

K o o r I n d u s t r i e s L t d .**Board of Directors Report****Q1 2011**

We are pleased to submit the unaudited financial statements of Koor Industries Ltd. for the first quarter of 2011.

Koor Industries Ltd (the "Company") is a member of the IDB Group and is one of the most prominent holding companies in Israel, investing in companies operating in a range of business segments. The Company, together with its wholly owned subsidiaries ("Koor:") generally invests in companies which operate in the global market and/or international companies, primarily focusing on large-scale investments. Koor examines and invests in companies in which it has a position of control following the investment, as well as financial investments (also in substantially large-scale investments) in which Koor does not have a position of control following its investment. Furthermore, Koor invests from time to time in financial investments of varying scope and for varying periods. This is due to, inter alia, the prevailing market conditions and available opportunities.

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

The net profit attributed to the Company's owners for Q1 2011 amounted to approximately NIS 131 million, with basic earnings per share of about NIS 2.8, compared with profit of about NIS 207 million and basic earnings per share of about NIS 4.4 for Q1 2010.

1.1 Breakdown of Koor's financial results:

	<u>Q1</u> <u>2011</u>	<u>Q1</u> <u>2010</u>	<u>Year</u> <u>2010</u>
	<u>NIS millions</u>		
Koor's equity in the operating results of investees, net	116	106	(254)
Gain from sale of investments, net of impairment	3	15	303
Administrative, financing and other income (expenses), net	2	20	(524)
Tax income (expenses)	10	66	(61)
Net income (loss)	131	207	(536)
Basic earnings (losses) per share (in NIS)	2.8	4.4	(11.3)

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

	<u>Koor's equity in profits (losses) for the period</u>			
	<u>Q1</u> <u>2011</u>	<u>Q1</u> <u>2010</u>	<u>2010</u>	<u>Change in</u> <u>Q1 2011</u> <u>compared</u> <u>with Q1 2010</u>
	<u>NIS millions</u>			
Makhteshim Agan	125	125	(225)	-
452 Fifth Owners LLC ("Fifth Owners")	3	-	41	n/a
ECtel Ltd. ("ECtel")	-	(5)	(5)	n/a
Koor Corporate Venture Capital	5	(2)	(3)	n/a
Microwave Networks Inc ("MNI")	(2)	(3)	(5)	n/a
Epsilon Investment House Ltd. ("Epsilon")	2	2	9	-
Other companies	(1)	2	(3)	n/a
Excess cost and other adjustments	(16)	(13)	(63)	n/a

K o o r I n d u s t r i e s L t d .**Board of Directors Report****Q1 2011**

Total	116	106	(254)	9%
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1.1.2 Gain from sale of investments, net of impairment

	<u>Q1 2011</u>	<u>Q1 2010</u>	<u>2010</u>
	<u>NIS millions</u>		
Gain from sale of investments, net of impairment	3	15	303

In Q1 2011 this item included, in particular: Capital gains from the sale of Carrefour shares in the amount of NIS 2 million.

In Q1 2010 this item included, in particular: Capital gains from the sale of Credit Suisse shares in the amount of NIS 15 million.

1.1.3 Administrative, financing and other income (expenses), net

	<u>Q1 2011</u>	<u>Q1 2010</u>	<u>2010</u>
	<u>NIS millions</u>		
Administrative, financing and other expenses, net	(8)	(5)	(36)
Finance income (expenses), net	10	25	(488)
Total administrative, financing and other income (expenses), net	2	20	(524)

In Q1 2011 this item included, in particular: Current interest for loans and debentures in the amount of NIS 63 million, and finance expenses resulting from the increase in the CHF exchange rate during the quarter, which incurred NIS expenses with respect to Koor's loans denominated in this currency. In addition, the increase in the Israeli CPI during this quarter led to an increase in Koor's Israeli CPI linked financial liabilities. The financing expenses were offset by financing income with respect to CHF-NIS collar transactions in the amount of NIS 95 million.

In Q1 2010 this item included, in particular: Ongoing interest for loans and debentures in the amount of NIS 63 million. The financing expenses were offset by financing income resulting from the decrease in the CHF exchange rate during the quarter, which resulted in NIS income for Koor loans denominated in this currency and with respect to CHF-NIS collar transactions in the amount of NIS 83 million. In addition, the decrease in the Israeli CPI during this quarter caused erosion of Koor's Israeli CPI linked financial liabilities.

1.1.4 Tax Income (Expenses)

	<u>Q1 2011</u>	<u>Q1 2010</u>	<u>2010</u>
	<u>NIS millions</u>		
Tax income (expenses)	10	66	(61)

The tax income during this quarter originates primarily from generating tax assets with respect to the losses carried forward for the Credit Suisse investment. During the corresponding quarter of the previous year, tax income resulted from cancellation of tax reserves with respect to the difference between the cost of Credit Suisse shares for tax purposes and their cost in the books.

K o o r I n d u s t r i e s L t d .**Board of Directors Report****Q1 2011****1.1.5 Weight of the primary holdings**

The table below represents the pro rata weight of Koor's primary holdings, taking into account the rate of its holdings in them, calculated at the value of the holdings (*):

<u>Investee</u>	<u>% of total holdings</u>
Credit Suisse	54%
Makhteshim Agan	37%
452 Owners	3%
Other holdings	6%
Total	100%

(*) The value of the holdings (excluding the liquid and pledged cash balances, or Koor's liabilities) are calculated in comparison with public companies, at the known market value (proximate reporting date) and with private companies, at their book value as it appears in the financial statements (including shareholders loans) and are not necessarily represented at the financial value of these holdings. The rates represented in the table are rounded up.

1.2 Segments of operation**1.2.1 Company assets by segment of operation**

The company's assets as at March 31, 2011 and December 31, 2010, include the following segments of operation:

<u>Segment</u>	<u>Investments by segment</u>	
	<u>NIS millions</u>	
	<u>March 31, 2011</u>	<u>December 31, 2010</u>
Makhteshim Agan	2,433	2,367
Credit Suisse	5,721	5,536
Telecommunications equipment	39	44
Epsilon	101	74
452 Owners	349	350
Other holdings	430	279
Adjustments (mainly Koor head office assets)	1,002	1,183
Total	10,075	9,833

K o o r I n d u s t r i e s L t d .**Board of Directors Report****Q1 2011****1.2.2 Analysis of Koor's business results by segment of operation (based on Note 7 to the financial statements):**

	<u>Q1 2011</u>	<u>Q1 2010</u>	<u>2010</u>
	<u>NIS millions</u>		
Makhteshim Agan	110	112	(287)
Credit Suisse	9	81	216
Telecommunications equipment	(2)	(3)	(5)
Epsilon	1	1	8
452 Owners	3	-	41
Other holdings	9	(5)	23
Adjustments (particularly financing and administrative)	1	21	(532)
Total	131	207	(536)

1.2.2.1 Makhteshim Agan

	<u>Q1 2011</u>	<u>Q1 2010</u>	<u>2010</u>
	<u>NIS millions</u>		
Contribution of business segment	110	112	(287)

The main change in the segment's financial results for Q1 2011 compared with Q1 2010 derives from Makhteshim Agan's business results. Furthermore, in the first quarter of 2011, expenses in the amount of NIS 31 million were recorded in Koor's books, which constitute accounting adjustments for transactions carried out by Makhteshim Agan with non-controlling interests in a company it controls, as stipulated in Note 4[A](4) to the financial statements.

