

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended March 31, 1998

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934.

For the transition period from _____ to _____

Commission file number 0-538

AMPAL-AMERICAN ISRAEL CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

New York

13-0435685

(State or Other Jurisdiction of
Incorporation or Organization)

(I.R.S. Employer
Identification No.)

1177 Avenue of the Americas, New York, New York

10036

(Address of Principal Executive Offices)

(Zip Code)

Registrant's Telephone Number, Including Area Code

(212) 782-2100

Former Name, Former Address and Former Fiscal Year, if Changed Since Last
Report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

The number of shares outstanding of the issuer's Class A Stock, its only authorized common stock, is 23,868,766 (as of April 30, 1998).

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES

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AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES

 CONSOLIDATED STATEMENTS OF INCOME

THREE MONTHS ENDED MARCH 31,	1998	1997

(Dollars in thousands, except per share data) (Unaudited)	(Unaudited)	(Note 2)
REVENUES		
Equity in earnings of affiliates	\$ 3,179	\$
2,581		
Manufacturing	1,901	
3,012		
Interest:		
Related parties	618	
2,503		
Others	246	
480		
Rental income	1,757	
2,051		
Realized and unrealized gains on investments	1,636	
1,364		
Other	496	
479		
-----	-----	
Total revenues	9,833	
12,470		
-----	-----	
EXPENSES		
Manufacturing	1,987	
3,021		
Interest:		
Related parties	937	
715		
Others	1,173	
2,053		
Rental property operating expenses	854	
985		
Other	1,216	
1,860		
-----	-----	
Total expenses	6,167	
8,634		
-----	-----	
Income before income taxes	3,666	
3,836		
Provision for income taxes	1,660	
1,315		
-----	-----	
NET INCOME	\$ 2,006	\$
2,521		
=====	=====	
Basic EPS		
Earnings per Class A s	\$.08	\$
.11		
=====	=====	

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES

 CONSOLIDATED BALANCE SHEETS

31, ASSETS AS AT	March 31, 1998	December 1997

(Dollars in thousands)	(Unaudited)	(Note 2)
Cash and cash equivalents	\$ 19,075	\$ 45,457
Deposits, notes and loans receivable	30,731	46,176
Investments (Note 3)	233,720	117,384
Real estate rental property, less accumulated depreciation of \$6,074 and \$5,902	29,123	28,603
Property and equipment, less accumulated depreciation of \$2,660 and \$2,596	3,741	3,899
Other assets	14,504	20,755
	-----	-----
TOTAL ASSETS	\$330,894	\$262,274
	=====	=====

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

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES

 CONSOLIDATED BALANCE SHEETS

LIABILITIES AND 31, SHAREHOLDERS' EQUITY AS AT	March 31, 1998	DECEMBER 1997

(Dollars in thousands)	(Unaudited)	(Note 2)
LIABILITIES		
Notes and loans payable (Note 3):		
Related parties	\$ 53,182	\$ 18,207
Others	36,396	5,000
Debentures	33,722	41,846
Accounts and income taxes payable, accrued expenses and minority interests	42,610	34,711
	-----	-----
Total liabilities	165,910	99,764
	-----	-----
SHAREHOLDERS' EQUITY		
4% Cumulative Convertible Preferred Stock, \$5 par value; authorized 189,287 shares; issued and outstanding 178,232 and 179,672 shares	891	898
6-1/2% Cumulative Convertible Preferred Stock, \$5 par value; authorized 988,055 shares; issued and outstanding 958,407 and 968,288 shares	4,792	4,842
Class A Stock, \$1 par value; authorized 60,000,000 shares; issued 24,455,168 and 24,418,325 shares; outstanding 23,849,768 and 23,812,925 shares	24,455	24,418
Additional paid-in capital	57,511	57,491
Retained earnings	90,781	88,775
Treasury Stock, 605,400 shares of Class A Stock, at cost	(3,829)	(3,829)
Accumulated other comprehensive loss	(9,617)	(10,085)
	-----	-----
Total shareholders' equity	164,984	162,510
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 330,894	\$ 262,274
	=====	=====

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

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES

 CONSOLIDATED STATEMENTS OF CASH FLOWS

THREE MONTHS ENDED MARCH 31,	1998	1997

(Dollars in thousands)	(Unaudited)	
(Unaudited)		(Note 2)
Cash flows from operating activities:		
Net income	\$ 2,006	\$ 2,521
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in earnings of affiliates	(3,179)	
(2,581)		
Realized and unrealized gains on investments	(1,636)	
(1,364)		
Depreciation expense	333	377
Amortization expense	346	532
Translation (gain) loss	(152)	196
Decrease in other assets	3,614	1,686
(Decrease) in accounts and income taxes payable, accrued expenses and minority interests	(2,994)	
(1,670)		
Investments made in trading securities	(2,157)	
(1,560)		
Proceeds from sale of trading securities	1,156	1,589
Dividends received from affiliates	3,144	70
	-----	-----
Net cash provided by (used in) operating activities	481	
(204)	-----	-----
Cash flows from investing activities:		
Deposits, notes and loans receivable collected	14,809	8,745
Deposits, notes and loans receivable granted	(22)	
(860)		
Investments made in affiliates and others	(112,367)	
(1,689)		
Proceeds from sale of investments:		
Available for sale	--	945
Others	3,498	5,998
Deposit-sale of affiliate	--	4,177
Proceeds from sale of real estate rental property	--	15,030
(190)	(47)	
Purchase of real estate rental property	(825)	
(110)	-----	-----
Net cash (used in) provided by investing activities	(94,954)	32,046
	-----	-----

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

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES

 CONSOLIDATED STATEMENTS OF CASH FLOWS

THREE MONTHS ENDED MARCH 31,	1998	1997

(Dollars in thousands)	(Unaudited)	
(Unaudited)		(Note 2)
Cash flows from financing activities:		
Notes and loans payable received:		
Related parties	\$ 35,710	\$ 452
Others	32,088	152
Notes and loans payable repaid:		
Related parties	(712)	(17,555)
Others	(609)	(3,736)
Debentures repaid	(7,936)	(11,312)
Contribution to partnership by minority interests	9,765	--
	-----	-----
Net cash provided by (used in) financing activities	68,306	(31,999)
	-----	-----
Effect of exchange rate changes on cash and cash equivalents	(215)	(484)
	-----	-----
Net (decrease) in cash and cash equivalents	(26,382)	(641)
Cash and cash equivalents at beginning of period	45,457	20,633
	-----	-----
Cash and cash equivalents at end of period	\$ 19,075	\$ 19,992
	=====	=====
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period:		
Interest:		
Related parties	\$ 72	\$ 378
Others	1,100	1,455
	-----	-----
Total interest paid	\$ 1,172	\$ 1,833
	=====	=====
Income taxes paid	\$ 1,744	\$ 12
	=====	=====

