

Translated from the Hebrew original

**Koor Industries Limited**

**Condensed Interim Separate  
Financial Information  
As at September 30, 2010**

The information contained in these financial statements constitutes an unofficial translation translation of the financial statements published by the Company in Hebrew. The Hebrew version is the binding version. This translation was prepared for convenience purposes only.

**Condensed Separate Interim Financial Information**

---

**Contents**

	<b>Page</b>
<b>Special Independent Auditors' Report</b> .....	2
<b>Financial Statements:</b>	
<b>Condensed Financial Statements:</b>	
Condensed Interim Financial Position Data.....	3 - 4
Condensed Interim Statement of Income Data .....	5
Condensed Interim Comprehensive Income and Loss Data .....	6
Condensed Interim Cash Flows Data.....	7 - 8
Notes to the Financial Statements .....	9



**Somekh Chaikin**  
KPMG Millennium Tower  
17 Ha'arba'a Street, PO Box 609  
Tel Aviv 61006 Israel

Telephone 972 3 684 8000  
Fax 972 3 684 8444  
Internet [www.kpmg.co.il](http://www.kpmg.co.il)

## **Review Report to the Shareholders of Koor Industries Ltd**

### Introduction

We have reviewed the accompanying financial information of Koor Industries Ltd. and its subsidiaries (hereinafter – “the Group”) comprising of the condensed consolidated interim statement of financial position as of September 30, 2010 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the nine and three month periods then ended. The Board of Directors and Management are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 “*Interim Financial Reporting*”, and are also responsible for the preparation of financial information for this interim period in accordance with Section D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the condensed interim financial information of certain consolidated subsidiaries whose assets constitute 1% of the total consolidated assets as at September 30, 2010, and whose revenues constitute 15% and 18% from the consolidated revenues from sales and services, from the share of the Group in net results of affiliated companies (in absolute values), from gains on available-for-sale securities and from other income for the nine and three month periods then ended, respectively. Furthermore, we did not review the condensed interim financial information of equity accounted investees the investment in which amounted to NIS 325,820 thousand as at September 30, 2010, and the Group’s share in their profits amounted to NIS 93,684 thousand and NIS 9,877 thousand for the nine and three month periods then ended, respectively. The condensed interim financial information of those companies was reviewed by other auditors whose review reports thereon were furnished to us, and our conclusion, insofar as it relates to amounts emanating from the financial information of such companies, is based solely on the said review reports of the other auditors.

### Scope of Review

We conducted our review in accordance with Standard on Review Engagements 1, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” of the Institute of Certified Public Accountants in Israel. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review and the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying financial information was not prepared, in all material respects, in accordance with IAS 34.

In addition to that mentioned in the previous paragraph, based on our review and the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not comply, in all material respects, with the disclosure requirements of Section D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Somekh Chaikin  
Certified Public Accountants (Isr.)

November 23, 2010

**Condensed Interim Separate Financial Information as at September 30, 2010****Condensed Interim Financial Position Data as at**

	<u>2010</u>	<u>September 30</u> <u>2009</u>	<u>December 31</u> <u>2009</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Audited)</u>
	<u>NIS thousands</u>	<u>NIS thousands</u>	<u>NIS thousands</u>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	511,423	3,143,357	1,136,391
Short-term deposits and investments including financial derivatives	68,029	56,135	50,501
Other receivables (includes investees)	17,126	31,096	2,313
Assets held for sale	-	-	16,655
	<u>596,578</u>	<u>3,230,588</u>	<u>1,205,860</u>
<b>Long-term investments</b>	4,743,384	5,484,728	
Balance for investees	97,588	955,933	5,392,068
Assets available for sale	1,298,002	840,070	887,803
Pledged assets available for sale	101,024	474	745,457
Other investments and pledged deposits	285,217	70,118	8,320
Loans to investees			231,595
	<u>6,525,215</u>	<u>7,351,323</u>	<u>7,265,243</u>
<b>Investment property</b>	61,800	62,100	61,800
<b>Fixed assets</b>	775	775	763
<b>Total assets</b>	<u>7,184,368</u>	<u>10,644,786</u>	<u>8,533,666</u>

