



Koor Industries Ltd.

Financial Statements



Second Quarter Ended - June 30, 2009

The Enclosed translation of the Company's Quarterly Report is a free translation to English from the Hebrew language, which was made for convenience purposes only. The official document is in Hebrew, and it can be found at the web site of the Tel Aviv Stock Exchange, at: <http://maya.tase.co.il>.

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 on June 30, 2009¹

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 first six months of 2009, ending June 30, 2009, attached to this report.

"Financial Statements" – Koor’s financial statements for the three months ending June 30, 2009, attached to this report.

“Periodic Report” – Koor’s periodic report for the year ending December 31, 2008, published on March 15, 2009.

"Report Date" - Close to the date of the publication of this report.

1. Purchase and Sale of Assets

1.1 On August 17, 2009, Koor issued a special tender offer for the purchase of up to 22,000,000 million ordinary shares of NIS 1.00 par value each of Makhteshim Agan Industries Ltd. ("Makhteshim Agan"), constituting approximately 5.06% of Makhteshim Agan's issued and outstanding share capital and approximately 5.11% of the voting rights in Makhteshim Agan, at a price of NIS 16.20 per share. The date of last acceptance for the tender offer was set as Thursday, September 10, 2009. For additional information, see the immediate report filed by Koor on August 17, 2009 (Ref. No. 2009-01-200040).

With respect to purchases and sales of Credit Suisse Group AG ("Credit Suisse") shares, see Section 5.2 below.

With respect to Koor's investment in Carrefour SA ("Carrefour") shares, see Section 5.3.1 below.

2. Investments in Koor Equity and Stock Transactions

2.1 On July 22, 2009 Koor published an amendment to Koor's Shelf Prospectus (Ref. No.: 2009-01-176964). Furthermore, on July 22, 2009, Koor published the Deed of Trust that was signed with respect to the Shelf Prospectus, as it was amended in an addendum dated July 22, 2009 (Ref. No.: 2009-01-176988).

2.2 On August 6, 2009, Koor published a Shelf Offering Report ("Offering Report"), based on its Shelf Prospectus of May 29, 2008, as was amended on July 22, 2009, for the issue of a new series of debentures of Koor (Series I). Based on the public tender held that day, the Company allotted a total of 634,117 units of total par value of NIS 634,117,000. The total gross consideration received by Koor in

¹ Includes material changes and new items that have occurred in Koor's business that must be described 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 2009, which was published on March 21, 2009.

respect of the debentures (Series I) allotted under the Offering Report amounted to approximately NIS 634,117,000.

The debentures (Series I) bear fixed annual interest of 6.70% ("Fixed Annual Interest"), and they are unlinked (principal and interest) to any linkage base whatsoever. The principal of the Debentures (Series I) will be repayable in five (5) equal annual installments on March 15 of each of the years from 2011 to 2015 (inclusive). The Fixed Annual Interest for Debentures (Series I) shall be paid in semi-annual installments on March 15 of each of the years 2010 to 2015 (inclusive) and on September 15 of each of the years 2010 to 2014 (inclusive) ("Debentures (Series I)" or "Debentures"). In addition, holders of Debentures (Series I), who hold the Debentures on the date of record for eligibility for additional interest (as this term is defined in Section 5.5 of the Offering Report) shall be entitled to a one-time Additional Interest payment, which shall be paid in addition to the semi-annual installment of the Fixed Annual Interest for the initial interest period, at a rate of ten percent (10%) of the increase in the price of Credit Suisse shares on the New York Stock Exchange ("NYSE"),² should there be any such increase, between the known closing price of the Credit Suisse shares on the NYSE (in US dollars) on August 9, 2009, that is \$49.11 per share and the average closing price of Credit Suisse shares on the NYSE (in US dollars) on the three trading days³ on the NYSE preceding February 9, 2010, and all as set out in the Offering Report.

For additional information, see the immediate report on the results of the issue published by Koor on August 6, 2009 (Ref. no.: 2009-01-189522).

3. Financial information concerning Koor's operations

For financial information about Koor's operations for the three months ended June 30, 2009, see Note 7 to the Financial Statements.

4. Economic environment and impact of external factors on Koor's operations

With respect to the crisis in the financial markets, its impact and the impact of the changes in exchange rates and changes in the rates of inflation and interests in the market on Koor, see Sections 7.1 and 7.2 of the directors' report.

5. Review of Koor's operations by business segment

5.1 Agrochemicals segment

Makhteshim Agan Industries Ltd.

5.1.1 Further to the foregoing in Section 9.2 of Part 1 of the Periodic Report of July 2, 2009, Makhteshim Agan published a presentation to its shareholders which included, inter alia, forward-looking statements with regard to forecasts, assessments, estimates and other information that refers, among other things, to Makhteshim Agan's business operations and results, future developments in the area of its plant protection products and changes in the markets in which Makhteshim Agan is active. The realization of these

² Credit Suisse shares are listed on the NYSE by way of American Depository Shares.

³ For the purpose of this section: Trading Day – any day on which Credit Suisse shares are traded on the NYSE.

statements is uncertain and out of Makhteshim Agan's control. On July 5, 2009, Koor attached said presentation to the immediate report published (Ref. No.: 2009-01-161307).

- 5.1.2 Further to that stated in Section 9.2.5 of Part 1 of the Periodic Report, on August 11, 2009, the Makhteshim Agan board of directors resolved to distribute a cash dividend of approximately USD 0.16 per share, for a total of approximately USD 70 million, to be paid on October 14, 2009. Koor's share in said dividend is expected to be approximately USD 29.
- 5.1.3 Further to the statements in Section 9.2.15[H] of Part 1 of the Periodic Report dated July 7, 2009, Makhteshim Agan announced that subsequent to investigations conducted by the Brazilian authorities into Milenia Agrociencias S.A., a Brazilian subsidiary of Makhteshim Agan ("Milenia"), relating to the licensing issues of several formulas that Milenia produces and/or markets in Brazil, it was decided that Milenia is to temporarily cease production and sale of these formulas and that this restriction shall also apply to existing stocks at some of its customers. Makhteshim Agan also noted in its report that Milenia is preparing to continue supplying the said formulas and/or substitute formulas from alternative sources. On August 2, 2009, Makhteshim Agan reported that Milenia was conducting ongoing negotiations with the authorities and that at the request of the health authorities, the Ministry of Agriculture, the organization in charge of licenses in Brazil, provided approval according to which the changes made in the licensing of the products under investigation are acceptable to it and therefore, there is no objection on the part of the Ministry of Agriculture to continue the manufacture and marketing of these products. However, in the event that Milenia's negotiations with the Ministry of Health in Brazil fail, due to the alternative solutions that Milenia has adopted to supply most of the formulas for which manufacture and marketing have been temporarily suspended, Makhteshim Agan estimated, as of the publication of its report, that the impact of said events on Makhteshim Agan's sales and on Makhteshim Agan's profits for the second half of the year are not expected to be significant. Furthermore, for inventory and goods sold in the past and ancillary expenses for handling the aforementioned events, Makhteshim Agan's management decided to make a one-time provision, prior to tax benefits, in the second quarter of 2009, in the amount of USD 15 million. For additional information, see the immediate report published by Koor on August 2, 2009 (Ref. No.: 2009-01-184569).
- 5.1.4 Pursuant to the statements in Section 9.2.14 of Part 1 of the Periodic Report, on August 2, 2009, Makhteshim Agan announced that, with respect to the temporary provisions under Amendment 169 to the Income Tax Ordinance ("Ordinance"), enabling corporations to pay, for fiscal year 2009 only, tax reduced by 5% instead of 25% on drawing dividends from related companies abroad, and subsequent to Makhteshim Agan examining ways to apply the aforementioned amendment to the Ordinance, Makhteshim Agan's Board of Directors approved a proposal to make a one-time withdrawal of

profits from the Makhteshim Agan Group's companies abroad in the amount of up to USD 300 million. Makhteshim Agan's financial statements for the second quarter of 2009 include a tax reserve of USD 15 million (5% of the amount of the dividend). Makhteshim Agan will use the profits transferred for its ongoing needs and as a reserve for the distribution of a dividend. Makhteshim Agan clarified in said report that said withdrawal of profits does not change Makhteshim Agan's dividend distribution policies and/or the timing thereof. For further information, see the immediate report published by Koor on August 2, 2009 (Ref. No.: 2009-01-184569).

- 5.1.5 Further to that stated in Section 9.2.19 of Part 1 of the Periodic Report, for information regarding a criminal complaint and regarding a civil suit filed at the Beer Sheva District Court on July 1 by a group of residents of the moshav Nir Galim against Agan Chemical Manufacturers Ltd. (a wholly-owned subsidiary of Makhteshim Agan), directors, officers and manager of Agan, see Note 4.a.3.b to the financial statements.

5.2 Finances

Credit Suisse Group AG

- 5.2.1. In May, June, July and August 2009, Koor acquired (through a wholly owned subsidiary), from time to time, Credit Suisse shares and sold part of these shares from time to time (see Koor's immediate reports dated May 30, June 5, July 5, July 12, July 26, August 5, 2009, August 11, and August 23, 2009, Ref. No.: 2009-01-125766, 2009-01-133989, 2009-01-160554, 2009-01-166599, 2009-01-178155, 2009-01-187734, 2009-01-192867 and 2009-01-204642, respectively).
- 5.2.2. As of the Report Date, in respect of its investment in Credit Suisse, Koor has thus far recorded total profit of approximately NIS 2.54 billion, of which, Koor recorded in the second quarter of 2009 post-tax profit of approximately NIS 1.5 billion, and in the third quarter of 2009, Koor expects to record post-tax profit of approximately NIS 305 million.
- 5.2.3. As of the Report Date, Koor holds about 2.00% of Credit Suisse share capital, at a cumulative investment of NIS 3.81 billion.
- 5.2.4. As of the Report Date, according to the closing price of Credit Suisse shares on the NYSE on August 21, 2009, Koor's latent profit in respect of its investment in Credit Suisse shares (in other words, the difference between the value of the Credit Suisse shares Koor holds, at the price on the stock exchange, which is approximately NIS 4.63 billion, and the original cost of approximately NIS 3.81 billion), is approximately NIS822 million.
- 5.2.5. As of the Report Date, Koor has a debit balance (less deposits) to a company in the Morgan Stanley Group ("Morgan Stanley") and a company in the Citigroup ("Citi") in respect of its investment in Credit Suisse of approximately CHF 233 million.

- 5.2.6 On August 2, 2009, Koor announced in an immediate report (Ref. No.: 2009-01-184410) that Koor's board of directors resolved to increase the amount of the maximum total investment in Credit Suisse shares. Accordingly, as of the Report Date, 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 6 billion, and Koor intends to continue with the investment, while taking advantage of buying and selling opportunities, noting market conditions and Koor's preparations from time to time, and following a trend to continue to be a principal shareholder in Credit Suisse.
- 5.2.7 The lowest closing price for Credit Suisse shares on the Swiss Stock Exchange⁴ from the beginning of the second quarter of 2009 and through August 21, 2009 was CHF 34.68 per share (on April 7, 2009), and the highest closing price was CHF 54.35 per share (on August 13, 2009). As of August 21, 2009, the closing price of Credit Suisse shares on the Swiss Stock Exchange was CHF 54.25 per share.
- 5.2.8 The lowest closing price for Credit Suisse shares on the NYSE⁵ from the beginning the second quarter of 2009 and through August 21, 2009 was USD 30.19 per share (on April 7, 2009), and the highest closing price was USD 51.16 per share (on August 21, 2009). As of August 21, 2009 the closing price of Credit Suisse shares on the NYSE was USD 51.16 per share.
- 5.2.9 From the beginning of the second quarter of 2009 and through August 21, 2009, the lowest trading volume of Credit Suisse shares on the Swiss Stock Exchange was about 3 million shares (on May 25, 2009); the highest trading volume of Credit Suisse shares was approximately 17 million shares (on April 23, 2009); and the average trading volume is 7.1 million shares.
- 5.2.10 The CHF to NIS exchange rate on August 21, 2009 was NIS 3.6024 per CHF.
- 5.2.11 On July 23, 2009, Koor announced in an immediate report (Ref. No.: 2009-01-177120) that on said day, Credit Suisse published its financial statements for the second quarter of 2009. Credit Suisse's press release relating to its Q2 2009 results is attached to the said immediate report and a link was published with respect to Credit Suisse quarterly financial statements to its website at:
https://www.credit-suisse.com/investors/doc/csg_financialreport_2q09.pdf.
- 5.2.12 On July 26, 2009, Koor attached to the immediate report it published (Ref. No.: 2009-01-178422), a copy of Credit Suisse's full financial statements for the second quarter of 2009, as reported by Credit Suisse to the US Securities and Exchange Commission (SEC), a copy of the press release published by Credit Suisse on the 6K form to SEC pertaining to its Q2 2009 results and a convenience translation of the said press release from English to Hebrew.

⁴ As published by Reuters.

⁵ As published by Reuters.

5.2.13 On August 9, 2009, the Company attached to the immediate report it published (Ref. No.: 2009-01-189552), a copy of the supplemental report to Credit Suisse's 2009 financial statements, which were published on August 6, 2009, as reported by Credit Suisse to the US Securities and Exchange Commission on Form 6K.

5.2.14 On August 9, 2009, the Company attached to the immediate report it published (Ref. No.: 2009-01-189558), a copy of a report published by Credit Suisse on August 7, 2009, as reported by Credit Suisse to the US Securities and Exchange Commission on Form 6K, which is a comparison of Credit Suisse results in the first six months of 2009 to the first six months of 2008.

5.3 Others

5.3.1 On June 22, 2009 Koor's board of directors approved the investment in shares of Carrefour, a French company which the largest retail corporation in Europe and the second largest worldwide, whose shares are traded on the Euronext Stock Exchange in Paris. The framework for the investment approved is a total amount of up to NIS 3.5 billion. The decision with respect to this investment was made due to the status of the global markets and their business opportunities, taking into consideration Koor's large liquid balances, based on the Company's business strategy which is based on identifying and exploiting investment opportunities while focusing on global concerns. With regard to the aforementioned investment, Koor came to an understanding with HSBC according to which, subject to signing a binding contract, the bank will provide a designated recourse line of credit in a total amount of up to EUR 300 million for the acquisition of Carrefour shares. If Koor uses the aforementioned credit, it will put up a similar amount from its own sources. Utilization of the credit line and Koor's investment in Carrefour shares is subject to several terms and conditions, including Koor's assessments regarding the market developments.