Makhteshim Agan (as at March 31, 2011, holding of 47% of voting rights), reported the following business results:

	<u>Q1 2011</u>	<u>Q1 2010</u>	<u>Increase (decrease)</u>	<u>2010</u>
	<u>USD millions</u>		<u>%</u>	
Revenue	781	723	8%	2,362
Gross profit	255	233	9%	649
Operating profit	112	107	5%	6
Financing expenses, net	23	31	(26%)	122
Net profit (loss) attributed to shareholders	92	71	30%	(132)
EBITDA	143	133	8%	142

The crop protection products market in which Makhteshim Agan operates was impacted during Q1 2011 by the following trends:

- A. Increase in prices of agricultural produce compared with the corresponding quarter last year and the relatively favorable climatic conditions in most of Europe and most parts of the American continent, contributed to an increase in the farmers' profits and an increase in the demand for crop protection products.
- B. The low level of inventories in the distribution networks compared with the corresponding quarter last year.

K o o r I n d u s t r i e s L t d .**Board of Directors Report****Q1 2011**

- C. An increase in demand for crop protection products which resulted in an increase in sales of Makhteshim Agan's products, mainly in Europe, Asia and the Pacific, and in Latin America (with the exception of Brazil).
- D. The continued stability of the prices that began during the latter half of 2010 enabled Makhteshim Agan to increase prices selectively and moderately so that the prices compared with the corresponding quarter last year, have only decreased slightly.
- E. The prices of some of the raw materials used to produce crop protection products are increasing discernibly, and their impact was offset against the rise in selling prices, whenever possible.

The developments completed by Makhteshim Agan in 2010 (as noted in section 1.2.2.1 to Koor's Board of Directors report for 2010 dated March 17, 2011 and as amended on March 27, 2011 ("the Company's Board of Directors Report for 2011"), as well as the long-term stability of basic trends that affect the crop protection products industry, the moderate increase in the scale of planted areas and the high prices of agricultural produce, Makhteshim Agan's management believe, have begun to impact its operations as can be seen in the results of this quarter. Makhteshim Agan's management believes that, inter alia, in light of the earliest indications they have concerning its operations in the second quarter of 2011, the positive impact of these trends will continue and may lead to a substantial improvement in Makhteshim Agan's business results, regarding sales volume as well as the profit items (gross profit, EBITDA, net profit) in the second quarter of 2011, compared with the second quarter of 2010.

The foregoing with respect to Makhteshim Agan's assessment concerning the positive impact of these trends on its business results in the second quarter and in the latter half of 2011, is a forward-looking information, as defined in the Securities Law, 1968, and is based on the earliest indications available to Makhteshim Agan concerning its operations in the second quarter and the latter half of 2011. It is uncertain whether Makhteshim Agan's assessments will be realized, which may occur differently and even substantially differently from the foregoing, inter alia, due to the fact that Makhteshim Agan is unable to forecast non-recurring, unusual or significant events or due to the occurrence of any of the risk factors that affect it or due to the effect of other external factors that Makhteshim Agan has no control over.

1.2.2.2 Credit Suisse

	<u>Q1 2011</u>	<u>Q1 2010</u>	<u>2010</u>
	<u>NIS millions</u>		
Contribution of business segment	9	81	216

Pursuant to the decision of Koor's board of directors to invest in the negotiable shares of European banking institutions, during the course of 2010 and throughout 2008 and 2009, the Company bought and sold Credit Suisse shares while exploiting the opportunities created due to the market volatility. The Company's tax income generated from the sale of Credit Suisse shares during Q1 2011 was NIS 9 million compared with a income of NIS 67 million in the corresponding period last year.

On March 31, 2011, the Company held, together with its wholly controlled subsidiary, 38.60 million Credit Suisse shares, constituting 3.21% of Credit Suisse's listed shares at a cost of NIS 6.97 billion. At that date, the value of the investment in Credit Suisse shares, based on their stock exchange price, was NIS 5.72 billion. This amount reflects a negative gap of NIS 1.25 billion compared with their original cost. This gap constitutes 17.9% of their original cost. With regard to the accounting of this investment see Note 5(1) to the financial statements for this quarter and Note 10(F) to the annual financial statements.

As at reporting date, for the disposal of Credit Suisse shares and receipt of dividends on the investment in Credit Suisse shares, Koor recorded thus far accumulated after tax profit of NIS 3.4 billion and in the second

K o o r I n d u s t r i e s L t d .**Board of Directors Report****Q1 2011**

quarter of 2011, Koor is expected to record profit from a capital reserve distribution it received, net of updated deferred tax liabilities (see section 1.3.1 below) in the amount of NIS 186 million.

As at reporting date, there has been no change in the number of Credit Suisse shares held and owned by Koor. Furthermore, as at reporting date, the negative gap between the value of the Credit Suisse shares held by Koor, at their price on the stock exchange, and the cost of these shares as aforesaid, amounts to NIS 1.34 billion, and is included in capital reserves.

For further information, including the option of early adoption of IFRS 9 (2010) and its effects, see Note 5 [1] to the financial statements.

1.2.2.3 Telecommunications equipment

	<u>Q1 2011</u>	<u>Q1 2010</u>	<u>2010</u>
	<u>NIS millions</u>		
Contribution of business segment	(2)	(3)	(5)

The main change in the segment's financial results for Q1 2011 compared with Q1 2010 derives from MNI's business results.

1.2.2.4 Epsilon

	<u>Q1 2011</u>	<u>Q1 2010</u>	<u>2010</u>
	<u>NIS millions</u>		
Contribution of business segment	1	1	8

Epsilon, which was first consolidated in the first quarter of 2011 presented a profit in the amount of NIS 3 million (the Company's share in the profit less depreciation of excess costs amounts to NIS 1 million), similar to the corresponding quarter last year.

1.2.2.5 452 Owners

	<u>Q1 2011</u>	<u>Q1 2010</u>	<u>2010</u>
	<u>NIS millions</u>		
Contribution of business segment	3	-	41

452 Owners' acquisition of the HSBC building in New York was completed in April 2010.

1.2.2.6 Other holdings

	<u>Q1 2011</u>	<u>Q1 2010</u>	<u>2010</u>
	<u>NIS millions</u>		
Contribution of business segment	9	(5)	23

The primary changes in the results of this segment in Q1 2011 compared with Q1 2010 derive from a profit of approximately NIS 6 million recorded by Koor Venture Capital, mainly due to the revaluation of investments during this quarter, compared with a loss of NIS 2 million Koor Venture Capital recorded in the first quarter of 2010.

