

*Translated from the Hebrew Original*

**Koor Industries Limited**

**Condensed Consolidated Interim  
Financial Statements  
As at March 31, 2011  
(unaudited)**

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 Consolidated Interim Financial Statements as at March 31, 2011 (Unaudited)**

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## **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 March 31, 2011 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the three-month period 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 March 31, 2011, and whose revenues constitute 20% of the consolidated revenues from sales and services, from Group’s equity in the results of affiliates (in absolute values), from gains from sale of and dividends from financial assets available for sale and from other income for the three month period then ended. Furthermore, we did not review the condensed interim financial information of equity accounted investees the investment in which amounted to NIS 342,688 thousand as at March 31, 2011, and the Group’s share in their profits amounted to NIS 11,550 thousand for the three month period then ended. 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.)

May 17, 2011

**Condensed Consolidated Interim Statements of Financial Position as at**

	<b>March 31, 2011</b>	<b>March 31, 2010</b>	<b>December 31, 2010</b>
	<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	<b>389,843</b>	650,221	597,446
Short-term deposits and investments, including financial derivatives	<b>146,927</b>	82,836	76,458
Trade receivables	<b>11,594</b>	10,731	17,078
Other receivables	<b>35,321</b>	15,390	29,988
Inventories	<b>24,691</b>	33,609	23,700
	<u><b>608,376</b></u>	<u>792,787</u>	<u>744,670</u>
<b>Long-term investments</b>			
Investments in investees	<b>2,826,235</b>	3,049,188	2,790,974
Financial assets available for sale	<b>226,457</b>	3,135,537	117,020
Pledged financial assets available for sale	<b>5,721,372</b>	4,109,620	5,535,863
Other investments and pledged deposits	<b>499,901</b>	60,589	534,202
	<u><b>9,273,965</b></u>	<u>10,354,934</u>	<u>8,978,059</u>
<b>Deferred tax assets</b>	<u><b>229</b></u>	<u>-</u>	<u>-</u>
<b>Investment property</b>	<u><b>107,400</b></u>	<u>95,300</u>	<u>107,400</u>
<b>Fixed assets</b>	<u><b>3,592</b></u>	<u>2,034</u>	<u>1,641</u>
<b>Intangible assets</b>	<u><b>81,439</b></u>	<u>2,178</u>	<u>1,340</u>
<b>Total assets</b>	<u><b>10,075,001</b></u>	<u>11,247,233</u>	<u>9,833,110</u>

**Condensed Consolidated Interim Statements of Financial Position as at**

	<b>March 31, 2011</b>	<b>March 31, 2010</b>	<b>December 31, 2010</b>
	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands
<b>Liabilities</b>			
<b>Current liabilities</b>			
Credit from banks	134,376	29,704	26,618
Current maturities of debentures	153,094	606,889	153,094
Trade payables	15,885	12,636	14,817
Other payables	202,199	219,534	211,686
Financial derivatives	83,337	1,365	121,176
Dividend payable	-	269,957	-
Provisions	4,802	8,462	5,733
Customer advances	594	1,789	770
	<b>594,287</b>	<b>1,150,336</b>	<b>533,894</b>
<b>Long-term liabilities</b>			
Long term bank loans	4,487,195	2,698,448	4,469,980
Debentures	1,701,464	1,802,182	1,843,209
Deferred tax liabilities	42,157	93,559	31,221
Other liabilities including financial derivatives	2,618	8,666	2,839
Employee benefits	4,453	1,126	889
	<b>6,237,887</b>	<b>4,603,981</b>	<b>6,348,138</b>
<b>Equity</b>			
<b>Non-controlling interests</b>			
	<b>22,913</b>	-	-
Share capital	564,546	564,546	564,546
Premium on shares	3,904,575	3,904,575	3,904,575
Treasury shares	(6,071)	(6,071)	(6,071)
Reserves	(1,628,050)	46,279	(1,759,954)
Retained earnings	384,914	983,587	247,982
<b>Total equity attributed to holders of the Company's capital rights</b>	<b>3,219,914</b>	<b>5,492,916</b>	<b>2,951,078</b>
<b>Total equity</b>	<b>3,242,827</b>	<b>5,492,916</b>	<b>2,951,078</b>
<b>Total liabilities and equity</b>	<b>10,075,001</b>	<b>11,247,233</b>	<b>9,833,110</b>

Ami Erel

Chairman of the Board of Directors

Raanan Cohen

Chief Executive Officer

Oren Hillinger

Chief Financial Officer

Approval date of financial statements: May 17, 2011

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

**Condensed Consolidated Interim Statements of Income**

	For three-month period ended March 31		For year ended December 31
	2011	2010	2010
	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands
<b>Revenues</b>			
Sales and services	34,349	19,656	102,431
Koor Group's equity in earnings of affiliates	115,142	112,973	82,850
Gains from sale of and dividends from securities available for sale	5,157	14,585	306,408
Other income	6,214	35	12,545
Financing income	105,294	85,231	101,816
	<b>266,156</b>	<b>232,480</b>	<b>606,050</b>
<b>Expenses</b>			
Cost of sales and services	13,373	14,405	77,436
Selling and marketing expenses	10,225	3,441	11,879
General and administrative expenses	18,889	8,507	53,153
Koor Group's equity in losses of affiliates	1,208	-	288,382
Other expenses	2,818	6,566	21,749
Financing expenses	95,430	60,614	593,385
	<b>141,943</b>	<b>93,533</b>	<b>1,045,984</b>
<b>Earnings (loss) before income tax</b>	<b>124,213</b>	<b>138,947</b>	<b>(439,934)</b>
Income taxes	6,968	68,490	(96,350)
<b>Earnings (loss) for the period</b>	<b>131,181</b>	<b>207,437</b>	<b>(536,284)</b>
Earnings (loss) attributed to:			
Holders of the Company	130,747	207,437	(536,284)
Non-controlling interests	434	-	-
<b>Earnings (loss) for the period</b>	<b>131,181</b>	<b>207,437</b>	<b>(536,284)</b>
	<u>NIS</u>	<u>NIS</u>	<u>NIS</u>
<b>Earnings (loss) per share</b>			
Basic earnings (loss) per ordinary share	<b>2.750</b>	4.377	(11.304)
Diluted earnings (loss) per ordinary share	<b>2.750</b>	4.361	(11.304)

