

**ITURAN LOCATION AND CONTROL LTD.**

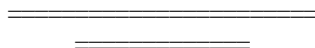
**Condensed Consolidated Interim Financial Statements  
as of September 30, 2013**

# ITURAN LOCATION AND CONTROL LTD.

## Condensed Consolidated Financial Statements as of September 30, 2013

### Table of Contents

	<b>Page</b>
Balance Sheets	2-3
Statements of Income	4
Statements of Cash Flows	5-6



**ITURAN LOCATION AND CONTROL LTD.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

	US dollars	
(in thousands)	September 30, 2013	December 31, 2012
<b>Current assets</b>		
Cash and cash equivalents	36,620	29,453
Deposit in escrow	4,977	-
Accounts receivable (net of allowance for doubtful accounts)	30,141	26,190
Other current assets	18,191	15,399
Inventories	<u>12,504</u>	<u>14,747</u>
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	102,433	85,789
<b>Long-term investments and other assets</b>		
Deposit in escrow	-	4,939
Investments in affiliated company	169	160
Investments in other company	87	82
Other non-current assets	1,140	1,890
Deferred income taxes	3,740	4,174
Funds in respect of employee rights upon retirement	<u>6,303</u>	<u>5,515</u>
	-----	-----
	11,439	16,760
<b>Property and equipment, net</b>	-----	-----
	35,695	34,156
<b>Intangible assets, net</b>	-----	-----
	2,285	2,591
<b>Goodwill</b>	-----	-----
	8,013	8,043
 <b>Total assets</b>	 <u>159,865</u>	 <u>147,339</u>

**ITURAN LOCATION AND CONTROL LTD.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

	US dollars	
(in thousands)	September 30, 2013	December 31, 2012
<b>Current liabilities</b>		
Credit from banking institutions	596	221
Accounts payable	11,271	9,524
Deferred revenues	9,806	9,526
Other current liabilities	27,421	22,373
	49,094	41,644
<b>Long-term liabilities</b>		
Liability for employee rights upon retirement	9,275	7,915
Provision for contingencies	2,745	3,864
Other non-current liabilities	100	460
Deferred revenues	1,061	806
Deferred income taxes	566	643
	13,747	13,688
<b>Stockholders' equity</b>	92,727	88,027
<b>Non-controlling interests</b>	4,297	3,980
<b>Total equity</b>	97,024	92,007
<b>Total liabilities and equity</b>	159,865	147,339

**ITURAN LOCATION AND CONTROL LTD.**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

<b>(in thousands except per share data)</b>	<b>US dollars</b>		<b>US dollars</b>	
	<b>Nine month period ended September 30, 2013</b>	<b>2012</b>	<b>Three month period ended September 30, 2013</b>	<b>2012</b>
<b>Revenues:</b>				
Location-based services	94,754	85,437	31,332	28,102
Wireless communications products	<u>31,787</u>	<u>26,654</u>	<u>11,055</u>	<u>8,703</u>
	<u>126,541</u>	<u>112,091</u>	<u>42,387</u>	<u>36,805</u>
<b>Cost of revenues:</b>				
Location-based services	34,959	34,721	11,701	11,127
Wireless communications products	<u>26,627</u>	<u>22,047</u>	<u>8,724</u>	<u>7,157</u>
	<u>61,586</u>	<u>56,768</u>	<u>20,425</u>	<u>18,284</u>
Gross profit	64,955	55,323	21,962	18,521
Research and development expenses	526	500	192	160
Selling and marketing expenses	7,358	6,473	2,386	2,104
General and administrative expenses	25,915	25,442	8,567	8,314
Other expenses (income), net	<u>913</u>	<u>985</u>	<u>(9)</u>	<u>560</u>
Operating income	30,243	21,923	10,826	7,383
Other income (expenses), net	-	6,755	-	-
Financing income (expenses), net	<u>144</u>	<u>1,015</u>	<u>(96)</u>	<u>196</u>
Income before income tax	30,387	29,693	10,730	7,579
Income tax expense	(9,406)	(8,364)	(3,172)	(2,121)
Share in losses of affiliated companies, net	<u>(1)</u>	<u>(29)</u>	<u>-</u>	<u>(15)</u>
Net income for the period	20,980	21,300	7,558	5,443
Less: Net income attributable to non-controlling interests	<u>(1,266)</u>	<u>(830)</u>	<u>(576)</u>	<u>(217)</u>
Net income attributable to the Company	<u>19,714</u>	<u>20,470</u>	<u>6,982</u>	<u>5,226</u>
<b>Basic and diluted earnings per share attributable to Company's stockholders</b>	<u>0.94</u>	<u>0.98</u>	<u>0.33</u>	<u>0.25</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>

