have access to sensitive information regarding our intellectual property. These agreements provide that confidential information developed or made known during the course of a relationship with us is to be kept confidential and not disclosed to third parties, except in specific circumstances.

Our stolen vehicle recovery system is based on three main components: (i) a telematics end-unit that is installed in the vehicle, (ii) (for RF technology based telematics units) a network of base stations that relay information between the vehicle location units and the control center, certain components of which were developed by third parties and are currently licensed to us and (iii) a 24-hour manned control center consisting of software used to manage communications and the exchange of information among the hardware components of the telematics system, certain components of which were developed by third parties and licensed to us.

“Ituran” and “Mr. Big” and the related logos are our trademarks, the former has been registered in Israel, Hong Kong and as a European Union and the latter has been registered in Israel. “Mapa” trademark and its related logos were sold as part of the sale of Mapa to an unrelated party to us.

Environmental, Social and Governance (ESG) Practices

As a global brand with material social and economic influence, we recognize that our success can only be built alongside the success of our stakeholders, including, our users, partners, and employees. We aim to achieve high ESG standards while continuing to develop our business and executing on our strategy.

We conduct our business activities and develop policies based on a firm commitment to ethical practices and corporate governance best practices. This includes the “code of business conduct and ethics” and anti-bribery/corruption area where we have a policy of zero tolerance for corruption. This also includes a “Whistle Blower” procedure whose purpose is to dissuade and to prevent illegal activity and conduct of business that may harm our good reputation. Our code of business conduct and ethics, and the Whistle Blower procedure are published in our website.

We promote and support fair social and economic opportunities in the professional services global market. We recognize that there are systemic and cultural biases, caused by age, gender, race, ethnicity, sexual orientation, religion, or ability, and we know these biases can reduce the accessibility to opportunities on a global scale. It is our mission to reduce these accessibility gaps worldwide through our services, the programs we support, and the partners with whom we work. We invest resources into data privacy and how we can protect our users by, among other things, building key infrastructures and policies to safeguard the data on our platform and the privacy of our users.

We advance fairness and transparency in our workforce and we promote and implement fair labor practices and employees' human rights throughout our organization. We respect data privacy relating to our employees. We act to

prevent sexual harassment and workplace bullying. We also implement non-discriminatory hiring and promotion practices and actively pursue gender diversity in our workforce.

We value and celebrate diversity within our community. Our work environment seeks to foster an inclusive culture, where our employees feel challenged and in possession of the tools to thrive at work. We are continuously learning and looking at ways to continue to create an environment that is an inclusive place of work. Furthermore, we recognize the importance of environmental matters. In 2023 we received the “Great Place to Work” achievement.

In addition, we also have an “environmental policy”. This policy sets goals in terms of preserving the environment, raising employee's awareness and developing and promotion products that will help our customers to save fuel and as a result to reduce waste, air pollution and gas emissions greenhouse. We also adopted a “Code of conduct of Ituran's Suppliers and Agents” which sets high standards in choosing our suppliers, In terms of business honestly, ethically and quality drive. Our environmental policy and the Code of conduct of Ituran's Suppliers and Agents our both published in our website at <https://www.ituran.com/>.

Regulatory Environment

In order to provide our SVR services in the locations where we currently operate, we need to obtain four primary types of licenses and permits: (i) for our products utilizing the RF technology - a license that allows us to use designated frequencies for broadcasting, transmission or reception of signals and information and to provide telecommunication services to our customers, (ii) for our products utilizing the RF technology - a building permit, which permits us to erect our base sites and transmit therefrom, (iii) product specific licenses (commonly known as type approvals), which enable us to use the equipment necessary for our services, and (iv) a general commerce license, which allows us to offer our services to the public.

The telecommunication services and frequency license and general commerce licenses we require are granted by the applicable national agency regulating communications in the markets in which we operate, specifically, the Ministry of Communication, in Israel, Anatel. Agencia Nacional de Telecomunicatoes in Brazil. Modernization Ministry in Argentina and the Federal Communications Commission in USA. The product specific licenses we require are granted in Israel by the Ministry of Communication, in Brazil by IBRACE (the Instituto Brasileiro de Certificatao de Productos para Telecomunicatoes), in Argentina by the Autoridad Federal de Tecnologias de la Información y las Comunicaciones, in the United States by the Federal Communications Commission, and Ministry of Information Technology and Communications and Regulatory Communications Commission in Colombia. In Mexico, the regulatory authority is the Federal Telecommunications Commission, however, because of the type of services we provide, we are not obligated entities. In Ecuador's case, the regulatory body is the Telecommunications Regulatory and Control Agency, however, we are not subject to either.

In Brazil, the general commerce licenses, such as the city permits, are granted by the local municipalities and other specific entities, depending on the licenses required.

Our frequency licenses in all of the locations where we operate are “secondary” or “joint”, which means that the government may grant another person or persons, typically a cellular operator, a primary license to the same frequencies and, to the extent our operations interfere with the operations of the other person, we would have to modify our operations to accommodate the joint use of the frequencies. All of these licenses are also subject to revocation, alteration or limitation by the respective authority granting them. While any events that would cause us to change frequencies or to modify our operations could have a material adverse effect on us, we do not believe that this is a likely event in any of the locations where we provide our SVR services.

In Israel, frequency license following new regulations since October 2022, there is no need any more for the extension of our frequency license, and registration with a specific registrar is sufficient. Our frequency licenses in Brazil will expire in 2034. We have options to extend all of our frequency licenses for periods ranging from three- to ten-years. A renewal application in Brazil will be submitted 6 months before the frequency license expiration date, to provide us a new license for a period of ten (10) years. In Argentina, on July 15, 1999, the SECOM (Secretary of Communication dependent of Economy Ministry) granted us a license to provide services in a Secondary Band. On December 2015, SECOM was converted into the Modernization Ministry, with ENACOM (National Communication Entity) which is a decentralized entity that works within the scope of the Modernization Ministry.

Nevertheless, our frequency is still authorized, there is a new entrant with ENACOM Authorization to provide LTE service. If this entrant starts the activity, we will face an incompatibility situation. We received the authorization from ENACOM to use a 12-month trial in Band 8 902-905/947-950 MHz bands additionally to our current frequencies.

During this period, we will perform a test to obtain a definitive authorization. Due to the Covid-19 Pandemic we have not managed an extension to the trial period so as not to compromise future network development. We have decided to wait for a formal request from ENACOM to start again with this trial.

On December 9, 2016, we were informed that one of the cellular providers in Argentina, which shares some of our frequencies, intends to implement on them 4G cellular service. Such service was implemented, without causing interference that may prevent the provision of our SVR service in Argentina.

We are negotiating with ENACOM to define new frequency which we will migrate into. Subject to the applicable laws, and ENACOM decision, the migration process may take few years and will be determined by ENACOM. We have decided to continue waiting for a formal request from ENACOM to restart this trial.

In Israel and Brazil, like our competitors and most cellular operators, we are not in compliance with all relevant laws and regulations in connection with the erection of transmission antennas (our base sites). As of the date hereof, most of our base sites in Israel and Brazil are operating without local building permits. Currently, there is heightened awareness of this issue in Israel, particularly in connection with base sites of cellular providers, and possible sanctions could include fines and even the closure or demolition of these base sites. In Brazil, Brazilian authorities enforce permit requirements and impose penalties for non-compliance with such requirements. However, we do not believe this is likely. Obtaining such required permits may involve additional fees as well as payments to the Land Administration Authority.

In Israel the required permits and approvals for the erection of the base sites include:

- erection and operating permits from the Israeli Ministry of the Environment;
- permits from the Israeli Civil Aviation Authority, in certain cases;
- permits from the Israeli Defence Forces;
- approval from Israel's Land Administration and/or from Civil Administration in the Territories, which usually also involves payment for the land use rights; and
- building permits from local or regional zoning authorities in Israel and Brazil.

In Brazil, very few providers of wireless telecommunications services obtain the required permits for the erection of transmission antennas due to the nature of the approval process. Currently we do not have such permits (except Anatel permits). In Brazil, we try to minimize our risk by locating most of our equipment in sub-leased sites which are already used by other telecommunication service providers, such as cellular operators.

In Brazil the required permits for the building of our base sites include:

- a permit from Anatel (National Agency for Telecommunication)
- a permit from IBAMA (Environment national agency) and/or state EPAs
- municipal permits
- a permit from the fire department; and
- a permit from COMAR (aviation authorities).

ANATEL permits are required only for sites where we have transmission equipment, and we have obtained all the permits required with this agency. Special IBAMA permits need to be obtained only for ground sites which are located in certain preservation areas. We have few sites of this kind, most of them are collocated sites where we pay for the right of use and permits are undertaken by the landowner. Fire Department permits are required only for equipment rooms and we have not applied for any as of this date. COMAR permits are needed only for a very few of our sites, most of which are collocated.

In Argentina, the installation of an antenna support structure requires the authorization of the owner of the building or the land in which it is intended to be install. The Municipalities regulate through specific Municipal Ordinances are granting urban licenses for our base stations' installation.

The regulation referred to the civil work of the support structure of the antenna, (masts / towers / anchors / bracing, etc.) is not the competence of ENACOM (National Communication Entity), so it cannot exercise jurisdiction over it. This

situation is determined in articles 39, 40 and 41 of the National Law 19798/72, and in Resolution No. 795 CNT / 92, ratified by Resolution 302 SC / 99. Therefore, the claims and queries related to the installation, the deterioration or poor conditions or related to the support structures, should be addressed to the municipalities. It should be noted that the owner of a station in operation assumes responsibility for the works and accessory facilities that must be executed to install a radio station, attributing the technical responsibility of a civil work, to the designer and the director of the same, being this situation framed in what is established in articles 1273 and following of the Civil and Commercial Code of the Nation.

We are not in compliance with all relevant laws and regulations in connection with the erection of antennas; some of them in the past were demolished by Municipalities. As of the date hereof, most of our base sites operating without local Municipality permits, possible sanctions could include fines and even the closure of those sites. In Argentina authorities enforce permit requirements and impose penalties for non-compliance with such requirements. Obtaining such required permits may involve additional fees as well as payments to Municipality Authority.

In Colombia we have to pay 2.2% on the annual gross income generated by the provision of our services to the Ministry of Information Technologies and Communications (MINTIC) for use of telecommunication spectrum (resolution 0290 MINTIC) and 0.1% to Commission Regulatory of Communications (CRC) in the same terms (resolution 5807 CRC).

In Ecuador and Mexico there are no levies imposed on our activities

We have been declared a monopoly under the Israeli Antitrust Law, 1988, in the provision of systems for the location of vehicles in Israel. This law prohibits a monopoly from abusing its market position in a manner that might reduce competition in the market or negatively affect the public. For instance, a monopoly is prohibited from engaging in predatory pricing and providing loyalty discounts, which prohibitions do not apply to other companies. The law empowers the Commissioner of Competition to instruct a monopoly abusing its market power to perform certain acts or to refrain from taking certain acts in order to prevent the abuse. Additionally, any declaration by the Israeli Competition authority that a monopoly has abused its position in the market may serve in any suit in which it is claimed that such a monopoly engages in anti-competitive conduct, as *prima facie* evidence that it has engaged in anti-competitive behaviour. Our declaration as a monopoly in the market of “provision of systems for the location of vehicles in Israel” was not accompanied with any instructions or special restrictions beyond the provisions of The Economic Competition Law. Although we may be ordered to take or refrain from taking certain actions, to date we have not been subject to such restrictions.

Other Investments

As part of our ongoing business we are engaged and encountered by many potential investments which may have correlation to our core business. The following are the main investments we have consummated during lastdecade

Bringg - On December 2013 the Company invested \$1.4 million in Bringg delivery technologies Ltd. (formerly Overvoo Ltd.), an Israeli start-up company developing solutions for the management of mobile/field workforce. In January and July, 2015, we invested additional amounts of \$1.1 million and US\$ 2 million, respectively. During the years 2015 - 2020, additional investors, which are not related to us, invested in Bringg a total amount of approximately \$80 million, which reduced our capital share in Bringg. During 2021, Bringg, raised an additional \$100 million, which sets Bringg’s valuation at \$1 billion. Following such investment, we now hold 16.3% of Bringg’s share capital.

(C) ORGANIZATIONAL STRUCTURE

In July 1995, Moked Ituran Ltd. purchased our company and the assets used in connection with our operations from Tadiran and Tadiran Public Offerings Ltd. In September 2018, we acquired a majority of the shares of Road Track, a telematics company operating primarily in the Latin American region.

List of Significant subsidiaries:

<u>Name of Subsidiary</u>	<u>Country of Incorporation</u>	<u>Proportion of Ownership Interest</u>
Ituran USA Holdings Inc	USA	100%
Ituran USA Inc	USA	85.80%
Ituran de Argentina S.A	Argentina	100%
Ituran Sistemas de Monitoramento Ltda	Brazil	98.75%
Ituran MOB Services LTDA	Brazil	51%
Ituran servicios Ltda	Brazil	98.75%
E.R.M. Electronic Systems Limited	Israel	49.5% ¹
Ituran Spain Holding S.L	Spain	100%
Ituran Road Track Monitoramento de Veiculos LTDA	Brazil	100%
Road Track De Colombia S.A.S	Colombia	100%
Road Track Ecuador, S.A.	Ecuador	100%
Ituran Chile S.A.	Chile	100%
Road Track Mexico S.A. De C.V	Mexico	100%
Road Track HK Telematics Limited	Hong Kong	100%
E.D.T.E – Drive Technology Ltd	Israel	100%
Ituran Tech Ltd	Israel	100%

¹ The proportion of voting power is 51%

D. PROPERTY, PLANTS AND EQUIPMENT

As of the date of this annual report, we own and lease the following properties: An office building of eight floors (approximately 5,356 sqm (57,651 square feet)), which was purchased by our subsidiary Ituran Sistemas de Monitoramento Ltda (Ituran Brazil) in Sao Paulo, Brazil, and was later, on December 3, 2014 sold to Ituran Location and Control Ltd, A building located in Rua Joao pessoa 450, Sao Caetano do Sul, Estado de Sao Paulo in Sao Paulo, Brazil in the area of approximately 36,936 square feet which was purchased by our subsidiary Ituran Road Track Monitoramento de Veiculos, Ltda which serve as an Operating center, A building located in Avenida del Taller No.36 Col. Transito in Mexico in the area of approximately 21,132 square feet which was purchased by our subsidiary Road Track Mexico, S.A de C.V which serve as an Operating center, a building located in Manuel Najas Oel 81 and Juan de Selis in Quito, Ecuador in the area of approximately 24,176 square feet which was purchased by our subsidiary Road Track Ecuador, S.A which serve as an Operating center, and a building located in Keren Ha' Yesod 15,

Tirat Ha'Carmel, Israel at the area of approximately 5,025 square feet which was purchased by our subsidiary E.D.T.E – Drive Technology Ltd which serve as an office space and a warehouse.

Other than the property in Brazil, Ecuador and Mexico and Israel, all of our offices, headquarters, control centers and facilities are leased in accordance with our specific needs in the areas in which we operate. Additionally, we lease space

for our base sites, in order to operate the reception and transmission stations of the system, in each area in which we provide our SVR services.

In 2024 we leased an aggregate of approximately 68,270 square feet of office space in Azour and Holon, Israel. In 2024, the annual lease payments for these facilities were approximately 1,372,000. The lease ends by April 2029. These premises include our executive offices and the administrative and operational centers for our operations as well as our customer service, value-added services and technical support centers and warehouse for the Israeli market. We also lease 1,000 square feet for a warehouse in Tirat Ha'Carmel for \$ 20,000 annually.

In Buenos Aires, Argentina, we lease approximately 10,473 square feet for office space for the total amount of AR\$121.803.927,4 (\$ 130.771) annually and approximately 3,307 square feet for our Data Center and support services offices for AR\$ 22.732.493 (\$ 24.514) annually.

In Bogota, Colombia, we lease approximately 9,035 square feet for office space and Operating center for the amount of \$79,500 annually.

In Mexico City, Mexico, through our subsidiary we own a building with area of approximately 21,000 sqf which serves as an operating center and we lease a warehouse for the amount of \$3,000 annually.

We leased approximately 12,916 square feet of office space, stores and warehouse in Brazil for approximately 336,000 (\$58,000) Brazilian Real annually.

In Guayaquil, Ecuador, we lease approximately 7,828 square feet for Warehouse for the amount of \$ 30,000 annually. In Quito, Ecuador, we lease approximately 3,229 square feet for Warehouse for the amount of \$ 11,700 annually. In Cuenca, Ecuador, we lease approximately 538 square feet for Warehouse for the amount of \$ 3,521 annually. .

We leased approximately 9,260 square feet for our offices and control center in Florida for an amount of \$176,000 annually, the lease term automatically extends for periods of one month from March 31, 2023, and for each additional month thereafter until the tenant provides the landlord written notice that it intends to vacate the premises with 6 months notice.

We believe that our facilities are suitable and adequate for our operations as currently conducted. In the event that additional facilities will be required, we believe that we could obtain such facilities at commercially reasonable rates.

The size of our base station sites varies from approximately 11 to 44 square feet. In Israel, we have 98 base stations and we rent most base station sites independently for a monthly rate ranging from \$200 to \$2,200 per site depending on the location, size and other factors; for certain sites we do not pay any rent. The typical duration of a lease agreement for our base stations in Israel is five years and we generally have a right to renew the term of the lease agreements for a period ranging between two and five years. In Brazil, we have 144 base station sites, of which 20 sites are leased from the same entity under a 15 year-contract, (commencing from 2012) for a monthly rate ranging from \$500 to \$1,750 per site. The remaining 124 sites are leased independently for an annual rate ranging from \$200 to \$550 depending on the location, size and other factors, and the typical duration for these leases is five years. In Argentina, we have 7 base station sites, all of which are leased from three entities for a monthly rate ranging from \$400 to \$495 per site. The duration of the lease ranges from one to two years.

We do not believe that we have a legal retirement obligation associated with the operating leases for our base sites pursuant to the relevant accounting standards, since we do not own any real property. However, we are obligated pursuant to certain of the operating leases for our base sites, mainly for base sites in Israel, Brazil and Argentina, to restore facilities or remove equipment at the end of the lease term. Since the restoration is limited to any construction or property installed on the property, which in our case is only the installed antennas, we do not believe that these obligations, individually or in the aggregate, will result in us incurring a material expense.

ITEM 4.A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5 OPERATING AND FINANCIAL REVIEW AND PROSPECTS

A. OPERATING RESULTS

The information contained in this section should be read in conjunction with our financial statements for the year ended December 31, 2024 and related notes and the information contained elsewhere in this annual report. Our financial statements have been prepared in accordance with U.S. GAAP. This discussion contains forward-looking statements that are subject to known and unknown risks and uncertainties. As a result of many factors, such as those set forth under “ITEM 3.D. Risk Factors” and “Cautionary Note Regarding Forward-Looking Statements,” our actual results may differ materially from those anticipated in these forward-looking statements.

Outlook

We sell our services and products directly and through our subsidiaries and distributors to several countries mainly Israel and Brazil. In 2024, we experienced increased revenue and growth in most of the markets in which we provide our telematics services. These markets in which we operate, are generally characterized by high vehicle theft rates, and therefore insurance companies and car manufactures are seeking solutions to reduce their losses resulting from car theft and at the same time increasing their sales by adding additional value to the customer. Therefore we believe the markets in which we operate, especially in Israel and will continue to provide growth and demand for our telematics products and services.

Geographical breakdown

Telematics services' subscriber base

The following table sets forth the geographic breakdown of subscribers to our telematics services as of the dates indicated: ⁽¹⁾

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Israel	930,000	814,000	738,000
Brazil	725,000	672,000	558,000
Others	754,000	766,000	770,000
Total⁽¹⁾	<u>2,409,000</u>	<u>2,252,000</u>	<u>2,066,000</u>

⁽¹⁾ All numbers provided are rounded, and therefore totals may be slightly different than the results obtained by adding the numbers provided

Revenues

The following table sets forth the geographic breakdown of our revenues for each of our business segments for the relevant periods indicated. ⁽¹⁾

	<u>2024</u>		<u>2023</u>		<u>2022</u>	
	<u>Telematics services</u>	<u>Telematics products</u>	<u>Telematics services</u>	<u>Telematics products</u>	<u>Telematics services</u>	<u>Telematics products</u>
Israel	114.1	61.1	104.4	49.9	103.3	48.0
Brazil	81.8	1.6	83.8	2.0	66.7	2.4
Others	46.6	31.1	46.4	33.5	39.6	33.1
Total	242.5	93.8	234.6	85.4	209.6	83.5

⁽¹⁾ We attribute revenues to countries based on the location of the customer.

Telematics services segment

We generate revenues from rendering our SVR, fleet management connected car, UBI and other value-added services. A majority of our revenues represent subscription fees paid to us by our customers. We recognize revenues from subscription fees on a monthly basis. Most of our customers are free to terminate their subscription at any time. In the absence of such termination, the subscription term continues automatically. We also generate subscription fees from our fleet management services. Assuming no additional growth in our subscriber base and based on our historical average churn rates of 3% per month in this segment, we can anticipate that at least 90% of our subscription fees generated in a prior quarter will recur in the following quarter.

Telematics products segment

We generate revenues from sale of our telematics products to customers in Israel, Brazil, and other regions which we operate. We currently sell or lease our telematics end-units in each of the above regions. Growth in our subscriber base is the principal driver for the sale of our telematics products. We recognize revenues from sales of our telematics products upon transfer of control to the customer (usually upon delivery).

Cost of revenues

Telematics services segment

The cost of revenues in our telematics services segment consists primarily of staffing, maintenance and operation of our control centers and base stations, costs associated with our staff and costs incurred for private enforcement, licenses, permits and royalties, as well as communication costs and costs due to depreciation of leased products and installation fees. Cost of revenues for sales of our fleet management services also includes payments to a third party who markets our services.

Telematics products segment

The cost of revenues in our telematics products segment consists primarily of the cost of unit of our manufacturers and costs associated with installation fees.

Operating expenses

Research and development

Our research and development expenses consist primarily of salaries, costs of materials and other overhead expenses, primarily in connection with the design and development of our telematics products and software solutions. We expense some of our research and development costs as incurred. Subject to certain criteria we capitalize software development costs. For further information see Note 1S to our consolidated financial statements.

Selling and marketing

Our selling and marketing expenses consist primarily of advertising, salaries, commissions and other employee expenses related to our selling and marketing team and promotional and public relations expenses.

General and administrative

Our general and administrative expenses consist primarily of salaries, bonuses, accounting and other general corporate expenses.

Operating Income

Telematics services segment

Operating income in our telematics services segment is primarily affected by increases in our subscriber base and our ability to increase the resulting revenues without a commensurate increase in our corresponding costs.

Telematics products segment

Operating income in our telematics products segment is primarily affected by our ability to increase sales of our telematics products.

Financing expenses (income), net

Financing income (expenses), net, include, inter alia, short-term and long-term interest expenses, financial commissions, income (expenses) in respect of changes in obligation to purchase non-controlling interests, and gains (losses) from currency fluctuations from the translation of monetary balance sheet items denominated in currencies other than the functional currency of each entity in the group, gains (losses) in respect of marketable securities and other investments, and expenses related to tax positions.

Taxes on income

Income earned from our services and product sales is subject to tax in the country in which we provide our services or from which we sell our products.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared as accordance with U.S. General Accepted Principles (“GAAP”) Certain of our accounting policies require us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. We evaluate our estimates on a periodic basis. We base our estimates on historical experience, industry trends, authoritative pronouncements and various other assumptions that we believe to be reasonable under the circumstances. Such assumptions and estimates are subject to an inherent degree of uncertainty. On a regular basis we review the accounting policies assumptions and estimates to verify that our financial statements are in accordance with GAAP and presented fairly.

The following are our most critical accounting policies and the significant judgments and estimates affecting the application of those policies in our consolidated financial statements. For further information see Note 1 to our consolidated financial statements included elsewhere in this report.

Revenue recognition

We and our subsidiaries generate revenue from subscriber fees for the provision of services and sales of systems and products, mainly in respect of fleet management services, stolen vehicle recovery services and other value-added services. To a lesser extent, revenues are also derived from technical support services. We and our subsidiaries sell the systems primarily through their direct sales force and indirectly through resellers.

We apply ASC Topic 606, Revenue from Contracts with Customers (“ASC 606”).

In accordance with ASC 606, we determine revenue recognition through the following five steps:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, we satisfy a performance obligation.

A contract with a customer exists when certain criteria are met.

For each type of contract, at inception, we assess the goods or service promised in a contract with a customer and identifies the performance obligations. With respect to contracts that are determined to have multiple performance obligations, such as contracts that combine product with services (mostly SVR services) and/or rights to use assets, we allocate the contract’s transaction price to each performance obligation using it’s the best estimate of the relative standalone selling price of each distinct good or service in the contract. However, when applicable (see below), we estimate the selling prices of certain services using the residual approach. Revenues are recognized when, or as, control of services or products is transferred to the customers at a point in time or over time, as applicable to each performance obligation.

Revenues are recorded in the amount of consideration to which we expect to be entitled in exchange for performance obligations upon transfer of control to the customer, excluding amounts collected on behalf of other third parties and sales taxes.

Our credit terms to customers are, on average, between thirty and ninety days.

We do not adjust the amount of consideration for the effects of a significant financing component since we expect, at most contracts' inception, that the period between the time of transfer of the promised goods or services to the customer and the time the customer pays for these goods or services to be generally one year or less, based on the practical expedient.

In accordance with ASC 606, the Company’s revenues are recognized depending on the various products and services as follows:

1. Revenues from sales of Automatic Vehicle Location (“AVL”) products are recognized when the control of the product passed to the customer, usually upon delivery.
2. Revenues from provision of SVR services are recognized over time, as the customers simultaneously receive and consume the benefits provided by the Company performance as the Company performs.
3. For arrangements that involve the delivery or performance of multiple products (mostly AVL products), services (such as SVR services) and/or rights to use assets, the Company analyzes whether the goods or services that were promised to the customer are distinct (i.e., if both are met: 1. The customer can benefit from the good or service, either on its own or together with other resources that are readily available; and, 2. The Company’s promise to transfer the good or service is separately identifiable from other promises in the contract). If we determine that the product or service is 'distinct' we apply the policy described in 1 or 2 above, as applicable.

We have some arrangements that are determined to have multiple performance obligations that are distinct. For such arrangements, we allocate the contract's transaction price to each performance obligation using the relative standalone selling price of each distinct good or service in the contract. However, in limited circumstances, we estimate the selling prices of the SVR services (which are sold together with AVL products) using the residual approach. Under the residual approach, the standalone selling price of the SVR services was estimated by reference to the total transaction price less the sum of the observable standalone selling prices of all other goods or services promised in the contract. We use this approach since we sold the same type of service in these jurisdictions to different customers (at or near the same time) for a broad range of amounts (thus, the stand-alone selling price was highly variable).

4. Revenues from SVR services subscription fees and from installation services (related to AVL products that remain as the Company's property), sold to customers within a single arrangement were accounted for revenue recognition purposes, on a combined basis as a single performance obligation, since the installation services element was determined not to be 'distinct'. Therefore, the entire contract fee was recognized over time, on a straight-line basis over the subscription period.
5. With regards to amounts earned by certain Brazilian subsidiary for arranging a bundle transaction of SVR services subscription together with insurance services to be supplied by a third party insurance company, these revenues are recognized ratably on a straight-line basis over the subscription period, since the amount allocated to us (for the SVR services subscription, and for arranging the transaction), is contingent upon the delivery of the SVR services. As the insurance company is acting as a principal with respect to the insurance component, we recognize only the net amounts as revenues, after deduction of amounts related to the insurance component.
6. Extended warranty - In the majority of countries, in which we operate, the statutory warranty period is one year, and the extended warranty covers periods beyond year one. Revenues from extended warranty include warranty services which were sold separately for a monthly fee, or warranty services that were determined to represent a separate performance obligation and were sold together with an AVL unit. Such revenues are recognized over the duration of the warranty periods.

Contingencies

We and our subsidiaries are involved in certain legal proceedings that arise from time to time in the ordinary course of their business and in connection with certain agreements with third parties. Except for income tax contingencies, we records accruals for contingencies to the extent that the management concludes that the occurrence is probable and that the related liabilities are estimable. Legal expenses associated with contingencies are expensed as incurred. We do not have off-balance sheet arrangements (as such term is defined in instructions to Item 5. of the Form 20-F) that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial conditions, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the identifiable net assets acquired in business combination transactions and is allocated to reporting units at acquisition. Goodwill is not amortized but rather tested for impairment at least annually. Commencing fiscal 2021, the annual goodwill assessment is performed as of December 31, each year or more often.

In accordance with GAAP, we are required to choose either to perform a qualitative assessment whether the quantitative goodwill impairment test is necessary or to proceed directly to the quantitative goodwill impairment test. Such determination is made for each reporting unit on a stand-alone basis. The qualitative assessment includes various factors such as macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, earnings multiples, gross margin and cash flows from operating activities and other relevant factors. When we choose to perform a qualitative assessment and determine that it is more likely than not (more than 50 percent likelihood) that the fair value of the reporting unit is less than its carrying value, then we proceed to the quantitative goodwill impairment test. If we determine otherwise, no further evaluation is necessary.

When we decide or are required to perform the quantitative goodwill impairment test, we compare the fair value of the reporting unit to its carrying value and an impairment charge is recognized for the amount by which the carrying amount exceeds the reporting unit's fair value, if any. In the performance of the quantitative analysis, we apply assumptions that market participants would consider in determining the fair value of each reporting unit.

As of December 31, 2024, 2023 and 2022, we had four reporting units which include goodwill.

Telematics services:

Under the telematics services segment there are two reporting units with goodwill. For one of which with an allocated amount of approximately US\$ 1.6 million of goodwill, the Company performed a qualitative assessment as of December 31, 2024 and 2023, and concluded that the qualitative assessment did not result in a more likely than not indication of impairment, and therefore no further impairment testing was required, with respect to such unit.

For the second reporting unit (resulted from RT acquisition) with an allocated amount of approximately US\$ 32.3 million of goodwill (as of December 31, 2024), the Company performed the annual impairment test, as of December 31, 2024 using a quantitative assessment and reached to a conclusion that no impairment should be recorded at that point. The impairment test was performed using the income approach. The measurement of fair value of reporting units as part of goodwill impairment analysis is classified within Level 3 within the fair value hierarchy.

Telematics products:

Under the telematics products segment there are two reporting units with goodwill, for one of which with an allocated amount of approximately US\$ 1.9 million of goodwill, the Company performed a qualitative assessment as of December 31, 2024 and 2023, and concluded that the qualitative assessment did not result in a more likely than not indication of impairment, and therefore no further impairment testing was required, with respect to such unit.

For the second reporting unit (resulted from RT acquisition) with an allocated amount of approximately US\$ 3.5 million of goodwill (as of December 31, 2024), the Company performed the annual impairment test, as of December 31, 2024, using a quantitative assessment and reached to a conclusion that no impairment should be recorded at that point. The impairment test was performed using the income approach. The measurement of fair value of reporting units as part of goodwill impairment analysis is classified within Level 3 within the fair value hierarchy.

Results of Operations

The following table sets forth for the periods indicated selected items from our consolidated statements of income as a percentage of our total revenues.

Consolidated statements of operations data:	2024	2023	2022
Revenues:			
Telematics services	72.1	73.3	71.5
Telematics product	27.9	26.7	28.5
Total Revenues	100	100	100
Cost of Revenues:			
Telematics services	29.8	30.8	30.8
Telematics products	22.4	21.3	22.3
Total cost of revenues	52.2	52.1	53.1
Gross profit	47.8	47.9	46.9
Operating Expenses:			
Research and development expenses	5.4	5.3	5.7
Selling and marketing Expenses	4.5	4.3	4.5
General and administrative expenses, net	16.7	17.7	16.6
Other income, net	-	-	-
Total operating expenses	26.6	27.3	26.8
Operating Income	21.2	20.6	20.1

Other income, net	-	-	-
Financing income (expenses), net	-	(0.5)	(2.0)
Income before income tax	21.2	20.1	18.1
Income tax	(4.3)	(4.2)	(4.4)
Share in losses of affiliated companies, net	(0.1)	(0.2)	(0.2)
Net income for the year	16.8	15.7	13.5
Less: net income attributable to non-controlling interests	(0.8)	(0.7)	(0.8)
Net income attributable to company stockholders	16.0	15.0	12.7

Analysis of our Operation Results for the Year ended December 31, 2024 as compared to the Year ended December 31, 2023

Revenues

Total revenues increased from \$320.0 million in 2023 to \$ 336.3 million in 2024 or 5.1 %. This increase consisted of an increase of \$8.0 million from subscription fees from our telematics services and an increase of \$8.3 million from sales of our telematics products.

Telematics services segment

Revenues in our telematics services segment increased by \$8.0 million from \$ 234.5 million in 2023 to \$242.5 million in 2024, or 3.4%. The increase was mainly due to an increase in our average annual number of subscribers from 2,186,000 in 2023 to 2,350,000 in 2024.

Telematics products segment

Revenues in our telematics products segment increased from \$ 85.4 million in 2023, to \$93.8 million in 2024 or 9.7 %. This increase of \$8.3million was primarily due to an increase in the quantity of units' sales.

Cost of revenues

Total cost of revenues increased from \$ 166.8 million in 2023, to \$175.6 million in 2024 or 5.3%. This increase consisted of an increase of \$ 1.5 million in the telematics services segment and an increase of \$7.3 million in the telematics product segment. As a percentage of total revenues, cost of revenues increased slightly from 52.1% in 2023 to 52.2% in 2024.

Telematics services segment

Cost of revenues for our telematics services segment increased from \$ 98.7 million in 2023, to \$100.2 million in 2023 or 1.5%. This increase was primarily due to an increase in salary expenses of approximately \$ 2.0 million, a decrease in depreciation and amortization expenses of approximately \$1.5 million and an increase in installation and communication costs expenses of approximately \$0.5 million. As a percentage of total revenues for this segment, cost of revenues decreased from 42.1% in 2023 to 41.3% in 2024.

Telematics products segment

Cost of revenues for our telematics products segment increased from \$ 68.1 million in 2023, to \$75.4 million in 2024 or 10.8%. This increase was mainly due to the increase in our products' sales and the change in the mixture of products sales. As a percentage of total revenues for this segment, cost of revenues increased from 79.7% in 2023, to 80.5% in 2024.

Operating expenses

Research and development.

Our research and development expenses increased from \$17.0 million in 2023 to \$18.1 million in 2024. As a percentage of total revenues, research and development expenses increased from 5.3% in 2023 to 5.4% in 2024.

Selling and marketing

Our selling and marketing expenses increased from \$13.6 million in 2023 to \$15.3 million in 2024. As a percentage of total revenues, selling and marketing expenses increased from 4.3% in 2023 to 4.5% in 2024.

General and administrative

General and administrative expenses decreased from \$ 56.6 million in 2023, to \$56.2 million in 2024 or 1%. The decrease was mainly due to a decrease in salary expenses of approximately 0.6 million. As a percentage of total revenues, general and administrative expenses decreased from 17.7% in 2023 to 16.7 % in 2024.

Operating income

Total operating income increased from \$ 66.0 million in 2023, to \$71.2 million in 2024 or 7.9%. This increase of approximately \$ 5.2 million reflects an increase of \$4.1 million in the operating income in the telematics service segment and an increase of \$1.1 million in the operating loss in the telematics products segment.

Telematics services segment

Operating income in our telematics services segment increased from \$65.1 million in 2023 to \$69.2 million in 2024, or 6.3 %. This increase was mainly attributed to the increase of our average base of subscribers from 2,160,000 subscribers in 2023 to 2,330,000 subscribers in 2024.

As a percentage of income in our telematics services segment revenues, operating income in our telematics services segment increased from 27.7% in 2023 to 28.5% in 2024.

Telematics products segment

Operating income in our telematics products segment increased from \$ 0.9 million in 2023 to \$ 2.0 million in 2024. This increase in operating income was mainly attributed to the increase in product sold and sales mixture.

As a percentage of income in our telematics products segment revenues, operating income in our telematics products segment increased from 1.1% in 2023 to 2.1 % in 2024.

Financing income (expenses), net

Financing income, net, was \$ 0.1 million in 2024 compared with an expenses of \$1.6 million in 2023.

The decrease in the financing expenses was mainly due to a decrease in exchange rate differences in an amount of \$1.7 million.

Income Tax

Income Tax expenses increased from \$ 13.4 million in 2023, to \$14.6 million in 2024 or 9.2%. As a percentage of income before tax, income tax expenses slightly decreased from 20.7% in 2023 to 20.5% in 2024 mainly due to the countries profit mixture

Analysis of our Operation Results for the Year ended December 31, 2023 as compared to the Year ended December 31, 2022

Revenues

Total revenues increased from \$ 293.1 million in 2022 to \$ 320.0 million in 2023 or 9%. This increase consisted of an increase of \$25.0 million from subscription fees from our telematics services and an increase of \$1.9 million from sales of our telematics products.

Telematics services segment

Revenues in our telematics services segment increased by \$25.0 million from \$209.6 million in 2022 to \$234.5 million in 2023, or 12%. The increase was mainly due to an increase in our average annual number of subscribers from 1,996,000 in 2022 to 2,186,000 in 2023.

Telematics products segment

Revenues in our telematics products segment increased from \$ 83.5 million in 2022, to \$85.4 million in 2023 or 2 %. This increase of \$1.9 million was primarily due to an increase in the quantity of units' sales.

Cost of revenues

Total cost of revenues increased from \$155.5 million in 2022, to \$166.8 million in 2023 or 7 %. This increase consisted of an increase of \$8.6 million in the telematics services segment and an increase of \$ 2.7 million in the telematics product segment. As a percentage of total revenues, cost of revenues decreased slightly from 53.0% in 2022 to 52.1% in 2023.

Telematics services segment

Cost of revenues for our telematics services segment increased from \$ 90.1 million in 2022, to \$98.7 million in 2023 or 9.5%. This increase was primarily due to an increase in salary expenses of approximately \$2.0 million, an increase in depreciation and amortization expenses of approximately \$1.7 million and an increase in installation and communication costs expenses of approximately \$4.5 million. As a percentage of total revenues for this segment, cost of revenues decreased from 43% in 2022 to 42.1% in 2023.

Telematics products segment

Cost of revenues for our telematics products segment increased from \$65.4 million in 2022, to \$68.1 million in 2023 or 4.2%. This increase was mainly due to the increase in our products' sales and the change in the mixture of products sales. As a percentage of total revenues for this segment, cost of revenues increased from 78.3 % in 2022, to 79.7% in 2023.

Operating expenses

Research and development.

Our research and development expenses increased from \$16.8 million in 2022 to \$17.0 million in 2023. As a percentage of total revenues, research and development expenses decreased from 5.7% in 2022 to 5.3% in 2023.

Selling and marketing

Our selling and marketing expenses increased from \$ 13.3 million in 2022 to \$ 13.6 million in 2023. As a percentage of total revenues, selling and marketing expenses decreased from 4.5 % in 2022 to 4.3% in 2023.

General and administrative

General and administrative expenses increased from \$48.7 million in 2022, to \$56.6 million in 2023 or 16.3%. The increase was mainly due to an increase in salary expenses of approximately \$4.6 million and an increase in expenses related to returning to work in offices in amount of \$1.3 million. As a percentage of total revenues, general and administrative expenses increased from 16.6% in 2022 to 17.7 % in 2023.

Operating income

Total operating income increased from \$58.8 million in 2022, to \$66.0 million in 2023 or 12.2%. This increase of approximately \$7.2 million reflects an increase of \$8.8 million in the operating income in the telematics service segment and a decrease of \$1.6 million in the operating loss in the telematics products segment.

Telematics services segment

Operating income in our telematics services segment increased from \$56.3 million in 2022 to \$65.0 million in 2023, or 15.5%. This increase was mainly attributed to the increase of our average base of subscribers from 1,974,000 subscribers in 2022 to 2,186,000 subscribers in 2023.

As a percentage of income in our telematics services segment revenues, operating income in our telematics services segment increased from 26.9% in 2022 to 27.7% in 2023.

Telematics products segment

Operating income in our telematics products segment decreased from \$ 2.5 million in 2022 to \$ 0.9 million in 2023. This decrease in operating income was mainly attributed to the increase in other product costs and sales mixture.