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

**Condensed Consolidated Interim Statements of Comprehensive Income**

	For three-month period ended		For year ended
	March 31		December 31
	2011	2010	2010
(Unaudited)	(Unaudited)	(Audited)	
NIS thousands	NIS thousands	NIS thousands	
<b>Income (loss) for the period</b>	<b>131,181</b>	207,437	(536,284)
<b>Elements of other comprehensive income (comprehensive loss):</b>			
Foreign currency translation differences from foreign operations	(56,013)	(47,498)	(173,163)
Foreign currency translation differences from foreign operations recognized in income/loss	-	4,347	4,347
Net change in fair value of financial assets available for sale, net of tax	190,704	248,613	(1,402,451)
Net change in fair value of financial assets available for sale recognized in income/loss, net of tax	(1,722)	(10,939)	(19,618)
Impairment loss of financial assets available for sale recognized in statement of income	-	-	2,717
Actuarial losses from defined benefits plan	(266)	-	(295)
Koor's equity in comprehensive income (comprehensive loss) of affiliates	5,303	8,370	(6,761)
<b>Total comprehensive income (comprehensive loss) for the period</b>	<b>269,187</b>	410,330	(2,131,508)
<b>comprehensive income (comprehensive loss) attributed to:</b>			
Holders of the Company	268,836	410,330	(2,131,508)
Non-controlling interests	351	-	-
<b>Comprehensive income (comprehensive loss) for the period</b>	<b>269,187</b>	410,330	(2,131,508)

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

### Condensed Consolidated Interim Statement of Changes in Shareholders' Equity

	Attributed to Company's equity holders							Non-controlling interest	Total equity	
	Share capital	Premium on shares	Translation reserve for foreign operations	Hedge reserve	Reserve for financial assets available for sale	Treasury shares	Retained earnings	Total		
									NIS thousands	
<b>For three-month period ended March 31, 2011 (unaudited)</b>										
<b>Balance as at January 1, 2011 (audited)</b>	564,546	3,904,575	(417,496)	7,436	(1,349,894)	(6,071)	247,982	2,951,078	-	2,951,078
Non-controlling interests in respect of business combination	-	-	-	-	-	-	-	-	23,406	23,406
Dividend to non-controlling interest in a subsidiary	-	-	-	-	-	-	-	-	(844)	(844)
Income for the period	-	-	-	-	-	-	130,747	130,747	434	131,181
Other comprehensive income (comprehensive loss) for the period	-	-	(47,861)	(9,217)	188,982	-	6,185	138,089	(83)	138,006
<b>Balance as at March 31, 2011 (unaudited)</b>	<b>564,546</b>	<b>3,904,575</b>	<b>(465,357)</b>	<b>(1,781)</b>	<b>(1,160,912)</b>	<b>(6,071)</b>	<b>384,914</b>	<b>3,219,914</b>	<b>22,913</b>	<b>3,242,827</b>

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

**Condensed Consolidated Interim Statement of Changes in Shareholders' Equity (cont.)**

	Attributed to Company's equity holders							Total equity
	Share capital	Premium on shares	Translation reserve for foreign operations	Hedge reserve	Reserve for financial assets available for sale	Treasury shares	Retained earnings	
	NIS thousands							
<b>For three-month period ended March 31, 2010 (unaudited)</b>								
<b>Balance as at January 1, 2010 (audited)</b>	564,546	3,904,575	(243,722)	17,461	69,458	(6,071)	1,046,296	5,352,543
Dividend to Company's shareholders	-	-	-	-	-	-	(269,957)	(269,957)
Income for the period	-	-	-	-	-	-	207,437	207,437
Other comprehensive income (comprehensive loss) for the period	-	-	(40,056)	5,464	237,674	-	(189)	202,893
<b>Balance as at March 31, 2010 (unaudited)</b>	<u>564,546</u>	<u>3,904,575</u>	<u>(283,778)</u>	<u>22,925</u>	<u>307,132</u>	<u>(6,071)</u>	<u>983,587</u>	<u>5,492,916</u>
<b>For the year ended December 31, 2010 (audited)</b>								
<b>Balance as at January 1, 2010 (audited)</b>	564,546	3,904,575	(243,722)	17,461	69,458	(6,071)	1,046,296	5,352,543
Dividend to Company's shareholders	-	-	-	-	-	-	(269,957)	(269,957)
Loss for the year	-	-	-	-	-	-	(536,284)	(536,284)
Other comprehensive income (comprehensive loss) for the year	-	-	(173,774)	(10,025)	(1,419,352)	-	7,927	(1,595,224)
<b>Balance as at December 31, 2010 (audited)</b>	<u>564,546</u>	<u>3,904,575</u>	<u>(417,496)</u>	<u>7,436</u>	<u>(1,349,894)</u>	<u>(6,071)</u>	<u>247,982</u>	<u>2,951,078</u>

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

**Condensed Consolidated Interim Statement of Cash Flows**

	For three-month period ended		For year ended
	March 31		December 31
	2011	(**)2010	(**)2010
	(Unaudited)	(Unaudited)	(Audited)
NIS thousands	NIS thousands	NIS thousands	
<b>Cash flows generated by operating activities</b>			
<b>Income (loss) for the period</b>	<b>131,181</b>	207,437	(536,284)
Adjustments:			
Financing expenses (income), net	(9,864)	(24,617)	491,569
Income tax expenses (savings)	(6,968)	(68,490)	96,350
Koor's equity in results of affiliates, net	(113,934)	(112,973)	205,532
Dividend received	3,591	7,500	292,101
Depreciation and amortization	2,644	549	1,725
Increase (decrease) in employee benefits	(43)	45	(487)
Revaluation of investment property	-	-	(12,100)
Net capital gains from realization, net and dividends from investments in investees and securities available for sale	(5,157)	(9,761)	(301,585)
Impairment (revaluation) of assets and investments	(3,209)	1,614	14,595
Decrease in trade and other receivables	2,888	4,453	1,010
Decrease (increase) in inventories and customer advances	(1,669)	149	7,936
Decrease in trade and other payables	(10,781)	(15,067)	(17,401)
Income tax received (paid)	(233)	2,592	(57,890)
<b>Net cash inflows (outflows) generated by operating activities</b>	<b>(11,554)</b>	(6,569)	185,071
<b>Cash flows generated by investing activities</b>			
Purchase of fixed assets	(784)	(38)	(65)
Amounts recognized as intangible assets	-	-	(946)
Proceeds from realization of securities available for sale, investments in investees and other	36,642	181,619	288,568
Proceeds from realization of assets held for sale	-	16,178	16,178
Investment in securities available for sale, affiliates and other	(169,766)	(1,874,610)	(2,431,196)
Decrease (increase) in pledged deposits, net	34,252	-	(443,356)
Decrease (increase) in short-term deposits and investments, net	(3,031)	(6,837)	65,020
Acquisition of subsidiary, net of cash acquired, in the framework of the initial consolidation	(24,890)	-	-
Cash flows from settlement of derivatives, net	43,855	(*)24,646	30,789
Interest received	3,742	1,587	5,692
<b>Net cash outflows generated by investing activities</b>	<b>(79,980)</b>	(1,657,455)	(2,469,316)

(\*) reclassified. See note 2(c)(1).

