

Koor Industries Ltd.

Part 1

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

Koor Industries Ltd.

("Koor")

**Material changes and new items that have occurred in Koor's business
in the three months ended September 30, 2010¹
in accordance with Regulation 39A of the Securities Regulations (Periodic and Immediate
Reports), 5730 – 1970**

In this section:

"Directors' Report" – Koor's Directors' Report for the third quarter of 2010, presented in Part 2 of this report.

"Financial Statements" – Koor's consolidated financial statements for period ended September 30, 2010, presented in Part 3 of this report.

"Periodic Report" – Koor's periodic report for the year ended December 31, 2009, published in the amended immediate report on March 22, 2010 (Ref. No.: 2010-01-424248).

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

1. Purchase and sale of assets (Section 3.5 of Part 1 of the Periodic Report)
 - 1.1 With respect to the investment in Credit Suisse Group AG ("Credit Suisse") shares, see Section 4.2 below.
 - 1.2 With respect to the investment in Credit Suisse Group Emerging Markets Credit Opportunity Fund L.P. ("EMCO Fund"), see Section 4.3 below.
 - 1.3 For information regarding the maximum financial investment of up to USD 120 million in Sanofi-Aventis shares ("Sanofi") shares that was approved by the Koor Board of Directors, see Koor's immediate report dated August 18, 2010 (Ref. No.: 2010-01-591723). As at September 30, 2010, total investment in Sanofi shares (in cost terms) amounted to USD 37 million. On October 14, 2010, Koor sold the balance of its shares in Sanofi. To date, the investment in Sanofi has earned Koor NIS 40 million, of which in the third quarter of 2010 Koor recorded profit of NIS 26 million, and as of the date of the report, it is expected in the fourth quarter of 2010 Koor will post additional profit of approximately NIS 5 million. For additional information, see Section 1.3.5 of the Directors' Report and Note 5(I) to the Financial Statements.
2. Financial information concerning Koor's operations (Section 7 of Part 1 of the Periodic Report)

For financial information about Koor's segments of operation for the three and nine months ended September 30, 2010, see Note 7 to the Financial Statements.
3. General Environment and the Impact of External Factors on Koor's Operations (Section 8 of Part 1 of the Periodic Report)
 - 3.1 With respect to the situation of the financial markets and the impact of the fluctuations in the exchange rates and changes in the inflation and interest rates in the market on Koor, see Sections 2.1.1 and 2.1.2 of the Directors' Report.

¹ Includes material changes and new items that have occurred in Koor's business that require description in the periodic report and does not include updates that were already included in the description of Koor's business in Koor's report for the first quarter of 2010, published on May 23, 2010 (Ref. No.: 2010-01-488583) and in Koor's report for the second quarter of 2010 ("Q2 Report"), published on August 11, 2010 (Ref. No.: 2010-01-583638).

- 3.2 Further to that set out in Section 8 of Part 1 of the Periodic Report and Section 3.2 of Part 1 of the Q2 Report with respect to the Hodak Committee, see Section 2.1.1 of the Directors' Report.
- 3.2 Further to that set out in Section 8 of Part 1 of the Periodic Report and Section 3.3 of Part 1 of the Q2 Report with respect to the restrictions on Koor and its investees regarding investments in investees and their business activity - it should be noted that in July 2010, a private bill was introduced to the Knesset on increasing competitiveness. Information about this bill was provided in the Company's of the Q2 Report. In October 2010, the Prime Minister of Israel announced the establishment of a committee on increasing competitiveness in the economy, which is supposed to make a recommendation to the government on possible policy measures for handling the question of the structure of holdings in the Israeli economy, including, among other things, examination of the issues of non-financial companies controlling financial companies, limiting control of public companies through a pyramid holding structure (including taxation of activity conducted within the business group). This is being done to achieve specific targets defined for the committee, including maintaining the stability of the financial system and increasing the competitiveness and efficiency of economic activity.

Taking policy steps such as those mentioned above and others, should there be any, may also impact materially on Koor, among other things with respect to the structure of the holdings and the economic sectors in which it operates, taxation of dividends from investees, etc.