**Condensed Interim Separate Financial Information as at September 30, 2010****Condensed Interim Financial Position Data as at**

	<u>2010</u>	<u>September 30</u> <u>2009</u>	<u>December 31</u> <u>2009</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Audited)</u>
	<u>NIS thousands</u>	<u>NIS thousands</u>	<u>NIS thousands</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Credit from banks	-	326,304	-
Current maturity of debentures	<b>153,094</b>	453,997	456,438
Trade payables	<b>1,575</b>	2,008	1,107
Other payables and credit balances, including financial derivatives	<b>232,754</b>	100,404	148,131
Payables from investees	<b>108,896</b>	1,207,287	89
Provisions	<b>500</b>	700	700
	<b>496,819</b>	2,090,700	606,465
<b>Long-term liabilities</b>			
Liabilities to banks	<b>772,686</b>	-	359,968
Debentures	<b>1,996,893</b>	2,122,900	2,126,247
Capital note from subsidiary	<b>6,382</b>	6,382	6,382
Other liabilities	-	-	876
Deferred tax liabilities	<b>4,629</b>	163,065	80,100
Employee benefits	<b>1,318</b>	1,060	1,081
Liability for options to investors	-	3,079	4
	<b>2,781,908</b>	2,296,486	2,574,658
<b>Equity</b>			
Share capital	<b>564,546</b>	564,546	564,546
Premium on shares	<b>3,904,575</b>	3,904,575	3,904,575
Treasury shares	<b>(6,071)</b>	(6,071)	(6,071)
Reserves	<b>(1,212,769)</b>	419,123	(156,803)
Retained earnings	<b>655,360</b>	1,375,427	1,046,296
<b>Total equity attributed to holders of equity rights in the Company</b>	<b>3,905,641</b>	6,257,600	5,352,543
<b>Total liabilities and equity</b>	<b>7,184,368</b>	10,644,786	8,533,666

Ami Erel  
Chairman of the Board of Directors

Raanan Cohen  
Chief Executive Officer

Oren Hillinger  
Chief Financial Officer

Approval date of financial statements: November 23, 2010

**Condensed Interim Separate Financial Information as at September 30, 2010**
**Condensed Interim Statement of Income Data**

	For nine-month period ended September 30		For three-month period ended September 30		For year ended December 31
	2010	2009	2010	2009	2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
<b>Revenues</b>					
Revenues from rental fees	5,080	4,950	1,812	1,795	6,660
Koor's equity in the operating results of investees, net	33,283	702,377	-	580,565	800,766
Gain from realization and dividend from financial assets available for sale	72,627	1,641,272	5,680	-	1,641,790
Other income	-	17,071	-	1,334	21,486
Management fee and financing income from investees	13,271	2,587	4,889	436	4,093
Financing income	16,843	24,815	7,125	4,192	30,065
	<b>141,104</b>	<b>2,393,072</b>	<b>19,506</b>	<b>588,322</b>	<b>2,504,860</b>
<b>Expenses</b>					
General and administrative expenses	20,346	34,752	8,020	19,197	54,439
Koor's equity in the results of investees, net	-	-	227,309	-	-
Other expenses	15,261	7,402	7,688	-	8,259
Financing expenses	222,159	238,479	148,718	64,020	283,331
	<b>257,766</b>	<b>280,633</b>	<b>391,735</b>	<b>83,217</b>	<b>346,029</b>
<b>Income (loss) before income tax</b>	<b>(116,662)</b>	<b>2,112,439</b>	<b>(372,229)</b>	<b>505,105</b>	<b>2,158,831</b>
Income tax	116	20,809	12,863	6,891	6,872
<b>Income (loss) for the period attributed to holders of equity rights in the Company</b>	<b>(116,546)</b>	<b>2,133,248</b>	<b>(359,366)</b>	<b>511,996</b>	<b>2,165,703</b>