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

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES

 CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

THREE MONTHS ENDED MARCH 31, 1998 1997

(Dollars in thousands, except share amounts) (Unaudited)
 (Unaudited) (Note 2)

4% PREFERRED STOCK
 Balance, beginning of year \$ 898 \$ 955
 Conversion of 1,440 and 1,649 shares into
 Class A Stock (7)
 (8)

 Balance, end of period \$ 891 \$ 947
 =====

6-1/2% PREFERRED STOCK
 Balance, beginning of year \$ 4,842 \$ 5,012
 Conversion of 9,881 and 14,428 shares into
 Class A Stock (50)
 (72)

 Balance, end of period \$ 4,792 \$ 4,940
 =====

CLASS A STOCK
 Balance, beginning of year \$ 24,418 \$ 24,257
 Issuance of shares upon conversion of
 Preferred Stock 37 51

 Balance, end of period \$ 24,455 \$ 24,308
 =====

ADDITIONAL PAID-IN CAPITAL
 Balance, beginning of year \$ 57,491 \$ 57,410
 Conversion of Preferred Stock 20 29

 Balance, end of period \$ 57,511 \$ 57,439
 =====

RETAINED EARNINGS
 Balance, beginning of year \$ 88,775 \$ 74,943
 Net income 2,006 2,521

 Balance, end of period \$ 90,781 \$ 77,464
 =====

ACCUMULATED OTHER COMPREHENSIVE LOSS
 Balance, beginning of year: \$(10,085) \$
 (6,628)
 Cumulative translation adjustments:
 Balance, beginning of year (10,085)
 (6,530)
 Foreign currency translation adjustment (973)
 (1,418)

 Balance, end of period (11,058)
 (7,948)

Unrealized loss on ma Powered By EDGAR Articles: EDGAR Online, Inc.
 Balance, beginning of year --
 (98)
 Unrealized gain (loss), net 1,441
 (28)

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. As used in these financial statements, the term the "Company" refers to Ampal-American Israel Corporation ("Ampal") and its consolidated subsidiaries.

2. The December 31, 1997 consolidated balance sheet presented herein was derived from the audited December 31, 1997 consolidated financial statements of the Company.

Reference should be made to the Company's consolidated financial statements for the year ended December 31, 1997 for a description of the accounting policies which have been continued without change. Also, reference should be made to the notes to the Company's December 31, 1997 consolidated financial statements for additional details of the Company's consolidated financial condition, results of operations and cash flows. The details in those notes have not changed except as a result of normal transactions in the interim. Certain amounts in the 1997 consolidated financial statements have been reclassified to conform with the current period's presentation. All adjustments (of a normal recurring nature) which are, in the opinion of management, necessary to a fair presentation of the results of the interim period have been included.

3. On January 22, 1998 (the "Closing Date"), the Company completed its purchase of a one-third interest in the assets of the shared networks operation of Motorola Communications Israel, Ltd. ("Motorola Israel") for a purchase price of \$110 million. The payment for the purchase price was obtained from the Company's own resources as well as from two short-term bridge loans ("Short-Term Loans"), one in the amount of \$40 million from Bank Leumi USA (of which \$8 million plus interest was repaid on February 2, 1998) and a second in the amount of \$35 million from Bank Hapoalim B.M. ("Hapoalim"). Each loan had a term of 90 days, bore interest at a rate of LIBOR plus 1/2% and was repaid in full from the proceeds of the long-term loans described below.

A new wireless communications service provider, MIRS Communication Company Ltd. ("MIRS"), initially one-third owned by the Company and two-thirds owned by Motorola Israel, coordinates and operates in Israel the digital and analog public-shared two-way radio and other services previously furnished by Motorola Israel. The digital wireless communication service is based on Motorola's iDEN(TM) integrated wireless communication technology, which is known as MIRS in Israel.

In March 1998, the Company transferred its interest in MIRS to a limited partnership (the "Partnership"). A wholly-owned Israeli subsidiary of Ampal (the "General Partner") is the general partner of the Partnership and owns 75.1% of the Partnership. The limited partners of the Partnership purchased their interests in the Partnership from the Partnership and include (i) an entity owned by Daniel Steinmetz and Raz Steinmetz (directors of Ampal and the controlling persons of Ampal's principal shareholder), which acquired a 9.1% interest in the Partnership for \$10 million, (ii) Hapoalim, which acquired a 7.45% interest in the Partnership for \$8.195 million, (iii) an unrelated third party (The Israel Mezzanine Fund L.P., a limited partnership whose general partner is First Israel Mezzanine Investors Ltd.), which acquired a 7.45% interest in the Partnership for \$8.195 million, and (iv) an entity owned by Dr. Yehoshua Gleitman, Ampal's Chief Executive Officer, which purchased a .9% interest for \$1 million. In addition to the purchase price, the limited partners also reimbursed the Company for their pro rata share of the expenses incurred by the Company in connection with the original purchase from Motorola Israel (including interest from the Closing Date until the purchase date of the limited partnership interests).

The related parties purchased their limited partnership interests on the same terms as the unrelated third party which were determined through arm's length negotiations between the Company and the unrelated third party.

Each of the limited partners paid 35% of their respective purchase price in cash and assumed their pro rata share of Ampal's financing of the original purchase (equal to 65% of their respective purchase prices) and assumed their pro rata share of the Partnership's long-term financing. A portion of Dr. Gleitman's entity's purchase price was obtained through two loans aggregating \$250,000 from the Company. One loan, in the amount of \$150,000, has a term of 10 years, an interest rate of LIBOR plus 0.8% and is without recourse to Dr. Gleitman. The second loan, in the amount of \$100,000, has a term of 10 years, an interest rate of LIBOR plus 0.5% and is with recourse to Dr. Gleitman. Both loans are secured by Dr. Gleitman's interest in the Partnership.

The Partnership has been assigned all of the Company's rights under the original purchase agreement with Motorola Israel and has assumed all of its obligations.

