



**POINTER**

For Immediate Release

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# **Pointer Telocation Reports**

## **Second Quarter 2017 Financial Results**

### **Record Results**

#### **Financial Highlights of the Quarter**

- Record revenues of \$20.0 million, up 24% year-over-year;
- Recurring Service revenues of \$12.9 million, up 27% year-over-year;
- Record EBITDA of \$3.4 million, up 54% year-over-year;
- Net income doubled year-over-year to \$2.0 million;
- Total subscribers reached 239,000, an increase of 24% year-over-year;

**Rosh HaAyin, Israel, August 16<sup>th</sup>, 2017 Pointer Telocation Ltd.** (Nasdaq CM: PNTR; Tel-Aviv Stock Exchange: PNTR) - a leading provider of telematic services and technology solutions for Fleet Management, Mobile Asset Management and Internet of Vehicles, announced today its financial results for the second quarter of 2017.<sup>1</sup>

#### **Financial summary for the second quarter of 2017**

**Revenues** for the second quarter of 2017 increased 24% to \$20.0 million as compared to \$16.2 million in the second quarter of 2016.

**Revenues from products** in the second quarter of 2017 increased 18% to \$7.1 million (36% of revenues) compared to \$6.0 million (37% of revenues) in the comparable period of 2016.

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<sup>1</sup> On June 8, 2016 Pointer spun off its Israeli subsidiary, Shagrir Group Vehicle Services Ltd., through which Pointer carried out its road side assistance (RSA) activities and listed Shagrir's shares for trade on the Tel Aviv Stock Exchange. The results of Shagrir until that date are included in Pointer's results as discontinued operation.

Revenues from recurring services in the second quarter of 2017 increased 27% to \$12.9 million (64% of revenues) compared to \$10.2 million (63% of revenues), in the comparable period of 2016. The growth in service revenue was primarily due to the growth in the subscriber base which grew by 47,000 subscribers since June 30, 2016 and 8,000 subscribers since March 31, 2017.

**Gross profit** was \$10.3 million (51.4% of revenues) compared to \$7.7 million (47.7% of revenues) in the second quarter of 2016.

**Operating income on a GAAP basis** was \$2.8 million (14.1% of revenues), an increase of 72%, compared with \$1.6 million (10.1% of revenues) in the second quarter of 2016.

**Non-GAAP operating income** was \$3.1 million (15.2% of revenues), an increase of 71% compared to \$1.8 million (11% of revenues) in the second quarter of 2016.

**GAAP net income (from continuing operations)** was \$2.0 million, double the net income of \$1.0 million reported in the second quarter of 2016.

**Non-GAAP net income (from continuing operations)** was \$2.6 million (12.9% of revenues), an increase of 78%, compared with \$1.5 million (9% of revenues) in the second quarter of 2016.

**EBITDA (from continuing operations)** was \$3.4 million (17.1% of revenues), an increase of 54% compared with \$2.2 million (13.8% of revenues) in the second quarter of 2016.

**Cash and Cash Equivalents** totaled \$5.7 million and Total Debt was \$12.7 million.

### **Management Comment**

**David Mahlab, Pointer's Chief Executive Officer**, commented: “We are extremely pleased with our record results for the quarter. We achieved strong revenue growth and increased margins with nearly 2/3 of our total revenues comprised of recurring service revenues. In addition to these financial achievements, we continued to execute our long term strategic objectives to strengthen our position as a leading provider of technology solutions in Fleet Management, Mobile Asset Management and the Internet of Vehicles. Our results demonstrate the success of our long-term strategy for growing our business, increasing profitability and building shareholder value.”

**Mr. Mahlab continued**, “In the past months, we have made great progress on two strategically important deployments. We have successfully completed most of the installations with Femsa, the Coca-Cola bottling company in Mexico, and we have fully deployed our driving behavior solution integrated with Mobileye devices in a 5,000-car fleet in New York City. In addition, we recently announced a new long-term product supply agreement with a leading US-based

telematics provider. This contract is the first substantial win for our new Nano CelloTrack technology. We believe this is the first of many other opportunities that we expect to capitalize on in the coming quarters.”