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

Board of Directors Report

Q1 2011

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

1.3 Main changes in the holdings of the Company and its investees during Q1 2011

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

1.3.1 In April 2011, the Credit Suisse general meeting approved distribution of a cash dividend from capital reserves in the amount of CHF 1.3 per share. This distribution was effected on May 06, 2011. Koor's share in this distribution (pretax) amounted to NIS 196 million. With respect to the foregoing distribution, Koor could record tax expenses in the amount of NIS 10 million for deferred tax liabilities in the second quarter of 2011. Also see Note 5(1) to the financial statements.

For more information, see 1.2.2.2 above.

1.3.2 In January 2011, an agreement was signed with a subsidiary of China National Chemical Corporation ("ChemChina"), for a merger transaction under which public holdings in Makhteshim Agan and 7% of the Makhtehsim Agan shares held by Koor would be acquired, and Makhteshim would become a private company, jointly owned by ChemChina (60%) and Koor (40%). For further information, including with respect to the profit Koor is expected to record upon completion of the transaction, see Note 4 [A](3) to the financial statements.

Further to the foregoing in our financial statements, in March 2011, Koor reported that ChemChina announced that it had received the approval of the National Development and Reform Commission of China for the transaction based on the merger agreement, and that it currently in the process of obtaining additional required approvals from two other government authorities in China, with respect to the merger agreement.

In May 2011 Koor reported that ChemChina announced that it had also received the approval of the Ministry of Commerce of China for the said transactions as well as the approval of the State Administration of Foreign Exchange of China. Thus, all the approvals required from the Chinese government authorities for carrying out the transaction have been received. Koor also reported that the parties were proceeding with formulating the detailed loan agreement with Koor and the wording of the letter of credit that Koor will receive as part of the transaction.

Also, in May 2011 Koor reported that the court had given an interim ruling with respect to the motion filed at the Tel Aviv District Court against the Company and Makhteshim Agan for the removal and prevention of discrimination and motion to approve it as a class action under the Class Action Law 2006 (together, "the Motion"), concerning the transaction, according to which Koor is not entitled to surplus proceeds due to the benefit in the non-recourse loan which Koor is to receive as part of the transaction, and that the value of such proceeds should be distributed among all of Makhteshim Agan shareholders, both public shareholders and Koor, for its total holdings. The Court also ruled that a further hearing on the Motion would be held on June 13, 2011. Koor is examining the foregoing ruling and examining the effects of the ruling and its actions.

1.3.3 During the course of the first quarter of 2011, the Company invested an amount of USD 13 million (NIS 47 million) in the EMCO Fund. As at reporting date the accumulated scope of Koor's investment in the EMCO Fund amounts to USD 18 million, and the balance of its commitment to invest in the EMCO Fund is approximately USD 107 million.

K o o r I n d u s t r i e s L t d .**Board of Directors Report****Q1 2011****1.4 The financial status and sources of finance****1.4.1**

	<u>March 31, 2011</u>	<u>December 31, 2010</u>
	<u>NIS millions</u>	
Total assets in the consolidated balance sheet	10,075	9,833
Investments in investees in the consolidated balance sheet	2,826	2,791
Available-for-sale financial assets in the consolidated balance sheet	226	117
Attached available-for-sale financial assets in the consolidated balance sheet	5,721	5,536
Total equity attributed to the Company's shareholders	3,220	2,951
Surplus of current assets over liabilities in the consolidated balance sheet	14	211
Koor's financial liabilities	6,503	6,523
Surplus of financial liabilities over Koor's cash, deposits, short term investments and pledged deposits*	5,633	5,408

* Does not include Credit Suisse shares which are classified as available-for-sale financial assets recorded, as at March 31, 2011, at a value of NIS 5,844 million.

As at May 16, 2011, Koor's cash balance including deposits, short term investments and pledged deposits, amounted to NIS 1.08 billion (including pledged deposits of NIS 643 million), and Koor's excess financial liabilities over financial assets (while the financial assets do not include Credit Suisse shares valued at NIS 5.63 billion classified as pledged available for sale assets and Carrefour shares amounting to a value of NIS 109 million) amounted to approximately NIS 5.62 billion.

As a holdings company, with respect to the financing and liquidity issue, the Company is examining the value of its assets against its liabilities, and if it has the liquid means required for its ongoing operations and to pay its liabilities, and its reasonable access to such means.

1.4.2

	<u>Q1 2010</u>	<u>2010</u>
	<u>NIS millions</u>	
Proceeds from sale of investments in Koor	37	289
Dividends received	4	292
Investment in affiliates and other Koor companies	195	2,432

In Q1 2011, Koor received short term credit from banks in the amount of NIS 100 million and paid the first principle payment for debentures (Series I) in the amount of NIS 153 million.

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

Board of Directors Report

Q1 2011

2. Exposure to Market Risks and Means for their Management

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

2.1.1 Condition of the financial markets

While 2010 was marked by economic recovery accompanied by concerns regarding the effects of the financial crisis, particularly in Europe and the United States, since the beginning of 2011 the uncertainties concerning the global financial markets have increased. This, inter alia, as a result of geopolitical changes in several Arab countries in the Middle East and North Africa, contributing to the increase in oil prices following the sharp rise in 2010 of commodity prices in general and oil prices in particular, as well as a result of the earthquake in Japan that caused extensive damage to the country's nuclear power stations, generating concerns with respect to the damage to the third largest economy worldwide.

The Israeli economy entered 2011 while continuing the rapid growth trend and with some rise in inflation. On the other hand the foregoing geopolitical developments in some of the Arab countries increased the uncertainty and volatility in the Israeli capital market. Continued geopolitical instability in the Middle East could, under certain circumstances, adversely impact the condition of the Israeli economy, although its effect on real economic activity is limited for now. Since the beginning of 2011 the monetary tightening of the Israeli economy has continued, with a similar process occurring in other emerging markets and the beginning of a similar process starting in the Euro zone as well.

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

Declines and fluctuations in the prices of the securities of Koor's investees (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 impairments and to record losses due to the reduced value of the holdings. Ratings announced by Maalot and of Midroog in January 2011, are based on various parameters, including the net debt to adjusted value of holdings ratio. Maalot's foregoing rating report stated, inter alia, that based on its methodological approach, Maalot refers to and examines IDB's five main companies as a single unit for estimating credit risk, and this is due to the holdings structure, and control and management characteristics of IDB Group, the strategic significance of each main company to the Group and the identity designated to the main company's as part of the "IDB Group". 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 60%, with the exception of short-term deviations. Furthermore, Maalot noted that it expects that the leverage level at Koor will not exceed the aggregate level measured for the Group. Impairment of the assets and further increase of 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 at March 31, 2011, the net debt to adjusted holdings value ratio of IDB was 64% and of Koor, 55%. As at May 16, 2011, the net debt to adjusted holdings value ratio of IDB is 66% and of Koor, 54%.

