

Koor Industries Ltd.

Part 1

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

Koor Industries Ltd.

("Koor" or "the Company")

Material changes and new items that have occurred in Koor's business in the three months ended on September 30, 2011¹ in accordance with Regulation 39A of the Securities Regulations (Periodic and Immediate Reports), 1970

In this section:

"Directors' Report" – Koor's Directors' Report on the state of Koor's affairs for the third quarter of 2011, presented in Part 2 of this report.

"Financial Statements" - Koor's consolidated financial statements for the period ended on September 30, 2011, presented in Part 3 of this report.

"Periodic Report" – Koor's periodic report for the year ended December 31, 2010, published in the amended immediate report on March 27, 2011 (Ref. No.: 2011-01-093741).

"First Quarter Report" - Koor's first quarter report for the three-month period ended on March 31, 2011, which was published in an immediate report on May 17, 2011 (Ref. No.: 2011-01-152169).

"Second Quarter Report" - Koor's second quarter report for the three- and six-month period ended on June 30, 2011, published in an immediate report on August 28, 2011 (Ref. No.: 2011-01-253587).

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

1. Purchase and sale of assets (Section 3.5 of Part 1 of the Periodic Report)

- 1.1** For information with respect to the Merger Agreement (as defined in Section 9.2.3 of the Periodic Report) with a subsidiary of China National Chemical Corporation ("ChemChina"), Makhteshim Agan Industries Ltd. ("Makhteshim Agan") and the Company, see Section 5.1 below.
- 1.2** For updates on Koor's investment in Credit Suisse Group AG ("Credit Suisse") shares, see Section 5.2 below.
- 1.3** For additional information regarding the sale of Koor's share in its holding of the HSBC building in New York ("HSBC Building"), see section 5.3 below.

2. Investments in Koor's equity and share transactions (Section 5 of Part 1 of the Periodic Report)

In October 2011, Discount Investment Corporation Ltd. ("DIC"), controlling shareholder in Koor, completed the purchase of 726 thousand ordinary shares of NIS 0.001 par value each of Koor (which constitute 1.53% of Koor's issued and paid up share capital) at a price of NIS 38.5 per share and for total consideration of NIS 28 million, and this according to the format of the ordinary purchase offer

¹ It does not include changes and new items that were described in the periodic report and the first and second quarter reports (as defined in this report).

issued by DIC in September 2011 (as updated). Following said purchase offer, as of the date of the report, DIC holds 64.61% of Koor's issued and paid-up share capital and the voting rights in it.

3. Financial information concerning Koor's operations (Section 7 of Part 1 of Part 1 of the Periodic Report)

For financial information about Koor's segments of operation for the three- and nine-month periods ended on September 30, 2011, see Note 7 to the Financial Statements.

4. General Environment and the Impact of External Factors on Koor's Operations (Section 8 of Part 1 of the Periodic Report)

4.1 For an update on the state of the economy and the financial markets and Koor's market risks, see Sections 2.1.1 and 2.1.2 of the Directors' Report.

4.2 Further to that set out in Section 8 of Part 1 of the Periodic Report and Section 3.6 of Part 1 of the Second Quarter Report with respect to the Committee to Increase Competitiveness in the Economy ("the Committee"), in October 2011, the Committee issued its interim recommendations,² which include, among other things, the following recommendations: Imposing restrictions on control or holding in a significant real entity and the controlling shareholder of a significant financial entity (as these terms are defined in the recommendations), making it more difficult to control public companies with a pyramid structure that fit the definition of "gap companies" in the Committee's report, even to the point of loss of control, while reinforcing the power of public shareholders, imposing an obligation upon a controlling shareholder to make a full purchase offer under specific circumstances, including of a full purchase offer for purchase of all the shares of the gap company that were issue at least seven years prior to the date of the purchase offer, the offer is for a price that is at least 10% above market price, and this offer would be accepted were in not for the opposition of the controlling shareholder (under such circumstances, the controlling shareholder will be obligated to submit a full purchase offer at a price equal to the purchase offer submitted by the third party, a recommendation to assess the need to expand the restrictions on exposure of an institutional body to a single corporation and corporate groups, a recommendation the financing expenses in a corporation be attributed first to dividend income to be received from another corporation in which the recipient is a "significant shareholder" such that they will not be able to be deducted from other revenues of the corporation (and this in order to cancel the taxation incentive to purchase companies with foreign capital) and a recommendation that the bodies responsible for the proceedings to allocate public rights and assets be forced in certain cases to consider factors of competition and concentration of control of critical infrastructures.

