

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

Board of Directors Report for the First Nine Months and for the Third Quarter of 2010

We are pleased to submit the unaudited financial statements of Koor Industries Ltd. for the first nine months and third quarter of 2010, ended September 30, 2010.

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, primarily 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 financial investments (also in substantially large-scale investments) in which Koor does not have a position of control following its investment. Furthermore, Koor from time to time invests in ongoing financial investments. 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, among others, as a result of the economic crisis in the markets.

1. Board of Directors explanations on the state of the Company's affairs

The net loss attributed to the Company's shareholder equity for the first nine months of 2010, totaled approximately NIS 116 million, with basic loss per share of NIS 2.4, compared with earnings of about NIS 2,133 million and basic earnings per share of about NIS 45.0 for the first nine months of 2009.

The Company's net loss for Q3 2010 amounted to NIS 359 million, with basic losses per share of about NIS 7.6, compared with earnings of about NIS 512 million and basic earnings per share of about NIS 10.8 for Q3 2010.

1.1 Breakdown of Koor's financial results:

	First nine months of		Third Quarter		Year
	2010	2009	2010	2009	2009
	Unaudited		Unaudited		Audited
	NIS millions				
Koor's equity in the operating results of investees, net	28	45	(115)	(55)	(25)
Gain from sale of investments, net of impairment	294	2,334	(2)	692	2,691
Administrative, financing and other expenses, net	(401)	(301)	(250)	(151)	(375)
Tax income (expenses)	(37)	55	8	26	(125)
Net income (loss)	(116)	2,133	(359)	512	2,166
Basic earnings (losses) per share (in NIS)	(2.4)	45.0	(7.6)	10.8	45.6

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1.1.1 Koor's equity in the operating results of investees, net

	Koor's share in the profits for the first nine months			Koor's share in the profit for Q3			Year
	2010	2009	Change	2010	2009	Change	2009
NIS millions							
Makhteshim Agan	47	108	(56%)	(100)	(28)	n/a	57
452 Fifth Owners LLC	39	-	n/a	2	-	n/a	-
ECtel Ltd. ("ECtel")	(5)	(7)	n/a	-	(6)	n/a	(7)
Koor Corporate Venture Capital	(2)	(1)	n/a	-	(1)	n/a	(5)
Microwave Networks Inc ("MNI")	(4)	(7)	n/a	-	(4)	n/a	(10)
Other companies	-	(3)	n/a	-	(4)	n/a	2
Excess cost and other adjustments	(47)	(45)	n/a	(17)	(12)	n/a	(62)
Total	28	45	(38%)	(115)	(55)	n/a	(25)

1.1.2 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
	2010	2009	2010	2009	2009
NIS Millions					
Gain from sale of investments, net of impairment	294	2,334	(2)	692	2,691

In the first nine months of 2010 this item included in particular: Gross dividend from Credit Suisse in the amount of NIS 262 million, capital gains from the sale of Credit Suisse shares in the amount of NIS 15 million, capital gains in the amount of NIS 12 million from the sale of Carrefour shares and profit of NIS 7 million for proceeds from the Indivision investment fund. The third quarter amount included reductions resulting from changes in the exchange rates of the NIS against the USD.

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.

1.1.3 Administrative, financing and other expenses, net

	First nine months of		Third Quarter		Year
	2010	2009	2010	2009	2009
NIS Millions					
Administrative and other expenses, net	(15)	(16)	(6)	(16)	(34)
Financing expenses, net	(386)	(285)	(245)	(135)	(341)
Total administrative, financing and other expenses, net	(401)	(301)	(251)	(151)	(375)

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Most of the increase in financing expenses in the first nine months of 2010 compared with the first nine months of 2009 results from the increase in the Swiss Franc exchange rate in Q2 and Q3 of 2010, which incurred expenses in terms of NIS with respect to Koor's loans denominated in this currency and generated a loss in respect of the NIS/CHF hedging transactions, as well as from the increase in the Israeli CPI, which in the current quarter increased Koor's financial liabilities linked to the Israeli CPI.

The net financing expenses that derived from the changes in the Swiss Franc exchange rate and from the NIS/CHF hedging transactions in the first nine months of 2010 amounted to NIS 250 million and in the third quarter of 2010 to NIS 211 million.

The net administrative and other expenses stabilized during the first nine months of 2010 compared with the corresponding period in 2009. In Q2 2009 provisions were cancelled in the amount NIS 12 million, which were recorded in the past with respect to an appeal against the court ruling pertaining to a wholly owned subsidiary, and which was rejected in a ruling by the Supreme Court. Conversely, in the third quarter of 2009 an increase was recorded in expenses for contributions which amounted to NIS 10 million in the quarter and NIS 15 million in the first nine months of 2009.

1.2 Segments of operation

1.2.1 Company assets by segment

The Company's assets as at September 30, 2010 and December 31, 2009, include the following business segments:

Segment	Investments by segment	
	NIS millions	
	September 30, 2010	December 31, 2009
Makhteshim Agan	2,717	2,821
Credit Suisse	5,999	5,111
Telecommunications equipment	49	59
Other holdings	798	498
Adjustments (Koor head office assets)	1,137	1,691
Total	10,700	10,180

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1.2.2 Analysis of Koor's business results by business segment (according to Note 7 to the financial statements):

	First nine months of		Third Quarter		Year
	2010	2009	2010	2009	2009
N I S m i l l i o n s					
Makhteshim Agan	-	65	(116)	(40)	(3)
Credit Suisse	241	2,386	6	716	2,524
Telecommunications equipment	(5)	(13)	-	(4)	(17)
Other holdings	120	6	41	(3)	38
Adjustments (particularly financing and administrative)	(472)	(311)	(290)	(157)	(376)
Total	(116)	2,133	(359)	512	2,166

1.2.2.1 Makhteshim Agan

	First nine months of		Third Quarter		Year
	2010	2009	2010	2009	2009
N I S m i l l i o n s					
Contribution of business segment	-	65	(116)	(40)	(3)

The main change in the segment's financial results in the first nine months of 2010 compared with the first nine months of 2009 derives from Makhteshim Agan's business results.

