

Translated from the Hebrew original

**Koor Industries Limited**  
**Condensed Interim Separate**  
**Financial Data**  
**As at March 31, 2011**

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

**Condensed Interim Separate Financial Data**

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To:  
The shareholders of Koor Industries Ltd

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

*Introduction*

We have reviewed the separate interim financial information presented in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports) – 1970 of Koor Industries Ltd. (hereinafter – the Company) as of March 31, 2011 and for the three month period then ended. The separate interim financial information is the responsibility of the Company's Board of Directors and of its Management. Our responsibility is to express a conclusion on the separate interim financial information based on our review.

We did not review the separate interim financial information of investee companies the investments in which amounted to NIS 390,471 thousand as at March 31, 2011, and the profit from these investee companies amounted to NIS 10,249 thousand for the three month period then ended. The financial statements of those companies was reviewed by other auditors whose review reports thereon were furnished to us, and our conclusion, insofar as it relates to amounts emanating from the financial statements of such companies, is based solely on the said review reports of the other auditors.

*Scope of Review*

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

*Conclusion*

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

Somekh Chaikin  
Certified Public Accountants (Isr.)

May 17, 2011

**Condensed Interim Separate Financial Data as at March 31, 2011****Condensed Interim Financial Position Data as at**

	<u>2011</u>	<u>March 31</u> <u>2010</u>	<u>December 31</u> <u>2010</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Audited)</u>
	<u>NIS thousands</u>	<u>NIS thousands</u>	<u>NIS thousands</u>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	256,109	472,412	553,800
Short-term deposits and investments including financial derivatives	85,778	69,750	69,860
Other receivables	22,846	626,011	4,159
	<u>364,733</u>	<u>1,168,173</u>	<u>627,819</u>
<b>Long-term investments</b>			
Balance for investees	4,097,138	5,742,303	3,840,066
Assets available for sale	103,773	916,995	93,853
Pledged assets available for sale	1,233,415	766,325	1,193,423
Other investments and pledged deposits	101,641	4,342	113,091
Loans to investees	388,534	269,938	388,527
	<u>5,924,501</u>	<u>7,699,903</u>	<u>5,628,960</u>
<b>Investment property</b>	<u>70,900</u>	<u>61,800</u>	<u>70,900</u>
<b>Fixed assets</b>	<u>751</u>	<u>781</u>	<u>762</u>
<b>Total assets</b>	<u>6,360,885</u>	<u>8,930,657</u>	<u>6,328,441</u>

The accompanying supplementary information is an integral part of the condensed interim separate financial data.

**Condensed Interim Separate Financial Data as at March 31, 2011****Condensed Interim Financial Position Data as at**

	<u>2011</u>	<u>March 31</u> <u>2010</u>	<u>December 31</u> <u>2010</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Audited)</u>
	<u>NIS thousands</u>	<u>NIS thousands</u>	<u>NIS thousands</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Credit from banks	100,000	-	-
Current maturity of debentures	153,094	606,889	153,094
Trade payables	2,209	2,657	2,008
Other payables and credit balances	142,145	146,683	306,662
Financial derivatives	83,337	1,365	121,176
Dividend payable	-	270,046	-
Provisions	1,250	500	500
	<u>482,035</u>	<u>1,028,140</u>	<u>583,440</u>
<b>Long-term liabilities</b>			
Liabilities to banks	783,396	342,645	780,203
Debentures	1,865,855	1,961,566	2,006,449
Capital note from subsidiary	6,382	6,382	6,382
Other liabilities including financial derivatives	-	4,323	-
Deferred tax liabilities	2,510	93,559	-
Employee benefits	793	1,126	889
	<u>2,658,936</u>	<u>2,409,601</u>	<u>2,793,923</u>
<b>Equity</b>			
Share capital	564,546	564,546	564,546
Premium on shares	3,904,575	3,904,575	3,904,575
Treasury shares	(6,071)	(6,071)	(6,071)
Reserves	(1,628,050)	46,279	(1,759,954)
Retained earnings	384,914	983,587	247,982
<b>Total equity attributed to holders of the Company</b>	<u>3,219,914</u>	<u>5,492,916</u>	<u>2,951,078</u>
<b>Total liabilities and equity</b>	<u>6,360,885</u>	<u>8,930,657</u>	<u>6,328,441</u>

Ami Erel  
Chairman of the Board of Directors

Raanan Cohen  
Chief Executive Officer

Oren Hillinger  
Chief Financial Officer

Approval date of financial statements: May 17, 2011

The accompanying supplementary information is an integral part of the condensed interim separate financial data.

