

K o o r I n d u s t r i e s L t d .

Board of Directors Report First Nine Months and for Third Quarter of 2009

We are pleased to submit the condensed unaudited financial statements of Koor Industries Ltd. for the first nine months and third quarter of 2009, ended September 30, 2009.

Koor Industries Ltd (the "Company") is a member of the IDB Group and is one of the most prominent holding companies in Israel, investing in companies operating in a range of business segments. The Company, together with its wholly owned subsidiaries ("Koor") generally invests in companies which operate in the global market and/or international companies focusing on large-scale investments. Koor examines and invests in companies in which it has a position of control following the investment, as well as in companies in which Koor does not have a position of control following its investment. This, inter alia, in view of the conditions and opportunities available in the markets due to the decline in the market value of large international companies as a result of the economic crisis in the markets.

Subsequent to a resolution adopted by the Company's board of directors' in 2008 to invest in negotiable shares of European banking institutions, during the first nine months of 2009 and thereafter, the Company carried out buy and sell transactions in Credit Suisse Group AG ("Credit Suisse") shares. As of the reporting date, for its investment in Credit Suisse, the Company has recorded a total profit to date of NIS 3.2 billion, of which, the Company recorded in Q3 2009, a profit after tax of NIS 0.7 billion, and in Q4 the Company is expected to record a profit after tax from the sale of Credit Suisse shares to date, of NIS 251 million. On September 30, 2009 the Company, together with a wholly owned subsidiary, held approximately 22.51 million Credit Suisse shares, constituting some 1.90% of Credit Suisse shares, at a cost of NIS 3.79 billion. As of the date of this report, Koor holds 23.81 million shares of Credit Suisse, which constitute 2.01% of Credit Suisse share capital, at an overall cost of NIS 4.32 billion

1. Results of business operations

The net earnings attributed to the Company's shareholder equity for the first nine months of 2009, totaled approximately NIS 2,133 million, with basic earnings per share of NIS 45.0, compared with earnings of about NIS 312 million and basic earnings per share of about NIS 11.8 for the first nine months of 2008.

The Company's net profit for Q3 2009 amounted to approximately NIS 512 million, with basic earnings per share of about NIS 10.8, compared with profit of about NIS 428 million and basic earnings per share of about NIS 14.6 for Q3 2008.

Breakdown of Koor's financial results:

	<u>First nine months of</u>		<u>Third Quarter</u>		<u>Year</u>
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>
	<u>Unaudited</u>		<u>Unaudited</u>		<u>Audited</u>
	<u>N I S m i l l i o n s</u>				
Koor's equity in the operating results of investee companies, net	45	179	(55)	26	167
Gain from sale of investments, net of impairment	2,334	571	692	529	599
Administrative, financing and other expenses,	(301)	(438)	(151)	(127)	(528)
Tax income	55	-	26	-	-
Net profit	2,133	312	512	428	238
Basic earnings (losses) per share (in NIS)	45.0	11.8	10.8	14.6	8.5

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1.1. Koor's equity in the operating results of investee companies, net

	Koor's share in the results for the first nine months			Koor's share in the results for Q3			Year 2008
	2009 N I S	2008	Change m i l l i o n s	2009 m i l l i o n s	2008	Change	
Makhteshim Agan Industries Ltd.	108	297	(64%)	(28)	71	n/a	311
Telrad Networks Ltd. ("Telrad")	(2)	(26)	n/a	-	(6)	n/a	(43)
ECtel Ltd. ("ECtel")	(7)	(3)	n/a	(6)	(1)	n/a	(6)
Koor Corporate Venture Capital	(1)	(17)	n/a	(1)	(1)	n/a	(23)
Harriet Investments (2001) Ltd. assets (previously Dekolink Wireless Ltd.) ("Harriet")	(6)	(58)	n/a	-	(33)	n/a	(67)
Microwave Networks Inc ("MNI")	(7)	8	n/a	(4)	5	n/a	13
Other companies	5	3	67%	(4)	-	n/a	6
Excess cost and other adjustments	(45)	(25)	n/a	(12)	(9)	n/a	(24)
Total	45	179		(55)	26		167

1.2. Gain from sale of investments, net of impairment

	Koor's share in the profits for the first nine months		Koor's share in the profit for Q3		Year 2008
	2009 N I S	2008 m i l l i o n s	2009 m i l l i o n s	2008	
Gain from sale of investments, net of impairment	2,334	571	692	529	599

In the first nine months of 2009 this item included in particular: Capital gain from the sale of Credit Suisse shares in the amount of NIS 2,324 million, of which the amount of NIS 692 million was recorded in Q3 2009, and dividend from Credit Suisse in the amount of NIS 9 million received in Q2 2009.

In the first nine months of 2008 this item included in particular: capital gain from the sale of Credit Suisse shares in an amount of approximately NIS 535 million, and capital gain of NIS 48 million, recorded in Q1 2008, due to an estimated additional income from Elbit Systems Ltd ("Elbit") for the sale of Elisra Electronic Systems Ltd ("Elisra"), resulting from the receipt of an insurance payment for the fire that occurred at Elisra's consolidated plant in 2001 and impairment of investment in Epsilon Investment House Ltd ("Epsilon") of approximately NIS 8 million.

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1.3. Administrative, financing and other expenses, net

	First nine months			Third Quarter		Year
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>	
	N	I S	m	i l l	i o n s	
Administrative and other expenses, net	(16)	(14)	(16)	(3)	(32)	
Financing expenses, net	(285)	(424)	(135)	(124)	(496)	
Total administrative, financing and other expenses, net	(301)	(438)	(151)	(127)	(528)	

The primary decline in financing expenses for the first nine months of 2009 compared with the corresponding period in 2008 derive from increased financing costs in 2008 due to the sharp drop in the NIS exchange rate against the dollar (at a time when the Company held large dollar reserves) and losses due to revaluation of short term investments.

In Q3 2009 an increase was recorded for financing costs compared with the corresponding period in 2008 due to the increased interest costs resulting from the increase in the debt volume. On the other hand, in the corresponding quarter in 2008, losses were recorded due to the revaluation of short term investments.

The financing expenses deriving from the changes in the Swiss Franc exchange rate in the first nine months of 2009 were NIS 63 million.

The increase in administration and other expenses during the first nine months of 2009 and the third quarter of 2009 derive mainly from the increase in expenses for contributions which totaled NIS 15 million and NIS 10 million, accordingly. On the other hand, the provision in the amount NIS 12 million recorded in the past with respect to the appeal against the court ruling pertaining to a wholly owned subsidiary which was rejected in the Supreme Court's ruling, was cancelled.