Makhteshim Agan (as at September 30, 2010, holding of 47% of voting rights), reported the following business results:

	First nine months of			Third Quarter		Year	
	2010	2009	Increase (decrease)	2010	2009	Increase (decrease)	2009
	Million USD		%	Million USD		%	
Revenue	1,857.2	1,718.4	8.1%	533.1	435.9	22.3%	2,215
Gross profit	543.2	481.0	13.0%	135.2	108.8	24.3%	582
Operating profit	146.0	137.2	6.4%	(4.6)	(6.1)	n/a	120
Financing expenses, net	95.4	70.6	35.1%	35.6	28.8	23.6%	94
Net earnings attributed to shareholders	27.0	62.4	(56.7%)	(56.1)	(17.5)	n/a	33
EBITDA	227.1	209.0	8.7%	23.5	20.1	17.0%	218

The crop protection products market in which Makhteshim Agan operates was affected in the first nine months of 2010 by the following trends:

- A. Lower sales price for Makhteshim Agan products compared with the price in the corresponding quarter last year.
- B. Increase in the average prices of agricultural produce (particularly soya bean and wheat), which increased demand for crop protection products.
- C. Continuing decrease in the high level of inventory that typified the market in 2009.

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- D. Increased sales of crop protection products in most of the regions in which Makhteshim Agan operates.
- E. Strengthening USD exchange rate against the Euro bloc currencies leading to a decrease in the USD value of Makhteshim Agan's sales.

The results of Makhteshim Agan's operations in the third quarter of 2010 were impacted, *inter alia*, by non-recurring events.

Depreciation of assets with respect to the subsidiary in Brazil in the amount of USD 8.5 million, expenses recorded with regard to negotiations to acquire Albaugh in the amount of USD 5.1 million and depreciation of a tax asset with respect to the subsidiary in Brazil, in the amount of USD 19.9 million. Excluding these events, the net loss attributable to shareholders in the third quarter of 2010 totaled USD 22.7 million, while the net profit attributable to shareholders in the first nine months of 2010 amounted to USD 60.5 million.

During the course of the first nine months of 2009, Makhteshim Agan's operating expenses included non-recurring events:

A reduction of inventory in the amount of USD 8.2 million, events at the subsidiary in Brazil subsequent to an investigation by the health authorities in Brazil (ANVISA) amounting to USD 11.4 million and distribution of a dividend from the group's companies abroad in the amount of USD 15 million. Excluding these events, the net profit attributable to shareholders in the first nine months of 2009 amounted to USD 97 million. In the third quarter of 2009, no non-recurring events were recorded.

As at the date of approval of the financial statements, Makhteshim Agan estimates that in the fourth quarter of 2010, it will present net losses significantly higher than in the fourth quarter of 2009, primarily due to non-recurring costs for the plan for the subsidiary in Brazil and due to the retirement of employees at the production sites in Israel, based on the principles of the agreement that was signed and due to the increase in financing and tax expenses. In view of the foregoing, Makhteshim Agan's management estimates that Makhteshim Agan will present a net loss in its financial statements for 2010, at a rate that it is yet unable to estimate, as at the date of approval of the financial statements.

1.2.2.2 Credit Suisse

	First nine months of		Third Quarter		Year
	2010	2009	2010	2009	2009
	N I S m i l l i o n s				
Contribution of business segment	241	2,386	6	716	2,524

Pursuant to the decision of Koor's board of directors to invest in the negotiable shares of European banking institutions, during the first nine months of 2010 and throughout 2008 and 2009, the Company bought and sold Credit Suisse shares while exploiting the opportunities created due to the market volatility. Koor's total after tax profit from dividend and the sale of Credit Suisse shares during the first nine months of 2010 was NIS 277 million (no shares were sold in Q3 2010), compared with a profit of NIS 2,333 million in the corresponding period last year (NIS 692 million in Q3 2009). The tax expenses incurred by the Company for its investment in Credit Suisse shares during the first nine months of 2010 amounted to NIS 36 million (income of NIS 6 million in Q3 2010), compared with an income of NIS 53 million in the corresponding period in 2009 (and income of NIS 25 million in Q3 2009).

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For further information pertaining to Koor's holdings in Credit Suisse shares as at the reporting date see section 1.3.1 hereunder.

As at September 30, 2010 the value of the investment in Credit Suisse shares, based on their stock exchange price, was NIS 5,999 million. This amount reflects a negative gap of NIS 950 million compared with their original cost which was NIS 6,949 million. This gap constitutes 13.7% of their original cost. Since as at September 30, 2010 the impairment of the fair value of Credit Suisse shares is not a significant or consistent decline, the impairment in fair value of the available-for-sale financial asset was recognized in shareholders equity only and not in the statement of profit and loss. For further information, see section 1.3.1 below and in Note 5 [A] to the financial statements.

1.2.2.3 Telecommunications equipment

	First nine months of		Third Quarter		Year
	2010	2009	2010	2009	2009
N I S m i l l i o n s					
Contribution of business segment	(5)	(13)	-	(4)	(17)

The primary changes in the results of this segment in the first nine months of 2010 compared with the first nine months of 2009 derive from minimization of losses contributed by Harriet Investments (2001) Ltd. (previously Dekolink Wireless Ltd.) due to the sale of its assets during the first quarter of 2009. In the third quarter of 2010 MNI equalized compared with the loss that it presented in the corresponding quarter of the previous year.

1.2.2.4 Other holdings

	First nine months of		Third Quarter		Year
	2010	2009	2010	2009	2009
N I S m i l l i o n s					
Contribution of business segment	120	6	41	(3)	38

One of the primary factors in improvement of the results of this segment in the first nine months of 2010 as compared with the first nine months of 2009 originates in the profit from our holdings in 452 Fifth Owners LLC, which amounted to NIS 39 million (including estimated net profit in the amount of approximately NIS 35 million recorded in the second quarter of 2010, as set forth Note 4 [B] to the financial statements).

As stipulated in section 1.3.4 below, during the first nine months of 2010 the results of this segment includes a profit of NIS 35 million from Koor's investment in shares of Sanofi-Aventis and an additional profit of NIS 39 million from the purchase and sale of other shares (including a profit from the sale of Carrefour SA shares in the amount of NIS 12 million). NIS 62 million of these profits are classified as financing income in the financial statements for the first nine months of 2010 and in section 1.1 above.