Koor gave notice that it was investing in Carrefour shares by exploiting buy and sell opportunities, while paying attention to the status of the markets and based on Koor's assessments from time to time and that the scope of the investment is uncertain. For further information, see the immediate report published by Koor on July 22, 2009 (Ref. No.: 2009-01-147036).

As of the Report Date, Koor holds approximately 0.28% of the share capital of Carrefour (approximately 1.96 million shares) in an overall investment of NIS 318 million. As of the Report Date, the value of the investment in Carrefour shares, at the closing price on the Euronext Stock Exchange in Paris on August 21, 2009, is NIS 344 million.

5.3.2 Further to that set out in Section 13.1 [B] of Part 1 of the Periodic Report, for information regarding the completion of the transaction as part of which Koor Assets Ltd. sold all its shares in AKA Development Ltd., see Note 4D to the financial statements.

5.3.3 Further to that set out in Section 13.2 of Part 1 of the Periodic Report, for information regarding Koor's investment in the private investment fund of Mustang Mezzanine, a limited partnership, see Section 3.5 of the Directors' Report.

6. Koor's operations – further information

6.1 **Financing and loans** – Further to that in Section 16 of Part 1 of the Periodic Report (Financing and loans item):

On July 13, 2009, Koor and MAGM Chemical Holdings Ltd. ("MAGM"), a wholly-owned subsidiary of Koor, entered into an agreement with Citi for a non-recourse line of credit for the purpose of acquiring Credit Suisse shares ("Citi Credit"). For additional information in this regard, see Section 4.4 of the Directors Report and Note 9.1 to the financial statements.

The Citi Credit is in addition to the maximum amount of up to CHF 330 million (which may be reduced in September 2009, based on the maximum amount utilized up to that date) that was extended to Koor and/or to MAGM by Morgan Stanley for the acquisition of Credit Suisse shares. On August 23, 2009 the Company's board of directors approved increasing said total credit facility at Morgan Stanley to CHF 440 million in accordance with the agreement in principle reached with Morgan Stanley. For additional information in this regard, see Section 4.4 of the Directors' Report and Note 9.1 of the financial statements.

6.2 **Rating of Koor debentures** - further to the statements in Sections 16.4 and 16.15 of Part 1 of the Periodic Report, on July 29, 2009 Koor announced in immediate reports (Ref. Nos.: 2009-01-18153 and 2009-01-182992) that Maalot's rating committee announced the award of an iA+/Stable to the Company and its debentures (Series I), such that based on this rating, Koor will be able to raise debentures in the amount of NIS 1.5 billion. On August 2, 2009, Koor published an immediate report (Ref. No.: 2009-01-184236) to which said Maalot notice and Maalot's rating report for the debenture series (Series I) were attached as aforementioned. On August 4, 2009, Koor announced in an immediate report published (Ref. No.: 2009-01-186762) that Midroog Ltd. ("Midroog") notified the Company that it had awarded a rating of A1 for the debentures (Series I), so that based on this rating Koor can raise debentures in the amount of NIS 1.5 billion. Midroog's said notice and rating report are attached to Koor's said immediate report. For additional information, see Sections 4.5, 6.6 and 7.1 of the Directors' Report.

6.3 **Information concerning an extraordinary change in Koor operations** - see Note 9 to the financial statements.

6.4 **Risk factors – financial risks** - further to that set out in Section 21.2 [A] of Part 1 of the Periodic Report, see Section 7.2 of the Directors' Report.

6.5 On June 28, 2009, Koor announced in an immediate report (Ref. No.: 2009-01-153747) that on said date its annual general meeting approved the extension of the appointment of its external directors, Dr. Ayelet Ben Ezer and Mr. Shlomo Reizman for an additional period of three years from September 28, 2009 through September 28, 2012.

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

Date: August 23, 2009

Koor Industries Ltd.

Names of signatories and their positions:

Mr. Raanan Cohen, CEO

Mr. Oren Hillinger, CFO

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

Board of Directors Report For the First Half and Second Quarter of 2009

We are pleased to submit the condensed unaudited financial statements of Koor Industries Ltd. for the half year and second quarter of 2009, ended June 30, 2009.

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

Subsequent to a resolution adopted by the Company's board of directors' in 2008 to invest in negotiable shares of European banking institutions, during the first half of 2009 and thereafter, the Company carried out buy and sell transactions in Credit Suisse Group AG ("Credit Suisse") shares. As of the reporting date, for its investment in Credit Suisse, the Company has recorded a total profit so far of NIS 2.54 billion, of which, the Company recorded in second quarter of 2009, a profit after tax of NIS 1.5 billion, and in third quarter, up to the reporting date, a after tax profit of NIS 305 million. On June 30, 2009 the Company, together with a wholly owned subsidiary, held approximately 13.42 million Credit Suisse shares, constituting 1.13% of Credit Suisse shares, at a cost of NIS 1.81 billion. As of the date of this report, Koor holds 23.70 million shares of Credit Suisse, which constitute 2.00% of Credit Suisse share capital, at a cost of NIS 3.81 billion

1. Results of business operations

The net earnings attributed to the Company's shareholder equity for the first half of 2009, totaled approximately NIS 1,621 million, with basic earnings per share of NIS 34.2, compared with loss of approximately NIS 116 million and basic loss per share of NIS 4.6 for the first half of 2008.

The Company's net profit for second quarter of 2009 amounted to approximately NIS 1,371 million, with basic earnings per share of about NIS 28.9, compared with a loss of approximately NIS 120 million and basic loss per share of about NIS 4.9 for second quarter of 2008.

Breakdown of Koor's financial results:

	<u>First Half</u>		<u>Second Quarter</u>		<u>Year</u>
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>
	<u>(Unaudited)</u>		<u>(Unaudited)</u>		<u>Audited</u>
	<u>N I S m i l l i o n s</u>				
Koor's equity in the operating results of investee companies, net	102	153	(20)	69	167
Gain from sale of investments, net of impairment	1,640	42	1,608	(2)	599
Administrative, financing and other expenses, net	(150)	(311)	(115)	(187)	(528)
Tax income (expenses)	29	-	(102)	-	-
Profit (Loss), net	1,621	(116)	1,371	(120)	238
Basic earnings (losses) per share (in NIS)	34.2	(4.6)	28.9	(4.9)	8.5

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

Board of Directors Report For the First Half and Second Quarter of 2009

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

	Koor's share in the profit for the First Half of			Koor's share in the profit for the Second Quarter of			Year 2008
	<u>2009</u>	<u>2008</u>	<u>Change</u>	<u>2009</u>	<u>2008</u>	<u>Change</u>	
	N I S			m i l l i o n s			
Makhteshim Agan Industries Ltd.	136	226	(40%)	3	94	(97%)	311
Telrad Networks Ltd. ("Telrad")	-	(20)	n/a	-	(11)	n/a	(43)
ECTel Ltd.	(2)	(2)	-	-	(1)	n/a	(6)
Koor Corporate Venture Capital	1	(16)	n/a	(5)	(6)	n/a	(23)
Harriet Investments (2001) Ltd. (previously Dekolink Wireless Ltd.) ("Harriet")	(3)	(25)	n/a	-	(13)	n/a	(67)
Microwave Networks Inc ("MNI")	(3)	3	n/a	(4)	5	n/a	13
Other companies	8	3	166%	2	6	(66%)	6
Excess cost and other adjustments	(35)	(16)	n/a	(16)	(5)	n/a	(24)
Total	102	153		(20)	69		167

1.2. Gain from sale of investments, net of impairment

	Koor's share in the profit for the First Half of		Koor's share of profit (loss) for Second Quarter of		Year 2008
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	
	N I S		m i l l i o n		
Gain from sale of investments, net of impairment	1,640	42	1,608	(2)	599

In the first half of 2009 this item included in particular: Capital gain from the sale of Credit Suisse shares in the amount of NIS 1,632 million, of which the amount of NIS 1,599 million was recorded in Q2 2009, and dividend from Credit Suisse in the amount of NIS 9 million received in Q2 2009.

In the first half of 2008 this item included in particular: Capital gain of NIS 48 million recorded in Q1 of 2008 subsequent to additional proceeds from Elbit Systems Ltd ("Elbit") for the sale of Elisra Electronic Systems Ltd ("Elisra"), resulting from the receipt of an insurance payment for the fire that occurred at Elisra's consolidated plant in 2001.

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

Board of Directors Report For the First Half and Second Quarter of 2009

1.3. Administrative, financing and other expenses, net

	<u>First Half</u>		<u>Second Quarter</u>		<u>Year</u>
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>
	N I S m i l l i o n s				
Administrative and other expenses, net	(1)	(11)	3	(9)	(32)
Financing expenses, net	(149)	(300)	(118)	(178)	(496)
Total administrative, financing and other expenses, net	(150)	(311)	(115)	(187)	(528)

The primary change during 2009 as compared with the corresponding period in 2008 derives from a decline in net financing expenses attributable to the more moderate rise in the index in the first half of 2009 compared with the corresponding period in 2008. The corresponding period in 2008 included financing expenses incurred due to the sharp decline in the USD exchange rates. The financing expenses that derived from the changes in the Swiss Franc exchange rate in the first half of 2009 were NIS 42 million.

The decline in administrative and other expenses, net, is due to the cancellation of provisions in the amount of NIS 12 million recorded in the past with respect to the appeal against the court ruling pertaining to a wholly owned subsidiary which was rejected in the Supreme Court's ruling.

2. Segments of operation

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

	<u>First Half</u>		<u>Second Quarter</u>		<u>Year</u>
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>
	N I S m i l l i o n s				
Agrochemicals	105	211	(12)	90	289
Financial	1,641	-	1,608	-	575
Telecommunications equipment	(9)	(21)	(4)	(9)	(54)
Other holdings	10	8	(1)	(15)	(42)
Finance, Management and other	(154)	(313)	(119)	(186)	(531)
Total	1,593	(115)	1,472	(120)	237

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

Board of Directors Report For the First Half and Second Quarter of 2009

2.1.1. Agrochemical segment

	<u>First Half</u>		<u>Second Quarter</u>		<u>Year</u>
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>
	N I S m i l l i o n s				
Contribution of business segment	105	211	(12)	90	289

The main change in the results of this segment in first half of 2009 compared with the corresponding period in the previous year was due to the business results of Makhteshim Agan Industries Ltd. ("Makhteshim Agan").

Makhteshim Agan (held 42%), reported the following business results:

	<u>First Half</u>			<u>Second Quarter</u>			<u>Year</u>
	<u>2009</u>	<u>2008</u>	<u>Increase (decrease)</u>	<u>2009</u>	<u>2008</u>	<u>Increase (decrease)</u>	<u>2008</u>
	Million USD		%	Million USD		%	
Revenue	1,283	1,404	(8.7%)	560	682	(17.9%)	543
Gross profit	372	499	(25.5%)	155	239	(35.3%)	189
Operating profit	143	247	(42.1%)	38	113	(66.8%)	83
Financing expenses, net	(42)	(65)	(36.0%)	(31)	(33)	(4.4%)	(12)
Net earnings attributable to the shareholders	80	160	(49.9%)	2	69	(97.5%)	54
EBITDA	189	290	(34.8%)	61	134	(55.0%)	457

The market for crop protection products in which Makhteshim Agan operates was affected during Q2 2009 by trends which were expressed at the beginning of the last quarter of 2008, as Makhteshim Agan noted in its reports at the time, and the signs of which were evident in Q1 2009 and part of which even increased during the second quarter. These trends were expressed in the financial statements of the large companies in the plant protection market worldwide and led to discernable decline in sales and profitability of these companies. These trends are, among other things, as specified below:

- A. Climatic conditions in Makhteshim Agan's areas of operation, which included a long cold winter in Europe, heavy rains in North America and the effects of the drought in southern Brazil and Argentina which led to a drop in demand for plant protection products. The decline in demand was particularly discernable due to the tendency to preempt demand due to the relatively high demand that prevailed in the market during the corresponding period of the previous year.
- B. The average sales price for plant protection products (less the decline in the price of Glyphosate) remained high, compared with the corresponding quarter of the previous year. Nonetheless, the slow down in sales of plant protection products and the high level of stocks maintained in the market channels (distributors) and by the competitors (manufacturers) in this segment, led to a drop in the sales price of most of the products, which harmed the sales and profitability of Makhteshim Agan's products.
- C. The credit squeeze and the extra caution taken by farmers reduced the demand for crop protection products, mainly in emerging markets such as South America, Asia, Eastern Europe and Africa, and which led them to switch to purchasing products close to the time they need to use them.
- D. Makhteshim Agan reports its results in US dollars and therefore strengthening of the US dollar against the other currencies in which Makhteshim Agan operates leads to impairment of the dollar value of its sales and erosion of its gross margins. On the other hand, strengthening of the US dollar

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compared with the other currencies in which Makhteshim Agan operates (mainly the NIS, Euro and Brazilian Real) reduced its operating expenses in dollar terms.

- E. Utilization of existing inventory that was purchased at high cost caused a decline in Makhteshim Agan's gross profit. This trend is expected to continue during the latter half of the year, until the existing stocks are used up. On the other hand, surplus supply of raw materials and a decline in oil and energy prices is expected to generate cost savings and will offset part of the aforesaid decline in gross profit.

Makhteshim Agan estimates that the trends, all or in part, that began towards the end of 2008 and which were discernable in the first quarter of 2009, were even more so in the second quarter of 2009, as described above, will continue in the short term. There is no change in Makhteshim Agan's long term estimates as reported in its previous reports.