(\*\*) reclassified. See note 2(c)(2).

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

**Condensed Consolidated Interim Statement of Cash Flows (cont.)**

	For three-month period ended		For year ended
	March 31		December 31
	2011	2010	2010
(Unaudited)	(Unaudited)	(Audited)	
NIS thousands	NIS thousands	NIS thousands	
<b>Cash flows generated by financing activities</b>			
Dividend distributed to shareholders	-	-	(269,957)
Dividend to non-controlling interest in a subsidiary	(844)	-	-
Interest paid	(71,473)	(56,910)	(254,445)
Long-term loans received	-	854,525	2,549,697
Long-term loans and debentures repaid	(153,094)	(80,903)	(761,783)
Cash flows from settlement of derivatives, net	-	(*)-	787
Increase (decrease) in credit from banks, net	108,208	(1,494)	(1,070)
<b>Net cash inflows (outflows) generated by financing activities</b>	<b>(117,203)</b>	<b>715,218</b>	<b>1,263,229</b>
<b>Change in cash and cash equivalents</b>	<b>(208,737)</b>	<b>(948,806)</b>	<b>(1,021,016)</b>
<b>Cash and cash equivalents – beginning of period</b>	<b>597,446</b>	<b>1,612,343</b>	<b>1,612,343</b>
<b>Effect of fluctuations in exchange rate on balances of cash and cash equivalents</b>	<b>1,134</b>	<b>(13,316)</b>	<b>6,119</b>
<b>Cash and cash equivalents – end of period</b>	<b>389,843</b>	<b>650,221</b>	<b>597,446</b>

(\*) reclassified. See note 2(c)(1).

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

**Notes to the Condensed Consolidated Interim Financial Statements as at March 31, 2011 (unaudited)****Note 1 – General**

Koor Industries Ltd. ("the Company" or "Koor") is an Israel-domiciled company that was incorporated in Israel; its registered address is 3 Azrieli Center, Tel-Aviv 67023. The Company's consolidated financial statements as at March 31, 2011 include the financial statements of the Company and the financial statements of its subsidiaries, as well as the Group's rights in affiliates and in a jointly-controlled company (together – "the Group"). The Company is a holding company that invests mainly in the fields of agrochemicals, finance, telecommunications equipment, real estate and others, through subsidiaries, affiliates, a jointly-controlled company and financial investments. I.D.B. Development Ltd. ("IDB Development"), which is the controlling shareholder in the Company, holds 76% of the Company's shares as at March 31, 2011, directly and indirectly through Discount Investment Corporation Ltd ("DIC"). The controlling interest in IDB Development is comprised of Gandan Holdings Ltd., Manor Holdings B.I. Ltd. and Abraham Livnat Ltd., which are tied in a voting agreement. Its ultimate parent company is Gandan Holdings Ltd., and Mr. Nochi Dankner is the ultimate controlling shareholder. The Company's securities are listed for trading on the Tel Aviv Stock Exchange.

**Note 2 – Basis for preparation of financial statements****A. Declaration of compliance with International Financial Reporting Standards**

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 – Interim Financial Statements – and do not include all the information required in the full annual financial statements. The condensed interim financial statements should be read together with the financial statements as at and for the year ended December 31, 2010 ("the annual financial statements").

Likewise, the financial statements are prepared in accordance with Section D of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970.

The condensed consolidated interim financial statements were approved for issue by the Company's Board of Directors on May 17, 2011.

**B. Use of estimates and judgment**

When preparing condensed financial statements in conformity with IFRS, Company management is required to use judgment when making assessments, estimates and assumptions that affect the implementation of the policies and amounts of assets and liabilities, revenues and expenses. It is clarified that the actual results could differ from these estimates. Management's judgment, when applying the Group's accounting policies and main assumptions used in estimates involve uncertainty, are consistent with those used in the annual financial statements.

**Notes to the Condensed Consolidated Interim Financial Statements as at March 31, 2011 (unaudited)****Note 2 – Basis for preparation of financial statements (cont.)****C. Reclassification**

1. Commencing in the second quarter of 2010, in the statement of cash flows, the Company presents the cash flows from the settlement of derivatives from transactions on the exchange rate of the Swiss franc related to the investment in Credit Suisse within cash flows for investing activities. Comparative figures in the statement of cash flows for the three-month period ended March 31, 2010 were reclassified, in order to include the flows from the settlement of these derivatives within cash flows for investing activities and not in cash flows for financing activities.
2. In the statement of cash flows for the three-month period ended March 31, 2011, the Company adjusted the net financing costs in cash flows from operating activities in only one line-item, and not in several separate items, as it had done in the past. Comparative figures in the statement of cash flows for the three-month period ended March 31, 2010 and for the year ended December 31, 2010 were reclassified for comparison purposes. The above reclassification has no effect on total cash flows from operating, investing or financing activities.

**Note 3 – Significant Accounting Policies**

Except as provided below, the Group's accounting policies in these condensed consolidated interim financial statements are the policies applied in its annual financial statements.

Presented below is a description of the changes in accounting policies instituted in the condensed consolidated interim financial statements and their effect:

**A. First-time application of new standards****Interim financial reporting**

Commencing January 1, 2011, the Group applies the Amendment to IAS 34, *Interim Financial Reporting*, Significant Events and Transactions ("the Amendment"), which was issued as part of the IFRSs Improvements Project for 2010. In accordance with the Amendment, the list of events and transactions requiring disclosure in the interim financial reporting was broadened. Likewise, the materiality limit in the minimum disclosure requirements that existed prior to the Amendment was eliminated. The disclosures required by the Amendment were expressed in these condensed interim consolidated financial statements.

**Related party disclosures**

Commencing January 1, 2011, the Group applies IAS 24 (2009), Related Party Disclosures ("the Standard"). The Standard includes changes in the definition of a related party and changes with respect to the disclosures related by government-related entities. The Standard is to be applied retroactively. For the purpose of initial application of the Standard, the Group mapped the relationships between related parties. In accordance with the new definition and as a result of the mapping, no new related party transactions or balances or the effect on financial statement disclosure were identified.