In addition, in first nine months of 2010 Epsilon Investment House Ltd ("Epsilon") presented profits in the amount of NIS 9 million (the Company's share of these profits being NIS 4 million). In the first nine months of 2009 Epsilon presented a profit of NIS 20 million (the Company's share in the profit being NIS 10 million), which derived primarily from profits from securities held by it.

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In addition, the Company recorded in the first quarter of 2010 a loss in the amount of NIS 5 million for realization of capital reserves from the sale of ECTel shares.

1.3 Main changes in the holdings of the Company and its investees during Q3 2010

The main changes are noted in detail in Notes 4 and 5 to the financial statements of the Company, of which the following changes requiring special mention:

- 1.3.1** During the first nine months of 2010, the Company acquired and sold additional Credit Suisse shares. For the sale of Credit Suisse shares during this period, Koor recorded after tax profit amounting to NIS 14 million. At September 30, 2010 and as at the reporting date, the Company held, jointly with its wholly owned subsidiary, approximately 38.46 million Credit Suisse shares, constituting 3.24% of Credit Suisse listed shares (including treasury shares), at a cost of NIS 6.95 billion.

In January 2010 the Company's board of directors increased the frame amount for investing in Credit Suisse shares to a total of up to NIS 7 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.

In May 2010, Credit Suisse distributed a dividend in the amount of CHF 2 million per share. Koor's share of this dividend (pretax) amounted to NIS 262 million. For this dividend Koor recorded in the second quarter of 2010 after tax profit of NIS 223 million.

To date Koor has recorded for the sale of Credit Suisse shares and dividend received from Credit Suisse accrued after tax profit of NIS 3.4 million. As at the date of this report, the negative difference between the value of the Credit Suisse shares held by Koor, per their price on the stock exchange, and the cost of these shares as aforesaid, amounts to NIS 1,310 million and is allotted to equity. The negative gap between the market value and the cost less gross dividend (which is attributed to revenue and not shareholders equity) is NIS 1,048 million.

- 1.3.2** In August 2010, Makhteshim Agan announced that the Beer Sheva Magistrates Court ruled to reject a financial claim and dismissed a request to approve a class action suit in the amount of approximately one billion shekel which was filed against a subsidiary of Makhteshim Agan, without costs.

In September 2010 Makhteshim Agan announced the termination of negotiations being conducted with Albaugh Inc. for the acquisition of all Albaugh's issued share capital by Makhteshim Agan.

In October 2010, the board of directors of Makhteshim Agan approved in principle a re-organization plan for Milenia, Makhteshim Agan's subsidiary in Brazil. Implementation of the plan involves significant adjustment of the scope of human resources, considerable reduction of production operations and transference of products from production to outsourcing while lowering overheads. The plan will require recording of non-recurring provisions, which Makhteshim Agan estimates will amount to USD 20-30 million and will be recorded in the fourth quarter of 2010. In addition, the subsidiary has tax assets which were recognized since in Makhteshim Agan's estimate, it is probable that future taxable profits will be available against which these tax assets can be utilized. During the third quarter of 2010, the sales volume and profit margins began to decline compared with the subsidiaries forecasts. In view of this, the subsidiary updated its forecasts according to specific data for the next eight years, *inter alia*, based on sectors' characteristics, Milenia's detailed sales forecast and the expected outcome of the re-organization plan described above. As a result, in the third quarter Makhteshim Agan recorded tax asset depreciation in the amount of USD 22 million.

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In October 2010, Makhteshim Agan announced that it had reached agreement with the New General Federation of Workers (Histadrut) and with the employees' committees of the subsidiaries, Makhteshim Chemical Works Ltd. and Agan Chemical Manufacturers Ltd. according to which the labor disputes announced earlier in the same month with regard to the plants of these subsidiaries, were terminated. Also see section 4.1.6 of Part A of this quarterly report of Koor. Makhteshim Agan estimates that in the fourth quarter of 2010, a lump sum provision will be recorded in the amount of USD 54-62 million for early retirement of employees for whom there are specific agreements regarding their names.

For further information, see Note 4(A) to the financial statements.

- 1.3.3** During the third quarter of 2010, the Company was contacted by China National Chemical Corporation, a large Chinese government controlled company operating in the chemical and agrochemical industry ("the Chinese Company"), concerning a proposed strategic move with respect to Makhteshim Agan. The main principle of this proposal is that Makhteshim Agan would become a private company controlled by the Chinese company, jointly owned by the Chinese company and Koor.

Subsequent to the said proposal, Koor and the Chinese company reached initial understandings with regard to a deal whereby the Chinese company would purchase all the public holdings in Makhteshim Agan and Makhteshim Agan would become a private company. Furthermore, 17% of Makhteshim Agan shares would be purchased from Koor, based on Makhteshim Agan's value of USD 2.72 billion (calculated according to the effective holding which does not include shares held by Makhteshim Agan and its subsidiaries), so that subsequent to the transaction the Chinese company would hold 70% of Makhteshim Agan and Koor would hold 30%.

Furthermore, according to the principles of the understanding, a shareholders agreement will be signed between Koor and the Chinese company, according to which the rights of the parties in Makhteshim Agan would be arranged, including granting Koor certain non-controlling rights which will include, inter alia, a put option for Koor to sell the balance of its holdings in Makhteshim Agan to the Chinese company.

As at the date of this report, negotiations between the Company and the Chinese company are continuing, with the mutual objective of reaching a binding agreement, and are expected to continue for some further weeks.

From the talks between the negotiating parties, it appears that changes are expected to be made in the structure and terms of the deal and that, inter alia, the following issues will be discussed between the parties: (1) depreciation of Makhteshim Agan's value for the transaction from USD 2.72 billion (as it was in the initial understandings) to a lower value, where the Chinese company wishes to set the value at USD 2.4 billion (calculated according to the effective holding which does not include the shares held by Makhteshim Agan and its subsidiary, and based on dilution which is liable to result from the conversion of employee options); (2) the Chinese company requests that Koor not be granted the put option that was included in the initial understandings; (3) the parties are examining the option that as part of the transaction, Koor will sell less shares than those noted in the initial understandings, so that Koor's holding in Makhteshim Agan following the transaction will be greater than the rate that it should have been under the initial understandings; and (4) the possibility is being considered of a non-recourse loan being extended to Koor by a foreign bank against its shares in Makhteshim Agan, based on its holdings following the conclusion of the transaction, with the support of the Chinese company.