The results of the quarter were affected by the trends described above, but also by several special events, as follows:

- A. Distribution of dividend from companies in the Makhteshim Agan group abroad - In August 2009, the Makhteshim Agan board of directors approved the distribution of a one-time dividend of profits of the group's companies abroad, in the scope of up to USD 300 million, this under the Temporary Provision by virtue of Amendment 169 of the Income Tax Ordinance, which enables Makhteshim Agan to pay reduced tax in 2009, at 5% only, and in the amount of USD 15 million.
- B. Events at the subsidiary, Milenia, in Brazil – subsequent to an investigation of Milenia Agrociencias S.A, the Brazilian subsidiary ("Milenia") conducted by the authorities in Brazil, pertaining to matters of licensing of a few formulas that Milenia manufactures and/or markets in Brazil, it was determined that Milenia will cease, temporarily, manufacturing and selling these formulas and that such cessation shall also apply to existing stocks at some of Milenia's customers in several of the sales areas. Makhteshim Agan made a one-time provision in the amount of USD 15.5 million, pretax, and this is for stocks and goods sold in the past and ancillary expenses pertaining to the investigation of the Brazilian authorities.
- C. Stock reduction – Makhteshim Agan made a provision of USD 11.2 million for the impairment of stocks of products that have book value that is higher than the expected net realization value (expected sales price less expected sales expenses).

2.1.2. Financial Segment

	<u>First Half</u>		<u>Second Quarter</u>		<u>Year</u>
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>
	N I S m i l l i o n s				
Contribution of business segment	1,641	-	1,608	-	575

Pursuant to the resolution of the Company's board of directors to invest in the negotiable shares of European banking institutions, during the first half of 2009 and throughout 2008, the Company bought and sold Credit Suisse shares while exploiting the opportunities created due to the market volatility. These buy and sell opportunities yielded for the Company capital gain of NIS 1,632 million and a dividend of NIS 9 million during the first half of 2009 and capital gain of NIS 575 million in 2008.

For further information pertaining to Koor's profits from buy and sell opportunities in the amount of NIS 305 million during the period subsequent to the balance sheet date, see section 4.1 below.

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2.1.3. Telecommunications equipment

	<u>First Half</u>		<u>Second Quarter</u>		<u>Year</u>
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>
	N I S m i l l i o n s				
Contribution of business segment	(9)	(21)	(4)	(9)	(54)

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

2.1.4. Other holdings

	<u>First Half</u>		<u>Second Quarter</u>		<u>Year</u>
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>
	N I S m i l l i o n s				
Contribution of business segment	10	8	(1)	(15)	(42)

The primary changes in the results of this segment in the first half of 2009 as compared with the corresponding period of the previous year originates in the gains recorded for the first half 2008 with respect to the additional income received from Elbit for the sale of Elisra, in the amount of NIS 48 million, as set forth in section 1.2 above.

In addition, there has been an improvement in the results of Epsilon, which have presented profits in the amount of NIS 18 million (the Company's share of these profits being NIS 9 million), primarily due to gains from securities held by it, compared with a loss of NIS 2 million for the corresponding period of the previous year.

Koor Corporate Venture Capital recorded profits in the first half of 2009 of approximately NIS 1 million due to the rise in the USD-NIS exchange rate compared with a loss of NIS 16 million for the corresponding period of the previous year.

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3. Main changes in the holdings of the Company and its investees during Q2 2009

- 3.1. During the first half of 2009, the Company acquired and sold additional Credit Suisse shares. As a result of the exercise of Credit Suisse shares during the first half of 2009, the Company recorded profit after tax of NIS 1.61 billion, of which NIS 1.5 billion was in Q2 2009. On June 30, 2009, the Company held, together with its wholly owned subsidiary, 13.42 million shares of Credit Suisse which constitutes 1.13% of Credit Suisse shares, as a cost of NIS 1.81 billion. See sections 4.1 and 4.3 below with regard to gains in Q3 and holdings as of the reporting date subsequent to the buy and sell opportunities after the end of Q2.
- 3.2. In April 2009, the Credit Suisse general meeting convened and approved distribution of dividend of CHF 0.10 per share. On April 30, 2009, Koor received its share of said dividend in the amount of CHF 3 million. Of this amount, tax in the amount of CHF 0.5 million was withheld at source.
- 3.3. In April 2009, Koor Properties Ltd. ("Koor Properties"), a wholly owned subsidiary of the Company, signed an agreement to sell its share (33% of the issued and paid-up share capital) in A.K.A. Development Ltd. ("AKA") to the other shareholders in AKA ("the Buyers"). In July 2009, the transaction was completed. Koor Properties's total proceeds from the sale of its holdings in AKA amounts to NIS 81.2 million constituting consideration for the sale of shares in the amount of NIS 30.6 million, consideration for repayment of shareholders' loans extended by Koor Properties in the amount of NIS 33.9 million, and presale dividend of which Koor Properties's share is NIS 16.7 million. The final proceeds is subject to certain adjustments as stipulated in the agreement, if the Buyers will sell the shares within a period of one year from the date of the closing of the transaction.
- 3.4. In May 2009, Koor settled the recourse credit extended to it by Goldman Sachs in the amount of CHF 214 million.
- 3.5. During the first half of 2009, Koor invested USD 4 million in the private investment fund, Mustang Mezzanine Ltd. Partnership, which focuses on mezzanine financing for appropriate mature companies in Israel and abroad operating in various sectors, including industry, commerce, telecommunications, services and real estate. Koor's total undertaking commitment in the Fund is USD 20 million. At of the report date, Koor's total investment in the fund amounted to USD 5.2 million. The balance of Koor's commitment to invest in the fund as of the reporting date is USD 14.8 million.
- 3.6. In May 2009, a wholly owned subsidiary of the Company sold 75,830,000 par value Debentures (Series H) of Koor, for a total amount of NIS 80 million. Subsequent to this sale, the subsidiary holds a total of 142,220,186 par value debentures.
- 3.7. In June 2009 the Company's board of directors consented to its management investing in shares in Carrefour SA ("Carrefour"), a French company which is the largest retail corporation in Europe and the second largest worldwide, whose shares are traded on the Euronext Stock Exchange in Paris. As part of this investment, which was approved up to a total of NIS 3.5 billion, the investment was 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, and the scope of the investment is uncertain.

With regard to the aforesaid investment, the Company came to an understanding in principle with HSBC according to which, subject to signing of a binding contract, the bank will provide a designated recourse line of credit in a total amount of up to Euro 300 million for the acquisition of Carrefour shares. If the Company uses the aforesaid credit, it will put up a similar amount from its own sources. Utilization of the credit line and the Company's investment in Carrefour

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shares is subject to several terms and conditions, including the Company's assessments regarding the market developments.

As of June 30, 2009 and as of the reporting date, the Company holds 0.28% of the share capital of Carrefour (1.96 million shares), at a total investment of NIS 318 million, whereby their market value shortly prior the this report was NIS 344 million.

4. Main events subsequent to the balance sheet date

- 4.1. In July and August 2009, Koor sold part of its shares in Credit Suisse. For the sale of these shares Koor will recorded, in the third quarter of 2009, a profit of approximately NIS 305 million.
- 4.2. In August 2009 the Company's board of directors resolved to increase the amount of investment in Credit Suisse shares to a total of up to NIS 6 billion, the investment will be made by exploiting buy and sell opportunities while taking into account the status of the markets, and based on the Company's assessments from time to time.
- 4.3. Shortly prior to the date of this report, subsequent to the acquisition of Credit Suisse shares (less sales), the Group holds approximately 23.70 million shares of Credit Suisse, which constitutes 2.00% of Credit Suisse share capital, in an overall investment of NIS 3.81 billion. The Company's latent profit, proximate the reporting date, for the balance of its investment in Credit Suisse (which reflects the difference between the value of the Credit Suisse shares that it holds, at their price on the stock exchange, which is NIS 4.63 billion, and the original cost of these shares) is NIS 822 million.
- 4.4. On July 13, 2009 Koor and M.A.G.M. Chemical Holdings Ltd. (a wholly owned subsidiary of the Company) ("MAGM") engaged in a agreement with a Citigroup company for a non-recourse line of credit against Credit Suisse shares. The utilized line of credit, is extended in Swiss Francs and is ensured by the Credit Suisse shares. The maximum amount that may be drawn under the line of credit is CHF 330 million, and the credit will be extended for a period of up to three years, subject to the terms and dates set in the agreement. This credit may be used by the Company and/or MAGM. Of the foregoing line of credit, the maximum amount that Koor has utilized so far is CHF 55 million. As of the reporting date the credit taken by Koor amounts to CHF 55 million. For further information pertaining to this line of credit, see Note 9.1 to the Company's financial statements.

Aforesaid line of credit is in addition to the line of credit in the amount of CHF 330 million that was extended to Koor by Morgan Stanley for the acquisition of Credit Suisse shares, and of which the maximum amount utilized by Koor to date is CHF 318 million. As of the reporting date the balance of the credit taken by Koor amounts to CHF 198 million (and net of deposits to CHF 178 million).

On August 23 2009 the Company's board of directors resolved to increase the foregoing line of credit from Morgan Stanley to CHF 440 million, pursuant to agreement in principle that was attained with Morgan Stanley.

- 4.5. On July 29, 2009 Standard & Poor's Maalot Ltd. ("Maalot ") announced awarding a rating of iIA+/stable for the Company's debentures. On August 4, 2009 Midroog announced awarding a rating of A1 for the Company's debentures.
- 4.6. On August 9, 2009, the Company issued to the public and listed on the Tel Aviv Stock Exchange Ltd., 643,117,000 of a new series of Debentures (Series I) of NIS 1 par value. The overall gross proceeds that the Company received for Debentures (Series I) totaled approximately NIS 634 million.

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

The Trustee for the Debentures (Series I) are Hermetic Trust Services (1975) Ltd. of 113 Hayarkon Street, Tel Aviv, Tel:03-5274867. The contact person at the Trustee is Meirav Ofer Oren.

- 4.7. On August 17, 2009, the Company published a Special Tender Offer for the acquisition of up to 22 million ordinary shares of NIS 1 par value each in Makhteshim Agan, constituting 5.06% of Makhteshim Agan's paid up share capital and 5.11% of the voting rights in Makhteshim Agan, at the price of NIS 16.20 per share. The deadline for the tender offer was set as September 10, 2009.

5. Dividend

On May 20, 2009 the Company's board of directors resolved to distribute a cash dividend of NIS 432 million, representing NIS 9.11 per share. The distribution of the dividend was effected on June 10, 2009.

6. The financial situation and sources of finance

6.1.

	<u>June 30,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
	NIS Millions	
Total assets in the consolidated balance sheet	9,059	7,461
Investments in investees in the consolidated balance sheet	2,808	2,704
Available-for-sale financial assets in the consolidated balance sheet	2,044	1,621
Attached available-for-sale financial assets in the consolidated balance sheet	744	2,517
Total equity attributed to the Company's shareholders	5,604	3,656
Surplus (deficit) of current assets over liabilities in the consolidated balance sheet	2,103	(903)
Koor's financial liabilities	2,935	3,570
Surplus of financial liabilities over Koor's cash and cash equivalents*	66	3,284

* Does not include Credit Suisse shares which are classified as available-for-sale financial assets recorded, as at June 30, 2009, at a value of NIS 2,405 million.

- 6.2. As at August 22, 2009 and subsequent to the sale of part of the Company's holdings in Credit Suisse shares, as set forth in section 4.3 above, Koor's cash balance amounted to NIS 2.58 billion and Koor's surplus financial liabilities over assets amounted to approximately NIS 1.78 billion.

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6.3.

	<u>First Half</u>		<u>Second Quarter</u>		<u>Year</u>
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>
	N I S m i l l i o n s				
Proceeds from exercise of investments in Koor	5,455	1	4,968	1	4,576
Dividends received from investees	-	167	-	166	250
Investment in affiliates and other Koor companies	1,423	299	1,260	146	8,539

* The net investment in Credit Suisse as of June 30, 2009, subsequent to buy and sell transactions totals NIS 1.81 billion (NIS 4.35 billion as at December 31, 2008).

- 6.4.** In the second quarter of 2009, Koor repaid short term loans to banks in the amount of NIS 1,000 million. And long term loans in the amount of NIS 71 million. In addition, Koor took short term bank loans in the amount of NIS 172 million.

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

Series	Original date of issue	Par value at date of issue (millions)	Par value balance in circulation (millions)	Par value balance in circulation linked (millions)	Accrued interest in books	Book value of debenture balance as at June 30, 09	Market value	Interest rates (fixed)	Principal repayment date ⁽²⁾		Interest payment date	Linkage terms	Trust company Name of contact Address: Telephone ⁽⁵⁾ :
									From	To			
G	April 10, 05	400	400	446.4	2.8	441.6	Non-negotiable	3.75%	April 30, 10	April 30, 10	October 30, 09, April 30, 10	Israeli CPI	Ubank Trust Co. 83 Rothschild Blvd. Tel Aviv Tel:03-5645205 Ifat Bachar
H ⁽³⁾	Aug 20, 06	1,194.6	1,194.6	1,275.8	54.2	⁽⁴⁾ 1,289.7	1,351	5.10%	Sept 1,12	Sept 1,16	Sept 1,09; Sept 1,10 Sept 1,11; Sept 1,12 Sept 1,13; Sept 1,14 Sept 1, 15; Sept 1,16	Israeli CPI	Reznick Paz, Nevo Trusts Ltd. 14 Yad Harutzim St. Tel Aviv Tel: 03-6389200 Liat Bachar-Segal

Comments:

- (1) The Company complies with all the debenture terms and conditions. Furthermore, the Company complies with all the liability conditions as set in the deed of trust.
- (2) Annual payments.
- (3) The series was expanded on May 10, 2007. The data in the table refers to the entire series.
- (4) The consolidated statements represent the Debenture (Series H) balance as at June 30, 2009 less the debentures acquired by a wholly owned subsidiary and is NIS 1,133.1 million.
- (5) Due to concerns of conflict of interest, the Company switched the trustees for debenture Series H and is acting to switch the trustees for Series G.
- (6) With regard to the issue of debentures subsequent to the balance sheet date, see section 4.6 above.

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6.6. Information relating to the rating of the debentures:

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

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

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

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

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

7.1. The Global economic crisis

During the course of 2008, a significant slowdown occurred in the global financial markets, which further deteriorated during September-October 2008 and continued to intensify at the beginning of 2009 with the collapse of several very large organizations in the US and other countries. The deterioration of the global financial crisis also led to the creation of a credit crisis, including a substantial decline in the availability of credit and to a credit squeeze. Following these events, several countries took different measures to promote stabilization and prevent further deterioration of the financial markets, including by injecting cash into financial institutes and lowering interest rates, however at present there is no certainty that these measures will halt the crisis or prevent it from further deterioration.