**Condensed Interim Separate Financial Data as at March 31, 2011**
**Condensed Interim Statement of Income Data**

	For the three-month period ended		For the year ended
	March 31		December 31
	2011	2010	2010
(Unaudited)	(Unaudited)	(Audited)	
NIS thousands	NIS thousands	NIS thousands	
<b>Revenues</b>			
Revenues from rental fees	1,718	1,634	6,928
Koor's equity in the earnings of investees	94,076	202,201	50,202
Gain from realization and dividend on securities available for sale	2,891	-	74,684
Other income	-	-	9,366
Management fee and financing income from investees	3,672	3,090	14,639
Financing income	99,859	44,102	21,581
	<b>202,216</b>	<b>251,027</b>	<b>177,400</b>
<b>Expenses</b>			
General and administrative expenses	9,651	5,987	43,200
Koor's equity in the losses of investees	3,989	4,647	344,818
Other expenses	2,243	4,953	16,903
Financing expenses	64,855	25,353	279,569
	<b>80,738</b>	<b>40,940</b>	<b>684,490</b>
<b>Earnings (loss) before income tax</b>	<b>121,478</b>	<b>210,087</b>	<b>(507,090)</b>
Income tax	9,269	(2,650)	(29,194)
<b>Earnings (loss) for the period attributed to the holders of the Company</b>	<b>130,747</b>	<b>207,437</b>	<b>(536,284)</b>

The accompanying supplementary information is an integral part of the condensed interim separate financial data.

**Condensed Interim Separate Financial Data as at March 31, 2011****Condensed Interim Comprehensive Income Data**

	For the three-month period ended		For the year ended
	March 31		December 31
	2011	2010	2010
	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands
<b>Earnings (loss) for the period attributed to holders the Company</b>	<b>130,747</b>	207,437	(536,284)
<b>Components of other comprehensive income (comprehensive loss):</b>			
Foreign currency translation differences from foreign operations	<b>(27,105)</b>	(20,196)	(80,257)
Foreign currency translation differences from foreign operations recognized in gain/loss	-	4,347	4,347
Net change in fair value of financial assets available for sale, net of tax	<b>40,430</b>	32,027	(273,740)
Impairment loss on financial assets available for sale, recognized in statement of income	-	-	2,717
Actuarial losses from defined benefits plan	-	-	(295)
Koor's equity in comprehensive income (loss) of investees, net of tax	<b>124,764</b>	186,715	(1,247,996)
<b>Total comprehensive income (comprehensive loss) for the period attributed to holders of the Company</b>	<b>268,836</b>	410,330	(2,131,508)

The accompanying supplementary information is an integral part of the condensed interim separate financial data.