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The negotiations between the parties are underway, nonetheless at this stage, there is as yet no certainty as to the actual timing of the signing of any binding contract between the parties with respect to the transaction and concerning the outline and terms that will be fixed in the agreement.

Internal consent of the parties for carrying out the transaction are yet to be received, and this includes approval of the boards of directors of the companies. Furthermore, carrying out the transaction is contingent, *inter alia*, upon signing of a binding contract between the parties and approvals required by law, including the approval of the shareholders of Makhteshim Agan.

The accounting impact of the transaction on Company cannot at this stage be estimated. The accounting impact will be fixed based on the terms and conditions of the final transaction, which as aforesaid, has not yet been agreed upon.

1.3.4 In August 2010, the audit committee and board of directors of Koor approved its engaging, together with Clal Insurance Co. Ltd., and Clal Pension and Provident Ltd., in an investment transaction, which was signed on November 22, 2010, in an overall amount of USD 250 million (of which USD 125 million will be invested by Koor) in Credit Suisse Emerging Markets Credit Opportunity Fund L.P. For further information, see Note 5(H) to the financial statements.

1.3.5 In August 2010, the Company's board of directors approved a financial investment framework of up to USD 120 million in shares of Sanofi-Aventis ("Sanofi"), a company dealing in R&D, production and marketing of products in the pharmaceutical and health products industry. As at September 30, 2010, the scope of investment (in terms of costs) in Sanofi shares is USD 37 million. In October Koor sold the balance of its shares in Sanofi. Thus far, the investment has yielded a profit for Koor in the amount of NIS 40 million, of which, in the third quarter Koor recorded a profit of NIS 26 million and is expected to record in the fourth quarter of 2010 a profit of NIS 5 million from this investment.

1.4 Distribution of a dividend

In April 2010, the Company distributed a cash dividend in the amount of NIS 270 million, which was NIS 5.69 per share.

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1.5 The financial status and sources of finance

1.5.1

	September 30, 2010	December 31, 2009
	NIS Millions	
Total assets in the consolidated balance sheet	10,700	10,180
Investments in investees in the consolidated balance sheet	3,142	2,946
Available-for-sale financial assets in the consolidated balance sheet	98	2,889
Pledged available-for-sale financial assets in the consolidated balance sheet	5,999	2,413
Total equity attributed to the Company's shareholders	3,906	5,353
Surplus of current assets over liabilities in the consolidated balance sheet	379	741
Koor's financial liabilities	6,444	4,495
Surplus of financial liabilities over Koor's cash, deposits, short term investments and pledged deposits*	5,322	2,851

* Does not include Credit Suisse shares which are classified as available-for-sale financial assets recorded, as at September 30, 2010, at a value of NIS 5,999 million.

As at November 22, 2010, Koor's cash balance including deposits, short term investments and pledged deposits, amounted to NIS 1,087 million (including pledged deposits of NIS 380 million), and Koor's excess financial liabilities over financial assets (while the financial assets do not include Credit Suisse shares valued at NIS 5.64 billion classified as available for sale assets) amounted to approximately NIS 5.30 billion.

1.5.2

	First nine months of		Third Quarter		Year
	2010	2009	2010	2009	2009
	N I S m i l l i o n s				
Proceeds from sale of investments in Koor	300	9,382	-	3,905	11,203
Dividends received from investees and others	288	3	7	3	123
Investment in affiliates and other Koor companies	2,378	6,747	5	5,324	9,653

In the first nine months of 2010 the majority of the proceeds from exercise of investments, and the majority of the investments in affiliates and other companies derive from buy and sell transactions of Credit Suisse and Carrefour shares.

In the first nine months of 2010, Koor took long term loans from banks in the amount of NIS 2,537 million repaid long term loans in the amount of NIS 308 million.

On April 30, 2010 the Company repaid Debentures (Series G) in full, in the amount of NIS 454 million.

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2. Exposure to Market Risks and Means for their Management

2.1 Changes in the economic environment, implications of the crisis in capital markets, and market risk exposure and management

2.1.1 Crisis in the financial markets

Since the beginning of 2010 the economic recovery continued in most financial and real markets worldwide and even more evidently in Israel, however the ramifications of the financial crisis that started in 2008 are still apparent, including the volatility of the rates of securities and currencies, in the continuing credit crunch in certain countries and certain firms and the uncertainty of economic activity.

The domestic capital market has displayed a positive trend, which has recently strengthened, and at the same time, the corporate debt market has recovered and capital raising by the business sector has gradually renewed. Against the background of recovery of the Israeli market, the Bank of Israel has in recent months gradually increased monetary interest rates.

The volatility of the financial markets since the start of the crisis in 2008, together with the great variance in the prices of Credit Suisse shares allowed Koor to carry out buy and sell transactions of Credit Suisse shares, subsequent to which, and due to dividends received from Credit Suisse, Koor has recorded to date accrued after tax profit of NIS 3.4 billion, of which Koor recorded in the first nine months of 2010 net profit from sale of shares and from dividends in this period of NIS 237 million. Furthermore, the crisis caused extreme volatility of Credit Suisse share prices and of the value of Credit Suisse shares held by Koor (for further information, see section 1.3.1 above).

The developments in the global market and particularly in the Euro zone and in the United States, including fluctuations in the exchange rates globally, have impacted and are liable to have continuous adverse impacts on the business outcomes of the Company and its investees, their liquidity, value of equity, value of their assets and their ability to sell these assets, their business positions (including the demand for products of the investees), financial covenants, credit rating, ability to pay dividends, and also on their ability to raise financing for their ongoing operating activities and long-term operations, as well as on the financing terms.