2. Segments of operation

2.1. Analysis of Koor's financial results before income tax, by segment and main items:

	First nine months of			Third Quarter		Year
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>	
	N	I S	m	i l l	i o n s	
Agrochemicals	65	273	(40)	62	289	
Finance	2,333	535	692	535	575	
Telecommunications equipment	(13)	(49)	(4)	(27)	(54)	
Other holdings	4	(5)	(5)	(13)	(42)	
Adjustments (particularly financing and administrative)	(311)	(442)	(157)	(129)	(531)	
Total	2,078	312	486	428	237	

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2.1.1. Agrochemical segment

	First nine months of		Third Quarter		Year
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>
	N I S m i l l i o n s				
Contribution of business segment	65	273	(40)	62	289

The main change in the results of the segment for the first nine months of 2009 compared with the corresponding period in the previous year were due to the business results of Makhteshim Agan Industries Ltd. (Makhteshim Agan).

Makhteshim Agan (as at September 30, 2009, held 42%), reported the following business results:

	<u>First nine months</u>			<u>Third Quarter</u>			<u>Year</u>
	<u>2009</u>	<u>2008</u>	<u>Increase (decrease)</u>	<u>2009</u>	<u>2008</u>	<u>Increase (decrease)</u>	<u>2008</u>
	<u>Million USD</u>		<u>%</u>	<u>Million USD</u>		<u>%</u>	<u>Million USD</u>
Revenue	1,718.4	2,044.5	(15.9%)	435.9	640.1	(31.9%)	543
Gross profit	481.0	709.3	(32.2%)	108.8	209.9	(48.2%)	189
Operating profit	137.2	333.1	(58.8%)	(6.1)	85.9	(107.1%)	83
Financing expenses, net	70.6	86.2	(18.1%)	28.8	20.9	37.9%	(12)
Net earnings attributable to the shareholders	62.4	210.3	(70.3%)	(17.5)	50.6	(134.6%)	54
EBITDA	209.0	398.8	(47.6%)	20.1	109.1	(81.5%)	457

Several trends during the third quarter, most of which were one time occurrences, gathered strength compared with the first half of the year, as set forth below: Stability was maintained in scope of sown fields and demand of crop protection products was similar to 2008, nonetheless sales of manufacturers in this segment declined, including of Makhteshim Agan, due to the large stocks in the marketing pipelines and especially in Brazil.

- A. During the corresponding period last year, the trend in the market was that the distributors stocked up on plant protection products early (especially in Brazil), which led to increase manufacturer sales to the marketing channels. Contrary to this, in Q3 2009 surplus stocks had accumulated in the marketing channels, and the distributors and farmers displayed extreme caution, by purchasing close to the time of need, a trend that led to a decline in the manufacturers' sales, including Makhteshim Agan.
- B. The credit squeeze, especially in emerging markets such as South America, Asia, Eastern Europe and Africa, caused a decline in the demand for crop protection products and to the customers switching to purchasing products close to the time they need to use them.
- C. The large stocks that accumulated in the marketing channels and by the competitors in this segment (especially in Brazil), led to a drop in the sales price of some of the crop protection products, which harmed the sales and profitability of Makhteshim Agan's products. The greater part of this price decline occurred in Brazil and in the non-selective herbicide sector (Glyphosate) worldwide.
- D. Other companies in the segment were exposed to investigations by the health authorities in Brazil,

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similar to the investigation into Makhteshim Agan subsidiary, Milenia, at the beginning of the quarter. These investigations caused a fall in the sales of the subsidiary and erosion of its profitability.

- E. Climatic conditions in Makhteshim Agan's areas of operation, which included a dry spell in Northern Europe (mainly canceling out the need for using fungicides), heavy rains in North America and the effects of drought in southern Brazil and Argentine which led to a drop in demand for plant protection products.
- F. Makhteshim Agan reports its results in US dollars and therefore strengthening of the US dollar against the other currencies in which Makhteshim Agan operates leads to impairment of the dollar value of its sales and erosion of its gross margins.
- G. Selling existing inventory that was purchased at high cost cause a decline in Makhteshim Agan's gross profit. This trend is expected to continue in the short term, until the existing stocks are used up. On the other hand, the decline in raw material, oil and energy prices, as compared with the corresponding period of the previous year, is expected to generated cost savings and will offset part of the aforesaid decline in gross profit.

Makhteshim Agan estimates that the accumulated impact of the above trends, which were more intensely experienced during the third quarter, despite it being a one time occurrence, will continue in every respect or to some degree, in the short term.

At the same time, Makhteshim Agan estimates that, as aforesaid, there have not been any changes in the basic trends that affect the crop protection products market and accordingly, Makhteshim Agan's estimates for the long term, as they were expressed in earlier reports, have not changed.

2.1.2. Financial Segment

	<u>First nine months of</u>		<u>Third Quarter</u>		<u>Year</u>
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>
	N I S m i l l i o n s				
Contribution of business segment	2,333	535	692	535	575

Pursuant to the decision of the Company's board of directors to invest in the negotiable shares of European banking institutions, in the first nine months of 2009 and throughout 2008, the Company bought and sold Credit Suisse shares while exploiting the opportunities created due to the market volatility. These buy and sell opportunities yielded for the Company capital gain of NIS 2,324 million and a dividend of NIS 9 million during the first nine months of 2009 and capital gain of NIS 575 million in 2008.

For further information pertaining to Koor's profits from buy and sell opportunities in the amount of NIS 251 million during the period subsequent to the balance sheet date, see section 4.1 below.

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2.1.3. Telecommunications equipment

	<u>First nine months of</u>		<u>Third Quarter</u>		<u>Year</u>
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>
	N I S m i l l i o n s				
Contribution of business segment	(13)	(49)	(4)	(27)	(54)

The primary changes in the results of this segment in the first nine months of 2009 compared with the corresponding period of the previous year derive from minimization of losses contributed by Harriet due to the sale of the majority of its assets during the first quarter as set forth in section 3.2 below. On the other hand, there was a decline in MNI results

2.1.4. Other holdings

	<u>First nine months of</u>		<u>Third Quarter</u>		<u>Year</u>
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>
	N I S m i l l i o n s				
Contribution of business segment	4	(5)	(5)	(13)	(42)

The primary reason for the improvement in the results of this segment during the first nine months of 2009 compared with the corresponding period of the previous year, originates in the business results of Epsilon, which have presented profits in the amount of NIS 19 million (the Company's share of these profits being NIS 10 million), primarily due to gains from securities held by it, compared with a loss of NIS 4 million for the corresponding period of the previous year.

Koor Corporate Venture Capital recorded a loss in the first nine months of 2009 of approximately NIS 1 million, primarily due to the decline in the USD-NIS exchange rate compared with a loss of NIS 17 million for the corresponding period of the previous year.

Furthermore, during the first nine months of 2009, the Company recorded equity losses in the amount of approximately NIS 6 million for its share in the impairment of goodwill that was recorded at ECTel compared with impairment of NIS 8 million for its investment in Epsilon that was recorded during the corresponding period of the previous year.