To the best of Koor's knowledge, after hearing the responses of players in the economy, the Committee plans to publish a final report of its recommendations in December 2011.

The adoption and implementation of the Committee's recommendations, and particularly those related to companies incorporated in a pyramid structure, if such should exist, may have a material impact on Koor itself, considering the restrictions on the structure of its holdings, its ability to purchase or sell holdings in public companies and the value of its holdings in companies, as aforementioned, on the benefit of paying dividends from the investees, including due to the taxation aspects, on the economic sectors in which it will operate and the like.

4.3 Further to that set out in Section 2.1.1 of Koor's Directors' Report for the second quarter of 2011, regarding the expressions of social protest due to the cost of housing and high cost of living, and regarding the appointment of the Committee for Economic and Social Change headed by Prof. Trachtenberg, it should be noted that said Committee submitted its recommendations to the government in September 2011, including, among other things: halting the trend towards a reduction of the corporate tax rate set in the past, increasing corporate tax to 25% as of 2012 and a

² The interim recommendations are available on the website of the Ministry of Finance at: <http://www.mof.gov.il/Lists/List26/Attachments/291/2011-1111.pdf>.

recommendation to increase it to 26% in 2013; raising taxes on capital gains (including, tax on interest and dividends) as of 2012; cancelling and reducing customs, and strengthening the regulatory tools available to the governmental agencies regarding supervision of monopolies and parties with market power in specific economic sectors. In October 2011, the government adopted the main recommendations in the Committee's report, decided to act to implement them and approved some of the recommendations in terms of taxation, including raising corporate tax to 25% and raising capital gains tax as of 2012. In November 2011, a Law Memorandum was issued. It implements the most important of said recommendations in the field of taxation.

As of the Report Date, there is no certainty regarding whether additional recommendations of the Committee will be adopted and regarding the timetable for the implementation of the Committee recommendations that were adopted. Therefore, the extent of the impact of the above on Koor's business cannot be estimated. However, the implementation of the recommendations, to the extent this happens, may have a material effect on Koor and on some of its investees.

4.4 Law Memorandum for Amendment of the Income Tax Ordinance - Adoption of IFRS for Tax Purposes

In November 2011, a law memorandum was issued for the amendment of the Income Tax Ordinance ("New Version"), 1961, including amendments designed to clarify and specify the method for calculation of taxable income and its timing in cases where there is a lack of clarity in view of the fact that International Financial Reporting Standards (IFRS) are not in line with the principles of the tax method in Israel. The amendments include, among other things, a proposal that profits received by a corporation receives that are derived from a share, which had it been sold by said corporation, the consideration of its sale would have constituted income from a business, will be included in the corporation's taxable income and corporate tax will apply.

5. Review of Koor's operations by business segment (Section 3 of Part 1 the Periodic Report)

5.1 Makhteshim Agan (Section 9 of Part 1 of the Periodic Report)

5.1.1 In October 2011, after the performance of the conditions precedent for its execution, the merger transaction with ChemChina ("the Merger Transaction") was completed and, upon its completion, Makhteshim Agan became a private company owned jointly by ChemChina (60%) and Koor (40%)³ and the various arrangements defined in the shareholders agreement signed between said parties entered into effect.⁴

As part of completion of the Merger Transaction, Koor received a total of USD 1.1 billion, of which USD 169 million was paid to Koor in consideration of the sale of part of Makhteshim Agan shares (7%) it had held and a total of USD 960 million was extended to Koor as a non-recourse loan secured by the Makhteshim Agan shares it holds (40%).

