

**ITURAN LOCATION AND CONTROL LTD.**

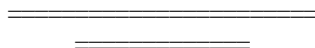
**Condensed Consolidated Interim Financial Statements  
as of September 30, 2014**

# ITURAN LOCATION AND CONTROL LTD.

## Condensed Consolidated Financial Statements as of September 30, 2014

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

<b>(in thousands)</b>	<b>US dollars</b>	
	<b>September 30, 2014</b>	<b>December 31, 2013</b>
<b>Current assets</b>		
Cash and cash equivalents	43,004	41,697
Deposit in escrow	-	4,982
Investment in marketable securities	2,515	-
Accounts receivable (net of allowance for doubtful accounts)	30,334	29,239
Other current assets	20,825	18,437
Inventories	<u>11,390</u>	<u>14,506</u>
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<b>Long-term investments and other assets</b>		
Investments in affiliated company	1,038	1,423
Investments in other company	92	88
Other non-current assets	1,574	1,022
Deferred income taxes	3,122	3,781
Funds in respect of employee rights upon retirement	<u>6,786</u>	<u>6,649</u>
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	12,612	12,963
<b>Property and equipment, net</b>		
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	34,206	32,546
<b>Intangible assets, net</b>		
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	564	739
<b>Goodwill</b>		
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	5,104	5,433
<b>Total assets</b>	<u><u>160,554</u></u>	<u><u>160,542</u></u>

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

	US dollars	
(in thousands)	September 30, 2014	December 31, 2013
<b>Current liabilities</b>		
Credit from banking institutions	2	38
Accounts payable	13,172	11,436
Deferred revenues	9,032	9,852
Other current liabilities	29,141	30,276
	51,347	51,602
<b>Long-term liabilities</b>		
Liability for employee rights upon retirement	10,319	9,607
Provision for contingencies	539	2,599
Deferred revenues	981	1,033
Deferred income taxes	169	216
	12,008	13,455
<b>Stockholders' equity</b>	93,070	90,918
<b>Non-controlling interests</b>	4,129	4,567
<b>Total equity</b>	97,199	95,485
<b>Total liabilities and equity</b>	160,554	160,542

**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, 2014</b>	<b>2013</b>	<b>Three month period ended September 30, 2014</b>	<b>2013</b>
<b>Revenues:</b>				
Location-based services	100,737	94,754	34,442	31,332
Wireless communications products	<u>37,843</u>	<u>31,787</u>	<u>12,048</u>	<u>11,055</u>
	<u>138,580</u>	<u>126,541</u>	<u>46,490</u>	<u>42,387</u>
<b>Cost of revenues:</b>				
Location-based services	35,527	33,694	12,300	11,269
Wireless communications products	<u>29,611</u>	<u>26,627</u>	<u>9,330</u>	<u>8,724</u>
	<u>65,138</u>	<u>60,321</u>	<u>21,630</u>	<u>19,993</u>
Gross profit	73,442	66,220	24,860	22,394
Research and development expenses	1,895	1,791	650	624
Selling and marketing expenses	6,783	7,358	2,346	2,386
General and administrative expenses	28,950	25,915	9,752	8,567
Other expenses (income), net	<u>(63)</u>	<u>913</u>	<u>(9)</u>	<u>(9)</u>
Operating income	35,877	30,243	12,121	10,826
Financing income (expenses), net	<u>1,215</u>	<u>144</u>	<u>1,259</u>	<u>(96)</u>
Income before income tax	37,092	30,387	13,380	10,730
Income tax expense	(11,373)	(9,406)	(3,895)	(3,172)
Share in losses of affiliated companies, net	<u>(308)</u>	<u>(1)</u>	<u>(107)</u>	<u>-</u>
Net income for the period	25,411	20,980	9,378	7,558
Less: Net income attributable to non-controlling interests	<u>(1,996)</u>	<u>(1,266)</u>	<u>(701)</u>	<u>(576)</u>
Net income attributable to the Company	<u>23,415</u>	<u>19,714</u>	<u>8,677</u>	<u>6,982</u>
<b>Basic and diluted earnings per share attributable to Company's stockholders</b>	<u>1.12</u>	<u>0.94</u>	<u>0.41</u>	<u>0.33</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, 2014	2013	Three month period ended September 30, 2014	2013
<b>Cash flows from operating activities</b>				
Net income for the period	25,411	20,980	9,378	7,558
<b>Adjustments to reconcile net income to net cash from operating activities:</b>				
Depreciation and amortization	8,131	9,472	2,863	2,778
Losses (gains) in respect of trading marketable securities	(271)	-	(359)	-
Exchange differences on principal of deposit and loans, net	(23)	229	-	99
Increase in liability for employee rights upon retirement	1,294	921	359	193
Share in losses of affiliated companies, net	308	1	107	-
Deferred income taxes	(1,209)	6	(311)	458
Capital losses (gains) on sale of property and equipment, net	(19)	7	(39)	(2)
Decrease (increase) in accounts receivable	(2,868)	(2,500)	2,330	1,371
Increase in other current assets	(770)	(715)	(63)	(1,889)
Decrease (increase) in inventories	2,237	3,060	(296)	576
Increase (decrease) in accounts payable	(912)	1,559	209	2,717
Decrease in deferred revenues	(212)	(38)	(236)	(556)
Increase (decrease) in other current liabilities	(553)	1,097	(1,071)	3
Net cash provided by operating activities	<u>30,544</u>	<u>34,079</u>	<u>12,871</u>	<u>13,306</u>
<b>Cash flows from investment activities</b>				
Increase in funds in respect of employee rights upon retirement, net of withdrawals	(540)	(482)	(243)	(153)
Capital expenditures	(10,609)	(13,040)	(4,082)	(7,380)
Investment in marketable securities	(2,771)	-	-	-
Deposit in escrow	5,005	-	-	-
Deposit	(123)	317	33	4
Proceeds from sale of property and equipment	1,370	485	742	262
Net cash used in investment activities	<u>(7,668)</u>	<u>(12,720)</u>	<u>(3,550)</u>	<u>(7,267)</u>
<b>Cash flows from financing activities</b>				
Short term credit from banking institutions, net	(36)	489	3	510
Repayment of long term loans	-	(114)	-	-
Acquisition of non-controlling interest	(500)	-	(500)	-
Dividend paid to non-controlling interests	(2,062)	(1,233)	(557)	(692)
Dividend paid	(15,481)	(12,479)	(4,022)	(2,894)
Net cash provided by (used in) financing activities	<u>(18,079)</u>	<u>(13,337)</u>	<u>(5,076)</u>	<u>(3,076)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(3,490)</u>	<u>(855)</u>	<u>(3,008)</u>	<u>2</u>
Net increase in cash and cash equivalents	1,307	7,167	1,237	2,965
Balance of cash and cash equivalents at beginning of period	<u>41,697</u>	<u>29,453</u>	<u>41,767</u>	<u>33,655</u>
Balance of cash and cash equivalents at end of the period	<u>43,004</u>	<u>36,620</u>	<u>43,004</u>	<u>36,620</u>

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

In August the company declared a dividend in an amount of US\$ 4 million. The dividend was paid in October 2014. During the nine month period ended September 30 2014, the Company purchased property and equipment in an amount of US\$ 3,026 thousand using a directly related liabilities.