**ITURAN LOCATION AND CONTROL LTD.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands except per share data)	US dollars		US dollars	
	Nine month period ended September 30, 2013	2012	Three month period ended September 30, 2013	2012
<b>Cash flows from operating activities</b>				
Net income for the period	20,980	21,300	7,558	5,443
<b>Adjustments to reconcile net income to net cash from operating activities:</b>				
Depreciation and amortization	9,472	10,520	2,778	3,262
Exchange differences on principal of deposit and loans, net	229	(178)	99	5
Gains in respect of trading marketable securities	-	(2)	-	-
Increase in liability for employee rights upon retirement	921	703	193	44
Share in losses of affiliated companies, net	1	29	-	15
Deferred income taxes	6	281	458	433
Capital losses (gains) on sale of property and equipment, net	7	21	(2)	26
Decrease (increase) in accounts receivable	(2,500)	(2,465)	1,371	777
Increase in other current assets	(715)	(7,098)	(1,889)	(939)
Decrease (increase) in inventories	3,060	(2,647)	576	(880)
Increase (decrease) in accounts payable	1,559	584	2,717	(2,131)
Increase (decrease) in deferred revenues	(38)	1,193	(556)	540
Increase in other current liabilities	1,097	987	3	312
Net cash provided by operating activities	<u>34,079</u>	<u>23,228</u>	<u>13,306</u>	<u>6,907</u>
<b>Cash flows from investment activities</b>				
Increase in funds in respect of employee rights upon retirement, net of withdrawals	(482)	(498)	(153)	(132)
Capital expenditures	(13,040)	(4,822)	(7,380)	(1,064)
Deposit	317	(281)	4	(256)
Proceeds from sale of property and equipment	485	276	262	115
Repayment of loan to a former employee	-	355	-	-
Sale of marketable securities	-	70	-	-
Company no longer consolidated (Appendix A)	-	326	-	326
Net cash used in investment activities	<u>(12,720)</u>	<u>(4,574)</u>	<u>(7,267)</u>	<u>(1,011)</u>
<b>Cash flows from financing activities</b>				
Short term credit from banking institutions, net	489	53	510	(362)
Repayment of long term loans	(114)	(33)	-	(11)
Dividend paid to non-controlling interests	(1,233)	(1,019)	(692)	(619)
Dividend paid	(12,479)	(28,116)	(2,894)	-
Net cash provided by (used in) financing activities	<u>(13,337)</u>	<u>(29,115)</u>	<u>(3,076)</u>	<u>(992)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(855)</u>	<u>(1,117)</u>	<u>2</u>	<u>(189)</u>
Net increase in cash and cash equivalents	7,167	(11,578)	2,965	4,715
Balance of cash and cash equivalents at beginning of period	<u>29,453</u>	<u>35,270</u>	<u>33,655</u>	<u>18,977</u>
Balance of cash and cash equivalents at end of the period	<u>36,620</u>	<u>23,692</u>	<u>36,620</u>	<u>23,692</u>

**ITURAN LOCATION AND CONTROL LTD.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (cont.)****Appendix A – Company no longer consolidated**

<b>(In thousands except per share data)</b>	<b>US dollars</b>	
	<b>Nine month period ended September 30,</b>	
	<b>2013</b>	<b>2012</b>
Working capital (excluding cash and cash equivalents and inventory), net	-	130
Account receivable in respect of sale of subsidiary	-	430
Property and equipment, net	-	(750)
Intangible assets	-	(136)
	<u>-</u>	<u>(326)</u>

**Supplementary information on investing activities not involving cash flows:**

In September 2013, the Company declared a dividend in the amount of US\$ 3.5 million. The dividend was paid in October 2013.

**Supplementary disclosure of cash flow information**

<b>(In thousands except per share data)</b>	<b>US dollars</b>	
	<b>Nine month period ended September 30,</b>	
	<b>2013</b>	<b>2012</b>
Interest paid	<u>245</u>	<u>583</u>
Income taxes paid, net of refunds	<u>6,366</u>	<u>5,807</u>