

Translated from the Hebrew original

Koor Industries Limited

**Condensed Interim Separate
Financial Information
As at September 30, 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 as at September 30, 2011

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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 September 30, 2011 and for the nine and three month periods then ended. The separate interim financial information is the responsibility of the Company's Board of Directors and of its Management. Our responsibility is to express a conclusion on the separate interim financial information based on our review.

We did not review the separate interim financial information in the financial statement of investee companies the investments in which amounted to NIS 531,256 thousand as of September 30, 2011, and the profit from these investee companies amounted to NIS 141,883 thousand and NIS 796 thousand for the nine and three month periods then ended, respectively. The financial statements of those companies were 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.)

November 16, 2011

Condensed Interim Separate Financial Information as at September 30, 2011**Condensed Interim Financial Position Data as at**

	<u>2011</u>	<u>September 30</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>
Assets			
Current assets			
Cash and cash equivalents	513,654	511,423	553,800
Short-term deposits and investments including financial derivatives	20,361	68,029	69,860
Pledged deposits	436,169	-	-
Other receivables (including investees)	385,326	17,126	4,159
	<u>1,355,510</u>	<u>596,578</u>	<u>627,819</u>
Long-term investments			
Balance for investees	2,690,359	4,743,384	3,840,066
Financial assets available for sale	115,142	97,588	93,853
Pledged financial assets available for sale	810,534	1,298,002	1,193,423
Pledged deposits	-	85,935	98,682
Other investments	6,201	15,089	14,409
Loans to investees	415,697	285,217	388,527
	<u>4,037,933</u>	<u>6,525,215</u>	<u>5,628,960</u>
Investment property	<u>70,900</u>	<u>61,800</u>	<u>70,900</u>
Fixed assets	<u>727</u>	<u>775</u>	<u>762</u>
Total assets	<u>5,465,070</u>	<u>7,184,368</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 Information as at September 30, 2011**Condensed Interim Financial Position Data as at**

	<u>September 30</u>	<u>December 31</u>
	<u>2011</u>	<u>2010</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
	<u>NIS thousands</u>	<u>NIS thousands</u>
Liabilities		
Current liabilities		
Credit from banks	1,364,446	-
Loan from controlling shareholders	696,492	-
Current maturities of debentures	438,001	153,094
Trade payables	1,521	1,575
Other payables and credit balances (including investees)	107,511	217,774
Financial derivatives	185,812	123,876
Provisions	1,250	500
	<u>2,795,033</u>	<u>496,819</u>
		<u>583,440</u>
Long-term liabilities		
Liabilities to banks	-	772,686
Debentures	1,607,130	1,996,893
Capital note from subsidiary	6,382	6,382
Deferred tax liabilities	-	4,629
Employee benefits	692	1,318
	<u>1,614,204</u>	<u>2,781,908</u>
		<u>2,793,923</u>
Equity		
Share capital	564,546	564,546
Premium on shares	3,904,575	3,904,575
Treasury shares	(6,071)	(6,071)
Reserves	(227,107)	(1,212,769)
Retained earnings (accumulated loss)	(3,180,110)	655,360
	<u>1,055,833</u>	<u>3,905,641</u>
		<u>2,951,078</u>
Total equity attributed to holders of equity rights in the Company	<u>1,055,833</u>	<u>3,905,641</u>
		<u>2,951,078</u>
Total liabilities and equity	<u>5,465,070</u>	<u>7,184,368</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: November 16, 2011

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

Condensed Interim Separate Financial Information as at September 30, 2011
Condensed Interim Statement of Income Data