As a percentage of income in our telematics products segment revenues, operating income in our telematics products segment decreased from 3.0 % in 2022 to 1.1 % in 2023.

Financing expenses, net

Financing expenses, net, was \$5.9 million in 2022 compared with \$1.6 million in 2023.

The decrease in the financing expenses was mainly due to a decrease in losses in respect of marketable securities and other investments in an amount of \$3.8 million.

Income Tax

Income Tax expenses increased from \$12.7 million in 2022, to \$13.3 million in 2023 or 4.8%. As a percentage of income before tax, income tax expenses decreased from 24.1 % in 2022 to 20.7% in 2023 mainly due to the countries profit mixture.

Impact of Currency Fluctuations on Results of Operations, Liabilities and Assets

Although we report our consolidated financial statements in dollars, in 2022, 2023 and 2024, a portion of our revenues and direct expenses was derived in other currencies. For fiscal years, 2022 ,2023 and 2024 we derived approximately, 24.8 %, 25.3% and 23.1% of our revenues in dollars and other currencies , 51.6%, 48.3% and 52.1% in NIS, 23.6%, 26.4% and 24.8% in Brazilian Reals. In fiscal years, 2022, 2023, and 2024, 28.1%, 27.0% and 25.1% of our expenses were incurred in dollars and other currencies, 53.4%, 51.2% and 55% in NIS and 18.5% 21.8% and 19.9% in Brazilian Reals.

Exchange differences upon conversion from our functional currency to dollars (presentation currency) are accumulated as a separate component of accumulated other comprehensive income under stockholders' equity. In the year 2024, accumulated other comprehensive income decreased by \$12.3 million. In the year 2023, accumulated other comprehensive income increased by \$0.8 million. In the year 2022, accumulated other comprehensive income decreased by \$4.6 million.

The fluctuation of the other currencies in which we incur our expenses or generate revenues against the dollar has had the effect of increasing or decreasing (as applicable) reported revenues, cost of revenues and operating expenses in such foreign currencies when converted into dollars from period to period. The following table illustrates the effect of the changes in exchange rates on our revenues, gross profit and operating income for the periods indicated:

	Year Ended December 31,					
	2022		2023		2024	
	Actual	At 2021 exchange rates ⁽¹⁾	Actual	At 2022 exchange rates ⁽¹⁾	Actual	At 2023 exchange rates ⁽¹⁾
	(In thousands of US\$)					
Revenues	293,072	296,752	319,978	329,420	336,257	344,146
Gross profit	137,562	139,120	153,161	158,291	160,620	163,895
Operating income	58,774	59,218	65,955	67,422	71,169	73,518

(1) Based on average exchange rates during the period. Those columns are Non-GAAP information.

Our policy remains to reduce exposure to exchange rate fluctuations by entering into foreign currency forward transactions that mainly qualify as hedging transactions under ASC Topic 815, "Derivatives and Hedging", the results of which are reflected in our income statements as revenues or cost of revenues. The result of these transactions, which are affected by fluctuations in exchange rates, could cause our revenues, cost of revenues, gross profit and operating income to fluctuate.

B. LIQUIDITY AND CAPITAL RESOURCES

We fund our operations primarily from cash and cash equivalents generated from operations. As of December 31, 2022, 2023 and 2024 we had \$27.9 million, \$53.4 million and 77.4 million in cash and marketable securities and \$57.7 million, \$86.8 million and \$109.4 million in working capital, respectively. We hold most of our cash and cash equivalents in US dollars or the local currency of their location.

As of December 31, 2024 we had a short term loans at the amount of \$ 0.1 million. As of December 31, 2023 we had a long term loan at the amount of \$0.2 million and a short term loans at the amount of \$0.4 million. As of December 31, 2022 we had a long- term loan from an Israeli bank at the amount of \$0.3 million and a short term loans at the amount of \$11.8 million. As of December ,2022 ,2023 and 2024, we also had \$1.7 million, \$2.1 million and 1.1 million, respectively, available to us under existing lines of credit. As of December 31, 2022 we utilized \$0.6 million of our credit line and, and as of December 31, 2023 we utilized \$ 0.6 million of our credit line. As of December 31, 2024 we utilized 0.1 million of our credit line.

We believe that our cash flow from operations, availability under our lines of credit and cash and marketable securities will be adequate to fund our capital expenditures, contractual commitments and other demands and commitments for the foreseeable future as well as for the long-term. We believe that cash flow generated from operations and cash available to us from our credit facilities will be sufficient to cover future expansion of our various businesses into new geographical markets or new products, as currently contemplated and as we describe herein. However, if existing cash and cash generated from operations are insufficient to satisfy our liquidity requirements, we may seek financing elsewhere by selling additional equity or debt securities or by obtaining additional credit facilities.

As of December 31, 2022, 2023 and 2024 we had long-term liabilities of \$21.2 million, \$ 24.6 million and 27.6 million, respectively, for employee rights upon retirement for certain of our employees that become payable upon their retirement. Our Israeli employees are entitled to one month's salary, equal to the applicable monthly salary at the time of such employee's retirement, for each year of employment, or a portion thereof, upon retirement. This liability is partially funded by deposit balances maintained for these employee benefits in the amount of \$15.1 million, \$18.5 million and 21.8 million, as of December 2022, 2023 and 2024 respectively. The deposited funds include profits accumulated up to the balance sheet date and may be withdrawn upon the fulfilment of the obligation pursuant to Israeli severance pay laws or labor agreements.

In Ecuador, there are two unique Laws which are relevant to our activities:

1. Remittance tax (Impuesto a la Salida de Divisas) - Remittance tax of 5% is imposed on the transfer of money abroad in cash or through pay checks, transfers, or courier of any nature carried out with or without the mediation of the Ecuadorian financial system, including transfer from foreign bank accounts. Dividends are exempt from this tax, under certain considerations.
2. Labor profit sharing - Although it is not considered a tax, companies are obligated to pay 15% of their pre-tax earnings to their employees. This payment is considered a deductible expense for CIT computation purposes.

In Mexico, All Mexican employers, whether individuals or entities, are required to calculate and pay mandatory profit-sharing payments to employees within 60 days following the filing of their annual Mexican tax return. The obligation for employers to make such payments is based on the legal provisions in Section IX of Article 123 of the Political Constitution of the United Mexican States, which establishes that employees shall have the right to participate in their employer's profits in the amount of 10% of such employer's taxable income. As such, the following types of employees have the right to receive profit sharing payments: (a) permanent employees hired to carry out normal, long-term work for an employer, without regard to the number of days worked during the January 1 through December 31, 2019 fiscal year; (b) eventual permanent employees who have worked for an employer fewer than 60 days, whether continuously or sporadically, during the fiscal year referred to above; (c) former employees who have the right to claim profit sharing payments, when such rights have not lapsed.

Dividends

On February 26, 2017 we have revised our dividend policy, which came in force starting from 2017, that our dividends will be declared and distributed on a quarterly basis in an amount of at least 5 million USD subject to the provisions of the Israeli laws concerning lawful distribution of dividends. During years 2021-2022 we reduced our quarterly dividend to \$3 million due to Covid-19, but in November 2023 our Board decided to resume the same \$5 million as dividend distributed quarterly and in February 2024 the board of directors approved the increase of quarterly dividend to \$8 million. This latter amount of quarterly dividends was declared on February 29th, May 28th and November 21st, 2024. In February 2025 the board of directors approved the increase of quarterly dividend to \$10 million commencing from payment declared on April 3rd, 2025.

As part of implementation of our Board of Directors decision of 25 million USD share repurchase program, Share repurchases were funded by our wholly owned subsidiary with available cash. Repurchases of the Company's ordinary shares were based on Rule 10b-18 terms. During the years 2019 and 2021 we purchased 227,828 and 228,725 of our shares for approximately \$6 million each year. During the year 2021, we also directly purchased additional 50,995 shares for approximately \$ 1.3 million not through publicly announced plans. During 2022 we purchased additional 357,362 shares for approximately \$ 5 million. During 2023 we purchased additional 282,644 shares for approximately \$ 6.6 million.

As of the date of this report, the updated quantity of treasury shares are 3,581,851 (including the aforementioned, 603,162 shares which are entitled to dividend distributed). The following table sets forth the components of our historical cash flows for the periods indicated:

	Year ended December 31,		
	2024	2023	2022
	(In thousands)		
Net cash provided by operating activities	74,267	77,218	45,118
Net cash used in investing activities	(15,940)	(17,229)	(27,354)
Net cash used in financing activities	(31,769)	(32,934)	(36,360)
Effect of exchange rate changes on cash and cash equivalents	(2,635)	(1,471)	(3,860)
Net increase/decrease in cash and cash equivalents	23,923	25,584	(22,456)

Years ended December 31, 2024, December 31, 2023 and December 31, 2022

Net cash provided by operating activities.

Our operating activities provided cash of \$45.1 million in 2022, \$ 77.2 million in 2023 and 74.3 million in 2024.

Cash from operating activities in 2024 decreased in an amount of approximately \$ 3.0 million, this decrease was mainly due to the growth in account receivables.

Net cash used in investing activities.

Net cash used in investing activities in 2024 in an amount of approximately \$ 15.9 million, included capital expenditure in the amount of 13.6 million.

Net cash used in investing activities in 2023 in an amount of approximately \$17.2 million, included capital expenditure in the amount of \$14.2 million.

Net cash used in investing activities in 2022 in an amount of approximately \$ 27.4 million, included capital expenditure in the amount of \$ 26.5 million.

Net cash used in financing activities.

Net cash used in financing activities in 2024 in an amount of approximately \$31.8 million consisted primarily of a repayment of short and long term credit from financial institution in an amount of \$ 0.4 million and cash dividend payment in an amount of approximately \$31.3 million.

Net cash used in financing activities in 2023 in an amount of approximately \$32.9 million consisted primarily of a repayment of short and long term credit from financial institution in an amount of \$ 11.4 million, cash dividend payment in an amount of approximately \$14.9 million and acquisition of company shares in an amount of approximately \$6.6 million.

Net cash used in financing activities in 2022 in an amount of approximately \$36.4 million consisted primarily of a repayment of short- and long-term credit from financial institution in an amount of \$16.5 million, cash dividend payment in an amount of approximately \$11.5 million and acquisition of company shares in an amount of approximately \$8.5 million.

C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

Most of our research and development activities take place in Israel, Mexico, Colombia and Ecuador. Our Research and Design department is constantly working on upgrading the service infrastructure and improving our fleet management applications, including by introducing new services and uses of the system, while utilizing both internal development staff and outsourcing such activities to third parties, as well as developing new service platforms for cellular/GPS based devices.

Expenditures for research and development activities undertaken by us were approximately \$18.1 million in 2024, \$17.0 million in 2023, \$16.8 million in 2022.

D. TREND INFORMATION

The COVID-19 pandemic had no impact on our business during year 2024. Nevertheless, in case this pandemic or similar in effect will erupt this may have an adverse effect on our business.

Please see Item 4.A. – History and Development of the Company and Item 4.B. – Business Overview above for trend information.

E. CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Elaborated discussion on critical accounting policies and estimates please see above pages 25-27.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. DIRECTORS AND SENIOR MANAGEMENT

The following table sets forth information regarding our executive officers, key employees and directors as of the date of this annual report:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Izzy Sheratzky	78	President and director
.....		
Yehuda Kahane	80	Director
.....		
Ze'ev Koren	80	Chairman of the Board of Directors and an independent director
.....		
Efraim Sheratzky	72	Director
.....		
Eyal Sheratzky	56	Co-Chief Executive Officer and Director
.....		
Nir Sheratzky	53	Co-Chief Executive Officer and Director
.....		
Gil Sheratzky	47	CEO of our Subsidiary, International Activity and Business Development Officer and a Director
.....		
Yoav Kahane(1)(2)	51	Director and an independent Director
.....		
Yigal Shani	80	Director
.....		
Israel Baron (1)(2)(3) +	71	External Director
.....		
Gidon Kotler (1)(2)(3)	84	External Director
.....		
Tal Sheratzky- Jaffa	47	Director and an independent director
.....		
Ami Saranga	61	Deputy Chief Executive Officer Israel operation
.....		
Eli Kamer	58	Executive Vice President, Finance; Chief Financial Officer
.....		
Guy Aharonov	59	General Counsel
.....		
Udi Mizrahi	53	Deputy Chief Executive Officer International Operation and VP of Finance
.....		

Notes:

(1) *Member of audit committee*

(2) *Member of compensation committee*

(3) *External director elected in accordance with the Israeli Companies Law*

+ *Chairperson of all committees*

Izzy Sheratzky is a co-founder of our company and its President. He has previously served as the Chairman of our Board of Directors, which in our company constitutes both an officer and director positions, ever since our company was acquired from Tadiran in 1995. Until 2003, Mr. Sheratzky also served as our Chief Executive Officer. Mr. Sheratzky also serves as the Chairman of the Board of Directors of Moked (1973) Investigations Company Ltd., Moked Services, Information and Investments Ltd., and Moked Ituran. He also serves as a director in Tikal Document Collection Ltd. Mr. Sheratzky is the father of Eyal, Nir and Gil Sheratzky, Brother of Efraim Sheratzky and uncle of Tal Sheratzky-Jaffa.

Yehuda Kahane is a co-founder of our company and has served on our board since 1995. Professor Kahane is an entrepreneur in both the academic and business arenas. He is a Fellow of the World Academy of Art and Science. He received the 2011 highest international award for his lasting contribution to the theory, practice and education in insurance and risk management, as well as a lifetime achievements award by the Israeli Insurance industry. He is a co-founder and chairperson of the YK Center for Preparing for the New Economy. Kahane is a Professor (Emeritus) from the Collar Business, Tel Aviv University where he headed the Institute for Business and the Environment. He taught at many business schools around the world, including the Wharton School, the University of Texas (Austin), the University of Toronto and the University of Florida, and has founded and served as the first Dean of the Israeli Academic School of Insurance. Professor Kahane chairs and is a major owner of Capital Point Ltd., and is active in the formation, seed investment and management of start-up companies and technological incubators, unrelated to our company. He chairs the association for the visually impaired people in Herzliya and Sharon district, and a board member of the Center for Blind People in Israel (The Umbrella organization). He is an honorary member of the Israel-Brazil Chamber of Commerce. Professor Kahane holds a BA degree in Economics and Statistics, an MA degree in Business Administration and a PhD in Finance from the Hebrew University of Jerusalem and is a Fellow of the Israeli Association of Actuaries. He specializes in insurance, risk management, environmental issues and technological forecasting. He is the father of Yoav Kahane.

Zeev Koren has served as a director of our company since 2006 and since 2011 serves as the Chairman of the Board of Directors of the Company. In 1988 Brigadier Gen. (Res) Koren retired from the Israel Defence Forces after a career of 25 years, where in his final position he served as the head of human resources planning for the general staff division. Since then he has served in a senior capacity in companies in the fields of international forwarding and medical services. During the past ten years he has also served as the general manager of a Provident Management Company. He holds a B.A. in Political Science and Criminology from Bar Ilan University.

Efraim Sheratzky was appointed to the board on February 9, 2015, to replace Mr. Amos Kurz, as a Class A Director. Efraim Sheratzky studied insurance in the Israeli Insurance College. Efraim Sheratzky owns together with Yigal Shani, Tzivtit Insurance Agency (1998) Ltd. Efraim Sheratzky served as our director from 1999 and until 2005. Efraim Sheratzky is the brother of Izzy Sheratzky and the uncle of Eyal, Nir and Gil Sheratzky and father of Ms. Tal Sheratzky-Jaffa. Mr. *Efraim Sheratzky* was elected, on December 14, 2022, in annual general shareholders meeting, to serve as a director in Class A for additional period until third succeeding Annual General meeting, thereafter.

Eyal Sheratzky has served as a director of our company since its acquisition from Tadiran in 1995 and currently serves as a Co-Chief Executive Officer since 2003. Prior to 2003, he served as Vice President of Business Development during the years 1999 through 2002. Mr. Sheratzky also serves as a director of Moked Ituran and certain of our other subsidiaries, including Ituran Network. From 1994 to 1999, he served as the Chief Executive Officer of Moked Services, Information and Investments and as legal advisor to several of our affiliated companies. Mr. Sheratzky holds LLB and LLM degrees from Tel Aviv University School of Law and an Executive MBA degree from the Kellogg School of Management at Northwestern University, USA. Mr. Sheratzky is the son of Izzy Sheratzky and the brother of Nir and Gil Sheratzky and nephew of Efraim Sheratzky. Mr. *Eyal Sheratzky* was elected, on December 14, 2022, in annual general shareholders meeting, to serve as a director in Class A for additional period until third succeeding Annual General meeting, thereafter.

Nir Sheratzky has served as a director of our company since its acquisition from Tadiran in 1995 and currently serves as a Co-Chief Executive Officer since 2003. Prior to 2003, Mr. Sheratzky served as an Executive Officer in our company from 1995 to 2003. Mr. Sheratzky is also a director in Moked Ituran. He holds BA and MA degrees in Economics from Tel Aviv University. Nir is the son of Izzy Sheratzky and the brother of Eyal and Gil Sheratzky and nephew of Efraim Sheratzky.

Gil Sheratzky serves as a director of our company and since 2013 as our International Activity and Business Development Officer. Mr. Sheratzky has been serving since January 23, 2007 as the Chief Executive Officer of our subsidiary, E-Com Global Electronic Commerce Ltd. From 2003 and until 2013 Mr. Sheratzky served as our marketing communication officer. During the years 2000 - 2001 Gil worked in our control center, and during the years 2001 - 2002

he worked in an advertising agency. Mr. Sheratzky holds a BA in Business Administration from the Herzliya Interdisciplinary Center, and an MBA degree from the Booth School of Business at Chicago University, USA. Gil serves also as director in Bringg and chairman of Mapa GIS (a subsidiary of Ituran). Gil Sheratzky is the son of Izzy Sheratzky and the brother of Eyal Sheratzky and Nir Sheratzky and nephew of Effraim Sheratzky

Yoav Kahane (Director and an Independent Director, and also a member of audit committee and a member of compensation committee) has served as director of our company since 1998. Mr. Kahane is serving as the Chief Executive Officer of Vizo Specs Ltd, a startup company he co-founded that develop a non-invasive technology for immediate enhancement of attention and the treatment of ADHD. During 2020 he served as CBO of PrintCB ,developer and manufacturer of advanced copper materials for car electrification. a. During 2006-2014, Mr. Kahane has worked for Enzymotec in various managerial positions including Director of Business Development, VP Sales & Marketing, Infant Nutrition Business Unit Manager, Chief Executive Officer and Chairman of Advanced Lipids AB, a joint venture of AAK AB and Enzymotec, specializing in nutritional ingredients to the infant nutrition industry. During the years 2004-2005, Mr. Kahane served as Vice President of Sales and Marketing in Elbit Vision Systems Ltd. During the years 2001 and 2002, he served as Manager of Business Development in Denver Holdings and Investments Ltd. In 2000, Mr. Kahane established Ituran Florida Corp. and served as its Chief Executive Officer until 2001. Mr. Kahane holds a BA degree in Life Sciences from Tel-Aviv University, a BA degree in Insurance and an MBA degree from the University of Haifa. Yoav Kahane is the son of Professor Yehuda Kahane. Mr. Kahane. Mr. Kahane was elected, on December 14, 2022, in annual general shareholders meeting, to serve as an Independent Director in Class A for additional period until third succeeding Annual General meeting, thereafter.

Yigal Shani has served as a director of our company since its acquisition from Tadiran in 1995. Mr. Shani is an insurance agent and a partner in the insurance agency Tzivtit Insurance Agency (1998) Ltd. together with Effraim Sheratzky, which provides insurance services to our company. Mr. Shani has resigned on March 13, 2014 in order to allow compliance with the provisions of the Israeli Companies Law, which require that the board of directors to include at least one female and was reappointed on February 9, 2015 to replace Mr. Avner Kurz, as a Class B Director.

Israel Baron has been serving as an external director of our company since 2003 and is the Chairman of our board's committees. Mr. Baron served as a director in Poalim Trust Services Ltd., a fully owned subsidiary of Bank Hapoalim Ltd from 2009 until 2017. In addition, Mr. Baron has been serving as Chief Executive Officer of several public sector employee retirement and saving plans since 2003. Prior to 2003, Mr. Baron managed an organizational consulting firm, served as an investment manager in the Isaac Tshuva group during the years 1999 to 2001 and as Chief Executive Officer of Gmulot Investment Company Ltd. during the years 1994-1999. Mr. Baron serves as a director of Quality Baron Management Services Ltd. and since August 2022 he serves as a director of Brill Shoe Industries Ltd. Mr. Baron is a certified CPA and holds a BA degree in Economics and Accounting from the Bar-Ilan University in Ramat-Gan, Israel. Israel Baron was re-elected on November 30, 2023 for additional 3-year term to serve as external director.

Gidon Kotler is an external director of our company. He was nominated on April 30, 2014. Prior to his retirement on 2016, Mr. Kotler has been serving as the assets manager of Strauss-Group Ltd., one of Israel's largest public companies, since 1997. Prior to that, Mr. Kotler has served for 3 years as the chief executive officer of the Tel-Aviv New Central Bus Station, and for 14 years as the chief executive officer of the Dizengof Center's management company. Mr. Kotler has served as an external director of Elran Real Estate Ltd. from 2007 until 2010. On December 28, 2016, an annual general shareholders meeting approved the extension of the term of Mr. Gideon Kotler, our external director, for additional three years (beginning April 30, 2017). On December 12, 2019, an annual general shareholder meeting beginning April 30, 2020), which was extended for an additional three years (beginning April 30, 2023), in an annual shareholder's general meeting held on December 14, 2022.

Ms. Tal Sheratzki-Jaffa is the founder and CEO of VC Academy - an accelerator for female investors in venture capital funds. In addition, Ms. Sheratzki-Jaffa teaches economics and business management in high-school and acts as a member of the school management. Prior to her current roles, Ms. Sheratzki-Jaffa held various positions in Jerusalem Venture Partners Fund, including as the manager of JVP's Investor Relations department and as a Vice President of Business Development at Margalit Startup City, a related company creating centres of excellence for tech communities worldwide. Prior to joining JVP, Ms. Sheratzki-Jaffa acted as a Strategy and Development Manager at Reality Investment Funds, Israeli value-add real estate fund.

Previously, Ms. Sheratzki-Jaffa was a Partner at the High-Tech and Venture Capital department at Amit, Pollak, Matalon and Co., an Israeli law firm and prior to that as an associate at the New York offices of the US law firm Akin Gump Strauss Hauer & Feld.

Ms. Sheratzki-Jaffa holds an LL.M degree from Columbia University (New York), LL.B from Haifa University and B.A (economics) from Haifa University, and is a member of the Israeli Bar Association and the New York State Bar.

Ms. Sheratzki-Jaffa is the nephew of Izzy Sheratzki and the cousin of Eyal, Nir and Gil Sheratzki and the daughter of Efraim Sheratzki.

Ms. Sheratzki – Jaffa was elected, on December 14, 2022, in annual general shareholders meeting, to serve as director in Class A for additional period until third succeeding Annual General meeting, thereafter .

Ami Saranga has been serving as the Deputy Chief Executive Officer of our company since 2011. Prior to that Mr. Saranga served as our VP Marketing since 2008. Prior to 2008, Mr. Saranga managed the SME division of Pelephone Communications Ltd., one of Israel's largest telecommunication network operators. Mr. Saranga holds a BA degree in Business Administration from Ruppin Academic Center, Israel.

Eli Kamer has served as Executive Vice President, Finance and Chief Financial Officer of our company since 1999, after serving as its Finance Department Manager since 1997. Prior such date, Mr. Kamer worked as an accountant in Fahn Kanne & Co., our independent registered public accountant. Mr. Kamer is a CPA and holds a BA degree in Business Administration from the Israel College of Management and an MBA degree in business administration from Bar Ilan University.

Guy Aharonov has served as our in-house legal counsel since 1999. Prior to joining our company, he has worked as an attorney in Cohen Lahat & Co. Mr. Aharonov holds LLB and LLM degrees from Tel Aviv University.

Udi Mizrahi has served as our VP Finance since 2000. On his current position Mr. Mizrahi serve as a Deputy Chief Executive Officer International Operation and VP of Finance. Mr. Mizrahi is a CPA and holds a BA degree in accounting and economics from Ruppin Academic Center, Israel.

Shahar Sheratzky has served in different marketing roles in our company since 2007. In January 2022 Mr. Shahar Sheratzky was nominated to Vice president, head of our business division. Among his responsibilities are the marketing, selling and digital fields. Mr. Sheratzky holds a MBA degree in business administration with a specialization in global marketing from Reichman University, Israel. Mr. Shahar Sheratzky is the nephew of Izzy Sheratzky and the cousin of Eyal, Nir and Gil Sheratzky and the son of Efraim Sheratzky.

Our articles of association provide for staggered three-year terms for all our directors (except our external directors, who are elected in accordance with the provisions of the Israeli Companies Law). The directors on our board (excluding the external directors) are divided into three classes, and each class of directors serves for a term of three years, as follows: Izzy Sheratzky, Gil Sheratzky and Zeev Koren (class C), who were re-elected on November 12, 2024; Nir Sheratzky, Yigal Shani and Yehuda Kahane (class B), who were re-elected on November 30, 2023; and Eyal Sheratzky, Efraim Sheratzky, Tal Sheratzky-Jaffa and Yoav Kahane (class A), who were re-elected on December 14, 2022. This classification of the board of directors may delay or prevent a change of control of our company.

On December 28, 2016, an annual general shareholders meeting approved the extension of the term of Mr. Gideon Kotler, our external director, for additional three years (beginning April 30, 2017), which was extended to additional term of three years. On November 30, 2023, an annual general and special shareholders meeting approved the re-election of Mr. Israel Baron, our external director, for additional three years.

Diversity of the Board of Directors

The table below provides certain information regarding the composition of our Board. Each of the categories listed in the below table has the meaning as it is used in Nasdaq Rule 5605(f) and related instructions.

Board Diversity Matrix (As of April 21, 2025)

Country of Principal Executive Offices		Israel		
Foreign Private Issuer		Yes		
Disclosure Prohibited under Home Country Law		No		
Total Number of Directors		12		
Part I: Gender Identity	Female	Male	Non-Binary	Did Not Disclose Gender
Directors	1	11		
Part II: Demographic Background				
Underrepresented Individual in Home Country Jurisdiction		0		
LGBTQ+		0		
Did Not Disclose Demographic Background		0		

Shareholders Agreement and Articles of Association of Moked Ituran Ltd.

Pursuant to Moked Ituran Ltd's articles of association and agreement (as amended) between its shareholders, there is a mechanism in place with regard to directors to be designated and voted for election by Moked Ituran Ltd in each of our annual shareholders meeting for the relevant class of directors (four directors in class A and B and three in class C). This arrangement for the election of directors is only effective for as long as Moked Ituran Ltd. holds at least 15% of our issued and outstanding share capital.

B. COMPENSATION

The aggregate direct compensation we paid to our directors who are not officers for their services as directors as a group for the year ended December 31, 2024 was approximately \$132,000. Directors are reimbursed for expenses incurred in connection with their attendance of board or committee meetings. The compensation payable to external directors is determined in accordance with regulations promulgated under the Israeli Companies Law. See Item 6.C - Board Practices under the caption "External directors" below. Our audit committee and board of directors approved compensation for Mr. Ze'ev Koren, for serving as the Chairman of our board of directors, and for Mr. Yoav Kahane, for serving as a member of our board committees, such that they shall be compensated in the same manner as our external directors are compensated, annually and per meeting, in accordance with the Companies Regulations (Rules for the Compensation and Expenses of an External Director), 2000-5760. In 2024, we paid the sum of NIS489,000 (approximately \$132,000) to our external directors, NIS200,000 (approximately \$54,000) to Mr. Ze'ev Koren, NIS182,000 (approximately \$49,000) to Mr. Yoav Kahane, NIS129,000 (approximately \$35,000) to Ms. Tal Sheratzky-Jaffa. We do not have any agreements with directors providing for benefits upon termination of their respective services as such.

The aggregate costs to the Company of the compensation to our Co-Chief Executive Officers in 2024 were \$3,733,000 million. The aggregate compensation paid to all of our officers as a group during 2024 was approximately \$11,792,000 million. In 2024 we paid an aggregate amount of \$68,000 to one director who provided us with services. The above compensation amounts include amounts attributable to automobiles made available to our officers and other fringe benefits commonly reimbursed or paid by companies in Israel. Employee directors do not receive additional fees for their services as directors.

The following table sets forth the breakdown of the compensation of our five highest paid officers in 2024:

	<u>Management</u> <u>fees</u>	<u>Wage</u>	<u>Social</u> <u>components</u>	<u>Car value</u>	<u>Bonus</u> <u>(results based)</u>	<u>Bonus (Share</u> <u>yield based)</u>	<u>Total</u>
Compensation components (in thousand US Dollars)							
Izzy Sheratzky (President)	811	-	-	-	1,064	494	2,369
Eyal Sheratzky (Co- Chief Executive Officer)	631	-	-	-	851	385	1,867
Nir Sheratzky (Co- Chief Executive Officer)	631	-	-	-	851	385	1,867
Gil Sheratzky (CEO of our Subsidiary. International Activity and Business Development Officer)	450	-	-	-	608	275	1,333
Shachar Sheratzky (Vice president, head of our business division)	-	209	49	31	332	-	621
Total of our 5 highest paid officers \$	2,523	209	49	31	3,706	1,539	8,057

During 2024, we set aside \$630,000 for the benefit of our officers for pension, retirement or similar benefits. We do not set aside any funds for the benefit of our directors who are not employees for any pension, retirement or similar benefits.

All numbers in this section are rounded to the nearest thousand.

During 2024, Messrs. Izzy Sheratzky, Eyal Sheratzky, Nir Sheratzky and Gil Sheratzky provided their services as President, Co-Chief Executive Officers and CEO of our Subsidiary & International Activity and Business Development Officer respectively, as independent contractors pursuant to services agreements, which were adopted by our shareholders meeting in January 2014, which terms correspond to our compensation policy as described below.

For further details concerning such terms of service, please see Item 7.B – Related Parties Transactions under the caption “Transactions with our directors and principal officers.”

In 2006, our compensation committee has devised a bonus scheme pursuant to which some of our officers and employees received shares of our profit before tax on a consolidated basis, based on their seniority, level of global and domestic involvement, contribution to our operations and other criteria set by the compensation committee. In 2010, our

compensation committee resolved that additional managers shall be entitled to receive bonuses under this bonus scheme and that some of the grantees should continue to receive a bonus based on our consolidated results and some should receive a bonus based only on our solo financial statements. During 2024, we paid a total of \$1,312,000 to our officers and employees pursuant to the above bonus schemes.

Our compensation policy for office holders

In December 2012, amendment no. 20 to the Israeli Companies Law became effective. Among other things, this amendment requires Israeli public companies to set forth their policy regarding their office holders' terms of office, including fixed compensation, target-based incentives, equity awards, severance and other benefits. The amendments also set forth the considerations that should be applied when devising a compensation policy for office holders.

The term "office holder" is defined in the Israeli Companies Law, to mean the chief executive officer, chief business officer, deputy chief executive officer, vice chief executive officer, any other person fulfilling such position even if his title is different, as well as a director or a manager directly subordinate to the chief executive officer.

The compensation policy must be approved every three years by the board of directors, after considering the recommendations of the compensation committee; and generally requires the approval of the company's general meeting of shareholders by a special majority of shareholders who are not controlling shareholders and who do not have a personal interest in the approval of the policy; or, alternatively, that the non-controlling shareholders and shareholders who do not have a personal interest in the matter who are present and vote against the policy hold two percent or less of the voting power of the company.

The compensation policy does not intend to amend any officer's existing terms of office; nor to bestow any officer with a right to receive the compensation, or any element thereof set forth therein. However, generally, once the compensation policy is approved, all future terms of service of office holders should conform to its provisions. The specific terms of office of each officer shall be separately determined in accordance with the relevant provisions of the Israeli Companies Law and the regulations promulgated thereunder.

Our general shareholders meeting approved our compensation policy for office holders on October 31, 2013, and on November 7, 2016, and later on December 14, 2022 approved a renewal of the compensation policy. The policy applies to office holders of the Company (see definition above), who serve as the Company's President, Chief Executive Officer(s) and other executives who are deemed office holders of the Company, as well as office holders of the Company's Israeli wholly owned subsidiaries, provided they report to the chief executive officer. The policy also applies to directors of the Company.

Our compensation policy for office holders was formulated in view of our belief that our business success is the result of the excellence of our human resources and their devotion to the achievement of our company's goals. Therefore, it is aimed at offering our officers with a competitive compensation package that will align their incentives with those of our company and our shareholders, and at motivating them to achieve the goals of our company, while avoiding undue pressure to take excessive risks. Among other factors, our compensation committee and board of directors have considered, as required by amendment no. 20 to the Israeli Companies Law and as reflected in the policy: (a) the advancement of the company's goals, its business plan and its policy with a long-term view; (b) the creation of appropriate incentives for office holders, considering the company's risk management policy; (c) the size of the company and the nature of its business; (d) with respect to variable components of the terms of office – the contribution of the office holders to the achievement of the company's goals and to the maximization of its profits, with a long-term view and in accordance with the position of the office holder.

The compensation policy incorporates all matters required to be included in a compensation policy as mandated by amendment 20 to the Israeli Companies Law, including (without limitation): (a) the requirement to consider the office holders' education, skills, professional experience, expertise, position and past compensation agreements; (b) consideration of the ratios between overall compensation of the officers and the average and median salary of the other employees of the Company; (c) the board's right to reduce variable compensation; (d) the determination of a maximum period for advanced and transition periods upon termination of services; (e) basing variable components of compensation on key performance indicators and on measurable criteria; (f) determining the ratio between fixed and variable components of compensation and setting forth caps on the amount of variable compensation payable; and (g) a claw-back provision with respect to restatements of financial statements.

C. BOARD PRACTICES

Board of Directors

Pursuant to our articles of association as presently in effect, our board of directors generally consists of twelve directors, including at least three independent directors in accordance with the listing rules of Nasdaq concerning the composition of audit committees, of whom two directors are external directors as required by Israeli law. Our independent directors, as such term is defined under the Nasdaq listing rules, are Mr. Baron, Mr. Kotler, Mr. Koren, Mr. Yoav Kahane and Ms. Tal Sheratzky - Jaffa, Pursuant to our articles of association, other than the external directors, for whom special election requirements apply (see “External directors” below), our directors are elected, by majority of our shareholders and may be removed by special majority. However, see Item 6.A – Directors and Senior Management for a description of our staggered board and the shareholders agreement and articles of association of Moked Ituran Ltd. Our board of directors may at any time and from time to time appoint any other person as a director to fill a vacancy until the general meeting of shareholders in which the term of service of the replaced director was scheduled to expire.

Pursuant to the Israeli Companies Law, our chairman convenes and presides over the meetings of the board. In addition, any two directors may convene a meeting of the board of directors, as well as a director who becomes aware of a company’s matter that allegedly involves a breach of the law or an improper business conduct. A quorum consists of a majority of the members of the board, and decisions are taken by a vote of the majority of the members present. Our articles of association provide that such quorum will in no event be less than two directors.

We are incorporated in Israel and are therefore subject to the provisions of the Israeli Companies Law, including certain corporate governance provisions. Our ordinary shares are listed on the Nasdaq Global Select Market (Our shares were delisted from the Tel Aviv stock exchange on May 25, 2016, for additional information see Item 9.A – Price History of Our Shares), and we are therefore subject to certain provisions of the Israeli securities laws, the U.S. securities laws and the Nasdaq listing rules. See also Item 16.G. – Corporate Governance below for additional information concerning our compliance with the Nasdaq listing rules and exemptions therefrom.

According to our Articles of Association, some of our officers and employees (including the chairman of our board and at least one third member of the Board) should be citizens and residents of Israel and receive clearance approval from the Israeli General Security Service. All the members of our board comply with these requirements.

On February 26, 2017 our board has adopted an Internal Compliance policy, which following review of our internal process included a comprehensive update of our internal regulations and codification of our internal regulations, all pursuant to the applicable Israeli laws. On August 28, 2022 our board adopted a revised internal compliance policy.

External directors

Under Israeli law, the board of directors of companies whose shares are publicly traded are required to include at least two members who qualify as external directors. External directors are to be elected by a majority vote at a shareholders’ meeting, provided that either:

- Such majority includes at least the majority of the shares held by all non-controlling shareholders or those having personal interest in the nomination, except personal interest which is not resulting from connections with controlling shareholders, present and voting at such meeting; or
- The total number of shares voted against the election of the external director and held by shareholders other than controlling shareholders or those having personal interest in the nomination, except personal interest which is not resulting from connections with controlling shareholders, must not exceed 2% of the shares whose holders are entitled to vote at any meeting of shareholders.

External directors are generally elected to serve an initial term of three years and may be re-elected to serve in that capacity for two additional three-year terms; however, companies whose securities are listed on recognized foreign exchanges, such as Nasdaq, may extend the service terms of their external directors for additional unlimited terms, each of no more of than three years, subject to the approval of the audit committee and the board of directors that such extension is for the benefit of the company in view of the directors’ expertise and special contribution to the operation of the board and its committees and these reasons together with the term served by the external director were presented to the shareholders prior to their approval (see the Israeli Companies Regulations (Allowances for Companies with Securities Listed on an Exchange Outside Israel), 2000-5760). The appointment of an external director for additional terms may be brought for the approval of the shareholders either by the board of directors or by a shareholder that holds at least 1% of the company’s voting rights, provided that the nominee is not a related or competing shareholder (as defined below) or a relative thereof, at the time of the appointment, and does not have an affinity to such shareholder (as defined below) at the time of the appointment or the two years preceding such appointment. The term “related or competing shareholder” means the shareholder who proposed the appointment or a 5% shareholder of the company if, at

the time of the appointment, his controlling person or a company controlled by either of them, has business relations with the company, or if he, his controlling person or a company controlled by either of them are competitors of the company. The term “affinity” means the on-going existence of work relationship, business or professional relationship or control and the service as an officer.

External directors may generally be removed from office by the same majority of shareholders required for their election or by a court, in each case, only under limited circumstances, including if they cease to meet the statutory qualification for their appointment or violate the duty of loyalty to the company.

If at the time of the appointment of an external director, all directors who are not controlling persons or their relatives are of the same gender, then the elected external director must be of the other gender.

Each committee of the board of directors that is vested with an authority of the board must include at least one external director, except that the audit committee and compensation committee must include all external directors then serving on the board of directors. The Israeli Companies Law prohibits external directors from receiving, directly or indirectly, any compensation other than for services as an external director pursuant to the provisions and limitations set forth in the applicable regulations promulgated under the Israeli Companies Law.

Israeli law provides that a person is not qualified to serve as an external director if he is a relative (as defined in the Israeli Companies Law) of the company’s controlling person, or if, at the time of his/her appointment and/or at any time during the two years preceding his or her appointment, that person, a relative, partner or employer of that person, or any entity under that person’s control, has or has had an affinity (as defined above) to the company, its controlling person or its relative or to any entity that, as of the date of appointment, or at any time during the two years preceding that date, is controlled by the company or by its controlling person. In addition, no person may serve as an external director if that person’s professional activities create, or may create, a conflict of interest with that person’s responsibilities as a director or otherwise interfere with that person’s ability to serve as a director; and, a person already serving as a director of one company may not be appointed as an external director of the company if at that time a director of the company is serving as an external director of the first company. In addition, a company, controlling shareholder and any other entity controlled by the controlling shareholder may not grant to such external director, its spouse or child, any benefits, directly or indirectly, and the external director, its spouse or child may not be appointed to serve in any position, may not be employed by and may not, directly or indirectly, render any professional services to the company, such controlling shareholder or any other entity controlled by the controlling shareholder, during the first two years following such external director’s termination of tenure of office, and with respect to a relative who is not the external director’s spouse or child – during the first year following such termination.

