



POINTER

For Immediate Release

Pointer Telocation Announces Record High Revenues for Third Quarter 2006

- Revenues from international operations in Q3 2006 - up 62%
- Improved profitability and EBITDA

Givatayim, Israel -November 22nd, 2006. Pointer Telocation Ltd. (Nasdaq Capital Markets: PNTR), a leading provider of services to insurance companies and car owners, including road-side assistance, towing and stolen vehicle retrieval services in Israel, Argentina and Mexico, reported its financial results for the third quarter of 2006.

Financial Highlights:

Revenues: Pointer's revenues for the third quarter of 2006 increased 7.2% to \$11.2 million compared to \$10.4 million, in the comparable period in 2005. Revenues for the first nine months of 2006 increased 14.4% to \$31.0 million, compared with \$27.1 million in the same period of 2005.

Pointer's revenues from its international non-domestic operations increased 62% in Q3 2006 as compared to Q3 2005 and 25.9% in the nine months period ended September 30, 2006 as compared to the same period in 2005. This increase is mainly attributed to the increase in sales to one customer. The increase in total revenues in the first nine months of 2006 as compared to the comparable period in 2005 is also attributable to the fact that revenues in the first nine months of 2005 included only seven months of revenues derived from the acquisition of the road-side assistance and towing business of Shagrir Towing Services completed on February 28, 2005.

Gross Profit: For the third quarter of 2006, gross profit increased 5% to \$4.1 million as compared to \$3.9 million in Q3 2005. For the first nine months of 2006, gross profit increased by 13.4% to \$11.4 million as compared to \$10.0 million in the same period in 2005. As a percentage of revenues, gross profit was 36.6% and 36.7%, in Q3 2006 and the first nine months of 2006, respectively, as compared to 37.4% and 37.0% in the comparable periods in 2005.

Operating Income: Pointer's operating income increased 45.7% to \$1.4 million in Q3 2006, compared to \$932 thousand for the same quarter of 2005. In the first nine months of 2006 Pointer recorded a significant increase in operating income to \$4 million, compared to operating income of \$182 thousand for the comparable period of 2005. The increase in operating income in the first nine months of 2006 includes a one time net income of \$1.3 million associated with an agreement signed with a Latin American customer, offset by a \$350 thousand impairment of long-lived assets.

Net Profit: Pointer improved its bottom-line results recording a net profit of \$449 thousand or \$0.14 per share in the third quarter of 2006, as compared to a net loss of \$348 thousand or \$(0.14) per share in the third quarter of 2005. For the first nine months of 2006, Pointer recorded a net profit of \$1.1 million or \$0.39 per share as compared to a net loss of \$2.7 million or \$(1.18) per share in the comparable period of 2005. During this quarter Pointer continued to consolidate 100% of the net profit of its Israeli subsidiary Shagrir Motor Vehicle

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Systems, even though its current holding is 56.6%. Pointer's management expects to consolidate Shagrir's results based on actual holdings, from the fourth quarter of 2006.

EBITDA: Pointer's EBITDA increased to \$2.4 million in the third quarter of 2006, as compared to \$2.3 million in the third quarter of 2005. In the first nine months of 2006 EBITDA increased 81.2% to \$7.6 million as compared to \$4.2 million in the same period in 2005.

Total Shareholder's Equity increased during the third quarter of 2006 to \$15.9 million.

Danny Stern, Pointer's Chief Executive Officer, said: "We are very pleased with the excellent financial results of the third quarter of 2006, notably in the growth in domestic and international revenues, the continuous improvement in profitability and our strong EBITDA and cash flow, all of which reflect the strength of our business model. We are continuing to increase our products and services offering and remain focused on laying the building blocks for continuous growth in 2007."

Conference Call Information:

Pointer's management will host two conference calls with the investment community today, November 22nd, 2006 in Hebrew at 15:30 (GMT +2) and in English at 9:30 EST.

To listen to the conference calls, please dial:

From the US: 1-800-994-4498

From Israel: 03-9180609

A replay of the conference call will be available through November 23rd, 2006 on the Company's website at www.pointer.com.

About Pointer Telocation:

Pointer Telocation Ltd www.pointer.com provides range of services to insurance companies and automobile owners, including road-side assistance, vehicle towing, stolen vehicle retrieval, fleet management and other value added services. Pointer Telocation provides services, for the most part, in Israel, through its subsidiary Shagrir and in Argentina and Mexico through its local subsidiaries. Independent operators provide similar services in Russia and Venezuela utilizing Pointer's technology and operational know-how.