Further to that set out in Section 8 of Part 1 of the Periodic Report and in Section 3.3 of Part 1 of the Q2 Report with respect to the restrictions that apply to Koor and its investees regarding investments in investees, it should be noted that in November 2010, the government bill to amend the Anti-Trust Law, 5748-1988 with respect to concentration groups (Anti-Trust Law (Amendment No. 11) 5771-2010 bill), details of which were provided in the Q2 Report, as aforementioned.

- 3.5 Pursuant to that stated in Section 8 of Part 1 of the Periodic Report with respect to the Law for the Encouragement of Capital Investment, 5719-1959 (in this section, "Encouragement Law") - in October 2010, in the first reading of the Economic Policy for 2011 and 2012 (legislative amendments), 5771-2010 bill was approved, in which it is suggested the the Encouragement Law be amended as well. The main amendments relate, *inter alia*, to establishing new criteria for receipt of Industrial Plant status and cancelling certain existing tax tracks with respect to new investment programs, while establishing new tax rates in respect thereof, which, in certain cases, are lower and in others higher than the tax rates applicable in existing tax tracks in the Encouragement Law. In accordance with the proposed amendment of the Encouragement Law, the amendment would apply as a rule to plant recognized for the purpose of the Encouragement Law from 2011 forward. A company with existing plants that were previously recognized for the purpose of the Encouragement Law will be entitled, under certain conditions, to opt to apply the new legislative arrangement in this amendment on all its plants instead of the existing legislative arrangement that applies to them. Subject to specific criteria, a dividend paid from income attributed to a plant that will be subject to the new legislative arrangement (whether it is a new plant or an existing plant with respect to which the company decided to apply the new legislative arrangement) will not be included under taxable income of the recipient of the dividend.

4. Review of Koor's operations by business segment (Section 3 of of Part 1 the Periodic Report)
- 4.1 **Makhteshim-Agan Industries Ltd. ("Makhteshim Agan") (Section 9 of Part 1 of the Periodic Report)**
- 4.1.1 Further to that set out in Section 4.1.2 of Part 1 of the Q2 Report with respect to the financial claim and application for its certification as a class action in the amount of approximately NIS 1 billion, which were filed against a subsidiary of Makhteshim Agan on August 18, 2010, Koor reported in an immediate report (Ref. No.: 2010-01-591384) that on the same day Makhteshim Agan announced that on August 17, 2010 the Beer Sheva District Court issued an order to dismiss the claim and delete said applications, without an order for expenses.
- 4.1.2 On August 30, 2010, Koor announced in an immediate report (Ref. No.: 2010-01-603612) that Makhteshim Agan had attached to an immediate report published on the same date, its own valuation, which was attached to the financial statements of Discount Investment Corporation Ltd. of June 30, 2010. The valuation was attached to Koor's said immediate report.
- 4.1.3 Further to that set out in Section 4.1.1 of Part 1 of the Q2 Report with respect to the negotiations between Makhteshim Agan and Albaugh Inc. for the purchase of all Albaugh's issued share capital by Makhteshim Agan, on September 2, 2010 Koor reported in an immediate report (Ref. No.: 2010-01-610860) that on said date Makhteshim Agan announced that it had ceased the negotiations. For additional information, see said immediate report and Koor's immediate report of June 28, 2010 (Ref. No. 2010-01-5335655). For information regarding the announcement of Midroog Ltd. ("Midroog") that Koor's debentures in circulation were taken off the watch list following termination of said negotiations, see Section 5.1.3 below.
- 4.1.4 On October 11, 2010, Koor announced in an immediate report (Ref. No.: 2010-01-642303) that it had received an inquiry following which Koor reached preliminary principle understandings with China National Chemical Corporation ("ChemChina") for the performance of a transaction in which, subject to its completion, among other things, all of the publicly held shares of Makhteshim Agan would be acquired, making it a private company, and purchase of a specified number of Makhteshim Agan shares from Koor. On November 21, 2010, Koor issued an immediate report (Ref. No.: 2010-01-686394) in which it provided an update on the status of the negotiations between the parties and the changes expected to the structure and terms of the transaction. It should be emphasized that the negotiations between the parties are still ongoing, however at this stage, there is no assurance as to the signing and timing of such execution of any binding agreement whatsoever between the parties with respect to the transaction, nor as to the structure and terms of the transaction to be set out in it. For additional information, see said immediate reports and Notes 6(A)(4) and 5(J) to the Financial Statements.
- 4.1.5 On October 11, 2010, Koor announced in an immediate report (Ref. No.: 2010-01-642288) that on the same date Makhteshim Agan further reported the approval in principle of its Board of Directors of a comprehensive reorganization plan in a subsidiary of Makhteshim Agan in Brazil. According to Makhteshim Agan estimates, this would involve recording significant one-time