Mr. Israel Baron is now serving his seventh term as an external director of the Company, who was re-elected on of November 30, 2023 for a term of 3 years. Mr. Gideon Kotler was appointed on April 30, 2014 by an extraordinary shareholders meeting as our new external director, following the death of our former external director, Dr. Orna Ophir, in January 2014 and was re-elected by our general shareholders meeting on December 28, 2016, for his second term, of additional 3 years term starting from April 30, 2017, which was later extended for additional term of three years beginning ,April 30 , 2023.

Audit committee

Under Israeli law, the board of directors of a public company must appoint an audit committee. The audit committee must comprise of at least three directors, including all of the external directors and the chairman of the audit committee must be an external director. In addition, the majority of the members of the audit committee must be independent directors. Under the Israeli Companies Law, a director is considered “independent” if he/she is an external director or if he/she meets the qualifications of an external director, has not served as a director of the company for over 9 consecutive years, and has been classified as such. Under Israeli regulations a director who serves more than 9 consecutive years as a director may still be deemed as “independent director” provided the Audit committee and thereafter the board of directors resolved that his-her tenure as a director for an extend term is for the benefit of the company based on his/her expertise and unique contribution to the board and its committees. Our Audit committee and board of directors so resolved with regard to Messrs. Israel Baron Gidon Kotler. The audit committee may not include the chairman of the board, any director who is employed by the company or regularly provides services to the company (other than as a board member), a controlling shareholder or any relative of such person. All audit committee decisions must be approved by a majority of the committee members of which the majority of members present are independent directors. Furthermore, a person who is not eligible to serve on the audit committee is restricted from participating in its meetings and votes, unless the chairman of the audit committee determines that such person’s presence is necessary in order to present a certain matter, provided however, that the company employees who are not controlling shareholders or relatives

of such shareholders may be present in the meetings but not in the actual votes and likewise, company counsel and secretary who are not controlling shareholders or relatives of such shareholders may be present in meetings and decisions of such present is requested by the audit committee.

Our audit committee must also meet the requirements of the Nasdaq listing rules concerning audit committees.

Our board of directors has formed an audit committee that is empowered, among other things, to exercise the powers of the board of directors concerning our accounting, reporting and financial control practices. Our audit committee operates in accordance with a charter, which complies with the provisions of the Israeli Companies Law and the Nasdaq listing rules. The members of the audit committee are currently Messrs. Israel Baron, Gidon Kotler and Yoav Kahane, all of whom are independent as required of members of the audit committee under the Nasdaq listing rules. Mr. Gidon Kotler was appointed on April 30, 2014 to replace Dr. Orna Ophir who passed away in January 2014. Our board of directors has determined that Mr. Israel Baron possesses financial sophistication as required by Rule 5605(c)(2) under the Nasdaq listing rules, and that both Mr. Baron and Mr. Kotler possess accounting and financial expertise as defined by Israeli regulations.

Pursuant to the Israeli Companies Regulations (Provisions and Conditions regarding the Financial Statements' Authorization Process), 2010, a reporting entity, except for a reporting entity that is subject to Chapter E(3) of the Israeli Securities Act, is required to establish a committee of the board of directors for the examination of financial statements. Since we are a reporting entity under Chapter E(3), we are not obliged to constitute a committee for the examination of financial statements; and therefore, commencing with the financial statements for the first quarter of 2013, we ceased holding meetings of the examination of financial statements committee; and instead, our audit committee considers the financial statements prior to their approval by the board.

Pursuant to the 22nd amendment in the Israeli Company law, which was set to define new rules to approve transaction of the public company with its controlling shareholders, or the transaction in which the controlling shareholder has interest. The law requires from our Audit committee to set up rules to define the criteria for classification of transactions, which are neither Insignificant Transactions nor extraordinary transactions, and their procedures of approval that will be determined per each year in advance. In addition, the law requires from the Audit Committee to set methods of examining transactions with the controlling shareholders, in order to enable their classification and their comparison to the conditions in the free market. The Audit Committee resolved on September 29, 2014 as follows:

1. Transaction that is neither extraordinary, nor insignificant.

Definition: the relevant criteria that is calculated for the transaction is such transaction which is higher than 0.25% of the equity of the company according to its last combined financial reports, or higher than 1% of average net revenue of the past 3 years of the company in their absolute value, in the last 2 calendar years prior to the date of the transaction is being reported according the last financial report of the company.

Methods of approval: approval by the senior management of the company (from vice chief executive officer and higher) and report to the Board. The following transactions will require also the approval of the Audit Committee:

- (1) Transaction which is higher than 4.5% of the equity of the company according to its last combined financial reports which were published prior to the approval of the transaction.
- (2) Transaction that involves risks or significant exposure beyond mere monetary liabilities or obligations.
- (3) Transaction in which the company enters a new activity field or exits from an existing activity field.

2. Insignificant transaction:

Definition: such transaction which is not higher than 0.25% of the equity of the company according to its last combined financial reports or is not higher than 1% of average net revenue of the past 3 years of the company in their absolute value, in the last 2 calendar years prior to the date of the transaction is being reported according to the last financial report of the company.

Methods of approval: Approval by the management of the company or by the officer in charge in the company (vice chief executive officer, other officer or other in charged body in the company according to the decisions of the company).

3. General rules:

- (1) Any transaction with a controlling shareholder or any transaction that a controlling shareholder has an interest in, will be brought before the Audit Committee, which will determine its type and decide on case by

case basis on defining it as an insignificant transaction or other kind of transaction, and will decide on its review and on its approval.

- (2) According to the adopted criteria, transactions with Tzivtit Insurance Agency (1998) Ltd. and with Rinat Yogev Nadlan Ltd. shall be classified as insignificant transactions. If the extent of such transactions will remain similar during the following years, our management shall be deemed qualified to approve such transactions and to report them to the Audit Committee.
- (3) Every year the criteria for classifying transactions as set up above shall be brought for re-approval by the Audit Committee.

Compensation committee

The Israeli Companies Law mandates the appointment of a compensation committee comprising of at least three directors. The compensation committee must include all of the external directors, who shall constitute the majority of the members thereof, and its remaining members shall be directors whose terms of service comply with the provisions promulgated concerning the remuneration of external directors. The chairman of the committee must be an external director. The members of the Compensation committee are currently Israel Baron, Gideon Kotler and Yoav Kahane. Mr. Gidon Kotler was appointed on April 30, 2014 to replace Dr. Orna Ophir who passed away in January 2014. All members of our compensation committee are independent directors as defined by the Nasdaq listing rules, and all of whom meet the composition requirements under the Israeli Companies Law. Since February 2016, the Israeli Companies Law permits that Audit Committee can serve also as a Compensation committee, provided that it will comply with requirements of the Compensation Committee as explained above.

Under the Israeli Companies Law, the compensation committee is responsible for: (i) making recommendations to the board of directors with respect to the approval of the compensation policy for office holders and any extensions thereto; (ii) periodically reviewing the implementation of the compensation policy and providing the board of directors with recommendations with respect to any amendments or updates thereto; (iii) reviewing and resolving whether or not to approve arrangements with respect to the terms of office of office holders; and (iv) determining whether or not to exempt a transaction with a candidate for chief executive officer from shareholders' approval.

Furthermore, our compensation committee oversees, on behalf of the Board, the management of Ituran's compensation and other human resources-related issues and otherwise carries out on behalf of the Board its responsibilities relating to these issues. The committee is responsible for establishing annual and long-term performance goals and objectives for our executive officers. In addition, as required under the Nasdaq listing rules, our compensation committee is responsible for the appointment, compensation and oversight of the work of any compensation consultant, legal counsel and other adviser retained by the committee; and may retain such advice only after taking into account the considerations set forth in the Nasdaq listing rules in this respect. Our compensation committee operates in accordance with a charter, which complies with the provisions of the Israeli Companies Law and the Nasdaq listing rules.

According to our compensation committee charter, the compensation committee, among its other duties, is responsible on reviewing the disclosure in this form which concerns the Compensation Policy and the sections describing the Terms of Service of Officers, controlling persons and their relatives.

Internal auditor

Under the Israeli Companies Law, the board of directors of a public company must appoint an internal auditor nominated by the audit committee. An internal auditor may not be:

- a person (or a relative of a person) who holds more than 5% of the company's shares or voting rights;
- a person (or a relative of a person) who has the power to appoint a director or the general manager of the company;
- an executive officer, director or other affiliate of the company; or
- a member of the company's independent accounting firm.

The role of the internal auditor is to examine, among other things, the compliance of the company's conduct with applicable law and orderly business procedures. Our internal auditor in 2020 was Shimon Yarel, CPA, who has served as our internal auditor since January 1999. On March 2, 2021, the audit committee and the board of directors approved the appointment of Ms. Alexandra Meron Yarel as an internal auditor instead of Mr Shimon Yarel, and that is due to his retirement.

D. EMPLOYEES

The following table sets forth the total number of our employees at the end of each of the past three years, and a breakdown of such employees by main category of activity and by geographic location:

	Year Ended December 31,		
	2024	2023	2022
<u>By area of activity:</u>			
Control Center	402	380	385
Research and Development	163	167	159
Sales and Marketing	126	103	92
Technical support and IT	513	491	501
Finance, Administration and Management	327	321	356
Private enforcement and operations	1,191	1,196	1,075
Manufacturing	170	183	168
Total	2,892	2,841	2,736
<u>By geographic location (out of total):</u>			
Israel	961	906	795
Brazil	848	865	861
Others	1,083	1,070	1,080
Total	2,892	2,841	2,736

We consider our relations with our employees to be satisfactory and have no ongoing major labor disputes or material labor-related litigation. Our employees are subject to local labor laws and regulations, which in some countries are more stringent than others. Some of our senior executives also have employment agreements that may grant them rights in excess of those provided by the applicable laws.

Israel

Our employees in Israel are subject to Israeli labor laws and regulations and employment customs. The applicable labor laws and regulations principally concern matters such as paid annual vacation, paid sick days, length of the workday, payment for overtime and severance pay. Israeli law generally requires severance pay equal to one month's salary for each year of employment upon retirement or death of an employee or termination of employment without cause. Furthermore, Israeli employees and employers are required to pay predetermined sums to the National Insurance Institute, which is similar to the United States Social Security Administration. Since January 1, 1995, these amounts also include payments for national health insurance.

Israeli labor laws impose on employers increased liability, including monetary sanctions and criminal liability, in cases of violations of certain labor laws and certain violations by contractors providing maintenance, security and cleaning services.

Brazil

Our employment agreements in Brazil are subject to Brazilian labor laws and regulations, to collective labor agreements or bargaining arrangements with unions and contract. The laws and regulations in Brazil govern almost all aspects of an employment relationship and do not leave much room to be negotiated with the employee. Still, employment contracts create obligations to the parties if they are in compliance with the law. The Labor Code mainly

governs the employees' right to paid annual vacation, paid sick days, the maximum length of a workday, minimum payment for overtime and statutory severance pay. Brazilian law generally requires severance pay equal to 40% of the balance of the employee's FGTS account (a mandatory fund to guarantee severance and unemployment). The FGTS can also be withdrawn when the employee retires, dies or his employment is terminated without cause, among others. Brazilian employers are required to purchase health insurance for employees only in the event it is set forth by the applicable collective labor agreement, contract or company policy, and are required to cover employees' food and travel costs whenever a business trip is required, and to make deposits into a Guarantee Severance Fund (the so-called "FGTS"). Furthermore, Brazilian employees and employers are required to make contributions to the National Insurance Institute ("INSS"), similar to the United States Social Security Administration. Our collections to the National Insurance Institute amount to 34.8% to 39.8% of the payrolls, out of which 8% to 11% (limited to R\$7,087.22 of individual salary) corresponds to contributions by the employees deducted from salaries and 26.8% is the fixed part we pay. Our contribution of 26.8% includes mandatory contribution to the Public Insurance for Labor Accidents and Diseases (SAT). According to Decree Law 6957/2009 such portion, which varies from 1% to 3% of payroll, should be multiplied by another factor (FAP) from 0.5 to 2 in order to reduce or increase our burden to reflect statistics of occupational accidents and diseases in our business.

All of our employees in Brazil, excluding the chief executive officer, some directors (VPs) and some IT providers are represented by a labor union and the employees' mandatory contributions to their union are paid by us. The law no. 13.467/2017, which entered into force on November 11, 2017, made the labor union contribution optional (i.e., discounted only upon the employees' consent).

Argentina

Our employees in Argentina are subject to Argentine labor laws and regulations and other special practices and employment customs. The laws and regulations in Argentina control all aspects of labor relations and designate a general Employment Contract with which all employees and employers must comply. This general Employment Contract adopts by reference the provisions of the Labor Law which principally concerns matters such as paid annual vacation, paid sick days, the length of the workday, and payment for overtime and severance pay.

Argentine law generally requires severance pay equal to one month per year of service upon the termination of employment without a justified cause.

Argentine employers are also required to contribute for the following items: (a) Pension funds 20.70 % (b) health insurance for employees 6% (c) occupational accident insurance 2.03% for January to February 2024 and 1.72% from March to December 2024; and (d) Retirement fund insurance 2.5% (only this item is for Union Employees). All the rates should be applied on the gross salary.

Our employees in Argentina, excluding the chief executive officer and several other employees, are members of a labor union and the employee member fees are paid by them.

United States

We have no collective bargaining agreements with any of our employees in the United States and none of our employees are members of a union.

Mexico

The hiring of employees in Mexico is subject to the regulations of the Federal Labor Law, the Social Security Law, the Infonavit Law, the Income Tax Law, Afore, and Infonacot. In these laws both workers and employers have obligations and rights; the percentage corresponding to the employer is 40% in Payroll and Employee Tax depending on their level of income. The working relationship between employer and employee is regulated by the Individual work contract. In Mexico we have several modalities of types of Labor Contract, according to the permanence and type of contract, example: Contract for a Determined Time, Permanent Contract, and Contract for Determined Work. In these Contracts the conditions of the work are specified. Within our company we also have working relationships through outsourcing, where our employees have the same rights and obligations and adhere to the same internal and legal guidelines. Contract terminations without cause by the employer require the payment of 3 months' salary as a concept of damages.

Ecuador

Our employees in Ecuador are subject by the Ecuadorian Labor Code. The Labor Code provides for a 40-hour work week, 15 calendar days of annual paid vacation, restrictions and sanctions for those who employ child labor, general protection of worker health and safety, minimum wages and bonuses, maternity and paternity leave, and employer-provided benefits. The 2008 Constitution bans child labor, requires hiring workers with disabilities, and unpaid internships are not permitted in Ecuador. The law also mandates that employees' thirteenth and fourteenth month bonuses, which are required by law, be paid in instalments throughout the year instead of in lump sums. Employees have the option to opt out of this change and continue to receive the payments in lump sums. The law eliminates fixed-term employee contracts and replaced them with indefinite contracts, which shortens the allowable trial period for employees to 90 days. The Law for Labor Justice and Recognition of Work in the Home, which included several changes related to labor and social security, took effect in April 2015. Workers in the private sector have the constitutional right to form trade unions and local law allows for unionization of any company with more than 30 employees. Private employers are required to engage in collective bargaining with recognized unions. The Labor Code provides for resolution of union's conflicts through a tripartite arbitration and conciliation board process. The Code also prohibits discrimination against union members and requires that employers provide space for union activities.

Colombia

Our employees in Colombia are subject to Colombian labor laws and regulations. All employees have an indefinite term employment contract and the law determines a minimum monthly salary (SMM), which is increased annually by the government and used to calculate labor obligations. 48 hours are the maximum hours for a week. All employees are affiliated with the Social Security System (Health, Pension and Occupational Risks), a percentage is paid by the company and the other by the employee, the calculation depends on the salary. The law determines additional benefits called social benefits payable by the company: Holidays: 15 working days for each year worked; Premium corresponds to the payment of 15 days of salary per semester worked or fraction; Unemployment corresponds to the payment of 30 days of salary per year worked or fraction; Unemployment interest corresponds to 12% of severance pay; Employees who earn less than 2 SMM must be given 3 times a year clothing and footwear or equivalent in bonuses. Termination of employment relationship by the company without a justified reason, is coupled with compensation to the employee. Additionally, for every 20 employees, the company must hire an apprentice who will receive financial support from 1 SMM, and who will be employed for a period of 6 months. Currently the company doesn't have any unionized employee. For year 2025, Income Tax remains 35%, as a result of tax reform approved by Colombia congress on 2021 (2021 income tax rate was 31%).

E. SHARE OWNERSHIP

The following table sets forth share ownership information for our directors and executive officers listed in Item 6.A above as of April 2, 2025. All of the information with respect to beneficial ownership by our directors and executive officers has been furnished by the respective director or executive officer, as the case may be.

Name of Director/Officer (1)	Number of Ordinary Shares Beneficially Owned ⁽²⁾	Percentage of beneficial ownership ⁽³⁾
Izzy Sheratzky ⁽⁴⁾	3,867,317	19.44
Professor Yehuda Kahane ⁽⁵⁾	1,316,137	6.615
Zeev Koren	—	—
Efraim Sheratzky ⁽⁶⁾	144,408	0.73
Yigal Shani ⁽⁷⁾	223,052	1.12
Eyal Sheratzky	—	—
Nir Sheratzky	—	—
Gil Sheratzky	—	—

Yoav Kahane	—	—
Tal Sheratzky-Jaffa	2,403*	0.01*
Israel Baron	—	—
Gidon Kotler	105*	*
Ami Saranga	—	—
Eli Kamer	—	—
Guy Aharonov	—	—
Udi Mizrahi	—	—
Shahar Sheratzky	—	—

* Own less than one percent of our shares.

- (1) This table includes only current directors and officers that beneficially hold our shares.
- (2) Beneficial ownership¹ is determined in accordance with the rules of the Securities and Exchange Commission (as defined in Rule 13d – 3 under the Exchange Act) and shares deemed beneficially owned by virtue of the right of any person or group to acquire such ordinary shares within 60 days are treated as outstanding only for the purposes of determining the percent owned by such person or group. To our knowledge, the persons and entities named in the table above are believed to have sole voting and investment power with respect to all ordinary shares shown as owned by them, except as described below.
- (3) Amounts in this column are based on 23,475,431 ordinary shares issued as of April 2, 2025, less 3,581,851 treasury shares held by us.
- (4) Shares beneficially owned include: (a) 3,865,952 shares owned by Moked Ituran Ltd., which Mr. Sheratzky is deemed to beneficially own due to his shared voting and investment power over such shares in accordance with those certain shareholders agreement, dated May 18, 1998 as amended on September 6, 2005 and on September 17, 2014, among Moked Ituran and its shareholders, which we refer to as the Moked Shareholders Agreement. For further information concerning the Moked Shareholders Agreement see the discussion under Item 6.A. – Directors and Senior Management under the caption “Shareholders Agreement and Articles of Association of Moked Ituran Ltd.” above; (b) 1,365 shares that are directly held by Mr. Sheratzky’s wife, Maddie Sheratzky.
- (5) Shares beneficially owned include: (a) 13,264 shares directly owned by Professor Kahane jointly with his wife, Rivka Kahane; (b) 5,782 shares owned by Yehuda Kahane Ltd., which Professor Kahane may be considered to beneficially own by virtue of his shared voting and investment control of the company through his 50% shareholdings thereof, the other 50% being owned by his wife, Rivka Kahane; and (c) 1,297,091 shares owned by Moked Ituran Ltd., which Professor Kahane may be considered to beneficially own by virtue of his right to direct the disposition of such shares in accordance with Moked’s articles of association, following sale of 135,000 shares attributed to him during year 2025. Professor Kahane has shared voting and investment control over Yehuda Kahane Ltd., a holder of 35.13% of the shares of Moked Ituran.
- (6) Shares beneficially owned include: (a) 3,356 shares directly owned by Efraim Sheratzky, (b) 18,500 shares owned by Tzivtit Insurance Agency (1998) Ltd., which Efraim Sheratzky may be considered to beneficially own by virtue of his shared voting and investment control over such shares through his 50% ownership thereof, the other 50% of the shares held by Yigal Shani, and (c) 131,552 shares owned by Moked Ituran, which Mr. Sheratzky may be considered to beneficially own by virtue of his right to direct the disposition of such shares in accordance with Moked’s articles of association, following sale of 75,000 shares attributed to him during year 2025. Mr. Sheratzky may be considered to beneficially own such shares by virtue of his sole voting and investment control over his wholly owned G T.S.D. Holdings Ltd, the holder of 3.75% of Moked’s shares.
- (7) Shares beneficially owned include: (a) 10,000 shares directly owned by Yigal Shani, (b) 18,500 shares owned by Tzivtit Insurance Agency (1998) Ltd., which Yigal Shani may be considered to beneficially own by virtue of his shared voting and investment control over such shares through his 50% ownership thereof, the other 50% of the shares held by Efraim Sheratzky, and (c) 206,552 shares owned by Moked Ituran, which Mr. Shani may be considered to beneficially own by virtue of his right to direct the disposition of such shares in accordance with Moked’s articles of

association. Mr. Shani may be considered to beneficially own such shares by virtue of his sole voting and investment control over his wholly owned G.N.S. Holdings, the holder of 3.75% of Moked's shares.

F. DISCLOSURE OF REGISTRANT'S ACTION TO RECOVER ERRENOUSLY AWARDED COMPENSATION.

Not applicable.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. MAJOR SHAREHOLDERS

The following table shows the number of our ordinary shares beneficially owned by (a) the shareholders known to us as of April 2, 2025 to beneficially own more than 5% of our outstanding ordinary shares and (b) all of our directors and executive officers as a group.

Please also see Item 6.E above. There are no shares underlying options or warrants held by such persons. Beneficial ownership is determined in accordance with the rules of the SEC and includes voting or investment power with respect to ordinary shares.

The shareholders listed below do not have any different or special voting rights from any other shareholders of our company. Except where otherwise indicated, we believe, based on information furnished by the owners, that the beneficial owners of the ordinary shares listed below have sole investment and voting power with respect to such shares.

Shareholder	Number of Ordinary Shares Beneficially Owned	% Voting
Moked Ituran Ltd. ⁽¹⁾	3,865,952	19.43
All directors and executive officers as a group ⁽²⁾ .	3,915,227	19.68
Vulcan Value Partners ⁽³⁾	1,219,621	6.13
FMR LLC. ⁽⁴⁾	1,228,293	6.174
Renaissance Technologies LLC. ⁽⁵⁾	1,123,800	5.65
Treasury shares	3,581,851	

⁽¹⁾ Moked’s articles of association provides that each of Moked’s shareholders shall have the right to direct Moked to dispose of such number of our shares corresponding to his or her relative shareholdings in Moked. In addition, ownership of all shares held by Moked are attributed to Mr. Izzy Sheratzky by virtue of his holdings in Moked. Please see Item 6.E above for the ownership of our shares attributed to Moked’s shareholders. For further information please see Item 6.A – Directors and Senior Management under the caption “Shareholders Agreement and Articles of Association of Moked Ituran Ltd” above.

⁽²⁾ Includes shares held by Moked Ituran Ltd., which ownership are attributed to some of these directors and executive officers.

⁽³⁾ The information presented herein is based on Form 13G filed by Vulcan Value Partners, LLC (“Vulcan”) on September 30, 2024. According to the information presented on such Form 13G, Vulcan is an investment adviser, and various persons, including the investment companies and owners of the separate accounts to which Vulcan serves as investment adviser, have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, the Company’s securities that are the subject of Form 13G.

⁽⁴⁾ The information presented herein is based on Form 13G filed by FMR LLC. (“FMR”) on February 9, 2025. According to the information presented on such Form 13G, the shares are beneficially owned by members of the Johnson family, including Abigail P. Johnson, are the predominant owners, directly or through trusts, of Series B voting common shares of FMR LLC, representing 49% of the voting power of FMR LLC. For further information on the beneficial ownership by the portfolio accounts, please refer to Form 13G filed by FMR on February 9, 2025.

⁽⁵⁾ The information presented herein is based on Form 13G filed by Renaissance Technologies LLC. (“RTC”) Renaissance Technologies Holdings Corporation (“RTHC”) on February 13, 2025. According to the information presented on such Form 13G, the shares are beneficially owned by RTC, which is a Delaware limited liability company. For further information on the beneficial ownership by the portfolio accounts, please refer to Form 13G filed by RTC on February 13, 2025.

As of November 2024, we had a total of approximately 1,600 shareholders (including the Depository Trust Company) of record in the United States with registered addresses in the United States. The number of record holders in the United States is not representative of the number of beneficial holders nor is it representative of where such beneficial holders are resident since many of these ordinary shares were held of record by brokers or other nominees.

B. RELATED PARTY TRANSACTIONS

Transactions with our directors and principal officers

We have entered into indemnification agreements with each of our directors and officers and the officers and directors of our subsidiaries providing them with indemnification for liabilities or expenses incurred as a result of acts performed by them in their capacity as our directors and officers. Our general meeting of shareholders approved on January 28, 2014 an amendment to these indemnification agreements and the grant thereof to office holders, including

controlling persons and their relatives, who serve at our company and its subsidiaries from time to time. For the full indemnification agreements as so approved, please see Exhibit 4.19 under Item 19 – Exhibits.

Our general meeting of shareholders has also approved on January 28, 2014 the procurement from time to time of directors' and officers' insurance policies covering the liability of office holders, including controlling persons and their relatives, who serve at the Company and its subsidiaries from time to time, under the following terms: (a) the principal terms of the D&O insurance policies shall not materially deviate from the terms of our current directors' and officers' insurance policy; or (b) to the extent that the Company shall desire to procure a D&O insurance policy, which a material term thereof adversely deviates (from our company's point of view) from the terms of the current policy, then our company's board of the directors shall confirm that, notwithstanding such deviation, our procurement of such policy is compatible with market terms and does not materially affect our profitability, assets or liabilities..

In February 2014, following the approval of our general meeting of shareholders on January 28, 2014, we entered into service agreements, setting forth the terms of service of our President and Co-Chief Executive Officers in compliance with our compensation policy for office holders; and E-Com entered into a service agreement setting forth the terms of service of its Chief Executive Officer in compliance with our compensation policy for officer holders. The principal terms of these agreements are as follows:

Mr. *Izzy Sheratzky* shall provide his services as an independent contractor through A. Sheratzky Holdings Ltd., which shall be entitled to a monthly payment of NIS 250,000 (or \$68,000) plus VAT, linked to the consumer price index for December 2013. At the request of the service provider, part of the fixed monthly pay may be granted through benefits, such as the provision of a company car for the use o/f Mr. Sheratzky and the payment of its maintenance costs and the cost of tax resulting there from the fixed monthly pay shall also include Mr. Sheratzky's entitlement for a 25 days' vacation and sick days as provided by law. The service provider shall also be entitled to payment or reimbursement of expenses, including hosting expenses, subsistence allowance abroad and participation in work-related home telephone expenses. The service provider shall be entitled to Target-based Cash Incentives and Excess Return Cash Incentives as detailed below. The agreement shall be in force for a period of 3 years and may be terminated upon 180 days' advance notice of termination; however, the company may terminate the agreement without an advance notice and without compensation if the following shall occur: (a) Mr. Sheratzky is convicted of a criminal offense involving moral turpitude; (b) a final court ruling (without the possibility of appeal) determines that Mr. Sheratzky has breached his fiduciary duty towards the company; (c) a final court ruling (without the possibility of appeal) determines that Mr. Sheratzky has materially breached the agreement through the unauthorized disclosure of company's secrets or competition with the company. The aggregate amounts paid to A. Sheratzky Holdings according this new service agreement in 2022 , 2023 and 2024 were approximately \$ 3,380,000, \$ 2,155,000 and \$2,734,000 respectively (the numbers include 17% value added tax).

Mr. *Eyal Sheratzky* shall provide his services as an independent contractor through ORAS Capital Ltd. which shall be entitled to a monthly payment of NIS194,000 (or \$53,000) plus VAT, linked to the consumer price index for December 2013. At the request of the service provider, part of the fixed monthly pay may be granted through benefits, such as the provision of a company car for the use of Mr. Sheratzky and the payment of its maintenance costs and the cost of tax resulting therefrom. The fixed monthly pay shall also include Mr. Sheratzky's entitlement for a 25 days' vacation and sick days as provided by law. The service provider shall also be entitled to payment or reimbursement of expenses, including hosting expenses and subsistence allowance abroad. The service provider shall be entitled to Target-based Cash Incentives and Excess Return Cash Incentives as detailed below. The agreement shall be in force for a period of 3 years and may be terminated upon 180 days' advance notice of termination; however, the company may terminate the agreement without an advance notice and without compensation if the following shall occur: (a) Mr. Sheratzky is convicted of a criminal offense involving moral turpitude; (b) a final court ruling (without the possibility of appeal) determines that Mr. Sheratzky has breached his fiduciary duty towards the company; (c) a final court ruling (without the possibility of appeal) determines that Mr. Sheratzky has materially breached the agreement through the unauthorized disclosure of company's secrets or competition with the company. The aggregate amount paid to ORAS Capital Ltd in 2022, 2023 and 2024 was approximately, \$2,679,000 , \$1,727,000 and \$2,188,000 respectively (the numbers include value added tax).

Mr. *Nir Sheratzky* shall provide his services as an independent contractor through Galnir Management and Investments Ltd., which shall be entitled to a monthly payment of NIS194,000 (or \$53,000) plus VAT, linked to the consumer price index for December 2013. At the request of the service provider, part of the fixed monthly pay may be granted through benefits, such as the provision of a company car for the use of Mr. Sheratzky and the payment of its maintenance costs and the cost of tax resulting therefrom. The fixed monthly pay shall also include Mr. Sheratzky's entitlement for a 25 days' vacation and sick days as provided by law. The service provider shall also be entitled to

payment or reimbursement of expenses, including hosting expenses and subsistence allowance abroad. The service provider shall be entitled to Target-based Cash Incentives and Excess Return Cash Incentives as detailed below. The agreement shall be in force for a period of 3 years and may be terminated upon 180 days' advance notice of termination; however, the company may terminate the agreement without an advance notice and without compensation if the following shall occur: (a) Mr. Sheratzky is convicted of a criminal offense involving moral turpitude; (b) a final court ruling (without the possibility of appeal) determines that Mr. Sheratzky has breached his fiduciary duty towards the company; (c) a final court ruling (without the possibility of appeal) determines that Mr. Sheratzky has materially breached the agreement through the unauthorized disclosure of company's secrets or competition with the company. The aggregate amount paid to Galnir Management and Investments Ltd, in 2022 , 2023 and 2024 was approximately \$ 2,679,000, \$1,727,000 and \$2,137,000 respectively (the numbers include value added tax).

Mr. Gil Sheratzky shall provide his services as an independent contractor through ZERO-TO-ONE S.B.L. INVESTMENTS LTD., which shall be entitled to a monthly payment of NIS139,000 (or \$38,000) plus VAT, linked to the consumer price index for December 2013. At the request of the service provider, part of the fixed monthly pay may be granted through benefits, such as the provision of a company car for the use of Mr. Sheratzky and the payment of its maintenance costs and the cost of tax resulting therefrom. The fixed monthly pay shall also include Mr. Sheratzky's entitlement for a 25 days' vacation and sick days as provided by law. The service provider shall also be entitled to payment or reimbursement of expenses, including hosting expenses and subsistence allowance abroad. The service provider shall be entitled to Target-based Cash Incentives and Excess Return Cash Incentives as detailed below. The agreement shall be in force for a period of 3 years and may be terminated upon two months' advance notice of termination; however, E-Com may terminate the agreement without an advance notice and without compensation if the following shall occur: (a) Mr. Sheratzky is convicted of a criminal offense involving moral turpitude; (b) a final court ruling (without the possibility of appeal) determines that Mr. Sheratzky has breached his fiduciary duty towards E-Com; (c) a final court ruling (without the possibility of appeal) determines that Mr. Sheratzky has materially breached the agreement through the unauthorized disclosure of E-Com' and/or company's secrets or competition with E-Com and/or the company. The aggregate amount paid to ZERO-TO-ONE S.B.L. INVESTMENTS LTD, in 2022, 2023 and 2024 according to this new service agreement, were approximately, \$1,841,000, \$ 1,227,000 and \$1,238,000 respectively (the numbers include value added tax).

Each of the above agreements also provides that the executives may request to provide their services to the company as an employee, and not through a service provider, and in such event, they shall execute an employment agreement with the company, in lieu of the above service agreements, which shall also set forth the provisions of social security and other benefits that the company usually grants its senior executive officers (which may not deviate from the provisions of the Compensation Policy in this respect). In any event, it was agreed that the nature of the agreement pursuant to which the services are provided shall not affect the cost to us of the provision of the services as set forth in the service agreements.

The aforementioned agreements were extended on April 20, 2020 (commencing as of February 1, 2020) subject to the approval of our next general shareholders meeting, for additional three years, with accordance to the provisions of Israeli Company Law and Israeli Companies Regulations (Relaxations in Transactions with Interested Parties) 5760-2000, and were approved accordingly by our compensation committee and our board of directors. Our shareholders meeting approved the aforementioned agreements for an additional period of three years on December 10, 2020.

All agreements mentioned above are in compliance with our amended compensation policy as approved on November 7, 2016 and re approved on December 12, 2019, and thereafter on December 14, 2022, by the Company's general meeting of shareholders, which sets forth the principles of our office holders' compensation.

The terms of the Cash Incentives applicable to each of Messrs. Izzy Sheratzky, Eyal Sheratzky, Nir Sheratzky and Gil Sheratzky (the "**Executive Office Holders**"), as set forth in their agreements referred to above (the "**Agreements**"), are as follows:

- "Target-based Cash Incentives" means a cash incentive awarded to the Executive Office Holders for the company's achievement of the following Profit-Before-Tax targets in each calendar year following the effective date of the above agreements, in which the Minimum Threshold (as defined below) has been achieved:

Company's Profit-Before-Tax Targets (in USD thousands)	Level of Incentive - As a Percentage of the Executive Office Holder's Annual Cost of Pay
24,001 - 27,500.....	20%

27,501-31,000.....	45%
31,001-35,000.....	75%
35,001-39,000.....	110%
Above 39,001.....	150%

“Minimum Threshold” means, with respect to a particular calendar year, a Minimum Company’s Return on Equity (as defined below) of 15%, and a minimum company’s Profit before Tax of USD 24 million.

“Return on Equity” means, with respect to a particular calendar year, the ratio between the net income for such year and the average of the shareholders’ equity at the beginning of such calendar year and at the end of each calendar quarter of such year; calculated in accordance with the company’s audited or reviewed consolidated financial statements for such year, as the case may be, after taking into account Executive Officers’ compensation, but excluding adjustments of the value of assets and obligations to their fair value in accordance with accounting standards.

“Profit-Before-Tax” means, with respect to a particular calendar year, the company’s profit before tax for such year in accordance with the company’s audited consolidated financial statements for such year, after taking into account Executive Officers’ compensation, but excluding adjustments of the value of assets and obligations to their fair value in accordance with accounting standards.

“Executive Officers” means Office Holders of the Company (“Nosei Misra”, as such term is defined in the Companies Law) who serve as the company’s President, Co-CEOs and other executives who are deemed Office Holders of the company, as well as Office Holders of the company’s Israeli wholly owned subsidiaries, provided they report to the CEO.

“Cost of Pay” means, with respect to independent contractors – their invoice amount plus company car and related expenses; and with respect to employees - their base pay (i.e. fixed gross amount payable to the employee in return for his services, excluding expenses, benefits and bonuses) plus 40% thereof.

- Target-based Cash Incentives shall become payable upon the lapse of 30 days from the date of publication of the company’s audited annual financial statements (the “**Entitlement Date**”); and such cash incentive shall be paid on such date. However, if an Executive Office Holder’s Target-based Cash Incentives exceed an amount equal to 100% of such Executive Office Holder’s annual Cost of Pay (the “**100% Threshold**”), then 20% of the amount by which the Target-based Cash Incentives exceed the 100% Threshold (the “**Deferred Portion**”) shall not be paid on their Entitlement Date, but rather shall be deferred and paid in two equal instalments on the first and second anniversary of the Entitlement Date, provided that the Minimum Threshold was achieved during the first calendar year (for the first instalment) and during the second calendar year (for the second instalment) following the Entitlement Date, respectively. The Deferred Portion shall be linked to the consumer price index known on the Entitlement Date.
- The company may pay to the Executive Office Holders advances on account of expected Target-based Cash Incentives, based on the company’s reviewed financial statements, prior to the Entitlement Date; provided that if on the Entitlement Date, it turns out that such advances exceed the Target-based Cash Incentives to which the Executive Office Holders are entitled, then the excess amounts shall be returned to the Company or shall be deducted from the payment of the remainder Target-based Cash Incentives on the Entitlement Date, as the case may be.
- “**Excess Return Cash Incentives**” means a cash grant based on the company’s Stock Yield as compared to the Russell 2000 Index’s Yield, as set forth below.

“**Company’s Stock Yield**” means the percentage of increase or decrease of the company’s stock price on Nasdaq over an Examined Period (as defined below), as adjusted for dividend distribution, calculated based on the average adjusted closing price of the company’s shares on the Nasdaq during the 5 business days prior to and the 5 business days after the commencement and end of such Examined Period.

“**Russell 2000 Index’s Yield**” means the percentage of increase or decrease of the Russell 2000 Index over an Examined Period, calculated based on the average Russell 2000 Index closing quotes during the 5 business days prior to and the 5 business days after the commencement and end of such Examined Period.

At the end of each calendar year, the company shall examine the Company’s Stock Yield since January 1 of such year or, with respect to the first year of such grant – since the date of its approval (an “Examined Period”),

as compared to the Russell 2000 Index's Yield over such Examined Period; and to the extent that the Company's Stock Yield exceeds the Russell 2000 Index's Yield for such period, each of the Executive Office Holders shall receive an amount equal to 50% of his monthly Cost of Pay for each 1% of excess return (in percentage points' terms), or a relative amount in the event of a partial excess return. For the avoidance of doubt, in the event that the Company's Stock Yield during such period is negative, no grant shall be awarded.

The Excess Return Cash Incentive for each year shall not exceed an amount equal to the Executive Officer Holder's annual Cost of Pay.

- In the event that an Agreement is terminated during a calendar year, the company's compensation committee and board of directors shall determine the relative amounts out of the Target-based Cash Incentives and/or Excess Return Cash Incentives to which the relevant Executive Office Holder is entitled for the portion of the year during which the Agreement was in force; and these amounts shall be paid within 30 days after the termination of service/employment, as the case may be.
- On the date of determination of each Executive Office Holder's entitlement for a Target-based Cash Incentive for a particular year, the company's compensation committee shall examine whether the total amount of grants to which Executive Officers are entitled with respect to such calendar year and which constitute variable components of their terms of services (the "Total Amount of Grants to Executive Officers"), exceed an amount equal to 10% of the Company's EBITDA for such year (the "EBITDA's Threshold"), as calculated in accordance with data extracted from the company's audited consolidated annual financial statements, after taking into account the Executive Officers' fixed compensation but excluding their variable compensation. In such event, the amount by which the Total Amount of Grants to Executive Officers exceeds the EBITDA's Threshold shall be referred to as the "Excess Amount".
- In the event that the Total Amount of Grants to Executive Officers exceeds the EBITDA's Threshold, then the Target-based Cash Incentive and the Excess Return Cash Incentive to which an Executive Office Holder is entitled (together, the "Grants") shall be reduced by an amount equal to the Executive Office Holder's Rate of Grants (as defined below) out of the Excess Amount. The term "Executive Office Holder's Rate of Grants" means, with respect to a particular Executive Office Holder, the percentage which such Executive Office Holder's Grants constitute out of the Total Amount of Grants to Executive Officers.
- The company's board of directors shall have the right, under special circumstances at its discretion, to reduce the amount of Grants to which the Executive Office Holders are entitled, upon a 60 days prior notice.
- The Executive Office Holder shall be required to return any compensation paid to them on the basis of results included in financial statements that turned out to be erroneous and were subsequently restated in the company's financial statements published during the three year period following publication of the erroneous financial statements; to the extent they would not have been entitled to the compensation actually received had it been determined based on the restated financial statements. In such case, compensation amounts will be returned within 60 days from the date of publication of the restated financial statements, net of taxes that were withheld thereon. If the Executive Office Holder has a right to reclaim such tax payments with respect to Grants which were paid in excess, from the relevant tax authorities, then the Executive Office Holder shall reasonably act to reclaim such amounts from the tax authorities and upon their receipt, shall remit them to the company.