**Condensed Interim Separate Financial Data as at March 31, 2011****Condensed Interim Cash Flows Data**

	For the three-month period ended		For the year ended
	March 31		December 31
	2011	(**) 2010	(**) 2010
(Unaudited)	(Unaudited)	(Audited)	
	NIS thousands	NIS thousands	NIS thousands
<b>Cash flows generated by operating activities</b>			
Earnings (loss) for the period	130,747	207,437	(536,284)
Adjustments:			
Financial expenses (income), net	(38,400)	(21,561)	244,460
Koor's equity in results of investees, net	(90,087)	(197,554)	294,616
Dividend received	5,447	7,619	98,143
Depreciation and amortization	11	11	47
Increase (decrease) in employee benefits, net	(95)	45	(487)
Income tax expenses (savings)	(9,269)	2,650	29,194
Revaluation of investment property	-	-	(9,100)
Capital losses (gains), net, from realization and dividend of investment in investees and securities available for sale	(2,891)	4,824	(69,860)
Impairment of assets and investments	2,318	-	12,067
Decrease (increase) in other receivables and debit balances	(792)	(4,024)	262
Decrease in trade and other payables and credit balances	(4,434)	(324)	(10,146)
Income tax paid	-	-	(7,614)
	(7,445)	(877)	45,298
Net cash inflows generated by operating activities with investees	(31)	(332)	(1,845)
<b>Net cash inflows (outflows) generated by operating activities</b>	<b>(7,476)</b>	<b>(1,209)</b>	<b>43,453</b>
<b>Cash flows generated by investing activities</b>			
Purchase of fixed assets	-	(27)	(44)
Proceeds from realization of investments in available for sale securities, investees and other	-	2,062	-
Proceeds from assets held for sale	-	16,178	16,178
Investment in available for sale securities and in investees and other	(74,768)	(49,326)	(280,700)
Decrease (increase) in pledged deposits, net	6,122	-	(97,375)
Increase in short-term deposits and investments, net	(839)	(7,196)	(9,363)
Cash flows from settlement of derivatives, net	43,855	(*)24,646	30,789
Interest received	2,499	1,494	5,152
	(23,131)	(12,169)	(335,363)
Net cash inflows (outflows) generated by investing activities with investees	(10,613)	(608,532)	12,230
<b>Net cash outflows generated by investing activities</b>	<b>(33,744)</b>	<b>(620,701)</b>	<b>(323,133)</b>

(\*) Reclassified. See Note 2(C)(1) to the condensed interim consolidated financial statements.

(\*\*) Reclassified. See Note 2(C)(2) to the condensed interim consolidated financial statements.

The accompanying supplementary information is an integral part of the condensed interim separate financial data.

**Condensed Interim Separate Financial Data as at March 31, 2011****Condensed Interim Cash Flows Data (cont.)**

	For the three-month period ended		For the year ended
	March 31		December 31
	2011	2010	2010
(Unaudited)	(Unaudited)	(Audited)	
NIS thousands	NIS thousands	NIS thousands	
<b>Cash flows generated by financing activities</b>			
Dividend distribution	-	-	(269,957)
Interest paid	(35,249)	(34,710)	(140,324)
Cash flows from settlement of derivatives, net	-	(*)-	787
Long-term loans received	-	32,375	945,932
Long-term loans and debentures repaid	(153,094)	(32,498)	(999,871)
Increase credit from banks, net	100,000	-	2,791
	<b>(88,343)</b>	<b>(34,833)</b>	<b>(460,642)</b>
Net cash inflows (outflows) generated by financing activities with investees	<b>(159,769)</b>	-	158,466
<b>Net cash outflows by financing activities</b>	<b>(248,112)</b>	<b>(34,833)</b>	<b>(302,176)</b>
<b>Change in cash and cash equivalents</b>	<b>(289,332)</b>	<b>(656,743)</b>	<b>(581,856)</b>
<b>Cash and cash equivalents – beginning of period</b>	<b>553,800</b>	1,136,391	1,136,391
<b>Effect of fluctuations in exchange rate on balances of cash and cash equivalents</b>	<b>(8,359)</b>	<b>(7,236)</b>	<b>(735)</b>
<b>Cash and cash equivalents – end of period</b>	<b>256,109</b>	<b>472,412</b>	<b>553,800</b>

(\*) Reclassified. See Note 2(C)(1) to the condensed interim consolidated financial statements.

The accompanying supplementary information is an integral part of the condensed interim separate financial data.

**Condensed Interim Separate Financial Data as at March 31, 2011**

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**Supplementary Data**

**(1) General**

The interim separate financial Data is presented in accordance with Regulation 38D of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970, and does not include all the information required under Regulation 9C and Addendum 10 to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970, regarding financial information attributed to the Company alone. It is to be read in conjunction with the financial statement data from the consolidated financial statements attributed to the Company alone as at December 31, 2010 and the condensed consolidated interim financial statements as at March 31, 2011 ("the consolidated financial statements").

**In this interim financial information attributed to the Company alone:**

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

**(2) Additional significant information required to understand the interim separate financial data**

Regarding additional significant information, see Notes 4, 5, 6 and 8 to the condensed consolidated interim financial statements.

**(3) Related parties**

During the first quarter of 2011, the Company transferred NIS 160 million as current debt to M.A.G.M. Chemistry Holdings Ltd ("MAGM"), a wholly-owned subsidiary. In addition the Company transferred NIS 18 million to MAGM.