

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 September 30, 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 X No

The number of shares outstanding of the issuer's Class A Stock, its only authorized common stock, is 23,951,860 (as of October 31, 1998).

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AMPAL-AMERICAN ISRAEL CORPORATION AND
SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

NINE MONTHS ENDED SEPTEMBER 30,	1998	1997
(Dollars in thousands, except per share data)	(Unaudited)	(Unaudited) (Note 2)
REVENUES		
Equity in earnings of affiliates	\$ 7,619	\$17,504
Manufacturing.....	4,946	8,450
Interest:		
Related parties.....	2,699	5,991
Others.....	859	1,979
Rental income.....	5,465	5,480
Realized and unrealized (losses) gains on investments.....	(1,569)	5,750
Other.....	1,838	1,559
	-----	-----
Total revenues.....	21,857	46,713
	-----	-----
EXPENSES		
Manufacturing.....	6,298	9,229
Interest:		
Related parties.....	3,440	1,942
Others.....	4,484	5,545
Rental property operating expenses.....	2,674	2,256
Loss from impairment of investments.....	270	977
Minority interests.....	(923)	(360)
Other.....	4,895	5,963
	-----	-----
Total expenses.....	21,138	25,552
Restructuring charge.....	-	600
	-----	-----
Income before income taxes.....	719	20,561
Provision for income taxes.....	1,534	8,663
	-----	-----
NET (LOSS) INCOME.....	\$ (815)	\$11,898
	=====	=====
Basic EPS		
(Loss) earnings per Class A share.....	\$ (.03)	\$.50
	=====	=====
Shares used in calculation (in thousands).....	23,885	23,722
Diluted EPS		
(Loss) earnings per Class A share.....	\$ (.04)	\$.42
	=====	=====
Shares used in calculation (in thousands).....	27,616	27,614

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

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

THREE MONTHS ENDED SEPTEMBER 30,	1998	1997
(Dollars in thousands, except per share data)	(Unaudited)	(Unaudited) (Note 2)
REVENUES		
Equity in earnings of affiliates	\$ 2,310	\$ 8,293
Manufacturing.....	1,629	2,164
Interest:		
Related parties.....	935	1,666
Others.....	181	751
Rental income.....	1,874	1,773
Realized and unrealized (losses) gains on investments.....	(2,924)	727
Other.....	787	522
	-----	-----
Total revenues.....	4,792	15,896
	-----	-----
EXPENSES		
Manufacturing.....	2,039	2,494
Interest:		
Related parties.....	1,224	650
Other.....	1,564	1,780
Rental property operating expenses.....	941	173
Minority interests.....	(390)	(149)
Other.....	1,516	2,191
	-----	-----
Total expenses.....	6,894	7,139
	-----	-----
(Loss) income before income taxes.....	(2,102)	8,757
(Benefit) provision for income taxes.....	(200)	4,149
	-----	-----
NET (LOSS) INCOME.....	\$(1,902)	\$ 4,608
	=====	=====
Basic EPS		
(Loss) earnings per Class A share.....	\$ (.08)	\$.19
	=====	=====
Shares used in calculation (in thousands).....	23,939	23,767
Diluted EPS		
(Loss) earnings per Class A share.....	\$ (.07)	\$.16
	=====	=====
Shares used in calculation (in thousands).....	27,616	27,616

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

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS AS AT	September 30, 1998	December 31, 1997