3. Main changes in the holdings of the Company and its investees during Q3 2009

3.1. During the first nine months of 2009, the Company acquired and sold additional Credit Suisse shares. For its investment in Credit Suisse shares during this period, the Company recorded total after tax profit of NIS 2.32 billion from exercising of shares and overall profit (after recording a net tax asset and dividends that it received) in the amount of NIS 2.39 billion. Of these profits, net gains of NIS 692 million were recorded for Q3 and overall gains (after recording a net tax asset) of NIS 716 million were recorded. On September 30, 2009, the Company held, together with its wholly owned subsidiary, 22.51 million shares of Credit Suisse which constitutes 1.90% of Credit Suisse shares, at a cost of NIS 3.79 billion. See sections 4.1 and 4.2 below with regard

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to gains in Q4 and holdings as of the reporting date subsequent to the buy and sell opportunities after the end of Q3.

- 3.2. In August 2009 the Company's board of directors resolved to increase the amount of investment in Credit Suisse shares to a total of up to NIS 6 billion, the investment will be made by exploiting buy and sell opportunities while taking into account the status of the markets, and based on the Company's assessments from time to time.
- 3.3. During the first nine months of 2009, Koor invested USD 5 million in the private investment fund, Mustang Mezzanine Ltd. Partnership, which focuses on mezzanine financing for appropriate mature companies in Israel and abroad operating in various sectors, including industry, commerce, telecommunications, services and real estate. Koor's total undertaking commitment in the Fund is USD 20 million. As of the report date, Koor's total investments in the fund amounted to USD 5.3 million. The balance of Koor's commitment to invest in the fund as of the reporting date is USD 14.7 million.
- 3.4. In July 2009 Koor and M.A.G.M. Chemical Holdings Ltd. (a wholly owned subsidiary of the Company) ("MAGM") engaged in an agreement with a Citigroup company for a non-recourse line of credit against Credit Suisse shares. The utilized line of credit, is extended in Swiss Francs and is ensured by the Credit Suisse shares. The maximum amount that may be drawn under the line of credit is CHF 330 million, and the credit will be extended for a period of up to three years, subject to the terms and dates set in the agreement. This credit may be used by the Company and/or MAGM. Of the foregoing line of credit, the maximum amount that Koor has utilized so far is CHF 77 million. As of the reporting date the credit taken by Koor amounts to CHF 55 million. For further information pertaining to this line of credit, see Note 5J to the Company's financial statements.

The aforesaid line of credit is in addition to the line of credit in the amount of CHF 440 million that was extended to Koor by Morgan Stanley for the acquisition of Credit Suisse shares. As of the reporting date the balance of the credit taken by Koor amounts to CHF 234 million (CHF 214 million net of deposits).

- 3.5. In July 2009 Standard & Poor's Maalot Ltd. ("Maalot ") announced awarding a rating of iA+/stable for the Company's debentures. In August 2009 Midroog announced awarding a rating of A1 for the Company's debentures.
- 3.6. In August 2009, the Company issued to the public and listed on the Tel Aviv Stock Exchange Ltd., 643,117,000 of a new series of Debentures (Series I) of NIS 1 par value. The overall gross proceeds that the Company received for Debentures (Series I) totaled approximately NIS 634 million.

The debentures are in Shekel (and are non linked to the index). The debentures shall be repaid in 5 equal annual installments whereby the first payment of the principal will be on March 15, 2011. The interest borne by the debentures was set at 6.7%. The fixed annual interest payments will be made on March 15 of each of the years 2010 to 2015 (inclusive) and on September 15 of each of the years 2010 to 2014 (inclusive). In addition, the debentures bear a one time additional interest rate at 10% of the increase in the price of Credit Suisse shares on the NYSE during the six month period commencing August 9, 2009 and which shall be paid, if there will be an increase in the Credit Suisse share price during this period, in addition to the semi-annual payment of the fixed annual interest that will be paid on March 15, 2010.

In September 2009, the Company issued to the public 131,353,000 NIS 1 par value Debentures (Series I) by way of the expansion of the series at a price of NIS 1.008 per unit. The overall gross proceeds that the Company received totaled approximately NIS 132 million

- 3.7. In September 2009, the Company issued and listed on the Tel Aviv Stock Exchange Ltd., to the public 58,133,000 of a new series of Debentures (Series J) of NIS 1 par value. The total gross

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proceeds that the Company received for Debentures (Series J) totaled approximately NIS 58 million.

The debentures are in Shekel (and are non linked to the index). The debentures are repayable in six equal annual installments on September 16 of each of the years 2012 to 2017 (inclusive). The interest borne by the debentures was set at 7.20%. The fixed annual interest will be paid in semi-annual payments on the March 16 of each year from 2010 through 2017 (inclusive).

4. Main events subsequent to the balance sheet date

- 4.1. In October 2009, Koor sold part of its shares in Credit Suisse. For the sale of these shares Koor recorded, in the third quarter of 2009, a profit of approximately NIS 251 million.
- 4.2. Shortly prior to the date of this report, subsequent to the acquisition of Credit Suisse shares (less sales), the Group holds approximately 23.81 million shares of Credit Suisse, which constitutes 2.01% of Credit Suisse share capital, in an overall investment of NIS 4.32 billion. The Company's embedded profit, proximate the reporting date, for the balance of its investment in Credit Suisse (which reflects the difference between the value of the Credit Suisse shares that it holds, at their price on the stock exchange, which is NIS 5.03 billion, and the original cost of these shares) is NIS 712 million.
- 4.3. Subsequent to the Company's board of directors resolution of June 2009 to invest in Carrefour SA ("Carrefour") shares, shortly prior to the reporting date, subsequent to the acquisition of Carrefour shares, the Group holds approximately 2.16 million shares of Carrefour, which constitutes 0.31% of Carrefour's share capital, in an overall investment of NIS 351 million. The Company's embedded profit, proximate the reporting date, for the balance of its investment in Carrefour (which reflects the difference between the value of the Carrefour shares that it holds, at their price on the stock exchange, which is NIS 386 million, and the original cost of these shares, is NIS 35 million.
- 4.4. On October 1, 2009, Koor's board of directors approved (pursuant to the Companies Regulations (Dispensations for Transactions with Interested Parties), 5760-2000 ("Dispensations Regulations")) a deal in which Koor and Property and Building Corporation Ltd. ("Property and Building") would engage, through a joint corporation, with HSBC Group companies ("HSBC") to acquire the HSBC head office building located on Fifth Avenue in New York city ("the Building"), in return for a total of USD 330 million, that will be paid from self-sources. Under this deal, Koor and Property and Building would each acquire, through a mutual US company indirectly held by them (in equal share) ("the IDB Company"), half of the rights in the building (for consideration of USD 165 million each) and will bear half of the costs involved in the transaction. Koor and Property and Building will be partners with equal rights and obligations in the transaction, in the IDB company and in the building, and including joint management of the building, its maintenance and all matters concerning it, and will be entitled, according the decisions of their boards of directors as may be from time to time, inter alia, to provide the IDB company with financing for all purposes pertaining to the building, its maintenance and ownership, for selling rights in IDB company and/or the building (all or part thereof) directly or indirectly, and for the purpose of investing in the IDB company and/or the building, and all pro-rata according to their relative share.