	For nine-month period ended September 30		For three-month period ended September 30		For year ended December 31
	2011	2010	2011	2010	2010
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	<u>NIS thousands</u>	<u>NIS thousands</u>	<u>NIS thousands</u>	<u>NIS thousands</u>	<u>NIS thousands</u>
Revenues					
Revenues from rental fees	5,116	5,080	1,669	1,812	6,928
Koor's equity in the earnings of investees	106,282	71,889	12,503	3,880	50,202
Gain from realization and dividend from financial assets available for sale	49,879	72,627	2,130	5,680	74,684
Other income	92	-	6	-	9,366
Management fee and financing income from investees	18,480	13,271	10,131	4,889	14,639
Financing income	3,838	16,843	1,496	7,125	21,581
	<u>183,687</u>	<u>179,710</u>	<u>27,935</u>	<u>23,386</u>	<u>177,400</u>
Expenses					
General and administrative expenses	23,816	20,346	7,633	8,020	43,200
Koor's equity in the losses of investees	3,184,108	38,606	1,509,860	231,189	344,818
Loss from impairment of financial assets available for sale	5,481	10,402	-	7,685	12,065
Other expenses	-	4,859	-	-	4,838
Financing expenses	351,307	222,159	113,070	148,721	279,569
	<u>3,564,712</u>	<u>296,372</u>	<u>1,630,563</u>	<u>395,615</u>	<u>684,490</u>
Loss before income tax	(3,381,025)	(116,662)	(1,602,628)	(372,229)	(507,090)
Income tax	(50,063)	116	(33,031)	12,863	(29,194)
Loss for the period attributed to the holders of the Company	(3,431,088)	(116,546)	(1,635,659)	(359,366)	(536,284)

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

Condensed Interim Separate Financial Information as at September 30, 2011**Condensed Interim Comprehensive Income Data**

	For nine-month period ended September 30		For three-month period ended September 30		For year ended December 31
	2011 (Unaudited) NIS thousands	2010 (Unaudited) NIS thousands	2011 (Unaudited) NIS thousands	2010 (Unaudited) NIS thousands	2010 (Audited) NIS thousands
Loss for the period attributed to holders of the Company	(3,431,088)	(116,546)	(1,635,659)	(359,366)	(536,284)
Components of other comprehensive income (comprehensive loss):					
Foreign currency translation differences from foreign operations	72,319	(37,366)	125,297	(81,803)	(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	(309,782)	(203,708)	(254,254)	56,445	(273,740)
Impairment loss on financial assets available for sale, recognized in statement of income	-	10,402	-	7,684	2,717
Actuarial losses from defined benefits plan	-	-	-	-	(295)
Koor's equity in comprehensive income (loss) of investees	1,764,518	(834,074)	383,708	231,634	(1,247,996)
Comprehensive loss for the period attributed to holders of the Company	(1,904,033)	(1,176,945)	(1,380,908)	(145,406)	(2,131,508)