After receiving the funds of said loan, Koor repaid the bridge loan of NIS 700 million, extended to it in August 2011 by DIC and IDB Development Ltd. ("IDB Development"), along with linkage differentials and transferred USD 45 million to the Trustee for distribution (after deduction of tax and expenses) to the shareholders of Makhteshim Agan as they were on the date of completion of the Merger Transaction (with the exception of the Company) and this in accordance with the provisions of the settlement agreement regarding the motion to certify the class action in the matter of said transaction. For information, see the immediate report of November 8, 2011 (Ref. No.: 2011-01-320361).

³ Despite the fact that Makhteshim Agan became a private company, Makhteshim Agan will continue to be a reporting corporation (as defined in The Securities Law, 1968), and this in view of the fact that Makhteshim Agan's bonds are registered for trade on the stock exchange.

⁴ For information regarding said arrangements, see the immediate report of July 31, 2011 (Ref. No.: 2011-01-226920). As of the Report Date, three of seven directors serving on the Makhteshim Agan Board of Directors were appointed by the Company.

For additional information regarding the Merger Transaction, including an estimate of the profit Koor is expected to record in the fourth quarter of 2011 in respect of sale of Makhteshim Agan shares, as aforementioned, and in respect of the characteristics of said loan as well as in respect of the anticipated growth in Koor's shareholder equity following the Merger Transaction, see Note 3.A.4 to the Financial Statements.

5.1.2 On November 7, 2011, Makhteshim Agan published its financial statements (reviewed, unaudited) for the period ended September 30, 2011. For information regarding the financial results of Makhteshim Agan, see Section 1.2.2.1 of the Directors' Report.

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

5.2.1 As of September 30, 2011, Koor held 25.7 million Credit Suisse shares, constituting 2.14% of Credit Suisse share capital,⁵ which was presented in the Financial Statements according to fair value on said date, which was NIS 2.50 billion.

5.2.2 In accordance with the accounting treatment regarding Koor's investment in Credit Suisse shares, as implemented by Koor as of its Financial Statements for the second quarter of 2011 (see Note 1.5 to the Financial Statements) and in light of the continued decline in the price of Credit Suisse shares in the third quarter of 2011, in the third quarter of 2011, Koor recorded an additional impairment loss of NIS 0.9 billion and recorded a loss of NIS 378 million in respect of Credit Suisse shares sold in said quarter (see below).

5.2.3 Following the high level of fluctuation and the sharp drop in prices on stock exchanges around the world, and the material decline recorded in the price of Credit Suisse shares in the third quarter of 2011, the Company sold Credit Suisse shares for total consideration of NIS 1.34 billion. The consideration from the sale of the shares was used to reduce the credit taken as part of the non-recourse credit arrangements secured by Credit Suisse shares, through which Koor is engaged with two banks (as defined below) and reduced its debt to security ratio stipulated in the Credit Arrangements.

5.2.4 As of the Report Date, Koor holds 27.8 million Credit Suisse shares, constituting 2.31% of Credit Suisse issued share capital. The gap [negative] between the value of the Credit Suisse shares held by Koor as of the Report Date, according to the closing price on the New York Stock Exchange in the USA ("NYSE") on November 15, 2011, which close to the date of this report was NIS 2.43 billion, and the cost of Credit Suisse shares in Koor's books as of September 30, 2011, as aforementioned, along with the cost of the shares purchased subsequent to said date⁶ (total cost in the books of NIS 2.71 billion), is NIS 276 million.

As of the Report Date, the framework for the investment in Credit Suisse shares by Koor, as approved by the Koor Board of Directors is for a total investment of up to NIS 7 billion. Up to the beginning of the third quarter of 2011, the investment framework had been used in full and, as of the Report Date, after receiving receipts of NIS 1.3 billion in respect of sales of Credit Suisse shares during the third quarter of 2011 and performance of additional purchases of Credit Suisse shares in November 2011, the balance of the investment framework is NIS 1.1 billion. Koor intends to remain a major shareholder in Credit Suisse, taking advantage of buying and selling opportunities, noting market conditions and Koor's estimates from time to time.