amortizations of between USD 20-25 million in Makhteshim Agan's financial statements for the fourth quarter of 2010. For additional information, see said immediate report and Note 7(A)(4) to the Financial Statements.

4.1.6 On October 31, 2010, Koor issued an immediate report (Ref. No.: 2010-01-663957) in which it announced that Makhteshim Agan reported that it had reached agreements with the New General Federation of Workers (Histadrut) and the Workers Committees of its subsidiaries, according to which the labor disputes announced with respect to the plants of the subsidiaries would come to an end. Koor reported on this in an immediate report dated October 18, 2010 (Ref. No.: 2010-01-649935). For additional information, including with respect to the highlights of the agreements reached in the agreement of principles ("Agreement of Principles"), see said immediate reports and Note 9(A)(4) to the Financial Statements. Further to that stated above, on November 6, 2010, the management of Makhteshim Agan gave the Makhteshim Workers Council an agreement in principle in accordance with the specified in the Agreement in Principle with respect to the voluntary early retirement of employees in said subsidiaries, according to which in 2013-2014, another 50 permanent employees beyond those named in the Agreement in Principle will be able to retire, and this subject to all the terms stipulated in the Agreement in Principle and the approval of the representation of the employees for a reduction in the existing number of personnel. According to Makhteshim Agan estimates, in the fourth quarter of 2010, one-time provisions of between USD 54 and 62 million will be recorded in respect of retirement of employees with respect to which there are specific agreements.

4.1.7 On November 17, 2010, Koor announced in an immediate report (Ref. No.: 2010-01-683775) that on the same day Makhteshim Agan had announced that one of its subsidiaries had signed an agreement for the purchase of shares in companies in the Bravo AG Group, for consideration that is not material for Makhteshim Agan. Furthermore, Makhteshim Agan reported that another of its subsidiaries had completed the purchase of 51% of the shares in JK Inc. For additional information, see said immediate report.

4.1.8 See also Section 3.5 above with respect to the proposed amendment to the Encouragement Law.

4.1.9 For additional information regarding the revision of the financial covenants that are binding to Makhteshim Agan with respect to specific banks in the third quarter of 2010, See Note 8(A)(4) to the Financial Statements.

4.1.10 On November 23, 2010, Makhteshim Agan published its financial statements (reviewed, unaudited) for the period ended September 30, 2010.

4.2 Credit Suisse Group AG (Section 10 of Part 1 of the Periodic Report)

4.2.1 As of the date of this report, Koor holds about 38.46 million Credit Suisse shares, constituting 3.24% of Credit Suisse share capital,² for a cumulative investment of NIS 6.95 billion.

² Koor's rate of holding in Credit Suisse shares is calculated according to the data on Credit Suisse share capital registered for trade on the SIX Swiss Exchange ("SIX Exchange"), as recently reported by Credit Suisse, **not taking into account** Credit Suisse treasury shares (lacking up-to-date public information as at the date of the report on the number of the treasury shares).

4.2.2 As at the date of this report, in respect of the sale of Credit Suisse shares and receipt of a dividend from Credit Suisse, Koor has to date recorded an accumulated after-tax profit of NIS 3.4 billion, of which in the first nine months of 2010, Koor recorded a net profit from sales and a dividend in this period in the amount of NIS 237 million.

4.2.3 As at the date of this report, the negative gap between the value of the Credit Suisse shares held by Koor, according to the closing price of Credit Suisse shares on the New York Stock Exchange in the USA ("NYSE") on November 22, 2010 and the cost of these shares, as stated in Section 4.2.1 above, is NIS 1,310 million and is included in a capital reserve.

