



ITURAN LOCATION AND CONTROL LTD. AND ITS SUBSIDIARIES

**Consolidated Financial Statements
as of December 31, 2012**

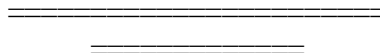


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Table of Contents

	Page
Consolidated Financial Statements:	
Balance Sheets	2 – 3
Statements of Income	4
Statements of Cash Flows	5



CONSOLIDATED BALANCE SHEETS

(in thousands)	US dollars	
	December 31,	
	2012	2011
Current assets		
Cash and cash equivalents	29,453	35,270
Investments in marketable securities	-	68
Accounts receivable (net of allowance for doubtful accounts)	26,190	25,294
Loan to former employee	-	340
Other current assets	15,399	15,165
Inventories	14,747	10,881
	<u>85,789</u>	<u>87,018</u>
Long-term investments and debit balances		
Deposit in escrow	4,939	4,888
Investments in affiliated company	160	207
Investments in other company	82	80
Other non-current assets	1,890	2,216
Deferred income taxes	4,174	5,568
Funds in respect of employee rights upon retirement	5,515	4,741
	<u>16,760</u>	<u>17,700</u>
Property and equipment, net	<u>34,156</u>	<u>40,870</u>
Intangible assets, net	<u>2,591</u>	<u>3,355</u>
Goodwill	<u>8,043</u>	<u>8,514</u>
Total assets	<u>147,339</u>	<u>157,457</u>

CONSOLIDATED BALANCE SHEETS

	US dollars	
(in thousands)	December 31,	
	2012	2011
Current liabilities		
Credit from banking institutions	221	390
Accounts payable	9,524	9,319
Deferred revenues	9,526	7,869
Other current liabilities	22,373	20,966
	41,644	38,544
Long-term liabilities		
Long term loans	-	173
Liability for employee rights upon retirement	7,915	6,865
Provision for contingencies	3,864	4,250
Other current liabilities	460	753
Deferred revenues	806	728
Deferred income taxes	643	792
	13,688	13,561
Equity:		
Stockholders' equity	88,027	101,194
Non - controlling interest	3,980	4,158
Total equity	92,007	105,352
Total liabilities and shareholders' equity	147,339	157,457

CONSOLIDATED STATEMENTS OF INCOME

(in thousands except per share data)	US dollars		US dollars	
	Year ended December 31,		Three month period ended December 31,	
	2012	2011	2012	2011
Revenues:				
Location-based services	114,565	120,410	29,128	28,442
Wireless communications products	<u>35,753</u>	<u>39,757</u>	<u>9,099</u>	<u>8,534</u>
	<u>150,318</u>	<u>160,167</u>	<u>38,227</u>	<u>36,976</u>
Cost of revenues:				
Location-based services	46,371	50,977(*)	13,077	11,967(*)
Wireless communications products	<u>29,786</u>	<u>29,758(*)</u>	<u>6,312</u>	<u>6,345(*)</u>
	<u>76,157</u>	<u>80,735</u>	<u>19,389</u>	<u>18,312</u>
Gross profit	74,161	79,432	18,838	18,664
Research and development expenses	669	631	169	151
Selling and marketing expenses	8,489	8,543	2,016	2,156
General and administrative expenses	33,439	34,984	7,997	7,919
Other expenses (income), net	<u>1,617</u>	<u>8,691</u>	<u>632</u>	<u>8,704</u>
Operating income	29,947	26,583	8,024	(266)
Other (expenses) income	6,755	(819)	-	(13)
Financing income (expenses) , net	<u>987</u>	<u>2,100</u>	<u>(28)</u>	<u>671</u>
Income (loss) before income taxes	37,689	27,864	7,996	392
Income tax	(11,690)	(5,655)	(3,326)	1,341
Share in income (losses) of affiliated companies, net	<u>(39)</u>	<u>(23)</u>	<u>(10)</u>	<u>(23)</u>
Net income (loss) for the period	25,960	22,186	4,660	1,710
Less :Net income attributable To non-controlling interest	<u>(1,080)</u>	<u>(908)</u>	<u>(250)</u>	<u>(126)</u>
Net income attributable to the company	<u>24,880</u>	<u>21,278</u>	<u>4,410</u>	<u>1,584</u>
Basic and diluted earnings per Share of attributable to company's Stockholders				
	<u>1.19</u>	<u>1.01</u>	<u>0.21</u>	<u>0.07</u>
Basic and diluted weighted average Number of shares outstanding				
	<u>20,968</u>	<u>20,968</u>	<u>20,968</u>	<u>20,968</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	US dollars		US dollars	
	Year ended December 31, 2012	2011	Three months period ended December 31 , 2012	2011
Cash flows from operating activities				
Net income for the year	25,960	22,186	4,660	1,710
Adjustments to reconcile net income to net cash from operating activities:				
Depreciation, amortization and impairment of goodwill	14,671	17,801	4,151	4,692
Exchange differences on principal of deposit and loans, net	55	(429)	233	24
Gains in respect of trading marketable securities	(2)	(27)	-	(27)
Increase in liability for employee rights upon retirement	888	854	185	173
Share in losses of affiliated companies, net	39	23	10	23
Deferred income taxes	4,075	(2,224)	2,789	(858)
Capital losses on sale of property and equipment, net	23	63	2	87
Decrease (increase) in accounts receivable	(300)	3,649	2,165	2,890
Increase in other current assets	(7,974)	(1,784)	(1,202)	(1,849)
increase in inventories	(3,609)	(2,985)	(962)	(1,781)
Increase (decrease) in accounts payable	(372)	(180)	(956)	527
Increase in deferred revenues	1,532	1,550	339	182
Increase (decrease) in other current liabilities	(2,445)	7,355	(2,427)	7,063
Litigation obligation	-	-	-	(237)
Net cash (provided by) operating activities	32,541	45,852	8,987	12,619
Cash flows from investment activities				
Increase in funds in respect of employee rights upon retirement,				
net of withdrawals	(662)	(563)	(164)	(152)
Capital expenditures	(9,676)	(16,161)	(4,854)	(2,822)
Intangible assets expenditures	-	(74)	-	(16)
Deposit in escrow	-	8,223	-	7,620
Deposit	(291)	384	(10)	(26)
Proceeds from sale of property and equipment	319	614	43	65
Sale of marketable securities	70	1,418	-	1,418
Repayment of loan to former employee	355	-	-	-
Adjustment of proceeds received from sale of subsidiary	-	(4,650)	-	(4,650)
Net cash(provided by) investment activities	(9,885)	(10,809)	(4,985)	1,437
Cash flows from financing activities				
Short term credit from banking institutions, net	(310)	299	(363)	(264)
Repayment of long term loans	(44)	(46)	(11)	(11)
Dividend paid	(33,308)	(21,782)	(5,192)	-
Dividend paid to non-controlling interest	(1,141)	(767)	(122)	(261)
Settlements of litigation obligation in connection with financial transaction	7,462	(22,419)	7,462	(22,419)
Net cash(provided by) financing activities	(27,341)	(44,715)	1,774	(22,955)
Effect of exchange rate changes on cash and cash equivalents	(1,132)	(1,732)	(15)	430
Net Increase(decrease) in cash and cash equivalents	(5,817)	(11,404)	5,761	(8,469)
Balance of cash and cash equivalents at beginning of year	35,270	46,674	23,692	43,739
Balance of cash and cash equivalents at end of year	29,453	35,270	29,453	35,270

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