Safe Harbor Statement

This press release contains forward-looking statements with respect to the business, financial condition and results of operations of Pointer and its affiliates. These forward-looking statements are based on the current expectations of the management of Pointer, only, and are subject to risk and uncertainties relating to changes in technology and market requirements, the company's concentration on one industry in limited territories, decline in demand for the company's products and those of its affiliates, inability to timely develop and introduce new technologies, products and applications, and loss of market share and pressure on pricing resulting from competition, which could cause the actual results or performance of the company to differ materially from those contemplated in such forward-looking statements. Pointer undertakes no obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. For a more detailed description of the risks and uncertainties affecting the company, reference is made to the company's reports filed from time to time with the Securities and Exchange Commission.

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POINTER TELOCATION LTD. AND ITS SUBSIDIARIES

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS
U.S. dollars in thousands

| | September 30, 2006 | December 31, 2005 |
|--|-------------------------------|------------------------------|
| | Unaudited | |
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 2,928 | \$ 1,696 |
| Trade receivables (net of allowance for doubtful accounts of \$ 430 at September 30, 2006 and \$ 363 at December 31, 2005) | 8,634 | 6,576 |
| Other accounts receivable and prepaid expenses | 786 | 505 |
| Inventories | 1,299 | 1,389 |
| <u>Total</u> current assets | 13,647 | 10,166 |
| LONG-TERM ASSETS: | | |
| Long-term accounts receivable | 188 | 219 |
| Severance pay fund | 3,433 | 2,989 |
| Property and equipment, net | 7,306 | 7,319 |
| Goodwill | 39,033 | 36,924 |
| Other intangible assets, net | 8,865 | 9,597 |
| <u>Total</u> long-term assets | 58,825 | 57,048 |
| <u>Total</u> assets | \$ 72,472 | \$ 67,214 |

POINTER TELOCATION LTD. AND ITS SUBSIDIARIES

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS
U.S. dollars in thousands (except share and per share data)

| | September 30, 2006 | December 31, 2005 |
|--|-------------------------------|------------------------------|
| | Unaudited | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Short-term bank credit and current maturities of long-term loans | \$ 12,059 | \$ 9,949 |
| Trade payables | 4,885 | 3,904 |
| Deferred revenues and customer advances | 7,592 | 6,477 |
| Other accounts payable and accrued expenses | 3,845 | 3,835 |
| | <u>28,381</u> | <u>24,165</u> |
| LONG-TERM LIABILITIES: | | |
| Long-term loans from banks | 14,603 | 16,211 |
| Long-term loans from shareholders and others | 9,164 | 12,082 |
| Accrued severance pay | 4,401 | 3,951 |
| | <u>28,168</u> | <u>32,244</u> |
| SHAREHOLDERS' EQUITY: | | |
| Share capital - | | |
| Ordinary shares of NIS 3 par value | | |
| Authorized :8,000,000 shares at September 30, 2006 and | | |
| December 31, 2005; Issued and outstanding: 3,171,234 and | | |
| 2,479,020 shares at September 30, 2006 and December 31, | | |
| 2005, respectively | 2,105 | 1,680 |
| Additional paid-in capital | 103,285 | 100,707 |
| Deferred stock-based compensation | - | (1) |
| Accumulated other comprehensive loss | (159) | (1,138) |
| Accumulated deficit | (89,308) | (90,443) |
| | <u>15,923</u> | <u>10,805</u> |
| Total shareholders' equity | <u>15,923</u> | <u>10,805</u> |
| Total liabilities and shareholders' equity | <u>\$ 72,472</u> | <u>\$ 67,214</u> |

POINTER TELOCATION LTD. AND ITS SUBSIDIARIES

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS
U.S. dollars in thousands (except share and per share data)

