



ITURAN LOCATION AND CONTROL LTD. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands)	US dollars	
	December 31,	
	2005	2006
	(Audited)	
Current assets		
Cash and cash equivalents	58,429	43,812
Investments in marketable securities	-	16,034
Accounts receivable (net of allowance for doubtful accounts)	22,494	29,709
Other current assets	2,747	4,169
Contracts in process , net	-	1,456
Inventories	6,330	10,910
	<u>90,000</u>	<u>106,090</u>
Long-term investments and debit balances		
Investments in affiliated companies	918	881
Accounts receivable	280	123
Deposit	1,300	1,457
Deferred income taxes	5,168	5,112
Funds in respect of employee rights upon retirement	2,959	4,001
	<u>10,625</u>	<u>11,574</u>
Property and equipment, net	<u>9,904</u>	<u>19,109</u>
Intangible assets, net	<u>3,201</u>	<u>2,784</u>
Goodwill	<u>2,754</u>	<u>4,536</u>
Total assets	<u><u>116,484</u></u>	<u><u>144,093</u></u>



ITURAN LOCATION AND CONTROL LTD. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands)	US dollars	
	December 31,	
	2005	2006
	(Audited)	
Current liabilities		
Credit from banking institutions	3,315	474
Accounts payable	10,298	14,956
Deferred revenues	3,900	4,399
Other current liabilities	<u>11,492</u>	<u>12,827</u>
	<u>29,005</u>	<u>32,656</u>
Long-term liabilities		
Long-term loans from banking institutions	373	-
Liability for employee rights upon retirement	4,504	5,278
Deferred income taxes	<u>212</u>	<u>816</u>
	<u>5,089</u>	<u>6,094</u>
Minority interest	<u>734</u>	<u>2,578</u>
Capital Notes	<u>5,894</u>	<u>5,894</u>
Total shareholders' equity	<u>75,762</u>	<u>96,871</u>
Total liabilities and shareholders' equity	<u>116,484</u>	<u>144,093</u>



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

(in thousands except per share data)	US dollars		US dollars	
	Year ended December 31 , 2005 2006		Three months ended December 31 , 2005 2006	
	(Audited)		(Unaudited)	
Revenues:				
Location-based services	44,128	54,048	12,195	14,181
Wireless communications products	43,806	50,004	11,262	14,803
Other	2,192	-	28	-
	<u>90,126</u>	<u>104,052</u>	<u>23,485</u>	<u>28,984</u>
Cost of revenues:				
Location-based services	14,987	18,419	3,715	5,105
Wireless communications products	30,956	35,434	8,378	10,517
Other	1,643	-	41	-
	<u>47,586</u>	<u>53,853</u>	<u>12,134</u>	<u>15,622</u>
Gross profit	42,540	50,199	11,351	13,362
Research and development expenses	2,799	2,682	557	600
Selling and marketing expenses	4,876	5,123	1,268	1,294
General and administrative expenses	14,959	17,659	4,039	4,959
Other expenses (income), net	(16)	3	(10)	-
Operating income	19,922	24,732	5,497	6,509
Financing income, net	906	1,886	709	733
Income before taxes on income	20,828	26,618	6,206	7,242
Taxes on income	(5,295)	(6,581)	(1,584)	(1,878)
	15,533	20,037	4,622	5,364
Share in losses of affiliated companies, net	(355)	(213)	(258)	(11)
Minority interests in income of subsidiaries	(803)	(565)	(689)	(162)
Net income for the period	<u>14,375</u>	<u>19,259</u>	<u>3,675</u>	<u>5,191</u>
Earnings per share:				
Basic	<u>0.73</u>	<u>0.83</u>	<u>0.16</u>	<u>0.22</u>
Diluted	<u>0.71</u>	<u>0.82</u>	<u>0.16</u>	<u>0.22</u>
Weighted average number of shares outstanding (in thousands):				
Basic	<u>19,736</u>	<u>23,194</u>	<u>22,930</u>	<u>23,322</u>
Diluted	<u>20,254</u>	<u>23,457</u>	<u>23,343</u>	<u>23,482</u>



