

# **Koor Industries Ltd.**

## **Part 1**

### **Material Changes and New Items that Have Occurred in the Corporation's Business**

## **Koor Industries Ltd.**

### **(“Koor”)**

#### **Material changes and new items that have occurred in Koor’s business in the three months ended March 31, 2011<sup>1</sup>**

#### **in accordance with Regulation 39A of the Securities Regulations (Periodic and Immediate Reports), 5730 – 1970**

In this section:

**"Directors' Report"** – Koor’s Directors' Report on the state of Koor's affairs for the first quarter of 2011, presented in Part 2 of this report.

**"Financial Statements"** – Koor’s consolidated financial statements for the three months ended March 31, 2011, presented in Part 3 of this report.

**"Periodic Report"** – Koor’s periodic report for the year ended December 31, 2010, published in the amended immediate report on March 27, 2011.

**"Report Date"** - Date of publication of this report or a date close thereto, as the case may be.

1. Purchase and sale of assets (Section 3.5 of the Periodic Report)

1.1 For updates with respect to the Merger Agreement (as defined in Section 9.2.5[A] of the Periodic Report) with a subsidiary of China National Chemical Corporation ("ChemChina" and "Merger Agreement", respectively), see Section 4.1 below.

1.2 With respect to the investment in Credit Suisse Group AG ("Credit Suisse") shares, see Section 4.2 below.

1.3 With respect to Koor's holdings in Carrefour SA ("Carrefour") shares, see Section 4.4.2 below.

2. Financial information concerning Koor's operations (Section 7 of the Periodic Report)

For financial information about Koor’s segments of operation for the three months ended March 31, 2011, see Note 7 to the Financial Statements.

3. General Environment and the Impact of External Factors on Koor’s Operations (Section 8 of the Periodic Report)

3.1 Further to that set out in Section 8 of the Periodic Report with respect to the condition of the financial markets and with respect to the effect of fluctuations in the exchange

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<sup>1</sup> It does not include changes and new items that were described in Koor's periodic report.

rates and changes in the rates of inflation and interest in the market on Koor, see Sections 2.1.1 and 2.1.2 of the Directors' Report.

4. Review of Koor's operations by business segment

4.1 Makhteshim-Agan Industries Ltd. ("Makhteshim Agan") (Section 9 of the Periodic Report)

4.1.1 Further to that set out in Section 9.2.5[A] of the Periodic Report, and as Koor reported on March 30, 2011, April 7, 2011, May 5, 2011 and May 8, 2011 (Ref. Nos.: 2011-01-098946, 2011-01-113184, 2011-01-139425 and 2011-01-142275, respectively), all of the approvals required from the governmental authorities in China were received for performance of the Merger Agreement. For additional information, see the aforementioned reports. Furthermore, and as reported by Koor on May 5, 2011, the parties are advancing to draft a detailed loan agreement with Koor, and the wording of the letter of credit to be given to Koor as part of the Merger Agreement.

4.1.1 On May 16, 2011, Koor reported (Ref. No.: 2011-01-149541), further to Koor's immediate report of January 16, 2011 regarding the motion filed with the Tel Aviv District Court against Koor and Makhteshim Agan for the removal and prevention of discrimination, and a motion to certify it as a class action pursuant to the Class Actions Law, 2006 (jointly - "Motion"), in respect of the Merger Agreement, on May 15, 2011, an interim ruling was handed down by the court, and according to which Koor is not entitled to surplus consideration in respect of the benefit of the non-recourse loan that Koor was to have received as part of the Merger Agreement, and that the value of said consideration is to be divided equally between all Makhteshim Agan shareholders - both public shareholders and Koor in respect of all its holdings. The court further ruled that an additional hearing on the motion would be held on June 13, 2011. Koor reported that it is reviewing said decision and assessing its implications and the steps it will take.