| | Nine months ended September 30, | | Three months ended September 30, | | Year ended December 31, |
|---|------------------------------------|-------------------|-------------------------------------|------------------|----------------------------|
| | 2006 | 2005 | 2006 | 2005 | 2005 |
| | <u>Unaudited</u> | | | | |
| Revenues: | | | | | |
| Products | \$ 7,167 | \$ 6,784 | \$ 3,035 | \$ 2,337 | \$ 8,856 |
| Services | 23,795 | 20,284 | 8,133 | 8,078 | 28,108 |
| <u>Total revenues</u> | <u>30,962</u> | <u>27,068</u> | <u>11,168</u> | <u>10,415</u> | <u>36,964</u> |
| Cost of revenues: | | | | | |
| Products | 4,114 | 4,467 | 1,632 | 1,391 | 5,727 |
| Services | 15,497 | 12,592 | 5,446 | 5,127 | 17,587 |
| <u>Total cost of revenues</u> | <u>19,611</u> | <u>17,059</u> | <u>7,078</u> | <u>6,518</u> | <u>23,314</u> |
| Gross profit | <u>11,351</u> | <u>10,009</u> | <u>4,090</u> | <u>3,897</u> | <u>13,650</u> |
| Operating expenses: | | | | | |
| Research and development, net | 826 | 669 | 282 | 230 | 892 |
| Selling and marketing | 2,753 | 2,835 | 964 | 905 | 3,693 |
| General and administrative | 3,361 | 4,341 | 1,086 | 1,168 | 5,644 |
| Amortization of intangible assets | 1,330 | 1,982 | 400 | 662 | 2,462 |
| <u>Total operating expenses</u> | <u>8,270</u> | <u>9,827</u> | <u>2,732</u> | <u>2,965</u> | <u>12,691</u> |
| Other income, net | (1,292) | - | - | - | - |
| Impairment of long-lived assets | 350 | - | - | - | - |
| Operating income (loss) | 4,023 | 182 | 1,358 | 932 | 959 |
| Financial expenses, net | 2,234 | 2,872 | 653 | 1,280 | 4,027 |
| Other income (expenses), net | (15) | (19) | (10) | - | 341 |
| Income (loss) before taxes on income | 1,774 | (2,709) | 695 | (348) | (2,727) |
| Taxes on income | 639 | - | 246 | - | - |
| Net income (loss) | <u>\$ 1,135</u> | <u>\$ (2,709)</u> | <u>\$ 449</u> | <u>\$ (348)</u> | <u>\$ (2,727)</u> |
| Basic and diluted net earnings (loss) per share | <u>\$ 0.39</u> | <u>\$ (1.18)</u> | <u>\$ 0.14</u> | <u>\$ (0.14)</u> | <u>\$ (1.17)</u> |

CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

U.S. dollars in thousands (except share data)

| | Number of shares | Share capital | Additional paid-in capital | Deferred stock-based compensation | Accumulated other comprehensive loss | Accumulated deficit | Total comprehensive income (loss) | Total shareholders' equity |
|--|---------------------|------------------|----------------------------------|---|---|------------------------|--|----------------------------------|
| Balance as of January 1, 2005 | 1,704,505 | \$ 1,145 | \$ 94,127 | \$ (117) | \$ (353) | \$ (87,716) | | \$ 7,086 |
| Issuance of shares and warrants, net | 722,587 | 500 | 6,391 | - | - | - | | 6,891 |
| Deferred stock-based compensation | - | - | 10 | (10) | - | - | | - |
| Amortization of deferred stock-based compensation | - | - | - | 126 | - | - | | 126 |
| Exercise of warrants and stock options | 51,928 | 35 | 179 | - | - | - | | 214 |
| Comprehensive loss: | | | | | | | | |
| Foreign currency translation adjustments | - | - | - | - | (785) | - | \$ (785) | (785) |
| Net loss | - | - | - | - | - | (2,727) | (2,727) | (2,727) |
| Total comprehensive loss | | | | | | | <u>\$ (3,512)</u> | |
| Balance as of December 31, 2005 | 2,479,020 | 1,680 | 100,707 | (1) | (1,138) | (90,443) | | 10,805 |
| Deferred stock-based compensation | - | - | (1) | 1 | - | - | | - |
| Amortization of deferred stock-based compensation | - | - | 100 | - | - | - | | 100 |
| Exercise of warrants and options | 692,214 | 425 | 2,479 | - | - | - | | 2,904 |
| Comprehensive income: | | | | | | | | |
| Foreign currency translation adjustments | - | - | - | - | 979 | - | \$ 979 | 979 |
| Net income | - | - | - | - | - | 1,135 | 1,135 | 1,135 |
| Total comprehensive income | | | | | | | <u>\$ 2,114</u> | |
| Balance as of September 30, 2006 (unaudited) | <u>3,171,234</u> | <u>\$ 2,105</u> | <u>\$ 103,285</u> | <u>\$ -</u> | <u>\$ (159)</u> | <u>\$ (89,308)</u> | | <u>\$ 15,923</u> |
| Balance as of January 1, 2005 | 1,704,505 | \$ 1,145 | \$ 94,127 | \$ (117) | \$ (353) | \$ (87,716) | | \$ 7,086 |
| Issuance of shares, warrants and options, net | 722,587 | 500 | 6,391 | - | - | - | | 6,891 |
| Deferred stock-based compensation | - | - | 10 | (10) | - | - | | - |
| Amortization of deferred stock-based compensation | - | - | - | 125 | - | - | | 125 |
| Exercise of warrants | 31,818 | 22 | 118 | - | - | - | | 140 |
| Comprehensive loss: | | | | | | | | |
| Foreign currency translation adjustments | - | - | - | - | (927) | - | \$ (927) | (927) |
| Net loss | - | - | - | - | - | (2,709) | (2,709) | (2,709) |
| Total comprehensive loss | | | | | | | <u>\$ (3,636)</u> | |
| Balance as of September 30, 2005 (unaudited) | <u>2,458,910</u> | <u>\$ 1,667</u> | <u>\$ 100,646</u> | <u>\$ (2)</u> | <u>\$ (1,280)</u> | <u>\$ (90,425)</u> | | <u>\$ 10,606</u> |

CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

U.S. dollars in thousands (except share data)

| | Number of shares | Share capital | Additional paid-in capital | Deferred stock-based compensation | Accumulated other comprehensive loss | Accumulated deficit | Total comprehensive income (loss) | Total shareholders' equity |
|---|---------------------|------------------|----------------------------------|---|---|------------------------|---|----------------------------------|
| Balance as of July 1, 2006 (unaudited) | 3,095,124 | \$ 2,076 | \$ 103,091 | \$ - | \$ (635) | \$ (89,757) | | \$ 14,775 |
| Amortization of deferred stock-based compensation | - | - | 31 | - | - | - | | 31 |
| Exercise of warrants | 76,110 | 29 | 163 | - | - | - | | 192 |
| Comprehensive loss: | | | | | | | | |
| Foreign currency translation adjustments | - | - | - | - | 476 | - | \$ 476 | 476 |
| Net income | - | - | - | - | - | 449 | 449 | 449 |
| Total comprehensive income | | | | | | | <u>\$ 925</u> | |
| Balance as of September 30, 2006 (unaudited) | <u>3,171,234</u> | <u>\$ 2,105</u> | <u>\$ 103,285</u> | <u>\$ -</u> | <u>\$ (159)</u> | <u>\$ (89,308)</u> | | <u>\$ 15,923</u> |
| Balance as of July 1, 2005 (unaudited) | 2,458,910 | \$ 1,667 | \$ 100,646 | \$ (13) | \$ (1,223) | \$ (90,077) | | \$ 11,000 |
| Amortization of deferred stock-based compensation | - | - | - | 11 | - | - | | 11 |
| Comprehensive loss: | | | | | | | | |
| Foreign currency translation adjustments | - | - | - | - | (57) | - | \$ (57) | (57) |
| Net loss | - | - | - | - | - | (348) | (348) | (348) |
| Total comprehensive loss | | | | | | | \$ (405) | |
| Balance as of September 30, 2005 (unaudited) | <u>2,458,910</u> | <u>\$ 1,667</u> | <u>\$ 100,646</u> | <u>\$ (2)</u> | <u>\$ (1,280)</u> | <u>\$ (90,425)</u> | | <u>\$ 10,606</u> |