5.2.5 For additional information regarding the non-recourse credit arrangements secured by Credit Suisse shares, through which Koor is engaged with two banks ("the Credit Arrangements" and "the Lending Institutions," respectively), including updates in August 2011 and the status of their renewal, see

⁵ Koor's rate of holding in Credit Suisse shares as of September 30, 2011, is calculated according to the data on Credit Suisse share capital registered for trade on the SIX Swiss Exchange ("SIX Exchange"), as reported on the website of the SIX Exchange, less the number of treasury shares (in accordance with the number of the treasury shares reported by Credit Suisse in its financial statements). Lacking up-to-date public information as of the date of the report on the number of the treasury shares, Koor's rate of holding of Credit Suisse shares as of the date of the report is provided without deducting Credit Suisse treasury shares.

⁶ Credit Suisse shares purchased by the Company in November 2011 at a cost of NIS 203 million.

Note 2.5 to the Financial Statements and Koor's immediate report dated August 28, 2011 (Ref. No.: 2011-01-253677).

As of November 15, 2011, the balance of credit taken by Koor (including a wholly owned subsidiary) from the Lending Institutions amounted to CHF 688 million (NIS 2.8 billion), and the balance of the deposits charged in the favor of the Lending Institutions was CHF 328 million (NIS 1.34 billion). The net debt balance (less charged deposits) to the Lending Institutions was CHF 360 million (NIS 1.46 billion). To guarantee the credit, a charge was placed on all Credit Suisse shares, the value of which (according to the closing price on the SIX Exchange) on said date was CHF 596 million (NIS 2.42 billion).

5.2.6 For additional information regarding Koor's investment in Credit Suisse shares, including on the possibility of early adoption of IFRS 9 (2009), Financial Instruments and its implications for the accounting treatment of Koor's investment in Credit Suisse shares, see Notes 1.C.3 and 1.5 to the Financial Statements.

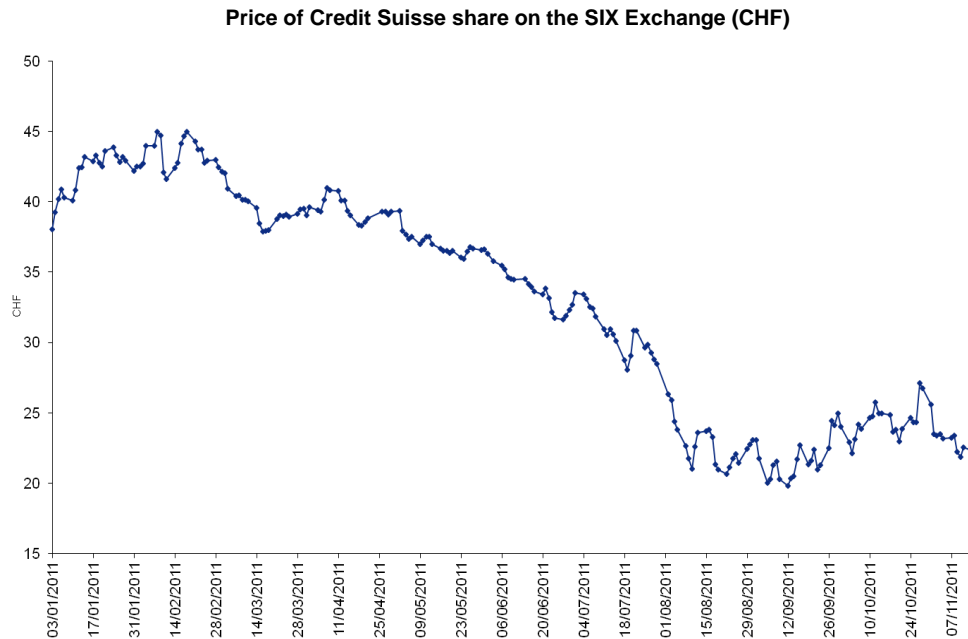
5.2.7 Update of main points regarding Credit Suisse (Section 10.3 of Part 1 of the Periodic Report)