Circular concerning the extension of credit by an institutional organization

In July 2010, the Commissioner of Capital Market, Insurance and Savings at the Ministry of Finance ("the Commissioner") published a circular implementing the recommendations of the committee to draw up reference parameters for institutional organizations offering credit by way of acquisition of non-government bonds. The said circular includes, inter alia, provisions with respect to internal procedures in an institutional organization prior to investing in bonds, with regard to the information required by the institutional organization for examining the investment in bonds and continuous monitoring of them, concerning mechanisms for cooperation between institutional organizations on certain topics relating to the investment in bonds, regarding instructions that are to be included in bond documents as conditions for institutional organizations investing in them and pertaining the obligation of institutional organizations to set investment policies for bonds (including in connection with rights to call for immediate repayment that will be included in the bonds), referring to the elements of the bonds and the various issuances. Most of the provisions of the circular became valid in October 2010.

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The Commissioner's circular and the way its provisions will be implemented by institutional organizations may affect opportunities to raise capital from institutional organizations through debentures, including the terms and cost of such capital raising. As at the reporting date, the Company is unable to identify the force of these effects in practice.

2.1.2 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 2009, dated March 14, 2010. From time to time the Company carries out currency conversions, especially between the NIS and CHF, and hedges against changes in the NIS-CHF exchange rate.

As at November 22, 2010 Koor has a net liabilities balance in CHF amounting to NIS 3.11 billion (not including its holdings in Credit Suisse shares). Furthermore, Koor holds CHF denominated assets (Credit Suisse shares amounting to, as at the date of this report, NIS 6.95 billion) the revaluation of which, following the changes in the CHF exchange rate, is attributed directly to capital reserves and not to profit and loss (with the exception of severe and/or continued impairment). 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).

2.1.3 Report of linkage bases

A. Koor 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, 2010.

B. Koor's linkage balance sheet to September 30, 2010 (in NIS millions):

	Israeli CPI linked	USD or USD- linked	Euro or Euro linked	CHF or CHF linked	Unlinked	Non- monetary item	Total
<u>Assets</u>							
Current assets	5	207	(*)171	10	161	285	839
Investments in affiliates* (including loans)	-	193	-	-	-	2,967	3,160
Other investments and pledged deposits	9	19	-	397(*)	-	6,150	6,575
Fixed assets and real estate for investment	-	-	-	-	-	63	63
Total assets	14	419	171	407	161	9,465	10,637
<u>Liabilities</u>							
Current liabilities (including maturities)	(8)	(11)	(1)	(125)	(16)	(128)	(289)
Long term liabilities	(1,292)	(3)	-	(3,555)	(1,559)	(33)	(6,442)
Total liabilities	(1,300)	(14)	(1)	(3,680)	(1,575)	(161)	(6,731)
Assets less liabilities, net	(1,286)	405	170	(3,273)	(1,414)	9,304	3,906

(*) In addition to the particulars in the above table, it is noted that based on the management's opinion, also exposed to changes in the Swiss franc are Credit Suisse shares which, as at September 30, 2010, were traded on the Swiss

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stock exchange at a value of NIS 5,999 million, and to changes in the Euro are Sanofi shares which, as at September 30, 2010, were traded on the stock exchange in France at a value of NIS 146 million, which based on the accounting rules are classified as a non-monetary item.

C. Consolidated indexing balance sheet to September 30, 2010 (in NIS millions):

	Israeli CPI linked	USD or USD- linked	Euro or Euro linked	CHF or CHF linked	Unlinked	Non- monetary item	Total
Assets							
Current assets	5	225	(*)171	10	161	313	885
Investment in affiliates (including loans)	-	193	-	-	-	2,948	3,141
Other investments and pledged deposits	9	19	-	(*)397	-	6,150	6,575
Fixed, intangible and other investment real estate assets	-	-	-	-	-	99	99
Total assets	14	437	171	407	161	9,510	10,700
Liabilities							
Current liabilities (including maturities)	(23)	(57)	(1)	(125)	(169)	(130)	(505)
Long term liabilities	(1,292)	(3)	-	(3,555)	(1,406)	(33)	(6,289)
Total liabilities	(1,315)	(60)	(1)	(3,680)	(1,575)	(163)	(6,794)
Assets less liabilities, net	(1,301)	377	170	(3,273)	(1,414)	9,347	3,906

(*) In addition to the particulars in the above table, it is noted that based on the management's opinion, also exposed to changes in the Swiss franc are Credit Suisse shares which, as at September 30, 2010, were traded on the Swiss stock exchange at a value of NIS 5,999 million, and to changes in the Euro are Sanofi shares which, as at September 30, 2010, were traded on the stock exchange in France at a value of NIS 146 million, which based on the accounting rules are classified as a non-monetary item.

D. Koor derivative positions as at September 30, 2010 (in NIS millions):

	Israeli CPI / NIS Forward			
	Par value	Fair value to pay	Par value	Fair value to receive
	Up to one year		More than one year	
	LONG	LONG	LONG	LONG
Forward contracts for hedging – not recognized in accounting (1)	280	(1)	200	8

(1) These contracts are intended to hedge Koor's index-linked liabilities, so that in the event that the actual 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.

	NIS / CHF Cylinder			
	Par value CHF millions	Fair value to pay NIS millions	Par value CHF millions	Fair value to receive NIS millions
	Up to one year		More than one year	
	LONG	LONG	LONG	LONG
Forward contracts for hedging – not recognized in accounting (2)	1,050	(121)	-	-

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- (2) These contracts are intended to hedge the value of assets denominated 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.

E. 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>Unlinked</u>	<u>Non- monetary item</u>	<u>Total</u>
Assets							
Current assets	18	174	-	1,845	1,319	41	3,397
Investment in affiliates (including loans)	-	-	-	-	-	2,571	2,571
Other investments	-	3	-	-(*)	-	5,165	5,168
Fixed, intangible and other investment real estate assets	-	-	-	-	-	63	63
Total assets	18	177	-	1,845	1,319	7,840	11,199
Liabilities							
Current liabilities (including maturities)	(1,387)	(14)	(8)	(1,069)	(38)	(70)	(2,586)
Long term liabilities	(1,383)	(3)	(2)	-	(803)	(164)	(2,355)
Total liabilities	(2,770)	(17)	(10)	(1,069)	(841)	(234)	(4,941)
Assets less liabilities, net	(2,752)	160	(10)	776	478	7,606	6,258

- (*) In addition to the particulars in the above table, it is noted that based on the management's opinion, also exposed to changes in the Swiss franc are Credit Suisse shares which, as at September 30, 2010, were traded on the Swiss stock exchange at a value of NIS 4,708 million, which based on the accounting rules are classified as a non-monetary item.