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

Board of Directors Report

Q1 2011

2.1.2 Koor's market risks

During the reporting period, no material changes occurred during the reporting period in the exposure of the Company's investee companies to exposure and management of market risk as compared with the Company's Directors' report for 2010, dated March 17, 2011.

As at May 16, 2011 Koor has a net liabilities balance (liabilities less cash in hand) in CHF amounting to NIS 3.04 billion (approximately CHF 0.76 billion). Furthermore, Koor holds CHF denominated Credit Suisse shares at fair value, as at reporting date of NIS 5.63 billion (approximately CHF 1.4 billion) the revaluation of which, following the changes in the CHF exchange rate, is attributed directly to capital reserves and not to profit and loss (with the exception of significant and/or prolonged impairment). In addition, the dollar exchange rate changes have impact on the profitability of investees operating or report in US dollars, as well as an impact on Koor's profits from the results of investees which hold US dollar assets, and an impact on Koor's equity due to the adjusted capital reserve resulting from the translation of the investees' financial statements in foreign currency (in particular Makhteshim Agan).

With respect to CHF to NIS exchange rate exposure, from time to time and in varying scope, Koor carries out transactions to purchase CHF/NIS put options and NIS/CHF call options (together, "Collar Transactions"). Sometimes the scope of the open collar transactions is higher than the scope of the net exposure to the CHF exchange rate (also in substantial amounts). The contracts are usually for periods of up to twelve months, but can be repaid and from time to time are actually repaid before the contract expiry date. At March 31, 2011, the scope of open CHF/NIS collar transactions amounted to CHF 700 million and their fair value was estimated at a liability of NIS 69 million. The maximum scope of collar transactions during the course of the first quarter of 2011 was CHF 1,100 billion. At May 16, 2011, the scope of open CHF/NIS collar transactions amounted to CHF 700 million and their fair value was estimated at a liability of NIS 166 million. Since the beginning of the second quarter of 2011, at this stage, the Company generated an accrued loss for collar transactions, estimated to be NIS 93 million. Furthermore, Koor carries out from time to time, currency conversions, particularly NIS to CHF (or vice versa) See Note 3[C]3 to the annual financial statements with respect to accounting treatment of derivatives that are not used for hedging.

The foregoing information pertaining to the fair value at reporting date of collar transactions and the profits generated for the Company from the beginning of the second quarter of 2011 for these transactions, includes initial estimates and partial information that Koor has to date. This information 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 CHF exchange rate. For this reason, it is possible that their impact on the Company's results for Q2 of 2011 will be different as compared with the foregoing.

2.1.3 Report of linkage bases

- A. Koor does not manage the risks of its investees. Below are the linkage terms of monetary balances and derivative positions of Koor (together with its wholly-owned subsidiaries), as of March 31, 2011.

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

Board of Directors Report

Q1 2011

B. Koor's linkage balance sheet to March 31, 2011 (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	10	56	3	73	281	82	505
Investments in affiliates* (including loans)	-	185	-	-	-	2,761	2,946
Other investments	4	23	-(*)	423(*)	-	5,994	6,444
Fixed assets and real estate for investment	-	-	-	-	-	72	72
Total assets	14	264	3	496	281	8,909	9,967
<u>Liabilities</u>							
Current liabilities (including maturities)	(36)	(10)	(1)	(86)	(274)	(112)	(519)
Long-term liabilities	(1,311)	(3)	-	(3,622)	(1,255)	(37)	(6,228)
Total liabilities	(1,347)	(13)	(1)	(3,708)	(1,529)	(149)	(6,747)
Assets less liabilities, net	(1,333)	251	2	(3,212)	(1,248)	8,760	3,220

(*) In addition to the particulars in the above table, it is noted that, based on the management's opinion, also exposed to changes in the CHF exchange rates are Credit Suisse shares which, as at March 31, 2011, were traded on the Swiss stock exchange at a value of NIS 5,721 million, and to changes in the Euro exchange rates are Carrefour shares which, as at March 31, 2011, were traded on the stock exchange in France at a value of NIS 123 million, and which, based on the accounting rules, are classified as a non-monetary item.

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

Board of Directors Report

Q1 2011

C. Consolidated linkage balance at March 31, 2011 (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	22	68	3	73	293	149	608
Investment in affiliates (including loans)	-	185	-	-	-	2,641	2,826
Other investments	4	23	-(*)	423(*)	3	5,995	6,448
Fixed, intangible and other investment real estate assets	-	-	-	-	-	193	193
Total assets	26	276	3	496	296	8,978	10,075
<u>Liabilities</u>							
Current liabilities (including maturities)	(36)	(50)	(1)	(86)	(306)	(115)	(594)
Long-term liabilities	(1,311)	(3)	-	(3,622)	(1,255)	(47)	(6,238)
Total liabilities	(1,347)	(53)	(1)	(3,708)	(1,561)	(162)	(6,832)
Assets less liabilities, net	(1,321)	223	2	(3,212)	(1,265)	8,816	3,243

* In addition to the particulars in the above table, it is noted that, based on the management's opinion, also exposed to changes in the CHF exchange rates are Credit Suisse shares which, as at March 31, 2011, were traded on the Swiss stock exchange at a value of NIS 5,721 million, and to changes in the Euro exchange rates are Carrefour shares which, as at March 31, 2011, were traded on the stock exchange in France at a value of NIS 123 million, and which, based on the accounting rules, are classified as a non-monetary item.

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

Board of Directors Report

Q1 2011

D. Koor derivative positions as of March 31, 2011 (in NIS millions):

	NIS / CHF Collar			
	<u>Par value (*)</u>	<u>Fair value to</u>	<u>Par value</u>	<u>Fair value to</u>
	<u>CHF millions</u>	<u>pay</u>	<u>CHF millions</u>	<u>pay</u>
	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>
	<u>Up to 1 year</u>		<u>More than one year</u>	
Futures contracts - not recognized as accounting hedging transaction (1)	700	(69)	-	-

(1) These contracts consist of CHF/NIS put options and CHF/NIS call options (collar transactions), so that if the CHF exchange rate drops below the minimum exchange rate fixed in the contract, Koor will receive the difference and if the Swiss franc exchange rate rises above the maximum exchange rate fixed in the contract, Koor will pay the difference.

(*) Excluding collar transactions whose positions were closed by the acquisition of a reverse position.

