



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

**Consolidated Interim Financial Statements  
as of March 31, 2008**

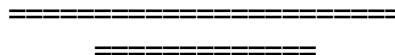


## **ITURAN LOCATION AND CONTROL LTD. AND ITS SUBSIDIARIES**

### **Consolidated Interim Financial Statements as of March 31, 2008**

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**ITURAN LOCATION AND CONTROL LTD. AND ITS SUBSIDIARIES**  
**CONSOLIDATED INTERIM BALANCE SHEETS**

<b>(in thousands)</b>	<b>US dollars</b>	
	<b>March 31, 2008</b>	<b>December 31, 2007</b>
<b>Current assets</b>		
Cash and cash equivalents	86,444	28,669
Investments in marketable securities	10,410	9,558
Accounts receivable (net of allowance for doubtful accounts)	33,487	27,578
Other current assets	9,237	83,783
Inventories	15,297	13,258
	<u>154,875</u>	<u>162,846</u>
<b>Long-term investments and debit balances</b>		
Investments in affiliated companies	1,995	1,869
Accounts receivable	51	49
Loan	558	560
Deferred income taxes	6,067	5,850
Funds in respect of employee rights upon retirement	2,787	2,513
	<u>11,458</u>	<u>10,841</u>
<b>Property and equipment, net</b>	<u>25,864</u>	<u>24,440</u>
<b>Intangible assets, net</b>	<u>8,867</u>	<u>8,801</u>
<b>Goodwill</b>	<u>10,388</u>	<u>9,631</u>
<b>Total assets</b>	<u><u>211,452</u></u>	<u><u>216,559</u></u>



**ITURAN LOCATION AND CONTROL LTD. AND ITS SUBSIDIARIES**  
**CONSOLIDATED INTERIM BALANCE SHEETS**

<b>(in thousands)</b>	<b>US dollars</b>	
	<b>March 31, 2008</b>	<b>December 31, 2007</b>
<b>Current liabilities</b>		
Credit from banking institutions	11,161	318
Accounts payable	15,704	12,703
Deferred revenues	6,086	5,335
Other current liabilities	<u>15,394</u>	<u>34,058</u>
	<u>48,345</u>	<u>52,414</u>
<b>Long-term liabilities</b>		
Liability for employee rights upon retirement	4,533	4,085
Deferred income taxes	<u>1,784</u>	<u>1,715</u>
	<u>6,317</u>	<u>5,800</u>
<b>Contingent liabilities, liens and guarantees</b>		
<b>Minority interest</b>	<u>3,280</u>	<u>2,860</u>
<b>Capital Notes</b>	<u>5,894</u>	<u>5,894</u>
<b>Total shareholders' equity</b>	<u>147,616</u>	<u>149,591</u>
<b>Total liabilities and shareholders' equity</b>	<u>211,452</u>	<u>216,559</u>



**ITURAN LOCATION AND CONTROL LTD. AND ITS SUBSIDIARIES**  
**CONSOLIDATED INTERIM STATEMENTS OF INCOME**

(in thousands except per share data)	US dollars		
	Three months period ended		
	2008	March 31 , 2007	2007 <u>Pro-Forma (*)</u>
<b>Revenues:</b>			
Location-based services	19,828	14,603	14,603
Wireless communications products	12,986	13,335	8,663
	<u>32,814</u>	<u>27,938</u>	<u>23,266</u>
<b>Cost of revenues:</b>			
Location-based services	7,191	5,058	5,058
Wireless communications products	10,482	9,669	7,623
	<u>17,673</u>	<u>14,727</u>	<u>12,681</u>
Gross profit	15,141	13,211	10,585
Research and development expenses	106	713	101
Selling and marketing expenses	2,641	1,582	1,424
General and administrative expenses	6,082	4,845	4,476
Other ( income) expenses, net	<u>35</u>	<u>(11)</u>	<u>-</u>
Operating income	6,277	6,082	4,584
Financing income ( expenses ) , net	<u>(4,371)</u>	<u>311</u>	<u>331</u>
Income before taxes on income	1,906	6,393	4,915
Taxes on income	<u>(781)</u>	<u>(1,725)</u>	<u>(1,199)</u>
	1,125	4,668	3,716
Share in losses of affiliated companies, net	(16)	(57)	(58)
Minority interests in income of subsidiaries	<u>(247)</u>	<u>(224)</u>	<u>(195)</u>
Net income for the period	<u>862</u>	<u>4,387</u>	<u>3,463</u>
<b>Earnings per share:</b>			
Basic	<u>0.04</u>	<u>0.19</u>	<u>0.15</u>
Diluted	<u>0.04</u>	<u>0.19</u>	<u>0.15</u>
<b>Weighted average number of shares outstanding (in thousands):</b>			
Basic	<u>22,107</u>	<u>23,321</u>	<u>23,321</u>
Diluted	<u>22,116</u>	<u>23,482</u>	<u>23,482</u>
	_____	_____	_____
	_____	_____	_____

(\*) Exclude the contribution of Telematics Wireless LTD – the sale of the company was completed on



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

December 31, 2007.



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

(in thousands)	US dollars	
	Three months period ended March 31 ,	
	2008	2007
<b>Cash flows from operating activities</b>		
Net income for the period	862	4,387
<b>Adjustments to reconcile net income to net cash from operating activities:</b>		
Depreciation and amortization	2,219	1,378
Exchange differences on principal of deposit and loan, net	48	(24)
Exchange differences on principal of marketable securities	(43)	(240)
Increase in liability for employee rights upon retirement	111	158
Share in losses of affiliated companies, net	16	57
Deferred income taxes	(579)	17
Capital losses (gains) on sale of property and equipment, net	33	(13)
Minority interests in profits of subsidiaries, net	247	224
Increase in accounts receivable	(3,633)	(3,804)
Decrease (increase) in other current assets	(199)	150
Increase in inventories and contracts in process, net	(946)	(2,990)
Increase in accounts payable	1,953	2,472
Increase (decrease) in deferred revenues	311	(176)
Decrease in other current liabilities	1,393	(315)
Net cash provided by operating activities	<u>1,793</u>	<u>1,281</u>
<b>Cash flows from investing activities</b>		
Increase in funds in respect of employee rights upon retirement, net of withdrawals	(67)	(134)
Capital expenditures	(2,751)	(2,366)
Proceeds from sale of property and equipment	132	76
Investment in affiliated companies	-	(500)
Investment in marketable securities	(1,673)	(1,055)
Sale of marketable securities	1,652	9,008
Proceeds from sale of subsidiary	58,720	-
Net cash used in investment activities	<u>56,013</u>	<u>5,029</u>
<b>Cash flows from financing activities</b>		
Short-term credit from banking institutions, net	10,817	92
Repayment of long-term loans	-	(337)
Purchase of shares from treasury	(13,212)	-
Net cash used in financing activities	<u>(2,395)</u>	<u>(245)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>2,364</u>	<u>737</u>
Net increase in cash and cash equivalents	57,775	6,802
Balance of cash and cash equivalents at beginning of period	<u>28,669</u>	<u>43,812</u>
Balance of cash and cash equivalents at end of period	<u>86,444</u>	<u>50,614</u>