4.2.4 As of the date of this report, the framework of the investment in Credit Suisse shares by Koor, as approved by Koor's Board of Directors amounts to a total investment of up to NIS 7 billion, and Koor intends to continue with the investment, while taking advantage of buying and selling opportunities, noting market conditions and Koor's estimates from time to time, and following a trend to continue to be a principal shareholder in Credit Suisse.

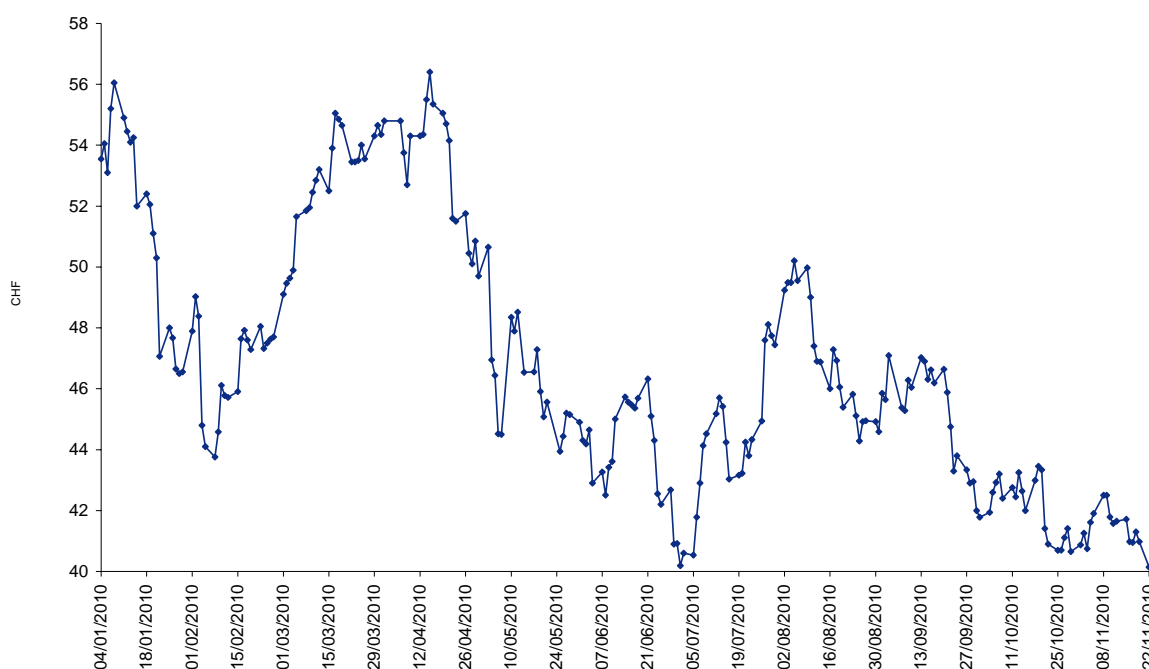
4.2.5 The following is some data regarding the trade of Credit Suisse shares on the SIX Exchange, as published by Reuters from the beginning of 2010 through November 22, 2010:

Price range on the SIX Exchange

Highest price		Lowest price	
Date	Price (in CHF)	Date	Price (in CHF)
April 15, 2010	56.40	November 22, 2010	40.14

4.2.6 The following is a graph presenting data on the price of Credit Suisse shares on the SIX Exchange from the beginning of 2010 through November 22, 2010 (in CHF):