In 2024 Executive Office Holders were eligible to Target based cash incentives at the maximum rate of (150%) as follows (which is included in the aforementioned payments according to the above new service agreements):

Executive Office Holders	Target-based Cash Incentive	Deferred Portion for the next 2 years	Deferred Portion from last 2 years	Total to be paid for 2024:
	In US\$ thousands			
Izzy Sheratzky	1,064	(73)	73	1,064
Eyal Sheratzky	851	(57)	57	851
Nir Sheratzky	851	(57)	57	851
Gil Sheratzky	608	(41)	41	608

For the full-service agreements regarding the services of our President, Co-Chief Executive Officers and the Chief Executive Officer of E-Com, please see Exhibits 4.9-4.12(a) attached hereto.

On January 28, 2014, our general meeting of shareholders re-approved the terms of engagement of Professor Yehuda Kahane, which were set forth in a financial services agreement, dated March 23, 1998, between our company and Professor Kahane. Pursuant to this agreement, as amended in May 2003, we are obligated to pay Professor Kahane a monthly consulting fee of NIS 15,000, or approximately \$4,100, linked to the Israeli consumer price index as known on May 1, 2003. The term of the agreement automatically renews every two-years; however, either party may terminate it by providing a 180-day prior notice. The aggregate amounts paid to Professor Kahane by virtue of this agreement in each of the years ,2022, 2023 and 2024 were approximately, \$70,000, \$66,000 and \$68,000, respectively.

Transactions with our affiliates and associates

We purchase our GPS/GPRS equipment from our subsidiary, E.R.M Electronic Systems Limited. In2022, 2023 and 2024, Ituran, including its subsidiaries in Brazil, Argentina and USA, purchased GPS/GPRS equipment from E.R.M in the sum of approximately NIS 96.2 million (or \$ 28.6 million), NIS 95.1 million (\$26.2 million) and NIS 86.0 million (or \$23.2 million), respectively.

C. INTERESTS OF EXPERTS AND COUNSEL

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

For the audited financial statements and audit reports required to be contained in this annual report, please see Item 18 below.

Material Legal Proceedings

During year 2016 Brazilian Federal Communication Agency – Anatel issued a tax assessment for FUST contribution (contribution on telecommunication services) levied on the monitoring services rendered by us and additional tax assessment for FUNTELL contribution (contribution to Fund for the Technological Development of Telecommunication) levied on the monitoring services rendered by us regarding, all for the period 2007-2012. Total amounts (including penalty and interest) of approximately R\$25.0 million (US\$ 4.25 million). as of December 2024 including interest and penalties. The reason Anatel demand the payment of FUST and FUNTELL from us is the fact that in order to provide monitoring services we need to operate telecommunication equipment in a given radio frequency. We hold a telecommunication license from Anatel (for information on our licenses see item 4B. “Information on the company” – “Business overview” under the caption “Regulatory Environment”). The authorities have construed that we render telecommunication services and taxes should be levied in relation to Net Revenues. Based on the legal opinion of the subsidiary’s Brazilian legal counsel we believe that such claim is without merit, the interpretation of the legislation is mistaken, given that we don’t render telecommunication services, but rather services of monitoring goods and persons for security purposes and therefore the chances of our success are more likely than not. We have filed our defence against such claims. We are currently awaiting the Lower Court or Administrative decisions on all the aforementioned FUST and FUNTELL claims.

10.B. – “Memorandum and Articles of Association” - “Our Corporate Practices under the Israeli Companies Law” under the caption “Approval of Transactions under Israeli law”

Dividend distribution policy

For a description of our dividend policy, see Item 5.B – Liquidity and Capital Resources above.

B. SIGNIFICANT CHANGES

Except as stated in this annual report, there are no significant changes since December 31, 2023.

ITEM 9. THE OFFER AND LISTING

A. LISTING DETAILS AND MARKET PRICE INFORMATION

Our ordinary shares have been trading on Nasdaq under the symbol “ITRN” since September 2005.

B. PLAN OF DISTRIBUTION

Not applicable.

C. MARKETS

Our ordinary shares are quoted on the Nasdaq Global Select Market under the symbol “ITRN”.

D. SELLING SHAREHOLDERS

Not applicable.

E. DILUTION

Not applicable.

F. EXPENSES OF THE ISSUE

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. SHARE CAPITAL

Not applicable.

B. MEMORANDUM AND ARTICLES OF ASSOCIATION

Our number with the Israeli Registrar of Companies is 52-004381-1. Our purpose appears in our memorandum of association and includes engaging in any lawful business.

Articles of Association; Israeli Companies Law

Articles of Association

Pursuant to our articles of association our objectives are to engage in any lawful business and our purpose is to operate in accordance with business considerations to maximize our profits. We may take into consideration, inter alia, the interests of our creditors, employee and the public interest. Please also see a summarized description of our purposes and activities under the caption “Overview” in Item B.4. above.

Our Corporate Practice Under the Israeli Companies Law

Approval of Transactions under Israeli Law

Directors and executive officers

Fiduciary duties

Israeli law codifies the fiduciary duties that office holders owe to a company. An office holder is defined as any director, managing director, general manager, chief executive officer, executive vice president, vice president, other manager directly subordinate to the general manager or any other person assuming the responsibilities of any of these positions regardless of that person’s title. Each person listed in the table under “Management—Executive Officers and Directors” is an office holder of our company under the Israeli Companies Law.

An office holder’s fiduciary duties consist of a duty of loyalty and a duty of care. The duty of loyalty requires the office holder to avoid any conflict of interest between the office holder’s position in the company and personal affairs, and proscribes any competition with the company or the exploitation of any business opportunity of the company in order to receive personal advantage for himself or others. This duty also requires him or her to reveal to the company any information or documents relating to the company’s affairs that the office holder has received due to his or her position as an office holder. The duty of care requires an office holder to act with a level of care that a reasonable office holder in the same position would employ under the same circumstances. This includes the duty to use reasonable means to obtain information regarding the advisability of a given action submitted for his or her approval or performed by virtue of his or her position and all other relevant information pertaining to these actions.

Disclosure of Personal interest

Israeli law requires that an office holder promptly disclose to the board of directors any personal interest that he or she may have and all related material information known to him or her concerning any existing or proposed transaction with the company. A personal interest, as defined by the Israeli Companies Law, includes a personal interest of any person in an act or transaction of the company, including a personal interest of one's relative or of a corporate body in which such person or a relative of such person is a 5% or greater shareholder, a holder of 5% or more of the voting rights, a director or general manager, or in which he or she has the right to appoint at least one director or the general manager, but excluding a personal interest stemming solely from one's ownership of shares in the company. A personal interest also includes personal interest of a person voting pursuant to a proxy given by another person even if the other person does not have personal interest, regardless of whether the person given the proxy to vote at the meeting is given directions to vote in a certain manner or given discretion to vote independently. An office holder must disclose his personal interest no later than the first meeting of the company's board of directors that discusses the particular transaction. An office holder is not obliged to disclose such information if the personal interest of the office holder derives solely of the personal interest of his or her relative in a transaction that is not an "extraordinary transaction." The Israeli Companies Law defines an "extraordinary transaction" as a transaction not in the ordinary course of business, not on market terms or that is likely to have a material impact on the company's profitability, assets or liabilities. The term "relative" is defined by the Israeli Companies Law as a spouse, sibling, parent, grandparent, descendent, and descendent, brother, sister or parent of a spouse or the spouse of any of the foregoing.

The Israeli Companies Law provides that once an office holder has complied with the disclosure requirement, a company may approve a transaction between the company and the office holder or a third party in which the office holder has a personal interest, or approve an action by the office holder that would otherwise be deemed a breach of duty of loyalty. Such a transaction generally requires approval by the board of directors, unless the articles of association provide otherwise. Our articles of association do not provide otherwise. If the transaction considered is an extraordinary transaction, audit committee approval is required prior to approval by the board of directors. For the approval of arrangements regarding the compensation, indemnification or insurance of executive officers and directors, see "Compensation arrangements" below. A company may not approve a transaction or action that is adverse to the company's interest or that is not performed by the office holder in good faith.

A director who has a personal interest in a matter involving an extraordinary transaction, as defined in the Israeli Companies Law, which is considered at a meeting of the board of directors or the audit committee may not attend that meeting or vote on that matter, unless a majority of the directors or members of the audit committee, as applicable, also have a personal interest in the matter. Any transaction in which a majority of the directors has a personal interest requires shareholder approval.

Compensation arrangements

Subject to the provisions relating to related-party transactions as described below, the terms of office of office holders other than the chief executive officer and directors, require the approval of both our compensation committee and the board of directors; and the terms of office of chief executive officers and directors require the approval of the compensation committee, the board of directors and our shareholders. However due to the change in the Israeli Company law, from February 2016, the extension or renewal of terms of office of chief executive officer, which terms are not improving the previous terms or not significantly different, and are according to the compensation policy, shall not require approval by the shareholders meeting. In addition, according to recent changes in Israeli Company law, chief executive officer can decide upon insignificant change in the terms of office of his subordinate officers, subject to additional conditions and requirement to include such right in the compensation policy of the company (such requirement was fulfilled in our renewed compensation policy which was approved by our shareholder's committee on November 7, 2016). In addition, according to Israeli Company Regulations (Relaxations in Transactions with Interested Parties) 5760-2000, transaction with board members and chief executive, on their term of office, which is according to the compensation policy and according to terms of office which are not better than the terms of office of previous holder of such position or there is no significant difference between the two engagements and relevant circumstances, including the scope of employment, may be approved by our compensation committee and the board of directors, and will not require general shareholders meeting approval until the next general meeting which will be announced by the company. "terms of office" includes the grant of an exemption, insurance, undertaking to indemnify or indemnification, retirement compensation, and any benefit, other payment or an undertaking to pay, which are granted by virtue of serving as an office holder.

Shareholders

Controlling shareholders

Pursuant to Israeli law, the disclosure requirements regarding personal interests that apply to an office holder also apply to a “controlling shareholder” of a public company. A “controlling shareholder” is a shareholder who has the ability to direct the activities of a company, and for the purpose of the disclosure requirements and approval of related party transactions, the term includes any shareholder holding 25% or more of the voting rights if no other shareholder holds more than 50% of the voting rights in the company. Two or more shareholders with a personal interest in the approval of the same transaction are deemed to be one shareholder. Currently there is no shareholder of us who holds more than 25% of the voting rights.

Required approval

Extraordinary transactions of a public company and a controlling shareholder, or in which a controlling shareholder has a personal interest, including a private placement in which a controlling shareholder has a personal interest, a transaction concerning the terms of compensation of the controlling shareholder or the controlling shareholder’s relative, directly or indirectly, through a company controlled by him in respect of receipt of services from same and if he is an office holder or an employee – the terms of his employment, generally require the approval of the audit committee (or with respect to Terms of Office and Employment – the compensation committee), the board of directors and the shareholders, in that order. If required, shareholder approval must include the majority of shares voted at the meeting. In addition, either:

- the majority must include at least the majority of the shares of disinterested shareholders voted at the meeting; or
- the total number of shares of disinterested shareholders who voted against the transaction must not exceed 2% of the aggregate voting rights in the company.

Transactions for a period of more than three years generally need to be brought for approval in accordance with the above procedures every three years.

A Shareholder is required according to Israeli Companies Law in certain votes on transactions to disclose his/her personal interest. Failure to disclose such interest will invalidate the casted vote of such shareholder and the Company shall not count it. According to our Articles of Association, a Shareholder seeking to vote using a proxy with respect to a resolution which requires that the majority for its adoption include at least a specified majority of the votes of all those not having a personal interest (as defined in the Companies Law) shall mark on the Proxy, if he or she has Personal Interest in such resolution, and in such case the Company will not count his/her vote for such resolution. In event the shareholder will vote by other means than Proxy, he/she shall notify the company of his/her Personal Interest in writing prior to the time of the General Meeting. Such notice either in Proxy or in writing (as applicable) shall be a condition for the right to vote with respect to a resolution which requires that the majority for its adoption include at least a specified majority of the votes of all those not having a Personal Interest.

Shareholder duties

Pursuant to the Israeli Companies Law, a shareholder has a duty to act in good faith and in customary way toward the company and other shareholders and to refrain from abusing his or her power in the company, including, among other things, in voting at the general meeting of shareholders and class meetings with respect to the following matters:

- an amendment to the company’s articles of association;
- an increase of the company’s authorized share capital;
- a merger; or
- interested party transactions that require shareholder approval.

In addition, specified shareholders have a duty of fairness toward the company. These shareholders include any controlling shareholder, any shareholder who knows that it possesses the power to determine the outcome of a shareholder vote and any shareholder who has the power to appoint or to prevent the appointment of an office holder of the company or other power towards the company. The Israeli Companies Law does not describe the substance of this duty except to state that the remedies generally available upon a breach of contract will also apply in the event of a breach of the duty to act with fairness.

Anti take-over provisions; mergers and acquisitions under Israeli Law

Tender offers

Full Tender Offer. A person wishing to acquire shares or any class of shares, or voting rights of a publicly traded Israeli company and who would, as a result, hold over 90% of the company’s issued and outstanding share capital or of a

class of shares that are listed, is required by the Israeli Companies Law to make a tender offer to all of the company's shareholders or all shareholders of such class of shares, as applicable, for the purchase of all of the issued and outstanding shares of the company or of that class of shares, as applicable. If the shareholders who do not respond to the offer hold less than 5% of the issued share capital of the company or of that class of shares, as applicable, and the majority of shareholders who are disinterested accepted the offer, then all of the shares that the acquirer offered to purchase will be transferred to the acquirer by operation of law (however, full tender offer shall be accepted if shareholders who objected to the offer constituted less than 2% of the issued and outstanding share capital of the company to which the offer relates). However, the shareholders may petition the court to determine that the consideration for the shares constituted less than their fair value and that their fair value should be paid to the offerees. If the full tender offer is not accepted as described above, the acquirer may not acquire shares from shareholders who accepted the tender offer that would provide it over 90% of the company's issued and outstanding share capital or of the shares comprising such class, as applicable.

Special Tender Offer. The Israeli Companies Law provides that an acquisition of shares of a public company must be made by means of a tender offer if as a result of the acquisition the purchaser would become a holder of 25% or more of the voting rights of the company. This rule does not apply if there is already another holder of 25% or more of the voting rights of the company. Similarly, the Israeli Companies Law provides that an acquisition of shares in a public company must be made by means of a tender offer if as a result of the acquisition the purchaser would become a holder of more than 45% of the voting rights of the company, if there is no other holder of more than 45% of the voting rights of the company. The foregoing provisions do not apply to:

- a private placement in which the company's shareholders approved such holder owning 25% or more of the voting rights of the company (provided that there is no other shareholder that holds 25% or more of the voting rights of the company); or more than 45% of the voting rights of the company (provided that there is no other shareholder that holds 45% or more of the voting rights of the company); or
- a purchase from an existing holder of 25% or more of the voting rights of the company that results in another person becoming a holder of 25% or more of the voting rights of the company; or
- purchase from an existing holder of more than 45% of the voting rights of the company that results in another person becoming a holder of more than 45% of the voting rights of the company.

In the event that a special tender offer is made, a company's board of directors is required to express its opinion on the advisability of the offer or shall abstain from expressing any opinion if it is unable to do so, provided that it gives the reasons for its abstention. An office holder in a target company who, in his or her capacity as an office holder, performs an action the purpose of which is to cause the failure of an existing or foreseeable special tender offer or is to impair the chances of its acceptance, is liable to the potential purchaser and shareholders for damages, unless such office holder acted in good faith and had reasonable grounds to believe he or she was acting for the benefit of the company. However, office holders of the target company may negotiate with the potential purchaser in order to improve the terms of the special tender offer and may further negotiate with third parties in order to obtain a competing offer.

If a special tender offer was accepted by a majority of the shareholders who announced their stand on such offer, then shareholders who did not announce their stand or who had objected to the offer may accept the offer within four days of the last day set for the acceptance of the offer.

In the event that a special tender offer is accepted, the purchaser or any person or entity controlling it at the time of the offer or under common control with the purchaser or such controlling person or entity shall refrain from making a subsequent tender offer for the purchase of shares of the target company and cannot execute a merger with the target company for a period of one year from the date of the offer, unless the purchaser or such person or entity undertook to effect such an offer or merger in the initial special tender offer.

Regulations promulgated under the Israeli Companies Law provide that these tender offer requirements do not apply to companies whose shares are listed for trading outside of Israel if, according to the law in the country in which the shares are traded or the rules and regulations of the stock exchange on which the shares are traded:

- There is a limitation on acquisition of any level of control of the company, or
- The acquisition of any level of control requires the purchaser to offer a tender offer to the public.

Merger

The Israeli Companies Law permits merger transactions if approved by each party's board of directors and shareholders. Pursuant to the Israeli Companies Law and our articles of association as currently in effect, merger

transactions may be approved by holders of a simple majority of our shares present, in person or by proxy, at a general meeting and voting on the transaction. In determining whether the required majority has approved the merger in the event of “cross ownership” between the merging companies, namely, if our shares are held by the other party to the merger, or by any person holding at least 25% of the outstanding voting shares or 25% of the means of appointing directors of the other party to the merger, then a vote against the merger by holders of the majority of the shares present and voting, excluding shares held by the other party or by such person, or anyone acting on behalf of either of them, including any of their affiliates, is sufficient to reject the merger transaction. If the transaction would have been approved but for the exclusion of the votes of certain shareholders as provided above, a court may still approve the merger upon the request of holders of at least 25% of the voting rights of a company, if the court holds that the merger is fair and reasonable, taking into account the value of the parties to the merger and the consideration offered to the shareholders. Upon the request of a creditor of either party to the proposed merger, the court may delay or prevent the merger if it concludes that there exists a reasonable concern that, as a result of the merger, the surviving company will be unable to satisfy the obligations of any of the parties to the merger. In addition, a merger may not be consummated unless at least 50 days have passed from the time that a proposal for approval of the merger has been filed with the Israeli Registrar of Companies and 30 days have passed from the date of the approval of the shareholders of the merging companies.

The Israeli Companies Law further provides that the foregoing approval requirements will not apply to shareholders of a wholly owned subsidiary in a roll-up merger transaction, or to the shareholders of the acquirer if:

- the transaction is not accompanied by an amendment to the acquirer’s memorandum or articles of association;
- the transaction does not contemplate the issuance of more than 20% of the voting rights of the acquirer that would result in any shareholder becoming a controlling shareholder; and
- there is no “cross-ownership” of shares of the merging companies, as described above.

For these purposes, “controlling shareholder” is a shareholder who has the ability to direct the activities of a company, including a shareholder who owns 25% or more of the voting rights if no other shareholder owns more than 50% of the voting rights.

The Israeli Companies Law allows us to create and issue shares having rights different from those attached to our ordinary shares, including shares providing certain preferred or additional rights to voting, distributions or other matters and shares having preemptive rights. In the future, if we do create and issue a class of shares other than our ordinary shares, such class of shares, depending on the specific rights that may be attached to them, may delay or prevent a takeover or otherwise prevent our shareholders from realizing a potential premium over the market value of their ordinary shares. The authorization of a new class of shares will require an amendment to our articles of association. Shareholders voting at such a meeting will be subject to the restrictions under the Israeli Companies Law. See “Voting, Shareholder Meetings and Resolutions” below.

Dividend and Liquidation Rights.

We may declare a dividend to be paid to the holders of our ordinary shares according to their rights and interests in our profits. If we dissolve, after satisfaction of liabilities to creditors, our assets will be distributed to the holders of our ordinary shares in proportion to their shareholdings. This right may be affected by the grant of preferential dividend or distribution rights to the holders of a class of shares with preferential rights that may be authorized in the future. Our articles of association provide that shareholder approval would not be required for the declaration of dividends. Dividends may only be paid out of our retained earnings or “profits” accrued over a period of two years, as defined in the Israeli Companies Law, whichever is greater, according to the last reviewed or audited financial reports of the company, provided that the date of the financial reports is not more than six months before the date of distribution (the “profits” test), and further provided that there is no reasonable concern that a payment of a dividend will prevent us from satisfying our existing and foreseeable obligations as they become due, as determined by our Board of Directors. However, if we do not meet the profit requirement, a court may allow us to distribute a dividend, as long as the court is convinced that there is no reasonable risk that a distribution might prevent us from being able to meet our existing and anticipated obligations as they become due. For more information on our ability to grant or declare dividends, see Item 8.A – Financial Information under the caption “Dividend Distribution Policy” above.

Voting, Shareholder Meetings and Resolutions.

As a foreign private issuer, we have elected to follow our home country practices in lieu of the Nasdaq Marketplace Rule requiring an issuer to hold its annual meeting of its shareholders no later than one year after the end of the issuer’s fiscal year-end. Specifically, according to the Israeli Companies Law, we are required to hold an annual general meeting of our shareholders once every calendar year, and no later than 15 months after the date of the previous annual general

meeting. All meetings other than the annual general meeting of shareholders are referred to as special meetings. Our Board of Directors may call special meetings whenever it sees fit, at such time and place, within or outside of Israel, as it may determine. In addition, the Israeli Companies Law provides that the board of directors of a public company is required to convene a special meeting upon the request of (a) any two directors of the company or one quarter of its board of directors or (b) one or more shareholders holding, in the aggregate, (i) 5% of the outstanding shares of the company and 1% of the voting power in the company or (ii) 5% of the voting power in the company.

Pursuant to our articles of association, shareholders are entitled to participate and vote at general meetings and are the shareholders of record on a date to be decided by our Board of Directors, provided that such date is not more than 40 days, nor less than four days, prior to the date of the general meeting, except as otherwise permitted by the Israeli Companies Law. Furthermore, the Israeli Companies Law dictates that resolutions regarding the following matters must be passed at a general meeting of our shareholders:

- amendments to our articles of association;
- appointment or termination of our auditors;
- appointment and dismissal of external directors;
- approval of acts and transactions requiring general meeting approval pursuant to the Israeli Companies Law;
- increase or reduction of our authorized share capital;
- a merger; and
- the exercise of the Board of Directors' powers by a general meeting, if the Board of Directors is unable to exercise its powers and the exercise of any of its powers is required for our proper management.

The Israeli Companies Law and our articles of association require that a notice of any annual or special shareholders meeting will be provided 21 days prior to the meeting, except where the regulation prescribe for a period of not less than 35 days if the agenda includes certain resolutions to be adopted at the general meeting.

Pursuant to our articles of association, holders of ordinary shares have one vote for each ordinary share held on all matters submitted to a vote of the shareholders. These voting rights may be affected by the grant of any special voting rights to the holders of a class of shares with preferential rights that we may authorize in the future. The quorum required for our ordinary meetings of shareholders consists of at least two shareholders present in person or by proxy, who hold or represent between them at least thirty-three and one-third percent of the total outstanding voting rights. A meeting adjourned for lack of a quorum generally is adjourned to the same day in the following week at the same time and place or on a later date specified in the summons or notice of the meeting. At the reconvened meeting, any number of our shareholders present in person or by proxy shall constitute a lawful quorum.

Our articles of association provide that, other than with respect to the amendment of the provisions of the articles of association with respect to the appointment of directors and a resolution for removal of a director and the resolution of removal of a director, which action requires a majority vote of 75%, all resolutions of the shareholders require a simple majority.

Israeli law does not provide for public companies such as ours to have shareholder resolutions adopted by means of a written consent in lieu of a shareholders meeting. The Israeli Companies Law provides that a shareholder, in exercising his or her rights and performing his or her obligations toward the company and its other shareholders, must act in good faith and in an acceptable manner and avoid abusing his or her powers. This is required, among other things, when voting at general meetings on matters such as changes to the articles of association, increasing the company's registered capital, mergers and approval of related-party transactions. In addition, pursuant to the Israeli Companies Law, any controlling shareholder, any shareholder who knows that its vote can determine the outcome of a shareholder vote and any shareholder who, under the company's articles of association, can appoint or prevent the appointment of an office holder, is required to act with fairness towards the company.

An ordinary resolution requires approval by the holders of a simple majority of the voting rights represented at the meeting, in person, by proxy or by written ballot, and voting on the resolution. Under the Israeli Companies Law, unless otherwise provided in the articles of association or applicable law, all resolutions of the shareholders require a simple majority. A resolution for the voluntary winding up of the company requires the approval of holders of 75% of the voting rights represented at the meeting, in person, by proxy or by written ballot and voting on the resolution. For information regarding the majority required for approval of related party transactions, see "Approval of related party transactions under Israeli law" above.

Transfer of Shares and Notice.

Our ordinary shares that are fully paid are issued in registered form and may be freely transferred under our articles of association unless the transfer is restricted or prohibited by applicable law or rules of a stock exchange on which the shares are traded.

Election of Directors.

Our ordinary shares do not have cumulative voting rights in the election of directors. As a result, the holders of a majority of the voting power represented at a shareholders meeting have the power to elect all of our directors, subject to the special approval requirements for external directors described under the caption “External directors” in Item 6.C. – “Board Practices” above. Pursuant to the Israeli Companies Law, the procedures for the appointment and removal and the term of office of directors, other than external directors, may be contained in the articles of association of a company. Our articles of association provide for staggered terms for directors. This provision may be amended only by a vote of 75% of our shares voting at a meeting of shareholders. The appointing mechanism of our directors is further described under the caption “Shareholders Agreement and Articles of Association of Moked Ituran Ltd.” in item 6.A. – “Directors and Senior Management” above.

Insurance, Indemnification and Exculpation of Directors and Officers.

Under the Israeli Companies Law, a company may not exculpate an office holder from liability for a breach of the duty of loyalty. An Israeli company may exculpate an office holder in advance from liability to the company, in whole or in part, for damages caused to the company as a result of a breach of duty of care but only if a provision authorizing such exculpation is included in its articles of association. Our articles of association do not include such a provision. An Israeli company may not exculpate a director for liability arising out of a breach of duty of care in respect of a prohibited dividend or distribution to shareholders.

Under the Israeli Companies Law, a company may indemnify an office holder in respect of the following liabilities and expenses incurred for acts performed as an office holder, either in advance of an event or following an event, provided a provision authorizing such indemnification is included in its articles of association:

- Financial liability imposed on him or her in favor of another person pursuant to a judgment, settlement or arbitrator’s award approved by a court. However, if an undertaking to indemnify an office holder with respect to such liability is provided in advance then such an undertaking must be limited to events which, in the opinion of the board of directors, can be foreseen based on the company’s activities when the undertaking to indemnify is given, and to an amount or according to criteria determined by the board of directors as reasonable under the circumstances, and such undertaking shall detail the abovementioned events and amount or criteria.
- Reasonable litigation expenses, including attorneys’ fees, incurred by the office holder as a result of an investigation or proceeding instituted against him or her by an authority authorized to conduct such investigation or proceeding, provided that (i) no indictment was filed against such office holder as a result of such investigation or proceeding, and (ii) no financial liability, such as a criminal penalty, was imposed upon him or her as a substitute for the criminal proceeding as a result of such investigation or proceeding or, if such financial liability was imposed, it was imposed with respect to an offense that does not require proof of criminal intent or in connection with monetary penalty.
- Reasonable litigation expenses, including attorneys’ fees, incurred by the office holder or imposed by a court in proceedings instituted against him or her by the company, on its behalf or by a third party or in connection with criminal proceedings in which the office holder was acquitted or as a result of a conviction for an offense that does not require proof of criminal intent. Under the Israeli Companies Law, a company may obtain insurance for an office holder against liabilities incurred in his or her capacity as an office holder if and to the extent provided in the company’s articles of association.
- A breach of duty of loyalty to the company, to the extent that the office holder acted in good faith and had a reasonable basis to believe that the act would not prejudice the company.
- A breach of duty of care to the company or to a third party, including a breach arising out of the negligent conduct of the office holder.
- A financial liability imposed on the office holder in favor of a third party.

An Israeli company may not indemnify or insure an office holder against any of the following:

- a breach of duty of loyalty, except to the extent that the office holder acted in good faith and had a reasonable basis to believe that the act would not prejudice the company;
- a breach of duty of care committed intentionally or recklessly, excluding a breach arising out of the negligent conduct of the office holder;
- an act or omission committed with intent to derive illegal personal benefit; or
- a fine, civil fine, monetary penalty or forfeit levied against the office holder.

Under the Israeli Companies Law, exculpation, indemnification and insurance of office holders must be approved by our compensation committee and our board of directors and, in respect to our chief executive officer, directors and controlling persons, by our shareholders. However, due to the change in the Israeli Company law, from February 2016, the extension or renewal of terms of office (which includes exculpation, indemnification and insurance) of chief executive officer, which terms are not improving the previous terms or not significantly different, and are according to the compensation policy, shall not require approval by the shareholders meeting. In addition, according to changes in Israeli Company law from March 2016, chief executive officer can decide upon insignificant change in the terms of office of his subordinate officers, subject to additional conditions and requirement to include such right in the compensation policy of the company.

Our articles of association allow us to indemnify and ensure our office holders to the fullest extent permitted by the Israeli Companies Law. Our articles of association also allow us to insure or indemnify any person who is not an office holder, including any employee, agent, consultant or contractor who is not an office holder.

We currently have directors' and officers' liability insurance covering our officers and directors (including the officers and directors of our subsidiaries) against certain claims. No claims for liability have been filed under this policy to date.

Our compensation committee, board of directors and shareholders have resolved to indemnify our directors and officers to the fullest extent permitted by law and by our articles of association for liabilities that are of certain enumerated types of events, subject to an aggregate sum equal to 25% of the shareholders equity outstanding at the time a claim for identification is made as indicated by our then latest financial statements (which sum also includes all insurance amounts received by such directors and officers under directors and officers insurance policies maintained by us). For further details, see Item 7.B – Related Party Transactions above.

Change in Capital.

Our articles of association enable us to increase or reduce our share capital. Any such changes are subject to the provisions of the Israeli Companies Law and must be approved by a resolution duly passed by our shareholders at a general meeting and voting on such change in the capital. In addition, transactions that have the effect of reducing capital, such as the declaration and payment of dividends in the absence of sufficient retained earnings and profits and an issuance of shares for less than their nominal value, require a resolution of the Board of Directors and court approval.

C. MATERIAL CONTRACTS

For information concerning our service contracts with our President and Co-Chief Executive Officers, see Item 7.B – Related Party Transactions.

D. EXCHANGE CONTROLS

Ordinary shares purchased by non-residents of Israel with certain non-Israeli currencies (including dollars) and any amounts payable upon the dissolution, liquidation or winding up of our affairs, as well as the proceeds of any sale in Israel of our securities to an Israeli resident, may be paid in non-Israeli currencies (including US dollars) or, if paid in NIS, may be converted into freely repatriable currencies at the rate of exchange prevailing at the time of conversion – pursuant to the general permit issued under the Israeli Currency Control Law, 1978, provided that Israeli income tax has been paid on (or withheld from) such payments. Because exchange rates between the NIS and the U.S. dollar fluctuate continuously, U.S. shareholders will be subject to any such currency fluctuation during the period from when a dividend is declared through the date payment is made in U.S. dollars. Investments outside Israel by our company no longer require specific approval from the Controller of Foreign Currency at the Bank of Israel.

E. TAXATION

The following describes certain income tax issues relating to us and also certain income tax consequences arising from the purchase, ownership and disposition of our ordinary shares. **This discussion is for general information only and is not intended, and should not be construed, as legal or professional tax advice and does not cover all possible tax considerations.** To the extent that the discussion is based on legislation yet to be judicially or administratively interpreted, there can be no assurance that the views expressed herein will accord with any such interpretation in the future. Accordingly, holders of our ordinary shares should consult their own tax advisor as to the particular tax consequences arising from your purchase, ownership and disposition of ordinary shares, including the effects of applicable Israeli, United States and other laws and possible changes in the tax laws.

The following discussion represents a summary of the material United States & Israeli tax laws affecting us and our shareholders.

United States Tax Considerations

The following discussion is a description of the material United States, or US, federal income tax considerations applicable to the acquisition, ownership and disposition of our ordinary shares by US Holders who hold such ordinary shares as “capital assets”. As used in this section, the term “US Holder” means a beneficial owner of an ordinary share who is:

- an individual citizen or resident of the United States;
- a corporation or partnership created or organized in or under the laws of the United States or of any state of the United States or the District of Columbia (other than a partnership, including any entity treated as a partnership for U.S. tax purposes, that is not treated as a US person under any applicable Treasury regulations);
- an estate, the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if the trust has elected validly to be treated as a US person for United States federal income tax purposes or if a US court is able to exercise primary supervision over the trust’s administration and one or more US persons have the authority to control all of the trust’s substantial decisions.

The term “Non-US Holder” means a beneficial owner of an ordinary share who is not a US Holder. The tax consequences to a Non-US Holder may differ substantially from the tax consequences to a US Holder. This discussion does not address any aspects of US federal income tax which may be relevant to a Non-US Holder. Accordingly, Non-US Holders are strongly urged to consult with their own tax advisors.

This description is based on provisions of the United States Internal Revenue Code of 1986, as amended, existing, proposed and temporary US Treasury regulations and administrative and judicial interpretations thereof, each as available and in effect as of the date of this report. These sources may change, possibly with retroactive effect, and are open to differing interpretations. This description does not discuss all aspects of US federal income taxation that may be applicable to investors in light of their particular circumstances or to investors who are subject to special treatment under US federal income tax law, including:

- insurance companies;
- dealers or traders in stocks, securities or currencies;
- financial institutions and financial services entities;
- real estate investment trusts;
- regulated investment companies;
- grantor trusts;
- persons that receive ordinary shares as compensation for the performance of services;
- tax-exempt organizations;
- persons that hold ordinary shares as a position in a straddle or as part of a hedging, conversion or other integrated instrument;
- individual retirement and other tax-deferred accounts;
- expatriates of the United States;
- persons having a functional currency that is not the US dollar; or
- direct, indirect or constructive owners of 10% or more, by voting power or value, of our ordinary shares.

This description also does not consider the US federal gift or estate tax or alternative minimum tax consequences of the acquisition, ownership and disposition of our ordinary shares.

If a partnership (or any other entity treated as a partnership for US federal income tax purposes) holds our ordinary shares, the tax treatment of a partner in such partnership will generally depend on the status of the partner and the activities of the partnership. Such a partner should consult its tax advisor as to its tax consequences.

We urge our shareholders to consult with your own tax advisor regarding the tax consequences of acquiring, owning or disposing of our ordinary shares, including the effects of US federal, state, local and foreign and other tax laws. This summary does not constitute, and should not be construed as, legal or tax advice to holders of our shares.

Medicare Tax

Beginning January 1, 2013, certain individuals, estates and trusts, which have income above the statutory threshold amounts, generally will be subject to a 3.8% Medicare tax on their investment income and gain, with limited exceptions. US Holders should consult their own tax advisors concerning Medicare tax consequences, if any, of owning or disposing of our ordinary shares.

Distribution Paid on the Ordinary Shares

As of November 16, 2009, our dividend policy provides for an annual dividend distribution in an amount not less than 50% of our net profits, calculated based on the audited financial statements for the period ending on December 31 of the fiscal year with respect to which the relevant dividend is paid. On February 21, 2012, we revised our dividend policy so that our dividends will be declared and distributed on a quarterly basis in an amount not less than 50% of our net profits, calculated on the basis of our reviewed quarterly financial statements each fiscal year. On February 27, 2017, the board of directors approved a change in the dividend policy. This policy called for a dividend of \$5 million, at minimum per quarter. This policy became effective starting from the dividends for the first quarter of 2017. During 2020 and due to the Covid-19 effects, such distribution was suspended. On March 3, 2021, we declared the renewal of the dividend distribution policy of at least \$3 million a quarter. This new policy became effective starting from the fourth quarter of 2020.

Subject to the discussion below under “Passive Foreign Investment Company Considerations”, US Holders, for US federal income tax purposes, will generally be required to include in their gross income as ordinary dividend income (unless qualifies as “qualified dividend income”) in the amount of any distributions made to them in cash or property (other than certain distributions, if any, of our ordinary shares distributed pro rata to all our shareholders), with respect to their ordinary shares, before reduction for any Israeli taxes withheld (without regard to whether any portion of such tax may be refunded to them by the Israeli tax authorities), to the extent that those distributions are paid out of our current or accumulated earnings and profits as determined for US federal income tax purposes. Subject to the discussion below under “Passive Foreign Investment Company Considerations”, distributions in excess of our current and accumulated earnings and profits as determined under US federal income tax principles will be applied first against, and will reduce their tax basis in, your ordinary shares and, to the extent they exceed that tax basis, will then be treated as capital gain. We do not maintain calculations of our earnings and profits under US federal income tax principles. Our dividends will not qualify for the dividends-received deduction generally available to corporate US Holders.

For a US Holder, if we pay a dividend in NIS, any such dividend, including the amount of any Israeli taxes withheld, will be includible in such US Holder’s income in a US dollar amount calculated by reference to the currency exchange rate in effect on the day the distribution is includible in your income, regardless of whether the NIS are converted into US dollars. Any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend is includible in such US Holder’s income to the date that payment is converted into US dollars generally will be treated as ordinary income or loss.

A non-corporate US Holder’s “qualified dividend income” currently is subject to tax at reduced rates not exceeding 23.8% (including, if applicable, Medicare tax at a rate of 3.8%). For purposes of determining whether a non-corporate US Holders will have “qualified dividend income”, “qualified dividend income” generally includes dividends paid by a foreign corporation if either:

- the stock of that corporation with respect to which the dividends are paid is readily tradable on an established securities market in the US, or
- that corporation is eligible for benefits of a comprehensive income tax treaty with the US that includes an information exchange program and is determined to be satisfactory by the US Secretary of the Treasury. The Internal Revenue Service has determined that the US-Israel Tax Treaty is satisfactory for this purpose.

In addition, under current law, a non-corporate US Holder must generally hold his ordinary shares for more than 60 days during the 121-day period beginning 60 days prior to the ex-dividend date in order for the dividend to qualify as “qualified dividend income”.

Dividends paid by a foreign corporation will not be treated as “qualified dividend income”, however, if such corporation is treated, for the tax year in which the dividend is paid or the preceding tax year, as a “passive foreign investment company” for US federal income tax purposes. We do not believe that we will be classified as a “passive foreign investment company” for US federal income tax purposes for our current taxable year. However, see the discussion under “Passive Foreign Investment Company Considerations” below.

Foreign Tax Credit

Any dividends paid by us to a US Holder with respect to our ordinary shares generally will be treated as foreign source passive income for US foreign tax credit purposes. Subject to the foreign tax credit limitations, a US Holder may elect to credit any Israeli income taxes withheld from dividends paid on our ordinary shares against such shareholder’s US federal income tax liability (provided, *inter alia*, such shareholder satisfies certain holding requirements with respect to our ordinary shares). Amounts withheld in excess of the Treaty tax rate, however, will not be creditable against such shareholder’s US federal income tax liability. As an alternative to claiming a foreign tax credit, such shareholder may instead claim a deduction for any withheld Israeli income taxes, but only for a year in which such shareholder elects to do so with respect to all foreign income taxes. The amount of foreign income taxes that may be claimed as a credit in any year is subject to complex limitations and restrictions, which must be determined on an individual basis by each shareholder. Accordingly, our shareholders should consult their own tax advisor to determine whether their income with respect to their ordinary shares would be foreign source income and whether and to what extent they would be entitled to the credit.

Disposition of Ordinary Shares

Upon the sale or other disposition of ordinary shares, subject to the discussion below under “Passive Foreign Investment Company Considerations”, if a holder of our shares is a US Holder, such shareholder generally will recognize capital gain or loss equal to the difference between the amount realized on the disposition and such shareholder’s adjusted tax basis in the ordinary shares, which is usually the cost of such shares, in dollars. US Holders should consult their own advisors with respect to the tax consequences of the receipt of a currency other than dollars upon such sale or other disposition.

Gain or loss upon the disposition of the ordinary shares will be treated as long-term if, at the time of the disposition, the ordinary shares were held for more than one year. Long-term capital gains realized by non-corporate US Holders generally are subject to a lower maximum marginal US federal income tax rate than the maximum marginal US federal income tax rate applicable to ordinary income, other than qualified dividend income, as defined above, generally, not exceeding 23.8% (including, if applicable, Medicare tax at a rate of 3.8%). The deductibility of capital losses by a US Holder is subject to limitations. In general, any gain or loss recognized by a US Holder on the sale or other disposition of ordinary shares will be US source income or loss for US foreign tax credit purposes. US Holders should consult their own tax advisors concerning the source of income for US foreign tax credit purposes and the effect of the US-Israel Tax Treaty on the source of income.