As the global financial crisis deepened so has the slowdown in the real economic activities which spread from the US throughout the entire world and which also reflected on the Israeli economy. The real economic crisis was expressed in the impairment of assets held by the public, reduction in demand, and substantial slowdown of financial and commercial operations, which accelerated towards the end of 2008 and which led to a slowdown of the growth of the private consumption and intensified financial uncertainty. Subsequent to the economic crisis, various economies around the world, including the USA and many European countries, as well as the Israeli economy, have entered a severe recession leading to, inter alia, a wave of shut downs and extensive lay offs in the various sectors of the economy, including in real estate, industry, services and high-tech. As of the reporting date, it is not possible to assess the scope of the direct and indirect implications of the economic crisis in Israel and other countries, nor its duration.

Together with the global economic crisis, several other developments took place on the Israeli market during the course of the past few months, including significant fluctuations in the exchange rates of the principal foreign currencies against the shekel, consistent substantial reductions of the Bank of Israel interest rates and increase in the inflation rates on the local market. For details of Koor's financing expenses, see also section 1.3 to this report.

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

As a result of the crisis, the rating companies are reassessing and adjusting the rating of the companies' debentures. The reassessment procedure is liable to also have negative impact on the rating of these investees' ability to repay debts. For further information pertaining to Maalot's announcement regarding the rating of Koor's debentures, see also sections 4.5 and 6.6 of this report.

Declines and fluctuations in the prices of the securities of Koor holdings (and particularly Credit Suisse and Makhteshim Agan), on the one hand, and Koor's increased debt, on the other, may affect Koor's credit rating as well as its compliance with the ratios set for certain financial criteria. Additionally, they may, in certain cases, lead to a decline in value and recorded losses due to the reduced value of the holdings. With regard to the matter of credit rating, the Maalot rating announced in July 2009, and Midroog's rating announced in August 2009, are based on various parameters, including the net debt to adjusted value of holdings ratio. In order to maintain the current rating Maalot expects that the ratio of net debt to adjusted value of IDB Group's holdings will not exceed

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60%, with the exception of short-term deviations. Impairment of the assets and further net financial debt incurred by Koor and/or by other companies in the IDB Group will result in a rise in this ratio. An increase in the value of the assets or a decrease of the net financial debt by Koor and/or by other companies in the IDB Group will result in a decline in this ratio. As of August 23, 2009, said ratio of net debt to adjusted value of the Koor's holdings was 21%.

Nonetheless, the volatility of the financial markets 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 the Company has recorded to date a total profit of NIS 2.54 billion, of which the Company recorded in Q2 2009 a profit after tax of NIS 1.5 billion and in Q3 2009 the Company is expected to record a profit after tax of NIS 305 million.

7.2. Koor's market risks

During the reporting period, no material changes occurred in the exposure of the Company's investee companies to market and management of risk exposure as compared with the report of the Company's board of directors' for 2008, dated March 15, 2009. From time to time the Company hedges against the NIS to CHF exchange rate.

As of August 22, 2009, the Company has a net Swiss franc liquid asset balance in the amount of NIS 0.3 billion and a USD liquid asset balance of NIS 4 million. As a result of changes in the Swiss franc to NIS exchange rate, the Euro to NIS exchange rate and the USD to NIS exchange rate, as of the third quarter of 2009, the Company has at present accrued an accumulated loss estimated by the Company as NIS 22 million. It should be noted that in addition, Koor holds an asset fixed in Swiss francs (Credit Suisse shares at a cost, as of the reporting date, of NIS 3.81 billion), and an asset fixed in Euro (Carrefour shares at a cost, as of the reporting date, of NIS 318 million), the value of which, subsequent to the rise in the Swiss franc and/or the Euro exchange rate, have been assigned directly to capital reserve and not to the profit and loss statement (with the exception of the case of a significant and/or consistent devaluation). The foregoing information includes an initial assessment and the partial information in Koor's possession to date. This data has not yet been processed, has not yet been finally examined and has not been reviewed by Koor's accountants, and is subject to additional changes in the exchange rates of the Swiss Franc, the Euro and the US dollar. For this reason, it is possible that their impact on the Companies results for Q3 of 2009 will be different as compared with the foregoing. In addition, the dollar exchange rate changes have impact on the profitability of the investees which operate or report in US dollars, as well as an impact on Koor's profits from the results of investees which hold US dollar assets, and an impact on Koor's equity due to the adjusted capital reserve resulting from the translation of the investees' financial statements in foreign currency (in particular Makhteshim Agan). Furthermore, changes in the Swiss Franc and the Euro exchange rates affect the shekel value of the shares of Credit Swiss and Carrefour, respectively, presented in the balance sheet as available-for-sale assets and the affect on Koor's equity due to the principal of the available-for-sale assets.

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7.3. Report of linkage bases

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

B. Koor's linkage balances to June 30, 2009 (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	14	31	263	2,146	702	67	3,223
Investment in affiliates (including loans)	-	-	-	-	-	2,829	2,829
Other investments	-	124*	330	2,405	-	-	2,859
Fixed, intangible and other investment real estate assets	-	-	-	-	-	63	63
Total assets	14	155	593	4,551	702	2,959	8,974
<u>Liabilities</u>							
Current liabilities (including maturities)	(216)	(15)	(42)	(350)	(33)	(7)	(663)
Long term liabilities	(2,594)	(3)	(4)	-	-	(106)	(2,707)
Total liabilities	(2,810)	(18)	(46)	(350)	(33)	(113)	(3,370)
Assets less liabilities, net	(2,796)	137	547	4,201	669	2,846	5,604

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

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

	Israeli CPI / NIS			
	<u>Par value</u>	<u>Fair value to pay</u>	<u>Par value</u>	<u>Fair value to receive</u>
	<u>Up to 1 year</u>		<u>More than one year</u>	
	<u>LONG</u>	<u>LONG</u>	<u>LONG</u>	<u>LONG</u>
Forward contracts for hedging – not recognized in accounting (1)	350	(2)	300	3

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

D. Consolidated linkage balance as of June 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>
<u>Assets</u>							
Current assets	14	55	263	2,146	702	111	3,291
Investment in affiliates (including loans)	-	-	-	-	-	2,808	2,808
Other investments	-	*125	330	2,405	-	-	2,860
Fixed, intangible and other investment real estate assets	-	-	-	-	-	100	100
Total assets	14	180	593	4,551	702	3,019	9,059
<u>Liabilities</u>							
Current liabilities (including maturities)	(666)	(83)	(42)	(350)	(38)	(9)	(1,188)
Long term liabilities	(2,153)	(4)	(4)	-	-	(106)	(2,267)
Total liabilities	(2,819)	(87)	(46)	(350)	(38)	(115)	(3,455)
Assets less liabilities, net	(2,805)	93	547	4,201	664	2,904	5,604

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

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E. Koor's linkage balances as of June 30, 2008 (in NIS millions):

	<u>Israeli CPI linked</u>	<u>USD or USD- linked</u>	<u>CHF or CHF linked</u>	<u>Unlinked</u>	<u>Non- monetary item</u>	<u>Total</u>
<u>Assets</u>						
Current assets	213	1,411	-	784	1	2,409
Investment in affiliates (including loans)	-	-	-	-	2,445	2,445
Other investments	-	*120	332	-	-	452
Fixed, intangible and other investment real estate assets	-	-	-	-	81	81
Total assets	213	1,531	332	784	2,527	5,387
<u>Liabilities</u>						
Current liabilities (including maturities)	(354)	(4)	(210)	(55)	(28)	(651)
Long term liabilities	(2,722)	(10)	-	-	-	(2,732)
Total liabilities	(3,076)	(14)	(210)	(55)	(28)	(3,383)
Assets less liabilities, net	(2,863)	1,517	122	729	2,499	2,004

* Including a balance of NIS 2 million denominated in pound sterling.

F. Koor derivative positions as of June 30, 2008 (in NIS millions):

	<u>Israeli CPI / NIS</u>			
	<u>par value</u>	<u>Fair value to receive</u>	<u>par value</u>	<u>Fair value to receive</u>
	<u>Up to 1 year</u>		<u>More than one year</u>	
	<u>LONG</u>	<u>LONG</u>	<u>LONG</u>	<u>LONG</u>
Forward contracts for hedging – not recognized in accounting (1)	500	20	-	-

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

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G. Consolidated linkage balance as of June 30, 2008 (in NIS millions):

	Israeli CPI <u>linked</u>	USD or USD- <u>linked</u>	CHF or CHF <u>linked</u>	<u>Unlinked</u>	Non- monetary <u>item</u>	<u>Total</u>
<u>Assets</u>						
Current assets	213	1,451	1	787	59	2,511
Investment in affiliates (including loans)	-	-	-	-	2,420	2,420
Other investments	-	*120	332	-	-	452
Fixed, intangible and other investment real estate assets	-	-	-	-	136	136
Total assets	213	1,571	333	787	2,615	5,519
<u>Liabilities</u>						
Current liabilities (including maturities)	(369)	(90)	(210)	(79)	(30)	(778)
Long term liabilities	(2,721)	(14)	-	-	(2)	(2,737)
Total liabilities	(3,090)	(104)	(210)	(79)	(32)	(3,515)
Assets less liabilities, net	(2,877)	1,467	123	708	2,583	2,004

* Including a balance of NIS 2 million denominated in pound sterling.

7.4. Investees

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

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

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

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

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Sensitivity analysis of changes in index-linked interest rates

Item	Fair value	Profit (loss) from changes in interest rate			
		Increase		Decrease	
		10%	5%	10%	5%
N I S	m i l l	i o n s			
Current maturities of debentures	(458)	-	-	-	-
Debentures	(1,155)	24	12	(24)	(12)
Bank loans	(1,181)	3	1	(3)	(1)
	(2,794)	27	13	(27)	(13)

Sensitivity analysis of changes in the US dollar exchange rate

Item	Fair value	Profit (loss) from changes in US dollar exchange rate			
		Increase		Decrease	
		10%	5%	10%	5%
N I S	m i l l	i o n s			
Cash and cash equivalents	18	2	1	(2)	(1)
Short term deposits and investments	14	1	1	(1)	(1)
Trade and other receivables	24	2	1	(2)	(1)
Available-for-sale financial assets	53	5	3	(5)	(3)
Other investments	70	7	3	(7)	(3)
Credit from banks and others	(43)	(4)	(2)	4	2
Trade and other payables	(40)	(4)	(2)	4	2
Other long-term liabilities	(4)	-	-	-	-
	92	9	5	(9)	(5)

Sensitivity analysis of changes in the Swiss franc exchange rate

Item	Fair value	Profit (loss) from changes in Swiss franc exchange rate			
		Increase		Decrease	
		10%	5%	10%	5%
N I S	m i l l	i o n s			
Cash and cash equivalents	2,146	215	107	(215)	(107)
Available-for-sale financial assets (pledged and unpledged)	2,405	240	120	(240)	(120)
Credit from banking and others	(181)	(18)	(9)	18	9
Trade and other payables	(169)	(17)	(8)	17	8
	4,201	420	210	(420)	(210)

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Sensitivity analysis on changes in the exchange rate of the Euro

<u>Item</u>	<u>Profit (loss) from changes in Euro exchange rate</u>					
	<u>Fair value</u>	<u>Increase</u>			<u>Decrease</u>	
		<u>10%</u>	<u>5%</u>	<u>10%</u>	<u>5%</u>	
N I S	m i l l i o n s	m i l l i o n s	m i l l i o n s	m i l l i o n s	m i l l i o n s	
Cash and cash equivalents	263	26	13	(26)	(13)	
Available-for-sale financial assets	330	33	16	(33)	(16)	
Other payables	(42)	(4)	(2)	4	2	
Other long-term liabilities	(4)	-	-	-	-	
	547	55	27	(55)	(27)	

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

<u>Item</u>	<u>Profit (loss) from changes in Stock Exchange prices</u>					
	<u>Fair value</u>	<u>Increase</u>			<u>Decrease</u>	
		<u>10%</u>	<u>5%</u>	<u>10%</u>	<u>5%</u>	
N I S	m i l l i o n s	m i l l i o n s	m i l l i o n s	m i l l i o n s	m i l l i o n s	
Short term deposits and investments	9	1	-	(1)	-	
Available-for-sale financial assets	1,991	199	100	(199)	(100)	
Available-for-sale pledged financial assets	744	74	37	(74)	(37)	
	2,744	274	137	(274)	(137)	

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

<u>Forward index</u>	<u>Profit (loss) from changes in the Israeli CPI</u>					
	<u>Fair value</u>	<u>Increase</u>			<u>Decrease</u>	
		<u>2%</u>	<u>1%</u>	<u>2%</u>	<u>1%</u>	
N I S	m i l l i o n s	m i l l i o n s	m i l l i o n s	m i l l i o n s		
Not recognized as accounting hedging	1	13	6	(13)	(6)	
	1	13	6	(13)	(6)	

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

Sensitivity analysis of changes in index-linked interest rates

Item	Profit (loss) from changes in interest rate							
	Fair value	Increase		Decrease				
		10%	5%	10%	5%			
N I S	m	i	l	l	i	o	n	s
Long-term loans	19	(2)	(1)	2	1			
Debentures	(1,777)	28	14	(28)	(14)			
Bank loans	(1,371)	6	3	(6)	(3)			
	(3,129)	32	16	(32)	(16)			

Sensitivity analysis of changes in the US dollar exchange rate

Item	Profit (loss) from changes in US dollar exchange rate							
	Fair value	Increase		Decrease				
		10%	5%	10%	5%			
N I S	m	i	l	l	i	o	n	s
Cash and cash equivalents	1,325	133	66	(133)	(66)			
Short term deposits and investments	37	4	2	(4)	(2)			
Trade and other receivables	89	9	4	(9)	(4)			
Available-for-sale financial assets	34	3	1	(3)	(1)			
Other investments	84	8	4	(8)	(4)			
Credit from banks and others	(42)	(4)	(2)	4	2			
Trade and other payables	(52)	(5)	(2)	5	2			
Long term liabilities to banks	(10)	(1)	-	1	-			
	1,465	147	73	(147)	(73)			