	Israeli CPI / NIS			
	<u>Par value</u>	<u>Fair value</u>	<u>Par value</u>	<u>Fair</u>
	<u>(NIS millions)</u>	<u>to receive</u>	<u>(NIS millions)</u>	<u>value to</u>
	<u>Up to 1 year</u>	<u>LONG</u>	<u>More than one year</u>	<u>receive</u>
	<u>LONG</u>	<u>LONG</u>	<u>LONG</u>	<u>LONG</u>
Futures contracts - not recognized as accounting hedging transaction (2)	280	6	100	4

(2) These contracts consist of Israeli CPI forward contracts, 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.

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

Board of Directors Report

Q1 2011

E. Koor's linkage balance sheet at March 31, 2010 (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	7	231	-	216	235	57	746
Investment in affiliates (including loans)	-	-	-	-	-	3,067	3,067
Other investments	4	3	-(*)	-(*)	-	7,299	7,306
Fixed, intangible and other investment real estate assets	-	-	-	-	-	63	63
Total assets	11	234	-	216	235	10,486	11,182
<u>Liabilities</u>							
Current liabilities (including maturities)	(496)	(6)	(1)	(15)	(454)	(114)	(1,086)
Long-term liabilities	(1,264)	(2)	(1)	(1,838)	(1,403)	(95)	(4,603)
Total liabilities	(1,760)	(8)	(2)	(1,853)	(1,857)	(209)	(5,689)
Assets less liabilities, net	(1,749)	226	(2)	(1,637)	(1,622)	10,277	5,493

(*) In addition to the particulars in the above table, it is noted that, based on the management's opinion, also exposed to changes in the CHF exchange rates are Credit Suisse shares which, as at March 31, 2010, were traded on the Swiss stock exchange at a value of NIS 7,051 million, and to changes in the Euro exchange rates are Carrefour shares which, as at March 31, 2010, were traded on the stock exchange in France at a value of NIS 99 million, and which, based on the accounting rules, are classified as a non-monetary item.

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

Board of Directors Report

Q1 2011

F. Consolidated linkage balance at March 31, 2010 (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	7	243	-	216	235	92	793
Investment in affiliates (including loans)	-	-	-	-	-	3,049	3,049
Other investments	4	3	-(*)	-(*)	-	7,299	7,306
Fixed, intangible and other investment real estate assets	-	-	-	-	-	99	99
Total assets	11	246	-	216	235	10,539	11,247
<u>Liabilities</u>							
Current liabilities (including maturities)	(511)	(53)	(1)	(15)	(454)	(116)	(1,150)
Long-term liabilities	(1,264)	(3)	(1)	(1,838)	(1,403)	(95)	(4,604)
Total liabilities	(1,775)	(56)	(2)	(1,853)	(1,857)	(211)	(5,754)
Assets less liabilities, net	(1,764)	190	(2)	(1,637)	(1,622)	10,328	5,493

(*) In addition to the particulars in the above table, it is noted that, based on the management's opinion, also exposed to changes in the CHF exchange rates are Credit Suisse shares which, as at March 31, 2010, were traded on the Swiss stock exchange at a value of NIS 7,051 million, and to changes in the Euro exchange rates are Carrefour shares which, as at March 31, 2010, were traded on the stock exchange in France at a value of NIS 99 million, and which, based on the accounting rules, are classified as a non-monetary item.

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

Board of Directors Report

Q1 2011

G. Koor derivative positions as of March 31, 2010 (in NIS millions):

	NIS / CHF Collar			
	<u>Par value</u>	<u>Fair value to</u>	<u>Par value</u>	<u>Fair value to</u>
	<u>CHF millions</u>	<u>receive</u>	<u>CHF millions</u>	<u>receive</u>
	<u>Up to 1 year</u>	<u>NIS millions</u>	<u>More than one year</u>	<u>NIS millions</u>
Futures contracts - not recognized as accounting hedging transaction (1)	565	7	-	-

(1) These contracts consist of CHF/NIS put options and CHF/NIS call options (collar transactions), so that if the CHF exchange rate drops below the minimum exchange rate fixed in the contract, Koor will receive the difference and if the Swiss franc exchange rate rises above the maximum exchange rate fixed in the contract, Koor will pay the difference.

	NIS / CHF Collar			
	<u>Par value</u>	<u>Fair value to</u>	<u>Par value</u>	<u>Fair value to</u>
	<u>CHF millions</u>	<u>pay</u>	<u>CHF millions</u>	<u>receive</u>
	<u>Up to 1 year</u>	<u>NIS millions</u>	<u>More than one year</u>	<u>NIS millions</u>
Futures contracts - not recognized as accounting hedging transaction (2)	70	(1)	-	-

	NIS / CHF Forward			
	<u>Par value</u>	<u>Fair value to</u>	<u>Par value</u>	<u>Fair value to</u>
	<u>CHF millions</u>	<u>receive</u>	<u>CHF millions</u>	<u>receive</u>
	<u>Up to 1 year</u>	<u>NIS millions</u>	<u>More than one year</u>	<u>NIS millions</u>
Futures contracts - not recognized as accounting hedging transaction (2)	70	3	-	-

(2) These contracts are designed to protect the value of the assets denominated in CHF and liabilities denominated in NIS, the repayment of which originate in CHF.

	Israeli CPI / NIS			
	<u>Par value</u>	<u>Fair value to</u>	<u>Par value</u>	<u>Fair value to</u>
	<u>(NIS millions)</u>	<u>pay</u>	<u>(NIS millions)</u>	<u>pay</u>
	<u>Up to 1 year</u>	<u>LONG</u>	<u>More than one year</u>	<u>LONG</u>
Futures contracts - not recognized as accounting hedging transaction (3)	120	-	380	(1)

(3) These contracts consist of Israeli CPI forward contracts, 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.

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

Board of Directors Report

Q1 2011

2.1.4 Investees

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

2.1.5 Sensitivity test for sensitive financial instruments

For further information pertaining to sensitivity test tables for sensitive financial instruments included in the consolidated financial statements to March 31, 2011, based on changes in market factors, see Appendix A below.

Breakdown of sensitivity test tables:

At March 31, 2011

	Profit (loss) from changes in parameters for which sensitivity tests were carried out						
	Fair value	Increase			Decrease		
		Increase of 200 base points	10%	5%	Decrease of 200 base points	10%	5%
			NIS millions				
Sensitivity to interest rate changes	(2,877)	139	24	12	(151)	(24)	(12)
Sensitivity to changes in the nominal NIS interest rate - on CHF/NIS options derivative position	(69)	(46)	(4)	(2)	46	4	2

	Profit (loss) from changes in parameters for which sensitivity tests were carried out						
	Fair value	Increase			Decrease		
		Interest rate increase of 56%	10%	5%	Interest rate decrease of 56%	10%	5%
Sensitivity to changes in the CHF interest rate - on CHF/NIS options derivative position	(69)	4	1	-	(4)	(1)	-

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

Board of Directors Report

Q1 2011

	Profit (loss) from changes in parameters for which sensitivity tests were carried out				
	Fair value	Increase		Decrease	
		10%	5%	10%	5%
NIS millions					
Sensitivity to changes in the US dollar exchange rate	223	22	11	(22)	(11)
Sensitivity to changes in the CHF exchange rate (excluding financial derivatives)*	(3,144)	(314)	(157)	314	157
Sensitivity to changes in the stock exchange prices in Israel and abroad, of the tradeable securities	5,969	597	298	(597)	(298)
Sensitivity to changes in the Israeli CPI – on derivative positions	10	8	4	(8)	(4)
Sensitivity to changes in the CHF exchange rate – on derivative positions	(69)	(237)	(117)	227	115
Sensitivity to standard deviation changes – on derivative positions	(69)	(6)	(3)	6	3

* In addition to the particulars in the above table, it is noted that based on the management's opinion, also exposed to changes in the Swiss franc are Credit Suisse shares which, as at March 31, 2011, were traded on the Swiss stock exchange at a value of NIS 5,721 million, which is a non-monetary item.

