



ITURAN LOCATION AND CONTROL LTD.

**Consolidated Interim Financial Statements
as of June 30, 2013**

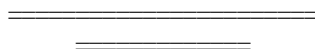


ITURAN LOCATION AND CONTROL LTD.

Consolidated Financial Statements as of June 30, 2013

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ITURAN LOCATION AND CONTROL LTD.

CONSOLIDATED BALANCE SHEETS

	US dollars (except share data)	
(in thousands)	June 30, 2013	December 31, 2012
Current assets		
Cash and cash equivalents	33,655	29,453
Accounts receivable (net of allowance for doubtful accounts)	30,893	26,190
Other current assets	16,232	15,399
Inventories	12,732	14,747
	93,512	85,789
Long-term investments and other assets		
Deposit in escrow	4,964	4,939
Investments in affiliated company	164	160
Investments in other company	85	82
Other non-current assets	1,596	1,890
Deferred income taxes	3,690	4,174
Funds in respect of employee rights upon retirement	6,019	5,515
	16,518	16,760
Property and equipment, net	33,738	34,156
Intangible assets, net	2,357	2,591
Goodwill	7,833	8,043
Total assets	153,958	147,339



ITURAN LOCATION AND CONTROL LTD.

CONSOLIDATED BALANCE SHEETS

	US dollars (except share data)	
(in thousands)	June 30, 2013	December 31, 2012
Current liabilities		
Credit from banking institutions	90	221
Accounts payable	10,564	9,524
Deferred revenues	10,195	9,526
Other current liabilities	25,976	22,373
	46,825	41,644
Long-term liabilities		
Liability for employee rights upon retirement	8,895	7,915
Provision for contingencies	2,888	3,864
Other non-current liabilities	100	460
Deferred revenues	983	806
Deferred income taxes	584	643
	13,450	13,688
Stockholders' equity	89,443	88,027
Non-controlling interests	4,240	3,980
Total equity	93,683	92,007
Total liabilities and equity	153,958	147,339



ITURAN LOCATION AND CONTROL LTD.

CONSOLIDATED STATEMENTS OF INCOME

(in thousands except per share data)	US dollars (except share data)		US dollars (except share data)	
	Six month period ended June 30,		Three month period ended June 30,	
	2013	2012	2013	2012
Revenues:				
Location-based services	63,422	57,335	32,029	28,120
Wireless communications products	<u>20,732</u>	<u>17,951</u>	<u>11,150</u>	<u>9,431</u>
	<u>84,154</u>	<u>75,286</u>	<u>43,179</u>	<u>37,551</u>
Cost of revenues:				
Location-based services	23,258	22,634	11,725	11,156
Wireless communications products	<u>17,903</u>	<u>15,850</u>	<u>9,443</u>	<u>7,972</u>
	<u>41,161</u>	<u>38,484</u>	<u>21,168</u>	<u>19,128</u>
Gross profit	42,993	36,802	22,011	18,423
Research and development expenses	334	340	169	157
Selling and marketing expenses	4,972	4,369	2,582	2,228
General and administrative expenses	17,348	17,128	8,638	8,513
Other expenses, net	<u>922</u>	<u>425</u>	<u>466</u>	<u>442</u>
Operating income	19,417	14,540	10,156	7,083
Other income, net	-	6,755	-	6,755
Financing income, net	<u>240</u>	<u>819</u>	<u>179</u>	<u>809</u>
Income before income tax	19,657	22,114	10,335	14,647
Income tax expense	(6,234)	(6,243)	(3,150)	(4,051)
Share in losses of affiliated companies, net	<u>(1)</u>	<u>(14)</u>	<u>(1)</u>	<u>-</u>
Net income for the period	13,422	15,857	7,184	10,596
Less: Net income attributable to non-controlling interests	<u>(690)</u>	<u>(613)</u>	<u>(454)</u>	<u>(452)</u>
Net income attributable to the Company	<u>12,732</u>	<u>15,244</u>	<u>6,730</u>	<u>10,144</u>
Basic and diluted earnings per share attributable to Company's stockholders (Note 3)				
	<u>0.61</u>	<u>0.73</u>	<u>0.32</u>	<u>0.48</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>

ITURAN LOCATION AND CONTROL LTD.