Sensitivity analysis of changes in the Swiss franc exchange rate

Item	Profit (loss) from changes in Swiss franc exchange rate							
	Fair value	Increase		Decrease				
		10%	5%	10%	5%			
N I S	m	i	l	l	i	o	n	s
Cash and cash equivalents	1	-	-	-	-			
Available-for-sale financial assets	332	33	17	(33)	(17)			
Other payables	(210)	(21)	(11)	21	11			
	123	12	6	(12)	(6)			

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Sensitivity analysis of changes in prices of negotiable securities

Item	Profit (loss) from changes in prices of negotiable securities				
	Fair value	Increase		Decrease	
		10%	5%	10%	5%
	N I S	m i l l i o n s			
Short term deposits and investments	408	41	20	(41)	(20)
Available-for-sale financial assets	332	33	17	(33)	(17)
	740	74	37	(74)	(37)

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

Forward index	Profit (loss) from changes in the Israeli CPI				
	Fair value	Increase		Decrease	
		2%	1%	2%	1%
	N I S	m i l l i o n s			
Not recognized as accounting hedging	20	7	4	(7)	(4)

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

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

		Disclosure of fair value and book value		Disclosure of changes in fair value and book value		
		June 30, 09	Dec 31, 08	First half 2009	Year 2008	
		NIS millions		NIS millions		
Asset – Credit Suisse shares pledged in favor of banks	Value at first recognition	560	2,668			
	Recognized in statement of profit and loss	-	-	1,315	-	
	Recognized directly in other equity groups	184	(151)	335	(151)	
	Total book value	744	2,517	1,650	(151)	
	Total fair value	744	2,517	1,650	(151)	
Liabilities – bank loan	Value at first recognition	(167)	(811)			
	Recognized in statement of profit and loss	(14)	(77)	(43)	(77)	
	Total book value	(181)	(888)	(43)	(77)	
	Total fair value	(181)	(888)	(43)	(77)	

**Board of Directors Report
Second Quarter and Half Year 2009**

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

- 9.1. The entities within the corporation in charge of overall control: Company board of directors and audit committee.
- 9.2. Procedures undertaken by the entities in charge of overall control in the corporation, prior to approval of the financial statements of the corporation:

The Company's board of directors appointed the audit committee to serve as a balance sheet committee, which presents the board with the main issues of the detailed discussion concerning the financial statements and makes recommendations concerning their approval. The financial statements are approved by the Board of Directors. The members of the "Balance Sheet Committee" are Mr. 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.

Raanan Cohen
Chief Executive Officer

Ami Erel
Chairman of the Board

Tel Aviv, 23 August 2009

Koor Industries Limited

**Condensed Consolidated Interim
Financial Statements**

As at June 30, 2009

(unaudited)

Condensed Interim Financial Statements as at June 30, 2009 (Unaudited)

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Somekh Chaikin
KPMG Millennium Tower
17 Ha'arba'a Street, PO Box 609
Tel Aviv 61006 Israel

Telephone 972 3 684 8000
Fax 972 3 684 8444
Internet www.kpmg.co.il

Review Report to the Shareholders of Koor Industries Ltd.

Introduction

We have reviewed the accompanying financial information of Koor Industries Ltd. and its subsidiaries (hereinafter – “the Group”) comprising of the condensed consolidated interim statement of financial position as of March 31, 2009 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended. The Board of Directors and Management are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 “*Interim Financial Reporting*”, and are also responsible for the preparation of financial information for this interim period in accordance with Section D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the condensed interim financial information of certain consolidated subsidiaries whose assets constitute 2 % of the total consolidated assets as at March 31, 2009, and whose revenues constitute 20 % of the total consolidated revenues for the three month period then ended. Furthermore, we did not review the condensed interim financial information of equity accounted investees the investment in which amounted to NIS 149,981 thousand as at March 31, 2009, and the Group’s share in their profits amounted to NIS 7,621 thousand for the three month period then ended. The condensed interim financial information of those companies was reviewed by other auditors whose review reports thereon were furnished to us, and our conclusion, insofar as it relates to amounts emanating from the financial information of such companies, is based solely on the said review reports of the other auditors.

Scope of Review

We conducted our review in accordance with Standard on Review Engagements 1, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” of the Institute of Certified Public Accountants in Israel. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review and the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying financial information was not prepared, in all material respects, in accordance with IAS 34.

In addition to that mentioned in the previous paragraph, based on our review and the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not comply, in all material respects, with the disclosure requirements of Section D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Somekh Chaikin
Certified Public Accountants (Isr.)

May 20, 2009

Condensed Consolidated Interim Statements of Financial Position as at

	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>December 31, 2008</u>
	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands
Assets			
Current assets			
Cash and cash equivalents	3,094,609	1,887,498	277,265
Short-term deposits and investments, including financial derivatives	36,234	447,967	36,188
Trade receivables	23,367	41,410	40,869
Other receivables	28,775	76,992	8,486
Inventories	42,859	57,565	48,190
Assets held for sale	65,123	-	16,306
	<u>3,290,967</u>	<u>2,511,432</u>	<u>427,304</u>
Long-term investments			
Investments in investees	2,808,396	2,419,227	2,704,020
Financial assets available for sale	2,043,978	366,599	1,620,544
Pledged financial assets available for sale	744,303	-	2,517,210
Other investments	71,464	85,311	71,889
	<u>5,668,141</u>	<u>2,871,137</u>	<u>6,913,663</u>
Investment property	<u>94,900</u>	<u>111,880</u>	<u>114,900</u>
Fixed assets	<u>2,702</u>	<u>6,614</u>	<u>2,330</u>
Intangible assets	<u>2,776</u>	<u>17,740</u>	<u>3,168</u>
Total assets	<u>9,059,486</u>	<u>5,518,803</u>	<u>7,461,365</u>

	<u>June 30, 2009</u> <u>(Unaudited)</u> <u>NIS thousands</u>	<u>June 30, 2008</u> <u>(Unaudited)</u> <u>NIS thousands</u>	<u>December 31, 2008</u> <u>(Audited)</u> <u>NIS thousands</u>
Liabilities			
Current liabilities			
Credit from banks	327,968	337,199	1,119,958
Current maturity of debentures	441,577	-	-
Trade payables	24,046	49,797	47,403
Other payables including financial derivatives	385,617	360,228	135,456
Provisions	7,594	27,745	24,813
Customer advances	1,098	2,652	3,057
	<u>1,187,900</u>	<u>777,621</u>	<u>1,330,687</u>
Long-term liabilities			
Liabilities to banks	1,003,360	1,032,577	990,982
Debentures	1,133,142	1,680,854	1,477,625
Deferred tax liabilities	105,228	-	-
Other liabilities	8,508	5,028	4,943
Employee benefits	948	426	1,112
Liability for options to investors	16,168	(*)18,279	386
	<u>2,267,354</u>	<u>2,737,164</u>	<u>2,475,048</u>
Equity Capital			
Share capital	564,546	564,517	564,546
Premium on shares	3,904,575	2,628,017	3,904,575
Treasury shares	(6,071)	(6,071)	(6,071)
Reserves	278,779	(502,725)	(480,779)
Retained earnings (accumulated loss)	862,403	(680,305)	(326,641)
Total equity attributed to holders of Company's capital rights	<u>5,604,232</u>	<u>2,003,433</u>	<u>3,655,630</u>
Minority interest	<u>-</u>	<u>585</u>	<u>-</u>
Total equity capital	<u>5,604,232</u>	<u>2,004,018</u>	<u>3,655,630</u>
Total liabilities and equity capital	<u>9,059,486</u>	<u>5,518,803</u>	<u>7,461,365</u>

(*) Reclassified – see Note 2(C).

Ami Erel
Chairman of the Board of
Directors

Raanan Cohen
Chief Executive Officer

Oren Hillinger
Chief Financial Officer

Approval date of financial statements: August 23, 2009

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

Condensed Consolidated Interim Statements of Income

	For six-month period ended June 30		For three-month period ended June 30		For year ended December 31
	2009	2008	2009	2008	2008
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Revenues					
Revenues from sales and services	66,347	112,944	34,870	59,589	216,690
Koor Group's equity in results of affiliates, net	111,803	189,739	(9,301)	79,477	217,290
Gains from sale of securities available for sale	1,641,272	-	1,608,315	-	574,523
Other income	16,161	47,863	7,218	437	55,718
Financing income	21,989	59,218	17,475	6,766	200,171
	<u>1,857,572</u>	<u>409,764</u>	<u>1,658,577</u>	<u>146,269</u>	<u>1,264,392</u>
Expenses					
Cost of sales and services	48,723	89,432	26,550	45,753	205,204
Selling and marketing expenses	11,090	17,880	5,778	8,325	33,704
General and administrative expenses	23,200	22,866	15,981	14,860	58,514
Other expenses	10,429	20,910	48	7,240	29,551
Financing expenses	171,480	373,800	137,942	189,885	699,956
	<u>264,922</u>	<u>524,888</u>	<u>186,299</u>	<u>266,063</u>	<u>1,026,929</u>
Earnings (loss) before income taxes	1,592,650	(115,124)	1,472,278	(119,794)	237,463
Income taxes	28,601	(92)	(101,775)	(26)	16
Net income (loss) for the period	1,621,251	(115,216)	1,370,503	(119,820)	237,479
Attributed to:					
Holders of the Company's capital rights	1,621,251	(115,649)	1,370,503	(119,882)	237,596
Minority interest	-	433	-	62	(117)
Income (loss) for the period	1,621,251	(115,216)	1,370,503	(119,820)	237,479
	NIS	NIS	NIS	NIS	NIS
Earnings per share					
Basic earnings (loss) per share	34.176	(4.631)	28.887	(4.876)	8.534
Diluted earnings (loss) per share	34.176	(4.631)	28.887	(4.876)	8.486

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

Condensed Consolidated Interim Statements of Comprehensive Income

	For six-month period ended June 30		For three-month period ended June 30		For year ended December 31
	2009 (Unaudited) NIS thousands	2008 (Unaudited) NIS thousands	2009 (Unaudited) NIS thousands	2008 (Unaudited) NIS thousands	2008 (Audited) NIS thousands
Net income (loss) for the period	1,621,251	(115,216)	1,370,503	(119,820)	237,479
Other elements of comprehensive income (comprehensive loss):					
Foreign currency translation differences from foreign operations	74,134	(315,270)	(185,892)	(128,709)	(21,427)
Foreign currency translation differences from foreign operations recognized in gain/loss	1,078	800	-	800	643
Net after-tax change in fair value of financial assets classified as available for sale	1,893,693	2,783	1,228,188	2,783	(*)182,321
Net change in fair value of financial assets classified as available for sale transferred to statement of income	(1,207,667)	-	(1,183,281)	-	(*)(425,147)
Actuarial gains from defined benefits plan	-	-	-	-	(680)
Koor's equity in comprehensive income (comprehensive loss) of affiliates	(1,672)	18,961	(2,769)	7,610	(6,106)
Total comprehensive income (comprehensive loss) for the period	2,380,817	(407,942)	1,226,749	(237,336)	(32,917)
Attributed to:					
Holders of equity rights in the Company	2,380,817	(408,410)	1,226,749	(237,370)	(32,800)
Minority interest	-	468	-	34	(117)
Total comprehensive income (comprehensive loss) for the period	2,380,817	(407,942)	1,226,749	(237,336)	(32,917)

Due to the first-time application of IAS 1, Amended, changed the presentation format of the Statement of Comprehensive Revenues. Also see Note 13(1)(A) regarding first-time application of the new standards.

(*) Reclassified – see Note 2(C).

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

Condensed Consolidated Interim Statement of Changes in Equity

	Attributed to Company's equity holders							Minority Interest	Total equity	
	Share capital	Premium on shares	Translation reserve for foreign activities	Hedge reserve	Reserve for assets available for sale	Treasury shares	Accumulated loss			Total
	NIS thousands									
For six-month period ended June 30, 2009 (unaudited)										
Balance as at January 1, 2009 (audited)	564,546	3,904,575	(247,674)	10,022	(243,127)	(6,071)	(326,641)	3,655,630	-	3,655,630
Comprehensive income (comprehensive loss) for the period	-	-	85,839	(12,606)	686,325	-	1,621,259	2,380,817	-	2,380,817
Dividend	-	-	-	-	-	-	(432,215)	(432,215)	-	(432,215)
Balance as at June 30, 2009 (unaudited)	564,546	3,904,575	(161,835)	(2,584)	443,198	(6,071)	862,403	5,604,232	-	5,604,232
For six-month period ended June 30, 2008 (unaudited)										
Balance as at January 1, 2008 (audited)	564,515	2,245,022	(210,751)	-	(644)	(6,071)	(563,225)	2,028,846	117	2,028,963
Issuance of shares	2	382,995	-	-	-	-	-	382,997	-	382,997
Exercise of options granted to employees	*-	-	-	-	-	-	-	-	-	-
Comprehensive income (comprehensive loss) for the period	-	-	(305,072)	10,448	3,294	-	(117,080)	(408,410)	468	(407,942)
Exercise of options granted to investors	*-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2008 (unaudited)	564,517	2,628,017	(515,823)	10,448	2,650	(6,071)	(680,305)	2,003,433	585	2,004,018

(*) Represents a sum below NIS 1 thousand.

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

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

	Attributed to Company's equity holders							Minority Interest	Total equity	
	Share capital	Premium on shares	Translation reserve for foreign activities	Hedge reserve	Reserve for assets available for sale	Treasury shares	Accumulated loss			Total
	NIS thousands									
For three-month period ended										
June 30, 2009 (unaudited)										
Balance as at April 1, 2009 (audited)	564,546	3,904,575	5,580	26,062	398,290	(6,071)	(83,284)	4,809,698	-	564,546
Comprehensive income (comprehensive loss) for the period	-	-	(167,415)	(28,646)	44,908	-	1,377,902	1,226,749	-	-
Dividend	-	-	-	-	-	-	(432,215)	(432,215)	-	-
Balance as at June 30, 2009 (unaudited)	564,546	3,904,575	(161,835)	(2,584)	443,198	(6,071)	862,403	5,604,232	-	564,546
For three-month period ended										
June 30, 2008 (unaudited)										
Balance as at April 1, 2008 (audited)	564,515	2,245,022	(388,778)	2,260	(150)	(6,071)	(558,992)	1,857,806	551	1,858,357
Issuance of shares	2	382,995	-	-	-	-	-	382,997	-	382,997
Comprehensive income (comprehensive loss) for the period	-	-	(127,045)	8,188	2,800	-	(121,313)	(237,370)	34	(237,336)
Balance as at June 30, 2008 (unaudited)	564,517	2,628,017	(515,823)	10,448	2,650	(6,071)	(680,305)	2,003,433	585	2,004,018

(*) Represents a sum below NIS 1 thousand.