(Dollars in thousands)	(Unaudited)	(Note 2)
Cash and cash equivalents.....	\$ 3,773	\$ 45,457
Deposits, notes and loans receivable.....	28,781	46,176
Investments (Note 3).....	261,518	117,384
Real estate rental property, less accumulated depreciation of \$6,379 and \$5,902.....	28,457	28,603
Property and equipment, less accumulated depreciation of \$2,724 and \$2,596.....	3,330	3,899
Other assets.....	14,549	20,755
	-----	-----
TOTAL ASSETS.....	\$340,408 =====	\$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 SHAREHOLDERS' EQUITY AS AT	September 30, 1998	December 31, 1997
	(Unaudited)	(Note 2)
(Dollars in thousands)		
LIABILITIES		
Notes and loans payable (Note 3):		
Related parties.....	\$ 65,492	\$ 18,207
Others.....	40,849	5,000
Debentures.....	33,038	41,846
Accounts and income taxes payable, accrued expenses and minority interests.....	40,448	34,711
	-----	-----
Total liabilities.....	179,827	99,764
	-----	-----
SHAREHOLDERS' EQUITY		
4% Cumulative Convertible Preferred Stock, \$5 par value; authorized 189,287 shares; issued and outstanding 174,226 and 179,672 shares.....	871	898
6-1/2% Cumulative Convertible Preferred Stock, \$5 par value; authorized 988,055 shares; issued and outstanding 931,683 and 968,288 shares.....	4,658	4,842
Class A Stock, \$1 par value; authorized 60,000,000 shares; issued 24,555,670 and 24,418,325 shares; outstanding 23,950,270 and 23,812,925 shares.....	24,556	24,418
Additional paid-in capital.....	57,566	57,491
Retained earnings.....	87,960	88,775
Treasury Stock, 605,400 shares of Class A Stock, at cost.....	(3,829)	(3,829)
Accumulated other comprehensive loss.....	(11,201)	(10,085)
	-----	-----
Total shareholders' equity.....	160,581	162,510
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY.....	\$340,408	\$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

NINE MONTHS ENDED SEPTEMBER 30,	1998	1997
(Dollars in thousands)	(Unaudited)	(Unaudited) (Note 2)
Cash flows from operating activities:		
Net (loss) income.....	\$ (815)	\$ 11,898
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Equity in earnings of affiliates.....	(7,619)	(17,504)
Realized and unrealized losses (gains) on investments.....	1,569	(5,750)
Depreciation expense.....	1,012	1,232
Amortization expense.....	1,055	1,379
Loss from impairment of investments.....	270	977
Restructuring charge.....	-	600
Minority interests.....	(923)	(360)
Translation (gain) loss.....	(314)	133
Decrease in other assets.....	2,887	760
(Decrease) increase in accounts and income taxes payable and accrued expenses.....	(4,398)	6,689
Investments made in trading securities.....	(30,579)	(7,624)
Proceeds from sale of trading securities.....	10,670	5,751
Dividends received from affiliates.....	3,226	7,921
	-----	-----
Net cash(used in) provided by operating activities.....	(23,959)	6,102
	-----	-----
Cash flows from investing activities:		
Deposits, notes and loans receivable collected.....	15,779	13,975
Deposits, notes and loans receivable granted.....	(290)	(993)
Investments made in affiliates and others.....	(117,007)	(7,449)
Proceeds from sale of investments:		
Available for sale.....	353	1,537
Others.....	1,206	16,768
Proceeds from sale of real estate rental property.....	-	15,046
Purchase of property and equipment.....	(113)	(843)
Purchase of real estate rental property.....	(960)	(1,018)
	-----	-----
Net cash (used in) provided by investing activities.....	(101,032)	37,023
	-----	-----

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

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

NINE MONTHS ENDED SEPTEMBER 30,	1998	1997
(Dollars in thousands)	(Unaudited)	(Unaudited) (Note 2)
Cash flows from financing activities:		
Notes and loans payable received:		
Related parties.....	\$ 83,148	\$ 1,244
Others.....	68,763	590
Notes and loans payable repaid:		
Related parties.....	(35,756)	(18,701)
Others.....	(32,910)	(4,959)
Debentures repaid.....	(8,246)	(16,204)
Contribution to partnership by minority interests.....	9,765	-
	-----	-----
Net cash provided by (used in) financing activities.....	84,764	(38,030)
	-----	-----
Effect of exchange rate changes on cash and cash equivalents.....	(1,457)	(1,455)
	-----	-----
Net (decrease) increase in cash and cash equivalents.....	(41,684)	3,640
Cash and cash equivalents at beginning of period.....	45,457	20,633
	-----	-----
Cash and cash equivalents at end of period.....	\$ 3,773	\$ 24,273
	=====	=====
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period:		
Interest:		
Related parties.....	\$ 1,454	\$ 968
Others.....	2,647	2,933
	-----	-----
Total interest paid.....	\$ 4,101	\$ 3,901
	=====	=====
Income taxes paid.....	\$ 4,122	\$ 568
	=====	=====

