



## **ITURAN LOCATION AND CONTROL LTD. AND ITS SUBSIDIARIES**

### **Consolidated Interim Financial Statements as of September 30, 2006**



## **ITURAN LOCATION AND CONTROL LTD. AND ITS SUBSIDIARIES**

### **Consolidated Interim Financial Statements as of September 30, 2006**

#### **Table of Contents**

	<b>Page</b>
<b>Consolidated Interim Financial Statements:</b>	
Balance Sheets	3 – 4
Statements of Income	5
Statements of Cash Flows	6



**ITURAN LOCATION AND CONTROL LTD. AND ITS SUBSIDIARIES**

**CONSOLIDATED INTERIM BALANCE SHEETS**

<b>(in thousands)</b>	<b>US dollars</b>	
	<b>December 31, 2005</b>	<b>September 30, 2006</b>
	<b>(audited)</b>	<b>(unaudited)</b>
<b>Current assets</b>		
Cash and cash equivalents	58,429	40,013
Investment in marketable securities	-	17,964
Accounts receivable (net of allowance for doubtful accounts)	22,494	26,040
Other current assets	2,747	3,220
Inventories	6,330	10,880
	<u>90,000</u>	<u>98,117</u>
<b>Long-term investments and debit balances</b>		
Investments in affiliated companies	872	872
Accounts receivable	280	135
Deposit	1,300	1,420
Deferred income taxes	5,168	5,119
Funds in respect of employee rights upon retirement	2,959	3,507
	<u>10,579</u>	<u>11,053</u>
<b>Property and equipment, net</b>	<u>9,904</u>	<u>17,826</u>
<b>Intangible assets, net</b>	<u>3,201</u>	<u>2,883</u>
<b>Goodwill</b>	<u>2,800</u>	<u>2,867</u>
<b>Total assets</b>	<u>116,484</u>	<u>132,746</u>



**ITURAN LOCATION AND CONTROL LTD. AND ITS SUBSIDIARIES**

**CONSOLIDATED INTERIM BALANCE SHEETS**

<b>(in thousands)</b>	<b>US dollars</b>	
	<b>December 31, 2005 (audited)</b>	<b>September 30, 2006 (unaudited)</b>
<b>Current liabilities</b>		
Credit from banking institutions	3,315	691
Accounts payable	10,298	14,190
Deferred revenues	3,900	4,644
Advances, net of work in progress inventory	-	481
Other current liabilities	11,492	10,651
	<u>29,005</u>	<u>30,657</u>
<b>Long-term liabilities</b>		
Long-term loans from banking institutions	373	-
Liability for employee rights upon retirement	4,504	4,523
Deferred income taxes	212	746
	<u>5,089</u>	<u>5,269</u>
<b>Minority interest</b>	734	905
<b>Capital Notes</b>	5,894	5,894
<b>Total shareholders' equity</b>	<u>75,762</u>	<u>90,021</u>
<b>Total liabilities and shareholders' equity</b>	<u><u>116,484</u></u>	<u><u>132,746</u></u>