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

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

	Attributed to Company's equity holders							Minority Interest	Total equity	
	Share capital	Premium on shares	Translation reserve for foreign activities	Hedge reserve	Reserve for assets available for sale	Treasury shares	Accumulated loss			Total
	NIS thousands									
For the year ended December 31, 2008 (audited)										
Balance as at January 1, 2008 (audited)	564,515	2,245,022	(210,751)	-	(644)	(6,071)	(563,225)	2,028,846	117	2,028,963
Issuance of shares	31	1,659,553	-	-	-	-	-	1,659,584	-	1,659,584
Exercise of options granted to employees	(*)	-	-	-	-	-	-	-	-	-
Exercise of options granted to investors	(*)	-	-	-	-	-	-	-	-	-
Comprehensive income (comprehensive loss) for the period	-	-	(36,923)	10,022	(242,483)	-	236,584	(32,800)	(117)	(32,917)
Balance as at December 31, 2008 (audited)	564,546	3,904,575	(247,674)	10,022	(243,127)	(6,071)	(326,641)	3,655,630	-	3,655,630

(*) Represents a sum below NIS 1 thousand.

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

Condensed Consolidated Interim Statement of Cash Flows

	For six-month period ended		For three-month period ended		For year ended
	June 30		June 30		December 31
	2009	2008	2009	2008	2008
	(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	1,621,251	(115,649)	1,370,503	(119,882)	237,596
Adjustments:					
Minority interest in results of subsidiaries, net	-	433	-	62	(117)
Financing costs, net	119,777	254,858	70,722	107,425	445,691
Income tax expenses (savings)	(28,601)	92	101,775	26	(16)
Devaluation of securities available for sale	-	4,924	-	2,061	4,460
Koor's equity in results of affiliates, net	(111,803)	(189,739)	9,301	(79,477)	(217,290)
Dividend received from affiliates	-	167,317	-	166,280	249,690
Depreciation and amortization	825	2,920	371	1,575	10,504
Increase (decrease) in employee benefits, net	(164)	159	(7)	159	165
Revaluation of investment property	-	-	-	-	(3,020)
Capital losses (gains), net, from realization of:					
Fixed assets and investment property	(1,646)	(54)	-	(43)	(180)
Investments in investees and securities available for sale	(1,627,881)	(46,189)	(1,599,026)	-	(623,230)
Gain from early redemption of debentures	(178)	-	-	-	(78,348)
Linkage and amortization of debenture discounts and revaluation of liability from options	35,834	3,968	44,134	50,264	15,965
Linkage of loan principals and other long-term liabilities	13,053	37,455	19,595	30,088	64,494
Erosion (revaluation) of investments, deposits and loans receivable	(19,528)	19,755	(12,590)	10,251	44,695
Impairment (appreciation) of assets and investments (mainly change in value of venture capital investments)	(355)	15,513	4,835	5,763	24,349
Decrease (increase) in trade and other receivables	11,871	(14,980)	(6,787)	(14,786)	4,203
Decrease (increase) in inventories and customer advances	5,120	(11,211)	4,176	(7,215)	(3,429)
Decrease in trade and other payables	(47,925)	(10,846)	(12,020)	(14,648)	(9,593)
Income tax paid	(192)	(19)	(66)	(13)	(150)
Net cash inflows (outflows) generated by operating activities	(30,542)	118,707	(5,084)	137,890	166,439
Cash flows generated by investing activities					
Purchase of fixed assets	(1,080)	(790)	(102)	(344)	(1,566)
Amounts recognized as intangible assets	-	(5,612)	-	(3,296)	(5,708)
Proceeds from realization of securities available for sale, investments in investees and other	5,455,223	1,447	4,968,047	1,447	4,541,802
Proceeds from sale of fixed assets, investment property and intangible assets	38,381	104	-	104	538
Investment in securities available for sale, affiliates and other	(1,413,011)	(262,789)	(1,260,123)	(129,092)	(8,462,097)
Investment in venture capital companies	-	(4,182)	-	-	(5,625)
Decrease (increase) in short-term deposits and investments, net	-	(1,558)	-	(795)	382,685
Interest received	1,420	36,962	1,001	16,084	60,953
Net cash inflows (outflows) generated by continuing investing activities	4,080,933	(236,418)	3,708,823	(115,892)	(3,489,018)
Net cash inflows generated by continuing investing activities	-	35,560	-	-	35,560
Net cash inflows generated by investing activities	4,080,933	(200,858)	3,708,823	(115,892)	(3,453,458)

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

Condensed Consolidated Interim Statement of Cash Flows (cont.)

	For six-month period ended		For three-month period ended		For year ended
	June 30		June 30		December 31
	2009	2008	2009	2008	2008
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Cash flows generated by financing activities					
Dividend distributed to shareholders	(432,215)	-	(432,215)	-	-
Net proceeds from issuance of shares	-	382,997	-	382,997	1,659,584
Interest paid	(61,560)	(40,980)	(26,944)	(25,047)	(154,908)
Proceeds from the re-issuance of debentures held by the subsidiary	79,862	-	79,862	-	-
Long-term loans and other liabilities received	-	50,000	-	50,000	158,000
Long-term loans, debentures and other liabilities repaid	(71,354)	(129,201)	(70,828)	(119,749)	(571,430)
Cash flows from settlement of derivatives	9,819	3,748	9,819	3,748	13,571
Increase (decrease) in credit from banks and others, net	(751,160)	1,291	(829,812)	983	788,093
Net cash inflows (outflows) generated by financing activities	(1,226,608)	267,855	(1,270,118)	292,932	1,892,910
Change in cash and cash equivalents from continuing operations	2,823,783	185,704	2,433,621	314,930	(1,429,669)
Change in cash from discontinued operations (*)	-	-	-	-	35,560
Change in cash and cash equivalents	2,823,783	185,704	2,433,621	314,930	(1,394,109)
Cash and cash equivalents – beginning of period	277,265	1,917,412	693,652	1,660,472	1,917,412
Effect of fluctuations in exchange rate on balances of cash and cash equivalents	(6,439)	(215,618)	(32,664)	(87,904)	(246,038)
Cash and cash equivalents – end of period	3,094,609	1,887,498	3,094,609	1,887,498	277,265

(*) Includes proceeds from sale of discontinued operations.

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

Note 1 – General

Koor Industries Ltd. ("the Company" or "Koor") is an Israel-domiciled company that was incorporated in Israel; its registered address is 3 Azrieli Center, Tel-Aviv 67023. The Company's condensed consolidated financial statements as at June 30, 2009 include the financial statements of the Company and the financial statements of its subsidiaries, as well as the Group's rights in affiliates (together – "the Group"). The Company is a holding company engaged mainly in the fields of agrochemicals, finance, telecommunications equipment and others, through subsidiaries, affiliates and financial investments. I.D.B. Development Corporation Ltd. ("IDB Development"), which is the controlling shareholder in the Company, holds 76% of the Company's shares as at June 30, 2009, directly and indirectly through Discount Investment Corporation Ltd ("DIC"). The controlling interest in IDB Development is comprised of Gandan Holdings Ltd., Manor Holdings B.A. Ltd. and Abraham Livnat Ltd., which are tied in a voting agreement. Its ultimate parent company is Gandan Holdings Ltd., and Mr. Nochi Dankner is the ultimate controlling shareholder. The Company's securities are listed for trading on the Tel Aviv Stock Exchange.

Note 2 – Basis for preparation of financial statements

- A. The condensed consolidated interim financial statements were prepared in accordance with IAS 34 – *Interim Financial Statements* – and do not include all the information required in the full annual financial statements. The condensed interim financial statements should be read together with the financial statements for the year ended December 31, 2008 ("the annual financial statements").

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

The condensed consolidated interim financial statements were approved for issuance by Koor's board of directors on August 23, 2008.

B. Use of estimates and judgment

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

Furthermore, the Company has unutilized tax loss carryforwards, which, in its opinion, it will be possible to utilize against taxable income. In order to determine the amount of loss carryforwards that it will be possible to utilize and the amount of deferred taxes to be created, management must use its judgment regarding the manner in which the losses will be offset, the taxable income expected in the future and its timing. Changes in these assumptions could lead to changes in the value of the deferred taxes, provisions for taxes and operating results.

Note 2 – Basis for preparation of financial statements (cont.)**C. Reclassification**

As at December 31, 2008, the Company reclassified the liability for options to investors to a long-term liability in accordance with IAS 1, since the options, if realized, will be realized through the issuance of capital and not in cash. The comparative figures as at June 30, 2008 were reclassified for the sake of consistency.

As at June 30, 2009, the Company classified the tax effect of the revaluation and realization of securities available for sale in the statement of comprehensive income according to the gross approach. Comparative figures for year 2008 were reclassified in the statement of comprehensive income, in order to include all of the said effect according to the gross approach, and not the net approach, for the purpose of consistency.

Note 3 – Significant Accounting Policies

Except as provided in Par. (1) below, the Group's accounting policies in its condensed consolidated interim financial statements are the policies that it applied in its annual financial statements.

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

(1) First-time application of new standards**A. Financial statement presentation**

Commencing January 1, 2009, the Group applies IAS 1, *Financial Statement Presentation*, Amended (the Standard"). The standard allows for the presentation of a single statement of comprehensive income (a statement that combines a statement of income and other comprehensive income), or alternatively, to present two separate statements (a separate statement of income and a separate statement of comprehensive income). The Group has elected to present income and expense items and other comprehensive income items in two separate statements – a statement of income followed by a statement of comprehensive income. Additionally, the Group presents a statement of changes in equity, instead of disclosure in a footnote, immediately after the statement of comprehensive income. The standard is applied retroactively.

B. Segment reporting

Commencing January 1, 2009, the Group applies IFRS 8, *Operating Segments* ("the Standard"). The Standard provides that segment reporting will conform to the "management approach", i.e. based on the internal reporting format for the Group's primary operational decision making. Reporting for prior periods has been restated, in order to reflect the change in the composition of the Group's reportable segments. For additional information, see Note 7 regarding operating segments.

An operating segment is an element of the Group that meets the following three conditions:

1. Engages in business activity from which it could generate revenues and for which it could incur expenses.
2. Its operating results are reviewed regularly by the Group's chief operational decision maker, in order to reach decisions on the resources to be allocated to it and in order to assess its performance.
3. There is separate, available financial information about it.

Note 3 – Significant Accounting Policies (cont.)**(2) New standards and interpretations not yet adopted**

Within the scope of the improvement project for international standards, from 2009, (Improvements to IFRS), the IASB published and approved, in April 2009, 15 amendments to International Financial Reporting Standards on a wide range of accounting issues. These amendments will apply to periods commencing on or after January 1, 2010, with the possibility of early adoption, subject to the conditions provided for each amendment.

Provided below are the amendments that could be relevant for the Group and which could impact the financial statements:

- Amendment to IAS 36, *Impairment of Assets*, Allotment of Goodwill to Cash-Producing Units ("the Amendment") – According to the Amendment, for the purpose of examining for impairment, the cash-producing unit to which goodwill will be allotted will not be larger than the operating segment as defined in IFRS 8, before application of the grouping criteria in Section 12 of IFRS 8. The Amendment will apply to annual periods commencing on or after January 1, 2010. Early application is possible, upon providing disclosure.
The Group is evaluating the effect of application of the Standard on its financial statements.
- Amendment to IAS 39, *Financial Instruments: Recognition and Measurement*, is no longer applicable to contracts for business combinations ("the Amendment") – the Amendment clarifies that forward contracts between a buyer and seller regarding the sale or purchase of a controlled entity, within the scope of a business combination on a future purchase date, is not covered by IAS 39, when the forward contract's period does not exceed the normal period required to obtain the requisite approvals for the transaction.
The Amendment will be applied prospectively to all contracts that have not yet lapsed, for annual periods commencing January 1, 2010. Early application is possible, upon providing disclosure.
The Group is evaluating the effect of application of the Standard on its financial statements.
- Amendment to IAS 39, *Financial Instruments: Recognition and Measurement*, deals with the penalty for early repayment of a loan as an embedded derivative ("the Amendment"). The Amendment provides that if the penalty for early repayment of a loan compensates the lender up to an amount that approximates the present value of the interest payments that would have been received for the remaining period of the host contract (the loan), then the economic characteristics and risks of the early repayment option are similar to the economic characteristics and risks of the host contract, and the embedded derivative is not to be separated. The Amendment will apply to annual periods commencing on or after January 1, 2010.
The Group is evaluating the effect of application of the Standard on its financial statements.

Note 4 - Information Regarding Certain Investees**A. Makhteshim Agan Industries Ltd. ("Makhteshim-Agan") – an affiliate**

1. Koor's holding percentage in the voting rights in Makhteshim-Agan as at June 30, 2009 is 41.9%. The book balance of the investment as at June 30, 2009 amounted to NIS 2,705 million. The market value as at the said date amounted to NIS 3,519 million.

2. Seasonal factors

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

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

3. Claims

a. On January 18, 2009, a financial claim was lodged against Agan Chemical Manufacturers Ltd., a wholly-owned subsidiary of Makhteshim-Agan ("Agan") in Beer Sheba District Court, as well as a motion for recognition as a class action under the Class Action Law, by a resident of Ashdod, asserting that damages were allegedly sustained due to the suffering that the plaintiff asserted was caused as a result of the fire in the Ashdod plant. If recognized as a class action, the plaintiff estimates that the amount claimed from Agan is NIS 100 million. At this juncture, Agan is unable to estimate the prospects of the claim and the motion for class action recognition.

b. On July 1, 2009, a criminal complaint was filed in Beer Sheba Magistrate's Court against Agan, directors, officers and an executive in Agan, by a group of residents of the moshav Nir Galim ("the Complainants"). In the complaint, the Complainants assert that there were several instances during the years 2007-2009, in which the Ashdod plant of Agan produced strong and unreasonable odor nuisances in violation of the provisions of the Abatement of Nuisances Law, 1961. Likewise, the Complainants assert that during the fire that occurred in the Agan plant on January 14, 2009, strong and unreasonable air pollution was caused and hazardous materials were emitted into the air, contrary to the terms of Agan's business license and in violation the Poisons Permit, and contrary to the Businesses Licensing Law, 1968 and the Hazardous Materials Law, 1993. In the complaint, the Complainants are petitioning to convict the defendants and to impose penalties and/or imprisonment, based on the provisions of the relevant laws ("the Complaint").