F. Consolidated indexing 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>Unlinked</u>	<u>Non- monetary item</u>	<u>Total</u>
Assets							
Current assets	18	192	-	1,845	1,319	82	3,456
Investment in affiliates (including loans)	-	-	-	-	-	2,553	2,553
Other investments	-	3	-	-(*)	-	5,165	5,168
Fixed, intangible and other investment real estate assets	-	-	-	-	-	101	101
Total assets	18	195	-	1,845	1,319	7,901	11,278
Liabilities							
Current liabilities (including maturities)	(1,402)	(74)	(8)	(1,069)	(38)	(74)	(2,665)
Long term liabilities	(1,382)	(4)	(2)	-	(803)	(164)	(2,355)
Total liabilities	(2,784)	(78)	(10)	(1,069)	(841)	(238)	(5,020)
Assets less liabilities, net	(2,766)	117	(10)	776	478	7,663	6,258

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- (*) In addition to the particulars in the above table, it is noted that based on the management's opinion, also exposed to changes in the Swiss franc are Credit Suisse shares which, as at September 30, 2010, were traded on the Swiss stock exchange at a value of NIS 4,708 million, which based on the accounting rules are classified as a non-monetary item.

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

	CPI / NIS Forward			
	<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>LONG</u>	<u>LONG</u>	<u>LONG</u>	<u>LONG</u>
	<u>Up to one year</u>		<u>More than one year</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 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.

	NIS / CHF Cylinder			
	<u>Par value</u>	<u>Fair value to</u>	<u>Par value</u>	<u>Fair value to</u>
	<u>CHF millions</u>	<u>pay</u>	<u>CHF millions</u>	<u>receive</u>
	<u>LONG</u>	<u>NIS millions</u>	<u>LONG</u>	<u>NIS millions</u>
	<u>Up to one year</u>		<u>More than one year</u>	
Forward contracts for hedging – not recognized in accounting (2)	500	(5)	-	-

- (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.

2.1.4 Investees

No material changes occurred during the reporting period in the exposure of the Company's investee companies to exposure and management of market risk as compared with the Company's Directors' report for 2009, dated March 14, 2010.

2.1.5 Sensitivity test tables for sensitive financial instruments included in the consolidated financial statements to September 30, 2010, 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 2.1.6) 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.

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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.

Sensitivity analysis to changes in interest rates

Section	Fair value	Profit (loss) from changes in interest rate					
		Increase			Decrease		
		10%	5%	Decrease of 200 base points (**)	10%	5%	
NIS millions							
Short term deposits and investments	14	(1)	_(*)	_(*)	1	_(*)	_(*)
Current maturities of debentures	(159)	7	2	1	(7)	(2)	(1)
Debentures	(1,987)	118	20	10	(130)	(20)	(10)
Bank loans							
Sensitivity to changes in interest rates	(911)	41	7	4	(44)	(7)	(4)
	(3,043)	165	29	15	(180)	(29)	(15)

(*) Amounts smaller than NIS 1 million Shekel.

(**) The Company has chosen to present the change in the interest rate, which will be used to carry out stress tests for financial instruments sensitive to changes in the interest rate, to the amount of 200 basis points (2%). This after having checked and not found any higher absolute daily change in the interest rate in the ten years preceding the date of the report, and after estimating that a change of 200 base points could occur under in an extreme but plausible scenario.

Sensitivity analysis of changes in the US dollar exchange rate

Section	Fair value	Profit (loss) from changes in US dollar exchange rate			
		Increase		Decrease	
		10%	5%	10%	5%
NIS millions					
Cash and cash equivalents	203	20	10	(20)	(10)
Short term deposits and investments	5	1	-	(1)	-
Trade and accounts receivable and debit balances	17	2	1	(2)	(1)
Other investments	212	21	11	(21)	(11)
Credit from banks and others	(29)	(3)	(2)	3	2
Trade and other accounts payable and credit balances	(28)	(3)	(1)	3	1
Other long-term liabilities	(3)	-	-	-	-
	377	38	19	(38)	(19)

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Sensitivity analysis on changes in the exchange rate of the Euro

Section	Fair value	Profit (Loss) from Changes in the euro exchange rate			
		Increase		Decrease	
		10%	5%	10%	5%
NIS millions					
Cash and cash equivalents	171	17	9	(17)	(9)

In addition to the figures in the above table, it is noted that, with respect to the investment in Sanofi shares, the fair value at September 30, 2009 was NIS 146 million because the said shares are traded on the stock exchange in France and their value in NIS was affected by the changes in the Euro to NIS exchange rate.

Sensitivity analysis of changes in the CHF exchange rate (not including financial derivatives)

Section	Fair value	Profit (loss) from changes in Swiss Franc exchange rate			
		Increase		Decrease	
		10%	5%	10%	5%
NIS millions					
Cash and cash equivalents	10	1	-	(1)	-
Other investments and pledged deposits	397	40	20	(40)	(20)
Trade and other accounts payable and credit balances	(4)	-	-	-	-
Long term liabilities to banking institutions	(3,555)	(356)	(178)	356	178
	(3,152)	(315)	(158)	315	158

In addition to the particulars in the above table, it is noted that based on the management's opinion, also exposed to changes in the Swiss Franc are Credit Suisse shares which, as at September 30, 2010, were traded on the Swiss stock exchange at a value of NIS 5,999 million, which based on the accounting rules are classified as a non-monetary item.