**Notes to the Condensed Consolidated Interim Financial Statements as at March 31, 2011 (unaudited)**

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**Note 3 – Significant Accounting Policies (Cont.)****B. Accounting policies for new transactions or events**

- As a result of the increase to control in Epsilon Investment House Ltd. (see Note 4(B)(2)), the Company applied a new accounting policy, as follows:

**Non-controlling interests**

Non-controlling interests are equity in a subsidiary that cannot be attributed, directly or indirectly, to the parent company. Non-controlling interests are an instrument that confers an ownership right in the present, and grants its holder a share in net assets in the event of liquidation (for example: ordinary shares), are measured on the date of the business combination at fair value or at its proportionate share of the identified assets and liabilities of the acquiree, on a separate transaction. The election of this accounting policy is not allowed for other instruments meeting the definition of non-controlling interests (for example: options for ordinary shares). These instruments will be measured at fair value or in accordance with the provisions of other relevant IFRS Standards.

**Attribution of comprehensive income between the shareholders**

A gain or loss and any element of other comprehensive income is attributed to the holders of the Company and to non-controlling interests. Total comprehensive income is attributed to the Company's owners and to non-controlling interests even if it results in a negative balance of non-controlling interests.

- As a result of transactions with non-controlling interests in Makhteshim-Agan Ltd. (see Note 4(A)(4)), the Company applied a new policy, as follows:

**Transactions (purchases and sales) of an affiliate with non-controlling interests in the Group's consolidated financial statements**

The accounting treatment for an increase (or decrease) in the affiliate's equity in the Group's consolidated financial statements as a result of transactions of the affiliate with non-controlling interests will be recognized as income or loss in the Group's consolidated financial statements.

**C. New standards and interpretations not yet adopted**

International Financial Reporting Standard IFRS 9 (2010), Financial Instruments ("the Standard") – further to that stated in the note "Significant Accounting Standards" in the annual financial statements regarding new standards and interpretations not yet adopted, the Group continues to examine the possibility of early adoption of the Standard and the expected implications of its adoption on the financial statements.

**Notes to the Condensed Consolidated Interim Financial Statements as at March 31, 2011 (unaudited)****Note 4 - Information Regarding Certain Investees****A. Makhteshim Agan Industries Ltd. ("Makhteshim-Agan") – an affiliate**

1. Koor's holding percentage in the voting rights in Makhteshim-Agan as at March 31, 2011 is 47.02%. The book value of the investment as at March 31, 2011 amounted to NIS 2,433 million. The market value as at the said date amounted to NIS 3,727 million.

2. Seasonal factors

Sales of plant protection products are directly dependent on the agricultural seasons and the cyclical pattern of the growing seasons and, therefore, Makhteshim-Agan's revenues are not spread evenly throughout the year. Countries located in the northern hemisphere are characterized by the same timing of agricultural seasons, and, as a result, sales to these countries are usually highest in the first half of the year. In the southern hemisphere, the seasonal trend is the opposite and most of the local sales are made in the second half of the year, except for Australia where most of the sales are made in April through July.

The worldwide operations of Makhteshim-Agan act to balance out the seasonal impacts, even though Makhteshim-Agan's sales are higher in the northern hemisphere.

3. On January 8, 2011, an agreement was signed with a subsidiary of China National Chemical Corporation ("ChemChina") to effect a merger, under the terms of which the public's holding in Makhteshim-Agan will be acquired, and 7% of the Makhteshim-Agan shares held by Koor will be acquired, and Makhteshim-Agan will become a private company owned jointly by ChemChina (60%) and by Koor (40%).

The shares of Makhteshim-Agan will be acquired at a price that will reflect a company value for Makhteshim-Agan of \$2.4 billion (calculated based on the effective holdings that do not include Company shares held by Makhteshim-Agan and its subsidiary) with the payments to be made in US dollars. Accordingly, before the minor dilution expected to be caused by the exercise of employee options, the share price is \$5.57 (which as of the report date and taking into account the present dollar exchange rate, the share price is NIS 19.71). Under the terms of the transaction, the shareholder public of Makhteshim-Agan will receive total consideration of \$1,272 million for the sale of 53% of the shares of Makhteshim-Agan, and Koor will receive \$168 million for the sale of 7% of Makhteshim-Agan's shares. Note that if and when Makhteshim-Agan will issue shares or convertible securities from the signing date of the agreement until its closing, a sum equal to 60% of the issue proceeds will be added to the total consideration amount. Additionally, see Note 6 below regarding the interim ruling of the District Court and its possible implications for division between Koor and the public of the benefit in the non-recourse loan.

Pursuant to the merger agreement, the parties to which are: (1) Makhteshim-Agan (2) ChemChina; (3) a private company, wholly-owned (indirectly through its wholly-owned corporation) of ChemChina that was established in Israel for the purpose of entering into the merger agreement ("special purpose company"); (4) the

**Notes to the Condensed Consolidated Interim Financial Statements as at March 31, 2011 (unaudited)****Note 4 - Information Regarding Certain Investees (Cont.)****A. Makhteshim Agan Industries Ltd. ("Makhteshim-Agan") – an affiliate (cont.)**

## 3. (cont.)

Company, the controlling shareholder in Makhteshim-Agan and M.A.G.M. Chemistry Holdings Ltd. (together with Koor – "Koor ") – the special purpose company will be merged with and into Makhteshim-Agan, by a three-way reverse merger. Hence, immediately after the merger closes, ChemChina will hold 60% of the issued capital of Makhteshim-Agan and Koor will hold 40% of the issued capital of Makhteshim-Agan. Upon the closing of the merger, Makhteshim-Agan 's shares will be de-listed from trading on the Tel Aviv Stock Exchange Ltd. ("Stock Exchange") and Makhteshim-Agan will become a private company, and the special purpose company will cease to exist. Despite Makhteshim-Agan becoming a private company, it will continue to be a reporting corporation, as this term is defined in the Securities Regulations – 1968, due to the fact that the debentures issued by Makhteshim-Agan will continue to be listed for trading on the Stock Exchange even after the merger's closing.