Passive Foreign Investment Company Considerations

Special US federal income tax rules apply to US Holders owning shares of a “passive foreign investment company”, or a PFIC, for US federal income tax purposes. A non-US corporation will be considered a PFIC for any taxable year in which, after applying look-through rules, either

- 75% or more of its gross income consists of specified types of passive income, or
- 50% or more of the average value of its assets consists of passive assets, which generally means assets that generate, or are held for the production of, “passive income.”
- Passive income for this purpose generally includes dividends, interest, royalties, rents and gains from commodities and securities transactions and includes amounts derived by reason of the temporary investment of funds. If we were classified as a PFIC, and you are a US Holder, you could be subject to increased tax liability upon the sale or other disposition of ordinary shares or upon the receipt of amounts treated as “excess distributions” (generally, your ratable portion of distributions in any year which are greater than 125% of the average annual distribution received by you either in the shorter of the three preceding years or your holding period). Under these rules, the excess distribution and any gain would be allocated rateably over our shareholders’ holding period for the ordinary shares, and the amount allocated to the current taxable year and any taxable year prior to the first taxable year in which we were a PFIC would be taxed as ordinary income. The amount allocated to each of the other taxable years would be subject to tax at the highest marginal rate in effect for the applicable class of taxpayer for that year, and an interest charge for the deemed deferral benefit would be imposed on the resulting tax allocated to such other taxable years. In

addition, holders of stock in a PFIC may not receive a “step-up” in basis on shares acquired from a decedent. If any of our shareholders are US Holders who hold ordinary shares during a period when we are a PFIC, such shareholders be subject to the foregoing rules even if we cease to be a PFIC.

We believe that we will not be classified as a PFIC for US federal income tax purposes for our current taxable year and we anticipate that we will not become a PFIC in any future taxable year based on our financial statements, our current expectations regarding the value and nature of our assets, and the sources and nature of our income. This conclusion, however, is a factual determination that must be made annually based on income and assets for the entire taxable year and thus may be subject to change. It is not possible to determine whether we will be a PFIC for the current taxable year until after the close of the year and our status in future years depends on our income, assets and activities in those years. In addition, because the market price of our ordinary shares is likely to fluctuate and the market price of the shares of technology companies has been especially volatile, and because that market price may affect the determination of whether we will be considered a PFIC, we cannot assure any US Holder that we will not be considered a PFIC for any taxable year.

If we were a PFIC, our shareholders could avoid certain tax consequences referred to above by making an election to treat us as a qualified electing fund or by electing to mark the ordinary shares to market. A US Holder may make a qualified electing fund election only if we furnish the US Holder with certain tax information and we do not presently intend to prepare or provide this information. Alternatively, a US Holder of PFIC stock that is publicly traded may elect to mark the stock to market annually and recognize as ordinary income or loss each year an amount equal to the difference as of the close of the taxable year between the fair market value of the PFIC stock and the US Holder’s adjusted tax basis in the PFIC stock. Losses would be allowed only to the extent of net mark-to-market gain previously included by the US Holder under the election for prior taxable years. This election is available for as long as our ordinary shares constitute “marketable stock,” which includes stock that is “regularly traded” on a “qualified exchange or other market.” We believe that the Nasdaq Global Select Market will constitute a qualified exchange or other market for this purpose. However, no assurances can be provided that our ordinary shares will continue to trade on the Nasdaq Global Select Market or that the shares will be regularly traded for this purpose.

According to law amendments effective in 2010, US persons that are shareholders in a PFIC generally will be required to file an annual report disclosing the ownership of such shares and certain other information.

The rules applicable to owning shares of a PFIC are complex, and our shareholders should consult with their own tax advisor regarding the tax consequences that would arise if we were treated as a PFIC.

Information Reporting and Back-up Withholding

Dividend payments with respect to ordinary shares and proceeds from the sale or disposition of ordinary shares made within the United States or by a US payor or US middleman may be subject to information reporting to the Internal Revenue Service and possible US backup withholding. Certain exempt recipients (such as corporations) are not subject to these information reporting requirements. Backup withholding also will not apply to a US Holder who furnishes a correct taxpayer identification number and makes any other required certification or otherwise is exempt from US backup withholding requirements. US Holders who are required to establish their exempt status must provide such certification on Internal Revenue Service Form W-9. US Holders should consult their tax advisors regarding the application of the US information reporting and backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules may be credited against a US Holder’s US federal income tax liability and a US Holder may obtain a refund of any excess amounts withheld by filing the appropriate claim for refund with the Internal Revenue Service and furnishing any required information in a timely manner. **The above description is not intended to constitute a complete analysis of all tax consequences relating to acquisition, ownership and disposition of our ordinary shares. Our shareholders are urged to consult their own tax advisor concerning the tax consequences of their particular situation.**

Israeli Tax Considerations

The following is a summary of the current material Israeli tax laws applicable to companies in Israel with special reference to its effect on us. This section also contains a discussion of certain Israeli government programs from which we may benefit and some Israeli tax consequences to persons acquiring ordinary shares. This summary does not discuss all the acts of Israeli tax law that may be relevant to a particular investor in light of his or her personal investment circumstances or to some types of investors subject to special treatment under Israeli law. Examples of this kind of investor include residents of Israel, traders in securities or persons that own, directly or indirectly, 10% or more of our

outstanding capital, all of whom are subject to special tax regimes not covered in this discussion. Some parts of this discussion are based on new tax legislation that has not been subject to judicial or administrative interpretation. Accordingly, we cannot assure you that the views expressed in the discussion will be accepted by the tax authorities in question. The discussion is not intended and should not be construed as legal or professional tax advice and does not cover all possible tax considerations.

The discussion below should not be construed as legal or professional tax advice and does not cover all possible tax considerations. Potential investors are urged to consult their own tax advisors as to the Israeli or other tax consequences of the purchase, ownership and disposition of our ordinary shares, including in particular, the effect of any foreign, state or local taxes.

General Corporate Tax Structure in Israel

Israeli companies are generally subject to corporate tax on their taxable income. As of 2018 and thereafter corporate tax rate is 23%. Capital gains derived after January 1, 2010 are subject to a corporate tax rate imposed in the sale year.

Tax Benefits Under the Law for the Encouragement of Capital Investments, 1959, as amended

Under the Israeli law, Israeli subsidiary of the company is entitled to various tax benefits by virtue of the “Preferred Enterprise” status that was granted to her production under the “Investment Law”. There can be no assurance that this Israeli subsidiary will continue to qualify as “Preferred Enterprises” in the future or that the benefits will be granted in the future.

Reform of the Investments Law under the 2010 and 2013 Amendments

On December 29, 2010, the Israeli parliament approved an amendment to the Investments Law, effective as of January 1, 2011, which introduces a new status of “**Preferred Company**” and “**Preferred Enterprise**”. The amendment allows enterprises meeting certain required criteria to enjoy grants as well as tax benefits. The amendment also introduces certain changes to the map of geographic development areas for purposes of the Investments Law, which will take effect in future years. The amendment generally abolishes the previous tax benefit routes that were afforded under the Investment Law, specifically the tax-exemption periods previously allowed, and introduces new tax benefits for industrial enterprises meeting the criteria of the law, which include among others the following:

On August 5, 2013 the Israeli Parliament amended the Investments Law, by which, inter alia, it cancelled the scheduled progressive reduction in the corporate tax rate for Preferred Enterprises and set it at 16% for enterprises located elsewhere as of January 1, 2014.

On December 2016 the Israeli Parliament amended the Investments Law, by which, inter alia, it reduced for Preferred Enterprises which is located in areas other than “Development Zone A” and set it at 16% and 7.5% for enterprises located in “Development Zone A” as of January 1, 2017.

- The reduced tax rates will no longer be contingent upon making a minimum qualifying investment in productive assets.
- A definition of “preferred income” was introduced into the Investments Law to include certain types of income that are generated by the Israeli production activity of a preferred enterprise.

A Preferred Company (as defined in the Investments Law) may generally elect to apply the provisions of the amendment to preferred income produced or generated by it commencing from January 1, 2011. The amendment provides various transitional provisions which allow, under certain circumstances, to apply the new regime to investment programs previously approved or elected under the Investments Law in its previous form, or to continue existing investment programs under the provisions of the Investment Law in its previous form for a certain period of time.

As of December 31, 2024, only 1 of our Israeli subsidiaries is entitled to a “Preferred Company” status pursuant to the Investments Law.(see Note 15 c.2 to the Financial Statements).

Tax Benefits under the 2016 Amendment

In December 2016 new legislation amended the Investment Law (the “2016 Amendment”). Under the 2016 Amendment a new status of “Technological Preferred Enterprise” was introduced to the Investment Law.

Technological Preferred Enterprise – an enterprise which, amongst other conditions, is part of a consolidated group with consolidated revenues of less than NIS 10 billion. A Technological Preferred Enterprise which is located in areas other than Development Zone A will be subject to tax at a rate of 12% on profits derived from intellectual property, and a Technological Preferred Enterprise in Development Zone A will be subject to tax at a rate of 7.5%. Income not eligible for Technological Preferred Enterprise is taxed at the regular corporate tax rate or at the preferred tax rate as mentioned above, as the case may be.

As of December 31, 2024, 2 of our Israeli subsidiaries are entitled to a “Technological Preferred Enterprise” status pursuant to the Investments Law.

Taxation of Non-Israeli Subsidiaries

Non-Israeli subsidiaries are generally taxed based upon tax laws applicable in their countries of residence. In accordance with the provisions of Israeli-controlled foreign corporation rules, certain income of a non-Israeli subsidiary, if the subsidiary’s primary source of income is passive income (such as interest, dividends, royalties, rental income or income from capital gains), may be deemed distributed as a dividend to the Israeli parent company and consequently is subject to Israeli taxation. An Israeli company that is subject to Israeli taxes on such deemed dividend income of its non-Israeli subsidiaries may generally receive a credit for non-Israeli income taxes paid by the subsidiary in its country of residence or are to be withheld from the actual dividend distributions.

On December 23, 2013 the Israeli Parliament amended the Income Tax Ordinance, with profound changes to the tax treatment of CFC, mainly with regard to the following:

- Reducing the tax rate criterion: a company is considered CFC if the tax rate applicable to passive income does not exceed 15 % (instead of 20 %).
- Sale of a security will be considered passive income, unless the holding duration is less than one year and it has been shown that the security served in a business.
- Cancel the notional credit mechanism and replacing it with dividend deduction against the actual dividend distribution. Tax refund may be allowed under certain conditions.
- Dividends derived from income that was taxed at a rate of at least 15% shall not be considered “passive income” under certain conditions.

Taxation of our shareholders

Capital Gains Taxes Applicable to Israeli Resident Shareholders

The income tax rate applicable to Real Capital Gain derived by an Israeli individual from the sale of shares which had been purchased after January 1, 2012, whether listed on a stock exchange or not, is 25%. However, if such shareholder is considered a “Substantial Shareholder” (as defined below) at the time of sale or at any time during the preceding 12-month period, such gain will be taxed at the rate of 30%. A “**substantial shareholder**” is generally a person who alone, or together with his relative or another person who collaborates with him on a permanent basis, hold, directly or indirectly, at least 10% of any of the “means of control” of the corporation. “**Means of control**” generally include the right to vote, receive profits, nominate a director or an officer, receive assets upon liquidation, or order someone who holds any of the aforesaid rights how to act, and all regardless of the source of such right.

Generally, as of January 1, 2012, the tax rate applicable to capital gains derived from by Israeli resident company on the sale of shares, whether listed on a stock market or not, is the corporate tax rate in Israel (commencing from January 1, 2018, 23%).

Commencing as of January 1, 2025, an individual whose taxable income during a tax year is in excess of NIS 721,560, will be liable for an additional 3%) and 5% on the portion of passive income which exceed the aforementioned threshold.

Moreover, capital gains derived by a shareholder who is a dealer or trader in securities, or to whom such income is otherwise taxable as ordinary business income, are taxed in Israel at ordinary income rates (currently up to 48% for individuals in 2014). Pursuant to Amendment No. 234 to the Income Tax Ordinance there was a decrease of 1% and stands at 47% from January 1, 2017 and onwards.

Taxation of Israeli shareholders on receipt of dividends

Israeli resident individuals are subject to Israeli income tax on the receipt of dividends paid, at the rate of 25%, or 30% for a shareholder that is considered a “Substantial Shareholder” (as defined above) at any time during the 12-month period preceding such distribution. A distribution of dividend to Israeli resident individuals from income attributed to a Preferred Enterprise income or a Technological Preferred Enterprise income will be generally subject to a tax rate of 20%. From January 1, 2017 taxpayers having taxable income of NIS 640,000 will be subject to an additional tax payment at the rate of 2% (and commencing from January 1, 2017 – an additional tax payment at the rate of 3%) on the portion of their taxable income for such tax year that is in excess such threshold. The aforementioned amount is adjusted by the CPI and stands for year 2025 in the amount of NIS 721,560. Commencing January 1, 2025 additional 2% (total 5%) levied on passive income (including from dividends) which exceed the NIS 721,560. For this purpose, taxable income includes taxable capital gains from the sale of our shares and taxable income from dividend distributions.

Dividends paid from income derived from Preferred Enterprises are subject to withholding at the rate of 20%. Any dividends distributed to foreign companies, as defined in the Investment law, derived from income from the Technological Preferred Enterprise will be subject to tax at a rate of 4%, provided the foreign company holds over 90% of the outstanding shareholding.

Dividends paid on our ordinary shares to Israeli companies are exempt from such tax, except for dividends distributed from income derived outside of Israel, which are subject to the corporate tax rate.

Taxation of non-Israeli shareholders on receipt of dividends.

Non-residents of Israel are subject to income tax on income accrued or derived from sources in Israel, including dividends paid by Israeli companies. On distributions of dividends other than stock dividends, income tax (generally collected by means of withholding) will generally apply at the rate of 25%, or 30% for a shareholder that is considered a significant shareholder (as defined above) at any time during the 12-month period preceding such distribution, unless a different rate is provided in a treaty between Israel and the shareholder’s country of residence. Dividends paid from income derived from Approved or Benefited Enterprises are subject to withholding at the rate of 20%, or 4% for Benefited Enterprises in the Ireland Track. Under the U.S.-Israel Tax Treaty, the maximum tax on dividends paid to a holder of ordinary shares who qualifies as a resident of the United States within the meaning of the U.S.-Israel Tax Treaty is 25%. The treaty provides for reduced tax rates on dividends if (a) the shareholder is a U.S. corporation holding at least 10% of our issued voting power during the part of the tax year that precedes the date of payment of the dividend and held such minimal percentage during the whole of its prior tax year, and (b) not more than 25% of the Israeli company’s gross income consists of interest or dividends, other than dividends or interest received from subsidiary corporations or corporations 50% or more of the outstanding voting shares of which is owned by the Israeli company. The reduced treaty rate, if applicable, is 15% in the case of dividends paid from income derived from Approved, Benefited or Preferred Enterprise or 12.5% otherwise and subject that the non-Israeli shareholder would provide to prior to the dividend distribution a certificate from the Israeli Tax Authority for the reduced tax rates under the tax treaty with their country of residence and additional conditions must be met. A distribution of dividend to non-Israeli resident from income attributed to a Preferred Enterprise will be generally subject to withholding tax rates of 20%, subject to a reduced rate under the provisions of any applicable double tax treaty.

A non-resident of Israel who receives dividends from which full tax was withheld is generally exempt from the duty to file returns in Israel in respect of such income, provided such income was not derived from a business conducted in Israel by the taxpayer, and the taxpayer has no other taxable sources of income in Israel.

Capital Gains Taxes Applicable to Non-Israeli Resident Shareholders.

Israeli law generally imposes a capital gains tax on the sale of securities and any other capital asset. But, generally non-Israeli residents are exempt from Israeli capital gains tax on any gains derived from the sale of shares of Israeli companies publicly traded on a recognized stock exchange or regulated market outside of Israel, provided that the shares were purchased after January 1, 2009, capital gain does not belong to the foreign resident’s permanent establishment in Israel, the security was not acquired by the foreign resident from a relative and the shares are not listed on Israeli stock exchange upon the sale of the shares. After the company’s shares had been listed for trading on a foreign Exchange capital gain does not belong to the foreign resident’s permanent establishment in Israel, the shares had to be acquired after the listing of the shares of the company on a stock exchange outside of Israel, and the provisions of section 101 of the Ordinance, the provisions of the Adjustments Law and provisions under section 130A of the Ordinance do not apply to the capital gain, non-Israeli corporations will not be entitled to such exemption if an Israeli resident (i) has a

controlling interest of more than 25% in such non-Israeli corporation, or (ii) is the beneficiary or is entitled to 25% or more of the revenues or profits of such non-Israeli corporation, whether directly or indirectly.

In some instances where our shareholders may be liable to Israeli tax on the sale of their ordinary shares, the payment of the consideration may be subject to the withholding of Israeli tax at the source.

F. DIVIDENDS AND PAYING AGENTS

Not applicable.

G. STATEMENT BY EXPERTS

Not applicable.

H. DOCUMENTS ON DISPLAY

We are subject to certain information reporting requirements of the Exchange Act, applicable to foreign private issuers and under those requirements will file reports with the SEC. The SEC maintains an Internet website that contains reports and other information regarding issuers that file electronically with the SEC. Our filings with the SEC are also available to the public through the SEC's website at www.sec.gov.

As a foreign private issuer, we are exempt from the rules under the Exchange Act related to the furnishing and content of proxy statements, and our officers, directors and principal shareholders will be exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file annual, quarterly and current reports and financial statements with the SEC as frequently or as promptly as U.S. domestic companies whose securities are registered under the Exchange Act. However, we will file with the SEC, within 120 days after the end of each fiscal year, or such applicable time as required by the SEC, an annual report on Form 20-F containing financial statements audited by an independent registered public accounting firm, and may submit to the SEC, on a Form 6-K, unaudited interim financial information.

We maintain a corporate website at <http://www.ituran.com>. Information contained on, or that can be accessed through, our website and the other websites referenced above do not constitute a part of this annual report on Form 20-F. We have included these website addresses in this annual report on Form 20-F solely as inactive textual references.

I. SUBSIDIARY INFORMATION

Not applicable.

J. ANNUAL REPORT TO SECURITY HOLDERS

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The principal market risks to which we are exposed as a result of our operations are foreign exchange rate risks and interest rate risks.

Foreign exchange rate risk

Although we report our consolidated financial statements in dollars, in 2022, 2023 and 2024, a portion of our revenues and direct expenses was derived in other currencies. For fiscal years 2022, 2023 and 2024, we derived approximately 24.8%, 25.3% and 23.1% of our revenues in dollars and other currencies, 51.6%, 48.3%, and 52.1% in NIS, 23.6%, 26.4% and 24.8% in Brazilian Reals. In fiscal years, 2022, 2023 and 2024, 28.1%, 27.0% and 25.1% of our expenses were incurred in dollars and other currencies, 53.4%, 51.2% and 55% in NIS and 18.5%, 21.8% and 19.9% in Brazilian Reals.

Exchange differences upon conversion from our functional currency to dollars (presentation currency) are accumulated as a separate component of accumulated other comprehensive income (loss) under stockholders' equity. In the year 2023 a profit of \$ 0.8 million, in the year 2024 a loss of \$ 12.3 Million.

The fluctuation of the other currencies in which we incur our expenses or generate revenues against the dollar has had the effect of increasing or decreasing (as applicable) reported revenues, cost of revenues and operating expenses in

such foreign currencies when converted into dollars from period to period. The following table illustrates the effect of the changes in exchange rates on our revenues, gross profit and operating income for the periods indicated:

	Year Ended December 31,					
	2022		2023		2024	
	Actual	At 2021 exchange rates ⁽¹⁾	Actual	At 2022 exchange rates ⁽¹⁾	Actual	At 2023 exchange rates ⁽¹⁾
(In US\$ thousands)						
Revenues	293,072	296,752	319,978	329,420	336,257	344,146
Gross profit	137,562	139,120	153,161	158,291	160,620	163,895
Operating income	58,774	59,218	69,955	67,422	71,169	73,518

(1) Based on average exchange rates during the period. Those columns are Non GAAP information.

Our policy remains to reduce exposure to exchange rate fluctuations by entering into foreign currency forward transactions that mainly qualify as hedging transactions under ASC Topic 815, "Derivatives and Hedging" the results of which are reflected in our income statements as revenues or cost of revenues. Currently, the item most likely to be affected by the foreign currency risk is our inventory purchase price. Therefore, from time to time, we enter into such forward contracts, generally of 3 to 20 months' duration in order to hedge a portion of our foreign currency risk on the inventory purchase price. The result of these transactions, which are affected by fluctuations in exchange rates, could cause our cost of revenues, gross profit and operating income to fluctuate.

Interest rate risk

We invest our cash balances in each country in local currency in bank deposits and therefore, we are exposed to interest rate fluctuation in those currencies, but we do not believe such risks to be material. We do not use derivative financial instruments to limit exposure to interest rate risk.

ITEM 12. DESCRIPTIONS OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None

ITEM 15. CONTROLS AND PROCEDURES

(A) Disclosure Controls and Procedures

Our co-chief executive officers and chief financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended) as of December 31, 2023 have concluded that, as of such date, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our co-chief executive officers and chief financial officer, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the periods specified by the SEC's rules and forms.

(B) Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting. Internal control over financial reporting is designed to provide reasonable assurance to our management and

the board of directors regarding the reliability of financial reporting and the preparation and fair presentation of published financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurances with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may decline.

Our management assessed the effectiveness of our internal control over financial reporting, as of December 31, 2023. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework (2013 Framework).

Based on such assessment, our management has concluded that, as of December 31, 2024, our internal control over financial reporting is effective.

Fahn Kanne & Co. Grant Thornton Israel, our independent registered public accounting firm, has issued an attestation report on our internal control over financial reporting, as of December 31, 2024 and such report is included elsewhere in this Form 20 -F.

(C) Attestation Report of the Registered Public Accounting Firm.



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders

ITURAN LOCATION AND CONTROL LTD.

Fahn Kanne & Co.

Head Office

32 Hamasger Street

Tel-Aviv 6721118,

ISRAEL

PO Box 36172, 6136101

T +972 3 7106666

F +972 3 7106660

www.gtfk.co.il

Opinion on internal control over financial reporting

We have audited the internal control over financial reporting of Ituran Location and Control Ltd. and Subsidiaries (the "Company") as of December 31, 2024, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated financial statements of the Company as of and for the year ended December 31, 2024, and our report dated April 21, 2025, expressed an unqualified opinion on those financial statements.

Basis for opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying management's report on internal control over financial reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and limitations of internal control over financial reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become

inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ **FAHN KANNE & CO. GRANT THORNTON ISRAEL**
 Certified Public Accountants (Isr.)

Tel-Aviv, Israel
 April 21, 2025

Certified Public Accountants
Fahn Kanne & Co. is the Israeli member firm of Grant Thornton International Ltd

(D) Change in Internal Control over Financial Reporting

There have not been any changes in our internal control over financial reporting during the year ended December 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16. [RESERVED]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors determined that Mr. Israel Baron, one of our independent directors, is an “audit committee financial expert”, as defined by the applicable regulations promulgated under Section 407 of the Sarbanes-Oxley Act. For information concerning the experience of Mr. Baron, please refer to Item 6.A – Directors and Senior Management, above.

ITEM 16B. CODE OF ETHICS

In 2005, we adopted a Code of Ethics that applies to our senior management, including chief executive officer, chief financial officer, internal auditor and other individuals performing similar functions. Code of Business Conduct and Ethics was revised on February 26, 2017 as part of our Internal Compliance Program. The amendments were imposing on our employee’s stricter rules on compliance with Intellectual properties laws, compliance with Foreign Corrupt Practices Act, restrictions and rules on posting information on Ituran on social media and online networking websites, adding additional disciplinary measures and providing contact details of our compliance officer. The Code of Business Conduct and Ethics has been posted on our website at www.ituran.com.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Fahn Kanne & Co. Grant Thornton Israel (“Grant Thornton”), has served as our independent auditors. On November 12, 2024 they have been re-elected by our shareholders to serve as our independent auditors for the year 2025, until the next general meeting of the shareholders. The following table presents aggregate fees for professional audit services and other services rendered by Grant Thornton, for 2023 and 2024:

	<u>2023</u>	<u>2024</u>
	<u>(in thousands, USD)</u>	
Audit Fees ⁽¹⁾	596	551
Tax Fees ⁽²⁾	17	65
Total	613	616

⁽¹⁾ The audit fees for the years ended December 31, 2023 and 2024 respectively, were for professional services rendered for the audits of our annual consolidated financial statements, review of consolidated quarterly financial statements and statutory audits billed by Fahn Kanne & Co. Grant Thornton Israel and other members of Grant Thornton International.

⁽²⁾ Consists of all tax related services.

Our audit committee has approved the above audit and non-audit services provided by Grant Thornton, during the years 2023 and 2024.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

On August 2, 2021, we renewed our purchase plan under Rule 10b-5 and Rule 10b-18 to purchase our shares for the year 2021 and purchased an additional 279,720 of our shares. During the year 2021, we purchased through our only owned subsidiary under the Plan 228,725 shares and an additional 50,995 shares not through publicly announced plans. During the year 2022 we purchased additional 357,362 of our shares. On February 28, 2023 we announced another purchase plan under Rule 10b-5 and Rule 10b-18 to purchase our shares for another \$ 10 million. During the year 2023 we purchased additional 282,644 of our shares. During the Year 2024 we did not purchase any of our shares.

ITEM 16F. CHANGES IN REGISTRANT’S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

Under NASDAQ Marketplace Rule 5615(a)(3), foreign private issuers, such as our company, are permitted to follow certain home country corporate governance practices instead of certain provisions of the Rule 5600 series and the requirement to distribute annual and interim reports. A foreign private issuer that elects to follow a home country practice instead of any of such provisions, must disclose in its annual reports each requirement that it does not follow, describe the home country practice followed by the company in lieu of such requirements, satisfy the voting rights (Rule 5640) requirements, have an audit committee that satisfies Rule 5605(c)(3), and ensure that such audit committee’s members meet the independence requirement in Rule 5605(c)(2)(A). In reliance upon Rule 5615(a)(3), as a foreign private issuer, we have elected to follow our home country practices, absent home country rules requiring otherwise, in lieu of certain Nasdaq Marketplace Rules. Specifically, in Israel, it is not required that a public company have (i) a majority of independent board members or that independent directors have regularly scheduled meetings at which only independent directors are present, or (iii) independent oversight of director nominations. As a result, we have elected to follow Israeli law regarding the independence requirements of our board of directors. See “External directors” above. In addition, our board of directors has not appointed a nominating committee and, instead, elects to follow Israeli law, which provides that a company may determine its method of nominating its directors.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTION THAT PREVENT INSPECTIONS

Not applicable.

ITEM 16J. INSIDER TRADING POLICIES

We have an insider trading policy and procedures governing the sale, and other dispositions of our shares by directors, senior management and employees that is designated to promote compliance with applicable insider trading laws, rules and regulations and any listing standards applicable to us. The Policy is attached hereto as Exhibit 19.

ITEM 16K. CYBERSECURITY

Risk management and Strategy

1. Cybersecurity risk management is an integral part of our overall enterprise risk management program. We face certain cybersecurity risks due to: (1) the substantial level of harm that could occur to us, our customers and business partners in case we suffer impacts of a material cybersecurity incident; (2) the networks and systems we must defend against cybersecurity attacks; (3) the use of our systems, products and processes and (4) our use of third-party products and services.
2. We are committed to maintaining robust governance and oversight of these risks and to implement mechanisms, controls, technologies, and processes designed to help us assess, identify, and manage these risks.
3. We have not experienced a cybersecurity threat or incident that resulted in or is reasonably likely to result in a material adverse impact to our business or operations. With that, there can be no guarantee that we will not

experience such an incident in the future. Such incidents, whether successful or not, could result in our incurring significant costs related to, for example, rebuilding our internal systems, implementing additional threat protection measures, providing modifications or replacements to our products and services, defending against litigation, responding to regulatory inquiries or actions, paying damages or taking other remedial steps with respect to third parties, as well as incurring significant reputational harm.

4. In addition, these threats are constantly evolving, thereby increasing the difficulty of successfully defending against them or implementing adequate preventative measures. We have seen a worldwide increase in cyberattack volume, frequency, and sophistication and we constantly expand our cybersecurity budget in accordance with such increase. We constantly seek to detect and investigate unauthorized attempts and attacks against our network, products, and services, and to prevent their occurrence and recurrence where practicable through changes or updates to our internal processes and tools and changes or updates to our products and services. However, we remain potentially vulnerable to known or unknown threats. In some instances, we, our suppliers and customers can be unaware of a threat or incident or effects.

Governance

5. Further, there is increasing regulation regarding responses to cybersecurity incidents, including reporting to regulators, which could subject us to additional liability and reputational harm.
6. We aim to incorporate industry best practices throughout our cybersecurity program. Our cybersecurity strategy focuses on implementing effective and efficient controls, technologies, and other processes to assess, identify, and manage material cybersecurity risks. Our cybersecurity program is designed to be aligned with applicable industry standards and is assessed annually by independent third-party auditors. We have processes in place to assess, identify, manage, and address material cybersecurity threats and incidents. These include, among other things: ongoing security awareness training for employees; mechanisms to detect and monitor unusual network activity and containment and incident response tools.
7. We are actively seeking benchmarking and awareness of best practices. We monitor issues that are internally discovered or externally reported that may affect our products and have processes to assess those issues for potential cybersecurity impact or risk. We also have a process in place to manage cybersecurity risks associated with third-party service providers. We impose security requirements upon our suppliers and intend to broaden such security requirements globally in the near future, including, *inter alia*: maintaining an effective security management program; abiding by information handling and asset management requirements; and notifying us in the event of any known or suspected cyber incident.
8. Our Board of Directors has oversight of cybersecurity risk, which it manages as part of our enterprise risk management program. That program is utilized in making decisions with respect to company priorities, resource allocations, and oversight structures. The Board of Directors is assisted by the Audit Committee, which reviews our cybersecurity program with management and reports to the Board of Directors, and also assisted by the Company's Vice Presidents of Information Technology (VPIT), Chief Information Security Officers (CISO's), Data Protection Officer (DPO) and Ituran IT Director International. Cybersecurity reviews by the Audit Committee or the Board of Directors generally occur at least once annually, or more frequently as determined to be necessary or advisable.
9. Our cybersecurity program is run by our CISO's, who reports to our VPIT's. Our CISO's is informed about and monitors prevention, detection, mitigation, and remediation efforts through regular communication and reporting from professionals in the information security team, many of whom hold cybersecurity certifications such as a Certified Information Systems Security Professional or Certified Information Security Manager and using technological tools and software and results from third party audits. Our CISO's and VPIT's have extensive experience assessing and managing cybersecurity programs and cybersecurity risk. Our CISO's and VPIT's regularly report directly to the Audit Committee or the Board of Directors on our cybersecurity program and efforts to prevent, detect, mitigate, and remediate issues. In addition, we have an escalation process in place to inform senior management and the Board of Directors of material issues.

PART III

ITEM 17. FINANCIAL STATEMENTS

See "Item 18—Financial Statements."

ITEM 18. FINANCIAL STATEMENTS

The consolidated financial statements and the related notes required by this Item are included in this annual report on Form 20-F beginning on page F-1.

ITEM 19. EXHIBITS

- | | Description of Document |
|----------|--|
| 1.1 | Amended and Restated Articles of Association of the Company ⁽⁷⁾ |
| 1.2 | Form of Memorandum of Association of the Company (English Translation) ⁽¹⁾ |
| 2.1 | Shareholders Agreement, dated May 18, 1998, by and between Moked Ituran Ltd., Moked Services, Information, Management, Investments, Yehuda Kahane Ltd., F.K. Generators and Equipment Ltd., Gideon Ezra, Ltd., Efraim Sheratzky, and Yigal Shani (English translation). ⁽¹⁾ |
| 2.2 | Form of Amendment to Shareholders Agreement dated May 18, 1998, by and between Moked Ituran Ltd., Moked Services, Information, Management and Investments, Yehuda Kahane Ltd., F.K. Generators and Equipment Ltd., Gideon Ezra, Ltd., Efraim Sheratzky and/or T.S.D. Holdings Ltd., and Yigal Shani and/or G.N.S. Holdings Ltd. (English translation). ⁽¹⁾ |
| 2.3 | Form of the second Amendment to Shareholders Agreement dated May 18, 1998, by and between Moked Ituran Ltd., Moked Services, Information, Management and Investments, Yehuda Kahane Ltd., F.K. Generators and Equipment Ltd., Gideon Ezra, Ltd., Efraim Sheratzky and/or T.S.D. Holdings Ltd., and Yigal Shani and/or G.N.S. Holdings Ltd. (English translation). ⁽⁵⁾ |
| 4.1 | Consulting Services Agreement, dated March 23, 1998, by and between the Registrant and Yehuda Kahane Ltd., including addendum thereof, as of May 25, 2003 (English translation). ⁽¹⁾ |
| 4.2 | Unprotected Lease Agreement, dated February 7, 2002, by and between Mofari Ltd. and the Registrant and addendum thereof, dated February 19, 2002 (English translation) ⁽¹⁾
Addendum to February 7, 2002 Unprotected Lease Agreement, by and between Mofari Ltd. and the Registrant, dated October 31, 2012. ⁽⁶⁾ |
| 4.3 | Lease Agreement, dated May 29, 2002, by and between Rinat Yogev Nadlan and Ituran Cellular Communication Ltd. (English translation). ⁽¹⁾⁽⁴⁾ |
| 4.4 | Lease Agreement, dated March 16, 2000, by and between Teleran Localizacao e Controle Ltda. and T4U Holding B.V., and addendum thereof, dated May 31, 2000. ⁽¹⁾ |
| 4.5 | Form of Directors' Letter of Indemnity (English translation). ⁽⁶⁾ |
| 4.6 | Frame Product and Services Purchase Agreement dated January 1, 2008 by and between Ituran Location and Control Ltd. and Telematics Wireless Ltd. ^{(2)*} |
| 4.7 | Radio Location System License Agreement, dated July 13, 2004, by and between Teletrac, Inc., and Telematics Wireless Ltd. ⁽¹⁾ |
| 4.8 | Ituran Location & Control Compensation Policy, as approved on November 7, 2016. ⁽⁷⁾ |
| 4.9 | Service Agreement, dated as of February 1, 2014, by and among Ituran Location & Control Ltd., Izzy Sheratzky and A. Sheratzky Holdings Ltd. (English Translation). ⁽⁶⁾ |
| 4.9(a) | Addendum dated April 4, 2017 to the Service Agreement, dated as of February 1, 2014, by and among Ituran Location & Control Ltd., Izzy Sheratzky and A. Sheratzky Holdings Ltd. ⁽⁷⁾ |
| 4.10 | Service Agreement, dated as of February 1, 2014, by and among Ituran Location & Control Ltd., ORAS Capital Ltd. and Eyal Sheratzky. ⁽⁶⁾ |
| 4.10 (a) | Addendum dated April 4, 2017 to the Service Agreement, dated as of February 1, 2014, by and among Ituran Location & Control Ltd., ORAS Capital Ltd. and Eyal Sheratzky. ⁽⁷⁾ |
| 4.11 | Service Agreement, dated as of February 1, 2014, by and among Ituran Location & Control Ltd., Galnir Management and Investments Ltd. and Nir Sheratzky. ⁽⁶⁾ |
| 4.11 (a) | Addendum dated April 4, 2017 to the Service Agreement, dated as of February 1, 2014, by and among Ituran Location & Control Ltd., Galnir Management and Investments Ltd. and Nir Sheratzky. ⁽⁷⁾ |
| 4.12 | Service Agreement, dated as of February 1, 2014, by and among E-Com Global Electronic Commerce Ltd., ZERO-TO-ONE S.B.L. INVESTMENTS LTD. and Gil Sheratzky. ⁽⁶⁾ |
| 4.12 (a) | Addendum dated April 4, 2017 to the Service Agreement, dated as of February 1, 2014, by and among E-Com Global Electronic Commerce Ltd., ZERO-TO-ONE S.B.L. INVESTMENTS LTD. and Gil Sheratzky. ⁽⁷⁾ |
| 4.13 | Purchase Agreement, dated as of July 23, 2018, by and among Ituran Location & Control Ltd. and Yomuna Investments S.L., Viatka Investments S.L., I-Gelt Holdings, LLC, East Holdings, LLC and Road Track Holding S.L.*** |
| 8 | List of significant subsidiaries. |
| 12.1 | Certifications by co-chief executive officers as required by Rule 13a-14(a) of the Securities Exchange Act of 1934. |
| 12.2 | Certification by person serving in the capacity of chief financial officer as required by Rule 13a-14(a) of the Securities Exchange Act of 1934. |
| 13 | Certifications by the co-chief executive officers and the person serving in the capacity of chief financial officer as required by Rule 13a-14(b) of the Securities Exchange Act of 1934. |

97.1. Policy Relating to Recovery of Erroneously Awarded Compensation.
19. Insider Trading Policy.

- (1) Filed as an exhibit to the Registrant's Registration Statement on Form F-1 (File No. 333-128028) filed on September 23, 2005 and incorporated herein by reference.
- (2) Filed as an exhibit to the annual report on Form 20-F for the year ended December 31, 2007 and incorporated herein by reference.
- (3) Filed as an exhibit to the annual report on Form 20-F for the year ended December 31, 2010 and incorporated herein by reference.
- (4) The current lessee under this agreement is the Registrant.
- (5) Filed as an exhibit to Form 13G of Yehuda Kahane for the year ended December 31, 2014, filed on February 17, 2015, and incorporated herein by reference.
- (6) Filed as an exhibit to the annual report on Form 20-F for the year ended December 31, 2013 and incorporated herein by reference.
- (7) Filed as an exhibit to the annual report on Form 20-F for the year ended December 31, 2016 and incorporated herein by reference.

* Certain portions of this exhibit have been omitted pursuant to an order granting confidential treatment by the United States Securities and Exchange Commission. The omitted non-public information has been filed with the United States Securities and Exchange Commission

** Previously filed

*** Certain portions of this exhibit have been omitted.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

ITURAN LOCATION AND CONTROL LTD.

(Registrant)

By: /s/ Eyal Sheratzky _____
Eyal Sheratzky
Co-Chief Executive Officers

/s/ Nir Sheratzky _____
Nir Sheratzky

Dated: April 21 , 2025

ITURAN LOCATION AND CONTROL LTD.

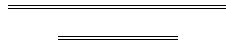
**Consolidated Financial Statements
as of December 31, 2024**

ITURAN LOCATION AND CONTROL LTD.

**Consolidated Financial Statements
as of December 31, 2024**

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING
FIRM
Board of Directors and Shareholders
ITURAN LOCATION AND CONTROL LTD.**

Fahn Kanne & Co.
Head Office
32 Hamasger Street
Tel-Aviv 6721118, ISRAEL
PO Box 36172, 6136101

T +972 3 7106666
F +972 3 7106660
www.gtfk.co.il

Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of Ituran Location and Control Ltd. and subsidiaries (the “Company”) as of December 31, 2024 and 2023, the related consolidated statements of income, comprehensive income (loss), changes in equity and cash flows for each of the three years in the period ended December 31, 2024, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2024, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), and our report dated April 21, 2025, expressed an unqualified opinion.

Basis for opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical audit matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.



Critical audit matter (cont.)

Goodwill impairment analysis

As described further in Note 1N, and Note 9 to the consolidated financial statement, as of December 31, 2024, the Company's goodwill balance was US\$ 39,325 thousand. As disclosed by management, goodwill is assigned to reporting units and is tested for impairment at least annually, and whenever events or changes in circumstances indicate that the carrying amount of goodwill may not be recoverable. With respect to certain reporting units, management determines the fair value of its reporting units using the income approach. Within the income approach, the method that was used to measure the fair value of a reporting unit is the discounted cash flow method. Management started with a forecast of all the expected net cash flows associated with the reporting units, which includes the application of a terminal value, and then applied a discount rate to arrive at a net present value amount. Cash flow projections are based on management's estimates of revenue growth rates and operating margins, taking into consideration industry and market conditions. As disclosed by management, the Company compares the fair value of the reporting unit to its carrying value and an impairment charge is recognized for the amount by which the carrying amount exceeds the reporting unit's fair value, if any.