On May 4, 1998, the Partnership received two long-term loans from Hapoalim and Bank Leumi Le-Israel B.M. in the amount of \$36.4 million, each. Both loans are due on March 31, 2008 and bear interest at a rate of LIBOR plus 0.8%. The principal payments are due as follows: 10% on March 31, 2004, 15% on March 31, 2005 and 25% on each of the following dates - March 31, 2006, 2007 and 2008. Interest will be paid annually on March 31 of each year from March 31, 2001 until and including March 31, 2008. The proceeds from the long-term loans were used to repay the Short-Term Loans.

The Partnership owns all of the authorized preferred shares of MIRS and Motorola Israel owns all of the authorized ordinary shares. Each share issued by MIRS is entitled to one vote.

The Company accounts for its investment in MIRS using the cost method of accounting. Under the cost method, the Company recognizes income from dividends, as they are declared.

To the extent of available after-tax profits, MIRS is required to pay dividends to the Partnership equal to at least \$3,800,000 for fiscal year 2000 and \$7,100,000 for each fiscal year thereafter, so long as the financial stability of MIRS will not be impaired. MIRS shall endeavor to pay dividends in the following amounts: for fiscal year 1998, \$4,950,000, for fiscal year 1999, \$10,725,000 and for fiscal year 2000 and thereafter, \$23,430,000 (inclusive of the required payments), which all holders of an interest in MIRS shall share on a pro rata basis. To the extent that any of the above dividends are not paid by MIRS, they will accumulate. No dividends will be paid by MIRS to Motorola Israel until the Partnership has received all of its accumulated dividends. Any dividends which are paid in excess of the above amounts for a given fiscal year will similarly be paid pro rata to the Partnership and Motorola Israel based on their shares in MIRS.

Pursuant to the original purchase agreement, Motorola Israel guaranteed that the Partnership would receive from MIRS at least \$3,800,000 for fiscal year 2000 and \$7,100,000 for each fiscal year between 2001 and 2005 inclusive, subject to an obligation of the Partnership to repay such guarantee payments in amount equal to the excess of the amount actually received by the Partnership from MIRS with respect to any subsequent year over \$7,500,000.

Motorola Israel has agreed to make certain payments to the Partnership in the event that, prior to the thirteenth anniversary of the Closing Date, there is a dissolution, liquidation, bankruptcy, winding up, or sale of all or substantially all of the assets of MIRS and the total proceeds to the shareholders of MIRS is less than \$450 million.

The \$110 million purchase price for the Partnership's one-third interest in MIRS was based upon the Company's valuation of the SNO and its prospects. The original purchase agreement provides that under specified circumstances indicating that there has been an increase in the enterprise value of MIRS, the

Partnership must pay Motorola Israel an additional amount (the "Bonus"). The formula for the Bonus varies depending upon whether an initial public offering of MIRS' shares (an "IPO") has been consummated. If an IPO is consummated prior to December 31, 2002, the Partnership must pay Motorola Israel a Bonus based on an increase in the valuation of MIRS for purposes of the IPO. In no event will such Bonus payment exceed \$33 million multiplied by 1.16^n , where n represents the number of years (and any part thereof) between the Closing Date and the closing of the IPO.

If an IPO is not consummated prior to December 31, 2002 and if all dividends accumulated with respect to the Partnership's preferred shares up to that time have been paid, then the Partnership must pay Motorola Israel a Bonus if (A) the present value of the actual after tax net income of MIRS (as reported by MIRS' auditors in compliance with generally accepted accounting principles in Israel, excluding capital gains derived from each transaction, not in the ordinary course of business, in which the consideration for MIRS is more than \$5 million) for fiscal years 1998 through 2002, discounted at the rate of 13%, exceeds (B) \$71 million. In this case, the amount of the Bonus, if any, will equal the lesser of (i) the amount of such excess multiplied by 2.3376, or (ii) \$46 million.

4. Effective March 31, 1998, the Company adopted Statement of Financial Accounting Standard ("SFAS") No. 130 "Reporting Comprehensive Income," which establishes standards for reporting and display of comprehensive income and its components (revenue, expenses, gains, and losses) in a full set of general-purpose financial statements. Total comprehensive income for the three months ended March 31, 1998 and March 31, 1997 was \$2.5 million and \$1.1 million, respectively.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS**

Results of Operations

Consolidated net income decreased to \$2 million for the three-month period ended March 31, 1998, from \$2.5 million for the same period in 1997. The decrease in net income is primarily attributable to net interest expense in 1998 as compared to net interest income in 1997, which was partially offset by the increase in equity in earnings of affiliates, greater unrealized and realized gains on investments, and lower other expenses in 1998.

Ampal-American Israel Corporation ("Ampal") and its subsidiaries ("the Company") recorded net interest expense in the amount of \$1.2 million in the three months ended March 31, 1998, as compared to net interest income of \$.2 million in the same period in 1997. The net interest expense is primarily attributable to bank borrowings in connection with the Company's investment in MIRS Communication Company Ltd. ("MIRS").

Equity in earnings of affiliates increased to \$3.2 million for the three months ended March 31, 1998, from \$2.6 million for the same period in 1997. The increase is primarily attributable to the improved earnings of Ophir Holdings Ltd. ("Ophir"), the Company's 42.5%-owned affiliate, which is a holding company with interests in high technology and real estate companies. Ophir reported higher earnings in 1998 primarily due to gains realized on the sale of several commercial real estate properties and shares of Memco Software Ltd., and lower interest expense, which resulted from a decrease in the Consumer Price Index ("CPI") in Israel in 1998. Bay Heart Limited, the Company's 37%-owned affiliate, which leases and operates a shopping mall near Haifa, recorded higher earnings as a result of decreased interest expense on its CPI-linked bank borrowings. Carmel Container Systems Limited, the Company's 20.7%-owned affiliate, which is a manufacturer of paper-board packaging and related products, also recorded higher earnings in the first quarter of 1998 due to the improved efficiency at that company's new manufacturing plant in Caesarea and increased sales of containers to the local market, despite the economic slowdown in Israel.

The increases noted above were partially offset by the losses recorded by Moriah Hotels Ltd. ("Moriah"), the Company's 46%-owned affiliate, which is one of the largest hotel chains in Israel. Moriah recorded higher losses in the first quarter of 1998 primarily because of a significant decrease in occupancy rates as a result of the decrease in tourism to Israel.

