

Translated from the Hebrew original

Koor Industries Limited

**Condensed Interim Separate
Financial Information
As at June 30, 2010**

The information contained in these financial statements constitutes an unofficial translation translation of the financial statements published by the Company in Hebrew. The Hebrew version is the binding version. This translation was prepared for convenience purposes only.

Condensed Separate Interim Financial Information

Contents

	Page
Special Independent Auditors' Report	2
Financial Statements:	
Condensed Financial Statements:	
Condensed Interim Financial Position Data.....	3 - 4
Condensed Interim Statement of Income Data	5
Condensed Interim Comprehensive Income and Loss Data	6
Condensed Interim Cash Flows Data.....	7 - 8
Notes to the Financial Statements	9



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To:
The Shareholders of Koor Industries Ltd.

Subject: Special auditors' report on separate interim financial information according to Regulation 38D of the Securities Regulations (Periodic and Immediate Reports) – 1970

Introduction

We have reviewed the separate interim financial information presented in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports) – 1970 of Koor Industries Ltd. (hereinafter – the Company) as at June 30, 2010 and for the six and three month periods then ended. The separate interim financial information is the responsibility of the Company's Board of Directors and of its Management. Our responsibility is to express a conclusion on the separate interim financial information based on our review.

We did not review the separate interim financial information of investee companies the investments in which amounted to NIS 291,767 thousand as at June 30, 2010, and the profit (loss) from these investee companies amounted to NIS 72,384 thousand and NIS 66,008 thousand for the six and three month periods then ended, respectively. The financial statements of those companies was reviewed by other auditors whose review reports thereon were furnished to us, and our conclusion, insofar as it relates to amounts emanating from the financial statements of such companies, is based solely on the said review reports of the other auditors.

Scope of Review

We conducted our review in accordance with Standard on Review Engagements 1, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" of the Institute of Certified Public Accountants in Israel. A review of separate interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review and the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying separate interim financial information was not prepared, in all material respects, in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports) – 1970.

Somekh Chaikin
Certified Public Accountants (Isr.)
August 11, 2010

Condensed Interim Separate Financial Information as at June 30, 2010**Condensed Interim Financial Position Data as at**

	<u>2010</u>	<u>June 30</u> <u>2009</u>	<u>December 31</u> <u>2009</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Audited)</u>
	<u>NIS thousands</u>	<u>NIS thousands</u>	<u>NIS thousands</u>
Assets			
Current assets			
Cash and cash equivalents	262,736	2,897,616	1,136,391
Short-term deposits and investments including financial derivatives	62,175	21,398	50,501
Other receivables (includes investees)	18,254	17,986	2,313
Assets held for sale	-	-	16,655
	<u>343,165</u>	<u>2,937,000</u>	<u>1,205,860</u>
Long-term investments			
Balance for investees	4,810,936	3,012,503	5,392,068
Assets available for sale	1,165,529	1,344,608	887,803
Pledged assets available for sale	145,041	200,171	745,457
Other investments	14,181	554	8,320
Loans to investees	288,116	92,326	231,595
	<u>6,423,803</u>	<u>4,650,162</u>	<u>7,265,243</u>
Investment property	<u>61,800</u>	<u>62,100</u>	<u>61,800</u>
Fixed assets	<u>784</u>	<u>781</u>	<u>763</u>
Total assets	<u>6,829,552</u>	<u>7,650,043</u>	<u>8,533,666</u>

Condensed Interim Separate Financial Information as at June 30, 2010
Condensed Interim Financial Position Data as at

	<u>2010</u>	<u>June 30</u> <u>2009</u>	<u>December 31</u> <u>2009</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Audited)</u>
	<u>NIS thousands</u>	<u>NIS thousands</u>	<u>NIS thousands</u>
Liabilities			
Current liabilities			
Credit from banks	-	66,704	-
Current maturity of debentures	153,094	441,577	456,438
Trade payables	1,980	2,095	1,107
Other payables and credit balances, including financial derivatives	205,712	115,062	148,131
Payables from investees	335,098	4	89
Provisions	500	1,962	700
	696,384	627,404	606,465
Long-term liabilities			
Liabilities to banks	88,736	-	359,968
Debentures	1,979,856	1,289,681	2,126,247
Capital note from subsidiary	6,382	6,382	6,382
Other liabilities	3,178	-	876
Deferred tax liabilities	2,712	105,228	80,100
Employee benefits	1,257	948	1,081
Liability for options to investors	-	16,168	4
	2,082,121	1,418,407	2,574,658
Equity			
Share capital	564,546	564,546	564,546
Premium on shares	3,904,575	3,904,575	3,904,575
Treasury shares	(6,071)	(6,071)	(6,071)
Reserves	(1,432,588)	278,779	(156,803)
Retained earnings	1,020,585	862,403	1,046,296
Total equity attributed to holders of equity rights in the Company	4,051,047	5,604,232	5,352,543
Total liabilities and equity	6,829,552	7,650,043	8,533,666