**Condensed Interim Separate Financial Information as at September 30, 2010**
**Condensed Interim Comprehensive Income Data**

	For nine-month period ended September 30		For three-month period ended September 30		For year ended December 31
	2010	2009	2010	2009	2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
<b>Income (loss) for the period attributed to holders of equity rights in the Company</b>	<b>(116,546)</b>	2,133,248	<b>(359,366)</b>	511,996	2,165,703
<b>Components of other comprehensive income (loss)</b>					
Foreign currency translation differences from foreign operations	(37,366)	(9,620)	(81,803)	(35,832)	2,153
Foreign currency translation differences from foreign operations recognized in gain/loss	4,347	1,078	-	-	1,078
Net change in fair value of financial assets available for sale, net of tax	(203,708)	2,342,448	56,445	490,695	1,914,956
Net change in fair value of financial assets classified as available for sale transferred to statement of income, net of tax	-	(1,719,440)	-	(511,773)	(1,207,667)
Impairment loss on financial assets available for sale transferred to statement of income, net of tax	10,402	-	7,684	-	-
Actuarial gains from defined benefits plan	-	-	-	-	533
Koor's equity in comprehensive income (loss) of investees, net of tax	(834,074)	286,471	231,634	198,282	(387,528)
<b>Total comprehensive income (loss) for the period attributed to holders of equity rights in the Company</b>	<b>(1,176,945)</b>	<b>3,034,185</b>	<b>(145,406)</b>	<b>653,368</b>	<b>2,489,228</b>

**Condensed Interim Separate Financial Information as at September 30, 2010****Condensed Interim Cash Flows Data**

	For nine-month period ended		For three-month period ended		For year ended
	September 30		September 30		December 31
	2010	2009	2010	2009	2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
<b>Cash flows generated by operating activities</b>					
<b>Income (loss) for the period</b>	<b>(116,546)</b>	2,133,248	<b>(359,366)</b>	511,996	2,165,703
Adjustments:					
Financing costs, net	<b>86,564</b>	154,267	<b>25,256</b>	32,256	189,103
Koor's equity in results of investees, net	<b>(33,283)</b>	(702,377)	<b>227,309</b>	(580,564)	(800,766)
Dividend received from investees	<b>10,359</b>	41,739	<b>1,150</b>	41,739	67,895
Depreciation and amortization	<b>34</b>	60	<b>13</b>	12	73
Increase (decrease) in employee benefits	<b>237</b>	(52)	<b>61</b>	112	502
Income tax expenses	<b>(116)</b>	(20,809)	<b>(12,863)</b>	(6,891)	(6,872)
Revaluation of investment property	-	(1,639)	-	-	(1,339)
Capital losses (gains), net, from realization of:					
Fixed assets	-	(7)	-	-	(7)
Investments in investees and financial assets available for sale	<b>4,824</b>	(1,627,881)	-	-	(1,627,881)
Revaluation and linkage of reserve for amortization of debenture discount and revaluation of liabilities from options	<b>18,272</b>	67,838	<b>17,037</b>	30,602	57,088
Linkage of loan principals and other long-term liabilities	<b>8,682</b>	12,154	<b>20,086</b>	(323)	16,669
Erosion (revaluation) of properties and investments, deposits and loans receivable	<b>88,288</b>	(22,720)	<b>82,263</b>	(4,560)	(9,744)
Decrease (increase) in other receivables and debit balances	<b>(306)</b>	(2,720)	<b>(143)</b>	8,240	(704)
Decrease in trade and other payables and credit balances	<b>(21,212)</b>	(16,259)	<b>(7,675)</b>	(1,334)	(14,628)
Income tax paid	<b>(19,866)</b>	-	-	-	-
	<b>25,931</b>	14,842	<b>(6,872)</b>	31,285	35,092
Net cash generated by operating activities with investees	<b>(2,172)</b>	1,284	<b>(2,262)</b>	2,247	2,116
<b>Net cash inflows (outflows) generated by operating activities</b>	<b>23,759</b>	16,126	<b>(9,134)</b>	33,532	37,208

\* Reclassified, see Note 2.A.

