



ITURAN LOCATION AND CONTROL LTD.

**Consolidated Interim Financial Statements
as of March 31, 2013**

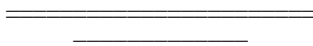


ITURAN LOCATION AND CONTROL LTD.

Consolidated Financial Statements as of March 31, 2013

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

(in thousands)	US dollars	
	March 31, 2013	December 31, 2012
Current assets		
Cash and cash equivalents	33,842	29,453
Accounts receivable (net of allowance for doubtful accounts)	31,336	26,190
Other current assets	16,829	15,399
Inventories	12,419	14,747
	<u>94,426</u>	<u>85,789</u>
Long-term investments and other assets		
Deposit in escrow	4,951	4,939
Investments in affiliated company	164	160
Investments in other company	84	82
Other non-current assets	1,605	1,890
Deferred income taxes	3,814	4,174
Funds in respect of employee rights upon retirement	5,786	5,515
	<u>16,404</u>	<u>16,760</u>
Property and equipment, net	<u>33,949</u>	<u>34,156</u>
Intangible assets, net	<u>2,526</u>	<u>2,591</u>
Goodwill	<u>8,230</u>	<u>8,043</u>
Total assets	<u><u>155,535</u></u>	<u><u>147,339</u></u>

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

(in thousands)	US dollars	
	March 31, 2013	December 31, 2012
Current liabilities		
Credit from banking institutions	481	221
Accounts payable	7,780	9,524
Deferred revenues	11,078	9,526
Other current liabilities	29,538	22,373
	<u>48,877</u>	<u>41,644</u>
Long-term liabilities		
Liability for employee rights upon retirement	8,589	7,915
Provision for contingencies	3,528	3,864
Other non-current liabilities	270	460
Deferred revenues	883	806
Deferred income taxes	627	643
	<u>13,897</u>	<u>13,688</u>
Stockholders' equity	88,373	88,027
Non-controlling interests	4,388	3,980
Total equity	<u>92,761</u>	<u>92,007</u>
Total liabilities and equity	<u><u>155,535</u></u>	<u><u>147,339</u></u>



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

	US dollars	
	Three month period ended March 31,	
(in thousands except per share data)	2013	2012
Revenues:		
Location-based services	31,393	29,215
Wireless communications products	9,582	8,520
	<u>40,975</u>	<u>37,735</u>
Cost of revenues:		
Location-based services	11,533	11,946
Wireless communications products	8,460	7,410
	<u>19,993</u>	<u>19,356</u>
Gross profit	20,982	18,379
Research and development expenses	165	183
Selling and marketing expenses	2,390	2,141
General and administrative expenses	8,710	8,615
Other expenses (income), net	456	(17)
Operating income	9,261	7,457
Financing income, net	61	10
Income before income tax	9,322	7,467
Income tax	(3,084)	(2,192)
Share in losses of affiliated companies, net	-	(14)
Net income for the period	6,238	5,261
Less: Net income attributable to non-controlling interest	(236)	(161)
Net income attributable to the Company	<u>6,002</u>	<u>5,100</u>
Basic and diluted earnings per share attributable to Company's stockholders	<u>0.29</u>	<u>0.24</u>
Basic and diluted weighted average number of shares outstanding (in thousands)	<u>20,968</u>	<u>20,968</u>

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

(in thousands)	US dollars	
	Three month period ended March 31,	
	2013	2012
Cash flows from operating activities		
Net income for the period	6,238	5,261
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation amortization and impairment of goodwill	3,163	3,810
Exchange differences on principal of deposit and loans, net	97	126
Gains in respect of trading marketable securities	-	(4)
Increase in liability for employee rights upon retirement	490	252
Share in losses of affiliated companies, net	-	14
Deferred income taxes	(389)	618
Capital losses (gains) on sale of property and equipment, net	14	(7)
Increase in accounts receivable	(4,536)	(2,225)
Decrease (Increase) in other current assets	222	(2,054)
Decrease (increase) in inventories	2,672	(1,243)
Increase (decrease) in accounts payable	(2,057)	1,096
Increase in deferred revenues	1,388	966
Increase (decrease) in other current liabilities	1,572	(2,690)
Net cash provided by operating activities	<u>8,874</u>	<u>3,920</u>
Cash flows from investment activities		
Increase in funds in respect of employee rights upon retirement, net of withdrawals	(142)	(191)
Capital expenditures	(2,569)	(998)
Deposit	222	25
Proceeds from sale of property and equipment	144	109
Repayment of loan to a former employee	-	355
Net cash used in investment activities	<u>(2,345)</u>	<u>(700)</u>
Cash flows from financing activities		
Short term credit from banking institutions, net	268	398
Repayment of long term loans	(11)	(11)
Dividend paid	(2,570)	-
Dividend paid to non-controlling interest	-	(268)
Net cash provided by (used in) financing activities	<u>(2,313)</u>	<u>119</u>
Effect of exchange rate changes on cash and cash equivalents	173	337
Net increase in cash and cash equivalents	4,389	3,676
Balance of cash and cash equivalents at beginning of the period	29,453	35,270
Balance of cash and cash equivalents at end of the period	<u>33,842</u>	<u>38,946</u>

Supplementary information on investing activities not involving cash flows:

In February 2013, the Company declared a dividend in an amount of US\$ 7,015 thousand. The dividend will be paid in April 2013.

During the three month period ended March 31, 2013, the Company purchased property and equipment in an amount of US\$ 91 thousand using a directly related liability.

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