POINTER TELOCATION LTD. AND ITS SUBSIDIARIES

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

| | <u>Nine months ended</u> <u>September 30,</u> | | <u>Three months ended</u> <u>September 30,</u> | | <u>Year ended</u> <u>December 31,</u> |
|--|--|-----------------|---|-----------------|--|
| | <u>2006</u> | <u>2005</u> | <u>2006</u> | <u>2005</u> | <u>2005</u> |
| | <u>Unaudited</u> | | | | |
| <u>Cash flows from operating activities:</u> | | | | | |
| Net income (loss) | \$ 1,135 | \$ (2,709) | \$ 449 | \$ (348) | \$ (2,727) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | | | |
| Depreciation and amortization | 3,498 | 3,869 | 1,147 | 1,307 | 4,997 |
| Accrued interest and exchange rate changes of convertible debenture and long-term loans | 451 | 1,629 | 69 | 925 | 1,961 |
| Accrued severance pay, net | (46) | 425 | (23) | (175) | 484 |
| Loss (gain) from sale of property and equipment, net | (39) | (180) | (113) | (65) | (299) |
| Gain from realization of investment in subsidiary, net | - | - | - | - | (359) |
| Amortization of deferred stock-based compensation | 100 | 125 | 31 | 11 | 126 |
| Decrease (increase) in trade receivables, net | (1,589) | 1,721 | (980) | (10) | 2,581 |
| Decrease (increase) in other accounts receivable and prepaid expenses | (203) | 1,954 | (51) | (7) | 2,301 |
| Decrease (increase) in inventories | 200 | (33) | 145 | (119) | (144) |
| Write-off of inventories | 69 | - | - | - | 199 |
| Decrease (increase) in other long-term accounts receivable | 48 | (30) | (3) | 5 | (20) |
| Increase in trade payables | 683 | 329 | 398 | 213 | (359) |
| Decrease in other accounts payable and accrued expenses | 491 | (2,145) | (512) | (564) | (2,962) |
| Net cash provided by operating activities | <u>4,798</u> | <u>4,955</u> | <u>557</u> | <u>1,173</u> | <u>5,779</u> |
| <u>Cash flows from investing activities:</u> | | | | | |
| Purchase of property and equipment | (2,118) | (1,354) | (1,244) | (214) | (2,020) |
| Proceeds from short-term bank deposits | - | 15 | - | - | 15 |
| Proceeds from sale of property and equipment | 779 | 316 | 353 | 123 | 519 |
| Proceeds from realization of investment in subsidiary | - | - | - | - | 6,241 |
| Acquisition of activities and assets of Shagrir Towing Services Ltd. And Shagrir (1985) Ltd. (a) | - | (43,847) | - | (90) | (43,847) |
| Net cash used in investing activities | <u>(1,339)</u> | <u>(44,870)</u> | <u>(891)</u> | <u>(181)</u> | <u>(39,092)</u> |
| <u>Cash flows from financing activities:</u> | | | | | |
| Receipt of long-term loans from banks | - | 16,066 | - | - | 16,066 |
| Repayment of long-term loans from banks | (1,628) | (1,079) | (401) | (810) | (2,035) |
| Receipt of long-term loans from shareholders and others | 131 | 21,093 | - | 158 | 21,136 |
| Repayment of long-term loans from others | (3,447) | - | (450) | - | (6,241) |
| Proceeds from issuance of shares and exercise of options and warrants, net | 2,904 | 6,105 | 192 | - | 6,176 |
| Short-term bank credit, net | (174) | (481) | 418 | (440) | (401) |
| Net cash provided by (used in) financing activities | <u>(2,214)</u> | <u>41,704</u> | <u>(241)</u> | <u>(1,092)</u> | <u>34,701</u> |
| Effect of exchange rate on cash and cash equivalents | (13) | 124 | 17 | 45 | 233 |
| Increase (decrease) in cash and cash equivalents | 1,232 | 1,913 | (558) | (55) | 1,621 |
| Cash and cash equivalents at beginning of period | <u>1,696</u> | <u>75</u> | <u>3,486</u> | <u>2,043</u> | <u>75</u> |
| Cash and cash equivalents at end of period | <u>\$ 2,928</u> | <u>\$ 1,988</u> | <u>\$ 2,928</u> | <u>\$ 1,988</u> | <u>\$ 1,696</u> |
| <u>Supplemental disclosure of cash flow transaction:</u> | | | | | |
| Cash paid during the period for interest | <u>\$ 1,695</u> | <u>\$ 1,057</u> | <u>\$ 243</u> | <u>\$ 393</u> | <u>\$ 1,200</u> |

POINTER TELOCATION LTD. AND ITS SUBSIDIARIES

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
U.S. dollars in thousands

| | <u>Nine months ended</u> <u>September 30,</u> | | <u>Three months ended</u> <u>September 30,</u> | | <u>Year ended</u> <u>December 31,</u> |
|--|--|--------------------|---|----------------|--|
| | <u>2006</u> | <u>2005</u> | <u>2006</u> | <u>2005</u> | <u>2005</u> |
| | <u>Unaudited</u> | | | | |
| (a) <u>Acquisition of activities and assets of</u> <u>Shagrir Towing Services Ltd. and Shagrir</u> <u>(1985) Ltd.:</u> | | | | | |
| Fair value of assets acquired and liabilities assumed at date of acquisition: | | | | | |
| Working capital | \$ - | \$ 4,568 | \$ - | \$ (90) | \$ 4,568 |
| Property and equipment | - | (5,760) | - | - | (5,760) |
| Customer list | - | (8,558) | - | - | (8,558) |
| Brand name | - | (1,920) | - | - | (1,920) |
| Goodwill | - | (31,652) | - | - | (31,652) |
| Long-term loan | - | (1,175) | - | - | (1,175) |
| Accrued severance pay, net | - | 6 | - | - | 6 |
| | - | (44,491) | - | (90) | (44,491) |
| Fair value of shares, options and warrants issued | - | 644 | - | - | 644 |
| | <u>\$ -</u> | <u>\$ (43,847)</u> | <u>\$ -</u> | <u>\$ (90)</u> | <u>\$ (43,847)</u> |