Ami Erel
Chairman of the Board of Directors

Raanan Cohen
Chief Executive Officer

Oren Hillinger
Chief Financial Officer

Approval date of financial statements: August 11, 2010

Condensed Interim Separate Financial Information as at June 30, 2010
Condensed Interim Statement of Income Data

	For six-month period ended		For three-month period ended		For year ended
	June 30		June 30		December 31
	2010	2009	2010	2009	2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Revenues					
Revenues from rental fees	3,268	3,155	1,634	1,660	6,660
Koor Group's equity in the operating results of investees, net	260,592	121,812	63,038	(4,266)	800,766
Gain from realization and dividend from financial assets available for sale	64,230	1,641,272	64,230	1,608,315	1,641,790
Other income	-	15,737	-	12,000	21,486
Management fee and financing income from investees	8,382	2,151	5,292	428	4,093
Financing income	24,351	20,623	3,717	16,935	30,065
	360,823	1,804,750	137,911	1,635,072	2,504,860
Expenses					
General and administrative expenses	12,326	15,555	6,242	11,090	54,439
Other expenses	4,856	7,402	-	47	8,259
Financing expenses	88,074	174,460	86,189	136,862	283,331
	105,256	197,417	92,431	147,999	346,029
Earnings before income tax	255,567	1,607,333	45,480	1,487,073	2,158,831
Income tax	(12,747)	13,918	(10,097)	(116,570)	6,872
Earnings for the period attributed to holders of equity rights in the Company	242,820	1,621,251	35,383	1,370,503	2,165,703

Condensed Interim Separate Financial Information as at June 30, 2010**Condensed Interim Comprehensive Income Data**

	For six-month period ended June 30		For three-month period ended June 30		For year ended December 31
	2010	2009	2010	2009	2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Earnings for the period attributed to holders of equity rights in the Company	242,820	1,621,251	35,383	1,370,503	2,165,703
Components of other comprehensive income (loss)					
Foreign currency translation differences from foreign operations	44,437	26,212	64,633	(60,851)	2,153
Foreign currency translation differences from foreign operations recognized in gain/loss	4,347	1,078	-	-	1,078
Net change in fair value of financial assets available for sale, net of tax	(260,152)	1,851,753	(292,179)	1,186,246	1,914,956
Net change in fair value of financial assets classified as available for sale recognized in gain or loss, net of tax	2,717	(1,207,667)	2,717	(1,183,279)	(1,207,667)
Actuarial gains from defined benefits plan	-	-	-	-	533
Koor's equity in comprehensive income (loss) of investees, net of tax	(1,065,708)	88,190	(1,252,423)	(85,870)	(387,528)
Total comprehensive income for the period attributed to holders of the Company	(1,031,539)	2,380,817	(1,441,869)	1,226,749	2,489,228

Condensed Interim Separate Financial Information as at June 30, 2010

Condensed Interim Cash Flows Data

	For six-month period ended June 30		For three-month period ended June 30		For year ended December 31
	2010	2009	2010	2009	2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Cash flows generated by operating activities					
Income for the period	242,820	1,621,251	35,383	1,370,503	2,165,703
Adjustments:					
Financing costs, net	61,308	122,011	19,758	72,492	189,103
Koor's equity in results of investees, net	(260,592)	(121,812)	(63,038)	4,266	(800,766)
Dividend received from investees	9,209	-	1,590	-	67,895
Depreciation and amortization	21	48	10	35	73
Increase (decrease) in employee benefits	176	(164)	131	(7)	502
Income tax expenses (savings)	12,747	(13,918)	10,097	116,570	(6,872)
Revaluation of investment property	-	(1,639)	-	-	(1,339)
Capital losses (gains), net, from realization of:					
Fixed assets	-	(7)	-	-	(7)
Investments in investees and financial assets available for sale	4,824	(1,627,881)	-	(1,599,026)	(1,627,881)
Revaluation and linkage of reserve for amortization of debenture discount and revaluation of liabilities from options	1,235	37,236	18,725	47,198	57,088
Linkage of loan principals and other long-term liabilities	(11,404)	12,477	5,796	18,278	16,669
Erosion (revaluation) of properties and investments, deposits and loans receivable	6,025	(18,160)	32,253	(15,702)	(9,744)
Decrease (increase) in other receivables and debit balances	(163)	(10,960)	3,861	(9,056)	(704)
Decrease in trade and other payables and credit balances	(13,537)	(14,925)	(13,082)	(10,079)	(14,628)
Income tax paid	(19,866)	-	(19,866)	-	-
	32,803	(16,443)	31,618	(4,528)	35,092
Net cash inflows (outflows) generated by operating activities with investees	90	(963)	422	(1,157)	2,116
Net cash inflows (outflows) generated by operating activities	32,893	(17,406)	32,040	(5,685)	37,208
Cash flows generated by investing activities					
Purchase of fixed assets	(40)	(26)	(13)	(26)	(35)
Proceeds from realization of investments in financial assets available for sale, in investees and other	-	5,451,169	-	4,963,993	5,451,169
Proceeds from sale of investment property	-	22,075	-	-	22,075
Proceeds from realization of assets held for sale Investment in financial assets available for sale and in affiliates and other	16,178	-	-	-	-
	(271,008)	(440,962)	(221,682)	(288,074)	(854,396)
Increase in short-term deposits and investments, net	(9,069)	-	(1,873)	-	(25,877)
Flows from settlement (to settlement) of derivatives	37,043	-	12,397	-	*(22,489)
Interest received	2,749	1,385	1,255	1,000	5,686
	(244,147)	5,033,641	(209,916)	4,676,893	4,576,133
Net cash inflows (outflows) generated by investing activities with investees	7,510	150,436	616,042	(719)	(1,873,762)
Net cash inflows (outflows) generated by investing activities	(216,637)	5,184,077	406,126	4,676,174	2,702,371