4.1.2 On May 16, 2011, Makhteshim Agan published its financial statements (reviewed, unaudited) of March 31, 2011.

4.2 Credit Suisse Group AG (Section 10 of the Periodic Report)

4.2.1 As of March 31, 2011 and the date of this report, Koor holds 38.60 million Credit Suisse shares, constituting 3.21% of Credit Suisse share capital,<sup>2</sup> for a cumulative investment of NIS 6.97 billion.

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<sup>2</sup> Koor's rate of holding in Credit Suisse shares is calculated according to the data on Credit Suisse share capital registered for trade on the SIX Swiss Exchange ("SIX Exchange"), as reported on the website of the SIX Exchange (lacking up-to-date public information as at the date of the report on the number of the treasury shares).

- 4.2.2 As at the date of this report, in respect of the sale of Credit Suisse shares and receipt of dividends in respect of the investment in Credit Suisse shares, Koor has to date recorded an accumulated after-tax profit of NIS 3.4 billion, and in the second quarter of 2011, Koor is expected to record after-tax profit from a dividend received (see Section 4.2.6 below) in the amount of NIS 186 million.
- 4.2.3 As at the date of this report, the negative gap between the value of the Credit Suisse shares held by Koor, according to the closing price of Credit Suisse shares on the New York Stock Exchange in the USA ("NYSE") on May 16, 2011 and the cost of these shares, as stated in Section 4.2.1 above, is NIS 1.34 billion and is included in a capital reserve. For information regarding Koor's accounting policy regarding the investment in Credit Suisse, including the possibility of early adoption of IFRS 9 (2010), see Note 5(1) to the Financial Statements.
- 4.2.4 Of the credit facilities made available to Koor (including its wholly owned subsidiaries) by a corporation in the Morgan Stanley Group and a corporation in the Citigroup Group, the credit balance used by Koor (including its wholly owned subsidiaries) as at March 31, 2011 and May 16, 2011 amounted to NIS 3.63 billion and NIS 3.80 billion, respectively.
- 4.2.5 As of the date of this report, the framework of the investment in Credit Suisse shares by Koor, as approved by Koor's Board of Directors amounts to a total investment of up to NIS 7 billion, and Koor intends to continue with the investment, while taking advantage of buying and selling opportunities, noting market conditions and Koor's estimates from time to time, and following a desire to continue to be a principal shareholder in Credit Suisse.
- 4.2.6 On April 29, 2011, the Credit Suisse general meeting approved a cash distribution from capital funds in the amount of CHF 1.3 per share. This distribution was performed on May 6, 2011. Koor's share in this distribution (before tax) was NIS 196 million. In respect of said distribution, Koor may record a tax expense of NIS 10 million in respect of adjustment of a deferred tax liability in the second quarter of 2011. See also Note 5(1) to the Financial Statements.

To the best of Koor's knowledge, the Credit Suisse dividend policy is to attempt to provide investors with regular and effective distributions as a reflection of its profits.

4.2.7 Update of main points regarding Credit Suisse (Section 10.3 of the Periodic Report)

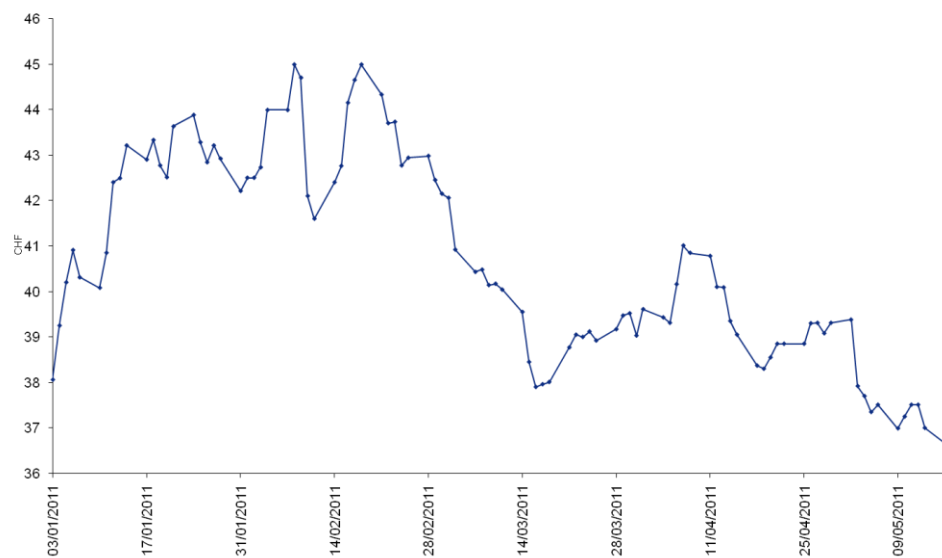
4.2.7.1 The following is some data regarding the trade of Credit Suisse shares on the SIX Exchange, as published by Reuters from the beginning of 2011 through May 16, 2011:

Price range on the SIX Exchange

Highest price		Lowest price	
Date	Price (in CHF)	Date	Price (in CHF)
February 8, 2011	44.99	May 16, 2011	36.66

4.2.7.2 The following is a graph presenting data on the price of Credit Suisse shares on the SIX Exchange from the beginning of 2011 through May 16, 2011 (in CHF):

**Price of Credit Suisse shares on the SIX Exchange (CHF)**



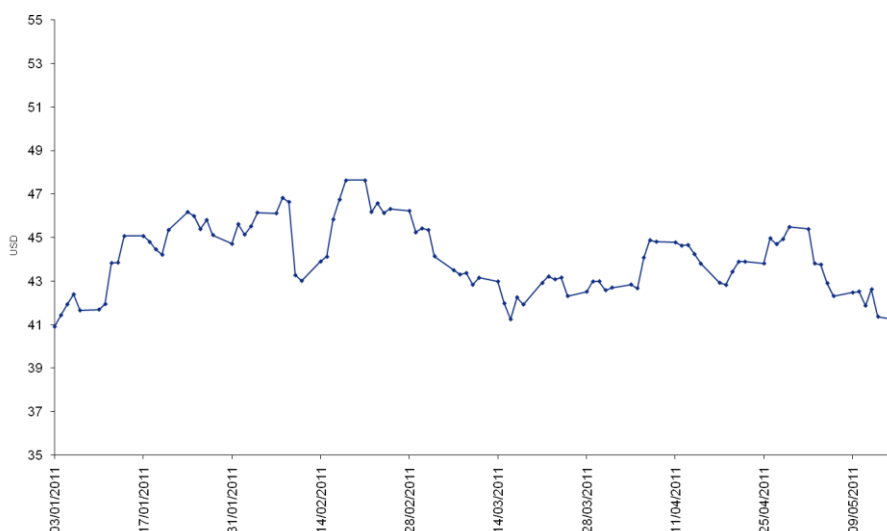
4.2.7.3 The following is some data regarding the trade of Credit Suisse shares on the NYSE, as published by Reuters from the beginning of 2011 through May 16, 2011:

Price range on the NYSE

Highest price		Lowest price	
Date	Price (in USD)	Date	Price (in USD)
February 8, 2011	47.63	January 3, 2011	40.9

4.2.7.4 The following is a graph presenting data on the price of Credit Suisse shares on the NYSE from the beginning of 2011 through May 16, 2011 (in USD):

**Price of Credit Suisse shares on the NYSE (USD)**



4.2.7.5 It should be noted that to the best of Koor's knowledge, the price range of Credit Suisse shares on the SIX Exchange during the period described above did not deviate for a lengthy period or materially from the price range of the share as reflected in trade on the NYSE.

On May 16, 2011, the closing price of Credit Suisse shares on the SIX Exchange was CHF 36.66, and USD 41.2 on the NYSE.