**Conference Call Information** Pointer Telocation's management will host a conference call today, at 7:00am Pacific Time, 10:00 Eastern Time, 17:00 Israel time. On the call, management will review and discuss the results. To listen to the call, please dial in to one of the following teleconferencing numbers. Please begin placing your call a few minutes before the conference call commences.

Dial in numbers are as follows:

**From the USA: +1-866-744-5399; From Israel: 03-918-0691; From the UK 0-800-917-5108**

A replay will be available a few hours following the call on the company's website.

### **Reconciliation between results on a GAAP and Non-GAAP basis**

Reconciliation between results on a GAAP and Non-GAAP basis is provided in a table immediately following the Condensed Interim Consolidated Statements of Cash Flows.

Pointer uses EBITDA and Non-GAAP net income as Non-GAAP financial performance measurements.

Pointer calculates EBITDA by adding back to net income financial expenses, taxes, depreciation and amortization and impairment of goodwill and intangible assets.

Pointer calculates Non-GAAP net income by adding back to net income the effects of non-cash stock based compensation expenses, amortization and impairment of long lived assets, non-cash tax expenses, other expenses of retirement costs, spin-off related expenses and losses and acquisition related one-time costs.

The purpose of such adjustments is to give an indication of the Company's performance exclusive of Non-GAAP charges that are considered by management to be outside of the Company's core operating results.

EBITDA and non-GAAP net income are provided to investors to complement results provided in accordance with GAAP, as management believes the measure helps illustrate underlying operating trends in the Company's business and uses the measure to establish internal budgets and goals, manage the business and evaluate performance. Management believes that these non-GAAP measures help investors to understand the Company's current and future operating cash flow and performance, especially as the Company's acquisitions have resulted in amortization and non-cash items that have had a material impact on the Company's GAAP profits. EBITDA and non GAAP net income should not be considered in isolation or as a substitute for comparable measures calculated and should be read in conjunction with the Company's consolidated financial statements prepared in accordance with GAAP. These non-GAAP financial measures may differ materially from the non-GAAP financial measures used by other companies.

### **About Pointer Telocation**

For over 20 years, Pointer has rewritten the rules for the *Mobile Resource Management* (MRM) market and is a pioneer in the *Connected Car* segment. Pointer has in-depth knowledge of the needs of this market and has developed a full suite of tools, technology and services to respond to them. The vehicles of the future will be intimately networked with the outside world, enhancing and optimizing the in-car experience.

Pointer's innovative and reliable cloud-based software-as-a-service (SAAS) platform extracts and captures an organization's critical mobility data points – from office, drivers, routes, points-of-interest, logistic-network, vehicles, trailers, containers and cargo. The SAAS platform analyzes the raw data converting it into valuable information for Pointer's customers providing them with actionable insights and thus enabling the customers to improve their bottom line and increase their profitably.

For more information, please visit <http://www.pointer.com>

### ***Forward Looking Statements***

This press release contains historical information and forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995 with respect to the business, financial condition and results of operations of the Company. The words "believe," "expect," "anticipate," "intend," "seems," "plan," "aim," "should" and similar expressions are intended to identify forward-looking statements. Such statements reflect the current views, assumptions and expectations of the Company with respect to future events and are subject to risks and uncertainties. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others, changes in the markets in which the Company operates and in general economic and business conditions, loss or gain of key customers and unpredictable sales cycles, competitive pressures, market acceptance of new products, inability to meet efficiency and cost reduction objectives, changes in business strategy and various other factors, both referenced and not referenced in this press release. Various risks and uncertainties may affect the Company and its results of operations, as described in reports filed by the Company with the Securities and Exchange Commission from time to time. The Company does not assume any obligation to update these forward-looking statements.