As part of the merger, ChemChina will cause a non-recourse loan to be provided to Koor, through a Chinese bank ("the Bank"), totaling \$960 million, which will be secured solely by a lien on the shares of Koor in Makhteshim-Agan. The loan principal will be repaid at the end of 7 years and will bear fees and interest at the rate of Libor+4.5% plus expenses that Koor will bear. Considering the current Libor rate, the effective interest (before fees) is estimated at 6%. In the first 4 years, interest will not be paid (except from dividends received), but will be added to the principal and later, the interest will be paid every 3 months. The loan will be repaid in cash or through the pledged shares (one of them), and Koor will be allowed, as from the end of the year in which the loan is provided, to make early repayment of the loan – in full or part. Dividends for the pledged shares, up to the amount of the annual interest, will be used to make the interest payments (as noted, also in the first four years), with the surplus dividends, if any, distributed to Koor. Koor, ChemChina and the Bank will negotiate a detailed loan agreement ("the loan agreement"), which will be brought separately for the approval of the Koor board of directors.

The merger's closing is contingent upon the fulfillment of various suspending conditions, including obtaining the requisite approvals from the governmental authorities in China. At the report date, ChemChina informed the Company that all of the approvals required from the government in China had been received and this condition was fulfilled; obtaining approval of a general meeting of Makhteshim-Agan in a special majority, in accordance with the provisions of Sections 320(c) and, as agreed between the parties, also in accordance with the provision of section 275 of the Companies Law (Koor has undertaken to vote in favor of the merger in the general meeting of the Company, subject to the signing of the loan agreement and additional conditions); and the signing of a loan agreement and providing the loan to Koor (if Koor's board of directors decides not to approve the loan agreement, Koor will be permitted to cancel the merger agreement).

**Notes to the Condensed Consolidated Interim Financial Statements as at March 31, 2011 (unaudited)****Note 4 - Information Regarding Certain Investees (Cont.)****A. Makhteshim Agan Industries Ltd. ("Makhteshim-Agan") – an affiliate (cont.)**

## 3. (cont.)

Subject to the fulfillment of the suspending conditions, the transaction is expected to close during the third quarter of 2011. If the transaction is not closed by the end of August 2011 (subject to an extension under certain circumstances), the agreement may be cancelled by the parties.

On the signing date of the merger agreement, a shareholder agreement was signed between Koor and ChemChina, taking effect on the transaction's closing date, arranging the partnership ties between them in Makhteshim-Agan, which prescribes provisions, including: appointment of directors based on ratio of holdings; ChemChina's right to appoint the chairman of the board of directors and Koor's right to appoint the deputy of the chairman of the board of directors; appointment and dismissal of senior management with consent; certain veto rights for Koor; possibility of selling certain agrochemical assets of ChemChina to Makhteshim-Agan (subject to Koor's approval); dividend distribution policy; commitment to work toward a public offering of the shares of Makhteshim-Agan and registration rights to Koor, in the event such offering is not carried out as noted within 3 years; various limitations on the transfer of Makhteshim-Agan shares, including reciprocal right of first refusal or reciprocal right of first offer (during the periods prescribed) and Koor's tag along right toward ChemChina; Koor's commitment that before the end of 3 years from the merger's closing date, Discount Investment Corporation Ltd. will not stop being a controlling shareholder therein (unless control will be held by another IDB Group entity), and that thereafter, control therein will not be sold to a competitor of Makhteshim-Agan or of ChemChina. In the event of a change in control in Koor after the end of the 3 years, as noted, certain rights given to Koor (including Koor's right to appoint the deputy chairman and its rights regarding appointment and dismissal of senior management) will lapse; ChemChina's commitment to hold at least 51% of the voting rights in Makhteshim-Agan until the public offering and to remain the largest shareholder in Makhteshim-Agan for the subsequent period designated.

Note that as published in the transaction agreement by Makhteshim-Agan on January 20, 2011, Makhteshim-Agan received an opinion from the Yitzhak Suari Firm stating that the share price in the transaction expresses a fair price for the shareholding public of Makhteshim-Agan. The said opinion contains an economic valuation of the benefit to Koor for the characteristics of the loan, amounting to \$160-\$185 million.

**Notes to the Condensed Consolidated Interim Financial Statements as at March 31, 2011 (unaudited)****Note 4 - Information Regarding Certain Investees (Cont.)****A. Makhteshim Agan Industries Ltd. ("Makhteshim-Agan") – an affiliate (cont.)**

## 3. (cont.)

If and to the extent the transaction will close, Koor is expected to recognize net income from the sale of 7% of the shares of Makhteshim-Agan, estimated at this stage at NIS 155 million (takes into account capital reserves with debit balances that will be realized for NIS 68 million). Moreover, upon the closing of the transaction, Koor will recognize an increase in equity for the said capital reserves that will be realized. In addition to the said income, Koor is examining the recognition of income due to the characteristics of the loan net of tax, which, noting the fairness opinion, could be a significant amount, which may be updated periodically to income and loss over the life of the loan. Although there is an inclination toward recognize this income, evaluation of this issue is not yet complete. Also being evaluated are the implications of the interim ruling issued by the Tel Aviv District Court against the Company, for the benefit in the non-recourse loan (as discussed in Note 6 below) on the financial results of the Company and on the recognition of income due to the characteristics of the loan, as noted. These estimates of Koor are based on factors including the amount at which Koor's investment in Makhteshim-Agan is recorded in its books and the equity of Makhteshim-Agan as of March 31, 2011, as well as the exchange rate of the dollar as of March 31, 2011. These estimates could change significantly, mainly due to possible changes in the equity of Makhteshim-Agan and the dollar exchange rate until the relevant dates.

The agreement between Koor and ChemChina is a future contract, the result of which is a future business combination for ChemChina (together with the acquisition of shares from the public), with the period expected until the closing of the agreement constituting a normal period for obtaining the requisite approvals for the transaction. Therefore, this agreement is to be deemed a contract for a business combination, which is not covered by IAS 39, in other words, it is a contract that does not constitute a derivative and which is not required to be measured at fair value through income and loss.

The investment in Makhteshim-Agan will continue to be treated in Koor's books by the equity method.

It is clarified that the closing of the merger is not certain.

4. In the first quarter of 2011, the Group recognized a loss of NIS 31 million from transactions executed by Makhteshim-Agan with non-controlling interests, while control was retained by Makhteshim-Agan.