## ITURAN LOCATION AND CONTROL LTD. AND ITS SUBSIDIARIES

### CONSOLIDATED INTERIM STATEMENTS OF INCOME

(in thousands except per share data)	US dollars		US dollars	
	Nine month period ended September 30, 2005	2006	Three month period ended September 30, 2005	2006
<b>Revenues:</b>				
Location-based services	31,933	39,867	11,368	13,845
Wireless communications products	32,544	35,201	11,586	12,201
Other	2,164	-	2	-
	66,641	75,068	22,956	26,046
<b>Cost of revenues:</b>				
Location-based services	11,272	13,314	3,878	4,780
Wireless communications products	22,578	24,917	7,893	8,571
Other	1,602	-	29	-
	35,452	38,231	11,800	13,351
Gross profit	31,189	36,837	11,156	12,695
Research and development expenses	2,242	2,082	642	590
Selling and marketing expenses	3,608	3,829	1,402	1,250
General and administrative expenses	10,920	12,701	4,097	4,571
Other expenses (income), net	(6)	2	(1)	(4)
Operating income	14,425	18,223	5,016	6,288
Financing income, net	197	1,152	238	560
Income before taxes on income	14,622	19,375	5,254	6,848
Taxes on income	(3,711)	(4,703)	(1,578)	(1,774)
	10,911	14,672	3,676	5,074
Share in losses of affiliated companies, net	(97)	(201)	(9)	(52)
Minority interests in income of subsidiaries	(114)	(403)	(52)	(127)
Net income for the period	10,700	14,068	3,615	4,895
<b>Earnings per share</b>				
Basic	0.57	0.61	0.19	0.21
Diluted	0.55	0.60	0.19	0.21
<b>Weighted average number of shares outstanding (in thousands):</b>				
Basic	18,671	23,172	18,785	23,281
Diluted	19,141	23,469	19,141	23,442



## ITURAN LOCATION AND CONTROL LTD. AND ITS SUBSIDIARIES

### CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(in thousands)	US dollars		US dollars	
	Nine month period ended September 30, 2005	2006	Three month period ended September 30, 2005	2006
<b>Cash flows from operating activities</b>				
Net income for the period	10,700	14,068	3,615	4,895
<b>Adjustments to reconcile net income to net cash from operating activities:</b>				
Depreciation and amortization	2,647	2,922	835	1,101
Exchange differences on principal of deposit and loan, net	103	(37)	327	(18)
Exchange differences on principal of marketable securities, net	-	100	-	(72)
Increase (decrease) in liability for employee rights upon retirement	237	(296)	29	(118)
Share in losses of affiliated companies, net	97	201	9	52
Deferred income taxes	90	886	(106)	591
Capital gains on sale of property and equipment, net	-	(35)	-	(8)
Employees stock option plans, net	241	-	241	-
Minority interests in profits (losses) of subsidiaries, net	(114)	403	(176)	127
Decrease (increase) in accounts receivable	(3,300)	(3,269)	230	(1,005)
Increase in other current assets	(1,033)	(237)	(232)	(203)
Increase in inventories and contracts in process, net	(1,007)	(3,626)	(576)	(995)
Increase (decrease) in accounts payable	1,334	3,134	(1,333)	835
Increase in deferred revenues	780	471	1,040	201
Increase (decrease) in other current liabilities	3,704	(1,596)	1,111	205
Net cash provided by operating activities	14,479	13,089	5,014	5,588
<b>Cash flows from investing activities</b>				
Increase in funds in respect of employee rights upon retirement, net of withdrawals	(186)	(341)	(44)	(107)
Capital expenditures	(2,934)	(10,080)	(1,280)	(4,193)
Proceeds from sale of property and equipment	127	53	127	8
Purchase of intangible assets and minority interest	(824)	(51)	(233)	(28)
Investment in marketable securities	-	(52,357)	-	(5,540)
Sale of marketable securities	-	35,155	-	5,424
Loan granted to affiliated company	(339)	(138)	(108)	-
Net cash used in investment activities	(4,156)	(27,759)	(1,538)	(4,436)
<b>Cash flows from financing activities</b>				
Short-term credit from banking institutions, net	32	(244)	54	(60)
Repayment of long-term loans	(4,717)	(2,835)	(1,391)	-
Dividend paid	(2,698)	(3,705)	(14)	-
Proceeds from exercise of options by employees	(596)	18	(246)	10
Acquisition of minority interests in subsidiaries	-	(21)	-	-
Dividend distribution to minority interest of a subsidiary	15	(172)	1	-
Purchase of shares from treasury	-	(877)	-	(877)
Net cash used in financing activities	(7,964)	(7,836)	(1,596)	(927)
Effect of exchange rate changes on cash and cash equivalents	(290)	4,090	(22)	1,949
Net increase (decrease) in cash and cash equivalents	2,069	(18,416)	1,858	2,174
Balance of cash and cash equivalents at beginning of period	4,604	58,429	4,815	37,839
Balance of cash and cash equivalents at end of period	6,673	40,013	6,673	40,013