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**POINTER TELOCATION LTD. AND ITS SUBSIDIARIES**

**INTERIM CONSOLIDATED BALANCE SHEETS**

U.S. dollars in thousands

|                                                | <b>June 30,<br/>2017</b> | <b>December 31,<br/>2016</b> |
|------------------------------------------------|--------------------------|------------------------------|
|                                                | <b>Unaudited</b>         |                              |
| <b>ASSETS</b>                                  |                          |                              |
| <b>CURRENT ASSETS:</b>                         |                          |                              |
| Cash and cash equivalents                      | \$ 5,700                 | \$ 6,066                     |
| Trade receivables                              | 14,273                   | 11,464                       |
| Other accounts receivable and prepaid expenses | 3,008                    | 2,504                        |
| Inventories                                    | 5,915                    | 5,242                        |
| Total current assets                           | 28,896                   | 25,276                       |
| <b>LONG-TERM ASSETS:</b>                       |                          |                              |
| Long-term loan to related party                | 940                      | 831                          |
| Long-term accounts receivable                  | 588                      | 564                          |
| Severance pay fund                             | 3,340                    | 2,878                        |
| Property and equipment, net                    | 5,752                    | 5,614                        |
| Other intangible assets, net                   | 1,939                    | 2,178                        |
| Goodwill                                       | 40,759                   | 38,107                       |
| Deferred tax asset                             | 478                      | 1,433                        |
| Total long-term assets                         | 53,796                   | 51,605                       |
| Total assets                                   | \$ 82,692                | \$ 76,881                    |

**INTERIM CONSOLIDATED BALANCE SHEETS**

U.S. dollars in thousands

|                                                                  | <b>June 30,<br/>2017</b> | <b>December 31,<br/>2016</b> |
|------------------------------------------------------------------|--------------------------|------------------------------|
|                                                                  | <u>Unaudited</u>         |                              |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>                      |                          |                              |
| <b>CURRENT LIABILITIES:</b>                                      |                          |                              |
| Short-term bank credit and current maturities of long-term loans | \$5,211                  | \$ 4,836                     |
| Trade payables                                                   | 6,539                    | 7,116                        |
| Deferred revenues and customer advances                          | 1,079                    | 1,037                        |
| Other accounts payable and accrued expenses                      | 7,671                    | 6,839                        |
|                                                                  | <u>20,500</u>            | <u>19,828</u>                |
| <b>Total current liabilities</b>                                 |                          |                              |
| <b>LONG-TERM LIABILITIES:</b>                                    |                          |                              |
| Long-term loans from banks                                       | 7,525                    | 10,182                       |
| Deferred taxes and other long-term liabilities                   | 988                      | 976                          |
| Accrued severance pay                                            | 3,808                    | 3,206                        |
|                                                                  | <u>12,321</u>            | <u>14,364</u>                |
| <b>Total long term liabilities</b>                               |                          |                              |
| <b>COMMITMENTS AND CONTINGENT LIABILITIES</b>                    |                          |                              |
| <b>EQUITY:</b>                                                   |                          |                              |
| Pointer Telocation Ltd's shareholders' equity:                   |                          |                              |
| Share capital                                                    | 5,970                    | 5,837                        |
| Additional paid-in capital                                       | 128,798                  | 128,438                      |
| Accumulated other comprehensive income                           | (2,477)                  | (5,633)                      |
| Accumulated deficit                                              | (82,588)                 | (86,115)                     |
|                                                                  | <u>49,703</u>            | <u>42,527</u>                |
| <b>Total Pointer Telocation Ltd's shareholders' equity</b>       |                          |                              |
| Non-controlling interest                                         | 168                      | 162                          |
|                                                                  | <u>49,871</u>            | <u>42,689</u>                |
| <b>Total equity</b>                                              |                          |                              |
| <b>Total liabilities and equity</b>                              | <u>\$ 82,692</u>         | <u>\$ 76,881</u>             |