We identified the goodwill impairment analysis as a critical audit matter. The principal considerations for our determination that performing procedures relating to the goodwill impairment analysis is a critical audit matter are due to the significant judgment by management when determining the fair value measurement of the reporting units. This in turn led to a high degree of auditor judgment, effort and subjectivity in performing procedures and evaluating management's fair value estimate, which included significant assumptions related to revenue growth rates, expected cash flows, discount rate and terminal growth rate. In addition, the audit effort involved the use of professionals with specialized skill and knowledge to assist in performing these procedures and evaluating the audit evidence obtained.

Our audit procedures related to this matter included the following, among others. We tested management's process for determining the fair value estimate, which included evaluating the appropriateness of the discounted cash flow model; testing the completeness, accuracy and relevance of underlying data used in the model; and evaluating the reasonableness of significant assumptions used by management, including revenue growth rates, discount rate and terminal growth rate with respect to goodwill and future revenues. Evaluating management's assumptions related to revenue growth rates and terminal growth rate involved evaluating whether the assumptions used by management were reasonable considering (1) the current and past performance of the reporting units, (2) the consistency with external market and industry data, and (3) the consistency of the assumptions used with evidence obtained in other areas of the audit. We also used professionals with specialized skill and knowledge to assist in the evaluation of management's discounted cash flow model, and certain significant assumptions, including the discount rate.

/s/ FAHN KANNE & CO. GRANT THORNTON ISRAEL

Certified Public Accountants (Isr.)

We have served as the Company's auditor since 1997.

Tel-Aviv, Israel

April 21, 2025

ITURAN LOCATION AND CONTROL LTD.
CONSOLIDATED BALANCE SHEETS

(in thousands)	US dollars	
	December 31,	
	2024	2023
Current assets		
Cash and cash equivalents	77,357	53,434
Investment in marketable securities	10	119
Accounts receivable (net of provision for credit loss)	47,688	45,390
Other current assets (Note 2)	46,067	52,724
Inventories (Note 3)	23,434	26,872
	<u>194,556</u>	<u>178,539</u>
Long-term investments and other assets		
Investments in affiliated companies (Note 4A)	519	714
Investments in other companies (Note 4B)	1,491	2,213
Other non-current assets (Note 5)	5,853	3,989
Deferred income taxes (Note 15)	12,273	14,452
Funds in respect of employee rights upon retirement	21,823	18,525
	<u>41,959</u>	<u>39,893</u>
Property and equipment, net (Note 6)	<u>33,080</u>	<u>41,955</u>
Operating lease right of use assets, net (Note 7)	<u>8,947</u>	<u>8,071</u>
Intangible assets, net (Note 8)	<u>9,011</u>	<u>10,830</u>
Goodwill (Note 9)	<u>39,325</u>	<u>39,400</u>
Total assets	<u>326,878</u>	<u>318,688</u>

The accompanying notes are an integral part of the consolidated financial statements.

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

(in thousands, except share data)	US dollars	
	December 31,	
	2024	2023
Current liabilities		
Credit from banking institutions (Note 10A)	114	355
Accounts payable	18,847	20,842
Deferred revenues	22,857	27,117
Other current liabilities (Note 11)	45,904	44,150
	<u>87,722</u>	<u>92,464</u>
Long-term liabilities		
Deferred income taxes (Note 15)	418	1,116
Loan from bank institution (Note 10B)	-	237
Liability for employee rights upon retirement	27,593	24,562
Deferred revenues	12,231	13,259
Operating lease liabilities, non-current (Note 7)	5,562	4,774
Other non-current liabilities	2,095	2,027
	<u>47,899</u>	<u>45,975</u>
Commitments and contingent liabilities (Note 12)		
Equity:		
Stockholders' equity (Note 13)		
Share capital – ordinary shares of NIS 0.33⅓ par value:		
Authorized – December 31, 2024 and 2023 – 60,000,000 shares	1,983	1,983
Issued and outstanding – December 31, 2024 and 2023 – 23,475,431 shares		
Additional paid- in capital	78,380	78,369
Accumulated other comprehensive loss	(57,033)	(45,175)
Retained earnings	226,183	203,563
Treasury stock at cost – December 31, 2024 and 2023 – 3,581,851 shares	(64,286)	(64,286)
Stockholders' equity	<u>185,227</u>	<u>174,454</u>
Non-controlling interests	<u>6,030</u>	<u>5,795</u>
Total equity	<u>191,257</u>	<u>180,249</u>

Total liabilities and equity

..... 326,878 318,688

The accompanying notes are an integral part of the consolidated financial statements.

ITURAN LOCATION AND CONTROL LTD.
CONSOLIDATED STATEMENTS OF INCOME

(in thousands except earnings per share)	US dollars		
	Year ended December 31,		
	2024	2023	2022
Revenues:			
Telematics services.....	242,491	234,541	209,558
Telematics products.....	93,766	85,437	83,514
	<u>336,257</u>	<u>319,978</u>	<u>293,072</u>
Cost of revenues:			
Telematics services.....	100,195	98,707	90,129
Telematics products.....	75,442	68,110	65,381
	<u>175,637</u>	<u>166,817</u>	<u>155,510</u>
Gross profit.....	160,620	153,161	137,562
Research and development expenses.....	18,090	16,986	16,848
Selling and marketing expenses	15,271	13,643	13,327
General and administrative expenses	56,238	56,635	48,705
Other income, net	(148)	(58)	(92)
Operating income.....	71,169	65,955	58,774
Other income, net	-	2	-
Financing income (expenses), net (Note 14).....	80	(1,552)	(5,944)
Income before income tax	71,249	64,405	52,830
Income tax expenses (Note 15)	(14,579)	(13,355)	(12,745)
Share in losses of affiliated companies, net (Note 4A).....	(123)	(706)	(585)
Net income for the year	56,547	50,344	39,500
Less: Net income attributable to non-controlling interest.....	(2,893)	(2,207)	(2,397)
Net income attributable to the Company	<u>53,654</u>	<u>48,137</u>	<u>37,103</u>
Basic and diluted earnings per share attributable to Company's stockholders (Note 16)			
	<u>2.70</u>	<u>2.41</u>	<u>1.82</u>
Basic and diluted weighted average number of shares outstanding			
	<u>19,894</u>	<u>20,000</u>	<u>20,418</u>

The accompanying notes are an integral part of the consolidated financial statements.

ITURAN LOCATION AND CONTROL LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (loss)

(in thousands)	US dollars		
	Year ended December 31,		
	2024	2023	2022
Net income for the year	<u>56,547</u>	<u>50,344</u>	<u>39,500</u>
Other comprehensive income (loss), net of tax:			
Unrealized gain (losses) in respect of derivative financial instruments designated for cash flow hedge	299	(299)	-
Foreign currency translation adjustments	<u>(12,312)</u>	<u>808</u>	<u>(4,621)</u>
Other comprehensive income (loss), net of tax	<u>(12,013)</u>	<u>509</u>	<u>(4,621)</u>
Comprehensive income	44,534	50,853	34,879
Less: comprehensive income attributable to non-controlling interests	<u>(2,738)</u>	<u>(2,018)</u>	<u>(1,719)</u>
Comprehensive income attributable to the Company	<u>41,796</u>	<u>48,835</u>	<u>33,160</u>

The accompanying notes are an integral part of the consolidated financial statements.

ITURAN LOCATION AND CONTROL LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		(in thousands)							
		COMPANY STOCKHOLDERS							
		Ordinary shares							
		Number of shares	Share capital amount	Additional paid - in capital	Accumulated other comprehensiv e loss	Retained earnings	Treasury stock	Non- controlling interests	Total
US dollars (except for number of shares)									
Balance as of January 1, 2022									
.....		23,476	1,983	78,334	(41,888)	143,259	(49,228)	5,343	137,803
Changes during 2022:									
Net income									
.....		-	-	-	-	37,103	-	2,397	39,500
Other comprehensive loss									
.....		-	-	-	(3,943)	-	-	(678)	(4,621)
Dividend paid									
.....		-	-	-	-	(8,574)	-	-	(8,574)
Dividend declared									
.....		-	-	-	-	(2,825)	-	-	(2,825)
Purchase of treasury shares (*)									
.....		-	-	-	-	-	(8,445)	-	(8,445)
Stock-based compensation in a subsidiary company									
.....		-	-	21	-	-	-	-	21
Balance as of December 31, 2022									
.....		<u>23,476</u>	<u>1,983</u>	<u>78,355</u>	<u>(45,831)</u>	<u>168,963</u>	<u>(57,673)</u>	<u>7,062</u>	<u>152,859</u>
Changes during 2023:									
Net income									
.....		-	-	-	-	48,137	-	2,207	50,344
Other comprehensive income (loss)									
.....		-	-	-	656	-	-	(147)	509
Dividend paid to non- controlling interests									
.....		-	-	-	-	-	-	(3,327)	(3,327)
Dividend paid									
.....		-	-	-	-	(8,763)	-	-	(8,763)
Dividend declared									
.....		-	-	-	-	(4,774)	-	-	(4,774)
Purchase of treasury shares (*)									
.....		-	-	-	-	-	(6,613)	-	(6,613)
Stock-based compensation in a subsidiary company									
.....		-	-	14	-	-	-	-	14
Balance as of December 31, 2023									
.....		<u>23,476</u>	<u>1,983</u>	<u>78,369</u>	<u>(45,175)</u>	<u>203,563</u>	<u>(64,286)</u>	<u>5,795</u>	<u>180,249</u>
Changes during 2024:									
Net income									
.....		-	-	-	-	53,654	-	2,893	56,547
Other comprehensive loss									
.....		-	-	-	(11,858)	-	-	(155)	(12,013)
Dividend paid to non- controlling interests									
.....		-	-	-	-	-	-	(2,483)	(2,483)

Dividend paid	-	-	-	-	(23,275)	-	-	(23,275)
Dividend declared	-	-	-	-	(7,759)	-	-	(7,759)
Purchase of non-controlling interest shares	-	-	-	-	-	-	(20)	(20)
Stock-based compensation in a subsidiary company	-	-	11	-	-	-	-	11
Balance as of December 31, 2024	<u>23,476</u>	<u>1,983</u>	<u>78,380</u>	<u>(57,033)</u>	<u>226,183</u>	<u>(64,286)</u>	<u>6,030</u>	<u>191,257</u>

(*) See Note 13A3.

The accompanying notes are an integral part of the consolidated financial statements.

ITURAN LOCATION AND CONTROL LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	US dollars		
	Year ended December 31,		
	2024	2023	2022
Cash flows from operating activities			
Net income for the year	56,547	50,344	39,500
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization	20,083	21,068	20,134
Loss in respect of trading marketable securities and other investments	107	89	3,860
Increase in liability for employee rights upon retirement	3,199	2,507	1,243
Share in losses of affiliated companies, net	123	706	585
Deferred income taxes	(383)	(3,125)	(737)
Capital loss (gain) on sale of property and equipment, net	128	89	(224)
Increase in accounts receivable	(5,227)	(26)	(5,104)
Increase in other current and non-current assets	(6,498)	(3,169)	(11,055)
Decrease (Increase) in inventories	3,366	1,102	(5,835)
Increase (decrease) in accounts payable	176	(1,863)	1,419
Increase (decrease) in deferred revenues	(804)	5,703	2,169
Increase (decrease) in other current and non-current liabilities	3,450	3,793	(837)
Net cash provided by operating activities	<u>74,267</u>	<u>77,218</u>	<u>45,118</u>
Cash flows from investment activities			
Increase in funds in respect of employee rights upon retirement, net of withdrawals	(3,353)	(2,384)	(868)
Capital expenditures	(13,632)	(14,243)	(26,505)
Return from (investment in) affiliated company	78	(323)	(939)
Investment in marketable securities	-	-	(103)
Repayment of (investments in) long - term deposit	(122)	(100)	147
Return from (investments in) other companies, net	630	(477)	(137)
Proceeds from sale of property and equipment	459	199	1,051
Sale of marketable securities	-	99	-

Net cash used in investment activities	(15,940)	(17,229)	(27,354)
Cash flows from financing activities			
Repayment of long-term loan	-	(11,732)	(16,450)
Short term credit from banking institutions	(433)	299	-
Acquisition of company shares	-	(6,613)	(8,445)
Dividend paid	(28,050)	(11,561)	(11,465)
Dividend paid to non-controlling interests	(3,286)	(3,327)	-
Net cash used in financing activities	(31,769)	(32,934)	(36,360)
Effect of exchange rate changes on cash and cash equivalents	(2,635)	(1,471)	(3,860)
Net change in cash and cash equivalents	23,923	25,584	(22,456)
Balance of cash and cash equivalents at beginning of year	53,434	27,850	50,306
Balance of cash and cash equivalents at end of year	<u>77,357</u>	<u>53,434</u>	<u>27,850</u>

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

In November 2024, the Company declared a dividend in an amount of US\$ 8 million. The dividend was paid in January 2025.

The accompanying notes are an integral part of the consolidated financial statements.

ITURAN LOCATION AND CONTROL LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS (cont.)

Supplementary disclosure of cash flow information

(in thousands)	US dollars		
	Year ended December 31,		
	2024	2023	2022
Interest paid	<u>24</u>	<u>358</u>	<u>713</u>
Income taxes paid, net of refunds	<u>14,790</u>	<u>10,926</u>	<u>11,094</u>

The accompanying notes are an integral part of the consolidated financial statements.

ITURAN LOCATION AND CONTROL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

1. Operations

Ituran Location and Control Ltd. (the “Company”) commenced operations in 1994. The Company and its subsidiaries (the “Company”) are engaged in the provision of Location based Telematics services and machine-to-machine Telematics products for use in stolen vehicle recovery, fleet management and other applications.

2. Functional currency and translation to the reporting currency

The functional currency of the Company and its subsidiaries located in Israel (except those that are held through the subsidiary “Road track”) is the New Israeli Shekel (“NIS”), which is the local currency in which those entities operate. The functional currency of the foreign subsidiaries located in Brazil, Mexico and Colombia is the local currency in each country and the functional currency of the rest of the subsidiaries (including Argentinian subsidiaries that operates in highly inflationary economy) is the US Dollar. Regarding the Argentinian subsidiaries see below.

The consolidated financial statements of the Company and all of its subsidiaries were translated into U.S. dollars in accordance with the standards of the Financial Accounting Standards Board (“FASB”). Accordingly, assets and liabilities were translated from local currencies to U.S. dollars using yearend exchange rates, and income and expense items were translated at average exchange rates during the year.

Gains or losses resulting from translation adjustments (which result from translating an entity’s financial statements into U.S. dollars if its functional currency is different than the U.S. dollar) are reported in other comprehensive income and are reflected in equity, under “accumulated other comprehensive income (loss)”. Translation gains and losses resulting from changes in exchange rates used in the translation of intercompany balances that are long term investment nature (i.e. which their settlement is not planned or anticipated) are also included in other comprehensive income (loss).

When an economy in which a foreign entity of the Company operates, becomes highly inflationary environment (an economy with a cumulative inflation rate of approximately 100% or more over a three-year period, such as the Company’s subsidiaries in Argentina), the financial statements of that foreign entity are remeasured as if its functional currency is the reporting currency of its parent.

Balances denominated in, or linked to foreign currency are stated on the basis of the exchange rates prevailing at the balance sheet date. For foreign currency transactions included in the statement of income, the exchange rates applicable on the relevant transaction dates are used. Transaction gains or losses arising from changes in the exchange rates used in the translation of such balances are carried to financing income or expenses as applicable.

ITURAN LOCATION AND CONTROL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

A. General (cont.)

2. Functional currency and translation to the reporting currency (cont.)

The following table presents data regarding the dollar exchange rate of relevant currencies and the Israeli CPI:

	Exchange rate of one US dollar	Brazilian Real	Israeli CPI^(*)
	NIS		
At December 31,			
2024			
.....	3.647	6.1917	130.94 points
2023			
.....	3.627	4.8413	126.83 points
2022			
.....	3.519	5.2177	123.19 points
Increase (decrease) during the year:			
2024			
.....	0.55%	27.89%	3.24%
2023			
.....	3.07%	(7.21)%	2.95%
2022			
.....	13.15%	(6.50)%	5.26%

(*) Based on the Index for the month ending on each balance sheet date, on the basis of 2008 average.

3. Basis of presentation

The consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

4. Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from the estimates.

As applicable to these consolidated financial statements, the most significant estimates and assumptions relate to legal contingencies, valuation of goodwill and other intangible assets and revenue recognition and related deferred expenses (contract costs).

5. Iron Swords War

In October 2023, the Israeli government declared a state of war in response to an attack on civilians at its southern border. Subsequently, additional attacks were launched towards northern Israel. The new security situation has led to several challenges, including some disruptions in supply chains, a shortage of personnel due to mobilization for reserve duty, and fluctuations in foreign currency exchange rates relative to the Israeli shekel.

Regional tensions involving Houthis attacks on commercial ships have recently intensified, affecting shipping operation at the Red Sea. This could lead to delays in shipments as well as increased shipping costs.

The Company has taken measures to ensure the safety of its employees and business partners, as well as the communities in which it operates, in order to minimize any potential impact on its business, including avoidance of disruption to operation in its facilities in Israel.

As of today, the security situation in recent months had a non-material impact on the Company's business results. However, since the developments related to the war situation, as well as its duration, are unpredictable, the Company has no ability to estimate the extent of the war's potential impact on its future business and results. The Company continuously monitors the developments and will take all necessary actions to minimize any negative consequences to its operations and assets.

ITURAN LOCATION AND CONTROL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. Principles of consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries. In these financial statements, the term “subsidiary” refers to a company over which the Company exerts control and the financial statements of which are consolidated with those of the Company. Significant intercompany transactions and balances are eliminated upon consolidation; profits from intercompany sales, not yet realized outside of the Company, are also eliminated. Non-controlling interests are presented in equity.

Changes in the Company ownership interest in a subsidiary while the control is retained are accounted for as equity transactions and accordingly no gain or loss is recognized in consolidated net income or comprehensive income. Upon such transaction, the carrying amount of the non-controlling interest is adjusted to reflect the change in its ownership interest in the subsidiary and any difference between the fair value of the consideration received or paid and the amount by which the non-controlling interest was adjusted is recognized in additional paid-in capital.

C. Cash and cash equivalents

The Company considers all highly liquid investments, which include short-term bank deposits that are not restricted as to withdrawal or use, and short-term debentures, with original periods to maturity not exceeding three months, to be cash equivalents.

D. Marketable securities

The Company account for its investments in marketable debt securities in accordance with ASC Topic 320-10, which is applicable to Debt Securities only, while equity securities are accounted for in accordance with ASC Topic 321-10, “*Investments - Equity Securities*” (“ASC Topic 321-10”).

According to ASC Topic 321-10, equity securities with readily determinable fair value are measured upon initial recognition and in subsequent periods at fair value with gains and losses reported periodically in earnings as financing income or expenses.

The investments in debt and equity securities that were held by the Company during the reported periods and were subject to the provisions of ASC Topic 320-10 were designated by management as trading securities. The security was acquired with intent to sell it in the near future.

Changes in fair value measurement of debt and equity securities for the years 2024, 2023 and 2022 amounted to loss of approximately US\$ (107), US\$ (89) and US\$ (3,860) thousand, respectively.

E. Treasury stock

Company shares held by the Company and a wholly owned subsidiary are presented as a reduction of equity, at their cost, under the caption “Treasury Stock”. Gains and losses upon sale of these shares, net of related income taxes, are recorded as additional paid in capital.

F. Provision for credit loss

The provision for credit loss is determined with respect to amounts the Company has determined to be doubtful of collection, in order to reflect the expected credit losses on accounts receivable balances. Judgment is required in the estimation of the provision for credit losses and the Company evaluates the collectability of its accounts receivable based on a combination of factors including , among other things, the past experience with customers, the length of time that the balance is past due using an aging schedule, the customer’s current ability to pay and their the creditworthiness using all available information about the credit risk on such customers taking into consideration the current business environment. If it becomes aware of a customer’s inability to meet its financial obligations, a specific allowance is recorded to reduce the net receivable to the amount reasonably believed to be collectible from such customer.

ITURAN LOCATION AND CONTROL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

F. Provision for credit loss (cont.)

Accounts receivables are written off against the provision for credit losses when the Company determines amounts are no longer collectible.

See also Note 19A.

The allowance in respect of accounts receivable at December 31, 2024 and 2023 was US\$ 3,978 and US\$ 5,171 thousand, respectively

G. Inventories

Inventories are stated at the lower of cost or net realizable value. Cost of raw materials and finished products is mainly determined on the basis of first-in, first-out (FIFO). Other method which is utilized for determining the value of inventories is the moving average. The Company regularly reviews its inventories for obsolescence and other impairment risks and reserves are established when necessary.

H. Investment in affiliated companies

Investments in companies in which the Company has significant influence but less than controlling interests, are accounted for by the equity method. Income on intercompany sales, not yet realized outside of the Company, is eliminated. The Company also reviews these investments for impairment whenever events indicate the carrying amount may not be recoverable.

Management evaluates investments in affiliated companies, for evidence of other-than-temporary declines in value. Such evaluation is dependent on the specific facts and circumstances and includes analysis of relevant financial information (e.g., budgets, business plans, financial statements, etc.). During 2024, 2023 and 2022, no impairment was identified with respect to such affiliated companies.

Investments in companies in which the Company no longer has significant influence, are classified as "investments in other companies". (See also note II below).

I. Investment in other companies

Equity investments without readily determinable fair values are measured at cost, less impairment, and plus or minus subsequent adjustments for observable price changes. Periodic changes in the basis of these equity investments are reported in current earnings. In addition, at each reporting period a qualitative assessment is performed to identify impairment. When a qualitative assessment indicates an impairment exists, the Company estimates the fair value of the investment and recognize in current earnings an impairment loss equal to the difference between the fair value and the carrying amount of the equity investment.

J. Derivatives

The Company applies the provisions of ASC Topic 815, "Derivatives and Hedging". In accordance with ASC Topic 815, all the derivative financial instruments are recognized as either assets or liabilities on the balance sheet at fair value. The accounting for changes in the fair value of a derivative financial instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. For derivative financial instruments that are designated and qualify as hedging instruments for accounting purposes, a company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, cash flow hedge or a hedge of a net investment in a foreign operation.

ITURAN LOCATION AND CONTROL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

J. Derivatives (cont.)

From time to time the Company carries out transactions involving foreign exchange derivative financial instruments mainly (forward exchange contracts) which are mostly designed to hedge the cash flows expected to be paid with respect to forecasted monthly purchases of inventory, denominated in currencies other than the functional currency of the Company. Such transactions were designated as hedging instruments on the date that the Company entered into such derivative contracts and were determined to qualify as cash flow hedges under ASC Topic 815.

The entire changes in fair value of the derivative instruments designated for hedging purposes that were determined as qualifying for hedging purposes (including the ineffective components of the hedging relationship) are reported as other comprehensive income (loss), net of tax under the caption “unrealized gains (losses) in respect of derivative financial instruments designated for cash flow hedge” and are reclassified to the statements of income when the hedged transaction realizes.

For all other derivative financial instruments that are not designated or qualify as hedging instruments for accounting purposes, the changes in fair value are recognized periodically in profit or loss, as incurred.

See also Note 19B for further information regarding the hedging activities of the Company.

K. Property and equipment

1. Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are depreciated on the straight-line method over the shorter of the estimated useful life of the property or the duration of the lease.

2. Rates of depreciation:

	%
Operating equipment (mainly 20%-33%)	6.5-33
Office furniture, equipment and computers	7-33
Buildings	2.5
Vehicles	15
Leasehold improvements	Duration of the lease which is less or equal to useful life.

L. Impairment of long-lived assets

The Company’s long-lived assets (including finite-lived intangible assets) are reviewed for impairment, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair value (see also Note 1N).

M. Income taxes

The Company accounts for income taxes in accordance with ASC Topic 740-10, “Income Taxes”. According to this guidance, deferred income taxes are determined utilizing the asset and liability method based on the estimated future tax effects of differences between the financial accounting and the tax bases of assets and liabilities under the applicable tax law. Deferred tax balances are computed using the tax

rates expected to be in effect at the time when these differences reverse. Valuation allowances in respect of the deferred tax assets are provided for if, based upon the weight of available evidence, it is more likely than not that all or a portion of the deferred income tax assets will not be realized. Deferred tax balances are presented as non-current amounts.

ITURAN LOCATION AND CONTROL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

M. Income taxes (cont.)

US GAAP provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if the position is “more-likely-than-not” to be sustained were to be challenged by a taxing authority. The assessment of a tax position is based solely on the technical merits of the position, without regard the likelihood that the tax position may be challenged. If an uncertain tax position meets the “more-likely-than-not” threshold, the largest amount of tax benefit that is greater than 50% likely to be recognized upon ultimate settlement with the taxing authority is recorded.

The Company recognizes interest as interest expenses (among financing expenses) and penalties, if any, related to unrecognized tax benefits in its provision for income tax.

N. Goodwill and intangible assets

1. Goodwill represents the excess of the purchase price over the fair value of the identifiable net assets acquired in business combinations accounted for in accordance with the “purchase method” and is allocated to reporting units at acquisition. Goodwill is not amortized but rather tested for impairment at least annually in accordance with the provisions of ASC Topic 350, “Intangibles - Goodwill and Other”. Commencing fiscal 2021, the annual goodwill assessment is performed as of December 31, each year.

As required by ASC Topic 350, the Company chooses either to perform a qualitative assessment whether the quantitative goodwill impairment test is necessary or proceeds directly to the quantitative goodwill impairment test. Such determination is made for each reporting unit on a stand-alone basis. The qualitative assessment includes various factors such as macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, earnings multiples, gross margin and cash flows from operating activities and other relevant factors. When the Company chooses to perform a qualitative assessment and determines that it is more likely than not (more than 50 percent likelihood) that the fair value of the reporting unit is less than its carrying value, then the Company proceeds to the quantitative goodwill impairment test. If the Company determines otherwise, no further evaluation is necessary.

When the Company decides or is required to perform the quantitative goodwill impairment test, the Company compares the fair value of the reporting unit to its carrying value and an impairment charge is recognized for the amount by which the carrying amount exceeds the reporting unit’s fair value, if any. In the performance of the quantitative analysis the Company applies assumptions that market participants would consider in determining the fair value of each reporting unit.

As of December 31, 2024, 2023 and 2022, the Company had four reporting units which include goodwill.

Telematics services:

Under the telematics services segment there are two reporting units with goodwill. For one of which with an allocated amount of approximately US\$ 1.6 million of goodwill, the Company performed a qualitative assessment as of December 31, 2024 and 2023, and concluded that the qualitative assessment did not result in a more likely than not indication of impairment, and therefore no further impairment testing was required, with respect to such unit.

For the second reporting unit (resulted from RT acquisition) with an allocated amount of approximately US\$ 32.3 million of goodwill (as of December 31, 2024), the Company performed the annual impairment test, as of December 31, 2024 using a quantitative assessment and reached to a conclusion that no impairment should be recorded at that point. The impairment test was performed using the income approach. The measurement of fair value of reporting units as part of goodwill impairment analysis is classified within Level 3 within the fair value hierarchy.

ITURAN LOCATION AND CONTROL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

N. Goodwill and intangible assets (cont.)

1. (cont.)

Telematics products:

Under the telematics products segment there are two reporting units with goodwill, for one of which with an allocated amount of approximately US\$ 1.9 million of goodwill, the Company performed a qualitative assessment as of December 31, 2024 and 2023, and concluded that the qualitative assessment did not result in a more likely than not indication of impairment, and therefore no further impairment testing was required, with respect to such unit.

For the second reporting unit (resulted from RT acquisition) with an allocated amount of approximately US\$ 3.5 million of goodwill (as of December 31, 2024), the Company performed the annual impairment test, as of December 31, 2024, using a quantitative assessment and reached to a conclusion that no impairment should be recorded at that point. The impairment test was performed using the income approach. The measurement of fair value of reporting units as part of goodwill impairment analysis is classified within Level 3 within the fair value hierarchy.

2. Intangible assets with finite lives are amortized using the straight-line basis over their useful lives, to reflect the pattern in which the economic benefits of the intangible assets are consumed or otherwise used up.

As of December 31, 2024, the intangible assets are amortized as follows:

	<u>Years</u>
Technology services	
.....	5
Other	
.....	5

During 2024 and 2023, the Company did not record any impairment.

Recoverability of intangible assets is measured as described in Note 1L above.

O. Contingencies

The Company and its subsidiaries are involved in certain legal proceedings that arise from time to time in the ordinary course of their business and in connection with certain agreements with third parties. Except for income tax contingencies, the Company records accruals for contingencies to the extent that the management concludes that the occurrence is probable and that the related liabilities are estimable. Legal expenses associated with contingencies are expensed as incurred.

P. Funds in respect of, and liability for employee rights upon retirement

The Company's liability for employee rights upon retirement with respect to its Israeli employees is calculated, pursuant to Israeli severance pay law, based on the most recent salary of each employee multiplied by the number of years of employment, as of the balance sheet date. Employees are entitled to one month's salary for each year of employment, or a portion thereof. The Company makes monthly deposits to insurance policies and severance pay funds. The liability of the Company is fully provided for. The Company also has defined contribution plans for which it makes contributions to severance pay funds and appropriate insurance policies.

The deposited funds include profits or losses accumulated up to the balance sheet date. The deposited funds may be withdrawn upon the fulfillment of the obligation pursuant to Israeli severance pay laws or labor agreements. The value of the deposited funds is based on the cash surrender value of these policies, and includes profits or losses. Withdrawal of the reserve monies is contingent upon the fulfillment of detailed provision in the Law.

The liability for employee rights upon retirement in respect of the employees of the non-Israeli subsidiaries of the Company, is calculated on the basis of the labor laws of the country in which the subsidiary is located and is covered by an appropriate accrual.

ITURAN LOCATION AND CONTROL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

P. Funds in respect of, and liability for employee rights upon retirement (cont.)

Severance payments for the abovementioned policies for the years ended December 31, 2024, 2023 and 2022, amounted to US\$ 2,430, US\$ 2,218 and US\$ 2,115 thousand, respectively.

Q. Revenue recognition

The Company and its subsidiaries generate revenue from subscriber fees for the provision of services and sales of systems and products, mainly in respect of fleet management services, stolen vehicle recovery services and other value-added services. To a lesser extent, revenues are also derived from technical support services. The Company and its subsidiaries sell the systems primarily through their direct sales force and indirectly through resellers.

The Company applies ASC Topic 606, Revenue from Contracts with Customers (“ASC 606”).

In accordance with ASC 606, the Company determines revenue recognition through the following five steps:

1. Identification of the contract, or contracts, with a customer;
2. Identification of the performance obligations in the contract;
3. Determination of the transaction price;
4. Allocation of the transaction price to the performance obligations in the contract; and
5. Recognition of revenue when, or as, the Company satisfies a performance obligation.

A contract with a customer exists when all of the following criteria are met: the parties to the contract have approved it (in writing, orally, or in accordance with other customary business practices) and are committed to perform their respective obligations, the Company can identify each party’s rights regarding the distinct goods or services to be transferred (“performance obligations”), the Company can determine the transaction price for the goods or services to be transferred, the contract has commercial substance and it is probable that the Company will collect substantially all of the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

For each type of contract, at inception, the Company assesses the goods or service promised in a contract with a customer and identifies the performance obligations. With respect to contracts that are determined to have multiple performance obligations, such as contracts that combine product with services (mostly SVR services) and/or rights to use assets, the Company allocates the contract’s transaction price to each performance obligation using its best estimate of the relative standalone selling price of each distinct good or service in the contract. However, when applicable (see below), the company estimates the selling prices of certain services using the residual approach.

Revenues are recognized when, or as, control of services or products is transferred to the customers at a point in time or over time, as applicable to each performance obligation.

Revenues are recorded in the amount of consideration to which the Company expects to be entitled in exchange for performance obligations upon transfer of control to the customer, excluding amounts collected on behalf of other third parties and sales taxes.

The Company does not adjust the amount of consideration for the effects of a significant financing component since the Company expects, at most contracts’ inception, that the period between the time of transfer of the promised goods or services to the customer and the time the customer pays for these goods or services to be generally one year or less, based on the practical expedient. The Company’s credit terms to customers are, on average, between thirty and ninety days.

ITURAN LOCATION AND CONTROL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Q. Revenue recognition (cont.)

In accordance with ASC 606, the Company's revenues are recognized as follows:

1. Revenues from sales of Automatic Vehicle Location ("AVL") products are recognized when the control of the product passed to the customer (usually upon delivery).
2. Revenues from provision of SVR services are recognized over time, as the customers simultaneously receive and consume the benefits provided by the Company performance as the Company performs.
3. For arrangements that involve the delivery or performance of multiple products (mostly, AVL products), services (such as SVR services) and/or rights to use assets, the Company analyzes whether the goods or services that were promised to the customer are distinct. A good or service promised to a customer is considered 'distinct' if both of the following criteria are met: 1. The customer can benefit from the good or service, either on its own or together with other resources that are readily available to the customer; and, 2. The Company's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract. When the above criteria are met, the revenue recognition for the related products and/or services are recognized as described in 1 and 2 above, as applicable.

With respect to arrangement that are determined to have multiple performance obligations that are distinct, the Company allocates the contract's transaction price to each performance obligation using the relative standalone selling price of each distinct good or service in the contract. However, in limited circumstances, the company estimates the selling prices of the SVR services (which are sold together with AVL products) using the residual approach. Under the residual approach, the standalone selling price of the SVR services was estimated by reference to the total transaction price less the sum of the observable standalone selling prices of all other goods or services promised in the contract. Such approach is used since the Company sold the same type of service in these jurisdictions to different customers (at or near the same time) for a broad range of amounts (thus, the stand-alone selling price was highly variable).

Revenues from SVR services subscription fees and from installation services (related to AVL products that remain as the Company's property), sold to customers within a single contractually binding arrangement were accounted for revenue recognition purposes, as a single performance obligation, since the installation services element was determined not to be 'distinct'. Accordingly, the entire contract fee for the two deliverables was recognized over time, on a straight-line basis over the subscription period.

4. Amounts earned by certain Brazilian subsidiary for arranging a bundle transaction of SVR services subscription together with insurance services to be supplied by a third party insurance company, are recognized ratably on a straight-line basis over the subscription period (see 2 above), since the amount allocated to the Company (for the SVR services subscription, and for arranging the transaction), is contingent upon the delivery of the SVR services. As the insurance company is acting as a principal with respect to the insurance component, the Company recognized only the net amounts as revenues, after deduction of amounts related to the insurance component.
5. Deferred revenues include unearned amounts received from customers (mostly for future subscription services and extended warranty) but not yet recognized as revenues. Such deferred revenues are recognized as described in paragraph 2 above or paragraph 6 below, as applicable.
6. Extended warranty

In the majority of countries, in which the Company operates, the statutory warranty period is one year, and the extended warranty covers periods beyond year one. Revenues from extended warranty include warranty services which were sold separately for a monthly fee, or warranty services that were determined to represent a separate performance obligation and were sold together with an AVL unit. Such revenues are recognized over the duration of the warranty periods.

ITURAN LOCATION AND CONTROL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

R. Warranty costs

The Company provides a standard warranty for its products to end-users at no extra charge. The Company estimates the costs that may be incurred under its warranty obligation and records a liability at the time the related revenues are recognized.

Among the factors affecting the warranty liability are the number of installed units and historical percentages of warranty claims. The Company periodically assesses the adequacy of the recorded warranty liability and adjusts the amount to the extent necessary. To date, warranty costs and the related liabilities related to the standard warranty period have not been material.

S. Research and development costs

1. Research and development costs (other than computer software related expenses) are expensed as incurred.
2. Software Development Costs

All research and development costs incurred in the process of software development before establishment of technological feasibility are charged to expenses as incurred. Costs incurred subsequent to the establishment of technological feasibility are capitalized according to the principles set forth in ASC Topic 985-20, "Costs of Software to be Sold, Leased or Marketed".

Capitalized software costs are amortized on a product-by-product basis by the straight-line method over the estimated useful life of the software product (3-5 years).

The Company assesses the recoverability of these intangible assets on a regular basis by assessing the net realizable value of such intangible assets based on the estimated future gross revenues from each product net of the estimated future costs of completing and disposing of that product (including the estimated costs of performing maintenance and customer support over the remaining economical useful life), cost of completion of products and cost of delivery to customers over its remaining economical useful life. During each of the years ended December 31, 2024 and 2023, no such unrecoverable amounts were identified.

T. Advertising costs

Advertising costs are expensed as incurred.

Advertising expenses for the years ended December 31, 2024, 2023 and 2022 amounted to US\$ 7.6 million, US\$ 7.3 million and US\$ 7.3 million, respectively. Advertising expenses are presented among "selling and marketing expenses".

U. Earnings per share

Basic earnings per share are computed by dividing net income attributable to the common shares, by the weighted average number of shares outstanding during the year, net of the weighted average number of treasury stock.

In computing diluted earnings per share, basic earnings per share are adjusted to reflect the effect of any potential dilutive ordinary shares. During the reporting periods there were no such potential shares.

V. Fair value measurements

The Company measures fair value and discloses fair value measurements for financial and non-financial assets and liabilities. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

As such, fair value is a market-based measurement that is required to be determined based on the assumptions that market participants would use to determine the price of an asset or a liability.

ITURAN LOCATION AND CONTROL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

V. Fair value measurements (cont.)

As a basis for considering such assumptions, fair value accounting standard establishes the following fair value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 - Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2 - Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.

Level 3 - Unobservable inputs are used when little or no market data is available. Level 3 inputs are considered as the lowest priority under the fair value hierarchy.

In determining fair value, companies are required to utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as to consider counterparty credit risk in the assessment of fair value.

Regarding the fair value measurements of financial assets and liabilities and the fair value hierarchy of such measurements, see also Note 19C.

The Company also measures certain non-financial assets, consisting mainly of certain reporting units (as part of goodwill impairment test) and intangible assets at fair value on a nonrecurring basis. These assets are adjusted to fair value when they are considered to be impaired (see 1N and 1L above).

W. Contract costs and prepaid expenses

Direct installation expenses by certain Brazilian subsidiary were determined not to represent a separate performance obligation for revenue recognition purposes in accordance with the principles of ASC 606, as they were determined not to be considered 'distinct' (see Note 1Q above). The Company has determined that such installation expenses, and certain other commission and other direct expenses incurred by the company's subsidiaries, relate directly to obtaining or fulfilling contract with a specific subscriber, they generate or enhance the Company resources and are expected to be recovered.

In accordance with ASC 340-40, Other Assets and Deferred Costs: Contracts with Customers, such costs are capitalized and presented as "contract costs" within the balances "Other current assets" and "Other non-current assets", as applicable.

The contract costs are amortized over the estimated life of the related subscription arrangements by the straight-line method. Costs that do not meet the aforementioned criteria, are recognized immediately as expenses.

Prepaid expenses, consist mainly of amounts paid by certain Brazilian subsidiary to insurance companies as a prepaid insurance on behalf of its customers as part of bundle transactions of SVR services together with insurance services to be supplied by a third-party insurance company. Under such transactions, the customers are required accordingly to pay to the Brazilian subsidiary a monthly fee for all the bundled services (see Note 1Q regarding the revenue recognition of such bundle transactions). The insurance companies are obligated to refund any unearned insurance amounts to the Brazilian subsidiary in the event of termination of the transaction by the customers. The prepaid expenses are amortized over the contractual life of the insurance service with the insurance company (usually 12 months) by the straight-line method. The amortization is netted against the monthly receipts from customers for the bundled services.

ITURAN LOCATION AND CONTROL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

X. Stock-based compensation

The Company accounts for stock-based compensation to employees and non-employees in accordance with ASC 718, “*Compensation - Stock Compensation*”, (“ASC 718”). The fair value of the award, is recognized in the Company's consolidated statement of income as an expense over the requisite service periods. However, when a grant includes a performance condition (that is not considered as 'market condition'), the compensation cost is recognized if and when it is probable that the condition will be achieved. During the reported periods there were no significant grants of equity-based payment awards.