**Notes to the Condensed Consolidated Interim Financial Statements as at March 31, 2011 (unaudited)****Note 4 - Information Regarding Certain Investees (Cont.)****B. Epsilon Investment House Ltd. ("Epsilon") – a subsidiary**

1. In January 2011, the board of directors of Epsilon resolved to distribute a dividend of NIS 2.7 million. Koor's share in this distribution is NIS 1.9 million.
2. On March 24, 2010, the Company entered into an agreement with Mr. Ron Levkovitz and his wholly-owned company to acquire all of their holdings (18.75%) in Epsilon, in consideration for NIS 28 million, so that after the acquisition, the Company holds 68.75% of the issued and paid-up share capital of Epsilon. The transaction closed on January 20, 2011.

Concurrent with the signing of the said agreement, the Company signed an agreement with Mr. Samuel Frankel and his wholly-owned company, which arranges the relations between the parties as the remaining shareholders in Epsilon, which took effect in January 2011.

Until the closing of the transaction, the Company treated the investment in Epsilon by the equity method. From the date control was transferred (commencing January 2011), the Company consolidates the results of Epsilon.

According to generally accepted accounting principles, the transition to consolidation is treated as a sale of the balance of the investment in Epsilon as at the date of the business combination prior to effecting the acquisition of shares, as above, and reacquisition of all the holdings in Epsilon after acquiring the shares, as noted. The said transaction has no effect on the income and loss in the first quarter of 2011.

As a result of the reacquisition of Epsilon, Koor had adjustments to the fair value of identifiable assets and liabilities, net of goodwill, of NIS 67 million.

For the purpose of allocating the excess cost created, the Company engaged an independent appraiser with recognized and appropriate skills.

Presented below are the principles of the methods used by the appraiser in his work:

- Customer portfolio – The "excess earnings" approach was adopted, whereby an intangible asset is valued according to discounted cash flows. To this end, a revenues and expense forecast was prepared, with adjustments to cash flows, and net of contributing charges for the existing customer portfolio.
- Brand name – The "relief from royalty" approach was adopted, whereby an intangible asset is valued according to the discounted appropriate royalty payments that the user of the asset is required to pay for its usage, had he not owned it.
- Non-compete agreement – Was valued based on the revenues from customers with the potential of leaving without a non-compete agreement. The economic value of the non-compete agreement was valued based on the "excess earnings" approach, while adopting the "with or without" method. According to this method, a calculation was made of the difference between the basic scenario, under existing competition, and the scenario according to which there will be limited competition during the agreement period, while assessing the probability of each of the scenarios.

Notes to the Condensed Consolidated Interim Financial Statements as at March 31, 2011 (unaudited)**Note 4 - Information Regarding Certain Investees (Cont.)****B. Epsilon Investment House Ltd. ("Epsilon") – a subsidiary (cont.)**

According to the fair value of the identified assets and liabilities acquired, Koor attributed the excess cost to the intangible assets of Epsilon as below:

	<u>NIS thousands</u>	<u>Amortization method</u>	<u>Amortization period</u>
Intangible assets:			
Customer portfolio	27,352	Over the period of future economic benefits	Mainly 8 years
Brand name	4,110	Over the period of future economic benefits	10 years
Non-compete agreement	391	Over the term of the agreement	1 year
Deferred tax liabilities	(7,342)	Based on the amortization of the assets for which deferred taxes were created	
Goodwill	50,464		
Non-controlling interests (*)	<u>(7,660)</u>		
	<u>67,315</u>		

(\*) Part of the non-controlling interests in excess value of above identified assets and liabilities.

The effect on the assets and liabilities in the consolidated statement of financial position at the date of initial consolidation of Epsilon was as follows:

	<u>Carrying value in Epsilon's books when first consolidated</u>	<u>Adjustments to fair value</u>	<u>Values recognized when first consolidated</u>
Current assets	61,098	-	61,098
Long-term investments	296	-	296
Fixed assets	1,415	-	1,415
Intangible assets	239	82,317	82,556
Deferred taxes	154	-	154
Current liabilities	(9,289)	-	(9,289)
Long-term liabilities	(3,526)	(7,342)	(10,868)
Non-controlling interests (*)	<u>(15,746)</u>	<u>(7,660)</u>	<u>(23,406)</u>
	<u>34,641</u>	<u>67,315</u>	<u>101,956</u>

Additionally, the Company derecognized the investment in Epsilon based on equity value on the date of consolidation amounting to NIS 74,150 thousand.

(\*) Non-controlling interests were measured at their pro rata share of identified assets and liabilities of Epsilon.

Cumulative cash flows generated to the Group as a result of the acquisition:

Cash paid	(27,806)
Cash and cash equivalents of Epsilon	2,916
	<u>(24,890)</u>

**Notes to the Condensed Consolidated Interim Financial Statements as at March 31, 2011 (unaudited)**

**Note 4 - Information Regarding Certain Investees (Cont.)**

**C. Credit Suisse Emerging Markets Credit Opportunity Fund L.P. ("Emco Fund") – an affiliate**

During the first quarter of 2011, the Company invested \$13 million (NIS 47 million) in EMCO Fund.

At the report date, the cumulative total of Koor's investments in Emco Fund is \$18 million and the balance of Koor's investment commitment in Emco Fund is \$107 million.

**D. 452 Fifth owners, LLC – jointly-controlled company (50%)**

The financial statements of 452 Fifth Owners, LLC for the first quarter of 2011 are attached to these financial statements, since under exceptional circumstances, the guarantees provided by both the Company and Property and Building Corporation Ltd, severally and not jointly, in favor of Bank Leumi USA to secure special cases, could be deemed a guarantee unlimited in amount, and in order to be prudent.

**Note 5 – Significant Events in the Report Period**

1. In accordance with a January 2010 resolution by the Company's board of directors, the investment framework in Credit Suisse shares are at a total amount of up to NIS 7 billion. The investment is being made while utilizing buy and sell opportunities, noting the state of the markets and according to the Company's assessments from time to time.

In the three-month period ended March 31, 2011, the Group recognized tax savings of NIS 9 million, due mainly to the recognition of a tax asset for carryforward losses.

In view of the conditions prevailing in the business environment in which Credit Suisse operates and its shares are traded, noting the unique characteristics of this investment, the impairment will be deemed significant if the decrease in fair value (at the cut-off date) is 30% of the original cost or, if the decrease in fair value (at the cut-off date) exceeds 25% of the original cost during the period of three consecutive months ending on the cut-off date. A decrease in value will be deemed prolonged if the decrease in fair value (at the cut-off date) relative to the original cost is over a period of twelve continuous months (the examination for consecutiveness of period, for the purpose of the said criteria, is based on a daily calculation of the share cost relative to its fair value, based on the available most up-to-date price at that day, between the two major markets on which the Credit Suisse shares trade (SIX Swiss Exchange in Switzerland and NYSE in New York)). This policy will be implemented as long as no change has occurred in the circumstances that would require a re-examination, aside from exceptional cases. Note that this policy is being honed opposite the Securities Authority's staff, and the discussions have not yet ended.