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



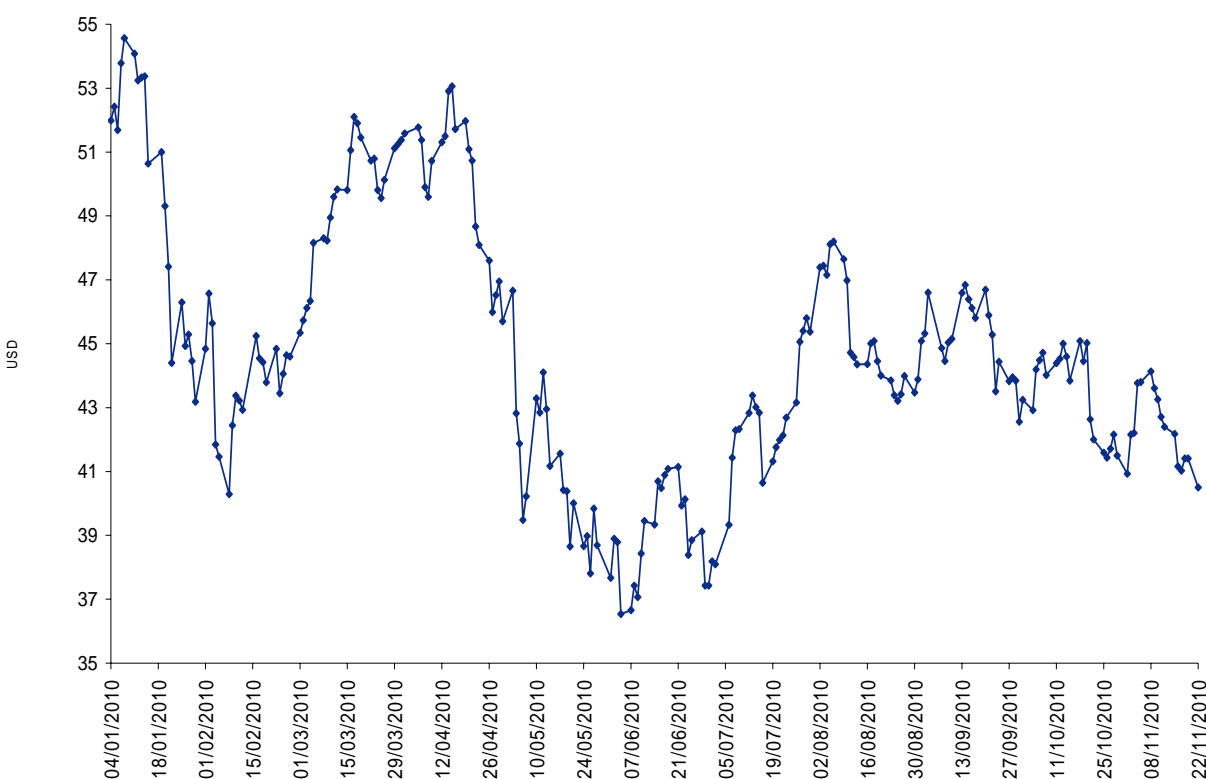
4.2.7 The following is some data regarding the trade of Credit Suisse shares on the NYSE, as published by Reuters, from the beginning of 2010 through November 22, 2010:

Price range on the NYSE

Highest price		Lowest price	
Date	Price (in USD)	Date	Price (in USD)
January 8, 2010	54.57	June 4, 2010	36.54

4.2.8 The following is a graph presenting data on the price of Credit Suisse shares on the NYSE from the beginning of 2010 through November 22, 2010 (in USD):

Price of Credit Suisse shares on NYSE (USD)



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

On November 22, 2010, the closing price of Credit Suisse shares on the SIX Exchange was CHF 40.14, and USD 40.50 on the NYSE.

4.2.10 The range of trade volume on the SIX Exchange since the beginning of 2010 and through November 22, 2010:

Highest volume		Lowest volume		Average volume (in millions)
Date	Volume (number of shares in millions)	Date	Volume (number of shares in millions)	
January 22, 2010	23.9	August 30, 2010	2.3	7.8

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

In the month prior to November 22, 2010	In the three months prior to November 22, 2010	Standard deviation from the beginning of 2010 and through November 22, 2010	In the twelve months prior to November 22, 2010
0.60	2.01	4.32	4.42

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

In the month prior to November 22, 2010	In the three months prior to November 22, 2010	Standard deviation from the beginning of 2010 and through November 22, 2010	In the twelve months prior to November 22, 2010
1.05	1.58	4.09	4.35

4.2.13 The following is data regarding the maximum and minimum number of Credit Suisse shares held by Koor in 2010 through November 22, 2010, by month (in millions of shares):