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

NINE MONTHS ENDED SEPTEMBER 30,	1998	1997
(Dollars in thousands, except share amounts)	(Unaudited)	(Unaudited) (Note 2)
4% PREFERRED STOCK		
Balance, beginning of year.....	\$ 898	\$ 955
Conversion of 5,446 and 6,565 shares into Class A Stock.....	(27)	(33)
Balance, end of period.....	\$ 871 =====	\$ 922 =====
6-1/2% PREFERRED STOCK		
Balance, beginning of year.....	\$ 4,842	\$ 5,012
Conversion of 36,605 and 30,150 shares into Class A Stock.....	(184)	(151)
Balance, end of period.....	\$ 4,658 =====	\$ 4,861 =====
CLASS A STOCK		
Balance, beginning of year.....	\$ 24,418	\$24,257
Issuance of shares upon conversion of Preferred Stock.....	138	123
Issuance of additional shares.....	-	3
Balance, end of period.....	\$ 24,556 =====	\$24,383 =====
ADDITIONAL PAID-IN CAPITAL		
Balance, beginning of year.....	\$ 57,491	\$57,410
Conversion of Preferred Stock.....	73	61
Issuance of additional shares.....	2	12
Balance, end of period.....	\$ 57,566 =====	\$57,483 =====
RETAINED EARNINGS		
Balance, beginning of year.....	\$ 88,775	\$74,943
Net (loss) income.....	(815)	11,898
Balance, end of period.....	\$ 87,960 =====	\$86,841 =====
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.....	(4,528)	(3,171)
Balance, end of period.....	(14,613) -----	(9,701) -----
Unrealized gain on marketable securities:		
Balance, beginning of year.....	-	(98)
Unrealized gain, net.....	3,412	98
Balance, end of period.....	3,412 -----	- -----
Balance, end of period.....	\$(11,201) =====	\$(9,701) =====

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

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 ("SNO") of Motorola Communications Israel, Ltd. ("Motorola Israel") for a base purchase price of approximately \$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 Israel'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 0.9% 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 base 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 the Bonus based on an increase in the valuation of MIRS for purposes of the IPO. In no event will such Bonus exceed \$33 million multiplied by 1.16n, 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. On June 9, 1998, Ampal's shareholders approved a grant of options to purchase up to 1,000,000 shares of Class A Stock (200,000 shares at \$6.75 per share, 300,000 shares at \$8 per share, 500,000 shares at \$10 per share) and rights to purchase up to 200,000 shares of Class A Stock at 80% of their fair market value to Dr. Yehoshua Gleitman, Chief Executive Officer of Ampal. The shareholders also approved a long-term incentive plan which provides for equity-based awards which are based upon or related to up to 400,000 shares of Class A Stock. All employees, officers, directors and consultants of the Company are eligible for selection to receive awards under such plan.

5. As a result of a recent sale of Granite Hacarmel Investments Ltd. ("Granite") by its controlling shareholder, the shareholders' agreement which had been in effect between that shareholder, the Company and the Landau Group, as defined below, was terminated. The Company entered into a new shareholders' agreement, dated July 16, 1998, with Yeshayahu Landau and Yeshayahu Landau Properties (1998) Ltd. (collectively, the "Landau Group"), with respect to their interests in Granite. The Company owns a 21.5% interest in Granite and the Landau Group owns an 8.5% interest in Granite.

6. On July 27, 1998, a Tel Aviv District Court judge ruled against Ampal in its dispute with Yakhin Hakal Ltd., the manager and co-owner of Ampal's 50%-owned affiliates Etz Vanir Ltd. ("Etz Vanir") and Yakhin Mataim Ltd. ("Yakhin Mataim"). The judge's decision allows Etz Vanir and Yakhin Mataim to redeem debentures owned by Ampal for approximately \$800,000 and to require Ampal to surrender all of its shares of Etz Vanir and Yakhin Mataim for their par value, which is nominal. After the redemption and surrender, Ampal will no longer have any interest in Etz Vanir or Yakhin Mataim.