On July 14, 2009, a lawsuit was filed in Beer Sheba District Court against Agan, directors, officers and an executive in Agan, by a group of residents of Nir Galim ("the Plaintiffs"), asserting damages they allegedly sustained due to the nuisances of bad odor, noise and air pollution originating in the Agan plant. In the statement of claim, the plaintiffs are petitioning the court to issue a restraining order and a mandatory injunction against Agan and to require Agan to pay damages totaling NIS 59 million. As at the approval date of the financial statements, the complaint and the statement of claim have not yet been furnished to Agan as required by law, and therefore, Agan's management is unable to assess the prospects of these proceedings.

Note 4 - Information Regarding Certain Investees (cont.)

4. On March 25, 2009, Makhteshim-Agan issued debentures, through an expansion of Series C and D, by virtue of a shelf prospectus published on May 27, 2008, in the total amount of NIS 1,133 million par value of debentures, in consideration for 101.56% and 98.95% of their par value, respectively. The debentures are divided into two series, as follows:
 - a. Series C totaling NIS 661 million par value, debentures are linked to the CPI for October 2006, bears annual interest of 4.45%. The principal will be repaid in four equal installments in the years 2010 through 2013. The issue costs for this series totaled \$1,297 thousand.
 - b. Series D totaling NIS 472 million par value, debentures bear basic annual interest of 6.5% and are unlinked. The principal will be repaid in 6 equal installments in the years 2011 through 2016. The issue costs for this series totaled \$1,090 thousand.

5. Following tests performed by the Brazilian health authorities in the company Mileania Agrociaenias S.A., a subsidiary of Makhteshim-Agan in Brazil ("the subsidiary"), relating to the licensing issues of several formulations that the subsidiary produces and/or markets in Brazil, it was ruled that the subsidiary must refrain, temporarily, from the production and sale of these formulations, and the ruling also applies to existing inventory held by some of the subsidiary's customers.

The subsidiary is in regular contact with the authorities, and at the request of the Health Authority, the Ministry of Agriculture, the body responsible for approving licenses in Brazil, furnished approval, whereby the changes made by the subsidiary to the tested products tested are acceptable to it, and therefore, there is nothing, from the standpoint of the Ministry of Agriculture, preventing the continuation of production and marketing of these products. The subsidiary's position, as presented to the authorities, is that the formulations it sells are similar to those sold in the Brazilian market by other companies, and that the changes made to the formulations are minor, were intended to improve their quality, and if there is any variation, it is merely an administrative and procedural matter. The subsidiary further argues that it insists on implementing advanced technologies in the formulation process, in order to meet the most stringent public health standards.

To the extent that the subsidiary's contacts with the Health Authority will not be successful, in view of the alternate solutions adopted by the subsidiary to supply most of the formulations for which production and marketing has been suspended temporarily, Makhteshim-Agan assesses, at the approval date of its financial statements, that the effect of the events on the subsidiary's sales and income in the second half of the year is not expected to be material.

Likewise, as a result of the aforesaid, the subsidiary's management has decided to recognize a one-off provision, before tax benefit, of \$15.5 million in its financial statements, for inventory and goods sold in the past, and expenses related to dealing with the said events.

Note 4 - Information Regarding Certain Investees (cont.)

6. Further to the aforesaid in the Periodic Report published by Makhteshim-Agan on March 11, 2009, with respect to the Temporary Order under the Amendment of Section 169 of the Income Tax Ordinance ("the Ordinance"), which enables Makhteshim-Agan, in the 2009 tax year alone, to pay tax at the reduced rate of 5%, instead of 25%, on dividends withdrawn from related companies overseas, and after Makhteshim-Agan evaluated how to implement the said Amendment to the Ordinance, Makhteshim-Agan's board of directors ratified a proposal for a one-off drawing of earnings from the Group's overseas companies in the amount of up to \$300 million. The transferred earnings will be used by Makhteshim-Agan for its current needs and as a reserve for the distribution of a dividend. The financial statements of Makhteshim-Agan include a tax provision of \$15 million (5% of the dividend amount).

It should be clarified that the withdrawal of earnings, as noted, does not change the dividend distribution policy of Makhteshim-Agan and/or its timing.

B. Telrad Networks Ltd. ("Telrad") – a former affiliate

On March 31, 2009, Koor signed an agreement with Telrad and with the Fortissimo Fund, whereby Koor transferred a part of its shares in Telrad to Fortissimo, as well as part of its right to repayment of the loans it had furnished to Telrad, for no consideration, so that its holdings in Telrad fell to 10% and its share in shareholder loans fell to 10%. Furthermore, Koor has undertaken to inject a total of \$1,000 thousand as part of a round of financing to be effected, at the terms provided in the agreements. As from the signing date of the agreement, Koor has the right to join the sale of Telrad shares by Fortissimo, and has no representation in Telrad's board of directors. The sale has no effect on the Company's net income.

As a result of the sale, commencing March 31, 2009, the investment in Telrad is treated as an asset available for sale.

C. Harriet Investments (2001) Ltd. (formerly Dekolink Wireless Ltd.) ("Harriet")

In January 2009, Harriet closed on the sale of most of its assets to an unrelated third party. Under the terms of the assets sale, the Buyer acquired the intellectual property of Harriet, inventory and equipment. Moreover, Harriet assigned to the Buyer several agreements and obligations included in those agreements. The sale's proceeds totaled \$4.1 million in cash. Furthermore, the Buyer has undertaken to transfer receipts to Harriet from invoices receivable that were assigned to the Buyer by Harriet, up to a sum of \$250 thousand.

Koor has also undertaken to indemnify the Buyer for a breach of ownership representations in the assets sold, given to it by Harriet, if Harriet does not meet its obligation to indemnify the Buyer. Koor's indemnification obligation was made contingent on conditions, period and amount (which will not exceed the sales proceeds amount).

As at December 31, 2008, the assets included in the transaction, as above, are stated in the financial statements as assets held for sale.

Note 4 - Information Regarding Certain Investees (cont.)**D. A.K.A. Development Ltd. ("AKA") - affiliate**

On April 16, 2009, Koor Properties Ltd. ("Koor Properties"), a wholly-owned subsidiary of Koor, signed an agreement for the sale of its stake (33% of the issued and paid-up share capital) in AKA, to the remaining shareholders in AKA ("the Buyers"). Subsequent to the balance sheet date, on July 20, 2009, the sale was closed. The total receipts from the sale of Koor's Properties in AKA amounted to NIS 81.2 million, comprised of proceeds from the sale of shares totaling NIS 30.6 million, proceeds from the repayment of loans given by Koor Properties totaling NIS 33.9 million and from a dividend – pre-sale – in which Koor Properties share is of NIS 16.7 million. The final proceeds are subject to certain adjustments if and to the extent the Buyers will sell the shares within a 12-month period from the closing date of the sale. This transaction had no effect on the Company's net income.

Commencing March 31, 2009, the investment in AKA was classified as assets held for sale. Consequently, the Company stopped treating the investment on the basis of the equity method.

Note 5 – Significant Events in the Report Period

1. In January 2009, a wholly-owned subsidiary of the Company acquired 745,816 par value of debentures (Series H) of Koor during stock exchange trading. As a result of the said acquisition, the Company recorded a gain on early redemption of NIS 178 thousand in the first quarter of 2009.

On May 3, 2009, the subsidiary sold 75,830,000 par value of debentures (Series H) for total consideration of NIS 80 million.

Following the aforementioned and in addition to the acquisitions made during 2008, as at June 30, 2009, the subsidiary holds 142,220,186 par value of debentures.

2. In February 2009, Koor undertook to sell two floors of an office building in Tel-Aviv, comprising a single unit, having total area of 1,617 square meters (and parking spaces) in consideration for NIS 22.4 million. As a result of the said sale, the Company posted a capital gain of NIS 2 million in the first quarter of 2009.

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

3. During the first half of 2009, the Company made several additional purchases and sales of shares of Credit Suisse – directly and through a wholly-owned subsidiary. As a result of the sale of Credit Suisse shares during the said half, the Company posted a pre-tax gain of NIS 1,631 million, NIS 1,599 million in the second quarter of 2009.

As provided in the notes to the financial statements for 2008, when the price of Credit Suisse shares exceed their investment cost, the Company must record a provision for tax for the increase in the fair value accrued, in equity, against a capital reserve (so that the capital reserve represents the increase in fair value net of tax effects). Against the aforesaid provision, the Company recognizes a deferred tax asset up to the amount of the balance of carryforward losses, which may be utilized, and based on the appreciation of the investment made directly by the Company. The subsidiary also recognizes a deferred tax asset for the investments it made, according to the said principles. The deferred tax asset is recognized through the statement of income. In this context, a decrease in the capital reserve in subsequent periods will lead to a decrease in the provision and, correspondingly, to a decrease in the deferred tax asset, and to the recognition of tax expenses through the statement of income. Utilization of the deferred tax asset included in the statements depends on the realization of the investment to which the capital reserve relates, in income.

As at June 30, 2009, the Company accrued material gains on its investment in Credit Suisse, which according to its assessment and based on a professional opinion, may be offset against loss carryforwards that accrued in prior years and in the first half of the current year. In these financial statements, management's judgment was needed with respect to the manner of offsetting the losses, the projected taxable income and its timing, since the tax laws and provisions of the law on this area are subject to different interpretations. Also see Note 2.B above.

In the first half of 2009, the Group recognized tax savings of NIS 29 million, mainly due to the appreciation of the Credit Suisse shares held by a subsidiary. In the second quarter of 2009, the Group recorded tax expenses of NIS 102 million, deriving mainly from the reversal of a tax asset in the amount of NIS 130 million that was recorded in the first quarter, which was reversed due to the sale of Credit Suisse shares.

As at June 30, 2009, the Group holds 13.42 million shares of Credit Suisse, representing 1.13% of Credit Suisse's shares, at a cumulative investment of NIS 1.81 billion, and having fair value at such date of NIS 2.40 billion. Thus the balance of the capital reserve, net of tax, as at June 30, 2009 is positive, at NIS 441 million. Regarding other purchases and sales subsequent to the balance sheet date and the Group's holdings at the report date, see Note 9(2).

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

4. On April 24, 2009, a general meeting was held by Credit Suisse, in which a dividend distribution of CHF 10 cent per share was approved. On April 30, 2009, Koor received its share in the said dividend, totaling CHF 3 million. From this amount, tax of CHF 0.5 million was withheld.
5. On June 22, 2009, Koor's board of directors authorized to invest in the shares of Carrefour SA ("Carrefour"). The purchases are effected through a wholly-owned subsidiary of the Company. The approved investment limit is up to a sum of NIS 3.5 billion. The investment will be made while utilizing buy and sell opportunities, noting the state of the markets and according to the Company's assessments from time to time. There is no certainty as to the amount of the investment.

The investment is treated in the balance sheet as an asset available for sale, and is measured at its fair value. The change in fair value of the investment, net of tax, is recognized (as long as there is no sharp and/or ongoing decline) directly in equity, within the capital reserve for assets available for sale.

As at June 30, 2009, the Company held 1.96 million shares of Carrefour, representing 0.28% of Carrefour's shares, at a cumulative investment amount of NIS 318 million, and having fair value at this date of NIS 330 million. This difference, net of commissions expected to be paid to HSBC Bank in connection with the purchase of Carrefour shares, was recognized in the capital reserve, securities available for sale.

6. In March 2009, the Company reached agreement with Morgan Stanley, whereby the non recourse credit facility provided to it by Morgan Stanley would be doubled, to a maximum amount of CHF 330 million ("facility limit"), and the original credit facility of CHF 165 million, will be added to the additional credit facility of CHF 165 million.

As at June 30, 2009, the utilized credit facility is CHF 52 million (and net of deposits of CHF 32 million). At the report date, the maximum amount considered withdrawn by the Company from the Morgan Stanley credit facility, in the period from the execution of the loan agreements until the date of this report, is CHF 318 million. The balance of the credit from Morgan Stanley, net of deposits, as at the date of this report is CHF 178 million.

7. On May 20, 2009, the Company's board of directors resolved to distribute a cash dividend totaling NIS 432 million (representing NIS 9.11 per share). The dividend was paid on June 10, 2009.
8. On May 11, 2009, a special general meeting of the shareholders of Koor resolved, in the majority required by Section 275 of the Companies Law, resolved to approve a payment to I.D.B. Development of management fees constituting participation in the cost of their employment by IDB Development in year 2008 of Messrs Haim Gavrieli (a director in Koor and an officer in IDB Development) and Lior Hannes (an officer in IDB Development and a director in IDB Holding Corporation Ltd.), in the amount of NIS 1.2 million for each of them, in view of their substantial contribution to the operations and profitability of Koor in 2008.
9. On May 15, 2009, the Company repaid all of the recourse credit provided to it by Goldman Sachs totaling CHF 214 million.

Note 6 – Contingent Liabilities

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

A detailed description of the contingent liabilities pending against the Company appears in Note 31 to the annual financial statements.

Provided below are details on material changes that occurred in contingent liabilities since December 31, 2008:

- A. In March 2009, a claim and motion for class action recognition (together – "the claim") were filed in Jerusalem District Court against DIC and against directors and the CEO of Koor, by a plaintiff claiming that he is a shareholder in Koor.

The claim alleges, mainly, that the issuance of rights by Koor in November 2008 ("issuance of rights") discriminated against Koor's shareholders from the general public, and was done for the benefit of the controlling shareholders in Koor, including DIC, and that in reaching the decision to issue the rights, the directors of Koor acted in a conflict of interest. The claim further alleges that the number of shares issued from the issuance of rights, pursuant to the shelf offering, exceeded the number of shares provided in the shelf prospectus of Koor from May 2008 on which it was based.

The claim alleges that the issuance of rights violated the rights of the plaintiffs under the Companies Law, 1999, the Securities Law, 1968 and the regulations promulgated thereunder, and the Unlawful Enrichment Law, 1979; and that they acted without good faith and with negligence.

