



## **ANNOUNCES THE RECEIPT OF BRAZILIAN VAT DEFICIENCY NOTICE**

**AZOUR, Israel – July 19, 2010** – Ituran Location and Control Ltd. (NASDAQ: ITRN, TASE: ITRN), today announced that its Brazilian subsidiary has received a Brazilian vat deficiency notice.

On July 13 2010, the State Revenue Services of São Paulo issued a tax deficiency notice against our subsidiary in Brazil, Ituran Sistemas de Monitoramento Ltda., claiming that the vehicle tracking and monitoring services provided by our subsidiary should be classified as telecommunication services and therefore subject to the imposition of State Value Added Tax – ICMS, resulting in an imposition of 25% state value added tax on all revenues of our subsidiary during the period between August 2005 and December 2007. The tax deficiency notice is in the amount of R\$36,499,984 (approximately US\$20.5 million) plus interest in the amount of R\$21,325,647 (approximately US\$12 million) and penalties in the amount of R\$66,143,446 (approximately US\$37 million). The penalties may be drastically reduced if payment is affected within a specified period of time.

We received a legal opinion from a prominent law firm in Brazil that the merits of the case are overwhelmingly favorable to us, determining among other things that the imposition on our subsidiary of the State Value Added Tax by the State Revenue Services of São Paulo is illegal. Based on the legal advice obtained by our subsidiary, we believe that the claim by the State Revenue Services is without merit and intend to vigorously defend ourselves against such claim. On the basis of such opinion we also do not intend to make any provisions in our consolidated financial statements in respect of the alleged tax deficiency notice and the imposition of State Value Added Tax as described above.

Eyal Sheratzky, Ituran's Co-CEO commented, "In the coming weeks we intend to further explore the matter and evaluate the best course of action in order to resolve the matter in the best interest of the Company. Based on the initial legal opinion we received, we believe that the case has no merit. We intend to provide a more detailed update on the matter in our upcoming Q2 earning results release in August" concluded Mr. Sheratzky.

### ***About Ituran***

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Ituran provides location-based services, consisting predominantly of stolen vehicle recovery and tracking services, as well as wireless communications products used in connection with its location-based services and various other applications. Ituran offers mobile asset location, Stolen Vehicle Recovery, management & control services for vehicles, cargo and personal security. Ituran's subscriber base has been growing significantly since the Company's inception to over 562,000 subscribers distributed globally. Established in 1995, Ituran has approximately 1,200 employees worldwide, provides its location based services and has a market leading position in Israel, Brazil, Argentina and the United States.

For more information, please visit Ituran's website, at: [www.ituran.com](http://www.ituran.com)

*Certain statements in this press release are "forward-looking statements" within the meaning of the Securities Act of 1933, as amended. These forward-looking statements include, but are not*

*limited to, our plans, objectives, expectations and intentions and other statements contained in this report that are not historical facts as well as statements identified by words such as "expects", "anticipates", "intends", "plans", "believes", "seeks", "estimates" or words of similar meaning. These statements are based on our current beliefs or expectations and are inherently subject to significant uncertainties and changes in circumstances, many of which are beyond our control. Actual results may differ materially from these expectations due to changes in global political, economic, business, competitive, market and regulatory factors.*

## **International Investor Relations**

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