In the quarter ended March 31, 1998, the Company recorded \$1.1 million of gains on sale of investments, which are attributable to its investments in Mercury Interactive Corporation, Shikun U'Fituach le-Israel Ltd., and Fundtech Ltd. ("Fundtech"). In the quarter ended March 31, 1997, the Company recorded \$1.2 million of gains on sale of investments, \$.7 million of which is attributable to its direct investment in Teledata Communications Ltd.

The Company also recorded \$.5 million of unrealized gains on investments which are classified as trading securities in the three-month period ended March 31, 1998, as compared to \$.1 million in the same period in 1997. At March 31, 1998 and December 31, 1997, the aggregate fair value of trading securities amounted to approximately \$7.5 million.

Manufacturing revenues and expenses, which reflect the operations of Paradise Industries Ltd., the Company's 85.1%-owned subsidiary, which is a manufacturer and distributor of mattresses and fold-out beds in Israel, decreased as a result of the slowdown in the Israeli economy during the first quarter of 1998.

The decreases in rental income and rental property operating expenses are attributable to the sale of a condominium unit in an office building located at 800 Second Avenue, New York, New York, in January 31, 1997.

Other expenses decreased for the three months ended March 31, 1998 as compared to the same period in 1997, primarily as a result of translation gains recorded by the Company in 1998, as compared to the translation losses in 1997.

The increase in the effective income tax rate in 1998 as compared to 1997 is mainly attributable to the increased deferred tax provisions of certain Israeli subsidiaries due to the reduction of available tax benefits.

Liquidity and Capital Resources

At March 31, 1998, cash and cash equivalents were \$19.1 million as compared with \$45.5 million at December 31, 1997. The decrease in cash and cash equivalents and increases in investments, notes and loans payable and minority interests are primarily attributable to the investment in MIRS (See "Investment in MIRS"). The decreases in deposits, notes and loans receivable and debentures are primarily attributable to scheduled repayments.

In March 1998, Fundtech, the Company's then 2.2%-owned investee, which develops software for worldwide banking institutions, completed a public offering of its shares. As a result of the offering, the Company's equity interest in Fundtech was reduced to 1.6% and the Company recorded a realized gain of \$.2 million (net of tax) and an unrealized gain of \$1.4 million (net of tax) in its consolidated statement of income and in accumulated other comprehensive loss, respectively.

In addition to the investment in MIRS (see below), the Company made the following investments in the high-technology field during the first quarter of 1998, notably; (1) a \$.8 million investment to acquire an additional 7.3% (total equity interest in 1998 - 19.1%) of XaCCT Technologies Ltd., a developer of billing, auditing and accounting software for TCP/IP networks; (2) a \$.5 million investment to acquire 15.4% of Medco Electronics Systems Ltd., a developer of special devices used to detect cardiac problems in fetuses and (3) a \$.3 million investment in its existing investee, Qronus Interactive Israel (1994) Ltd., a developer and marketer of software testing tools.

Investment in MIRS

On January 22, 1998 (the "Closing Date"), the Company completed its purchase of a one-third interest in the assets of the shared networks operation of Motorola Communications Israel, Ltd. ("Motorola Israel") for a purchase price of \$110 million. The payment for the purchase price was obtained from the Company's own resources as well as from two short-term bridge loans ("Short-Term Loans"), one in the amount of \$40 million from Bank Leumi USA (of which \$8 million plus interest was repaid on February 2, 1998) and a second in the amount of \$35 million from Bank Hapoalim B.M. ("Hapoalim"). Each loan had a term of 90 days, bore interest at a rate of LIBOR plus 1/2% and was repaid in full from the proceeds of the long-term loans described below.

A new wireless communications service provider, MIRS, initially one-third owned by the Company and two-thirds owned by Motorola Israel, coordinates and operates in Israel the digital and analog public-shared two-way radio and other services previously furnished by Motorola Israel. The digital wireless communication service is based on Motorola's iDEN(TM) integrated wireless communication technology, which is known as MIRS in Israel.

In March 1998, the Company transferred its interest in MIRS to a limited partnership (the "Partnership"). A wholly-owned Israeli subsidiary of Ampal (the "General Partner") is the general partner of the Partnership and owns 75.1% of the Partnership. The limited partners of the Partnership purchased their interests in the Partnership from the Partnership and include (i) an entity owned by Daniel Steinmetz and Raz Steinmetz (directors of Ampal and the controlling persons of

Ampal's principal shareholder), which acquired a 9.1% interest in the Partnership for \$10 million, (ii) Hapoalim, which acquired a 7.45% interest in the Partnership for \$8.195 million, (iii) an unrelated third party (The Israel Mezzanine Fund L.P., a limited partnership whose general partner is First Israel Mezzanine Investors Ltd.), which acquired a 7.45% interest in the Partnership for \$8.195 million, and (iv) an entity owned by Dr. Yehoshua Gleitman, Ampal's Chief Executive Officer, which purchased a .9% interest for \$1 million. In addition to the purchase price, the limited partners also reimbursed the Company for their pro rata share of the expenses incurred by the Company in connection with the original purchase from Motorola Israel (including interest from the Closing Date until the purchase date of the limited partnership interests).

The related parties purchased their limited partnership interests on the same terms as the unrelated third party which were determined through arm's length negotiations between the Company and the unrelated third party.

Each of the limited partners paid 35% of their respective purchase price in cash and assumed their pro rata share of Ampal's financing of the original purchase (equal to 65% of their respective purchase prices) and assumed their pro rata share of the Partnership's long-term financing. A portion of Dr. Gleitman's entity's purchase price was obtained through two loans aggregating \$250,000 from the Company. One loan, in the amount of \$150,000, has a term of 10 years, an interest rate of LIBOR plus 0.8% and is without recourse to Dr. Gleitman. The second loan, in the amount of \$100,000, has a term of 10 years, an interest rate of LIBOR plus 0.5% and is with recourse to Dr. Gleitman. Both loans are secured by Dr. Gleitman's interest in the Partnership.

The Partnership has been assigned all of the Company's rights under the original purchase agreement with Motorola Israel and has assumed all of its obligations.

On May 4, 1998, the Partnership received two long-term loans from Hapoalim and Bank Leumi Le'Israel B.M. in the amount of \$36.4 million, each. Both loans are due on March 31, 2008 and bear interest at a rate of LIBOR plus 0.8%. The principal payments are due as follows: 10% on March 31, 2004, 15% on March 31, 2005 and 25% on each of the following dates - March 31, 2006, 2007 and 2008. Interest will be paid annually on March 31 of each year from March 31, 2001 until and including March 31, 2008. The proceeds from the long-term loans were used to repay the Short-Term Loans.