**POINTER TELOCATION LTD. AND ITS SUBSIDIARIES**

**INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS**

U.S. dollars in thousands

|                                                                                                            | Six months ended<br>June 30, |                 | Three months ended<br>June 30, |               | Year ended<br>December 31, |
|------------------------------------------------------------------------------------------------------------|------------------------------|-----------------|--------------------------------|---------------|----------------------------|
|                                                                                                            | 2017                         | 2016            | 2017                           | 2016          | 2016                       |
|                                                                                                            | Unaudited                    |                 | Unaudited                      |               |                            |
| Revenues:                                                                                                  |                              |                 |                                |               |                            |
| Products                                                                                                   | \$ 13,829                    | \$ 11,555       | \$ 7,147                       | \$ 6,048      | \$ 22,784                  |
| Services                                                                                                   | 25,243                       | 19,485          | 12,894                         | 10,166        | 41,569                     |
| <b>Total revenues</b>                                                                                      | <b>39,072</b>                | <b>31,040</b>   | <b>20,041</b>                  | <b>16,214</b> | <b>64,353</b>              |
| Cost of revenues:                                                                                          |                              |                 |                                |               |                            |
| Products                                                                                                   | 8,753                        | 7,178           | 4,477                          | 3,782         | 13,904                     |
| Services                                                                                                   | 10,621                       | 8,774           | 5,258                          | 4,702         | 18,672                     |
| <b>Total cost of revenues</b>                                                                              | <b>19,374</b>                | <b>15,952</b>   | <b>9,735</b>                   | <b>8,484</b>  | <b>32,576</b>              |
| <b>Gross profit</b>                                                                                        | <b>19,698</b>                | <b>15,088</b>   | <b>10,306</b>                  | <b>7,730</b>  | <b>31,777</b>              |
| Operating expenses:                                                                                        |                              |                 |                                |               |                            |
| Research and development                                                                                   | 1,987                        | 1,824           | 1,017                          | 919           | 3,669                      |
| Selling and marketing                                                                                      | 6,761                        | 5,615           | 3,456                          | 2,968         | 11,774                     |
| General and administrative                                                                                 | 5,634                        | 4,227           | 2,886                          | 2,093         | 9,004                      |
| Amortization of intangible assets                                                                          | 226                          | 195             | 113                            | 105           | 473                        |
| One-time acquisition related costs                                                                         | -                            | -               | -                              | -             | 609                        |
| <b>Total operating expenses</b>                                                                            | <b>14,608</b>                | <b>11,861</b>   | <b>7,472</b>                   | <b>6,085</b>  | <b>25,529</b>              |
| Operating income                                                                                           | 5,090                        | 3,227           | 2,834                          | 1,645         | 6,248                      |
| Financial expenses, net                                                                                    | 419                          | 243             | 259                            | 323           | 1,046                      |
| Other expenses (income)                                                                                    | -                            | (4)             | -                              | 2             | 9                          |
| Income before taxes on income                                                                              | 4,671                        | 2,988           | 2,575                          | 1,320         | 5,193                      |
| Taxes on income                                                                                            | 1,138                        | 854             | 609                            | 276           | 1,845                      |
| Income from continuing operations                                                                          | 3,533                        | 2,134           | 1,966                          | 1,044         | 3,348                      |
| Income (loss) from discontinued operation, net                                                             | -                            | 154             | -                              | (168)         | 154                        |
| <b>Net income</b>                                                                                          | <b>\$ 3,533</b>              | <b>\$ 2,288</b> | <b>\$ 1,966</b>                | <b>\$ 876</b> | <b>\$ 3,502</b>            |
| Earnings per share from continuing operations<br>attributable to Pointer Telocation Ltd's<br>shareholders: |                              |                 |                                |               |                            |
| Basic net earnings per share                                                                               | \$ 0.44                      | \$ 0.27         | \$ 0.24                        | \$ 0.13       | \$ 0.43                    |
| Diluted net earnings per share                                                                             | \$ 0.44                      | \$ 0.27         | \$ 0.24                        | \$ 0.13       | \$ 0.42                    |
| Weighted average -Basic number of shares                                                                   | 7,942,957                    | 7,787,009       | 7,978,102                      | 7,789,365     | 7,820,767                  |
| Weighted average – fully diluted number of<br>shares                                                       | 8,070,953                    | 7,924,421       | 8,111,119                      | 7,934,321     | 7,938,290                  |