* Reclassified, see Note 2.

Condensed Interim Separate Financial Information as at June 30, 2010
Condensed Interim Cash Flows Data (cont.)

	For six-month period ended June 30		For three-month period ended June 30		For year ended December 31
	2010	2009	2010	2009	2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Cash flows generated by financing activities					
Net proceeds from issuance of debentures	-	-	-	-	819,438
Dividend distribution	(269,957)	(432,215)	(269,957)	(432,215)	(792,315)
Interest paid	(44,757)	(58,684)	(10,047)	(24,411)	(143,779)
Cash flows from settlement of derivatives	-	9,819	-	9,819	*10,839
Long-term loans received	282,068	-	249,693	-	-
Long-term loans and debentures repaid	(999,871)	(1,176,617)	(967,373)	(1,033,168)	(1,184,105)
Increase (decrease) in credit from banks and others, net	2,791	(860,309)	2,791	(951,941)	(567,701)
	<u>(1,029,726)</u>	<u>(2,518,006)</u>	<u>(994,893)</u>	<u>(2,431,916)</u>	<u>(1,857,623)</u>
Net cash inflows generated by financing activities with investees	<u>341,110</u>	-	<u>341,110</u>	-	-
Net cash outflows generated by financing activities	<u>(688,616)</u>	<u>(2,518,006)</u>	<u>(653,783)</u>	<u>(2,431,916)</u>	<u>(1,857,623)</u>
Change in cash and cash equivalents	(872,360)	2,648,665	(215,617)	2,238,573	881,956
Cash and cash equivalents – beginning of period	1,136,391	256,612	472,412	692,818	256,612
Effect of fluctuations in exchange rate on balances of cash and cash equivalents	<u>(1,295)</u>	<u>(7,661)</u>	<u>5,941</u>	<u>(33,775)</u>	<u>(2,177)</u>
Cash and cash equivalents – end of period	<u>262,736</u>	<u>2,897,616</u>	<u>262,736</u>	<u>2,897,616</u>	<u>1,136,391</u>

* Reclassified, see Note 2.

Condensed Interim Separate Financial Information as at June 30, 2010

Supplementary Information**Note 1 - General**

The interim separate financial information is presented in accordance with Regulation 38D of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970, and does not include all the information required under Regulation 9C and Addendum 10 to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970, regarding financial information attributed to the Company alone. It is to be read in conjunction with the separate financial information as at December 31, 2009 and for the year then ended and in conjunction with the condensed consolidated interim financial statements as at June 30, 2010 ("the consolidated financial statements").

(1) In this interim financial information attributed to the Company alone:

- (2) The Company – Koor Industries Ltd.
- (3) Subsidiaries – Companies, including partnerships, the financial statements of which are consolidated in full, directly or indirectly, in the Company's financial statements.
- (4) Investees – subsidiaries and companies, including partnerships, the Company's investment in which is included in the financial statements, directly or indirectly, by the equity method.

(2) Additional significant information required to understand the financial information attributed to the Company alone

Regarding additional significant information, see Notes 4, 5, and 6 to the condensed consolidated interim financial statements.

(3) Related parties

During the first half of 2010, the Company received, within current debt, NIS 341 million from M.A.G.M. Chemistry Holdings Ltd., a wholly-owned subsidiary, for the purpose of making its investments.

Note 2 – Basis for financial statement preparation**Reclassification**

In the statement of cash flows for the six-month and three-month periods ended June 30, 2010, the Company presents the cash flows from the settlement of derivatives that hedge the economic value of the investment in Credit Suisse within cash flows for investing activities. Comparative figures in the statement of cash flows for the year ended December 31, 2009 were reclassified in order to include the flows from the settlement of these derivatives within cash flows from investing activities and not in cash flows for financing activities.

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סומך חייקין

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Doc No:376499 V:1

Author: קרן הילה
Document Name: Koor Industries SOLO June 2010
Document Type: (דו"חות כספיים) אנגלית
Client: 9083 כור תעשיות בע"מ
Project: 92 ביקורת 2010
Partner: הילה קרן-ארז
Sub client ID: 9083 כור תעשיות בע"מ
Service:
Created: 18-08-2010 9:39AM Doris Levy
Last Printed on: 12:00AM
Last Saved on: 18-08-2010 9:41AM Doris Levy

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12 קומה:

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