**Notes to the Condensed Consolidated Interim Financial Statements as at March 31, 2011 (unaudited)****Note 5 – Significant Events in the Report Period (cont.)**

## 1. (cont.)

As at March 31, 2011, the Group holds 38.60 million shares of Credit Suisse that constitute 3.21% of the share capital of Credit Suisse, at a total investment of NIS 6.97 billion, the fair value this date amounted to NIS 5.72 billion. Thus, at March 31, 2011, the negative balance of the capital reserve, net of tax, totaled NIS 1.18 billion, reflecting a decrease in the value of the shares relative to their cost of 17.9% (before tax effect). Moreover, the negative difference between the cost of the shares and their market value has existed continuously since August 6, 2010 (when the closing price on the NYSE reflected a positive difference), and previously – a negative difference existed continuously since April 20, 2010. Noting the aforesaid, for the purpose of implementing the accounting policy, as described previously, on future cut-off dates, including at the end of the second quarter of 2011, the Company's board of directors will evaluate the full range of circumstances that will prevail until then, and if circumstances will exist that constitute an exception to the said policy pertaining to the evaluation of the decline in fair value being prolonged.

Note that, and in accordance with Note 3(C), the Company continues to evaluate the possibility of early adoption of IFRS 9 (2010). According to this Standard, subject to the Company's election, a change in the fair value of the investment in Credit Suisse shares will be recognized in income and loss, or alternatively, the change will be presented in other comprehensive income, when the amounts recognized in other comprehensive income not being reclassified at any stage to income and loss, even when the shares are sold, except for dividends (that do not clearly constitute a recovery of the investment cost) to be recorded in income and loss. Likewise, in the event that the Company will elect the alternative of presenting the change in fair value in other comprehensive income, the Company will not be required to recognize the impairment in income and loss, even if it would be required to do so according to its policy as provided above.

On May 6, 2011, Credit Suisse distributed a cash dividend out of capital reserves amounting to CHF 1.3 per share. The Group's share of this cash dividend was NIS 196 million, which, in accordance with accounting principles will be recorded as income in Koor's statement of operations for the second quarter of 2011. Against this, the Group would record tax expense of NIS 10 million for the updating of deferred tax liabilities.

Regarding the Group's holdings at the report date, see Note 8(2).

**Notes to the Condensed Consolidated Interim Financial Statements as at March 31, 2011 (unaudited)**

**Note 5 – Significant Events in the Report Period (cont.)**

2. As at March 31, 2011, the balance of Morgan Stanley credit and the Citi credit amounted to CHF 495 million (NIS 1.88 billion) and CHF 460 million (NIS 1.75 billion), respectively. The balance of the Group's deposit against the Group's debt to Morgan Stanley and Citi is CHF 111 million (NIS 423 million). Withdrawal of the deposit balances is limited.

As at May 16, 2011, the balance of Morgan Stanley credit and Citi credit amounted to CHF 495 million (NIS 1.97 billion) and CHF 460 million (NIS 1.83 billion), respectively. The balance of pledged deposits amounts to NIS 643 million.

Furthermore, as at March 31, 2011, the total open Swiss franc-shekel cylinder options amounted to CHF 700 million, with their fair value estimated at a liability totaling NIS 69 million. In the first quarter of 2011, the Company posted financing income for the revaluation of Swiss franc-shekel cylinder options totaling NIS 95 million.

As at May 16, 2011, there are open Swiss franc-shekel cylinder options totaling CHF 700 million, having a fair value, according to the Company's preliminary estimate, of a liability totaling NIS 166 million.

3. On June 22, 2009, Koor's board of directors resolved to invest in the shares of Carrefour. The acquisitions were made through a wholly-owned subsidiary of the Company. The approved investment framework are up to NIS 3.5 billion. The investment was made utilizing buy and sell opportunities, noting the condition of the markets and according to the Company's periodic assessments, and there is no certainty as to the size of the investment.

During the first quarter of 2011, the Group bought and sold shares of Carrefour. The Group recognized an after-tax gain of NIS 2 million on the sales of Carrefour shares.

As at March 31, 2011, the Group held 793 thousand shares of Carrefour at a total investment amount of NIS 120 million, with a fair value at such date of NIS 122 million. This positive difference, of NIS 2 million, was recognized in a capital reserve for available for sale financial assets. Regarding purchases and sales subsequent to the balance sheet date and regarding the Group's holdings as of the report date, see Note 8(3).

4. On March 15, 2011, the Group prepaid debenture principal (Series I) of NIS 153 million.

**Notes to the Condensed Consolidated Interim Financial Statements as at March 31, 2011 (unaudited)**

**Note 6 – Contingent Liabilities**

During the ordinary course of business, legal claims were filed against the Company, including motions for class action recognition. The Company's management, based, inter alia, on the opinions of legal counsel regarding the prospects of the claims, including the motions for class action recognition, believes proper provisions were included, where required, to cover the exposure resulting from the above claims.

A detailed description of the contingent liabilities pending against the Company and its investees appears in Note 28 to the annual financial statements.

Presented below are details of the material changes that occurred in the legal proceedings to which the Company is a party:

Further to that stated in Note 28(C) to the annual financial statements regarding the motion filed with Tel-Aviv District Court against the Company and against Makhteshim-Agan for removal and prevention of discrimination, and a motion for class action recognition under the Class Action Law, 2006, in connection with the sale of Makhteshim-Agan shares to ChemChina, on May 15, 2011, an interim ruling was issued by the Court, whereby the Company is not entitled to surplus consideration for the benefit in the non-recourse loan that the Company is supposed to receive as part of the transaction, and that the value of this consideration is to be distributed among all the shareholders of Makhteshim-Agan – shareholders from the public and the Company – in respect of its entire holdings. The Court also ruled that an additional hearing on the motion would be held on June 13, 2011.

The Company is studying the said ruling and evaluating the implications of the ruling and the steps it will take.

Notes to the Condensed Consolidated Interim Financial Statements as at March 31, 2011 (unaudited)

**Note 7 – Operating segments**

The Group has five reportable operating segments, as below:

**Makhteshim-Agan segment** (affiliated company). Makhteshim-Agan is considered the world's leading crop protection products producer (agrochemicals).