5.2.7.1 The following is some data regarding the trade of Credit Suisse shares on the SIX Exchange, as published by Reuters from the beginning of 2011 through November 15, 2011:

Price range on the SIX Exchange

Highest price		Lowest price	
Date	Price (in CHF)	Date	Price (in CHF)
February 18, 2011	44.99	September 12, 2011	19.79

5.2.7.2 The following is a graph presenting data on the price of Credit Suisse shares on the SIX Exchange from the beginning of 2011 through November 15, 2011 (in CHF):

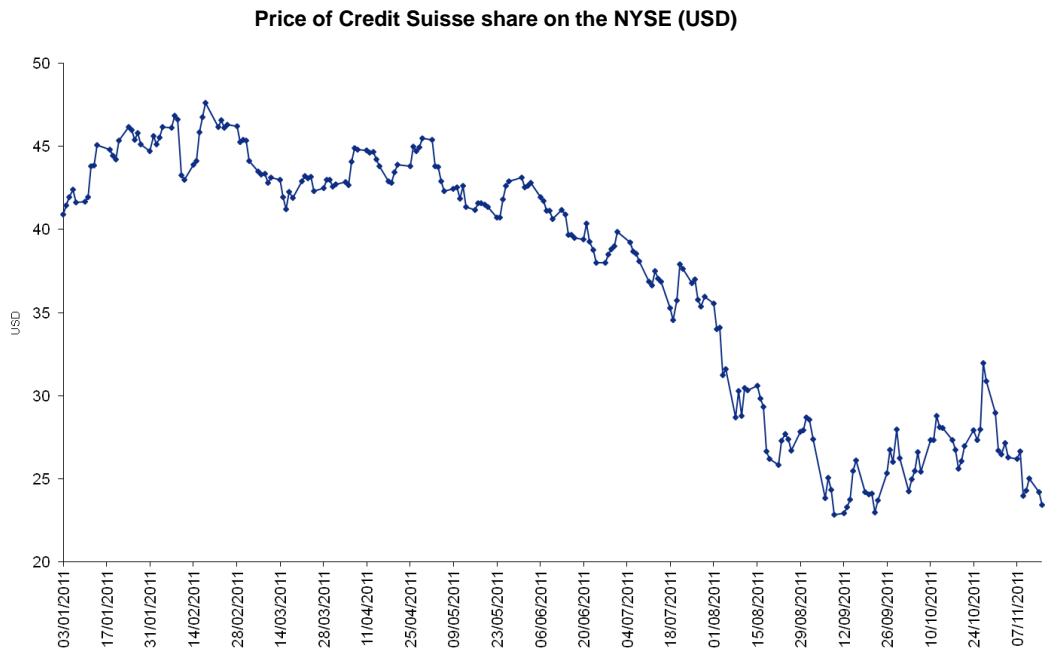


5.2.7.3 The following is some data regarding the trade of Credit Suisse shares on the NYSE, as published by Reuters from the beginning of 2011 through November 15, 2011:

Price range on the NYSE

Highest price		Lowest price	
Date	Price (in USD)	Date	Price (in USD)
February 18, 2011	47.63	September 9, 2011	22.86

5.2.7.4 The following is a graph presenting data on the price of Credit Suisse shares on the NYSE from the beginning of 2011 through November 15, 2011 (in USD):



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

5.2.7.6 On September 30, 2011 and November 15, 2011, the closing price of Credit Suisse shares on the SIX Exchange was CHF 24.00, and CHF 21.43 , respectively, and on the NYSE the closing price on the aforementioned dates was USD 26.24 and USD 23.42, respectively.