The Partnership owns all of the authorized preferred shares of MIRS and Motorola Israel owns all of the authorized ordinary shares. Each share issued by MIRS is entitled to one vote.

The Company accounts for its investment in MIRS using the cost method of accounting. Under the cost method, the Company recognizes income from dividends, as they are declared.

To the extent of available after-tax profits, MIRS is required to pay dividends to the Partnership equal to at least \$3,800,000 for fiscal year 2000 and \$7,100,000 for each fiscal year thereafter, so long as the financial stability of MIRS will not be impaired. MIRS shall endeavor to pay dividends in the following amounts: for fiscal year 1998, \$4,950,000, for fiscal year 1999, \$10,725,000 and for fiscal year 2000 and thereafter, \$23,430,000 (inclusive of the required payments), which all holders of an interest in MIRS shall share on a pro rata basis. To the extent that any of the above dividends are not paid by MIRS, they will accumulate. No dividends will be paid by MIRS to Motorola Israel until the Partnership has received all of its accumulated dividends. Any dividends which are paid in excess of the above amounts for a given fiscal year will similarly be paid pro rata to the Partnership and Motorola Israel based on their shares in MIRS.

Pursuant to the original purchase agreement, Motorola Israel guaranteed that the Partnership would receive from MIRS at least \$3,800,000 for fiscal year 2000 and \$7,100,000 for each fiscal year between 2001 and 2005 inclusive, subject to an obligation of the Partnership to repay such guarantee payments in amount equal to the excess of the amount actually received by the Partnership from MIRS with respect to any subsequent year over \$7,500,000.

Motorola Israel has agreed to make certain payments to the Partnership in the event that, prior to the thirteenth anniversary of the Closing Date, there is a dissolution, liquidation, bankruptcy, winding up, or sale of all or substantially all of the assets of MIRS and the total proceeds to the shareholders of MIRS is less than \$450 million.

The \$110 million purchase price for the Partnership's one-third interest in MIRS was based upon the Company's valuation of the SNO and its prospects. The original purchase agreement provides that under specified circumstances indicating that there has been an increase in the enterprise value of MIRS, the Partnership must pay Motorola Israel an additional amount (the "Bonus"). The formula for the Bonus varies depending upon whether an initial public offering of MIRS' shares (an "IPO") has been consummated. If an IPO is consummated prior to December 31, 2002, the Partnership must pay Motorola Israel a Bonus based on an increase in the valuation of MIRS for purposes of the IPO. In no event will such Bonus payment exceed \$33 million multiplied by 1.16^n , where n represents the number of years (and any part thereof) between the Closing Date and the closing of the IPO.

If an IPO is not consummated prior to December 31, 2002 and if all dividends accumulated with respect to the Partnership's preferred shares up to that time have been paid, then the Partnership must pay Motorola Israel a Bonus if (A) the present value of the actual after tax net income of MIRS (as reported by MIRS' auditors in compliance with generally accepted accounting principles in Israel, excluding capital gains derived from each transaction, not in the ordinary course of business, in which the consideration for MIRS is more than \$5 million) for fiscal years 1998 through 2002, discounted at the rate of 13%, exceeds (B) \$71 million. In this case, the amount of the Bonus, if any, will equal the lesser of (i) the amount of such excess multiplied by 2.3376, or (ii) \$46 million.

Year 2000 Compliance

The Company is currently in the process of identifying, evaluating and implementing changes to computer programs necessary to address the year 2000 issue which is the result of computer programs having been written using two digits instead of four to define a year. This issue affects computer systems that have date sensitive programs that may recognize a date using "00" as 1900 rather than 2000. Systems that do not properly recognize such information could generate erroneous data or cause a system to fail, resulting in business interruption. The Company does not believe the cost of converting all internal systems to be year 2000 compliant will be material to its financial condition or results of operations. Costs related to the year 2000 issue are being expensed as incurred.

The year 2000 issue is expected to affect the systems of various entities with which the Company interacts. However, there can be no assurance that the systems of other companies on which the Company's systems rely will be timely converted, or that a failure by another company's systems to be year 2000 compliant would not have a material adverse effect on the Company.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings - None.

Item 2. Changes in Securities and Use of Proceeds - None.

Item 3. Defaults upon Senior Securities - None.

Item 4. Submission of Matters to a Vote of Security Holders - None.

Item 5. Other Information - None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

Exhibit 10 - Employment Agreement, dated March 5, 1998, between Ampal Industries (Israel) Ltd. and Shlomo Meichor (Translation).

Exhibit 11 - Schedule Setting Forth Computation of Earnings Per Share of Class A Stock.

Exhibit 27 - Financial Data Schedule.

(b) Reports on Form 8-K. A Current Report on Form 8-K was filed by the Registrant on February 5, 1998, which described an Item 2 Event, the acquisition from Motorola Communications Israel Ltd. of the assets of its shared networks operations.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AMPAL-AMERICAN ISRAEL CORPORATION

By:/s/ Yehoshua Gleitman

*Yehoshua Gleitman
Chief Executive Officer
(Principal Executive Officer)*

By:/s/ Shlomo Meichor

*Shlomo Meichor
Vice President - Finance
and Treasurer
(Principal Financial Officer)*

By:/s/ Alla Kanter

*Alla Kanter
Vice President - Accounting
and Controller
(Principal Accounting
Officer)*

Dated: May 15, 1998

Exhibit Index

Exhibit No.	Description	
10	Employment Agreement, dated March 5, 1998, between Ampal Industries (Israel) Ltd. and Shlomo Meichor (Translation).....	Page
17		
11	Schedule Setting Forth Computation of Earnings Per Share of Class A Stock.....	Page
24		
27	Financial Data Schedule.	