On October 3, the foregoing agreement was signed. Upon signing of the agreement, IDB Company deposited an amount of USD 20 million in trust for the benefit of HSBC, as a down payment for the acquisition of the building. Koor and Property and Building share in the deposit is USD 10 million each. The down payment will serve as agreed compensation for HSBC should IDB Company not comply with its obligations under the agreement.

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Should IDB Company sell the building within 24 months from the date of the completion of the transaction, or should more than 50% of the rights in IDB Company be sold, HSBC will be entitled to half of the gains.

The transaction is expected to be completed during the first quarter of 2010.

- 4.5. On October 22, 2009, the Special Tender Offer published by the Company for the acquisition of up to 22 million ordinary shares of NIS 1 par value each in Makhteshim Agan, constituting 5.06% of Makhteshim Agan's paid up share capital and 5.11% of the voting rights in Makhteshim Agan, was accepted at the price of NIS 18.00 per share and overall cost of NIS 396 million. The excess costs accrued with respect to the aforesaid Tender Offer amount to NIS 155 million. Subsequent to the Tender Offer, the Company's holding in Makhteshim Agan's voting rights is 47.04%.
- 4.6. On October 22, 2009 ECtel signed a merger agreement according to which ECtel will be acquired by Cvidya Networks Ltd. for a consideration of USD 21 million (less transaction costs beyond the amount noted in the agreement). According to the terms of the agreement, each ECtel shareholder will receive, upon completion of the transaction, about USD 1.26 per share held by them. Koor's expected proceeds from the sale of its shares in ECtel are estimated to be USD 4.4 million. The completion of the transaction is subject, inter alia, to approval of ECtel's shareholders. The Company, as a shareholder in ECtel, assured Cvidya Networks Ltd. that subject to certain customary terms and conditions, it would vote for approval of the transaction at the general meeting of ECtel shareholders. To the best of the Company's knowledge, the transaction is expected to be completed at the beginning of 2010.

As at September 30, 2009, based on the value deriving from the foregoing transaction, ECtel impaired the value of the goodwill recorded in its books. Koor's share in this impairment, which was recorded in the section of the Company's share in the results of investees, is NIS 6 million.

- 4.7. On November 12, 2009, Koor's audit committee and on November 15, 2009 Koor's board of directors approved the agreement engaged between the Company and Rock Real Estate Partners Limited ("Rock Real"), under which Rock Real will initiate and offer the Company, from time to time, the acquisition of real estate rights outside of Israel from third parties, in accordance with the Company's descriptions and guidelines, whether directly or by way of the acquisition of corporations holding the rights in the aforesaid real estate properties ("Real Estate Properties"); will help in the negotiations pertaining to the purchase of the Real Estate Property and in receiving financing for the purchase, will accompany and will coordinate the purchase process until completion, will help provide strategic consultation services on matters pertaining to the Real Estate Properties and their betterment and will help in locating deals for the sale of Real Estate Properties and carrying them through, all in accordance with the needs of the Company ("the Agreement"). In return for each Real Estate Property acquisition transaction that the Company will engage (on its own and/or through private companies under its control) and which will be carried out and supervised by Rock Real as aforesaid, the Company (or the private company under its control, accordingly) will pay Rock Real a consideration of 12% of the gains generated to the Company (or the private company under its control) for the Real Estate Property (in other words, the total revenue less any investment and expenses incurred with respect to the property). Said payment will be made only when the Real Estate Property is sold or in the event that, prior to the sale of the Real Estate Property, the Company will recoup its full investment and costs for the acquisition of the Real Estate Property and its management in real terms and all at such dates, under such terms and according to such accounting methods as will be fixed in the agreement.

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According to the agreement, the Company will not be obligated to acquire real estate properties offered to it by Rock Real and Rock Real will not be obligated to offer the Company deals to acquire real estate properties.

To the best of the Company's knowledge, Rock Real is a company controlled by a trust. One of the beneficiaries of the trust is Mr. Jacob Schimmel whose brother, Mr. Mark Schimmel serves as a Company director.

The agreement is subject to approval of the Company's shareholders general meeting and will be valid for a period of five years, commencing from the date of the approval of the general meeting. The agreement will continue to be applicable also at the end of this period, with respect to real estate properties which are acquired during the said five year period.

The agreement, if it is approved by the general meeting, will also be applicable for the acquisition of the HSBC head office building (see section 4.4 above in this matter), which was offered by Rock Real, with respect to the Company's share in the building.

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5. Dividend

- 5.1. On May 20, 2009 the Company's board of directors resolved to distribute a cash dividend of NIS 432 million, representing NIS 9.11 per share. The distribution of the dividend was effected on June 10, 2009.
- 5.2. On the date of approval of the financial statements, the Company's board of directors resolved to distribute a cash dividend in the amount of NIS 360 million, representing NIS 7.59 per share. The dividend shall be distributed on December 7, 2009, the record date being November 22, 2009 and the ex-dividend date November 23, 2009.

6. The financial status and sources of finance

6.1.

	<u>September 30,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
	NIS Millions	
Total assets in the consolidated balance sheet	11,278	7,461
Investments in investees in the consolidated balance sheet	2,553	2,704
Available-for-sale financial assets in the consolidated balance sheet	2,328	1,621
Attached available-for-sale financial assets in the consolidated balance sheet	2,770	2,517
Total equity attributed to the Company's shareholders	6,258	3,656
Surplus (deficit) of current assets over liabilities in the consolidated balance sheet	791	(903)
Koor's financial liabilities	4,670	3,570
Surplus of financial liabilities over Koor's cash and cash equivalents*	1,430	3,284

* Does not include Credit Suisse shares which are classified as available-for-sale financial assets recorded, as at September 30, 2009, at a value of NIS 4,708 million.

- 6.2. Proximate to the reporting date and subsequent to the sale of part of the Company's holdings in Credit Suisse shares, as set forth in section 4.2 above, Koor's cash balance amounted to NIS 2.67 billion and Koor's surplus financial liabilities over assets amounted to approximately NIS 2.01 billion.

6.3.

	<u>First nine months of</u>		<u>Third Quarter</u>		<u>Year</u>
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>
	N I S m i l l i o n s				
Proceeds from exercise of investments in Koor	9,382	4,295	3,905	4,294	4,576
Dividends received from investees	3	167	3	-	250
Investment in affiliates and other Koor companies	6,747	3,921	5,324	3,622	8,539

- 6.4. In the third quarter of 2009, Koor repaid short term loans to banks in the amount of NIS 1,322 million. In addition, Koor took short term bank loans in the amount of NIS 2,169 million.