4.2.7.6 The range of trade volume on the SIX Exchange since the beginning of 2011 and through May 16, 2011:

Highest volume		Lowest volume		Average volume
Date	Volume (number of shares in millions)	Date	Volume (number of shares in millions)	
February 10, 2011	23.6	May 2, 2011	2.6	7.1

4.2.7.7 The following is data regarding standard deviation of Credit Suisse shares on the SIX Exchange:

In the month prior to May 16, 2011	In the three months prior to May 16, 2011	Standard deviation from the beginning of 2011 and through May 16, 2011	In the twelve months prior to May 16, 2011
0.89	1.98	2.23	3.08

4.2.7.8 The following is data regarding standard deviation of Credit Suisse shares on the NYSE:

In the month prior to May 16, 2011	In the three months prior to May 16, 2011	Standard deviation from the beginning of 2011 and through May 16, 2011	In the twelve months prior to May 16, 2011
1.25	1.54	1.60	2.59

4.2.7.9 The following is data regarding the maximum and minimum number of Credit Suisse shares held by Koor in 2011 through May 16, 2011, by month (in millions of shares):

Month	Year	Maximum share balance	Minimum share balance
January	2011	38.60	38.60
February		38.60	38.60
March		38.60	38.60
April		38.60	38.60
May		38.60	38.60

4.2.7.10 The CHF to NIS exchange rate on 16.05.11 was NIS 3.9806 per CHF.

4.2.8 The following is a brief description of the highlights of the ongoing reports Credit Suisse filed with the U.S. Securities and Exchange Commission:

4.2.8.1 On March 24, 2011, Koor announced in an immediate report (Ref. No.: 2011-01-091392), that on said day, Credit Suisse had published its 2010 financial statements, which can be found on the Credit Suisse website:

[https://www.credit-suisse.com/investors/en/reports/2010\\_annual\\_report.jsp](https://www.credit-suisse.com/investors/en/reports/2010_annual_report.jsp)

4.2.8.2 On March 27, 2011, Koor announced in an immediate report (Ref. No.: 2011-01-092661) that on March 25, 2011, Credit Suisse had submitted its 2010 Annual Financial Statements (F-20) to the U.S. Securities and Exchange Commission (SEC), and they can be found at:

<http://www.sec.gov/Archives/edgar/data/1159510/000137036811000010/a110325ar20f.htm>

A copy of said annual financial statements was attached to said report by Koor.

- 4.2.8.3 On March 27, 2011, Koor announced in an immediate report (Ref. No.: 2011-01-092664) that on March 25, 2011, Credit Suisse had published its Basel II Pillar 3 report (Form K6) regarding the implementation of the risk assessment process as part of the provisions of Basel II. A copy of said report was attached to Koor's said report.
- 4.2.8.4 On March 27, 2011, Koor attached to the immediate report it published (Ref. No.: 2011-01-094446) an appendix which, among other things, includes: (1) brief description of the division of Credit Suisse activity into professional divisions; (2) certain financial data from Credit Suisse's 2010 Annual Financial Statements (see Section 4.2.8.1 above); and (3) convenience translation from English into Hebrew of the section on risk factors, as included in Credit Suisse's 2010 Annual Financial Statements.
- 4.2.8.5 On April 27, 2011, Koor announced in an immediate report (Ref. No.: 2011-01-129114) that on said day, Credit Suisse published its financial statements for the first quarter of 2011. Credit Suisse's media release regarding to its results in the first quarter of 2011 is attached to the said immediate report and a link was published with respect to Credit Suisse quarterly financial statements to its website at:

[https://www.credit-suisse.com/investors/en/reports/2011\\_results\\_q1.jsp](https://www.credit-suisse.com/investors/en/reports/2011_results_q1.jsp)

- 4.2.8.6 On 28.04.11, Koor attached to the immediate report it published (Ref. No.: (2011-01-130683) a copy of Credit Suisse's financial results in the first quarter of 2011, as reported by it to the U.S. Securities and Exchange Commission (SEC) on Form 6K, a copy of the press release Credit Suisse issued regarding its results in the first quarter of 2011, as reported by it to the U.S. Securities and Exchange Commission (SEC) on Form 6K, and a convenience translation from English to Hebrew of said press release.
- 4.2.8.7 On May 10, 2011, Koor attached to the immediate report it published (Ref. No.: 2011-01-144123) a copy of Credit Suisse's report (as reported by Credit Suisse on F6K to the US Securities and Exchange Commission (SEC)), including Credit Suisse's financial statements for the first quarter of 2011, which included

supplements, including disclosure regarding fair value, and with respect to the Credit Suisse Consolidated Financial Statements, additional disclosure on (A) the fair value of financial instruments, (B) loans, provisions for losses in respect of loans and credit quality, (C) derivatives and hedging activity, (D) investment securities, (E) guarantees and liabilities, (F) charged or endorsed assets, and (G) transfers of financial assets and held variable interest entities, and a review by Credit Suisse's independent auditing firm.