At March 31, 2010

	Profit (loss) from changes in parameters for which sensitivity tests were carried out						
	Fair value	Increase			Decrease		
		Increase of 200 base points	10%	5%	Decrease of 200 base points	10%	5%
NIS millions							
Sensitivity to interest rate changes	(3,534)	188	32	16	(207)	(33)	(16)

K o o r I n d u s t r i e s L t d .**Board of Directors Report****Q1 2011**

	Profit (loss) from changes in parameters for which sensitivity tests were carried out				
	Fair value	Increase		Decrease	
		10%	5%	10%	5%
NIS millions					
Sensitivity to changes in the US dollar exchange rate	190	19	9	(19)	(9)
Sensitivity to changes in the CHF exchange rate (excluding financial derivatives)*	(1,646)	(164)	(82)	164	82
Sensitivity to changes in the stock exchange prices in Israel and abroad, of the tradeable securities	7,211	721	361	(721)	(361)
Sensitivity to changes in the Israeli CPI – on derivative positions	(1)	10	5	(10)	(5)
Sensitivity to changes in the CHF exchange rate – on derivative positions	9	(106)	(40)	193	71
Sensitivity to standard deviation changes – on derivative positions	6	1	-	(1)	-

* In addition to the particulars in the above table, it is noted that based on the management's opinion, also exposed to changes in the Swiss franc are Credit Suisse shares which, as at March 31, 2010, were traded on the Swiss stock exchange at a value of NIS 7,051 million, which is a non-monetary item.

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

Board of Directors Report

Q1 2011

3. Corporate governance

3.1 Disclosure of the process for approving the financial statements

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

Company board of directors and audit committee.

3.1.2 Procedures undertaken by the organs in charge of overall control in the corporation, prior to approval of the financial statements of the corporation:

The Company's board of directors is the organ in charge of control of the Company and of approving its financial statements.

Board members: Ami Erel, Nochi Dankner, Avi Fischer, Yitzhak Manor, Zvi Livnat, Haim Gavrieli, Marc Schimmel, Lior Hannes, Rafi Bisker, Gideon Lahav, Ayelet Ben-Ezer, Shlomo Reisman, Abraham Asheri and Arie Schiff.

The Company's audit committee also serves as the committee for examining its financial statements (in this section - "the Committee") and which, following a discussion on the financial statements, recommends approval to the Company's board of directors.

The Committee comprises five members:

Ms. Ayelet Ben-Ezer - external director and Chair of the Committee

Mr. Shlomo Reisman - external director

Mr. Gideon Lahav - director

Mr. Abraham Asheri - director

Mr. Arie Schiff - director who complies with the conditions qualifying him to be an independent director

All the Committee members, with the exclusion of Ayelet Ben-Ezer, have financial and accounting expertise. Upon their appointment, all the Committee members provided declarations concerning their qualifications pursuant to Regulation 3 of the Companies Regulations (Conditions and Qualifications for a Director with Accounting and Financial Expertise and for a Director with Professional Qualifications), 2005 or their ability to read and understand financial statements (accordingly). For details of the qualifications, education, experience and knowhow of the Committee members, based on which the Company deems them to be qualified to read and understand financial statements, see section 3.2.1 of the 2010 Board of Directors Report, and section 16 of Part D to the Company's 2010 periodic report (Additional Information About the Company).

Approval of the financial statements for the first quarter of 2011 involved three meetings: First - a Committee meeting, prior to the board meeting, for a comprehensive discussion of the material reporting issues; Second - a Committee meeting to discuss the financial statements, business results and developments; and Third - the board of directors meeting to discuss the Committee's recommendations and the financial statements, and to approve them.

The following Committee members were present at the Committee meeting held on May 12, 2011: Ms. Ayelet Ben-Ezer, Mr. Shlomo Reisman, Mr. Abraham Asheri and Mr. Arie Schiff, as well as the internal auditor, Mr. Ezra Yehuda, the Company's auditor, Mr. Herve Barda of Somech Chaikin KPMG and the CEO, Mr. Raanan Cohen, CFO, Mr. Oren Hillinger, the Company's controller, Ms.

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

Board of Directors Report

Q1 2011

Avisag Peretz and the Company's legal counsel, Mr. Zvi Fischer. During the meeting, the Committee examined, inter alia, the assessments and estimates that were prepared for financial reporting of the first quarter of 2011, the internal audit pertaining to the financial reporting, the integrity and suitability of the disclosures in the financial statements for the first quarter of 2011, as well as the accounting principles that were adopted and the accounting treatment applied for the Company's material issues. The Committee also examined the valuations including their basic assumptions and forecasts, on which the figures in the financial statements for the first quarter of 2011 are based, and the various risk control and management aspects, those reflected in the financial statements for the first quarter of 2011 (such as reporting of financial risks), and those that impact the reliability of the financial statements. These issues were presented by the Company's auditors, officers and other employees, including: The CEO, Mr. Raanan Cohen, the CFO, Mr. Oren Hillinger, the controller, Ms. Avisag Peretz and the legal counsel, Mr. Zvi Fischer. The Committee's recommendations concerning each of the specified issues were sent in writing to the board members on May 12, 2011.

At the meeting convened on May 15, 2011, the Committee discussed the Company's financial results and its business developments. The following Committee members were present at the meeting: Ms. Ayelet Ben-Ezer, Mr. Shlomo Reisman, Mr. Gideon Lahav and Mr. Arie Schiff, as well as the internal auditor, Mr. Ezra Yehuda, the Company's auditor, Mr. Herve Barda of Somech Chaikin KPMG and the CEO, Mr. Raanan Cohen, CFO, Mr. Oren Hillinger, the Company's controller, Ms. Avisag Peretz and the Company's legal counsel, Mr. Zvi Fischer.