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6.5. Summary of data relating to debentures as of September 30, 2009 (in NIS millions):

Series	Original date of issue	Par value at date of issue (millions)	Par value balance in circulation (millions)	Par value balance in circulation, at linkage terms (millions)	Accrued interest in books	Value of debenture balance as at September 30, 09 in books	Market value	Interest rates (fixed)	Principal repayment date ⁽²⁾		Interest payment date	Linkage terms	Trust company Name of contact Address: Telephone ⁽⁵⁾ :
									From	To			
G.	April 10, 2005	400	400	457.3	7.1	454.0	Non-negotiable	3.75%	April 30, 2010	April 30, 2010	Oct 31, 09 April 30, 10	Israeli CPI	Ubank Trust Co. 83 Rothschild Blvd. Tel Aviv Tel: 03-5645205 Ifat Bachar
H ⁽³⁾	Aug 20, 2006	1,194.6	1,194.6	1,306.9	5.6	⁽⁵⁾ 1,320.2	1,370	5.10%	Sept 1, 2012	Sept 1, 2016	Sept 1, 09, Sept 1, 10 Sept 1, 11, Sept 1, 12 Sept 1, 13, Sept 1, 14 Sept 1, 15, Sept 1, 16	Israeli CPI	Reznick Paz, Nevo Trusts Ltd. 14 Yad Harutzim St. Tel Aviv Tel: 03-6389200 Liat Bachar-Segal
I ⁽⁴⁾	Aug 9, 2009	765.5	765.5	765.5	7.4	745.1	800.4	6.7%	March 15, 2011	March 15, 2015	Mar 15, 10; Sept 15, 10 Mar 15, 11; Sept 15, 11 Mar 15, 12; Sept 15, 12 Mar 15, 13; Sept 15, 13 Mar 15, 14; Sept 15, 14 Mar 15, 15;	Un-linked	Hermetic Trust Services (1975) Ltd. 113 Hayarkon Street, Tel Aviv, Israel; Tel: 03-5274867 Meirav Offer Oren
J	Sept 9, 2009	58.1	58.1	58.1	0.3	57.7	60.8	7.2%	Sept 16, 2012	Sept 16, 2017	Mar 16, 10; Sept 16, 10 Mar 16, 11; Sept 16, 11 Mar 16, 12; Sept 16, 12 Mar 16, 13; Sept 16, 13 Mar 16, 14; Sept 16, 14 Mar 16, 15; Sept 16, 15 Mar 16, 16; Sept 16, 16 Mar 16, 17; Sept 16, 17	Un-linked	Strauss Lazar Trust Co. (1992) Ltd. of 17 Yitzhak Sade St., Tel Aviv Tel: 03 6237777 Ori Lazar ori@slcpa.co.il.

Comments:

(1) The Company complies with all the debenture terms and conditions. Furthermore, the Company complies with all the liability conditions as set in the deed of trust.

(2) Annual payments.

(3) The series was expanded on May 10, 2007. The data in the table refers to the entire series.

(4) The series was expanded on September 9, 2009. The data in the table refers to the entire series.

(5) The consolidated statements represent the debenture (Series H) balance as at September 30, 2009 less the debentures acquired by a wholly owned subsidiary and is NIS 1,160.2 million.

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6.6. Information relating to the rating of the debentures:

Series	Name of rating company	Current rating	Rating fixed at the issue date
G.	Maalot	A+/Stable	A+
G.	Midroog	A1	-
H	Maalot	A+/Stable	A+
H	Midroog	A1	-
I	Maalot	A+/Stable	A+/Stable
I	Midroog	A1	-
J	Maalot	A+/Stable	A+/Stable
J	Midroog	A1	A1

On May 6, 2006 Maalot announce awarding a rating of A+/stable for Debentures (Series G and H) In November 2008, Maalot announced a credit rating of A+/CW Negative for Koor's debentures.

On July 29, 2009 Maalot announce a rating of ilA+/stable for Koor's Debentures (Series G and H)

On August 4, 2009 Midroog announced awarding a rating of A1 for the Company's debentures.

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7. Changes in the economic environment, implications of the global economic crisis, and market and management method risk exposure

7.1. The Global economic crisis

The global economic crisis and the slowdown of real economic activity that developed in 2008 led to, among other things, severe damage to global capital markets, substantial declines and fluctuations in the prices of securities on the stock markets in Israel and around the world, including sharp declines and volatility of security prices of certain of the Company's investees, deterioration of the credit crunch, impairment of assets held by the public, slump in demands, and significant recession and uncertainty in economic activities. Subsequently, various economies around the world, including the USA and many countries in Europe, have entered a recession and a wave of shut downs and extensive lay offs have begun in the various sectors of the economy, including in real estate, industry, services and high-tech.

These developments have also impacted the Israeli economy in which the trends that have been identified include, among other things, indications of recession, the beginning of significant volatility of the exchange rates of major foreign currencies against the shekel, continuous substantial reductions of the Bank of Israel interest rates and inflation rate increases on the local market. Nonetheless, over the past few months, the capital market has shown certain signs of recovery, prices of negotiable securities have risen discernibly, the debt market has begun to recover and the business sector has renewed capital raising efforts on the capital markets. Various markets around the world have also experienced similar developments.

As of the report date, it is not possible to assess the scope of the direct and indirect financial implications of the economic crisis in Israel and other countries, nor its duration.

These developments in the markets are liable to have significant and continuous adverse impacts on the business outcomes of Koor and its investees, their liquidity, value of equity, value of their assets and the ability to sell these assets, business situation (including the demand for products of Koor's investees), financial covenants, credit rating, ability to pay dividends, and even their ability to raise financing for their ongoing operating activities and long-term activities as well as on the financing terms.

Declines and fluctuations in the prices of the securities of Koor's holdings (and particularly Credit Suisse and Makhteshim Agan), on the one hand, and Koor's increased debt, on the other, may affect Koor's credit rating as well as its compliance with the ratios set for certain financial criteria. Additionally, they may, in certain cases, lead to impairments and recorded losses due to the reduced value of the holdings. With regard to the matter of credit rating, Maalot's rating announced in July 2009, and Midroog's rating announced in August 2009, are based on various parameters, including the net debt to adjusted value of holdings ratio. In order to maintain the current rating Maalot expects that the ratio of net debt to adjusted value of IDB Group's holdings will not exceed 60%, with the exception of short-term deviations. Impairment of the assets and further net financial debt incurred by Koor and/or by other companies in the IDB Group will result in a rise in this ratio. An increase in the value of the assets or a decrease of the net financial debt by Koor and/or by other companies in the IDB Group will result in a decline in this ratio. As of November 15, 2009, said ratio of net debt to adjusted value of the Koor's holdings was 22%.

Nonetheless, the volatility of the financial markets together with the great volatility in the prices of Credit Suisse shares allowed Koor to carry out buy and sell transactions of Credit Suisse shares, subsequent to which the Company has recorded to date a total profit of NIS 3.20 billion, of which the Company recorded in Q3 2009 a profit after tax of NIS 0.7 billion and in Q4 2009 the Company is expected to record a profit after tax of NIS 251 million.