**Condensed Interim Separate Financial Information as at September 30, 2010****Condensed Interim Cash Flows Data (cont.)**

	For nine-month period ended September 30		For three-month period ended September 30		For year ended December 31
	2010	2009	2010	2009	2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
<b>Cash flows generated by investing activities</b>					
Purchase of fixed assets	(44)	(32)	(4)	(6)	(35)
Proceeds from realization of investments in financial assets available for sale, in investees and other	-	5,451,169	-	-	5,451,169
Proceeds from sale of investment property	-	22,075	-	-	22,075
Proceeds from realization of assets held for sale	16,178	-	-	-	-
Investment in financial assets available for sale and in affiliates and other	(276,992)	(445,496)	(5,984)	(4,534)	(854,396)
Increase in pledged deposits, net	(85,830)	-	(79,537)	-	-
Increase in short-term deposits and investment, net	(10,111)	(30,347)	(1,042)	(30,347)	(25,877)
Flows from settlement (to settlement) of derivatives	37,031	2,813	(12)	2,813	*(22,489)
Interest received	3,317	2,877	568	1,492	5,686
	<u>(316,451)</u>	<u>5,003,059</u>	<u>(86,011)</u>	<u>(30,582)</u>	<u>4,576,133</u>
Net cash inflows (outflows) generated by investing activities with investees	<u>7,510</u>	<u>(616,532)</u>	<u>-</u>	<u>(766,968)</u>	<u>(1,873,762)</u>
<b>Net cash inflows (outflows) generated by investing activities</b>	<b><u>(308,941)</u></b>	<b><u>4,386,527</u></b>	<b><u>(86,011)</u></b>	<b><u>(797,550)</u></b>	<b><u>2,702,371</u></b>
<b>Cash flows generated by financing activities</b>					
Net proceeds from issuance of debentures	-	819,438	-	819,438	819,438
Dividend distribution	(269,957)	(432,215)	-	-	(792,315)
Interest paid	(134,476)	(104,735)	(89,719)	(58,499)	(119,971)
Cash flows from settlement (to settlement) of derivatives	(207)	10,838	(207)	1,019	*10,839
Long-term loans received, net	945,932	-	663,864	-	-
Long-term loans repaid	(999,871)	(1,176,617)	-	-	(1,184,105)
Increase (decrease) in credit from banks and others, net	2,791	(621,307)	-	251,450	(583,619)
	<u>(455,788)</u>	<u>(1,504,598)</u>	<u>573,938</u>	<u>1,013,408</u>	<u>(1,849,733)</u>
Net cash inflows (outflows) generated by financing activities with investees	<u>115,361</u>	<u>(7,890)</u>	<u>(225,749)</u>	<u>(7,890)</u>	<u>(7,890)</u>
<b>Net cash inflows (outflows) generated by financing activities</b>	<b><u>(340,427)</u></b>	<b><u>(1,512,488)</u></b>	<b><u>348,189</u></b>	<b><u>1,005,518</u></b>	<b><u>(1,857,623)</u></b>
<b>Change in cash and cash equivalents</b>	<b><u>(625,609)</u></b>	<b><u>2,890,165</u></b>	<b><u>253,044</u></b>	<b><u>241,500</u></b>	<b><u>881,956</u></b>
<b>Cash and cash equivalents – beginning of period</b>	<b><u>1,136,391</u></b>	<b><u>256,612</u></b>	<b><u>**256,443</u></b>	<b><u>2,897,616</u></b>	<b><u>256,612</u></b>
<b>Effect of fluctuations in exchange rate on balances of cash and cash equivalents</b>	<b><u>641</u></b>	<b><u>(3,420)</u></b>	<b><u>1,936</u></b>	<b><u>4,241</u></b>	<b><u>(2,177)</u></b>
<b>Cash and cash equivalents – end of period</b>	<b><u>511,423</u></b>	<b><u>3,143,357</u></b>	<b><u>511,423</u></b>	<b><u>3,143,357</u></b>	<b><u>1,136,391</u></b>