At the board meeting convened on May 17, 2011, the board of directors discussed the Committee's recommendations and approved the Company's financial statements as at March 31, 2011. The board of directors believe that, with regard to the scope of the Committee's recommendations and their complexity, the Committee's recommendations were sent to the board members within reasonable time prior to the said board of directors meeting. The time span that the board of directors set as reasonable in this matter is two business days. The following directors participated at the board meeting: Ami Erel (Chair), Yitzhak Manor, Avi Fischer, Lior Hannes, Rafi Bisker, Marc Schimmel, Ayelet Ben-Ezer, Shlomo Reisman, Abraham Asheri and Arie Schiff.

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

4.1 Critical accounting estimates

At the report date no material changes occurred during the first quarter of 2011 with regard to critical accounting estimates that the Company uses for its annual financial statements.

4.2 Main events subsequent to the balance sheet date

For information pertaining to primary events subsequent to the balance sheet date see Note 8 to the financial statements.

Ami Erel
Chairman of the Board

Raanan Cohen
CEO

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

Board of Directors Report Q1 2011

Tel Aviv, May 17, 2011

K o o r I n d u s t r i e s L t d .**Board of Directors Report****Q1 2011****Appendix A - Sensitivity analysis of sensitive financial instruments**

Hereunder are tables demonstrating sensitivity tests of the market value of financial instruments. The following tables should be considered in light of the following remarks:

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.

Sensitivity test tables for sensitive financial instruments included in the consolidated financial statements to March 31, 2011, based on changes in market factors

Sensitivity analysis to changes in interest rates

Section	Fair value	Profit (loss) from changes in NIS interest rate					
		Increase			Decrease		
		Increase of 200 base points (*)	10%	5%	Decrease of 200 base points (*)	10%	5%
		NIS millions					
Short term deposits and investments	27	(2)	(1)	-	2	1	-
Other investments	3	-	-	-	-	-	-
Current maturities of debentures	(160)	6	2	1	(7)	(2)	(1)
Debentures	(1,860)	102	16	8	(111)	(16)	(8)
Bank loans	(887)	33	7	3	(35)	(7)	(3)
	<u>(2,877)</u>	<u>139</u>	<u>24</u>	<u>12</u>	<u>(151)</u>	<u>(24)</u>	<u>(12)</u>

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

K o o r I n d u s t r i e s L t d .**Board of Directors Report****Q1 2011****Sensitivity analysis of changes in the US dollar exchange rate**

Section	Fair value	Profit (loss) from changes in US dollar exchange rate			
		Increase		Decrease	
		10%	5%	10%	5%
NIS millions					
Cash and cash equivalents	53	5	3	(5)	(3)
Short term deposits and investments	4	-	-	-	-
Trade and accounts receivable and debit balances	11	1	-	(1)	-
Other investments	208	21	10	(21)	(10)
Borrowings from banks	(24)	(2)	(1)	2	1
Trade and other accounts payable and credit balances	(26)	(3)	(1)	3	1
Other long-term liabilities	(3)	-	-	-	-
	223	22	11	(22)	(11)

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

Section	Fair value	Profit (loss) from changes in Swiss franc exchange rate			
		Increase		Decrease	
		10%	5%	10%	5%
NIS millions					
Cash and cash equivalents	59	6	3	(6)	(3)
Other investments	423	42	21	(42)	(21)
Trade and other accounts payable and credit balances	(3)	-	-	-	-
Long term liabilities to banking institutions	(3,622)	(362)	(181)	362	181
	(3,143)	(314)	(157)	314	157

(*) In addition to the particulars in the above table, it is noted that based on the management's opinion, also exposed to changes in the Swiss franc are Credit Suisse shares which, as at March 31, 2011, were traded on the Swiss stock exchange at a value of NIS 5,721 million, which based on the accounting rules are classified as a non-monetary item.

K o o r I n d u s t r i e s L t d .**Board of Directors Report****Q1 2011****Sensitivity test on changes in the Stock Exchange prices in Israel and abroad, of the negotiable securities**

Section	Fair value	Profit (loss) from changes in prices of negotiable securities			
		Increase		Decrease	
		10%	5%	10%	5%
NIS millions					
Short term deposits and investments	120	12	6	(12)	(6)
Other investments	5	1	-	(1)	-
Available-for-sale financial assets	123	12	6	(12)	(6)
Available-for-sale attached financial assets	5,721	572	286	(572)	(286)
	5,969	597	298	(597)	(298)

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

Forward index	Fair value	Profit (loss) from changes in the Israeli CPI			
		Increase		Decrease	
		2%	1%	2%	1%
NIS millions					
Not recognized as accounting hedging	10	8	4	(8)	(4)

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

Not recognized as accounting hedging Section	Fair value	Profit (loss) from changes in Swiss franc exchange rate			
		Increase		Decrease	
		10%	5%	10%	5%
NIS millions					
Acquisition of CHF/NIS put option	51	(40)	(26)	116	44
Sale of CHF/NIS call option	(120)	(197)	(91)	111	71
	(69)	(237)	(117)	227	115

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

Board of Directors Report

Q1 2011

Sensitivity analysis to standard deviation changes – on derivative positions

Not recognized as accounting hedging Section	Fair value	Profit (loss) from changes in standard deviation of CHF exchange rate			
		Increase		Decrease	
		10%	5%	10%	5%
NIS millions					
Acquisition of CHF/NIS put option	51	6	3	(6)	(3)
Sale of CHF/NIS call option	(120)	(12)	(6)	12	6
	(69)	(6)	(3)	6	3

Sensitivity analysis to nominal NIS interest rate changes – on derivative positions

Not recognized as accounting hedging Section	Fair value	Profit (loss) from changes in nominal NIS interest rates					
		Increase			Decrease		
		Increase of 200 base points (*)	10%	5%	Decrease of 200 base points (*)	10%	5%
NIS millions							
Acquisition of CHF/NIS put option	51	(17)	(1)	(1)	20	1	1
Sale of CHF/NIS call option	(120)	(29)	(3)	(1)	26	3	1
	(69)	(46)	(4)	(2)	46	4	2

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

Sensitivity analysis to changes in nominal CHF interest rates – on derivative positions

Not recognized as accounting hedging Section	Fair value	Profit (loss) from changes in nominal CHF interest rates					
		Increase			Decrease		
		Interest rate increase of 56%	10%	5%	Interest rate decrease of 56%	10%	5%
NIS millions							
Acquisition of CHF/NIS put option	51	1	-	-	(1)	-	-
Sale of CHF/NIS call option	(120)	3	1	-	(3)	(1)	-
	(69)	4	1	-	(4)	(1)	-

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

Board of Directors Report

Q1 2011

Sensitivity test tables for sensitive financial instruments included in the consolidated financial statements to March 31, 2010, based on changes in market factors