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

Section	Fair value	Profit (loss) from changes in prices of negotiable securities			
		Increase		Decrease	
		10%	5%	10%	5%
NIS millions					
Short term deposits and investments	213	21	11	(21)	(11)
Other investments	4	-	-	-	-
Available-for-sale pledged financial assets	5,999	600	300	(600)	(300)
	6,216	621	311	(621)	(311)

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

Forward index	Fair value	Profit (loss) from changes in the Israeli CPI			
		Increase		Decrease	
		2%	1%	2%	1%
NIS millions					
Not recognized as accounting hedging	7	10	5	(10)	(5)

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

Not recognized as accounting hedging	Fair value	Profit (loss) from changes in Swiss Franc exchange rate			
		Increase		Decrease	
		10%	5%	10%	5%
NIS millions					
Acquisition of CHF/NIS put option	66	(53)	(36)	192	72
Sale of CHF/NIS call option	(187)	(259)	(121)	132	84
	(121)	(312)	(157)	324	156

Sensitivity analysis to standard deviation changes – on derivative positions

Not recognized as accounting hedging	Fair value	Profit (loss) from changes in standard deviation of CHF exchange rate			
		Increase		Decrease	
		10%	5%	10%	5%
NIS millions					
Acquisition of CHF/NIS put option	66	11	5	(10)	(5)
Sale of CHF/NIS call option	(187)	(14)	(7)	14	7
	(121)	(3)	(2)	4	2

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Sensitivity analysis to nominal shekel interest changes – on derivative positions

Not recognized as accounting hedging	Fair value	Profit (loss) from changes in nominal NIS interest rates					
		Increase			Decrease		
		Increase of 200 base points (*)	10%	5%	Decrease of 200 base points (*)	10%	5%
		NIS millions					
Section							
Acquisition of CHF/NIS put option	66	(12)	(1)	-	10	1	-
Sale of CHF/NIS call option	(187)	(24)	(2)	(1)	16	2	1
	(121)	(36)	(3)	(1)	26	3	1

(*) The Company has chosen to present the change in the interest rate, which will be used to carry out stress tests for financial instruments sensitive to changes in the interest rate, to the amount of 200 basis points (2%). This after having checked and not found any higher absolute daily change in the interest rate in the ten years preceding the date of the report, and after estimating that a change of 200 base points could occur under in an extreme but plausible scenario.

The results of the sensitivity tests for changes in the CHF interest rates on an acquisition of CHF/NIS put option type of derivative position and a sale of CHF/NIS call option type of derivative position is below NIS 1 million and therefore is not presented.

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

Sensitivity analysis to changes in interest rates

Section	Fair value	Profit (loss) from changes in interest rate			
		Increase		Decrease	
		10%	5%	10%	5%
		NIS millions			
Short term deposits and investments	7	_(*)	_(*)	_(*)	_(*)
Current maturities of debentures	(462)	_(*)	_(*)	_(*)	_(*)
Debentures	(2,123)	30	15	(30)	(15)
Bank loans sensitive to changes in interest rates	(1,205)	3	1	(3)	(1)
	(3,790)	33	16	(33)	(16)

(*) Amounts smaller than NIS 1 million Shekel.

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Sensitivity analysis of changes in the US dollar exchange rate

Section	Profit (loss) from changes in US dollar exchange rate				
	Fair value	Increase		Decrease	
		10%	5%	10%	5%
NIS millions					
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)
Other investments	3	-	-	-	-
Credit from banks and others	(40)	(4)	(2)	4	2
Trade and other accounts payable and credit balances	(33)	(3)	(1)	3	1
Liabilities to banking institutions and other long term liabilities	(4)	-	-	-	-
	117	12	6	(12)	(6)

Sensitivity analysis of changes in the CHF exchange rate (not including financial derivatives)

Section	Profit (loss) from changes in Swiss Franc exchange rate				
	Fair value	Increase		Decrease	
		10%	5%	10%	5%
NIS millions					
Cash and cash equivalents	1,845	185	92	(185)	(92)
Credit from banks and others	(1,048)	(105)	(52)	105	52
Trade and other accounts payable and credit balances	(15)	(2)	(1)	2	1
	782	78	39	(78)	(39)

(*) In addition to the particulars in the above table, it is noted that based on the management's opinion, also exposed to changes in the Swiss Franc are Credit Suisse shares which, as at September 30, 2009, were traded on the Swiss stock exchange at a value of NIS 4,708 million, which based on the accounting rules are classified as a non-monetary item.

Sensitivity analysis on changes in the exchange rate of the Euro

Section	Profit (Loss) from Changes in the euro exchange rate				
	Fair value	Increase		Decrease	
		10%	5%	10%	5%
NIS millions					
Payables and credit balances	(8)	(1)	-	1	-
Other long-term liabilities	(2)	-	-	-	-
	(10)	(1)	-	1	-

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In addition to the figures in the above table, it is noted that, with respect to the investment in Carrefour shares, the fair value at September 30, 2009 was NIS 335 million because the said shares are traded on the stock exchange in France and their value in NIS was affected by the changes in the Euro to NIS exchange rate.

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

Section	Fair value	Profit (loss) from changes in prices of negotiable securities			
		Increase		Decrease	
		10%	5%	10%	5%
		NIS millions			
Short term deposits and investments	39	4	2	(4)	(2)
Other investments	3	-	-	-	-
Available-for-sale financial assets	2,274	227	114	(227)	(114)
Available-for-sale pledged financial assets	2,769	277	138	(277)	(138)
	5,085	508	254	(508)	(254)

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

Forward index	Fair value	Profit (loss) from changes in the Israeli CPI			
		Increase		Decrease	
		2%	1%	2%	1%
		NIS millions			
Not recognized as accounting hedging	9	10	5	(10)	(5)

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

Not recognized as accounting hedging Section	Fair value	Profit (loss) from changes in Swiss Franc exchange rate			
		Increase		Decrease	
		10%	5%	10%	5%
		NIS millions			
PUT- LONG	14	(14)	(14)	70	35
CALL- SHORT	(20)	(83)	(42)	20	20
	(6)	(97)	(56)	90	55

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3. Corporate governance

3.1 Disclosure of the process for approving the financial statements

3.1.1 The organs within the corporation in charge of overall control:

Company board of directors and audit committee.

3.1.2 Procedures undertaken by the organs 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. Gidon 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 carries out its verifications based upon detailed presentations made by the Company's officeholders and others, including the Company's Chief Executive Officer, Mr. Raanan Cohen, and the Company's Chief Financial Officer, Mr. Oren Hillinger, and the Company's Comptroller, Mrs. Avishag Peretz, concerning material issues in the financial statements, including transactions not in the normal course of business, if such exist, the main assessments and critical estimations implemented in the financial statements, the reasonableness of the data, the accounting principles employed and changes that have occurred therein, and the implementation of the principle of due diligence in respect of 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.