**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

U.S. dollars in thousands

|                                                                                            | Six months ended |                | Three months ended |                | Year ended      |
|--------------------------------------------------------------------------------------------|------------------|----------------|--------------------|----------------|-----------------|
|                                                                                            | June 30,         |                | June 30,           |                | December 31,    |
|                                                                                            | 2017             | 2016           | 2017               | 2016           | 2016            |
|                                                                                            | Unaudited        |                | Unaudited          |                |                 |
| <u>Cash flows from operating activities:</u>                                               |                  |                |                    |                |                 |
| Net income                                                                                 | \$ 3,533         | \$ 2,288       | \$ 1,966           | \$ 876         | \$ 3,502        |
| Adjustments required to reconcile net income to net cash provided by operating activities: |                  |                |                    |                |                 |
| Depreciation and amortization                                                              | 1,451            | 1,775          | 601                | 877            | 3,258           |
| Accrued interest and exchange rate changes of debenture and long-term loans                | -                | 74             | -                  | 290            | 29              |
| Accrued severance pay, net                                                                 | 112              | 121            | 54                 | 74             | 20              |
| Gain from sale of property and equipment, net                                              | (67)             | (179)          | (49)               | (53)           | (232)           |
| Stock-based compensation                                                                   | 217              | 94             | 106                | 36             | 320             |
| Increase in trade receivables, net                                                         | (2,127)          | (4,284)        | (1,202)            | (585)          | (3,489)         |
| Decrease (increase) in other accounts receivable and prepaid expenses                      | (480)            | (906)          | 131                | (249)          | (942)           |
| Decrease (increase) in inventories                                                         | (567)            | 443            | (418)              | 207            | (1,063)         |
| Decrease in deferred income taxes                                                          | 822              | 1,038          | 452                | 248            | 1,774           |
| Decrease (increase) in long-term accounts receivable                                       | 52               | (9)            | 123                | 126            | 99              |
| Increase (decrease) in trade payables                                                      | (1,211)          | 2,042          | (732)              | 296            | 3,346           |
| Increase in other accounts payable and accrued expenses                                    | 994              | 2,460          | 192                | 1,293          | 2,455           |
| Net cash provided by operating activities                                                  | <u>2,729</u>     | <u>4,957</u>   | <u>1,224</u>       | <u>3,436</u>   | <u>9,077</u>    |
| <u>Cash flows from investing activities:</u>                                               |                  |                |                    |                |                 |
| Purchase of property and equipment                                                         | (1,112)          | (2,861)        | (344)              | (1,284)        | (4,129)         |
| Purchase of other intangible assets                                                        | -                | (115)          | -                  | (115)          | (115)           |
| Proceeds from sale of property and equipment                                               | 55               | 594            | 37                 | 118            | 648             |
| Acquisition of subsidiary (a)                                                              | -                | -              | -                  | -              | (8,531)         |
| Net cash used in investing activities                                                      | <u>(1,057)</u>   | <u>(2,382)</u> | <u>(307)</u>       | <u>(1,281)</u> | <u>(12,127)</u> |