5.2.7.7 The range of trade volume on the SIX Exchange since the beginning of 2011 and through November 15, 2011:

Highest volume		Lowest volume		Average volume (number of shares in millions)
Date	Volume (number of shares in millions)	Date	Volume (number of shares in millions)	
February 10, 2011	23.6	May 30, 2011	1.6	7.7

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

In the month prior to November 15, 2011	In the three months prior to November 15, 2011	Standard deviation from the beginning of 2011 and through November 15, 2011	In the twelve months prior to November 15, 2011
1.43	1.65	8.03	7.77

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

In the month prior to November 15, 2011	In the three months prior to November 15, 2011	Standard deviation from the beginning of 2011 and through November 15, 2011	In the twelve months prior to November 15, 2011
2.07	1.96	7.79	7.34

5.2.7.10 The following is data regarding the maximum and minimum number of Credit Suisse shares held by Koor in 2011 (through November 15, 2011) by month (in millions of shares):

Month (in 2011)	Maximum share balance	Minimum share balance
January	38.60	38.60
February	38.60	38.60
March	38.60	38.60
April	38.60	38.60
May	38.60	38.60
June	38.60	38.60
July	38.60	38.60
August	38.60	25.70
September	25.70	25.70
October	25.70	25.70
November	27.80	25.70

5.2.7.11 The CHF to NIS exchange rate on November 15, 2011 was NIS 4.0702 per CHF.

For information regarding Koor's market risks regarding the fluctuation of the CHF exchange rate, see Section 2.1.2 of the Directors' Report.

5.2.8 The following is a brief description of the highlights of the ongoing reports Credit Suisse has filed with the U.S. Securities and Exchange Commission (SEC) from August 28, 2011 and through the Report Date, which were reported by Koor:

5.2.8.1 On Sunday, August 28, 2011, Koor attached to the immediate report it published (Ref. No.: 2011-01-253593) a copy of Credit Suisse's Basel II Pillar 3 report that includes information up-to-date as of June 30, 2011 regarding implementation of the risk assessment process as part of the provisions of Basel II (as reported by Credit Suisse to the U.S. Securities and Exchange Commission (SEC) on Form 6K.)

5.2.8.2 On November 1, 2011, Koor announced in an immediate report (Ref. No.: 2011-01-312948), that on said date Credit Suisse published its financial statements for the third quarter of 2011. Credit Suisse's media release relating to its results in the third quarter of 2011 was attached to said immediate report, and a link to the Credit Suisse website was published with respect to the financial statements:

https://www.credit-suisse.com/investors/en/reports/2011_results_q3.jsp

- 5.2.8.3 On November 1, 2011, Koor attached to the immediate report it published (Ref. No.: 2011-01-314169) a copy of Credit Suisse's complete financial statements for the third quarter of 2011, as reported to the U.S. Securities and Exchange Commission (SEC) and a copy of the press release issued by Credit Suisse regarding the results in the third quarter of 2011 (as reported to the U.S. Securities and Exchange Commission (SEC) on Form 6K), and Koor also attached to the immediate report of November 2, 2011 (Ref. No. 2011-01-314169) a convenience translation of said press release.
- 5.2.8.4 On November 11, 2011, Koor attached to an immediate report it issued (Ref. No. 2011-01-324465) a copy of a Credit Suisse report (as reported by Credit Suisse to the U.S. Securities and Exchange Commission (SEC) on Form 6K), which includes the financial statements of Credit Suisse for the third quarter of 2011, supplements to the results of the third quarter of 2011, which included additional disclosure regarding fair value and, regarding the consolidated financial statements of Credit Suisse, another disclosure regarding (A) fair value of financial instruments, (B) loans, provisions for losses in respect of loans and credit quality, (C) derivatives and hedging activity, (D) investment securities, (E) guarantees and liabilities, (F) charged or assigned properties, and (G) transfers of financial assets and variable interest entities, and a review report from Credit Suisse's independent accounting firm.

The data and information included in said reports are based on Credit Suisse's reports to the SEC, and Koor is not responsible for their accuracy.

- 5.2.9 To the best of the Company's knowledge, in November 2011, the global rating company Moody's announced that it had put the long-term credit rating of Credit Suisse (Aa2 on the Report Date) and of specific subsidiaries on review for downgrade. In said notice, Moody's noted that Credit Suisse's short-term credit rating was affirmed and remains as is.