Etz Vanir and Yakhin Mataim cultivate in the aggregate approximately 1,200 acres of citrus groves.

Etz Vanir and Yakhin Mataim have not reported their financial results to Ampal since 1990 and, therefore, their financial results have not been included in Ampal's financial statements. The carrying value of Ampal's investment in Etz Vanir and Yakhin Mataim, as of September 30, 1998, is approximately \$800,000.

At the request of Ampal's attorneys, the Tel Aviv District Court has issued a stay of performance of the judgment until the High Court of Appeal issues a final judgment. On October 15, 1998, Ampal filed an appeal with the High Court

of Appeal in Jerusalem. It is not expected that a final judgment will be rendered before the end of 1999.

7. 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 (loss) income for the nine months ended September 30, 1998 and September 30, 1997 was \$(1.9) million and \$8.8 million, respectively, and for the three months ended September 30, 1998 and September 30, 1997 was \$(6.7) million and \$5.9 million, respectively.

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

NINE MONTHS ENDED SEPTEMBER 30, 1998 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 1997:

Consolidated net income of Ampal-American Israel Corporation ("Ampal") and its subsidiaries (collectively with Ampal, the "Company") decreased from \$11.9 million for the nine-month period ended September 30, 1997, to a loss of \$.8 million for the same period in 1998. The decrease in net income is primarily attributable to the decrease in equity in earnings of affiliates, lower realized gains on investments, unrealized losses on investments in 1998 as compared to unrealized gains in 1997, and net interest expense in 1998 as compared to net interest income in 1997. These decreases were partially offset by lower loss from impairment of investments and other expenses in 1998.

Equity in earnings of affiliates decreased to \$7.6 million for the nine months ended September 30, 1998, from \$17.5 million for the same period in 1997. The decrease is primarily attributable to the decreased 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 lower earnings in the nine months ended September 30, 1998 as compared to the same period in 1997, primarily due to lower realized and unrealized gains on investments as a result of the sale of shares of Teledata Communications Ltd. ("Teledata") in 1997.

The decrease in the equity in earnings of affiliates was partially offset by the increased earnings of Trinet Venture Capital Ltd. ("Trinet"), Coral World International Limited ("CWI"), Carmel Container Systems Limited ("Carmel"), and Bay Heart Limited ("Bay Heart"). Trinet, the Company's 50%-owned affiliate, a high-technology venture capital fund, recorded realized and unrealized gains in the nine months ended September 30, 1998 as compared to unrealized losses in the same period in 1997. CWI, the Company's 50%-owned affiliate, which owns and operates marine parks in Eilat (Israel), Perth and Manly (Australia), and Hawaii (USA), reported increased earnings in 1998 as a result of earnings attributable to its new marine park in Maui, Hawaii which opened in March 1998. Carmel, the Company's 20.7%-owned affiliate, which is a manufacturer of paper-board packaging and related products, also recorded higher earnings in 1998 due to the improved efficiency at Carmel's new manufacturing plant in Caesarea and increased sales of containers to the local market, despite the economic slowdown in Israel. Bay Heart, 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 Consumer Price Index-linked bank borrowings.

The Company recorded \$2.2 million of unrealized losses on investments in trading securities, which are primarily attributable to the Company's investment during the third quarter of 1998 in the shares of Bank Leumi Le'Israel B.M. ("Leumi") in the amount of approximately \$21 million. As a result of a further market decline in the price of Leumi stock, the Company estimated that its unrealized loss on Leumi's shares increased by approximately \$1.6 million for the period of October 1, 1998 through November 10, 1998. The Company recorded \$1.6 million of unrealized gains on investments in trading securities in the nine-month period ended September 30, 1997. At September 30, 1998 and December 31, 1997, the aggregate fair value of trading securities amounted to approximately \$25.7 million and \$7.5 million, respectively.