Exhibit 10

(Translation; Original Document in Hebrew)

EMPLOYMENT AGREEMENT

Made and entered into at Tel Aviv on the 5th day of March 1998

Between: Ampal Industries (Israel) Ltd.
Of 111 Arlozorov Street, Tel Aviv (hereinafter called "the
Company")

And: Shlomo Meichor, holder of Identity Number 5428036
Of 7 Ha'Alah Street, Kfar Saba (hereinafter called "the
Employee")

Whereas The Company requires an employee having the capability fulfill the function of chief financial officer - CFO of the Company with full control of Ampal - American Israel Corporation;

And Whereas The Employee declares that he has furnished to the Company all such information as is likely to be relevant with respect to its decision to accept him for employment, as well as being suitable to carrying out of the foregoing function from the point of view of his qualifications and experience, and that there is nothing either in law or otherwise to prevent his being engaged by the Company;

And Whereas The Company is desirous of engaging the Employee on the strength of his declarations and upon the terms and conditions prescribed in this contract;

And Whereas The Employee is desirous of being engaged by the Company upon such terms and conditions;

Now therefore the parties have reached agreement as to the terms of the contractual arrangements between them as follows:

General

1. The preamble to this Agreement shall be considered as being an integral part thereof, and the law relating thereto as being further provisions of the Agreement.
2. This Agreement shall regulate the terms of the contractual arrangements between the Employee and to Company in all matters connected with the period of the employment of the Employee by the Company and resulting therefrom, including the scope of the employment, the expectations of the Company, the terms of the employment, the remuneration and the social benefits, as well as the rules and procedures within the context of such employment.
3. Save as is otherwise prescribed by law, this Agreement fully covers all the rights of the Employee, and in the event of any inconsistency between this Agreement and a right which derives from any other source, the provisions of this Agreement shall prevail.

Trust and Confidentiality

4. The Employee shall be obliged to devote all his qualifications, knowledge and experience towards his employment with the Company, and to act to the best of his ability within the scope of his employment for the promotion of the interests of the Company and the success thereof.
5. During the period of his employment with the Company, the Employee shall not be entitled to work, either for or without reward, for any other employer whatsoever or to be connected either directly or indirectly with any occupation or other business whatsoever, unless he shall have obtained the approval of the Company. Without derogating from the foregoing, it is agreed on behalf of the parties that the Employee shall be entitled, for a reasonable period of time, to continue to provide

support to his previous place of employment provided that the furnishing of such foregoing support shall not adversely affect and/or interfere with the carrying out of his function in accordance with this Agreement.

6. The Employee shall fulfill his function with devotion, responsibility, honesty and loyalty, and he shall refrain from any act or omission which could be likely to be prejudicial to the Company or to its good name or to cause the Company to suffer harm in any manner whatsoever.

7. During the period of the employment, and in connection with the carrying out of his employment with the Company, the Employee shall be precluded from receiving any consideration or benefit, either in cash or in any cash equivalent, from any entity whatsoever, other than from the Company, save for a monetary consideration receivable from his former place of employment with respect to the matters set out at the end of paragraph 5 hereof.

8. The Employee shall give immediate notice to the Company with respect to any matter with which he or any member of his family has any connection and in relation to which could be likely to raise any concern as to the presence of a conflict of interest between him and the Company.

9. The Employee shall maintain confidentiality with regard to all information of a confidential nature of the Company, which may be passed on to him or which may reach him during the period of his employment with the Company, shall not transmit the same to any person and shall not make any use thereof other than solely for the purposes of the Company or as directed by it.

Confidential information or Company confidentiality for the purposes of this paragraph shall be deemed to be any knowledge or information belonging to the Company or connected therewith, other than that which is common knowledge, including information belonging to the Company relating to knowledge of a professional, technical, financial or commercial nature, or its business plans or trading programs or its contractual arrangements with suppliers, distributors or customers.

This obligation shall be applicable to the Employee both during the period of his employment with the Company as well as once the employment relationship with the Company shall have come to an end for any reason whatsoever, and for as long as the information shall not have become public property other than as a result of any act or omission on the part of the Employee.

For a period of 12 months from the date upon which the employment relationship between the Employee and the Company shall have come to an end for any reason whatsoever, or in the event of the Company having exercised its right in accordance with paragraph 22 hereunder - from the actual date of the cessation of the Employee's employment, the Employee shall not be entitled to be employed by or to be connected, either directly or indirectly, whether as a salaried employee, as a self-employed person, as a partner, as a shareholder, as a consultant, as a director or in any other form, with any entity which is in competition with the Company.

Furthermore the Employee shall not be entitled, during the aforesaid period, to make use of any connections with customers or suppliers of the Company or trading or professional connections of the Company, which had been created or utilized within the scope of his employment with the Company, and he shall not be entitled to engage any of the employees of the Company which he had come to know during the period of his employment with the Company.

Scope and Hours of Work

10. (a) The regular working week of the Company consists of five working days (Sunday to Thursday).

(b) The Employee shall make himself available to the Company during regular working hours as well as in excess thereof in any place either in Israel or abroad as may be required, and as shall be requested under the conditions of employment and according to the dictates of the function.

(c) The Employee declares that he is aware that his function within the Company is such as to require a special measure of personal trust and his hours of work shall be such as the demands of his function shall dictate, and accordingly the Hours of Work and Rest Law 1951 shall not be applicable with respect to his engagement by the Company.

The Employee has drawn to the attention of the Company that he observes the Sabbath and Festival Days and the Company agrees and hereby confirms that it shall not require that the Employee shall offer his services to the Company on the days or times which are considered as being sabbatical according to the Jewish religion.

Without derogating from the generality of the foregoing, it is made clear to the Employee that it is likely that he will be required to work "overtime" or to be occupied during "the period of weekly rest" without being entitled by reason thereof to "overtime pay" or to any "period of weekly rest pay" (as these terms are defined in the foregoing Law), and that it correctly assumes that he will assent positively to each such requirements as aforesaid. The Employee acknowledges that in the monthly remuneration to which he is entitled under this contract, there is on this account appropriate consideration for his working "overtime" and during "the period of weekly rest".

Undertakings of the Company

11. In consideration for the fulfillment by the Employee of his obligations in accordance with this contract, he shall be entitled to receive from the Company the monthly salary, bonuses, leave and benefits, as set forth in paragraphs 12, 13 and from 15 to 20 hereunder (hereinafter called "the Consideration").

The foregoing Consideration covers all the payments, benefits, enjoyments and ancillary rights to which the Employee shall be entitled with respect to his employment with the Company.