\* Reclassified, see Note 2.A

\*\* Reclassified, see Note 2.B

**Condensed Interim Separate Financial Information as at September 30, 2010**

---

**Supplementary Information****Note 1 - General**

The interim separate financial information is presented in accordance with Regulation 38D of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970, and does not include all the information required under Regulation 9C and Addendum 10 to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970, regarding financial information attributed to the Company alone. It is to be read in conjunction with the separate financial information as at December 31, 2009 and for the year then ended and in conjunction with the condensed consolidated interim financial statements as at September 30, 2010 ("the consolidated financial statements").

**(1) In this interim financial information attributed to the Company alone:**

- (1) The Company – Koor Industries Ltd.
- (2) Subsidiaries – Companies, including partnerships, the financial statements of which are consolidated in full, directly or indirectly, in the Company's financial statements.
- (3) Investees – subsidiaries and companies, including partnerships, the Company's investment in which is included in the financial statements, directly or indirectly, by the equity method.

**(2) Additional significant information required to understand the financial information attributed to the Company alone**

Regarding additional significant information, see Notes 4, 5, and 6 to the condensed consolidated interim financial statements.

**(3) Related parties**

During the first nine months of 2010, the Company received, for the purpose of making its investments, within current debt, NIS 115 million from M.A.G.M. Chemistry Holdings Ltd., a wholly-owned subsidiary.

**Note 2 – Basis for financial statement preparation**

Comparative figures were reclassified for purposes of consistency. These reclassifications had no effect on the equity or income in the said periods.

Presented below are the reclassifications made:

- A. In the statement of cash flows for the nine-month and three-month periods ended September 30, 2010, the Company presents the cash flows from the settlement of derivatives that hedge the exposure to the exchange rate of the Swiss franc from the investment in Credit Suisse within cash flows for investing activities. Comparative figures in the statement of cash flows for the year ended December 31, 2009 were reclassified in order to include the flows from the settlement of these derivatives within cash flows from investing activities and not in cash flows for financing activities.
- B. In the statement of financial position as at September 30, 2010, pledged deposits totaling NIS 6,293 thousand as of June 30, 2010 were reclassified from cash and cash equivalents to other investments and pledged deposits. Consequently, the balance of cash and cash equivalents as at the beginning of the period was updated in the statement of cash flows for the three months ended September 30, 2010. For additional details, see Note 5.B to the condensed interim consolidated financial statements.

**Condensed Interim Separate Financial Information as at September 30, 2010**

---

kpmg

סומך חייקין

מחלקת עיבוד תמלילים

טופס נתוני מסמך WORD 2000

Doc No:376499 V:1

Author: קרן הילה  
Document Name: Koor Industries SOLO June 2010  
Document Type: (דו"חות כספיים) אנגלית  
Client: 9083 כור תעשיות בע"מ  
Project: 92 ביקורת 2010  
Partner: הילה קרן-ארז  
Sub client ID: 9083 כור תעשיות בע"מ  
Service:  
Created: 18-08-2010 9:39AM Doris Levy  
Last Printed on: 12:00AM  
Last Saved on: 18-08-2010 9:41AM Doris Levy

hila bashari להחזיר ל:

12 קומה:

Doris Levy תוקן/הודפס ע"י:

Koor Industries SOLO June 2010 הערות:

מיקום הקובץ:

TADOCS\KEREN\_HILLA\82\$b01!.DOC\ustlvdb01\docs\