The data and information included in Credit Suisse's 2010 Annual Financial Statements, Credit Suisse's quarterly report for the first quarter of 2011 and in the additional reports by Credit Suisse, as set out above, are based on Credit Suisse's reports to the SEC, and Koor is not responsible for their accuracy.

#### 4.3 452 Fifth Owners, LLC ("452 Owners") (Section 11 of the Periodic Report)

<b>Data at 100%. Koor's share in the property - 50%</b>	<b>For the period ended December 31, 2011</b>	<b>for the period ended December 31, 2010<sup>3</sup></b>
Property value (in USD thousands) <sup>4</sup>	395,001	391,412
NOI in the period (USD thousands)	7,801	20,148
Profits/losses from revaluation during the period (NIS thousands)	--	36,940
Average occupancy rate during the period (%)	97%	97%
Actual yield (%)	2.0	5.1
Average rent per sq. m (per month) (in USD)	49	49
Average rent per sq. m in contracts signed in the period (per month) (in USD)	94	--

#### 4.4 Others (Section 14 of the Periodic Report)

##### 4.4.1 Investment in EMCO Fund

For information regarding the balance of Koor's investment in the EMCO Fund, see Note 4(C) to the Financial Statements.

##### 4.4.2 Carrefour

In the first quarter of 2011, Koor conducted buy and sell transactions of Carrefour shares with respect to which Koor recorded profit of NIS 2 million in the first quarter of 2011. As at the date of this report, Koor holds 719,000 shares of Carrefour, at a cost of NIS 109 million and a value of NIS 109 million. For information about the buy and sell transactions conducted by Koor in the second quarter and through the date of this report, and the profit Koor

<sup>3</sup> Purchase of HSBC building in April 2010. The data presented in the table relating to the period ended on December 31, 2010 are for the period which commenced on April 1, 2010 and ended on December 31, 2010.

<sup>4</sup> In accordance with the financial statements of 452 Owners.

expects to record in respect thereof in the second quarter of 2011, and for information about the framework of the investment in Carrefour, see Note 8(3) to the Financial Statements.

5. **Koor's operations – further information**

5.1 Financing and loans

5.1.1 Further to that set out in Section 17 of Part 1 of the Periodic Report (Financing and loans item): See sections 1.5.1 and 1.5.2 of the Directors' Report.

5.2 Koor's bonds

Further to that set out in Section 17.8 of the Periodic Report with respect to the method used by rating company Standard & Poor's Maalot Ltd. to examine Koor and IDB Group bonds, it should be noted that close to the date of this report, the cumulative leverage of the IDB Group was, to the best of Koor's knowledge, 65% and the cumulative leverage of Koor was 55%.

For information regarding bonds redeemed by Koor in the first quarter of 2011, see Section 1.5.2 of the Directors' Report.

For additional information regarding Koor bonds in circulation and their terms, including rating, see Appendix B to the Directors' Report on dedicated disclosure to Koor's bondholders.

5.3 Information concerning events subsequent to the balance sheet date - See Note 8 to the Financial Statements.

5.4 Risk factors – financial risks - Further to that set out in Section 23.2[A] of Part 1 of the Periodic Report, see Section 2.1.2 of the Directors' Report.

Part 1 of this report is to be read along with the other parts, including the notes to the financial statements.

Date: May 17, 2011

**Koor Industries Ltd.**

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Raanan Cohen  
CEO

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Oren Hillinger  
CFO