In the nine months ended September 30, 1998, the Company recorded \$.6 million of gains on sale of investments, which are primarily attributable to its investments in Mercury Interactive Corporation ("Mercury"), Shikun U'Fituach Le'Israel Ltd., Fundtech Ltd. and M-Systems Flash Disk Pioneers Ltd. In the same period in 1997, the

Company recorded \$4.2 million of gains on sale of investments, \$2.9 million of which is attributable to its direct investment in Teledata.

The Company recorded net interest expense in the amount of \$4.4 million in the nine months ended September 30, 1998, as compared to net interest income of \$.5 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").

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 in 1998.

The Company recorded a \$.3 million loss from impairment of its investment in Geotek Communications Ltd. in the nine months ended September 30, 1998. In the same period of 1997 the Company recorded a \$1 million loss on impairment of its investment in U.D.S. - Ultimate Distribution Systems Ltd.

Other expenses decreased for the nine months ended September 30, 1998 as compared to the same period in 1997, primarily as a result of a decrease in administrative expenses and the effect of translation.

The change 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.

THREE MONTHS ENDED SEPTEMBER 30, 1998 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 1997:

Consolidated net income decreased from \$4.6 million for the three-month period ended September 30, 1997, to a loss of \$1.9 million for the same period in 1998. The decrease in net income is primarily attributable to the decrease in equity in earnings of affiliates, realized and unrealized losses on investments, and the increase in net interest expense in 1998. These decreases were partially offset by the decrease in other expenses in 1998.

Equity in earnings of affiliates decreased from \$8.3 million for the three months ended September 30, 1997, to \$2.3 million for the same period in 1998. The decrease is primarily attributable to decreased earnings of Ophir in the third quarter of 1998 as compared to the same period in 1997. This decrease was partially offset by increases in the Company's equity in earnings of Moriah Hotels Ltd. ("Moriah") and CWI. Moriah, the Company's 46%-owned affiliate, which owns and operates hotels in Israel, reported higher earnings mainly as a result of translation gains recorded in the third quarter. CWI reported increased earnings for the reasons described in "Results of Operations - Nine months ended September 30, 1998 compared to nine months ended September 30, 1997."

In the quarter ended September 30, 1998, the Company recorded \$.6 million of losses on the sale of various investments, as compared to a \$.1 million gain in the same period in 1997.

The Company also recorded \$2.3 million of unrealized losses on investments in the three-month period ended September 30, 1998, which are primarily attributable to its investment in shares of Leumi, as compared to \$.6 million, (\$.4 million attributable to the investment in Mercury) of unrealized gains on investments in the same period in 1997.

The Company recorded net interest expense in the amount of \$1.7 million in the three months ended September 30, 1998, as compared to \$13,000 in the same period in 1997. (See "Results of Operations - Nine months ended September 30, 1998 compared to nine months ended September 30, 1997.")

The increase in the rental property operating expenses for the three months ended September 30, 1998 as compared to the same period in 1997 is attributable to a real estate tax refund received in the third quarter of 1997 by the Company's United States real estate subsidiary.

The change 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 September 30, 1998, cash and cash equivalents were \$3.8 million as compared with \$45.5 million at December 31, 1997. The decrease in cash and cash equivalents and increase in investments are primarily attributable to the investment in MIRS (See "Investment in MIRS") and Leumi (See "Results of Operations - Nine months ended September 30, 1998 compared to nine months ended September 30, 1997.") The increases in notes and loans payable and minority interests are also attributable to the investment in MIRS. The decreases in deposits, notes and loans receivable and debentures are primarily attributable to scheduled repayments.