It is made clear, and the Employee is aware, and it is agreed between the parties, that the Consideration in accordance with this contract has been determined on the basis of the assumption and the agreement that it fully covers all his entitlements in connection with his employment with the Company and upon the termination thereof, and that the Company shall have no further expense in connection with the engagement of the Employee in addition to that which is expressly set forth in this contract. It is agreed that should it be determined by any competent judicial body that any consideration or right whatsoever is due to the Employee over and above the entitlements accorded to him by virtue of this contract, the entitlements included in this contract which are in excess of those due to the Employee by operation of law, shall be retrospectively cancelled and the Employee shall be obliged to refund to the Company the difference between the entitlements paid to him in accordance with the contract and those entitlements which became due to him by operation of law.

Salary

12. (a) The inclusive monthly salary (gross) which shall be payable to the Employee on the date of commencement of his employment shall be an amount equal to \$12,000 in New Israeli Shekels in accordance with the representative rate of the dollar as published immediately prior to the date of payment of the monthly Salary (hereinafter called "the Salary").

(b) The Salary of the Employee shall be linked to the representative rate of the United States dollar as shall be published from time to time by the Bank of Israel (hereinafter called "the Representative Rate"). The Salary shall be revised accordingly at the beginning of each month in accordance with the most recently published Representative Rate as at the date of payment of the Salary. The base Representative Rate for the purposes of the calculation of the linkage under this paragraph shall be the most recent Representative Rate prior to the commencement of the employment of the Employee - NIS 3.582 to the \$1.

In addition to the foregoing, the Salary of the Employee shall be revised once per annum on the first day of the month following the date upon which the annual rate of inflation shall have been published in the United States, to the extent of the annual rate of inflation in the United States for the previous financial year. The linkage to the annual rate of inflation in the United States as heretofore set out shall be in substitution of any cost of living supplements paid in accordance with the relevant general collective agreements, and the linkage as aforesaid shall be regarded as being on account of such cost of living supplements.

(c) Once per annum and after publication of the annual balance sheet, the Management of the Company shall investigate the possibility of altering or revising the Salary. The manner of such investigation shall be based upon an evaluation of the Consideration of the Employee and his qualifications and on the state of the Company.

(d) The Employee shall be entitled to twelve Salary payments per annum.

(e) From the amounts payable to the Employee income tax, national insurance and any tax or other payment which shall be due from time to time on any amount payable by an employer to an employee, shall be deducted, all as shall be prescribed by law and/or in the relevant regulations and subject to the provisions of this contract.

Annual Leave

13. (a) The quota of annual days of leave to which the Employee shall be entitled is one month during each year of employment.

(b) The dates of leave shall be coordinated with the managing director of the Company, while taking into consideration to such extent as is possible, the wishes of the Employee and his needs.

(c) The Employee shall be entitled to accumulate leave up to a maximum number of days leave due on account of three years of employment. Where the Employee has available to him additional days of leave beyond those which he is permitted to accumulate, the Employee shall be entitled to redeem such leave. In the event of the redemption of such days of leave, the tax chargeable shall be deducted and shall be remitted to the tax authorities.

(d) Upon termination of the employment relationship, the Company shall pay a redemption in an amount equivalent to the remuneration which had been due to the Employee for the days of leave which had not be utilized during the period of his employment with the Company.

Military Reserve Duty

14. (a) The Employee shall be obliged to give notice to the Company as soon as possible as to any call up for military reserve duty, and at the request of the Company the Employee shall sign any application form for the deferment of such military reserve duty.

(b) The Company shall pay to the Employee for the period of his military reserve duty the full remuneration as though he had been working in the ordinary course.

(c) The Employee shall be obliged to pass on to the Company all verifications for the purpose the collection of recompense for military reserve duty from the National Insurance Institute, as well as any amount which shall have been received from any other entity whatsoever with respect to military reserve duty.

Sick Leave

15. (a) The monthly Salary shall be payable even though the Employee may have been compelled to be absent from work by reason of illness, for a period not exceeding 30 days of illness per annum.

(b) In the event of an absence by reason of illness, the Employee shall be obliged to notify the Company as soon as possible as to such illness and as to the estimated period of his absence, and to furnish the Company with certificates relating to such illness upon his return to work.

Vehicle, Telephone and Newspapers

16. (a) The Company shall place at the disposal of the Employee a vehicle, as shall be agreed between him and the general manager of the Company, the price of which shall not be in excess of the sum of NIS _____, and a mobile telephone device, and shall bear all the costs of the maintenance thereof, both fixed and variable, including on going maintenance, insurance, duties and various taxes.

[Handwritten margin note] The matter of the vehicle shall be agreed between both parties as soon as possible.

The Company shall gross up the tax due by the Employee as a result of the vehicle and mobile telephone being placed at his disposal. For the sake of clarity, it is hereby recorded that the Company shall not bear any fines imposed him with respect to the vehicle as aforesaid.

(b) The Company shall bear for at its expense the maintenance and use costs of the telephone at the home of the Employee. In order to avoid any doubt it is hereby agreed that the Company shall not gross up the tax due by the Employee with respect to the matters provided for in this sub paragraph.

(c) The Company shall take out a subscription to the "Ha'Aretz" and "Globes" newspapers on behalf of the Employee.

Reimbursement of Board and Lodging Expenses

17. The Company shall reimburse the Employee with respect to board and lodging expenses and other expenses incurred during the course of the fulfillment of his function in pursuance of periodic returns to which the appropriate documentation has been attached, according to such Company procedure as shall be in effect from time to time.

Convalescence Payments

18. The Company shall make convalescence payments to the Employee with respect to 13 days of convalescence per annum in accordance with the daily convalescence tariff payable at the Bank Hapoalim. Such convalescence payments shall be made once per annum in the Salary for the monthas is customary with the Company.

Advanced Studies Fund

19. The Company shall make a monthly payment with respect to the Employee to an advanced studies fund of his choice being 7.5% of the monthly Salary as defined in paragraph 11 hereof, and at the same time an amount equivalent to 2.5% of the monthly Salary shall be deducted from the remuneration of the Employee, subject to the rules of the fund and to the provisions of the Income Tax Ordinance having reference.

The Company shall gross up the tax due by the Employee as a result of the difference between the level of the payments to be remitted in accordance with the pro rata share of his Salary as compared with the permitted ceiling in accordance with the income tax regulations as prescribed from time to time.

Upon the termination of the employment of the Employee with the Company for any reason whatsoever, the Company shall procure the transfer of the rights and the release of all monies contained in the advanced studies fund to and in favor of the Employee.

Management Insurance, Benefits and Loss of Capacity

20. (a) The Company shall insure the Employee under management insurance or under any other form of insurance as the Employee may elect.