5.3 452 Owners (Section 11 of the Periodic Report)

Subsequent to the balance sheet date, in November 2011, the general meeting of Koor shareholders approved (after receiving the approval of Koor's Audit Committee and Board of Directors) Koor's entry into an agreement with Property and Building Corporation Ltd. for the sale of Koor's share (50%) in 452 Fifth Owners, LLC ("452 Owners"), through which Koor holds (indirectly) the HSBC Building, for consideration calculated according to a property value of USD 480 million (Koor's share in the property is over USD 240 million).⁷ The consideration to be paid to Koor, along with the addition of adjustments of working capital and less deduction of the debt to the bank that provided financing for the purchase of the property which amounts to a total of USD 138.1 million (subject to adjustments) ("Sales Transaction").

As of the date of the report, all of the required conditions precedent for the Sales Transaction have been met, and it is expected to be completed on November 17, 2011.

With respect to the estimate of profit expected in the fourth quarter of 2011 in respect of completion of the Transaction, see Note 4.D.3 to the Financial Statements.

For additional information regarding the Sales Transaction and updates on 452 Owners, see the immediate reports dated October 9, 2011, October 27, 2011, October 30, 2011 and November 6, 2011 (Ref. Nos.: 2011-01-298050, 2011-01-309888, 2011-01-310284, 2011-01-311409 and 2011-01-318096, respectively) and Note 4.D.3 to the Financial Statements.

5.4 Others (Section 12 of Part 1 of the Periodic Report)

Investment in EMCO Fund

For information regarding the status of Koor's investment in EMCO Fund, see Note 4.C to the Financial Statements.

⁷ For the purposes of the contractual engagement and determining the consideration in the Sales Transaction, the parties used the value of the HSBC Building that was set in a valuation performed on August 16, 2011. For information regarding said valuation, see the immediate report of October 9, 2011 (Ref. No.: 2011-01-298050).

6. Koor's operations – further information

6.1 Financing and loans

6.1.1 For information regarding Koor's financial situation and sources of financing, see Section 1.4 of the Directors' Report.

6.1.2 For additional information regarding the USD 960 million non-recourse loan extended to Koor as part of the completion of the Merger Transaction, see Section 4.A.3 of the Second Quarter Report, Section 5.1.1 above and Note 4.A.3 of the Financial Statements.

6.1.3 For information regarding Koor's Credit Arrangements with the Lending Institutions, how they were revised and status of renewal, see Note 17.B, 17.C.2 and 17.C.3 to the Periodic Report, Note 2.5 to the Second Quarter Report and Section 5.2.5 above.

6.1.4 Further to that set out in Note 4.A.3 of the Second Quarter Report regarding the up-to-date agreements with an Israeli bank that will extend credit to Koor ("the Bank") for the Merger Transaction. In November 2011, Koor deposited NIS 1 billion in its account (dollar) in the Bank and thereafter, and in accordance with said agreements, Koor's obligation to comply with a financial covenants that were stipulated in the credit extension agreement between it and the bank was canceled.⁸ As part of this, Koor's obligation to comply with a financial covenant regarding minimal shareholder's equity stipulated in the agreement with the Bank was canceled, as reported by Koor in an immediate report on September 13, 2011 (Ref. No.: 2011-01-273519). For additional information regarding the aforementioned credit, see Notes 17.B, 17.C.7, and 17.D.1 to the Periodic Report, Notes 4.A.3 and 8.1.C to the Second Quarter Report and Not 4.A.3 to the Financial Statements.

6.1.5 For information regarding the repayment of short-term bank loans amounting to NIS 515 million taken by Koor in the first nine months of 2011, see Note 6.5 to the Financial Statements.

6.1.6 For additional information regarding the repayment of the bridge loans amounting to NIS 700 million that were provided to Koor by DIC and IDB Development, see Section 5.1.1 above and Note 8 of the Financial Statements.