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

Condensed Interim Separate Financial Information as at September 30, 2011

Condensed Interim Cash Flows Data

	For nine-month period ended September 30		For three-month period ended September 30		For year ended December 31
	2011 (Unaudited) NIS thousands	(*)2010 (Unaudited) NIS thousands	2011 (Unaudited) NIS thousands	(*)2010 (Unaudited) NIS thousands	(**)2010 (Audited) NIS thousands
Cash flows generated by operating activities					
Loss for the period	(3,431,088)	(116,546)	(1,635,659)	(359,366)	(536,284)
Adjustments:					
Financial expenses, net	329,819	192,879	101,718	136,981	244,460
Koor's equity in results of investees, net	3,077,824	(33,283)	1,497,355	227,309	294,616
Dividend received	63,591	82,986	10,881	6,830	98,143
Depreciation and amortization	35	34	12	13	47
Increase (decrease) in employee benefits	(234)	237	(103)	61	(487)
Income tax expenses (saving)	50,063	(116)	33,031	(12,863)	29,194
Revaluation of investment property	-	-	-	-	(9,100)
Capital losses (gains) from realization and impairments, net of investment and assets and dividends	(44,406)	(57,401)	(2,130)	2,005	(57,795)
Decrease (increase) in other receivables and debit balances	(3,175)	(306)	(2,451)	(143)	264
Increase (decrease) in trade and other payables and credit balances	(7,486)	(22,687)	350	(7,699)	(10,146)
Income tax received (paid)	1,821	(19,866)	454	-	(7,614)
	36,764	25,931	3,458	(6,872)	45,298
Net cash inflows (outflows) generated by operating activities with investees	(1,041)	(2,172)	1,249	(2,262)	(1,845)
Net cash inflows (outflows) generated by operating activities	35,723	23,759	4,707	(9,134)	43,453
Cash flows generated by investing activities					
Purchase of fixed assets	-	(44)	-	(4)	(44)
Proceeds from realization of assets held for sale	-	16,178	-	-	16,178
Investment in available for sale financial assets and in investees and other	(138,874)	(276,992)	(41,545)	(5,984)	(280,700)
Increase in pledged deposits, net	(347,564)	(85,830)	(233,392)	(79,537)	(97,375)
Increase (decrease) in short-term deposits, pledged deposits and investments, net	44,664	(10,111)	18,434	(1,042)	(9,363)
Cash flows from settlement of derivatives, net	(48,784)	37,031	(96,740)	(12)	30,789
Interest received	4,587	3,317	1,467	568	5,152
	(485,971)	(316,451)	(351,776)	(86,011)	(335,363)
Net cash inflows (outflows) generated by investing activities with investees	(360,012)	7,510	(105,182)	-	12,230
Net cash outflows generated by investing activities	(845,983)	(308,941)	(456,958)	(86,011)	(323,133)

(*) Reclassified. See Note 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 Information as at September 30, 2011**Condensed Interim Cash Flows Data (cont.)**

	For nine-month period ended		For three-month period ended		For year ended
	September 30		September 30		December 31
	2011	2010	2011	2010	2010
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Cash flows generated by financing activities					
Dividend distribution	-	(269,957)	-	-	(269,957)
Interest paid	(136,833)	(134,476)	(94,782)	(89,719)	(140,324)
Cash flows from settlement of derivatives, net	(1,251)	(207)	(1,251)	(207)	787
Long-term loans received	-	945,932	-	663,864	945,932
Loans received from controlling shareholders	700,000	-	700,000	-	-
Long-term loans and debentures repaid	(153,094)	(999,871)	-	-	(999,871)
Increase credit from banks, net	515,000	2,791	165,000	-	2,791
	923,822	(455,788)	768,967	573,938	(460,642)
Net cash inflows (outflows) generated by financing activities with investees	(168,076)	115,361	(8,307)	(225,749)	158,466
Net cash (outflows) generated by financing activities	755,746	(340,427)	760,660	348,189	(302,176)
Change in cash and cash equivalents	(54,514)	(625,609)	308,409	253,044	(581,856)
Cash and cash equivalents – beginning of period	553,800	1,136,391	191,398	256,443	1,136,391
Effect of fluctuations in exchange rate on balances of cash and cash equivalents	14,368	641	13,847	1,936	(735)
Cash and cash equivalents – end of period	513,654	511,423	513,654	511,423	553,800

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

Condensed Interim Separate Financial Information as at September 30, 2011

Supplementary Information**Note 1 – General**

The interim separate financial information is presented in accordance with Regulation 38D of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970, and does not include all the information required under Regulation 9C and Addendum 10 to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970, regarding financial information attributed to the Company alone. It is to be read in conjunction with the separate financial information as at December 31, 2010 and for the year then ended and in conjunction with the condensed consolidated interim financial statements as at September 30, 2011 ("the condensed interim 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 financial information attributed to the Company alone**

Regarding additional significant information, see Notes 3, 4, 5, 6, 8 and 9 to the condensed consolidated interim financial statements.

For the impact of early adoption of IFRS 9 (2009) see notes 3(C)(1) and 5(1) to the said condensed statements.

(3) **Related parties**

The total of cash inflows net of repayments by the Company in the nine-month and three-month periods ended September 30, 2011 to MAGM Chemistry Holdings Ltd., a wholly-owned subsidiary, is NIS 542 million and NIS 120 million, respectively.