STATEMENTS OF CASH FLOWS

(in thousands except per share data)	US dollars		US dollars	
	Six month period ended June 30,		Three month period ended June 30,	
	2013	2012	2013	2012
Cash flows from operating activities				
Net income for the period	13,422	15,857	7,184	10,596
Adjustments to reconcile net income to net cash from operating activities:				
Depreciation and amortization	6,694	7,258	3,531	3,448
Exchange differences on principal of deposit and loans, net	130	(183)	33	(309)
Losses (gains) in respect of trading marketable securities	-	(2)	-	2
Increase in liability for employee rights upon retirement	728	659	238	407
Share in losses of affiliated companies, net	1	14	1	-
Deferred income taxes	(452)	(152)	(63)	(770)
Capital losses (gains) on sale of property and equipment, net	9	(5)	(5)	2
Decrease (increase) in accounts receivable	(3,871)	(3,242)	665	(1,017)
Decrease (increase) in other current assets	1,174	(6,159)	952	(4,105)
Decrease (increase) in inventories	2,484	(1,767)	(188)	(524)
Increase (decrease) in accounts payable	(1,158)	2,715	899	1,619
Increase (decrease) in deferred revenues	518	653	(870)	(313)
Increase (decrease) in other current liabilities	1,094	675	(478)	3,365
Net cash provided by operating activities	20,773	16,321	11,899	12,401
Cash flows from investment activities				
Increase in funds in respect of employee rights upon retirement, net of withdrawals	(329)	(366)	(187)	(175)
Capital expenditures	(5,660)	(3,758)	(3,090)	(2,760)
Deposit	313	(25)	91	(50)
Proceeds from sale of property and equipment	223	161	79	52
Repayment of loan to a former employee	-	355	-	-
Sale of marketable securities	-	70	-	70
Net cash used in investment activities	(5,453)	(3,563)	(3,108)	(2,863)
Cash flows from financing activities				
Short term credit from banking institutions, net	(21)	415	(289)	17
Repayment of long term loans	(114)	(22)	(103)	(11)
Dividend paid to non-controlling interests	(541)	(400)	(541)	(132)
Dividend paid	(9,585)	(28,116)	(7,015)	(28,116)
Net cash provided by (used in) financing activities	(10,261)	(28,123)	(7,948)	(28,242)
Effect of exchange rate changes on cash and cash equivalents	(857)	(928)	(1,030)	(1,265)
Net increase in cash and cash equivalents	4,202	(16,293)	(187)	(19,969)
Balance of cash and cash equivalents at beginning of period	29,453	35,270	33,842	38,946
Balance of cash and cash equivalents at end of the period	33,655	18,977	33,655	18,977



ITURAN LOCATION AND CONTROL LTD.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (cont.)

Appendix A – Company no longer consolidated

	US dollars	
(in thousands except per share data)	Six month period ended June 30,	
	2013	2012
Working capital	-	890
Property and equipment, net	-	(753)
Intangible assets	-	(137)
	-	-
	-	-

Supplementary information on investing activities not involving cash flows:

In May 2013, the Company declared a dividend in an amount of US\$ 2,894 thousand. The dividend will be paid in July 2013.

During the six month period ended June 30, 2013, the Company purchased property and equipment in an amount of US\$ 2,471 thousand using a directly related liability.

Supplementary disclosure of cash flow information

	US dollars	
(in thousands except per share data)	Six month period ended June 30,	
	2013	2012
Interest paid	142	102
Income taxes paid, net of refunds	4,226	3,476

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