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

US dollars

(in thousands)	Year ended		Three months ended	
	December 31, 2005	2006	December 31 , 2005	2006
	(Audited)		(Unaudited)	
Cash flows from operating activities				
Net income for the period	14,375	19,259	3,675	5,191
Adjustments to reconcile net income to net cash from operating activities:				
Depreciation and amortization	3,341	4,205	694	1,283
Exchange differences on principal of deposit and loan, net	104	(50)	1	(13)
Exchange differences on principal of marketable securities	-	(200)	-	(300)
Increase (decrease) in liability for employee rights upon retirement	521	(187)	284	109
Share in losses of affiliated companies, net	355	213	258	12
Deferred income taxes	301	909	211	23
Amortization of deferred compensation related to employee stock option plans, net	243	-	2	-
Capital gains on sale of property and equipment, net	(16)	(35)	(16)	-
Minority interests in profits of subsidiaries, net	803	565	917	162
Increase in accounts receivable	(4,912)	(3,931)	(1,612)	(662)
Decrease (increase) in other current assets	(1,028)	(884)	5	(647)
Decrease (increase) in inventories and contracts in process, net	(269)	(4,435)	738	(809)
Increase (decrease) in accounts payable	460	2,686	(874)	(448)
Increase (decrease) in deferred revenues	321	(1)	(459)	(472)
Increase (decrease) in other current liabilities	3,159	142	(545)	1,738
Net cash provided by operating activities	<u>17,758</u>	<u>18,256</u>	<u>3,279</u>	<u>5,167</u>
Cash flows from investing activities				
Increase in funds in respect of employee rights upon retirement, net of withdrawals	(288)	(412)	(102)	(71)
Capital expenditures	(3,540)	(12,106)	(606)	(2,026)
Proceeds from sale of property and equipment	133	53	6	-
Acquisitions of subsidiaries (appendix A)	-	(2,243)	-	(2,243)
Purchase of intangible assets and minority interest	(746)	(58)	78	(7)
Investment in marketable securities	-	(55,863)	-	(3,506)
Sale of marketable securities	-	40,848	-	5,693
Loan granted to affiliated company	(452)	(138)	(113)	-
Net cash used in investment activities	<u>(4,893)</u>	<u>(29,919)</u>	<u>(737)</u>	<u>(2,160)</u>
Cash flows from financing activities				
Short-term credit from banking institutions, net	181	(237)	149	7
Repayment of long-term loans	(6,290)	(3,191)	(1,573)	(356)
Dividend paid	(2,697)	(3,705)	-	-
Proceeds from exercise of options by employees	15	18	611	-
Proceeds from exercise of warrants	373	-	373	-
Issuance of share capital , net	49,673	-	49,673	-
Acquisition of minority interests in subsidiaries	-	(21)	-	-
Dividend distribution to minority interest of a subsidiary	-	(172)	(15)	-
Purchase of shares from treasury	-	(877)	-	-
Net cash used in financing activities	<u>41,255</u>	<u>(8,185)</u>	<u>49,218</u>	<u>(349)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(295)</u>	<u>5,231</u>	<u>(4)</u>	<u>1,141</u>
Net increase (decrease) in cash and cash equivalents	53,825	(14,617)	51,756	3,799
Balance of cash and cash equivalents at beginning of period	4,604	58,429	6,673	40,013
Balance of cash and cash equivalents at end of period	<u>58,429</u>	<u>43,812</u>	<u>58,429</u>	<u>43,812</u>



ITURAN LOCATION AND CONTROL LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (cont.)

Appendix A – Acquisitions of subsidiaries

(in thousands)	US dollars year ended December 31, 2006 (Audited)
Working capital(excluding cash and cash equivalents), net	2,015
Long-term deferred income taxes	54
Funds in respect of employee rights upon retirement	366
Property and equipment , net	231
Goodwill	1,631
Liability for employee rights upon retirement	(559)
Minority interest	(1,495)
	<u>2,243</u>