In addition to the investment in MIRS, the Company made the following investments in the high-technology field in the nine months ended September 30, 1998, notably; (1) a \$2.5 million investment to acquire a 9% interest in Smartlight Ltd., a developer and marketer of innovative digital film viewers for use in the diagnosis of medical images; (2) a \$1 million investment to acquire 3.8% of PowerDsine Ltd. (total equity interest - 11.9%), a developer, manufacturer and marketer of innovative modules and components for the telecommunications industry; (3) a \$.8 million investment to acquire an additional 7.3% of XaCCT Technologies Ltd. (total equity interest - 19.1%), a developer of billing, auditing and accounting software for TCP/IP networks; (4) a \$.7 million investment to acquire an additional 1.6% in its existing investee, Mutek Solutions Ltd. (total equity interest - 8.8%), a developer of software for servers; (5) a \$.6 million investment to acquire 15.4% of Medco Electronics Systems Ltd., a developer of special devices used to detect cardiac problems in fetuses; (6) a \$.3 million investment in its existing investee, Qronus Interactive Israel (1994) Ltd., a developer and marketer of software testing tools and (7) a \$.2 million investment in its existing investee, Shellcase Ltd., a developer and marketer of packaging devices for computer chips.

INFLATION AND FOREIGN CURRENCY EXCHANGE FLUCTUATION RISKS

The Company and its investee companies enter into shekel-based loans either as borrowers or as lenders, which are typically linked to the Consumer Price Index in Israel ("CPI"). Therefore, changes in the CPI and/or in the rate of exchange between the Israeli shekel and the U.S. dollar can have a direct effect on the Company's financial condition and earnings. During the month of October 1998, the Israeli shekel experienced a devaluation against the U.S. dollar of approximately 11%, which the Company believes will not have a material effect on its results of operations.

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 ("SNO") of Motorola Communications Israel, Ltd. ("Motorola Israel") for a base purchase price of approximately \$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 Israel'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 0.9% 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 base 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 the Bonus based on an increase in the valuation of MIRS for purposes of the IPO. In no event will such Bonus exceed \$33 million multiplied by 1.16n, 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, which are not expected to be material, 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.

OTHER DEVELOPMENTS

On June 9, 1998, Ampal's shareholders approved a grant of options to purchase up to 1,000,000 shares of Class A Stock (200,000 shares at \$6.75 per share, 300,000 shares at \$8 per share, 500,000 shares at \$10 per share) and rights to purchase up to 200,000 shares of Class A Stock at 80% of their fair market value to Dr. Yehoshua Gleitman, Chief Executive Officer of Ampal. The shareholders also approved a long-term incentive plan which provides for equity-based awards which are based upon or related to up to 400,000 shares of Class A Stock. All employees, officers, directors and consultants of the Company are eligible for selection to receive awards under such plan.

As a result of a recent sale of Granite Hacarmel Investments Ltd. ("Granite") by its controlling shareholder, the shareholders' agreement which had been in effect between that shareholder, the Company and the Landau Group (as defined below) was terminated. The Company entered into a new shareholders' agreement, dated July 16, 1998, with Yeshayahu Landau and Yeshayahu Landau Properties (1998) Ltd. (collectively, the "Landau Group"), with respect to their interests in Granite. The Company owns a 21.5% interest in Granite and the Landau Group owns an 8.5% interest in Granite.

On July 27, 1998, a Tel Aviv District Court judge ruled against Ampal in its dispute with Yakhin Hakal Ltd., the manager and co-owner of Ampal's 50%-owned affiliates Etz Vanir Ltd. ("Etz Vanir") and Yakhin Mataim Ltd. ("Yakhin Mataim"). The judge's decision allows Etz Vanir and Yakhin Mataim to redeem debentures owned by Ampal for approximately \$800,000 and to require Ampal to surrender all of its shares of Etz Vanir and Yakhin Mataim for their par value, which is nominal. After the redemption and surrender, Ampal will no longer have any interest in Etz Vanir or Yakhin Mataim.

Etz Vanir and Yakhin Mataim cultivate in the aggregate approximately 1,200 acres of citrus groves.

Etz Vanir and Yakhin Mataim have not reported their financial results to Ampal since 1990 and, therefore, their financial results have not been included in Ampal's financial statements. The carrying value of Ampal's investment in Etz Vanir and Yakhin Mataim, as of September 30, 1998, is approximately \$800,000.

At the request of Ampal's attorneys, the Tel Aviv District Court has issued a stay of performance of the judgment until the High Court of Appeal issues a final judgment. On October 15, 1998, Ampal filed an appeal with the High Court of Appeal in Jerusalem. It is not expected that a final judgment will be rendered before the end of 1999.