(b) The Company shall every month pay an amount equivalent to 13 1/3rd % of the Salary as defined in paragraph 11 hereof for the insurance set forth in sub paragraph (a), of which 5% shall be with respect to benefits and 8 1/3rd % shall be with respect to severance pay, while an amount equivalent to 5% of the Salary, being the share of the Employee with respect to benefits, shall be deducted every month and remitted to the insurance company.

(c) In addition to the payments under sub paragraph (b) the Company shall every month pay 2 1/2 % of the Salary with respect to loss of earning capacity insurance.

(d) The Company undertakes that during the whole period of the engagement of the Employee by it, a full management insurance policy shall be provided, that is to say, during the whole period it shall comprise an amount of money which shall not be less than the equivalent of the most recent Salary of the Employee under such circumstances that it multiplies by the number of his years of service in the Company. For the sake of clarity it is recorded that the provisions of this paragraph shall also apply with respect to the allocation of benefits.

The Company undertakes to pay to the Employee the difference - should there be any such - between the amounts which the Company sets aside with respect to severance pay as undertaken for the period of the employment of the Employee with the Company together with the linkage differentials and profits on such amounts set aside, and the amount of the severance pay which would have been due to the Employee in accordance with the Severance Pay Law 1963.

(e) The insurance policy in the name of the Employee shall be owned by the Company, and shall be transferred into the ownership of the Employee in the case of the termination of the employment relationship, save in the event that the employment relationship shall have been brought to an end under stringent circumstances including a breach of trust or should the Employee be convicted of an offense involving disgrace, in which event the Company shall be entitled to deny the Employee the amounts accumulated under the policy on account of severance pay.

(f) The Employee agrees that the setting aside by the Company as heretofore set forth in this paragraph shall be in substitution of severance pay as provided for in section 14 of the Severance Pay Law 1963.

Termination of the Employment Relationship

21. The Company and the Employee shall be entitled to terminate the employment relationship at any time upon prior notice. During the course of the first year, the period of prior notice shall be two months. Any variation with respect to the duration of the period of prior notice in the second year and thereafter shall be by agreement in writing between the parties.

22. The Company shall be entitled to waive its de facto employment of the Employee during the prior notice period, either in its entirety or in part, and the Company shall also be entitled to terminate the employment relationship forthwith provided that it pays to the Employee the prior notice consideration.

23. Upon the employment relationship between the Employee and the Company being brought to an end, for any reason whatsoever, the Employee shall be obliged to hand over the office held by him in an orderly form to any person to whom the Company shall so direct, and to deliver to the Company all the documentation, information, equipment and material which had reached him or had been prepared by him in connection with his employment.

24. In the event that the employment relationship shall be brought to an end under circumstances of a breach of trust or in the event that the Employee shall have been convicted of an offense involving disgrace, the entitlement of the Employee to prior notice and to severance pay shall be denied to him.

25. In the event of discharge other than in the circumstances referred to in paragraph 24 hereof, the Company shall continue to pay to the Employee his Salary for a period of adaptation of four (4) months, this being over and above the period of prior notice as set forth in paragraph 21 hereof.

For the purposes of the computation of the prior notice consideration for the period of adaptation, all the bonuses and the social benefits, apart from the remuneration, shall be taken into account as though the Employee was continuing to be employed by the Company.

General Provisions

26. Any payment due to the Employee by the Company under this Agreement shall be subject to the deduction therefrom of any tax or other compulsory payment which may be due by reason thereof according to law.

27. The terms of the contractual arrangements as set forth in this Agreement are personal and confidential.

28. The provisions of this Agreement entered into force with effect from 1st March 1998.

29. (a) The addresses of the parties are those as indicated in the preamble to this Agreement, or any different address concerning which either party shall have been notice thereof to the other.

(b) Any notice sent by either party to the other to the foregoing addresses shall be considered to have reached its destination within 7 days from the date on which it had been dispatched by registered post.

In witness whereof the parties have affixed their signatures:

"signed" "signed" Ampal Industries (Israel) Ltd. Shlomo Meichor

Exhibit 11

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES

SCHEDULE SETTING FORTH COMPUTATION OF EARNINGS PER SHARE OF CLASS A STOCK

THREE MONTHS ENDED MARCH 31,	1998	1997

(Amounts in thousands, except per share data)	(Unaudited)	(Unaudited)
Weighted average number of shares outstanding:		
4% Preferred.....	179	190
6-1/2% Preferred.....	963	995
Class A.....	23,832	23,677
	=====	=====
BASIC EPS		
Net Income.....	\$ 2,006	\$ 2,521
	=====	=====
Earnings per Class A share.....	\$.08	\$.11
	=====	=====
Weighted average number of Class A shares outstanding.....	23,832	23,677
DILUTED EPS		
Net Income.....	\$ 1,915(1)	\$ 2,354(1)
	=====	=====
Earnings per Class A share.....	\$.07	\$.09
	=====	=====
Weighted average number of Class A shares outstanding assuming conversion of preferred stock into Class A shares.....	27,616	27,613

(1) Includes decrease in net income of \$91 and \$167, respectively, due to dilution in equity in earnings of affiliate.

ARTICLE 5

This schedule contains summary financial information extracted from unaudited consolidated financial statements for the three months ended March 31, 1998.

MULTIPLIER: 1,000

PERIOD TYPE	3 MOS
FISCAL YEAR END	DEC 31 1998
PERIOD START	JAN 01 1998
PERIOD END	MAR 31 1998
CASH	19,075
SECURITIES	233,720
RECEIVABLES	30,731
ALLOWANCES	0
INVENTORY	0
CURRENT ASSETS	14,504
PP&E	41,598
DEPRECIATION	8,734
TOTAL ASSETS	330,894
CURRENT LIABILITIES	42,610
BONDS	123,300
PREFERRED MANDATORY	0
PREFERRED	5,683
COMMON	24,455
OTHER SE	134,846
TOTAL LIABILITY ANDEQUITY	330,894
SALES	1,901
TOTAL REVENUES	9,833
CGS	0
TOTAL COSTS	1,987
OTHER EXPENSES	2,070
LOSS PROVISION	0
INTEREST EXPENSE	2,110
INCOME PRETAX	3,666
INCOME TAX	1,660
INCOME CONTINUING	2,006
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	2,006
EPS PRIMARY	.08
EPS DILUTED	.07

End of Filing