**POINTER TELOCATION LTD. AND ITS SUBSIDIARIES**

**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

U.S. dollars in thousands

|                                                                                 | Six months ended<br>June 30, |                 | Three months ended<br>June 30, |                 | Year ended<br>December 31, |
|---------------------------------------------------------------------------------|------------------------------|-----------------|--------------------------------|-----------------|----------------------------|
|                                                                                 | 2017                         | 2016            | 2017                           | 2016            | 2016                       |
|                                                                                 | <u>Unaudited</u>             |                 | <u>Unaudited</u>               |                 |                            |
| <u>Cash flows from financing activities:</u>                                    |                              |                 |                                |                 |                            |
| Receipt of long-term loans from banks                                           | -                            | 95              | -                              | -               | 6,263                      |
| Repayment of long-term loans from banks                                         | (2,013)                      | (2,250)         | (1,063)                        | (1,123)         | (4,976)                    |
| Proceeds from issuance of shares and exercise of options, net of issuance costs | 276                          | -               | 197                            | -               | 98                         |
| Distribution as a dividend in kind of previously consolidated subsidiary (b)    | -                            | (1,870)         | -                              | (1,870)         | (1,870)                    |
| Short-term bank credit, net                                                     | (302)                        | 128             | (21)                           | 83              | 716                        |
| Net cash provided (used) in financing activities                                | <u>(2,039)</u>               | <u>(3,897)</u>  | <u>(887)</u>                   | <u>(2,910)</u>  | <u>231</u>                 |
| Effect of exchange rate on cash and cash equivalents                            | <u>1</u>                     | <u>(280)</u>    | <u>(84)</u>                    | <u>(155)</u>    | <u>(462)</u>               |
| Decrease in cash and cash equivalents                                           | (366)                        | (1,602)         | (54)                           | (910)           | (3,281)                    |
| Cash and cash equivalents at the beginning of the period                        | <u>6,066</u>                 | <u>9,347</u>    | <u>5,754</u>                   | <u>8,655</u>    | <u>9,347</u>               |
| Cash and cash equivalents at the end of the period                              | <u>\$ 5,700</u>              | <u>\$ 7,745</u> | <u>\$ 5,700</u>                | <u>\$ 7,745</u> | <u>\$ 6,066</u>            |

(a) Acquisition of subsidiary:

|                                                         |             |             |             |             |                   |
|---------------------------------------------------------|-------------|-------------|-------------|-------------|-------------------|
| Working capital (Cash and cash equivalent excluded)     | \$ -        | \$ -        | \$ -        | \$ -        | \$ (334)          |
| Property and equipment                                  | -           | -           | -           | -           | (1,239)           |
| Intangible assets                                       | -           | -           | -           | -           | (2,098)           |
| Goodwill                                                | -           | -           | -           | -           | (6,070)           |
| Deferred taxes                                          | -           | -           | -           | -           | 714               |
| Payables for acquisition of investments in subsidiaries | -           | -           | -           | -           | 496               |
|                                                         | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (8,531)</u> |