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4. Disclosure provisions in respect of the Company's financial reporting

4.1 Critical accounting estimates

At the report date no material changes occurred during the first nine months of 2010 with regard to critical accounting estimates that the Company uses for its financial statements.

4.2 Main events subsequent to the balance sheet date

4.2.1 For further information pertaining to main events concerning Makhteshim Agan subsequent to the balance sheet date, see sections 1.3.2 and 1.3.3 above and Note 9 to the financial statements.

4.2.2 For further information pertaining to the investment in Credit Suisse Emerging Markets Credit Opportunity Fund L.P. see section 1.3.4 above.

Ami Erel

Chairman of the Board

Raanan Cohen

CEO

Tel Aviv, November 23, 2010

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Appendix A – Disclosure designated for holders of debentures

Breakdown of data relating to debentures as of September 30, 2010 (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, 2010 in books	Market value	Interest rates (fixed)	Principal repayment date ⁽²⁾		Interest payment date	Linkage terms	Trust company Name of contact Address Telephone
									From	To			
H ⁽³⁾	20.8.06	1,194.6	1,194.6	1,330.6	5.6	1,341.3 ⁽⁵⁾	1,462.2	5.1%	1.9.12	1.9.16	1.9.11, 1.9.12 1.9.13, 1.9.14 1.9.15, 1.9.16	Consumer Price Index	Reznick Paz, Nevo Trusts Ltd. 14 Yad Harutzim St. Tel Aviv Tel: 03-6389200 Liat Bachar-Segal
I ⁽⁴⁾	9.8.09	765.5	765.5	765.5	2.3	750.9	796.2	6.7%	15.3.11	15.3.15	15.3.11, 15.9.11 15.3.12, 15.9.12 15.3.13, 15.9.13 15.3.14, 15.9.14 15.3.15	Unlinked	Hermetic Trust Services (1975) Ltd. 113 Hayarkon Street, Tel Aviv, Israel; Tel: 03-5274867 Meirav Ofer Oren
J	9.9.09	58.1	58.1	58.1	0.2	57.7	62.6	7.2%	16.9.12	16.9.17	16.3.11, 16.9.11 16.3.12, 16.9.12 16.3.13, 16.9.13 16.3.14, 16.9.14 16.3.15, 16.9.15 16.3.16, 16.9.16 16.3.17, 16.9.17	Unlinked	Hermetic Trust Services (1975) Ltd. 113 Hayarkon Street, Tel Aviv, Israel; Tel: 03-5274867 Meirav Ofer Oren

Comments:

- (1) The Company is in compliance with all the terms and conditions of the debentures. Furthermore, the Company is in compliance with all the liability conditions as set out 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, 2010 less the debentures acquired by a wholly owned subsidiary and is NIS 1,178.9 million.

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Information relating to the rating of the debentures:

Series	Name of rating company	Current rating	Rating fixed at the issue date
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

In May 2006 Maalot announced 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.

In July 2009 Maalot announced a rating of ilA+/stable for Koor's Debentures (Series G and H)

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

In September 2009 Maalot and Midroog announced the application of ilA+/stable and A1 rating respectively, on the expansion of Debentures (Series I) and on the issue of new Debentures (Series J).

In July 2010 Midroog announced placing of Koor's Debentures (Series H – J) on its Watch List.

In September 2010 Midroog announced removing of Koor's debentures from the Watch List, while granting a rating of A1 with stable outlook.

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Appendix B – Information pertaining to a real estate property for investment

Table 1 – General information pertaining to the property

Property name and location	Company's share in property	Size and purpose of property	Acquisition date	Contractual rights in property	Cost of property (Company's share)	Fair value at date of the financial statements (Company's share)
HSBC building, Manhattan, New York City, USA	50% ⁽¹⁾	Approximately 863,000 square feet Primary purpose – offices ⁽²⁾	October 2009 ⁽³⁾	Ownership	NIS 649 million (USD 177 million)	NIS 715 million (USD 195 million)

(1) Though a US company, 50% of which is directly held by the Company and 50% by Property & Building. The financial statements of the foregoing company are included in the consolidated financial statements by the balance sheet value method. The financial figures pertaining to the property in this Appendix reflects the Company's share in the property – 50%

(2) Approximately 89% of the property is office space and 11% is for commercial use.

(3) The acquisition contract was signed in October 2009. The acquisition was completed in April 2010.

Table 2 – Quantitative data pertaining to the property⁽⁴⁾ (evaluated by an external assessor)

	Fair value (Company's share) in NIS thousands		Occupancy rate		Actual NOI (Company's share) in NIS thousands		Actual rate of return in percentage ⁽⁶⁾	
	Sept 30, 2010	June 30, 2010	Sept 30, 2010	June 30, 2010	Sept 30, 2010	June 30, 2010	Sept 30, 2010	June 30, 2010
In NIS thousands	716,487	755,625	97	97	55,712	51,956	7.6	7.1
USD thousands	195,495	195,000			14,766	13,816		

	Representative NOI (Company's share) in NIS thousands						Representative rate of return in percentage ⁽⁶⁾	
	Sept 30, 2010			June 30, 2010			Sept 30, 2010	June 30, 2010
	Per contract	Forecasts	Total	Per contract	Forecasts	Total		
In NIS thousands	55,712	1,932	57,664	51,956	1,926	53,882	7.8	7.4
USD thousands	14,766	512	15,278	13,816	512	14,328		

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- (4) The acquisition of the property was completed on April 13, 2010 and therefore the comparative data was not presented for the previous period.
- (5) The assessor used this discount rate for capitalizing the projected NOI from the property over the first 10 years and capitalizing the expected return from sale of the property in the 11th year. The sale price was set by capitalizing the forecast NOI in the 11th year at a terminal capitalization rate of 6.25% per annum (and capitalized at a rate of 8.25% per year as stated above).
- (6) In USD terms. The US dollar is the valuation currency.

Table 3 – Data pertaining to the capitalization rate for evaluating the property, which was evaluated by an external assessor

	Sept 30, 2010	June 30, 2010
For the projected NOI over the first 10 years and the projected rate of return from the sale of the property in the 11 th year (discount rate)	8.25%	8.25%
For the projected NOI in the 11 th year, according to which the rate of return from the expected sale of the property (terminal capitalization rate)	6.25%	6.25%