**Credit Suisse segment.** This activity is carried out through the investment in the shares of the Credit Suisse group.

**Telecom equipment segment** (subsidiary). This activity is carried out by Microwave Networks Inc., which develops and markets point-to-point telecom systems.

**Epsilon segment** (subsidiary as from January 2011). This activity is carried out by Epsilon, which is engaged in providing financial services, including investment portfolio management, mutual fund management, provident fund management, underwriting and distribution of securities and investment banking.

**452 Owner segment** (affiliated company). Koor has holdings (50%) in HSBC Building, an income-producing property, together with Property and Building and through 452 Owners, which is jointly owned. HSBC Building includes two buildings with built-up area of 80,000 square meters.

The segment separation and profit and loss measurement basis is the same as that presented in Note 24, regarding operating segments, to the annual financial statements.

The accounting policy of the operating segments is the same as that presented in Note 3, regarding accounting policy, in the annual financial statements.

## Notes to the Condensed Consolidated Interim Financial Statements as at March 31, 2011 (unaudited)

## Note 7 – Operating segments (Cont.)

## A. Information related to the Koor Group's operating segments – consolidated

	Three-months ended March 31, 2011							
	Makhteshim Agan	Credit Suisse	Telecom equipment	Epsilon	452 Owner	Others	Adjustments	Consolidated
	(Unaudited)							
	NIS thousands							
Total revenues	2,863,483	-	15,523	17,087	46,041	13,428	(2,689,406)	266,156
Segment results - attributable to Company's owners	109,956	9,154	(2,087)	956	2,862	9,255	651	130,747
Segment's assets	13,792,697	5,723,491	39,471	70,789	1,456,231	430,280	(11,437,958)	10,075,001
	Three-months ended March 31, 2010 (*)							
	Makhteshim Agan	Credit Suisse	Telecom equipment	Epsilon	452 Owner	Others	Adjustments	Consolidated
	(Unaudited)							
	NIS thousands							
Total revenues	2,796,989	14,585	17,183	14,605	-	2,401	(2,613,283)	232,480
Segment results - attributable to Company's owners	111,802	81,110	(2,680)	1,171	-	(5,235)	21,269	207,437
Segment's assets	14,826,536	7,050,602	49,943	67,026	82,689	351,481	(11,181,044)	11,247,233
	Year ended December 31, 2010							
	Makhteshim Agan	Credit Suisse	Telecom equipment	Epsilon	452 Owner	Others	Adjustments	Consolidated
	(Audited)							
	NIS thousands							
Total revenues	9,082,788	276,913	93,285	63,357	268,898	50,563	(9,229,754)	606,050
Segment results - attributable to Company's owners	(287,449)	216,441	(5,476)	7,511	41,547	23,494	(532,352)	(536,284)
Segment's assets	13,197,837	5,535,864	44,213	63,202	1,467,039	278,718	(10,753,763)	9,833,110

(\*) Restated in order to present separately the Epsilon segment and the 452 Owners segment, based on the separation made in the annual financial statements.

Notes to the Condensed Consolidated Interim Financial Statements as at March 31, 2011 (unaudited)**Note 7 – Operating segments (Cont.)****B. Profit and loss adjustments for reportable segments**

	Three-month period ended		Year ended
	2011	March 31	December 31
	(Unaudited)	2010(**)	2010
	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands		
Total earnings or loss from reportable segments	<b>120,841</b>	191,403	(27,426)
Earnings or loss from operations classified in the other operating segment	<b>9,255</b>	(5,235)	23,494
Amounts not attributed – mainly financing income (expenses) and general and administrative expenses for Koor headquarters and financing income (expenses) not included in expenses of reportable segments (*)	<b>651</b>	21,269	(532,352)
Income (loss) for the period	<b>130,747</b>	207,437	(536,284)

(\*) This item includes, inter alia, the effect of options on exchange rates of the Swiss franc (which commencing January 2011, is part of the internal reporting format, in the Credit Suisse segment, which is provided regularly to the Group's head operational decision Makers, but separate from the results of the segment). The effects of these transactions for the three-month period ended March 31, 2011 and March 31, 2010 and for the year ended December 31, 2010 are earnings of NIS 95 million and NIS 28 million and expenses totaling NIS 95 million, respectively. This item also includes the effect of Swiss franc-denominated loans from foreign banks for the three-month period ended March 31, 2011 and March 31, 2010 and for the year ended December 31, 2010, which are expenses of NIS 39 million, earnings of NIS 35 million and expenses totaling NIS 321 million, respectively. These financing costs were not presented as part of the information related to the Credit Suisse segment since they do not constitute part of the internal reporting format provided regularly to the Group's head operational decision Makers.

(\*\*) Restated in order to present the Epsilon segment separately, based on the separation in the annual financial statements.

**Notes to the Condensed Consolidated Interim Financial Statements as at March 31, 2011 (unaudited)**

**Note 8 – Subsequent events**

1. In May 2011, Epsilon's board of directors resolved to distribute a dividend totaling NIS 2.7 million. Koor's share of this distribution is NIS 1.9 million.
2. Proximate to the date of this report, the negative difference between the value of the Credit Suisse shares held by the Group, at its stock exchange price, which is NIS 5.63 billion, and the cost of these shares, as aforesaid, is NIS 1.34 billion, which is included in a capital reserve.

Regarding Credit Suisse's distribution of a cash dividend from capital reserves subsequent to the balance sheet date, see Note 5(1).

3. Subsequent to the balance sheet date, the Group made executed additional purchases and sales of Carrefour shares. On the sale of the Carrefour shares, the Company will record net income of NIS 1 million in the second quarter of 2011.

Proximate to the date of this report, the Group holds 719 thousand shares of Carrefour at a cost of NIS 109 million, the fair value of which is NIS 109 million.

4. Regarding the development in the sale of Makhteshim-Agan shares to ChemChina, see Note 4(A)(3).
5. Regarding the development in the motion filed with Tel Aviv District Court against the Company and against Makhteshim-Agan, related to the sale of Makhteshim-Agan shares, see Note 6.
6. In the period from April 1, 2011 to May 16, 2011, the exchange rate of the Swiss franc increased by 4.65%, from NIS 3.8037 to NIS 3.9806 Swiss francs. This increase generated financing expenses in the said period, on balances of financial assets net of financial liabilities of Koor, denominated in or linked to Swiss francs and for options on the exchange rate of the Swiss franc totaling NIS 232 million.