The Company measures and recognizes compensation expense for cash bonuses to senior employees, which are based, or partly based, on the price of the Company's shares in accordance with ASC 718 -30, “*Compensation-Stock Compensation - Awards Classified as Liabilities*” (See Note 17C regarding “*Excess Return Cash Incentives*”).

The awards are measured at the grant date at their fair value and remeasured at the end of each reporting period through settlement, with changes in the fair value recognized as compensation cost over the requisite service period. Compensation cost for awards that are subject to market conditions are attributed separately for each vesting tranche of the award (generally calendar year).

Y. Leases

The Company entered into several non-cancelable lease agreements for real estate (mainly offices, warehouses and base sites), network equipment and vehicles for use in its operations, which are classified as operating leases.

The Company determines if an arrangement is a lease at inception.

A classification of a lease is determined based on the following criteria:

1. The lease transfers ownership of the underlying asset to the lessee by the end of the lease term.
2. The lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise.
3. The lease term is for the major part of the remaining economic life of the underlying asset (Generally, 75% or more of the remaining economic life of the underlying assets).
4. The present value of the sum of the lease payments and any residual value guaranteed by the lessee equals or exceeds substantially all of the fair value of the underlying asset (Generally, 90% or more of the fair value of the underlying asset).
5. The underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term.

ITURAN LOCATION AND CONTROL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Y. Leases (cont.)

If any of these five criteria is met, the lease is classified as a finance lease. Otherwise, the lease is classified as an operating lease.

With the exception of short-term leases, Operating leases are included at the commencement date as a lease liability, which represent the Company 's obligation to make lease payments arising from a lease, measured on a discounted basis. As the leases do not provide an implicit interest rate, the Company uses its incremental borrowing rate based on information available on the commencement date in determining the present value of lease payments. Concurrently, the Company recognizes a right-of-use asset ("ROU") at the same amount of the liability, adjusted for any prepaid or accrued lease payments, plus initial direct costs incurred in respect of the lease which represents the Company's right to use, or control the use of, a specified asset for the lease term. In subsequent periods the ROU asset is measured at the present value of the remaining lease payments, adjusted for the remaining balance of any lease incentives received, any cumulative prepaid or accrued rent if the lease payments are uneven throughout the lease term and any unamortized initial direct costs. Further, the Company recognizes lease expenses on a straight-line basis over the lease term.

Lease liabilities are classified as current and non-current liabilities in the consolidated balance sheets. ROU assets are presented as non-current assets.

See also Note 7.

Z. Recently adopted accounting pronouncements

On November 27, 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosure" ("ASU 2023-07").

ASU 2023-07 is aimed to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. In accordance with ASU 2023-07, public entities are required to disclose significant segment expenses by reportable segment if they are regularly provided to the CODM and included in each reported measure of segment profit or loss. Such disclosures are required on both an annual and an interim basis. In addition, the amendments in ASU 2023-07 enhance interim disclosure by requiring that all existing annual disclosures about segment profit or loss must be provided on an interim basis in addition to disclosure of significant segment expenses and other segment items. ASU 2023-07 also clarifies circumstances in which an entity can disclose multiple segment measures of profit or loss, ASU 2023-07 provides new segment disclosure requirements for entities with a single reportable segment and contain other disclosure requirements such as the CODM's title and position is required on an annual basis, as well as an explanation of how the CODM uses the reported measure(s) and other disclosures. ASU 2023-07 applies to all public entities that are required to report segment information in accordance with ASC 280.

ASU 2023-07 became effective for the Company for the fiscal year beginning after Dec. 15, 2023 (fiscal 2024) and the Company applied the amendments retrospectively to all prior periods presented in the consolidated financial statements. See Note 18 below.

ITURAN LOCATION AND CONTROL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

AA. Recently issued accounting pronouncements, not yet adopted

Income Taxes (Topic 740): Improvements to Income Tax Disclosures

On December 14, 2023, the FASB issued ASU 2023-09— Income Taxes (Topic 740): Improvements to Income Tax Disclosures (“ASU 2023-09”).

ASC 2023-09 requires disaggregated information about a reporting entity’s effective tax rate reconciliation as well as information on income taxes paid. ASU 2023-09, Improvements to Income Tax Disclosures, applies to all entities subject to income taxes.

The amendments in ASU 2023-09 require that public business entities (PBE’s) on an annual basis (1) disclose specific categories in the rate reconciliation and (2) provide additional information for reconciling items that meet a quantitative threshold. Specifically, PBE’s are required to disclose a tabular reconciliation, using both percentages and reporting currency amounts, according to specific categories. Separate disclosure is required for any reconciling item in which the effect of the item is equal to or greater than 5 percent of the amount computed by multiplying the income (or loss) from continuing operations before income taxes by the applicable statutory income tax rate.

Also, ASC 2023-09 require that all entities disclose on an annual basis, information about income taxes paid, including the amount of income taxes paid (net of refunds received) disaggregated by federal (national), state, and foreign taxes and the amount of income taxes paid (net of refunds received) disaggregated by individual jurisdictions. In addition, ASC 2023-09 require that all entities disclose information about income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign and Income tax expense (or benefit) from continuing operations disaggregated by federal (national), state, and foreign.

The amendments in ASC 2023-09 also eliminate certain current disclosure requirements.

For public business entities (PBEs), the new requirements will be effective for annual periods beginning after December 15, 2024. The guidance will be applied on a prospective basis with the option to apply the standard retrospectively. Early adoption is permitted.

The Company is still in the process of evaluating the impact of adoption of ASU 2023-09.

ASU 2024-03, “Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures”

On November 2024, the FASB issued ASU 2024-03, “Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures” (“ASU 2024-03”).

ASU 2024-03 enhances disclosure of certain costs and expenses to provide enhanced transparency into the expenses presented in the income statement.

ASU 2024-03 is effective for annual periods beginning after December 15, 2026. The Company intends to adopt and apply the guidance in fiscal year 2027. ASU 2024-03 should be adopted retrospectively to all periods presented in the financial statements and early adoption is permitted. The Company is still in the process of evaluating the impact of adoption of ASU 2024-03.

ITURAN LOCATION AND CONTROL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

NOTE 2 - OTHER CURRENT ASSETS

(in thousands)	US dollars	
	December 31,	
	2024	2023
Prepaid expenses (*)	27,787	35,869
Government institutions	6,763	3,206
Deferred contract costs (*)	8,557	10,751
Advances to suppliers	1,639	1,962
Employees	227	272
Others	1,094	664
	<u>46,067</u>	<u>52,724</u>

(*) See Note 1W

NOTE 3 - INVENTORIES

(in thousands)	US dollars	
	December 31,	
	2024	2023
Finished products	16,656	19,506
Raw materials	6,778	7,366
	<u>23,434</u>	<u>26,872</u>

NOTE 4 - INVESTMENTS IN AFFILIATED AND OTHER COMPANIES

A. Investment in affiliated companies

(in thousands)	US dollars	
	December 31,	
	2024	2023
Lumax	519	563
Ituran MOB	-	151
	<u>519</u>	<u>714</u>

B. Investment in other companies

During 2023, the Company made additional investments in two Israeli startups, In an amount of US\$ 0.48 million.

ITURAN LOCATION AND CONTROL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

NOTE 5 - OTHER NON-CURRENT ASSETS

<u>(in thousands)</u>	<u>US dollars</u>	
	<u>December 31,</u>	
	<u>2024</u>	<u>2023</u>
Deferred contract costs and prepaid expenses (*)	5,503	3,689
Deposits	350	300
	<u>5,853</u>	<u>3,989</u>

(*) See Note 1W.

NOTE 6 - PROPERTY AND EQUIPMENT, NET

A. Property and equipment, net consists of the following:

<u>(in thousands)</u>	<u>US dollars</u>	
	<u>December 31,</u>	
	<u>2024</u>	<u>2023</u>
Cost:		
Operating equipment (*)	50,748	59,263
Office furniture, equipment and computers	53,015	53,490
Land	1,546	1,684
Buildings	5,019	5,429
Vehicles	10,865	11,023
Leasehold improvements	9,821	9,776
	<u>131,014</u>	<u>140,665</u>
Less – accumulated depreciation (**)	(97,934)	(98,710)
Total property and equipment, net	<u>33,080</u>	<u>41,955</u>

(*) As of December 31, 2024 and 2023, an amount of US\$ 34.0 million and US\$ 40.9 million is subject to operating lease transactions, respectively.

(**) As of December 31, 2024 and 2023, an amount of US\$ 23.1 million and US\$ 21.9 million is subject to operating lease transactions, respectively.

B. During the years ended December 31, 2024, 2023 and 2022, depreciation expenses were US\$ 14.9 million, US\$ 15.8 million and US\$ 13.9 million, respectively and additional property and equipment was purchased in an amount of US\$ 10.5 million, US\$ 10.7 million and US\$ 23.9 million, respectively.

NOTE 7 - LEASES

The Company have entered into several non-cancelable operating lease agreements for real estate (mainly offices, warehouse and base stations), vehicles and certain network equipment. In addition to rent, the leases may require payment of maintenance, insurance and other operating expenses. The Company's leases have

original lease periods expiring between 2025 and 2029. Payments due under such lease contracts include primarily fixed payments. The Company does not assume renewals in the determination of the lease term unless the renewals are deemed to be reasonably assured at lease commencement (or become as such in future date). The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

ITURAN LOCATION AND CONTROL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

NOTE 7 - LEASES (cont.)

The components of annual lease costs, lease term and discount rate are as follows:

(in thousands)	US dollars	
	December 31,	
	2024	2023
Operating annual lease cost Cost:		
Office and warehouse space	2,178	2,129
Base stations	1,187	1,206
Vehicle	112	51
Others	107	16
	3,584	3,402

Weighted Average Remaining Lease Term (years):

Office space	4.1	5.1
Base stations	2.1	2.9
Vehicle	1.3	1.9
Others	4.4	2.0

Weighted Average Discount Rate (%):

Office space	6.13	6.35
Base stations	7.95	8.38
Vehicle	10.30	10.49
Others	6.50	7.33

The leasing fees expense in each of the years ended December 31, 2024, 2023 and 2022, were US\$ 3.6 million, US\$ 3.4 million and US\$ 3.3 million, respectively.

Supplemental cash flow information related to operating leases was as follows:

(in thousand)	US dollars
	Year Ended December 31, 2024
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	3,584

The following is a schedule, by years, of maturities of operating lease liabilities as of December 31, 2024:

(in thousands)	US dollars
	December 31, 2024

Period:	
2025	3,481
.....	
2026	2,352
.....	
2027	1,731
.....	
2028	1,714
.....	
2029	1,100
.....	
Thereafter	128
.....	
Total operating lease payments	<u>10,506</u>
.....	
Less: imputed interest	<u>(1,559)</u>
.....	
Present value of lease liabilities (*)	<u><u>8,947</u></u>
.....	

(*) An amount of US\$ 3,385 thousands presented in short-term liabilities and US\$ 5,562 presented in long-term liabilities.

ITURAN LOCATION AND CONTROL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

NOTE 8 - INTANGIBLE ASSETS, NET

US dollars						
(in thousands)	December 31, 2022	Year ended December 31, 2023				December 31, 2023
	Opening balance	Impairment	Amortization (*)	Additions	Translation differences	Closing balance
Customer relationship	358	-	(358)	-	-	-
Technology	11,293	-	(4,497)	3,477	(97)	10,176
Others	969	-	(419)	41	63	654
	<u>12,620</u>	<u>-</u>	<u>(5,274)</u>	<u>3,518</u>	<u>(34)</u>	<u>10,830</u>

US dollars						
(in thousands)	December 31, 2023	Year ended December 31, 2024				December 31, 2024
	Opening balance	Impairment	Amortization (*)	Additions	Translation differences	Closing balance
Technology	10,176	-	(4,929)	3,351	(18)	8,580
Others	654	-	(279)	113	(57)	431
	<u>10,830</u>	<u>-</u>	<u>(5,208)</u>	<u>3,464</u>	<u>(75)</u>	<u>9,011</u>

During the years 2022-2024, the impairment analysis of intangible assets did not result in any impairment charge.

(*) As of December 31, 2024, the estimated aggregate amortization of intangible assets for the next five years is as follows: 2025 – US\$ 4,007 thousand, 2026 – US\$ 1,890 thousand, 2027 – US\$ 1,300 thousand, 2028 – US\$ 862 thousand and 2029 and after – US\$ 952 thousand.

NOTE 9 - GOODWILL

The changes in the carrying amount of goodwill for the years ended December 31, 2024 and 2023 are as follows:

(in thousands)	US dollars		
	Telematics services	Telematics products	Total
Balance as of January 1, 2023	33,990	5,520	39,510
Changes during 2023:			
Translation differences	(50)	(60)	(110)
Balance as of December 31, 2023 (*)	<u>33,940</u>	<u>5,460</u>	<u>39,400</u>
Changes during 2024:			
Translation differences	(9)	(66)	(75)

Balance as of December 31, 2024 (*)	<u>33,931</u>	<u>5,394</u>	<u>39,325</u>
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ITURAN LOCATION AND CONTROL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

NOTE 9 - GOODWILL (cont.)

(*) The accumulated amount of goodwill impairment loss as of December 31, 2024, and 2023 was US\$ 29.89 million.

The Company performed annual assessments as of December 31, 2024, 2023 and 2022, and reached a conclusion that no impairment should be recorded at such dates.

For additional information regarding the impairment analysis, see Note 1N.

NOTE 10 - CREDIT FROM BANKING INSTITUTIONS

A. Short term loans:

(in thousands)	US dollars	
	2024	December 31, 2023
Short-term loans - linked to the Mexican Pezo	114	138
Credit line utilized	-	217
	114	355

B. Long term loan:

In August 2018, the Company signed on Loan Agreement (the “Loan agreement”) with commercial Israeli bank (the “Bank”) under which the Company has received an amount of approximately 296 million NIS (US\$ 81.7 million) (the “Loan”) from the bank for a period of 5-years that bears an annual interest rate of prime rate (as of December 31, 2023, the prime rate was 6.25%) + 0.53%.

The company was required to maintain such covenants on a quarterly basis

During 2022 and 2023 and as of December 31, 2022, the Company was in compliance with the Loan Covenants.

During 2023, the Company repaid an amount of approximately US\$ 11.7 million, representing the remaining balance of the loan.

C. Lines of credit:

Unutilized short-term lines of credit of the Company as of December 31, 2024, aggregated to US\$ 1.0 million.

ITURAN LOCATION AND CONTROL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

NOTE 11 - OTHER CURRENT LIABILITIES

Composition:

<u>(in thousands)</u>	<u>US dollars</u>	
	<u>December 31,</u>	<u>2023</u>
	<u>2024</u>	<u>2023</u>
Accrued expenses	14,839	15,746
.....		
Accrued payroll and related taxes	10,527	9,591
.....		
Government institutions	6,287	6,593
.....		
Accrued dividend	8,277	6,087
.....		
Operating lease liabilities, current	3,385	3,298
.....		
Others	2,589	2,835
.....		
	<u>45,904</u>	<u>44,150</u>

NOTE 12 - CONTINGENT LIABILITIES

A. Claims

1. During year 2016 Brazilian Federal Communication Agency – Anatel issued a tax assessment for FUST contribution (contribution on telecommunication services) levied on the monitoring services rendered by the company and additional tax assessment for FUNTELL contribution (contribution to Fund for the Technological Development of Telecommunication) levied on the monitoring services rendered by the company regarding all for the period 2007-2012. Total amounts of approximately R\$25.2 million (US \$4.1 million) as of December 2024, including interest and penalties. The reason Anatel demands the payment of FUST and FUNTELL from the company is the fact that in order to provide monitoring services the company needs to operate telecommunication equipment in a given radio frequency. The authorities have construed that the company render telecommunication services and taxes should be levied in relation to Net Revenues. Based on the legal opinion of the subsidiary's Brazilian legal counsel the company believe that such claim is without merit, the interpretation of the legislation is mistaken, given that the company don't render telecommunication services, but rather services of monitoring goods and persons for security purposes and therefore the chances of the company success are more likely than not. The company have filed a defense against such claims. The company are currently awaiting the Lower Court or Administrative decisions on all the aforementioned FUST and FUNTELL claims.

2. Claims are filed against the Company and its subsidiaries from time to time during the ordinary course of business, usually with respect to civil, labor and commercial matters. The Company's management believes, based on its legal counsels' assessment, that the provision for contingencies recognized in the balance sheet is sufficient and that currently there are no claims (other than those described in this Note above) that are material, to the consolidated financial statements as a whole.

- B.** The Company was declared a monopoly under the Israeli Antitrust Law, 1988, in the market for the provision of systems for the location of vehicles in Israel. Under Israeli law, a monopoly is prohibited from taking certain actions, such as predatory pricing and the provision of loyalty discounts, which prohibitions do not apply to other companies. The Israeli Competition Authority may further declare that the Company has abused its position in the market. Any such declaration in any suit in which it is claimed that the Company engages in anticompetitive conduct may serve as *prima facie* evidence that the Company is either a monopoly or that it has engaged in anticompetitive behavior. Furthermore, it

may be ordered to take or refrain from taking certain actions, such as setting maximum prices, in order to protect against unfair competition.

ITURAN LOCATION AND CONTROL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

NOTE 13 - STOCKHOLDERS' EQUITY

A. Share capital:

1. Composition:

December 31, 2024 and 2023	Registered	Issued and outstanding
Ordinary shares of NIS 0.33½ each	60,000,000	23,475,431

2. In September 2005, the Company registered its ordinary shares for trade in the United States.
3. The Ordinary shares of the Company confer upon their holders the right to receive notice to participate and vote in general meetings of the Company and the right to receive dividends, if and when, declared.

During 2022, a Company's fully owned subsidiary had repurchased a total of 146,589 shares amounting to approximately \$3.4 million.

During 2022, the Company repurchased a total of 210,773 shares amounting to approximately \$5.0 million.

During 2023, the Company repurchased a total of 282,644 shares amounting to approximately \$6.6 million.

As of December 31, 2024, an amount of 3,581,851 ordinary shares representing 15.26% of the share capital of the Company is held by the Company and its' fully owned subsidiary as treasury shares. (3,581,851 shares as of December 31, 2023).

4. Treasury stock have no voting rights.

B. Retained earnings

1. In determining the amount of retained earnings available for distribution as a dividend, the Israeli Companies Law stipulates that the cost of the Company's shares acquired either by the Company or its subsidiary (presented as a separate item in the consolidated balance sheet and the statement of changes in equity) must be deducted from the amount of retained earnings.
2. Dividends are declared and paid in NIS. Dividends paid to stockholders outside Israel are converted into dollars on the basis of the exchange rate prevailing at the date of declaration.
3. On March 3, 2021, the board of directors also approved a dividend policy of US\$ 3 million per quarter.
4. In November 2023 the Board of directors decided to resume to a US\$ 5 million as dividend distributed quarterly
5. In February 2024 the board of directors approved the increase of quarterly dividend to US\$ 8 million.
6. In February 2025 the board of directors approved the increase of quarterly dividend to US\$ 10 million.
7. During the years ended December 31, 2024, 2023 and 2022, the Company declared dividends in the amount of US\$ 1.56, US\$ 0.68 and US\$ 0.56, per share, totaling approximately US\$ 32.0, 14.0 and 12.0 million, respectively (including fourth quarter dividend declared and paid on the following month of January).

ITURAN LOCATION AND CONTROL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

NOTE 14 - FINANCING INCOME (EXPENSES), NET

(in thousands)	US dollars		
	Year ended December 31,		
	2024	2023	2022
Short-term interest expenses commissions and other	(1,994)	(1,585)	(1,923)
Loss in respect of marketable securities and other investments	(107)	(89)	(3,860)
Interest expenses in respect of long-term loans	(24)	(311)	(654)
Interest income in respect of deposits	2,010	1,649	995
Income related to taxes positions	75	425	35
Exchange rate differences and others, net	120	(1,641)	(537)
	<u>80</u>	<u>(1,552)</u>	<u>(5,944)</u>

NOTE 15 - INCOME TAX

A. Taxes on income included in the statements of income:

(in thousands)	US dollars		
	Year ended December 31,		
	2024	2023	2022
Income taxes (tax benefit):			
Current taxes:			
In Israel	10,114	10,202	9,110
Outside Israel	5,959	5,997	4,711
	<u>16,073</u>	<u>16,199</u>	<u>13,821</u>
Deferred taxes:			
In Israel	867	(995)	(102)
Outside Israel	(1,250)	(2,130)	(634)
	<u>(383)</u>	<u>(3,125)</u>	<u>(736)</u>
Taxes in respect of prior years:			
In Israel	(792)	10	(457)
Outside Israel	(319)	271	117
	<u>(1,111)</u>	<u>281</u>	<u>(340)</u>
	<u>14,579</u>	<u>13,355</u>	<u>12,745</u>

B. Measurement of results for tax purposes

Commencing January 1, 2008, and thereafter, the results of operations for tax purposes are measured on a nominal basis.

C. The Law for the Encouragement of Capital Investments, 1959 (the "Investment Law")

1. On December 22, 2016, the Israeli parliament passed the Law for Economic Efficiency (Legislative Amendments for Achieving Budget Objectives in the Budget Years 2017 and 2018) – 2016 (hereinafter – the “Economic Efficiency Law”) and on December 29, 2016, the Law was publicized in the Official Gazette. The Economic Efficiency Law, among other things, reduced the tax rate applicable to a preferred enterprise located in Development Zone A from 9% to 7.5% (the tax rate applicable to a preferred enterprise located in areas other than Development Zone A. remained unchanged at 16%). The Economic Efficiency Law also outlined new benefit tracks for preferred technology enterprises.
2. As of December 31, 2024, one Israeli subsidiary (located in areas other than Development Zone A) is entitled to a “Preferred Company “ status pursuant to the investment law and subject to 16% corporate tax rate.

ITURAN LOCATION AND CONTROL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

NOTE 15 - INCOME TAX (cont.)

D. The Law for the Encouragement of Capital Investments, 1959, under the 2016 amendment (the “Investment Law”)

1. In December 2016 new legislation amended the Investments Law (the “2016 amendment”). Under the 2016 amendment a new status of “Technological Preferred Enterprise” was introduced to the Investment Law.

Technological Preferred Enterprise – an enterprise which, amongst other condition, is part of a consolidated Company with consolidated revenues of less than NIS 10 billion. A Technological Preferred Enterprise which is located in areas other than Development Zone A will be subject to a tax rate of 12% on profits derived from intellectual property, and a Technological Preferred Enterprise in Development Zone A will be subject to tax rate at a 7.5%.

2. As of December 31, 2024, two Israeli subsidiaries (located in areas other than Development Zone A) are entitled to a “Technological Preferred Enterprise” status pursuant to the investment (under the 2016 amendment) law and subject to 12% corporate tax rate. Income not eligible for Technological Preferred Enterprise is taxed at the regular corporate tax rate or at the preferred tax rate as mentioned in Note C1 above, as the case may be.

E. Israeli corporate tax rates

For the years 2022, 2023 and 2024, taxable income of the Company and its Israeli subsidiaries (that are not entitled to special tax rates as described above) is subject to a corporate tax rate of 23%.

F. Non-Israeli subsidiaries

Non-Israeli subsidiaries are taxed according to the tax laws and rates in their country of residence.

G. Use of assumptions and judgments

The application of income tax law is inherently complex. Laws and regulations in this area are voluminous and can be ambiguous; the Company is, therefore, obliged to make many subjective assumptions and judgments regarding the application of such laws and regulations to its facts and circumstances. In addition, interpretations of and guidance surrounding income tax laws and regulations are subject to changes over time. Any changes in the Company’s subjective assumptions and judgments could materially affect amounts recognized in its consolidated balance sheets and statements of income.

H. Tax assessments

The Company and certain Israeli subsidiaries have received final tax assessments through the year of 2018, One of the subsidiaries in Brazil has received final tax assessments through the 2015 tax year. Some subsidiaries have not yet been assessed since incorporation.

I. Carry forward foreign tax credits and tax losses

As of December 31, 2024, there are no material losses carried forward that are likely to be used in the near future.

ITURAN LOCATION AND CONTROL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

NOTE 15 - INCOME TAX (cont.)

J. The following is reconciliation between the theoretical tax on pretax income, at the applicable Israeli tax rate, and the tax expense reported in the financial statements:

(in thousands)	US dollars		
	Year ended December 31,		
	2024	2023	2022
Pretax income	71,249	64,405	52,830
Statutory tax rate	23%	23%	23%
Tax computed at the ordinary tax rate	16,387	14,813	12,151
Nondeductible expenses (income)	27	(284)	2,123
Losses and timing differences in respect of which no deferred taxes assets were recognized	(124)	(557)	1,742
Tax adjustment in respect of different tax rates	1,981	1,087	499
Adjustment in respect of tax rate deriving from "approved enterprises"	(2,624)	(3,133)	(3,002)
Tax related to previous years	(1,111)	281	(340)
Others	43	1,148	(428)
	<u>14,579</u>	<u>13,355</u>	<u>12,745</u>

K. Summary of deferred taxes

Composition:

(in thousands)	US dollars	
	December 31,	
	2024	2023
Deferred taxes		
Provision for vacation, recreation and bad debt	406	415
Provision for other employee related obligations	1,750	1,990
Provision for deferred revenues/expenses and other obligations	5,741	6,876
Other temporary differences, net	3,958	4,055
	<u>11,855</u>	<u>13,336</u>

(in thousands)	US dollars	
	December 31,	
	2024	2023

Deferred income taxes included in long-term investments and other assets	12,273	14,452
.....		
Deferred income taxes included in long-term liabilities	(418)	(1,116)
.....		
	<u>11,855</u>	<u>13,336</u>

L. Income before income taxes is composed as follows:

<u>(in thousands)</u>	US dollars		
	Year ended December 31,		
	2024	2023	2022
The Company and its Israeli subsidiaries	53,855	55,316	51,562
.....			
Non-Israeli subsidiaries	17,394	9,089	1,268
.....			
	<u>71,249</u>	<u>64,405</u>	<u>52,830</u>

ITURAN LOCATION AND CONTROL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

NOTE 15 - INCOME TAX (cont.)

M. Uncertain tax positions

The Company and its subsidiaries files income tax returns in Israel, US, Argentina and Brazil.

Reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

<u>(in thousands)</u>	<u>US dollars</u>
Balance as of January 1, 2023	—
.....	
Changes during 2023:	
Increase related tax positions of prior years	850
.....	
Translations differences related to the current year	26
.....	
Balance as of January 1, 2024	876
.....	
Changes during 2024:	
Increase related tax positions of prior years	1,128
.....	
Translations differences related to the current year	(2)
.....	
Balance as of December 31, 2024	<u>2,002</u>
.....	

NOTE 16- EARNINGS PER SHARE

During the periods, there were no potential instruments that could be exercised or converted to ordinary shares. The net income and the weighted average number of shares used in computing basic and diluted earnings per share for the years ended December 31, 2024, 2023 and 2022, are as follows:

<u>(in thousands)</u>	<u>US dollars</u>		
	<u>Year ended December 31,</u>		
	<u>2024</u>	<u>2023</u>	<u>2022</u>
Net income attributable to stockholder's used for the computation of basic and diluted earnings per share			
.....	<u>53,654</u>	<u>48,137</u>	<u>37,103</u>
	<u>Number of shares</u>		
	<u>Year ended December 31,</u>		
	<u>2024</u>	<u>2023</u>	<u>2022</u>
Weighted average number of shares used in the computation of basic and diluted earnings per share			
.....	<u>19,894</u>	<u>20,000</u>	<u>20,418</u>

ITURAN LOCATION AND CONTROL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

NOTE 17 - RELATED PARTIES

- A. The Tzivtit Insurance Ltd. (“Tzivtit Insurance”), owned by a director of the Company, served as the Company’s insurance agent and provides the Company with elementary insurance and managers insurance.

In respect of these insurance services, Tzivtit Insurance was entitled to receive commissions at various rates, paid by the insurance company (which is not considered a related party).

With respect to basic insurance policies, and directors and offices insurance policies, the Company paid to the insurance company in 2022, US\$ 502 thousand and US\$ 870 thousand, respectively.)

Tzivtit Insurance was entitled to commissions in an aggregate amount of US 115 thousand. to be paid to Tzivtit Insurance by the insurance company on account of these policies

In January 2023, Tzivtit sold its insurance operation to a third party.

- B. The Company paid monthly consulting fees of NIS 15,000 (US\$ 4,100) a month, linked to the Israeli Consumer Price Index to Professor Kahane. The aggregate amount paid to Professor Kahane in each of the years 2024, 2023 and 2022 was approximately US\$ 68,000, US\$ 66,000 and US\$ 70,000, respectively.

- C. In February 2014, following the approval of the Company’s general meeting of shareholders on January 28, 2014, the Company entered into new service agreements, setting forth the terms of service of its President, Co-Chief Executive Officers and its International Activity and Business Development Officer, in compliance with the Company’s compensation policy for office holders; and the wholly owned subsidiary E-Com entered into a service agreement setting forth the terms of service of its Chief Executive Officer in compliance with the Company’s compensation policy for officer holders. The principal terms of these agreements are as follows:

Messrs. Izzy Sheratzky, Eyal Sheratzky, Nir Sheratzky and Gil Sheratzky (the “Executive Offices Holders” or “the Executives”), shall provide services as independent contractors, which shall be entitled to a monthly payment of NIS 250,000, 194,000, 194,000 and 139,000 respectively plus VAT (US\$68,000, US\$53,000, US\$53,000 and US\$38,000 respectively) linked to the consumer price index for December 2013. At the request of the service providers, part of the fixed monthly pay may be granted through benefits, such as the provision of a company car and the payment of its maintenance costs and the cost of tax resulting therefrom. The fixed monthly pay shall also include 25 days’ vacation and sick days as provided by law. The service providers shall also be entitled to payment or reimbursement of expenses, including hosting expenses, subsistence allowance abroad and participation in work-related home telephone expenses. The service providers shall be entitled to Target-based Cash Incentives and Excess Return Cash Incentives as detailed below. The agreement shall be in force for a period of 3 years (On December 12, 2022 the Company’s general meeting of shareholders has reapproved the compensation policy for additional 3 years) and may be terminated upon 180 days’ advance notice of termination; however, the Company may terminate the agreement without an advance notice and without compensation if the following shall occur: (a) The service provider is convicted of a criminal offense involving moral turpitude; (b) a final court ruling (without the possibility of appeal) determines that The service provider has breached his fiduciary duty towards the Company; (c) a final court ruling (without the possibility of appeal) determines that the service provider has materially breached the agreement through the unauthorized disclosure of Company’s secrets or competition with the Company.

Each of the above agreements also provides that the executives may request to provide their services to the Company as employees, and not through a service provider, and in such event, they shall execute an employment agreement with the Company, in lieu of the above service agreements, which shall also set forth the provisions of social security and other benefits that the Company usually grants its senior executive officers (which may not deviate from the provisions of the Compensation policy in this respect). In any event, it was agreed that the nature of the agreement pursuant to which the services are provided shall not affect the company’s provision of the services as set forth in the service agreements.

ITURAN LOCATION AND CONTROL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

NOTE 17 - RELATED PARTIES (cont.)

C. (cont.)

The terms of the Cash incentives applicable to the “Executive Offices Holders”, as set forth in their agreements referred to above (the “Agreements”), are as follows:

- “Target-based Cash Incentives” means a cash incentive awarded to the Executive Office Holders for the Company’s achievement of the following Profit-Before-Tax targets in each calendar year following the effective date of the above agreements, in which the Minimum Threshold (as defined below) has been achieved:

Company’s Profit-Before-Tax Targets (In US\$ thousands) (*)	Level of Incentive - As a Percentage of the Executive Office Holder’s Annual Cost of Pay
24,001 - 27,500.....	20%
27,501-31,000.....	45%
31,001-35,000.....	75%
35,001-39,000.....	110%
Above 39,001.....	150%

“Minimum Threshold” means, with respect to a particular calendar year, a minimum Company’s Return on Equity of 15%, and a minimum company’s Profit before Tax of USD 24 million.

(*) Profit before tax target will not include adjustment of the value of assets and obligations to their fair value in accordance with accounting standards.

- “Excess Return Cash Incentives” means that at the end of each calendar year, the Company shall examine the Company’s Stock Yield since January 1 of such year or, with respect to the first year of such grant – since the date of its approval (an “Examined Period”), as compared to the benchmark Yield over such Examined Period; and to the extent that the Company’s Stock Yield exceeds the benchmark Yield for such period, each of the Executive Office Holders shall receive an amount equal to 50% of his monthly Cost of Pay for each 1% of excess return (in percentage points’ terms), or a relative amount in the event of a partial excess return. For the avoidance of doubt, in the event that the Company’s Stock Yield during such period is negative, no grant shall be awarded.

The Excess Return Cash Incentive for each year shall not exceed an amount equal to the Executive Officer Holder’s annual Cost of Pay.

In the event that an Agreement is terminated during a calendar year, the Company’s compensation committee and board of directors shall determine the relative amounts out of the Target-based Cash Incentives and/or Excess Return Cash Incentives to which the relevant Executive Office Holder is entitled for the portion of the year during which the Agreement was in force; and these amounts shall be paid within 30 days after the termination of service/employment, as the case may be.

On the date of determination of each Executive Office Holder’s entitlement for a Target-based Cash Incentive for a particular year, the Company’s compensation committee shall examine whether the total amount of grants to which Executive Officers are entitled with respect to such calendar year and which constitute variable components of their terms of services (the “Total Amount of Grants to Executive Officers”), exceed an amount equal to 10% of the Company’s EBITDA for such year (the “EBITDA’s Threshold”), as calculated in accordance with data extracted from the Company’s audited consolidated annual financial statements, after taking into account the Executive Officers’ fixed compensation but excluding their variable compensation. In such event, the amount by which the Total Amount of Grants to Executive Officers exceeds the EBITDA’s Threshold shall be referred to as the “Excess Amount”.

ITURAN LOCATION AND CONTROL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

NOTE 17 - RELATED PARTIES (cont.)

C. (cont.)

In the event that the Total Amount of Grants to Executive Officers exceeds the EBITDA’s Threshold, then the Target-based Cash Incentive and the Excess Return Cash Incentive to which an Executive Office Holder is entitled (together, the “Grants”) shall be reduced by an amount equal to the Executive Office Holder’s Rate of Grants (as defined below) out of the Excess Amount. The term “Executive Office Holder’s Rate of Grants” means, with respect to a particular Executive Office Holder, the percentage which such Executive Office Holder’s Grants constitute out of the Total Amount of Grants to Executive Officers.

The Company’s board of directors shall have the right, under special circumstances at its discretion, to reduce the amount of Grants to which the Executive Office Holders are entitled, upon a 60 days prior notice.

The Executive Office Holder shall be required to return any compensation paid to them on the basis of results included in financial statements that turned out to be erroneous and were subsequently restated in the Company’s financial statements published during the three year period following publication of the erroneous financial statements; to the extent they would not have been entitled to the compensation actually received had it been determined based on the restated financial statements. In such case, compensation amounts will be returned within 60 days from the date of publication of the restated financial statements, net of taxes that were withheld thereon. If the Executive Office Holder has a right to reclaim such tax payments with respect to Grants which were paid in excess, from the relevant tax authorities, then the Executive Office Holder shall reasonably act to reclaim such amounts from the tax authorities and upon their receipt, shall remit them to the Company.

- In 2024, 2023 and 2022 Executive Offices Holders were entitled to Target based cash incentives at the maximum rate of (150%).

The table below summarizes the aggregate amounts paid to the company’s Executive Office Holders:

<u>(in thousands)</u>	US dollars		
	Year ended December 31,		
	2024	2023	2022
Izzy Sheratzky	2,734	2,155	3,380
Eyal Sheratzky	2,188	1,727	2,679
Nir Sheratzky	2,137	1,727	2,679
Gil Sheratzky	1,238	1,227	1,841

ITURAN LOCATION AND CONTROL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

NOTE 18 - SEGMENT REPORTING

A. General information:

The operations of the Company are conducted through two different core activities: Location based services (“Telematics services”) and Wireless communications products (“Telematics products”). These activities also represent the reportable segments of the Company.

The reportable segments are viewed and evaluated separately to determine key operating decisions and to assess their performance by the Company’s Co-Chief Executive Officers which have been determined to be the company’s Chief Operating Decision Maker (the “CODMs”), since the marketing strategies, processes and expected long term financial performances of the segments are different. See also C below.

Telematics services:

The telematics services segment consists predominantly of regionally- based stolen vehicle recovery (SVR) services, fleet management services and value-added services that include among others, connected car, UBI (usage base insurance), personal advanced locater services and concierge services.

The Company provides Location based services in Israel, Brazil, Argentina, Colombia, Mexico, Ecuador and the United States.

Telematics products:

The telematics product segment consists mainly of short and medium range two-way machine-to-machine wireless communications products that are used for various applications, including automatic vehicle location, and automatic vehicle identification.

ITURAN LOCATION AND CONTROL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

NOTE 18 - SEGMENT REPORTING (cont.)

B. Information about reported segment profit or loss and assets:

(in thousands)	US dollars		Total
	Telematics services	Telematics products	
Year ended December 31, 2024			
Revenues			
.....	242,491	93,766	336,257
Cost of product			
.....	-	(67,533)	(67,533)
Salaries			
.....	(48,997)	(4,254)	(53,251)
Other segment items (1)			
.....	(124,328)	(19,976)	(144,304)
Operating income			
.....	69,166	2,003	71,169
Assets			
.....	88,453	26,621	115,074
Goodwill			
.....	33,931	5,394	39,325
Expenditures for assets			
.....	8,242	392	8,634
Depreciation and amortization			
.....	13,471	1,379	14,850
Year ended December 31, 2023			
Revenues			
.....	234,541	85,437	319,978
Cost of product			
.....	-	(57,950)	(57,950)
Salaries			
.....	(47,033)	(5,461)	(52,494)
Other segment items (1)			
.....	(122,469)	(21,110)	(143,579)
Operating income			
.....	65,039	916	65,955
Assets			
.....	106,355	32,141	138,496
Goodwill			
.....	33,940	5,460	39,400
Expenditures for assets			
.....	8,837	488	9,325
Depreciation and amortization			
.....	13,346	1,433	14,779
Year ended December 31, 2022			
Revenues			
.....	209,558	83,514	293,072
Cost of product			
.....	-	(53,488)	(53,488)
Salaries			
.....	(44,989)	(6,815)	(51,804)

Other segment items (1)			
.....	(108,282)	(20,724)	(129,006)
Operating income			
.....	56,287	2,487	58,774
Assets			
.....	99,127	33,553	132,680
Goodwill			
.....	33,990	5,520	39,510
Expenditures for assets			
.....	19,024	1,001	20,025
Depreciation and amortization			
.....	13,030	1,608	14,638

- (1) Other segment items included in Segment operating income primarily includes salaries, telematics services and products costs that cannot be directly allocated, research and development, Selling and marketing expenses and general and administrative expenses, etc.

ITURAN LOCATION AND CONTROL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

NOTE 18 - SEGMENT REPORTING (cont.)

C. Information about reported segment profit or loss and assets:

The company's country managers and Deputy CEO's are reporting to the company's CODMs. The CODMs evaluate the segment's operating performance and allocate resources for each of the two reportable segments based on operating profit. The CODMs use segment operating income in the forecasting process. The CODMs consider forecast to-actual variances for operating income for evaluating the performance of each segment and making decisions about allocating capital and other resources to each segment. The measure of segment assets is reported on the consolidated balance sheets as total assets. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. The evaluation of performance is based on the operating income of each of the two reportable segments.

Accounting policies of the segments are the same as those described in the accounting policies applied in the consolidated financial statements.

Due to the nature of the reportable segments, there have been no inter-segment sales or transfers during the reported periods.

Financing expenses, net, non-operating other expenses, net, taxes on income and the share of the Company in losses of affiliated companies were not allocated to the reportable segments, since these items are carried and evaluated on the enterprise level.

ITURAN LOCATION AND CONTROL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

NOTE 18 - SEGMENT REPORTING (cont.)

