



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

**Consolidated Financial Statements  
as of December 31, 2013**

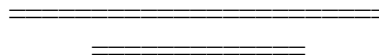


**ITURAN LOCATION AND CONTROL LTD. AND ITS SUBSIDIARIES**

**Consolidated Financial Statements  
as of December 31, 2013**

**Table of Contents**

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



## CONSOLIDATED BALANCE SHEETS

(in thousands)	US dollars December 31,	
	2013	2012
<b>Current assets</b>		
Cash and cash equivalents	41,697	29,453
Deposit in escrow	4,982	-
Accounts receivable (net of allowance for doubtful accounts)	29,239	26,190
Other current assets	18,437	15,399
Inventories	14,506	14,747
	108,861	85,789
<b>Long-term investments and debit balances</b>		
Deposit in escrow	-	4,939
Investments in affiliated company	1,423	160
Investments in other company	88	82
Other non-current assets	1,022	1,890
Deferred income taxes	3,781	4,174
Funds in respect of employee rights upon retirement	6,649	5,515
	12,963	16,760
<b>Property and equipment, net</b>	32,546	34,156
<b>Intangible assets, net</b>	546	2,591
<b>Goodwill</b>	5,986	8,043
<b>Total assets</b>	160,902	147,339

## CONSOLIDATED BALANCE SHEETS

(in thousands)	US dollars	
	December 31,	
	2013	2012
<b>Current liabilities</b>		
Credit from banking institutions	38	221
Accounts payable	11,436	9,524
Deferred revenues	9,852	9,526
Other current liabilities	29,396	22,373
	50,722	41,644
<b>Long-term liabilities</b>		
Liability for employee rights upon retirement	9,607	7,915
Provision for contingencies	2,599	3,864
Other current liabilities	880	460
Deferred revenues	1,033	806
Deferred income taxes	576	643
	14,695	13,688
<b>Equity:</b>		
Stockholders' equity	90,918	88,027
Non - controlling interest	4,567	3,980
<b>Total equity</b>	95,485	92,007
<b>Total liabilities and shareholders' equity</b>	160,902	147,339

**CONSOLIDATED STATEMENTS OF INCOME**

<b>(in thousands except per share data)</b>	<b>US dollars</b>		<b>US dollars</b>	
	<b>Year ended December 31,</b>		<b>Three month period ended December 31,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Revenues:</b>				
Location-based services	126,951	114,565	32,197	29,128
Wireless communications products	43,216	35,753	11,429	9,099
	<u>170,167</u>	<u>150,318</u>	<u>43,626</u>	<u>38,227</u>
<b>Cost of revenues:</b>				
Location-based services	44,850	44,974	11,160	11,292
Wireless communications products	36,015	29,786	9,388	7,739
	<u>80,865</u>	<u>74,760</u>	<u>20,548</u>	<u>19,031</u>
Gross profit	89,302	75,558	23,078	19,196
Research and development expenses	2,414	2,066	619	527
Selling and marketing expenses	9,715	8,489	2,357	2,016
General and administrative expenses	34,483	33,439	8,568	7,997
Other expenses, net	4,400	1,617	3,487	632
Operating income	38,290	29,947	8,047	8,024
Other (expenses) income	(166)	6,755	(166)	-
Financing income (expenses) , net	238	987	94	(28)
Income before income taxes	38,362	37,689	7,975	7,996
Income tax	(12,807)	(11,690)	(3,401)	(3,326)
Share in losses of affiliated companies, net	(1)	(39)	-	(10)
Net income for the period	25,554	25,960	4,574	4,660
Less :Net income attributable To non-controlling interest	(1,792)	(1,080)	(526)	(250)
Net income attributable to the company	<u>23,762</u>	<u>24,880</u>	<u>4,048</u>	<u>4,410</u>
<b>Basic and diluted earnings per Share of attributable to company's Stockholders</b>				
	<u>1.13</u>	<u>1.19</u>	<u>0.19</u>	<u>0.21</u>
<b>Basic and diluted weighted average Number of shares outstanding</b>				
	<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,		Three months period ended December 31 ,	
	2013	2012	2013	2012
<b>Cash flows from operating activities</b>				
Net income for the year	25,554	25,960	4,574	4,660
<b>Adjustments to reconcile net income to net cash from operating activities:</b>				
Depreciation, amortization and impairment of goodwill	16,038	14,671	6,566	4,151
Loss from sale of affiliated company	166	-	166	-
Exchange differences on principal of deposit and loans, net	317	55	88	233
Gains in respect of trading marketable securities	-	(2)	-	-
Increase in liability for employee rights upon retirement	1,095	888	174	185
Share in losses of affiliated companies, net	1	39	-	10
Deferred income taxes	(413)	1,698	(419)	1,417
Capital losses on sale of property and equipment, net	19	23	12	2
Decrease (increase) in accounts receivable	(609)	(300)	1,891	2,165
Decrease (increase) in other current assets	(663)	2,023	52	9,121
Decrease (increase) in inventories	1,354	(3,609)	(1,706)	(962)
Increase (decrease) in accounts payable	1,446	(372)	(113)	(956)
Increase (decrease) in deferred revenues	(227)	1,532	(189)	339
Increase (decrease) in other current liabilities	2,622	(2,445)	1,525	(3,432)
Write-off account receivable in respect of sale of subsidiary	-	(484)	-	(484)
Litigation obligation (litigation obligation adjustment)	-	(7,462)	-	(7,462)
Net cash provided by operating activities	46,700	32,215	12,621	8,987
<b>Cash flows from investment activities</b>				
Increase in funds in respect of employee rights upon retirement,				
Net of withdrawals	(718)	(662)	(236)	(164)
Capital expenditures	(14,216)	(9,676)	(1,176)	(4,854)
Investments in affiliated company	(1,400)	-	(1,400)	-
Deposit	217	(291)	(100)	(10)
Proceeds from sale of property and equipment	651	319	166	43
Sale of marketable securities	-	70	-	-
Repayment of loan to former employee	-	355	-	-
Company no longer consolidated	-	326	-	-
Net cash used in investment activities	(15,466)	(9,559)	(2,746)	(4,985)
<b>Cash flows from financing activities</b>				
Short term credit from banking institutions, net	(7)	(310)	(496)	(363)
Repayment of long term loans	(182)	(44)	(68)	(11)
Dividend paid	(16,075)	(33,308)	(3,596)	(5,192)
Dividend paid to non-controlling interest	(1,286)	(1,141)	(53)	(122)
Settlements of litigation obligation in connection with financial transaction	-	7,462	-	7,462
Net cash provided by (used in) financing activities	(17,550)	(27,341)	(4,213)	1,774
Effect of exchange rate changes on cash and cash equivalents	(1,440)	(1,132)	(585)	(15)
Net Increase(decrease) in cash and cash equivalents	12,244	(5,817)	5,077	5,761
Balance of cash and cash equivalents at beginning of year	29,453	35,270	36,620	23,692
Balance of cash and cash equivalents at end of year	41,697	29,453	41,697	29,453