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In May 2009, the Commissioner of Capital Market, Insurance and Savings at the Ministry of Finance ("the Commissioner") appointed a committee to draw up reference parameters for institutional organizations offering credit by way of acquisition of non-government bonds ("the Committee"). In September 2009, the Committee published an interim report for public review. Said interim report includes recommendations for regulatory intervention by the Commissioner on which the institutional organizations' internal procedures are to be based prior to investing in debentures, recommendations relating to contractual conditions that institutional organizations will be required to enforce, as part of the debenture terms and conditions, prior to investing in them in the initial market and recommendations pertaining to the information necessary for the institutional organizations when examining investment in debentures and ongoing monitoring thereof.

In September 2009, the Commissioner published a draft circulation pertaining to the adoption of the recommendations included in the Committee's interim report with regard to institutional organizations' investment in non-government bonds.

It is uncertain what the Committee's final recommendations will be and which will be adopted. If the Committee's recommendations are adopted, they may have implications of the possibility to raise capital from institutional entities by way of debentures.

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7.2. Koor's market risks

During the reporting period, no material changes occurred in the exposure of the Company's investee companies to market risks and management of risk exposure as compared with the report of the Company's board of directors' for 2008, dated March 15, 2009. From time to time the Company carries out currency conversions, especially between the Shekel and Swiss Franc, and hedges against changes to the Shekel to Swiss Franc exchange rate.

As of November 13, 2009, the Company has net liability balance in Swiss franc (liabilities less liquid assets) in the amount of NIS 180 million (not including our holdings in Credit Suisse shares), a liquid Euro asset balance of NIS 80 million (not including our holdings in Carrefour shares) and a USD liquid asset balance of NIS 230 million. As a result of changes in the Swiss franc to NIS exchange rate, the Euro to NIS exchange rate and the USD to NIS exchange rate, as of the fourth quarter of 2009, the Company has at present accrued an accumulated profit estimated by the Company as NIS 29 million. It should be noted that in addition, Koor holds an asset fixed in Swiss francs (Credit Suisse shares at a cost, as of the reporting date, of NIS 4.32 billion), and an asset fixed in Euro (Carrefour shares at a cost, as of the reporting date, of NIS 351 million), the value of which, subsequent to the rise in the Swiss franc and/or the Euro exchange rates, have been assigned directly to capital reserve and not to the profit and loss statement (with the exception of the case of a significant and/or consistent devaluation). The foregoing information includes an initial assessment and the partial information in Koor's possession to date. This data has not yet been processed, has not yet been finally examined and has not been reviewed by Koor's accountants, and is subject to additional changes in the exchange rates of the Swiss Franc, the Euro and the US dollar. For this reason, it is possible that their impact on the Company's results for Q4 of 2009 will be different as compared with the foregoing. In addition, the dollar exchange rate changes have impact on the profitability of investees operating or report in US dollars, as well as an impact on Koor's profits from the results of investees which hold US dollar assets, and an impact on Koor's equity due to the adjusted capital reserve resulting from the translation of the investees' financial statements in foreign currency (in particular Makhteshim Agan). Furthermore, changes in the Swiss Franc and the Euro exchange rates affect the shekel value of the shares of Credit Swiss and Carrefour, respectively, presented in the balance sheet as available-for-sale assets and the affect on Koor's equity due to the principal of the available-for-sale assets.

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7.3. Report of linkage bases

A. The Company does not manage the risks of its investees. Hereunder are the linkage terms of monetary balances and derivative positions of Koor (together with its wholly-owned subsidiaries), as of September 30, 2009.

B. Koor's linkage balance sheet to September 30, 2009 (in NIS millions):

	<u>Israeli CPI linked</u>	<u>USD or USD- linked</u>	<u>Euro or Euro linked</u>	<u>CHF or CHF linked</u>	<u>Unlin ked</u>	<u>Non- monet ary item</u>	<u>Total</u>
<u>Assets</u>							
Current assets	19	174	-	1,845	1,358	1	3,397
Investment in affiliates (including loans)	-	-	-	-	-	2,571	2,571
Other investments	-	*125	335	4,708	-	-	5,168
Fixed assets and real estate for investment	-	-	-	-	-	63	63
Total assets	19	299	335	6,553	1,358	2,635	11,199
<u>Liabilities</u>							
Current liabilities (including maturities)	(1,421)	(14)	(8)	(1,069)	(64)	(10)	(2,586)
Long term liabilities	(1,383)	(3)	(2)	-	(803)	(164)	(2,355)
Total liabilities	(2,804)	(17)	(10)	(1,069)	(867)	(174)	(4,941)
Assets less liabilities, net	(2,785)	282	325	5,484	491	2,461	6,258

* Including a balance of NIS 3 million denominated in pound sterling.

C. Koor derivative positions as at September 30, 2009 (in NIS millions):

	<u>Israeli CPI / NIS Forward</u>			
	<u>Par value</u>	<u>Fair value to</u>	<u>Par value</u>	<u>Fair value to</u>
	<u>NIS millions</u>	<u>receive</u>	<u>NIS millions</u>	<u>receive</u>
	<u>Up to 1 year</u>	<u>LONG</u>	<u>More than one year</u>	<u>LONG</u>
Forward contracts for hedging – not recognized in accounting (1)	20	-	480	9

(1) These contracts are intended to hedge Koor's index-linked liabilities, so that in the event that the actual Israeli CPI rises above the index level stipulated in the contract, Koor will receive the difference, and if the opposite occurs Koor will pay the difference.

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	NIS / CHF Collar			
	<u>Par value</u>	<u>Fair value to</u>	<u>Par value</u>	<u>Fair value to</u>
	<u>NIS millions</u>	<u>receive</u>	<u>NIS millions</u>	<u>receive</u>
	<u>Up to 1 year</u>	<u>NIS millions</u>	<u>More than one year</u>	<u>NIS millions</u>
Forward contracts for hedging – not recognized in accounting (2)	500	-	-	-

(2) These contracts are intended to hedge the shekel value of assets recorded in Swiss franc, so that if the Swiss franc exchange rate drops below the minimum exchange rate fixed in the contract, Koor will receive the difference and if the Swiss franc exchange rate rises above the maximum exchange rate fixed in the contract, Koor will pay the difference.

D. Consolidated indexing balance sheet to September 30, 2009 (in NIS millions):

	<u>Israeli</u>	<u>USD or</u>	<u>Euro or</u>	<u>CHF</u>	<u>Unlink</u>	<u>Non-</u>	<u>Total</u>
	<u>CPI</u>	<u>USD-</u>	<u>Euro linked</u>	<u>or</u>	<u>ed</u>	<u>moneta</u>	
	<u>linked</u>	<u>linked</u>	<u>linked</u>	<u>CHF</u>	<u>linked</u>	<u>ry item</u>	
	<u>linked</u>	<u>linked</u>	<u>linked</u>	<u>linked</u>	<u>linked</u>	<u>linked</u>	<u>linked</u>
<u>Assets</u>							
Current assets	19	192	-	1,845	1,358	42	3,456
Investment in affiliates	-	-	-	-	-	2,553	2,553
Other investments	-	*125	335	4,708	-	-	5,168
Fixed, intangible and other investment real estate assets	-	-	-	-	-	101	101
Total assets	19	317	335	6,553	1,358	2,696	11,278
<u>Liabilities</u>							
Current liabilities (including maturities)	(1,436)	(74)	(8)	(1,069)	(64)	(14)	(2,665)
Long term liabilities	(1,382)	(4)	(2)	-	(803)	(164)	(2,355)
Total liabilities	(2,818)	(78)	(10)	(1,069)	(867)	(178)	(5,020)
Assets less liabilities, net	(2,799)	239	325	5,484	491	2,518	6,258

* Including a balance of NIS 3 million denominated in pound sterling.