**POINTER TELOCATION LTD. AND ITS SUBSIDIARIES**

**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

U.S. dollars in thousands

|                                                                                                                                                           | Six months ended |                   | Three months ended |                   | Year ended        |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|-------------------|--------------------|-------------------|-------------------|
|                                                                                                                                                           | June 30,         |                   | June 30,           |                   | December 31,      |
|                                                                                                                                                           | 2017             | 2016              | 2017               | 2016              | 2016              |
|                                                                                                                                                           | <u>Unaudited</u> |                   | <u>Unaudited</u>   |                   |                   |
| (b) <u>Distribution as a dividend in kind of previously consolidated subsidiary:</u><br>The subsidiaries' assets and liabilities at date of distribution: |                  |                   |                    |                   |                   |
| Working capital (excluding cash and cash equivalents)                                                                                                     | \$ -             | (5,443)           | \$ -               | (5,443)           | (5,443)           |
| Property and equipment                                                                                                                                    | -                | 7,048             | -                  | 7,048             | 7,048             |
| Goodwill and other intangible assets                                                                                                                      | -                | 15,883            | -                  | 15,883            | 15,883            |
| Other long term liabilities                                                                                                                               | -                | (1,781)           | -                  | (1,781)           | (1,781)           |
| Non-controlling interest                                                                                                                                  | -                | 373               | -                  | 373               | 373               |
| Accumulated other comprehensive loss                                                                                                                      | -                | (213)             | -                  | (213)             | (213)             |
| Dividend in kind                                                                                                                                          |                  | (17,737)          |                    | (17,737)          | (17,737)          |
|                                                                                                                                                           | <u>\$ -</u>      | <u>\$ (1,870)</u> | <u>\$ -</u>        | <u>\$ (1,870)</u> | <u>\$ (1,870)</u> |
| (c) <u>Non-cash investing activity:</u>                                                                                                                   |                  |                   |                    |                   |                   |
| Purchase of property and equipment                                                                                                                        | <u>\$ 156</u>    | <u>\$ 39</u>      | <u>\$ 54</u>       | <u>\$ (12)</u>    | <u>\$ 48</u>      |

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**POINTER TELOCATION LTD. AND ITS SUBSIDIARIES**

**ADDITIONAL INFORMATION**

**U.S. dollars in thousands (except share and per share data)**

The following table reconciles the GAAP to non-GAAP operating results:

|                                                                    | Six months ended<br>June 30, |                  | Three months ended<br>June 30, |                 | Year ended<br>December 31, |
|--------------------------------------------------------------------|------------------------------|------------------|--------------------------------|-----------------|----------------------------|
|                                                                    | 2017                         | 2016             | 2017                           | 2016            | 2016                       |
| <b>GAAP gross profit</b>                                           | \$ 19,698                    | \$ 15,088        | \$ 10,306                      | \$ 7,730        | \$ 31,777                  |
| Stock-based compensation expenses                                  | 2                            | 4                | 1                              | 1               | 6                          |
| <b>Non-GAAP gross profit</b>                                       | <u>\$ 19,700</u>             | <u>15,092</u>    | <u>\$ 10,307</u>               | <u>7,731</u>    | <u>31,783</u>              |
| <br>                                                               |                              |                  |                                |                 |                            |
| <b>GAAP operating expenses</b>                                     | \$ 14,608                    | \$ 11,861        | \$ 7,472                       | \$ 6,085        | \$ 25,529                  |
| Stock-based compensation expenses                                  | 215                          | 90               | 105                            | 35              | 314                        |
| Amortization and impairment of long lived assets                   | 226                          | 195              | 113                            | 105             | 473                        |
| Other expenses of retirement costs                                 | 125                          | -                | -                              | -               | -                          |
| Acquisition related one-time costs                                 | -                            | -                | -                              | -               | 609                        |
| <b>Non-GAAP operating expenses</b>                                 | <u>\$ 14,042</u>             | <u>\$ 11,576</u> | <u>\$ 7,254</u>                | <u>\$ 5,945</u> | <u>\$ 24,133</u>           |
| <br>                                                               |                              |                  |                                |                 |                            |
| <b>GAAP operating income</b>                                       | \$ 5,090                     | \$ 3,227         | \$ 2,834                       | \$ 1,645        | \$ 6,248                   |
| <b>Non-GAAP operating income</b>                                   | <u>\$ 5,658</u>              | <u>\$ 3,516</u>  | <u>\$ 3,053</u>                | <u>\$ 1,786</u> | <u>\$ 7,650</u>            |
| <br>                                                               |                              |                  |                                |                 |                            |
| <b>GAAP net income from continuing operations</b>                  | \$ 3,533                     | \$ 2,134         | \$ 1,966                       | \$ 1,044        | \$ 3,348                   |
| Stock-based compensation expenses                                  | 217                          | 94               | 106                            | 36              | 320                        |
| Amortization and impairment of long lived assets                   | 226                          | 195              | 113                            | 105             | 473                        |
| Other expenses of retirement costs                                 | 125                          | -                | -                              | -               | -                          |
| Non cash tax expenses                                              | 801                          | 854              | 415                            | 276             | 1,723                      |
| Acquisition related one-time costs                                 | -                            | -                | -                              | -               | 609                        |
| <b>Non-GAAP net income from continuing operations</b>              | <u>\$ 4,902</u>              | <u>\$ 3,277</u>  | <u>\$ 2,600</u>                | <u>\$ 1,461</u> | <u>\$ 6,473</u>            |
| <br>                                                               |                              |                  |                                |                 |                            |
| <b>Income (loss) from discontinued operation</b>                   | -                            | 154              | -                              | (168)           | 154                        |
| Non cash tax expenses                                              | -                            | 249              | -                              | 91              | 249                        |
| Spin-off related expenses and losses                               | -                            | 349              | -                              | 349             | 349                        |
| Amortization and impairment of long lived assets                   | -                            | 67               | -                              | 28              | 67                         |
| <b>Non-GAAP net income</b>                                         | <u>\$ 4,902</u>              | <u>\$ 4,096</u>  | <u>\$ 2,600</u>                | <u>\$ 1,761</u> | <u>\$ 7,292</u>            |
| <br>                                                               |                              |                  |                                |                 |                            |
| Non-GAAP net income per share from continuing operations - Diluted | \$ 0.61                      | \$ 0.41          | \$ 0.32                        | \$ 0.18         | \$ 0.82                    |
| Non-GAAP weighted average number of shares - Diluted*              | 8,070,953                    | 7,924,421        | 8,111,119                      | 7,934,321       | 7,938,290                  |