6.1.7 Koor's bonds

For information regarding Koor's bonds in circulation, see Appendix C to the Directors' Report regarding the dedicated disclosure for the bondholders.

In November 2011, Standard & Poor's Maalot ("Maalot") announced its confirmation of the -i1A rating, with a stable outlook, for Koor and the headquarters companies of the IDB Group and removed the rating from Credit Watch with negative implications.⁹

For additional information regarding Maalot's announcement, as aforementioned, see Section 2.1.1 to the Directors' Report and Appendix C to the Board of Directors' Report on dedicated disclosure to Koor's bondholders.

As Koor was informed by Midroog Ltd. ("Midroog"), Midroog is considering downgrading the rating of Koor's bonds in Series H, I and J from A1 to A2 and changing the outlook from Evolving to Stable. To the best of the Company's knowledge, the decision in this regard is at the sole discretion of Midroog's rating committee, which is expected to discuss the matter and publish its decision in the near future.

⁸ To complete the picture, it should be noted that Koor's obligation to a negative pledge on assets (including said deposit) which is subject to approval of the Bank, and the right of the Bank to immediate repayment of the balance of the credit should the financing provided to Koor for the purchase of Credit Suisse shares be called in for immediate repayment or of a change in control of Koor remain in effect. Additionally, in accordance with the general terms of Koor's engagement with the Bank, should Koor's debt be called in for immediate repayment by a different lender, the Bank will have the right to call in the balance of credit it provided Koor for repayment.

⁹ This, after Maalot announced in October 2011 that it was downgrading the rating of Koor and the headquarters companies of IDB Group to said rating and placing it on CreditWatch with negative implications (see immediate report dated October 3, 2011, Ref. No. 2011-01-260190).

For information regarding the buyback plan for Koor's bonds of up to NIS 250 million, see the immediate report of November 16, 2011 (Ref. No.: 2011-01-328572).

- 6.1.8 Guarantees - Further to that set out in Section 17.10 of Part 1 of the Periodic Report, it should be noted that upon completion of the Sales Transaction (as specified in Section 5.3 above), Koor will be released from the guarantees it provided as part of the transaction to purchase the HSBC Building. For additional information, see Note 4.D.3 to the Financial Statements.
- 6.2 Legal proceedings (Section 21 of Part 1 of the Periodic Report) - For information regarding material legal proceedings to which Koor and Makhteshim Agan are party, see Note 6 to the Financial Statements.
- 6.3 Information concerning events subsequent to the balance sheet date - See Note 9 to the Financial Statements.
- 6.4 Risk factors - financial risks - Further to that set out in Section 23.2[A] of Part 1 of the Periodic Report, see Section 2.1.2 of the Directors' Report.

7. General

- 7.1 For information regarding the resolutions of Koor's Audit Committee regarding definition of the period of transactions subject to the provisions of Section 270(4) of the Companies Law, 1999 ("Companies Law"), see the immediate report of November 13, 2011 (Ref. No.: 2011-01-324999).
- 7.2 As Amendment 16 to the Companies Law has entered into effect, the Company is examining the renewal of the outline of the existing contractual engagement with DIC regarding the provision of management services to the Company.
- 7.3 Further to previous reports, as of the Report Date, the assessment of structural changes to the IDB Group is ongoing, including the possibility of the performance of mergers between Koor, DIC, IDB Development and IDB Holding Corporation Ltd. As of the Report Date, no concrete decisions have been made, and there is no certainty regarding the performance, or potential performance, of any of the aforementioned structural changes. On November 16, 2011, Koor established a team to examine and promote the possibility of a merger between Koor and DIC and examination of other possibilities.
- 7.4 For information on the notice provided by Mr. Ami Erel regarding the end of his tenure as Chairman of the Board of Directors and Director with Koor and the recommendation of Koor's Board of Directors for the appointment of Mr. Lior Hannes as Chairman of the Board of Directors, see Section 3.1.3 of the Directors' Report.

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

Koor Industries Ltd.

Raanan Cohen
CEO

Oren Hillinger
CFO

November 16, 2011