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E. Koor's indexing balance sheet to September 30, 2009 (in NIS millions):

	<u>Israeli CPI linked</u>	<u>USD or USD- linked</u>	<u>CHF or CHF linked</u>	<u>Unlink ed</u>	<u>Non- moneta ry item</u>	<u>Total</u>
<u>Assets</u>						
Current assets	188	447	1,400	1,939	-	3,974
Investment in affiliates (including loans)	-	-	-	-	2,519	2,519
Other investments	-	*119	66	-	-	185
Fixed assets and real estate for investment	-	-	-	-	81	81
Total assets	188	566	1,466	1,939	2,600	6,759
<u>Liabilities</u>						
Current liabilities (including maturities)	(318)	(8)	(439)	(54)	(29)	(848)
Long term liabilities	(2,767)	(10)	-	-	-	(2,777)
Total liabilities	(3,085)	(18)	(439)	(54)	(29)	(3,625)
Assets less liabilities, net	(2,897)	548	1,027	1,885	2,571	3,134

* Including a balance of NIS 1 million denominated in pound sterling.

F. Koor derivative positions as at September 30, 2008 (in NIS millions):

	<u>Israeli CPI / NIS Forward</u>			
	<u>Par value</u>	<u>Fair value to</u>	<u>Par value</u>	<u>Fair value to</u>
	<u>NIS millions</u>	<u>receive</u>	<u>NIS millions</u>	<u>receive</u>
	<u>Up to 1 year</u>	<u>NIS millions</u>	<u>More than one year</u>	<u>NIS millions</u>
	<u>LONG</u>	<u>LONG</u>	<u>LONG</u>	<u>LONG</u>
Forward contracts for hedging – not recognized in accounting (1)	850	25	480	9

- (3) These contracts are intended to hedge Koor's index-linked liabilities, so that in the event that the actual Israeli CPI rises above the index level stipulated in the contract, Koor will receive the difference, and if the opposite occurs Koor will pay the difference.

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G. Consolidated indexing balance sheet to September 30, 2008 (in NIS millions):

	<u>Israeli CPI linked</u>	<u>USD or USD- linked</u>	<u>CHF or CHF linked</u>	<u>Unlink ed</u>	<u>Non- moneta ry item</u>	<u>Total</u>
<u>Assets</u>						
Current assets	188	490	1,400	1,942	59	4,079
Investment in affiliates (including loans)	-	-	-	-	2,499	2,499
Other investments	-	*119	66	-	-	185
Fixed, intangible and other investment real estate assets	-	-	-	-	129	129
Total assets	188	609	1,466	1,942	2,687	6,892
<u>Liabilities</u>						
Current liabilities (including maturities)	(333)	(100)	(439)	(70)	(33)	(975)
Long term liabilities	(2,767)	(16)	-	-	-	(2,783)
Total liabilities	(3,100)	(116)	(439)	(70)	(33)	(3,758)
Assets less liabilities, net	(2,912)	493	1,027	1,872	2,654	3,134

* Including a balance of NIS 1 million denominated in pound sterling.

7.4. Investees

No material changes occurred during the reporting period in the exposure of the Company's investees to market and management risks as compared with the Company's board of directors' report for 2008, dated March 15, 2009.

7.5. Sensitivity test tables for sensitive financial instruments included in the consolidated financial statements to September 30, 2009, in accordance with changes in market factors

Hereunder are tables demonstrating sensitivity tests of the market value of financial instruments. The following tables (as well as the tables in section 7.6) should be referred to in view of the comments below:

1. The recorded instruments are not necessarily represented in the financial statements according to fair value. The foregoing refers mainly to liabilities.
2. The changes in fair value of instruments which are represented according to fair value impact the Company's reported results and its equity, due to recording of capital reserves for available for sale financial instruments.
3. Changes in currency exchange rates impact the Company's reported results and its equity due to assigning of the conversion differentials derived from the translation of financial statements of investees prepared in foreign currencies.

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Sensitivity analysis to changes in interest rates

Item	Fair value N I	Profit (loss) from changes in interest rate			
		I n c r e a s e		D e c r e a s e	
		10%	5%	10%	5%
		S	m i l l	l i o n s	
Current maturities of debentures	(462)	-	-	-	-
Debentures	(2,123)	30	15	(30)	(15)
Bank loans	(1,205)	3	1	(3)	(1)
	(3,790)	33	16	(33)	(16)

Sensitivity analysis of changes in the US dollar exchange rate

Item	Fair value N I	Profit (loss) from changes in US dollar exchange rate			
		I n c r e a s e		D e c r e a s e	
		10%	5%	10%	5%
		S	m i l l	l i o n s	
Cash and cash equivalents	52	5	3	(5)	(3)
Short term deposits and investments	13	1	-	(1)	-
Trade and accounts receivable and debit balances	126	13	6	(13)	(6)
Available-for-sale financial assets	56	6	3	(6)	(3)
Other investments	67	6	3	(6)	(3)
Credit from banks and others	(41)	(4)	(2)	4	2
Trade and other accounts payable and credit balances	(33)	(3)	(1)	3	1
Other long-term liabilities	(4)	-	-	-	-
	236	24	12	(24)	(12)

Sensitivity analysis of changes in the Swiss franc exchange rate

Item	Fair value N I	Profit (loss) from changes in Swiss franc exchange rate			
		I n c r e a s e		D e c r e a s e	
		10%	5%	10%	5%
		S	m i l l	l i o n s	
Cash and cash equivalents	1,845	184	92	(184)	(92)
Available-for-sale financial assets (attached and non-attached)	4,708	471	235	(471)	(235)
Credit from banking corporations and others	(1,048)	(105)	(52)	105	52
Trade and other accounts payable and credit balances	(21)	(2)	(1)	2	1
	5,484	548	274	(548)	(274)

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Sensitivity analysis on changes in the exchange rate of the Euro

Item	Fair value N I S	Profit (Loss) from Changes in the euro exchange rate			
		I n c r e a s e		D e c r e a s e	
		10%	5%	10%	5%
Available-for-sale financial assets	335	34	16	(34)	(16)
Other payables	(8)	(1)	-	1	-
Other long-term liabilities	(2)	-	-	-	-
	325	33	16	(33)	(16)

Sensitivity test on changes in the Stock Exchange prices in Israel and abroad, of the negotiable securities