Sensitivity analysis to changes in interest rates

Section	Profit (loss) from changes in NIS interest rate									
	Fair value	Increase				Decrease				
		Increase of 200 base points (*)	10%		5%		Decrease of 200 base points (*)	10%		5%
			NIS millions							
Short term deposits and investments	13	(1)	-	-	1	-	-			
Current maturities of debentures	(461)	-	-	-	-	-	-			
Debentures	(2,187)	142	22	11	(157)	(23)	(11)			
Bank loans										
Sensitivity to changes in interest rates	(899)	47	10	5	(51)	(10)	(5)			
	(3,534)	188	32	16	(207)	(33)	(16)			

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

Sensitivity analysis of changes in the US dollar exchange rate

Section	Profit (loss) from changes in US dollar exchange rate						
	Fair value	Increase		Decrease			
		10%		5%		10%	5%
		NIS millions					
Cash and cash equivalents	227	23	11	(23)	(11)		
Short term deposits and investments	5	-	-	-	-		
Trade and accounts receivable and debit balances	11	1	-	(1)	-		
Other investments	3	-	-	-	-		
Bank and other borrowings	(30)	(3)	(1)	3	1		
Trade and other accounts payable and credit balances	(23)	(2)	(1)	2	1		
Other long-term liabilities	(3)	-	-	-	-		
	190	19	9	(19)	(9)		

K o o r I n d u s t r i e s L t d .**Board of Directors Report****Q1 2011****Sensitivity analysis of changes in the CHF exchange rate (not including financial derivatives)**

Section	Fair value	Profit (loss) from changes in Swiss franc exchange rate			
		Increase		Decrease	
		10%	5%	10%	5%
NIS millions					
Cash and cash equivalents	206	21	10	(21)	(10)
Trade and other accounts payable and credit balances	(14)	(1)	-	1	-
Long term liabilities to banking institutions	(1,838)	(184)	(92)	184	92
	(1,646)	(164)	(82)	164	82

In addition to the particulars in the above table, it is noted that based on the management's opinion, also exposed to changes in the Swiss franc are Credit Suisse shares which, as at March 31, 2010, were traded on the Swiss stock exchange at a value of NIS 7,051 million, which based on the accounting rules are classified as a non-monetary item.

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

Section	Fair value	Profit (loss) from changes in prices of negotiable securities			
		Increase		Decrease	
		10%	5%	10%	5%
NIS millions					
Short term deposits and investments	60	6	3	(6)	(3)
Other investments	2	-	-	-	-
Available-for-sale financial assets	3,039	304	152	(304)	(152)
Available-for-sale attached financial assets	4,110	411	206	(411)	(206)
	7,211	721	361	(721)	(361)

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

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

K o o r I n d u s t r i e s L t d .**Board of Directors Report****Q1 2011****Sensitivity analysis of changes in the Swiss franc exchange rate – on derivative positions**

Not recognized as accounting hedging Section	Fair value	Profit (loss) from changes in Swiss franc exchange rate			
		Increase		Decrease	
		10%	5%	10%	5%
NIS millions					
CHF/NIS forward transactions	3	(24)	(12)	24	12
Acquisition of CHF/NIS put option	8	(9)	(9)	167	57
Sale of CHF/NIS call option	(2)	(73)	(19)	2	2
	9	(106)	(40)	193	71

Sensitivity analysis to standard deviation changes – on derivative positions

Not recognized as accounting hedging Section	Fair value	Profit (loss) from changes in standard deviation of CHF exchange rate			
		Increase		Decrease	
		10%	5%	10%	5%
NIS millions					
Acquisition of CHF/NIS put option	8	1	-	(1)	-
Sale of CHF/NIS call option	(2)	-	-	-	-
	6	1	-	(1)	-

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

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

Board of Directors Report

Q1 2011

Appendix B – Special disclosures for holders of debentures

Breakdown of data relating to debentures as of March 31, 2011 (in NIS millions):

Series	Original date of issue	Par value At date of issue (millions)	Par value balance in circulation (millions)	Par value balance in circulation, at linkage terms (millions)	Accrued interest in books	Value of debenture balance as at March 31, 2011 in books	Market value	Interest rates (fixed)	Principal repayment date(2)		Interest payment date	Linkage terms	Trust company Name of contact Address Telephone
									From	to			
H(3)	Aug 20, 2006	1,194.6	1,194.6	1,351.0	40.2	1,360.4(5)	1,499.2	5.10%	Sept 1, 12	Sept 1, 16	Sept 1, 11; Sept 1, 12; Sept 1, 13; Sept 1, 14; Sept 1, 15; Sept 1, 16	Consumer Price Index	Reznick Paz, Nevo Trusts Ltd. 14 Yad Harutzim St. Tel Aviv Tel: 03 .-6389200 Liat Bachar-Segal
I(4)	Aug 9, 09	765.5	612.4	612.4	1.8	600.7	637.9	6.7%	Mar 15, 11	Mar 15, 15	Sept 15, 11 Mar 15, 12; Sept 15, 12 Mar 15, 13; Sept 15, 13 Mar 15, 14; Sept 15, 14 Mar 15, 15	Unlinked	Hermetic Trust Services (1975) Ltd. 113 Hayarkon Street, Tel Aviv, Israel; Tel: 03 .-5274867 Meirav Ofer Oren
J	Sept 9, 09	58.1	58.1	58.1	0.2	57.8	61.3	7.2%	Sept 16, 12	Sept 16, 17	Sept 16, 11 Mar 16, 12; Sept 16, 12 Mar 16, 13; Sept 16, 13 Mar 16, 14; Sept 16, 14 Mar 16, 15; Sept 16, 15 Mar 16, 16; Sept 16, 16 Mar 16, 17; Sept 16, 17	Unlinked	Hermetic Trust Services (1975) Ltd. 113 Hayarkon Street, Tel Aviv, Israel; Tel: 03 .-5274867 Meirav Ofer Oren

Comments:

- (1) The Company is in compliance with all the debenture terms. The Company also complied with all the terms of its obligations under the Deed of Trust.
- (2) Annual payments.
- (3) Material series The series was expanded on May 10, 2007. The figures in the table refer to all the series.
- (4) Material series The series was expanded on September 10, 2009. The figures in the table refer to all the series. In March 2011, the Company paid the first principal installment in the amount of NIS 153 million.

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

Board of Directors Report

Q1 2011

- (5) The consolidated statements represent the debenture (Series H) balance as at March 31, 2011 less the debentures acquired by a wholly owned subsidiary and is NIS 1,196 million.

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

Board of Directors Report

Q1 2011

Information relating to the rating of the debentures:

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

In August 2006 Maalot announced a rating of A+/stable for Debentures (Series H) In November 2008, Maalot announced a credit rating of A+/CW Negative for Koor's debentures.

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

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

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

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

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

In January 2011, Maalot announced its affirmation of the +iIA rating for Koor's Debentures (Series H-J) while changing the rating outlook to Negative.

In January 2011, Maalot announced its affirmation of the +iIA rating for Koor's Debentures (Series H-J) while changing the rating outlook to Developing.