\* In calculating diluted non-GAAP net income per share, the diluted weighted average number of shares outstanding excludes the effects of stock-based compensation expenses in accordance with FASB ASC 718.

POINTER TELOCATION LTD. AND ITS SUBSIDIARIES

**EBITDA**

U.S. dollars in thousands

|                                                                                | Six months ended<br>June 30, |                 | Three months ended<br>June 30, |                 | Year ended<br>December 31, |
|--------------------------------------------------------------------------------|------------------------------|-----------------|--------------------------------|-----------------|----------------------------|
|                                                                                | 2017                         | 2016            | 2017                           | 2016            | 2016                       |
| GAAP Net income from continuing operations<br>as reported:                     | \$ 3,533                     | \$ 2,134        | \$ 1,966                       | \$ 1,044        | \$ 3,348                   |
| Financial expenses, net                                                        | 419                          | 243             | 259                            | 323             | 1,046                      |
| Tax on income                                                                  | 1,138                        | 854             | 609                            | 276             | 1,845                      |
| Depreciation, amortization and impairment of<br>goodwill and intangible assets | 1,451                        | 1,109           | 601                            | 591             | 2,590                      |
| <b>EBITDA from continuing operations</b>                                       | <b>\$ 6,541</b>              | <b>\$ 4,340</b> | <b>\$ 3,435</b>                | <b>\$ 2,234</b> | <b>\$ 8,829</b>            |
| <b>Income (loss) from discontinued operation</b>                               | -                            | 154             | -                              | (168)           | 154                        |
| Financial expenses, net                                                        | -                            | 47              | -                              | 28              | 47                         |
| Tax on income                                                                  | -                            | 249             | -                              | 91              | 249                        |
| Depreciation, amortization and impairment of<br>goodwill and intangible assets | -                            | 668             | -                              | 288             | 668                        |
| <b>EBITDA</b>                                                                  | <b>\$ 6,541</b>              | <b>\$ 5,458</b> | <b>\$ 3,435</b>                | <b>\$ 2,473</b> | <b>\$ 9,947</b>            |

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