Item	Fair value N I S	Profit (loss) from changes in prices of negotiable securities			
		I n c r e a s e		D e c r e a s e	
		10%	5%	10%	5%
Short term deposits and investments	39	4	2	(4)	(2)
Available-for-sale financial assets	2,274	227	114	(227)	(114)
Available-for-sale attached financial assets	2,769	277	138	(277)	(138)
	5,082	508	254	(508)	(254)

Sensitivity analysis to changes in the Israeli CPI – on derivative positions

Forward index	Fair value N I S	Profit (loss) from changes in the Israeli CPI			
		I n c r e a s e		D e c r e a s e	
		2%	1%	2%	1%
Not recognized as accounting hedging	9	19	9	(19)	(9)

Sensitivity analysis of changes in the Swiss franc exchange rate – on derivative positions

Item	Fair value N I S	Profit (loss) from changes in Swiss franc exchange rate			
		I n c r e a s e		D e c r e a s e	
		10%	5%	10%	5%
Not recognized as accounting hedging					
PUT-LONG	14	(14)	(14)	70	35
CALL-SHORT	(20)	(83)	(42)	20	20
	(6)	(97)	(56)	90	55

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7.6. Sensitivity test tables for sensitive financial instruments included in the consolidated financial statements to September 30, 2008, in accordance with changes in market factors

Sensitivity analysis to changes in interest rates

Item	Fair value	Profit (loss) from changes in interest rate			
		I n c r e a s e		D e c r e a s e	
		10%	5%	10%	5%
N I S	m i l l	i o n s			
Long-term loans	20	(2)	(1)	2	1
Debentures	(1,623)	40	20	(40)	(20)
Bank loans	(1,365)	8	4	(8)	(4)
	(2,968)	46	23	(46)	(23)

Sensitivity analysis of changes in the US dollar exchange rate

Item	Fair value	Profit (loss) from changes in US dollar exchange rate			
		I n c r e a s e		D e c r e a s e	
		10%	5%	10%	5%
N I S	m i l l	i o n s			
Cash and cash equivalents	425	42	21	(42)	(21)
Short term deposits and investments	17	2	1	(2)	(1)
Trade and accounts receivable and debit balances	48	5	2	(5)	(2)
Available-for-sale financial assets	42	4	2	(4)	(2)
Other investments	76	8	4	(8)	(4)
Credit from banks and others	(44)	(4)	(2)	4	2
Trade and other accounts payable and credit balances	(57)	(6)	(3)	6	3
Long term liabilities to banking institutions	(10)	(1)	-	1	-
Other long-term liabilities	(5)	(1)	-	1	-
	492	49	25	(49)	(25)

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Sensitivity analysis of changes in the Swiss franc exchange rate

Item	Fair value N I	Profit (loss) from changes in Swiss franc exchange rate			
		I n c r e a s e		D e c r e a s e	
		10%	5%	10%	5%
		S	m i l l	l i o n s	
Cash and cash equivalents	1,336	134	67	(134)	(67)
Other receivables	64	6	3	(6)	(3)
Available-for-sale attached financial assets	66	7	3	(7)	(3)
Other payables	(125)	(12)	(6)	12	6
Bank loans	(314)	(32)	(16)	32	16
	1,027	103	51	(103)	(51)

Sensitivity analysis of changes in prices of negotiable securities

Item	Fair value N I	Profit (loss) from changes in prices of negotiable securities			
		I n c r e a s e		D e c r e a s e	
		10%	5%	10%	5%
		S	m i l l	l i o n s	
Short term deposits and investments	384	38	19	(38)	(19)
Available-for-sale attached financial assets	66	7	3	(7)	(3)
	450	45	22	(45)	(22)

Sensitivity analysis to changes in the Israeli CPI – on derivative positions

Forward index	Fair value N I	Profit (loss) from changes in the Israeli CPI			
		I n c r e a s e		D e c r e a s e	
		2%	1%	2%	1%
		S	m i l l	l i o n s	
Not recognized as accounting hedging	24	11	5	(11)	(5)

K o o r I n d u s t r i e s L t d .

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8. Fair value of financial assets and liabilities used to finance acquisition of the assets and stated according to different measurement methods

		Disclosure of fair value and book value		Disclosure of changes in fair value and book value	
		Sept 30, 2009	Dec 31, 2008	First nine months 2009	Year 2008
		NIS millions		NIS millions	
Asset – Credit Suisse shares pledged in favor of banks	Value at first recognition	2,232	2,668		
	Recognized in statement of profit and loss	-	-	1,944	-
	Recognized directly in other equity groups	538	(151)	689	(151)
	Total book value	2,770	2,517	2,633	(151)
	Total fair value	2,770	2,517	2,633	(151)
Liabilities – bank loan	Value at first recognition	(1,024)	(811)		
	Recognized in statement of profit and loss	(24)	(77)	(79)	(77)
	Total book value	(1,048)	(888)	(79)	(77)
	Total fair value	(1,048)	(888)	(79)	(77)

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9. Disclosure concerning the procedure for approval of the financial statements in a reporting corporation

9.1. The entities within the corporation in charge of overall control: Company board of directors and audit committee.

9.2. Procedures undertaken by the entities in charge of overall control in the corporation, prior to approval of the financial statements of the corporation:

The Company's board of directors appointed the audit committee to serve as a "balance sheet committee", which presents the board with the main issues of the detailed discussion concerning the financial statements and makes recommendations concerning their approval. The financial statements are approved by the board of directors. The members of the "balance sheet committee" are Mr. Gideon Lahav, Mr. Avraham Asheri, Mrs. Ayelet Ben Ezer and Mr. Shlomo Risman. Three members of the audit committee have financial expertise. The Company's internal auditor is invited to and attends the "balance sheet committee" meetings. The Company's auditing accountant is invited to and attends the "balance sheet committee" and to the board of directors meetings at which the financial statements are discussed and approved, and he is required to explain the principal findings, if any, which arose during the audit or the review.

The "balance sheet committee" examines, with the aid of detailed presentations made by officers and others in the Company, including the CEO, Mr. Raanan Cohen, CFO, Mr. Oren Hillinger and the comptroller, Ms Avishag Peretz, the significant issues in the financial report, including transactions outside the ordinary course of the Company's business, if any, the material assessments and critical estimates applied in the financial statements, the reasonableness of the data, the accounting policy applied and the changes that have occurred in it, and the application of the principle of proper disclosure in the financial statements and the accompanying information. The "balance sheet committee" also examines various aspects of control and risk management, both those which are reflected in the financial statements (such as the reporting on financial risks) and those that affect the reliability of the financial statements. Where necessary, the "balance sheet committee" requests a comprehensive review of matters of particularly significant implication.

For approval of the financial statements, the audit committee meets prior to the date of the board of directors meeting for a comprehensive discussion of the material reporting issues and detailed discussion of the draft financial statements.

Raanan Cohen
CEO

Ami Erel
Chairman of the Board

Tel Aviv, November 15, 2009