Month (in 2010)	Maximum share balance	Minimum share balance
January	35.39	27.54
February	36.96	35.39
March	36.96	36.96
April	38.46	36.96
May	38.46	38.46
June	38.46	38.46
July	38.46	38.46
August	38.46	38.46
September	38.46	38.46
October	38.46	38.46
November	38.46	38.46

4.2.14 The CHF to NIS exchange rate on November 22, 2010 was NIS 3.6632 per CHF.

4.2.15 On August 29, 2010, Koor attached to the immediate report it published (Ref. No.: 2010-01-603120) a copy of Credit Suisse's Basel II Pillar 3 report that includes information up-to-date as at June 30, 2010 on the implementation of the risk assessment process as part of the provisions of Basel II, as reported by Credit Suisse to the U.S. Securities and Exchange Commission (SEC) on Form 6K.

- 4.2.17 On October 5, 2010, Koor attached to an immediate report (Ref. No.: 2010-01-636141) it issued (A) a copy of Credit Suisse's report with respect to the position of Credit Suisse relative to the recommendations of the Expert Commission of the Swiss Federal Council on limiting the economic risks posed by large companies, as reported by Credit Suisse on October 4, 2010 on Form 6K to the U.S. Securities and Exchange Commission (SEC), and (B) convenience translation from English to Hebrew of said report by Credit Suisse.
- 4.2.18 On October 21, 2010, Koor announced in an immediate report (Ref. No.: 2010-01-654174) that on said day, Credit Suisse published its financial statements for the third quarter of 2010. Credit Suisse's media release relating to its results in the third quarter of 2010 was attached to the said immediate report and a link to the Credit Suisse website was published with respect to said financial statements:
- https://www.credit-suisse.com/investors/en/reports/2010_results_q3.jsp.
- 4.2.19 On October 24, 2010, Koor attached to the immediate report it published (Ref. No.: 2010-01-655641): (A) a copy of Credit Suisse's complete financial statements for the third quarter of 2010, as reported to the U.S. Securities and Exchange Commission (SEC); (B) a copy of the "press release" issued by Credit Suisse on Form 6K to the SEC regarding the results in the third quarter of 2010, and (C) a convenience translation of said press release from English into Hebrew.
- 4.2.20 On November 7, 2010, Koor attached to an immediate report it issued (Ref. No.: 2010-01-671901) a copy of Credit Suisse's report (as reported by Credit Suisse on F6K to the US Securities and Exchange Commission (SEC)) including the Credit Suisse's financial statements for the third quarter of 2010, which included supplements, including additional disclosures regarding fair value, and with respect to the Credit Suisse consolidated financial statements, additional disclosures on the fair value of financial products, derivatives and hedging activity, investment securities, charged or endorsed assets, transfers of financial assets and held variable interest entities, and a review by Credit Suisse's independent auditing firm.

4.3 **Others (Section 12 of Part 1 of the Periodic Report)**

On August 12, 2010, Koor announced in an immediate report (Ref. No.: 2010-01-583818) that Koor's Audit Committee and Board of Directors approved (in accordance with Companies Regulations (Dispensations for Transactions with Interested Parties), 5760 - 2000) its engagement with Clal Insurance Company Ltd. ("Clal Insurance") and Clal Pension and Provident Funds Ltd. (jointly with Clal Insurance, "Clal Insurance Group"), in an investment transaction of USD 250 million (of which a total of USD 125 million will be invested by Koor and USD 125 million invested by Clal Insurance Group) in the EMCO fund. On November 23, 2010, Koor announced in an immediate report (Ref. No.: 2010-01-690084) that on November 22, 2010, the Company and Clal Insurance Group had signed the fund documents. For additional information, including about the fund and terms of the investment, see said immediate reports and Note 5(H) to the Financial Statements.

5. Koor's operations – further information

5.1 **Financing and loans (Section 15 of Part 1 of the Periodic Report)**

5.1.1 Further to that set out in Section 15 of Part 1 of the Periodic Report: See Section 1.5 of the Directors' Report and Notes 5(B), 5(C) and 5(G) to the Financial Statements.

5.1.2 Of the credit facilities made available to Koor (including its wholly owned subsidiaries) by a corporation in the Morgan Stanley Group and a corporation in the Citigroup Group, the credit balance used by Koor (including its wholly owned subsidiaries), less deposits deposited with these corporations, as at September 30, 2010 and November 22, 2010 amounted to NIS 3.2 billion and NIS 3.11 billion, respectively.