The class that the plaintiff is requesting to represent ("the represented class") is all the Koor shareholders immediately before the issuance of rights that are not part of the controlling shareholders in Koor (DIC, its parent company, and any of the interested parties that hold shares personally in Koor), which did not realize their right to acquire shares in the issuance of the rights; as well as the American shareholders who were unable to realize rights to acquire Koor shares in the issuance of rights.

If recognized as a class action, the relief requested by the plaintiff is that DIC will provide to the represented class 3,988,377 shares of Koor that DIC acquired in the issuance of rights beyond its pro rata share in that rights issuance, so that each of the members of the represented class could acquire a pro rata share of the said shares for NIS 37.29 per share. If this is not possible – to require the defendants to compensate the members of the represented group in the amount of NIS 68.24 per share for each said share; alternatively, to require the defendants to compensate the member of the represented group at a total amount estimated by the plaintiff (according to a financial opinion attached to the claim) of NIS 73 million, or another amount to be determined by the court. The court is also asked to issue orders to prevent future discrimination against Koor's shareholders from the general public, including an order for Koor to convene a general meeting of shareholders and to elect new directors, for whom a condition of their election will be their declaration that they have no connection with the controlling shareholders, as well as to prescribe certain procedures in Koor before it issues rights in the future.

Note 6 – Contingent Liabilities (cont.)

Koor gave its directors and officers a letter of indemnification, pursuant to which Koor has undertaken to indemnify the said officers for any obligation or expense to be imposed on them and/or that they will sustain as a result of their activities in performing their function. Moreover, the directors and officers of Koor are insured in directors and officers insurance.

The Company received, for its review, the opinion of the legal counsel of the Company's directors and CEO, pursuant to which at this stage, it is not more likely that the claim will be accepted, than that it will be dismissed. Therefore, in addition to the aforementioned insurance coverage, it did not include any provision for this claim in its financial statements.

B. See Note 4(A)3 in connection with contingent claims against an affiliate.

Note 7 – Operating segments**A. General**

The information is presented for the Group's operating segments.

The Group is engaged in the following main operating segments:

The agrochemical activity is carried out by Makhteshim-Agan (an affiliate), which is considered the world's leading generic agrochemicals producer. Makhteshim-Agan provides a wide range of solutions and products, including herbicides, pesticides and fungicides, as well as aroma products and different kinds of chemicals.

The finance activity is carried out through an investment in the shares of Credit Suisse, whose shares are traded on two main exchanges: the SIX Exchange in Switzerland and the NYSE in New York, and provides financial services worldwide, including commercial banking, private banking, investment banking and asset management services.

The Group's telecommunications equipment activity is carried out by Microwave Networks Inc. ("MNI"), a subsidiary that develops and markets point-to-point telecom systems. In 2008 and the first quarter of 2009, this activity also included Harriet, which developed and marketed cellular communications equipment, and whose assets were sold in January 2009.

The accounting policy for operating segments is the same as that presented in Note 3, regarding accounting policies.

The segment revenues include revenues from sales and services, the income (loss) generated to Koor by the sale or write-down of investments in companies in the segment, from the amortization of excess cost allocated to the segment companies and the income generated to Koor from the negative goodwill created in the acquisition of the segment companies, gains from the sale of securities available for sale, other income and financing income.

The results of the segments include Koor's equity in the net income (loss) of the segment's companies, the gain (loss) generated to Koor from the sale or write-down of investments in companies in the segment, from the write-down of excess cost allocated to companies in the segment and the income to Koor from the negative goodwill created in the acquisition of companies in the segment.

Notes to the Interim Financial Statements as at June 30, 2009 (unaudited)**Note 7 – Operating segments (cont.)****A. General (cont.)**

The assets of the segment companies include the asset amount according to their financial statements, as with respect to investments classified in the Company's books as available for sale, the segment assets are the Company's investment at fair value.

Regarding certain affiliates, their turnover and assets were included in full, based on the reporting format to the Group's main operational decision makers. These revenues and assets are eliminated in the adjustments column, and instead, the adjustments column includes the Company's equity in the results of the segment companies and the Company's investment in these companies, respectively.

The activities of the headquarter companies, including Koor, are included in the adjustments.

Information relating to prior periods has been restated.

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

	For the six-month period ended June 30, 2009					
	Agro-Chemicals	Finance	Telecom Equipment	Other	Adjustments	Consolidated
	NIS thousands					
Total revenues	<u>5,315,409</u>	<u>1,641,272</u>	<u>62,182</u>	<u>77,538</u>	<u>(5,238,829)</u>	<u>1,857,572</u>
Segment's results	<u>104,869</u>	<u>1,641,272</u>	<u>(9,362)</u>	<u>9,614</u>	<u>(153,743)</u>	<u>1,592,650</u>
Segment's assets	<u>13,573,598</u>	<u>2,404,850</u>	<u>72,304</u>	<u>889,747</u>	<u>(7,881,013)</u>	<u>9,059,486</u>
	For the six-month period ended June 30, 2008					
	Agro-Chemicals	Finance	Telecom Equipment	Other	Adjustments	Consolidated
	NIS thousands					
Total revenues	<u>5,228,478</u>	<u>-</u>	<u>108,405</u>	<u>209,683</u>	<u>(5,136,802)</u>	<u>409,764</u>
Segment's results	<u>211,111</u>	<u>-</u>	<u>(21,458)</u>	<u>8,392</u>	<u>(313,169)</u>	<u>(115,124)</u>
Segment's assets	<u>11,326,811</u>	<u>332,163</u>	<u>126,206</u>	<u>771,745</u>	<u>(7,038,122)</u>	<u>5,518,803</u>
	For the three-month period ended June 30, 2009					
	Agro-Chemicals	Finance	Telecom Equipment	Other	Adjustments	Consolidated
	NIS thousands					
Total revenues	<u>2,168,562</u>	<u>1,608,315</u>	<u>32,685</u>	<u>35,781</u>	<u>(2,186,766)</u>	<u>1,658,577</u>
Segment's results	<u>(12,795)</u>	<u>1,608,315</u>	<u>(4,143)</u>	<u>(585)</u>	<u>(118,514)</u>	<u>1,472,278</u>

Notes to the Interim Financial Statements as at June 30, 2009 (unaudited)

Note 7 – Operating segments (cont.)

B. Information related to the Koor Group's operating segments – consolidated (cont.)

	For the three-month period ended June 30, 2008					Consolidated
	Agro-Chemicals	Finance	Telecom Equipment	Other	Adjustments	
	NIS thousands					
Total revenues	2,470,898	-	56,970	75,215	(2,456,814)	146,269
Segment's results	89,834	-	(8,460)	(15,407)	(185,761)	(119,794)

	For the year ended December 31, 2008					Consolidated
	Agro-Chemicals	Finance	Telecom Equipment	Other	Adjustments	
	NIS thousands					
Total revenues	9,345,210	574,523	208,580	360,292	(9,224,213)	1,264,392
Segment's results	289,486	574,523	(54,119)	(41,652)	(530,775)	237,463
Segment's assets	12,825,709	4,099,752	114,786	759,561	(10,338,443)	7,461,365

Note 8 – Taxes on income

On July 25, 2005, the Knesset passed the Law to Amend the Income Tax Ordinance (No. 147), 2005, which provided, inter alia, a gradual reduction in the corporate tax rate, reaching 25% in the 2010 tax year and henceforth.

On July 14, 2009, the Knesset passed the Economic Efficiency Law (Legislative Amendments for Implementation of the Economic Plan for the Years 2009 and 2010), 2009, which provided, inter alia, a further gradual reduction in the corporate tax rate, to 18% in 2016 and henceforth. According to the said amendments, the corporate tax rates in effect in the tax year 2009 and henceforth are as follows: in 2009 tax year – 26%; in 2010 tax year – 25%; in 2011 tax year – 24%; in 2012 tax year – 23%; in 2013 tax year – 22%; in 2014 tax year – 21%, in 2015 tax year – 20% and in the tax year 2016 and henceforth, a corporate tax rate of 18% will be in effect.

The implication of the change in tax rates will be expressed in the financial statements for the third quarter of 2009, by increasing the investment in investees and increasing in Koor Group's equity in results of affiliates, net in the amount of NIS 12 million.

Note 9 – Subsequent events

1. On July 13, 2009, the Company and M.A.G.M. Chemical Holdings Ltd. (a subsidiary ("MAGM")) entered into a non-recourse credit facility agreement with a corporation in Citigroup, for the purchase of shares of Credit Suisse ("Citi Credit"). The Citi Credit may be utilized by the Company and/or by MAGM (each in the pro rata shares of the two companies). The maximum total amount of the Citi Credit that may be withdrawn is CHF 330 million. In January 2010, this amount will be updated to the maximum amount that was actually withdrawn until such date. At the report date, the net balance of the loan withdrawn in the Citi Credit facility is CHF 55 million (which also constitutes the maximum amount withdrawn until the report date).

The Citi Credit will come due in July 2010, while the Company and MAGM have the right to extend the credit period for an additional two periods of one-year each, subject to the payment of an extension fee. The Company and MAGM are allowed to repay the Citi Credit in early repayment, subject to the payment of a fee. The interest on the Citi Credit will be monthly interest, at the relevant LIBOR rate (on the Swiss franc), plus a margin ranging between 2.75% and 4%, based on the ratio of the collateral to the net loan balance, as it will actually be from time to time (plus an increment for grossing up withholding tax, if any). To secure the Citi Credit, the Company and MAGM will pledge and/or lend the shares of Credit Suisse in favor of Citi, while it is agreed that in the event of deviation from a certain ratio between the value of the collateral and the value of the debt balance (which is subject to changes in certain circumstances), the Company and MAGM will be required to furnish a cash deposit as additional collateral, in an amount that will result in compliance with the agreed upon collateral to debt ratio.

Within the framework of the Citi Credit, the Company and MAGM have undertaken to maintain available cash balances at an amount equal to the lower of 5% of the initial value of the collateral or 5% of the value of the collateral as it will be from time to time. Citi has undertaken to make maximum effort to enable the Company and MAGM to vote the shares that will be furnished as collateral in the general meetings of Credit Suisse. The Company and MAGM will be allowed to withdraw the current dividends that will be distributed for the shares furnished as collateral, provided that the required collateral to debt ratio is met. Special dividends of Credit Suisse for the shares that will be furnished as collateral, if distributed, will be held by Citi together with the collateral. Likewise, the Citi Credit includes provisions regarding forced immediate payment events, including cases of a change in control in the Company, in MAGM or in Credit Suisse, a material worsening of the credit rating of Credit Suisse, extremely low trading volumes in the shares of Credit Suisse, or a drastic drop in the price of the share. Under the terms of the Citi Credit, the Company has guaranteed certain liabilities of MAGM. It was further agreed that the collateral furnished by the Company would also secure the liabilities of MAGM and vice versa.

Incidental to the undertaking in Citi Credit, a coordinating agreement was signed between Morgan Stanley and Citi (as lenders) and between the Company and MAGM (as borrowers), whereby, inter alia, in the case that significant terms in the credit agreements with one lender will be amended, the other lender will be offered the possibility of making the same amendment. Moreover, the coordinating agreement relates to the transfer of information between the lenders in connection with certain matters related to the credit and to the coordinating mechanism between the lenders in all that involves the realization of collateral or the sale of shares furnished as collateral in certain cases of early termination of the credit provided by one of the lenders.

Note 9 – Subsequent events (cont.)

2. In July and August 2009, the Group executed additional purchases and sales of Credit Suisse shares. On the sales of Credit Suisse shares until the publication date of the financial statements, the Company will post net income in the third quarter of 2009 of NIS 305 million.

Proximate to the date of these financial statements, following purchases of Credit Suisse shares (net of sales), the Group holds 23.70 million shares of Credit Suisse, representing 2.00% of the share capital of Credit Suisse, at a total investment of NIS 3.81 billion.

At the publication date of these financial statements, the difference between the value of the Credit Suisse shares held by the Koor Group according to their price on the stock exchange, which is NIS 4.63 billion, and the original cost of these shares (embodied gain) stands at NIS 822 million. At the date of these financial statements, the Company has a debt balance (net of deposits) to financial institutions for this investment totaling CHF 233 million.

In August 2009, the Company's board of directors resolved to increase the amount of the investment in Credit Suisse shares to a total of up to NIS 6 billion.

3. On August 9, 2009, the Company issued to the public 634,117,000, NIS 1 par value, of a new series of debentures (Series I) and listed them for trading on the Tel Aviv Stock Exchange Ltd. The gross proceeds received from the debentures (Series I) total NIS 634 million.

The debentures are in shekels (unlinked). They will be repaid in 5 equal annual installments, with the first payment of principal on March 15, 2011. The interest borne by the debentures was fixed at 6.7%. The annual fixed interest will be paid semiannually, on March 15th of each of the years 2010 through 2015 (inclusive) and on September 15th in each of the years 2010 through 2014 (inclusive). Furthermore, the debentures bear additional, one-off interest of 10% of the rate of increase in the price of the Credit Suisse share on the New York Stock Exchange during the 6 months from August 9, 2009, which will be paid if the price of the Credit Suisse share increases during this period, in addition to the semiannual fixed interest payment, which will be paid on March 15, 2010.

The said interest increment will be treated separately from the debentures as a derivative, which will be measured according to fair value against gain/loss in every period. In calculating the fair value of the derivative on the issue date of the debentures and the issue costs, the effective interest rate on the debentures will stand at 7.77%.

4. Subsequent to the balance sheet date, the board of directors of Makhteshim-Agan resolved to distribute a dividend of \$70 million. The Company's share in this dividend is \$29 million.
5. Subsequent to the balance sheet date, the Knesset passed the Economic Efficiency Law which provided, inter alia, a further reduction in corporate tax rates. See Note 8 regarding the expected effects of the change in tax rates.
6. On August 17, 2009, the Company published a special tender offer for the purchase of up to 22 million ordinary shares, NIS 1 par value each, of Makhteshim-Agan, constituting 5.06% of the issued and outstanding share capital of Makhteshim-Agan and 5.11% of the voting rights in Makhteshim-Agan, at a share price of NIS 16.20. The final date for acceptance of the tender offer was fixed as September 10, 2009.