D. Reconciliations of reportable segment revenues, profit or loss, and assets, to the enterprise's consolidated totals:

(in thousands)	US dollars		
	Year ended December 31,		
	2024	2023	2022
Total revenues of reportable segment and consolidated revenues			
.....	<u>336,257</u>	<u>319,978</u>	<u>293,072</u>
Operating income			
Total operating income for reportable segments	71,169	65,955	58,774
.....			
Unallocated amounts:			
Financing income, net	80	(1,552)	(5,944)
.....			
Other expense, net	-	2	-
.....			
Consolidated income before taxes on income	<u>71,249</u>	<u>64,405</u>	<u>52,830</u>
.....			
Assets			
Total assets for reportable segments (*)	154,399	177,896	172,190
.....			
Other unallocated amounts:			
Current assets	123,012	91,263	72,190
.....			
Investments in affiliated and other companies	2,010	2,927	2,967
.....			
Property and equipment, net	13,825	14,620	14,795
.....			
Other unallocated amounts	33,632	31,982	28,785
.....			
Consolidated total assets (at year end)	<u>326,878</u>	<u>318,688</u>	<u>290,927</u>
.....			
Other significant items			
Total expenditures for assets of reportable segments	8,634	9,325	20,025
.....			
Unallocated amounts	4,998	4,918	6,480
.....			
Consolidated total expenditures for assets	<u>13,632</u>	<u>14,243</u>	<u>26,505</u>
.....			
Total depreciation, amortization and impairment for reportable segments	14,850	14,779	14,638
.....			
Unallocated amounts	5,233	6,289	5,496
.....			

Consolidated total depreciation, amortization and impairment	<u> </u>	<u> </u>	<u> </u>
.....	<u>20,083</u>	<u>21,068</u>	<u>20,134</u>

(*) Including goodwill.

ITURAN LOCATION AND CONTROL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

NOTE 18 - SEGMENT REPORTING (cont.)

E. Geographic information

(in thousands)	Revenues		
	Year ended December 31,		
	2024	2023	2022
Israel	175,208	154,175	150,423
Brazil	83,452	85,622	69,091
Others	77,597	80,181	73,558
Total	336,257	319,978	293,072

(in thousands)	Property and equipment, net		
	December 31,		
	2024	2023	2022
Israel	12,345	12,687	13,138
Brazil	13,027	20,644	23,488
Others	7,708	8,624	8,972
Total	33,080	41,955	45,598

- Revenues were attributed to countries based on customer location.
- Property and equipment were classified based on major geographic areas in which the Company operates.

F. Major customers

During 2022, 2023 and 2024 there were no sales exceeding 10% of total revenues to none of the Company customers.

G. Major product lines and timing of revenue recognition

In the following table, revenue is disaggregated by primary major product lines, and timing of revenue recognition for the years ended December 31, 2024 and 2023:

(in thousands)	US dollars					
	Reportable segments result of operations					
	Year ended December 31, 2023			Year ended December 31, 2024		
	Telematics services	Telematics products	Total	Telematics services	Telematics products	Total
At a point of time	-	83,626	83,626	-	91,817	91,817
Over a period of time	234,541	1,811	236,352	242,491	1,949	244,440
	<u>234,541</u>	<u>85,437</u>	<u>319,978</u>	<u>242,491</u>	<u>93,766</u>	<u>336,257</u>

In the following table, revenue is disaggregated by primary major product lines, and timing of revenue recognition for the year ended December 31, 2022:

		US dollars		
		Reportable segments result of operations		
(in thousands)		Year ended December 31, 2022		
		Telematics services	Telematics products	Total
At a point of time	-	81,342	81,342
Over a period of time	<u>209,558</u>	<u>2,172</u>	<u>211,730</u>
		<u>209,558</u>	<u>83,514</u>	<u>293,072</u>

ITURAN LOCATION AND CONTROL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

NOTE 19 - FINANCIAL INSTRUMENTS AND RISKS MANAGEMENT

A. Concentrations of credit risks

Financial instruments that potentially subject the Company and its subsidiaries to concentrations of credit risk consist principally of cash and cash equivalents, accounts receivables and marketable securities.

Most of the Company’s cash and cash equivalents, deposits in short-term investments (and investments in trading marketable securities), as of December 31, 2024 and 2023, were deposited with major banks with high credit rating. The Company is of the opinion that the credit risk in respect of these balances is immaterial.

Most of the Company’s sales are made in Israel, Brazil, Argentina, Mexico, Ecuador, Colombia and the United States to a large number of customers, including insurance companies and Car manufacturers. Management periodically evaluates the collectability of the trade receivables to determine the amounts that are doubtful of collection and determine a proper allowance for doubtful accounts. Accordingly, management believes that the Company’s trade receivables do not represent a substantial concentration of credit risk.

From time to time the Company enters into foreign exchange forward contracts intended to protect against the increase in the purchase price of forecasted inventory purchases dominated in currencies other than the functional currency of the purchasing entity. Regarding the activity in 2023 see B below.

However, during the years ended December 31, 2023, and 2022 such activity was limited.

B. Foreign exchange risk management

The Company operates internationally, which gives rise to exposure to market risks mainly from changes in exchange rates of foreign currencies in relation to the functional currency of each of the entities of the group.

As of December 31, 2024, there were no material forward exchange contracts outstanding.

During 2023 and 2024 the Company entered into foreign currency forward transactions in order to protect itself against the risk that the eventual cash flows resulting from anticipated transactions (mainly purchases of inventory), denominated in currencies other than the functional currency of the purchasing entity, will be affected by changes in exchange rates. As of December 31, 2023, 12 transactions that originated in 2023 remain outstanding.

During 2024, all the financial derivatives were designated and accounted for as hedging instruments.

The following table summarizes a tabular disclosure of (a) fair values of derivative instruments in the balance sheets and (b) the effect of derivative instruments in the statements of income:

Fair values of derivative instruments:

As of December 31, 2023	Assets derivatives	
	Thousands of US dollars	
	Balance sheet location	Fair value
Derivatives designated as hedging instruments:		
Foreign exchange contracts	Other current liabilities	299
.....		

ITURAN LOCATION AND CONTROL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

NOTE 19 - FINANCIAL INSTRUMENTS AND RISKS MANAGEMENT (cont.)

B. Foreign exchange risk management (cont.)

Amounts reclassified to statement of comprehensive income (loss):

<u>Derivatives designated as hedging instruments</u>	<u>Location of loss recognized in income</u>	<u>Amount of gain recognized in income</u>
		<u>Thousands of US dollars</u>
Year ended December 31, 2024		
Foreign exchange contracts	Unrealized losses in respect of derivative financial instruments designated for cash flow hedge	<u>(299)</u>

Amounts reclassified to statement of comprehensive income (loss):

<u>Derivatives designated as hedging instruments</u>	<u>Location of loss recognized in income</u>	<u>Amount of gain recognized in income</u>
		<u>Thousands of US dollars</u>
Year ended December 31, 2023		
Foreign exchange contracts	Unrealized losses in respect of derivative financial instruments designated for cash flow hedge	<u>299</u>

As of December 31, 2023, the notional amount of forward exchange contract with respect to cash follow hedge of anticipated transactions amounted to US\$ 18 million (US\$ 1.5 million per month for the next 12 months).

ITURAN LOCATION AND CONTROL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont.)

NOTE 19 - FINANCIAL INSTRUMENTS AND RISKS MANAGEMENT (cont.)

C. Fair value of financial instruments

The Company measures fair value and discloses fair value measurements for financial assets and liabilities. Fair value is an exit price, representing the amount that would be received to sell an asset or the amount that would be paid to transfer a liability in an orderly transaction between market participants.

The Company measured cash and cash equivalents, marketable securities and derivative financial instruments at fair value. Such financial instruments are measured at fair value, on a recurring basis. The measurement of cash and cash equivalents and marketable securities are classified within Level 1. The fair value of derivatives generally reflects the estimated amounts that the Company would receive or pay to terminate the contracts at the reporting dates, based on the prevailing currency prices and the relevant interest rates. Such measurement is classified within Level 2.

The fair value of the financial instruments included in the working capital of the Company (cash and cash equivalents, accounts receivable, accounts payable and other current assets and liabilities) approximates their carrying value, due to the short-term maturity of such instruments.

See Note 1N regarding non-recurring measurement of the fair value of certain non-financial assets (mainly reporting units with goodwill and other definite-life intangible assets).

The Company's financial assets measured at fair value on a recurring basis, consisted of the following types of instruments as of December 31, 2024 and 2023:

	December 31, 2024		
(in thousands)	Level 1	Level 2	Level 3
Derivatives designated as hedging instruments	-	-	-
Trading securities	10	-	-
Total	10	-	-
	10	-	-
	December 31, 2023		
(in thousands)	Level 1	Level 2	Level 3
Derivatives designated as hedging instruments	-	299	-
Trading securities	119	-	-
Total	119	299	-
	119	299	-

Exhibit 8**List of Significant Subsidiaries**

Name of Subsidiary	Country of Incorporation Interest	Proportion of Ownership
Ituran USA Holdings Inc	USA	100%
Ituran USA Inc	USA	85.80%
Ituran de Argentina S.A	Argentina	100%
Ituran Sistemas de Monitoramento Ltda	Brazil	98.75%
Ituran MOB Services LTDA	Brazil	51%
Ituran servicios Ltda	Brazil	98.75%
E.R.M. Electronic Systems Limited	Israel	49.5% ¹
Ituran Spain Holding S.L	Spain	100%
Ituran Road Track Monitaramento de Veiculos LTDA	Brazil	100%
Road Track De Colombia S.A.S	Colombia	100%
Road Track Ecuador, S.A.	Ecuador	100%
Ituran Chile S.A.	Chile	100%
Road Track Mexico S.A. De C.V	Mexico	100%
Road Track HK Telematics Limited	Hong Kong	100%
E.D.T.E – Drive Technology Ltd	Israel	100%
Ituran Tech Ltd	Israel	100%

¹ The proportion of voting power is 51%.

CERTIFICATION OF THE CO-CHIEF EXECUTIVE OFFICER

PURSUANT TO RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

I, Eyal Sheratzky, certify that:

1. I have reviewed this annual report on Form 20-F of Ituran Location and Control Ltd.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report.
4. The company's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a. Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared.
 - b. Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.
 - c. Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting, and
5. The company's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of company's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether material, that involves management or other employees who have a significant role in the company's internal controls over financial reporting.

Date: April 21, 2025

/s/ Eyal Sheratzky

Eyal Sheratzky
Co-Chief Executive Officer

CERTIFICATION OF THE CO-CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

I, Nir Sheratzky, certify that:

1. I have reviewed this annual report on Form 20-F of Ituran Location and Control Ltd.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, considering the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report.
4. The company's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a. Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared.
 - b. Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.
 - c. Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting, and
5. The company's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of company's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether material, that involves management or other employees who have a significant role in the company's internal controls over financial reporting.

Date: April 21, 2025

/s/ Nir Sheratzky

Nir Sheratzky
Co-Chief Executive Office

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER

PURSUANT TO RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

I, Eli Kamer, certify that:

1. I have reviewed this annual report on Form 20-F of Ituran Location and Control Ltd.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report.
4. The company's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a. Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared.
 - b. Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.
 - c. Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting, and
5. The company's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of company's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether material, that involves management or other employees who have a significant role in the company's internal controls over financial reporting.

Date: April 21, 2025

/s/ Eli Kamer

Eli Kamer

Chief Financial Officer

CERTIFICATION OF THE COMPANY'S CO-CHIEF EXECUTIVE OFFICERS

AS REQUIRED BY RULE 13a-14(b) OF THE SECURITIES EXCHANGE ACT OF 1934

In connection with the Annual Report on Form 20-F of Ituran Location and Control Ltd. (the "Company") for the period ended December 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned Co-Chief Executive Officers of the Company, certify that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 21, 2025

/s/ Eyal Sheratzky
Eyal Sheratzky
Co-Chief Executive Officer

/s/ Nir Sheratzky
Nir Sheratzky
Co-Chief Executive Officer

CERTIFICATION OF THE COMPANY’S CHIEF FINANCIAL OFFICER
AS REQUIRED BY RULE 13a-14(b) OF THE SECURITIES EXCHANGE ACT OF 1934

In connection with the Annual Report on Form 20-F of Ituran Location and Control Ltd. (the “Company”) for the period ended December 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned Chief Financial Officer of the Company, certify that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 21, 2025

/s/ Eli Kamer

Eli Kamer

Chief Financial Officer

**INSIDER TRADING POLICY
FOR ITURAN LOCATION & CONTROL LTD.
AND ITS SUBSIDIARIES**

The following is the insider trading policy (the "Insider Trading Policy") of Ituran Location & Control Ltd. and each of its direct and indirect subsidiaries (collectively, the "Company") and outlines the procedures that all Company personnel must follow. The Insider Trading Policy forbids any officer, any member of the Board of Directors of the Company or any employee of the Company, as well as certain other "temporary" insiders (collectively "Insiders"), as well as "Related Persons" of Insiders (as defined below), from trading, either personally or on behalf of others, on material non-public information or communicating material non-public information to others in violation of the law. This conduct is frequently referred to as "insider trading."

To ensure compliance with the Insider Trading Policy, the Company requires each Insider who is a "Specified Insider" -- defined as any officer (Assistant Vice President or Manager and above) of the Company, all personnel in the Finance Department, all personnel in the Legal Department and each member of the Board of Directors of the Company -- to obtain clearance from the Company's General Counsel prior to purchasing or selling, either personally or on behalf of others, any of the Company's outstanding securities. In addition, no Specified Insider nor the administrative assistants of Specified Insiders may buy or sell our securities during any of the four "Blackout Periods" that occur each fiscal year, as more fully discussed below.

What is Insider Trading?

The term "insider trading" is not defined in the federal securities laws, but generally is used to refer to (i) trading in securities (whether or not one is an "insider") when aware of material non-public information or (ii) communicating material non-public information to others.

The law generally prohibits:

- 1) trading by an Insider, while aware of material non-public information, or
- 2) trading by a non-Insider, while aware of material non-public information where the inside information was disclosed to the non-Insider by an Insider, or
- 3) communicating material non-public information to others ("tipping") under circumstances where it can be reasonably expected that they will trade securities based on that information.

Who is an Insider? Who is a Related Person of an Insider?

The concept of "insider" is broad. It includes officers, members of the Board of Directors of a company and employees of a company, or any other person whose relationship with the Company allows it access to material non-public information. In addition, a person can be a "temporary insider" if he or she enters into a special relationship in the conduct of the company's affairs and as a result is given access to information for the company's purposes and the company expects such persons to keep the non-public information confidential. Examples of such persons would include consultants, representatives or independent contractors who have a relationship with the company that creates a duty to honor the company's expectations concerning the confidentiality of non-public information.

The Company's Insider Trading Policy also applies to the "Related Persons" of Insiders. A "Related Person" includes an Insider's spouse, minor children and anyone else living in the same household as the Insider; partnerships in which the Insider is a general partner; companies in which the inside trader or its "related Persons" are controlling shareholders; trusts of which the Insider is a trustee; and estates of which the Insider is an executor. Although a Insider's parent or sibling may not be considered a Related Person (unless living in the same household), such parent or sibling may be a "tippee" for securities laws purposes (see the next paragraph).

This policy is not limited to trading alone. Insiders also may be liable for communicating or tipping material nonpublic information to any third party (“tippee”). Further, insider trading violations are not limited to trading or tipping by Insiders. Persons other than Insiders also can be liable for insider trading, including tippees who trade on material nonpublic information tipped to them and individuals who trade on material nonpublic information that has been misappropriated. Tippees inherit an Insider’s duties and are liable for trading on material nonpublic information illegally tipped to them by an Insider. Similarly, just as Insiders are liable for the insider trading of their tippees, so are tippees who pass the information along to others who trade. In other words, a tippee’s liability for insider trading is no different from that of an Insider. Tippees can obtain material nonpublic information by receiving overt tips from others or through such means as conversations at social, business or other gatherings.

What is Material Information?

Trading on inside information is not a basis for liability unless the information is material. “Material Information” generally is defined as information for which there is a substantial likelihood that a reasonable investor would consider it important in making his or her investment decisions, or information that is reasonably certain to substantially affect the price of a company’s securities. Information can be material even if it relates to future, speculative or contingent events and even if it is significant only when considered in combination with publicly available information. It is important to remember that materiality will be judged with the benefit of hindsight, which involves a broader perspective.

As a practical matter, it is sometimes difficult to determine whether inside information is material. Although there is no precise, generally accepted definition of materiality, information is likely to be “material” if it relates to:

- earnings information, earnings estimates or other financial forecasts,
- changes in previously released earnings estimates,
- proposals or agreements relating to significant mergers, acquisitions or divestitures, and other purchases and sales of companies and investments in companies,
- major corporate partnership transactions or other joint ventures,
- changes in relationships with significant customers, including receipt, cancellation or deferral of significant orders,
- obtaining or losing important contracts,
- significant pricing changes,
- new product announcements of a significant nature,
- any other significant changes in operations,
- major personnel changes, including hiring, resignation or dismissal of key personnel,
- significant litigation exposure, including criminal indictments or government investigations,
- significant labor disputes,
- substantial changes in accounting methods (including restatements of historical financial information),
- resignation or termination of the Company’s independent registered public accounting firm
- public offerings or private sales of equity or debt securities,
- share buy-back programs,
- proposed commencement of dividends or dividend increases or decreases,
- planned stock splits,
- debt service or financial liquidity problems,
- bankruptcy, insolvency or receivership, or

- any other factors which would cause the Company's financial results to be substantially different from analyst estimates or company projections.

The above list is only illustrative; many other types of information may be considered "material," depending on the circumstances. The materiality of particular information is subject to reassessment on a regular basis.

"Inside" information could be material because of its expected effect on the price of the Company's outstanding securities (on any relevant stock exchange), the stock of another company not related to the Company, or the stock of several such companies. Moreover, the resulting prohibition against the misuse of inside information includes not only restrictions on trading in the Company's outstanding securities, but restrictions on trading in the stock of such other companies affected by the inside information.

If you have questions as to the materiality of particular information, you should contact the Company's General Counsel for clarification.

What is Non-public Information?

For information to qualify as "inside" information it must not only be "material," it must be "non-public." Information is non-public until it has been effectively communicated to the marketplace. To show that "material" information is public, it is generally necessary to point to some fact verifying that the information has become generally available to the public. For example, information found in a report filed with the Tel Aviv Stock Exchange or the United States Securities and Exchange Commission (the "SEC"), or appearing in Globes, Reuters Economic Services, The Wall Street Journal or other publications of general circulation constitutes public disclosure. However, some time, typically a minimum of 24 to 48 hours, must be allowed after publication for this information to be effectively communicated to the marketplace. Note that a speech, a TV or radio appearance, or an article in an obscure magazine does *not* qualify as information that is generally available to the public.

What are the Consequences of Improper Insider Trading?

Insiders may be subject to criminal prosecution and/or civil liability under Israel and US law for trading (buying or selling) the Company's securities when they know material information concerning the Company that has not been fully disclosed to the public.

Under Israeli Securities laws persons found liable for insider trading face civil penalties in the sum of the profit gained or loss avoided. An inside trader found liable for insider trading face a criminal fine of up to \$224,400, and up to 5 years in jail and a person found liable for trading following non-public material inside information, which it new or should have known, to come from an inside trader, face a criminal fine of up to \$90,000, and up to 1 year in jail. Additionally, under Israeli laws persons found liable for insider trading face criminal penalties up to the higher of (i) four times the sum of the profit gained or loss avoided or (ii) four times the sum of the criminal fine set fourth in the law for such violation.

Under US Securities laws, found liable for insider trading face civil penalties of up to three times the profit gained or loss avoided, a criminal fine of up to \$1 million, and up to 10 years in jail. The Company (and its officers and members of the Board of Directors of the Company) could face civil penalties (the greater of \$1 million or three times the profit gained or loss avoided) as a result of the Insider's violation and/or a criminal penalty of up to \$2.5 million for failing to take steps to prevent insider trading. Finally, in addition to the potential criminal and civil liabilities mentioned above, in certain circumstances the Company may be able to recover all profits made by an Insider, plus collect other damages.

Aside from the penalties that may be imposed by the government, willful violation of this policy constitutes grounds for termination of employment, termination of consulting arrangements or removal from the Board of Directors.

Finally, insider trading can cause a substantial loss of confidence in the Company by the public and the securities markets. This could obviously have an adverse impact on the Company, its employees and its shareholders.

What is a Blackout Period?

Each year, there will be time-based Blackout Periods during which certain persons will be prohibited from trading in the Company's securities. Specifically, Blackout Periods will begin on March 15th, June 15th, September 15th and December 15th of each year, and end when two full trading days have passed on the Tel Aviv Stock Exchange or the Nasdaq National Market *after* we announce our quarterly or annual earnings results with respect to the preceding

fiscal quarter. If the first day of the month falls on a weekend or a holiday, the Blackout Period will start at the close of business on the last trading day prior to the weekend or the holiday. **Specified Insiders -- defined as any officer (Assistant Vice President or Manager and above) of the Company, all personnel in the Finance Department, all personnel in the Legal Department and each member of the Board of Directors of the Company -- and administrative assistants of Specified Insiders are prohibited from trading in the Company's securities during a Blackout Period. Furthermore, trading in the Company's securities outside of the Blackout Periods should not be considered a "safe harbor," and all Insiders should use good judgment at all times.**

What are the Specific Requirements of the Company's Insider Trading Policy?

1. Insiders may not engage in, or recommend that another person engage in, a transaction (purchase or sale) in Company's outstanding securities at any time between the date on which any non-public material information becomes known to the individual and the close of business on the second trading day *after* such information is publicly disclosed.
2. In addition to the restriction set forth in paragraph 1 above, no Specified Insider, administrative assistant of a Specified Insider or any Related Person of any of the foregoing may engage in a transaction (purchase or sale) in the Company's securities during any of the four Blackout Periods that occur each year.
3. No Insider or any Related Person may engage in transactions of a speculative nature at any time. All Insiders and Related Persons are prohibited from short-selling the Company's securities in contravention of Israeli or US Security laws. In addition, all Insiders and Related Persons are prohibited from engaging in transactions involving Company-based Derivative Securities, other than the acquisition of such securities from the Company itself. "Derivative Securities" are options and warrants to the extent that trade in those options and warrants is not permissible under Israeli and US Securities laws, stock appreciation rights or similar rights whose value is derived from the value of the Company's securities. This prohibition includes, but is not limited to, trading in Company-based put and call option contracts, transacting in straddles, and the like. However, as indicated below, holding and exercising compensatory employee options, warrants or other derivative securities is not prohibited by this policy.
4. Each officer (defined as Assistant Vice President **or Manager** and above) of the Company, all personnel in the Finance Department, all personnel in the Legal Department and each member of the Board of Directors of the Company (the Specified Insiders) must abide by special procedures whenever he or she intends to execute a trade in the Company's securities, including the placing of limit orders. See below under the heading "**If I am any of the following people, what should I do before trading in Company securities?**"
5. The chief executive officer (the "CEO") and the General Counsel each has the authority to impose restrictions on trading in the Company's securities by appropriate individuals at any time, in addition to the automatic restriction imposed pursuant to the Blackout Periods. This would include, without limitation, the imposition of lengthier periods during which specified individuals or groups of individuals would be prohibited from trading in the Company's securities. In such circumstances, the CEO and/or the General Counsel will notify the affected individuals – either personally, by e-mail or by voicemail – to inform them of the restrictions.
6. Any individual who has placed a limit order or open instruction to buy or sell the Company's securities shall bear responsibility for canceling such instructions immediately in the event restrictions are imposed on their ability to trade in accordance with either the Blackout Periods or the provisions of paragraphs 4 and 5 above.
7. Insiders may not engage in, or recommend that another person engage in, a transaction (purchase or sale) in another company's securities if the Insider learns of material nonpublic information about the other company in the course of the Insider's employment or other relationship with the Company.

As noted above, this policy applies to Related Persons of Insiders. Company employees should be especially careful with respect to family members or to unrelated persons living in the same household.

If I am any of the following people, what should I do before trading in Company securities?

- Any officer (defined as Assistant Vice President or Manager and above) of the Company;**
- All personnel in the Finance Department;**
- All personnel in the Legal Department; and**

□ **Each member of the Board of Directors of the Company**

In addition to the other provisions of this policy, the following procedures must be followed by each officer (defined as Assistant Vice President or **Manager** and above) of the Company, all personnel in the Finance Department, all personnel in the Legal Department and each member of the Board of Directors of the Company (each, a “Specified Insider” and collectively, the “Specified Insiders”) with respect to any purchase or sale of the Company’s securities:

- (a) At certain times, there may exist a corporate basis for requiring each Specified Insider to refrain from trading in the Company’s securities even though trading would otherwise be permitted at those times under this policy. Therefore, all transactions by Specified Insiders shall be specifically approved in advance by the CEO or General Counsel. Specifically, each Specified Insider must obtain clearance from the CEO or the General Counsel prior to purchasing or selling, either personally or on behalf of others, any of the Company’s outstanding securities (including derivative securities, such as put and call options). Clearance of a transaction, if given, is valid only for a two business-day period. If the transaction is not placed and executed within that two business-day period, clearance of the transaction must be re-requested and re-obtained before the trade is placed or executed. If clearance is denied, the fact of such denial must be kept confidential by the person requesting such clearance. The CEO or the General Counsel may reject any trading request at his or her sole discretion. *The restrictions set forth in this paragraph do not apply to the exercise of options.*
- (b) Before each transaction in the Company’s securities, each officer and each member of the Board of Directors of the Company is required to contact the General Counsel regarding compliance with the Israeli Securities Authority or the SEC, as applicable.
- (c) All outside requests for information, comments or interviews from Specified Insider (other than routine product inquiries) that may result in the dissemination of information must be directed to the Chief Financial Officer or General Counsel.

Are there any exceptions to the Company’s Insider Trading Policy?

The only exceptions to the policy are set forth below. It does not matter that the Insider may have decided to engage in a transaction before learning of the undisclosed material information or that delaying the transaction might result in economic loss. It is also irrelevant that publicly disclosed information about the Company might, even aside from the undisclosed material information, provide a substantial basis for engaging in the transaction. Furthermore, there are no limits on the size of a transaction that will trigger insider trading liability. ***You may not trade in the Company’s securities while in possession of undisclosed material information about the Company, except as follows:***

- (a) Exercise of an option or other derivative security under any of the Company’s equity incentive plans. Note that this exception does not extend to a subsequent sale of ordinary shares acquired pursuant to the exercise of a stock option or other derivative security under an equity incentive plan.
- (b) *Bona fide* gifts of securities, which are not deemed to be transactions for the purposes of this policy. Whether a gift is truly *bona fide* will depend on the circumstances surrounding each gift. The more unrelated the donee is to the donor, the more likely the gift would be considered *bona fide* and not a transaction subject to this policy. For example, gifts to charitable, religious and service organizations would likely be considered *bona fide*. On the other hand, gifts to dependent children followed by a sale of the “gift” securities in close proximity to the time of the gift may imply some economic benefit to the donor and, therefore, disqualify the gift from being considered *bona fide*.
- (c) Any transaction specifically approved in writing in advance by the CEO or General Counsel, including, without limitation, transactions effected pursuant to a “blind trust” approved in advance by the CEO or General Counsel in which complete discretion to execute transactions in the Company’s securities is given by the Insider to another person who is not an Insider or otherwise subject to this policy.

What should I do if a securities analyst, the media or someone else asks me questions regarding material non-public information?

Israeli and US securities laws prohibit the selective disclosure of material non-public information to securities market professionals and investors who may trade on the basis of the information. US securities laws require that any disclosure of material non-public information must be made by simultaneous broad dissemination. Accordingly, the

following procedures should be followed in handling inquiries from the media, stock exchanges, securities analysts and other outside parties regarding the Company.

Only those Insiders who have been specifically authorized to do so may answer questions about or disclose information concerning the Company. Only specifically designated spokespersons should deal with inquiries from the media, stock exchanges and other regarding rumors, unusual trading activity, acquisitions and other material information. The CEO will designate official spokespersons from time to time. In the absence of a different designation made by the CEO, inquiries from the financial media (or the Nasdaq National Market) should be referred to the Chief Financial Officer; inquiries from the SEC should be referred to the General Counsel.

Those Insiders who interact with the media, analysts and the stock exchanges should refer any inquiries concerning material information to the spokesperson designated above. If such inquiries are made to Insiders (other than a designated spokesperson), the following response generally will be appropriate:

“As to these types of matters, the Company spokesperson is the Chief Financial Officer or the General Counsel. If there is any comment, he or they would be the one(s) to speak with.”

Care should be taken not to make statements such as “there is no corporate developments” or “the company knows of no corporate developments.” Even if the Company has no material non-public information at the time such a statement is made, by making such a statement, it may be undertaking an affirmative disclosure obligation if the facts change, and also may make reliance on a “no comment” policy considerably more difficult in the future.

How can I protect material non-public information?

Material non-public information (and all other Company confidential information) should be communicated only to those people who need to know it for a legitimate business purpose and who are authorized to receive the information in connection with their employment responsibilities. Employees, officers, members of the Board of Directors of the Company and consultants who are aware of any material information concerning the Company that has not been disclosed to the public shall not disclose such information without first obtaining approval to do so from the General Counsel.

The following practices should be followed to help prevent the misuse of material non-public information and other types of confidential information:

- Avoid discussing or even speculating about confidential matters in places where you may be overheard by people who do not have a valid need to know the information. Do not discuss confidential information with relatives or social acquaintances.
- Always put confidential documents away when not in use. Do not leave documents containing confidential information where they may be seen by persons who do not have a need to know the content of the documents.
- Do not give your computer IDs and passwords to any other person. Password protect computers and log off when they are not in use.
- Comply with the specific terms of any confidentiality agreements of which you are aware.

What if I have any questions about insider trading restrictions?

Employees at all times should avoid even the appearance of impropriety with respect to trading in the Company’s share or the securities of any of the companies with whom the Company or its subsidiaries do business. When there is any question as to a potential application of insider trading laws or any other restrictions on insider trading or if you know of a suspected violation of these laws, please consult the Company’s General Counsel.

* * * * *

Please sign the attachment acknowledging that you have read and agree to abide by this policy and return the acknowledgment to the General Counsel.

If you have any questions about this policy, please contact the General Counsel.

Date: _____, 2018

**ACKNOWLEDGEMENT CONCERNING
INSIDER TRADING POLICY
FOR ITURAN LOCATION AND CONTROL LTD.
AND ITS SUBSIDIARIES**

By my signature below, I acknowledge that I have read and understand the Company's Insider Trading Policy and that I agree to abide by its provisions.

Signature _____

Name (printed) _____

Date _____

**ITURAN LOCATION & CONTROL LTD
(THE “COMPANY”)
RECOVERY POLICY**

1. **Preamble**

1.1. **Legal Framework:**

- A. On October 26, 2022, the U.S. Securities and Exchange Commission (the “**SEC**”) adopted regulations (the “**final rules**”) implementing Section 10D of the Securities Exchange Act of 1934 (the “**Exchange Act**”), which was added by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. The SEC originally proposed these rules in 2015 and reopened the comment period in October 2021 and again in June 2022.
- B. The New Exchange Act Rule 10D-1 require U.S. national stock exchanges, including the Nasdaq, to propose and adopt new listing standards that will require listed companies to adopt and comply with policies that provide for the recovery of incentive-based compensation received by current **or** former executive officers based on any misstated financial reporting measure if the company is required to prepare an accounting restatement (the “**Compensation Policy**”).
- C. Nasdaq has adopted such listing standards on as provided under Rule (the “**Nasdaq Listing Rule**”). Based on the aforementioned, Ituran Location and Control Ltd. (the “**Company**”) is hereby resolves to adopt this Recovery Policy to adhere to the Final Rules and the Nasdaq Listing Rule.
- D. This Recovery Policy shall stand alone and also, if required by law, be part of the Company’s Compensation Policy which was recently re adopted and resolved by the Shareholders General meeting on December 12, 2022 (the “**Compensation Policy**”).

1.2. **Definitions:**

Definitions: The following words-definitions shall have the meaning ascribed as follows:

“**Incentive based Compensation**” shall mean any kind of compensation, cash or in kind paid by Company to Executive Officer which is granted, vested or earned based wholly or in part on the achievement of any financial reporting measure. for that purpose, “**financial reporting measure**” means measures that are determined and presented in accordance with accounting principles used in preparing Company’s financial statements and any measures derived wholly or in part from such financial information. For that purpose, stock prices and total shareholder return shall be deemed “*financial reporting measures*”.

The following are examples (non-exclusive) of compensations that would be included in “*incentive-based compensation*”:

- 1) Bonuses paid from “bonus pool” the size of which is determined on satisfying a financial reporting measure performance goal.
- 2) Other cash awards based on satisfaction of a financial reporting measure performance goal.
- 3) Any securities of Company including options that are granted or become vested based wholly or in part on satisfying a financial reporting measure performance goal.
- 4) Proceeds received upon the sale of shares acquired through an incentive plan that the Company granted or vested based wholly or in part on satisfying a financial reporting measure performance goal.

The following shall **not** be deemed an incentive-based compensation (non-exclusive list):

- 1) Bonuses based on subjective standards or upon completion of a specified period of employment.
- 2) Discretionary compensation, as long as not related wholly or in part on financial reporting measures.
- 3) Non equity incentive plan awards earned solely upon satisfying strategic or operational measures or targets.
- 4) Equity awards, if the grant is not based on achieving any financial reporting measure performance goal, or where vesting is based solely on completion of a specific period of employment period and/or achieving non-financial reporting measures.

“Executive Officers”- shall mean and include the Company’s President, principal financial officer, principal accounting officer, any vice-president in charge of a principal business unit, division, or function (such as sales, administration, or finance), any other officer who performs a policy-making function, or any other person who performs similar policy-making functions for the Company. Executive officers of our subsidiaries are deemed executive officers of Company if they perform such policy making functions for Company. Policy-making function is not intended to include policy-making functions that are not significant. Identification of an executive officer for purposes of this definition would include at a minimum executive officers identified pursuant to 17 CFR 229.401(b).

“Executive Officers Covered” - means Executive Officers who served as Executive Officer at any time during the performance period for the *incentive-based compensation*, whether she-he is an employee of Company when Company seeks the recovery based on this Policy, and whether he/she was involved or engaged in the accounting error which caused the Restatement or not.

“Financial reporting measures” - measures that are determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and any measures that are derived wholly or in part from such measures. Stock price and total shareholder return are also financial reporting measures. A financial reporting measure need not be presented within the financial statements or included in a filing with the SEC.

“Incentive-based compensation” - any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a financial reporting measure.

“Received” - Incentive-based compensation is deemed received in Company’s fiscal period during which the *financial reporting measure* specified in the *incentive-based compensation* award is attained, even if the payment or grant of the *incentive-based compensation* occurs after the end of that period.

2. **Adoption of the Recovery Policy:**

- A. This Recovery Policy has been approved and recommended by the Audit Committee, acting as the Compensation Committee (the “**Committee**”), and has been approved by the Board of Directors (the “**Board**”).
- B. The approval of this Recovery Policy by the Board is subject to the approval of the Company’s General Meeting of Shareholders (the “**General Meeting**”)¹.

3. **Applicability of the Compensation Policy:**

- A. This Recovery Policy shall apply, as of the date it enters into effect (the “**Adoption Date**”), to the Company’s Executive Officers.
- B. This Recovery Policy shall apply to all incentive-based compensation received by the following person/s or in the following situations:
 - 1) After beginning service as an Executive Officer of the Company.
 - 2) Who served as an Executive Officer at any time during the performance period for that incentive-based compensation ,whether or not such Executive Officer is serving at the time the **erroneously awarded compensation** is required to be repaid to Company.
 - 3) While the Company have a class of securities listed on a national securities exchange or a national securities association; and
 - 4) During the three completed fiscal years immediately preceding the Restatement Date (“**Clawback Period**”).
 - 5) In addition to the Claw back Period , this Recovery Policy shall apply to any transition period (that results from a change in the Company’s fiscal year) within or immediately following those three completed fiscal years. A transition period between the last day of Company’s previous fiscal year end and the first day of Company’s new fiscal year that comprises a period of nine to 12 months would be deemed a completed fiscal year. Company’s obligation to recover erroneously awarded compensation is not dependent on if or when the restated financial statements are filed.

¹ the Company, in the event that the General Meeting does not approve this Recovery Policy, the Companies Law provides that it may still be approved and adopted by the Compensation Committee and the Board.

4. **Restatement:**

- C. Company will recover reasonably promptly from the Executive Officers Covered the amount of erroneously awarded incentive-based compensation in the event that the Company is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error the Company corrected in the current period or left uncorrected in the current period (both events shall be called hereinafter: “**Restatement**”).
- D. For purposes of determining the relevant recovery period, the date that the Company is required to prepare a Restatement is the earlier to occur of:
- 1) The date Company’s Board of Directors, a committee of the board of directors, or the officer or officers of Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare a Restatement; or
 - 2) The date a court, regulator, or other legally authorized body directs the Company to prepare a Restatement.
- E. The amount of incentive-based compensation that must be subject to the issuer’s recovery policy (“**erroneously awarded compensation**”) is the amount of incentive-based compensation received that exceeds the amount of incentive-based compensation that otherwise would have been received had it been determined based on the restated amounts and must be computed without regard to any taxes paid. Exact calculation of the *erroneously awarded compensation* will be decided based on the aforementioned formula and if required will exert to the SEC’s publications, including ,inter alia, the Final Rule and SEC’s observations and comments therein.
- 1) For incentive-based compensation based on stock price in any stock exchange or linked to any index (e.g., Russel 2000) or differences between the Company prices in stock exchange and any index (s) or any combination thereof, or total shareholder return, where the amount of erroneously awarded compensation is not subject to mathematical recalculation directly from the information in an accounting restatement:
The amount will be based on a reasonable estimate of the effect of the Restatement on the stock price or total shareholder return upon which the *incentive-based compensation* was received .For that purpose The Company may by our Committee appoint an advisor or consultant to deliver an expert opinion on these aspects and the potential correlation between the Company and the *erroneously awarded compensation* ,our restated financial statements and the relevant stock prices and/or index(s); and
The Company shall maintain documentation of the determination of that reasonable estimate and provide such documentation to the Nasdaq.
 - 2) The Company shall recover *erroneously awarded compensation* in compliance with this recovery policy except to the extent that the conditions of this paragraph or (3) below of this section are met, and our Audit Committee (comprised of independent directors, also responsible for executive compensation decisions), has made a determination that recovery would be impracticable.
 - 3) Company may decide not to pursue the recovery of *erroneously awarded compensation* in case the direct expense paid to a third party to assist in enforcing the policy would exceed the amount to be recovered. Before concluding that it would be impracticable to recover any amount of *erroneously awarded compensation* based on expense of enforcement, the Company shall make a reasonable attempt to recover such *erroneously awarded compensation*, document such reasonable attempt(s) to recover, and provide that documentation to Nasdaq.
 - 4) The Committee shall have discretion to determine the appropriate means of receiving *erroneously awarded compensation* based on the particular facts and circumstances.
 - 5) To the extent that an Executive Officer fails to repay all *erroneously awarded compensation* to Company when due, Company will take all actions reasonable and appropriate to recover such amounts and such Executive officer shall be required to reimburse Company also fir such expenses (including legal fees).

5. **General:**

- A. This Policy is subject to Israeli Laws and therefore in case there is a new legislation which may contradict this Policy, The Company shall then, after consultations with experts, take the required amendment(s) in order to settle such contradiction (which does not exist as of the time of approving this Policy).

- B.* The Company shall file all disclosures with regard to this Policy as required by applicable US Securities and Exchange Commission filings and rules.
- C.* The Company shall approach its employees which may be included in the Executive Officers Covered and request their formal consent in writing to this Policy. Following approval of this Policy, new Executive Officers will be required upon their appointment to such position to deliver their consent to the Policy.
- D.* The Committee shall be responsible for implementing and exercising this Policy including its interpretation if such is required .The Committee is also authorized to make all required determinations necessary or advisable for the administration and this Policy and for the Company's compliance with all applicable rules ,laws, regulations or interpretations thereof ,including by SEC or Nasdaq.
- E.* The Company shall not indemnify, wholly or in part, directly or indirectly, its Executive Officers for incentive compensation recoverable pursuant to this Policy.
- F.* This Policy substitute and replaces Section 11.3 of our Compensation Policy.