5.1.3 Rating of Koor bonds - See Appendix A to the Directors' Report.

On September 16, 2010, Koor announced in an immediate report (Ref. No.: 2010-10-623040) the statement by Midroog that Koor's debentures in circulation had been taken off the watch list, keeping the A1 Stable rating. Koor attached Midroog's said announcement to said immediate report.

The rating of Standard & Poor's Maalot Ltd. ("Maalot") of the Company published in July 2009 and the Midroog Ltd. rating published in August 2009 are based on different parameters, including the ratio of net borrowings to the adjusted value of holdings. To retain the present rating, Maalot expects that the ratio of net borrowings to the adjusted value of holdings in the IDB headquarters companies (IDB Holdings Corporation Ltd., IDB Development Corporation Ltd., Discount Investment Corporation Ltd., Clal Industries & Investments Ltd., and Koor) will not exceed 60% except for short-term exceptions. A drop in the value of assets and an increase in net borrowings by Koor and/or other IDB headquarter companies will lead to increase in said ratio. An increase in the value of the assets or a decline in net borrowings by Koor and/or other companies in the IDB headquarters companies will result in a decline in this ratio. On September 30, 2010, the cumulative leverage of the IDB headquarters companies was 67% and 56% for Koor. Close to the date of approval of these Financial Statements, the cumulative leverage of the IDB headquarters companies was 65% and 55% for Koor. Data on cumulative leverage of the group was calculated according to the information available to the company close to the date of approval of the Financial Statements.

5.2 **Restrictions and Regulation (Section 17 of Part 1 of the Periodic Report)**

Pursuant to that described in Section 17 of Part 1 of the Periodic Report, in September 2010, the Knesset Finance Committee approved the Streamlining Enforcement in the Israel Securities Authority (Legislative Amendments) bill, 5770 - 2010 - in preparation for its second and third readings in the Knesset. The purpose of the proposed law is to streamline enforcement of the provisions of the laws for which the Israel Securities Authority is responsible and which regulated securities law, including the Securities Law, Regulation of Investment Advice and Investment Portfolio Management Law, 5750-1995 and the Joint Investment Trust Law, 5754 - 1994.

The proposed law stipulates an administrative enforcement mechanism, designed primarily to address specific types of violations of said laws, as part of an administrative proceeding in which it will be possible to apply various enforcement measures on the violator,

including: monetary sanction, payment to the party injured by the violation, prohibition from serving as an executive officer on a regulated body for a specified period and revocation or suspension of license, approval or permit. In some cases, when the violator is a corporation, the bill stipulates that liability in respect thereof will also apply to the CEO, unless specific criteria are met, including the existence of procedures to prevent such violation have been implemented in the corporation. The bill also includes a mechanism for an agreed arrangement as an alternative to a criminal or administrative proceeding, while imposing said means of enforcement.

In preparing for the implementation of the bill when it is passed by the Knesset and the applicability of the Securities Regulations (Periodic and Immediate Reports) (amended), 5770-2009 on the effectiveness of internal control on financial reporting and disclosure, Koor is working on drafting an internal compliance program, which will include procedures to ensure stricter compliance of Koor with the provisions of the Securities Law and other relevant laws and the reliability of financial reporting and disclosure.

5.3 Legal proceedings (Section 18 of Part 1 of the Periodic Report)

For information regarding material legal proceedings against Koor and/or to which its investees are party, and regarding said legal proceedings that ended during the reporting period, see Note 6 to the Financial Statements.

5.4 Information concerning events subsequent to the balance sheet date - See Note 9 to the Financial Statements.

5.5 Risk factors (Section 20 of Part 1 of the Periodic Report) - Further to that set out in Section 20.2 [A] of Part 1 of the Periodic Report and Section 5.5 of the Q2 Report (financial risks), see Sections 2.1.2 and 2.1.3 of the Directors' Report.

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

Koor Industries Ltd.

Raanan Cohen
CEO

Oren Hillinger
CFO

Tel Aviv, November 23, 2010