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES
PART II - OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS - On July 27, 1998, a Tel Aviv District Court

judge ruled against Ampal in its dispute with Yakhin Hakal, the manager and co-owner of Ampal's 50%-owned affiliates Etz Vanir and Yakhin Mataim. The judge's decision allows Etz Vanir and Yakhin Mataim to redeem debentures owned by Ampal for approximately \$800,000 and to require Ampal to surrender all of its shares of Etz Vanir and Yakhin Mataim for their par value, which is nominal. After the redemption and surrender, Ampal will no longer have any interest in Etz Vanir or Yakhin Mataim.

At the request of Ampal's attorneys, the Tel Aviv District Court has issued a stay of performance of the judgment until the High Court of Appeals issues a final judgment. On October 15, 1998, Ampal filed an appeal with the High Court of Appeal in Jerusalem. It is not expected that a final judgment will be rendered before the end of 1999.

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 3 - By-laws of Ampal-American Israel Corporation, amended as of June 9, 1998.

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. - None.

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: November 13, 1998

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES

EXHIBIT INDEX

Exhibit No.	Description	
3	By-laws of Ampal-American Israel Corporation, amended as of June 9, 1998	Page
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11	Schedule Setting Forth Computation of Earnings Per Share of Class A Stock.....	Page
45		
27	Financial Data Schedule.	

Exhibit 3.1

BY-LAWS

OF

AMPAL-AMERICAN ISRAEL CORPORATION

ARTICLE I

OFFICES

Section 1.1 OFFICES. The principal office of the corporation shall be located in the City, County and State of New York; other offices, either within or without the State of New York, shall be at such place or places as the Board of Directors may from time to time determine or the business of the corporation requires.

ARTICLE II

SHAREHOLDERS

Section 2.1 ANNUAL MEETINGS. Annual meetings of the shareholders for the election of directors and for transaction of other business shall be held at such time and on such date as shall be designated by the Board of Directors, at the principal office of the corporation in the State of New York or at such other place within or without the State of New York as shall be designated by the Board of Directors and specified in the notice of each such meeting.

Section 2.2 SPECIAL MEETINGS OF SHAREHOLDERS. Special meetings of the shareholders may be held either within or without the State of New York, at any time and place and for any purpose or purposes, unless otherwise prescribed by law or by the Certificate of Incorporation, and shall be called by the Chief Executive Officer, President or Secretary or by any officer of the corporation, by order of the Board of Directors, or upon the request in writing of shareholders representing at least 25% of the voting power of the outstanding shares entitled to vote. Such request shall state the purpose or purposes of the proposed meeting.

Section 2.3 NOTICE OF MEETINGS. Notice of all meetings of shareholders shall be in writing, shall state the place, date and hour of the meeting and, except in the case of the annual meeting, indicate that it is being issued by or at the direction of the person or persons calling the meeting. Notice of any special meeting shall also state the purpose or purposes for which the meeting is called. If, at any meeting, action is proposed to be taken which would, if taken, entitle shareholders fulfilling the statutory requirements to receive payment for their shares, the notice of such meeting shall include a statement of that purpose and to that effect. A copy of the notice of any meeting shall be given, personally or by mail, not less than ten nor more than fifty days before the date of the

meeting to each shareholder entitled to vote at such meeting. If mailed, such notice shall be deemed given when deposited in the United States mail, with postage thereon prepaid, directed to the shareholder at his address as it appears on the record of shareholders, or, if he shall have filed with the Secretary of the corporation a written request that notices to him be mailed to some other address, then directed to him at such other address.

Section 2.4 ADJOURNED MEETINGS. The shareholders present at a meeting of shareholders may adjourn the meeting despite the absence of a quorum. Notice of any adjourned meeting of the shareholders shall not be required, if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken, but if after the adjournment the Board of Directors fixes a new record date for the adjourned meeting, notice of the adjourned meeting shall be given to each shareholder of record on the new record date entitled to notice.

Section 2.5 FIXING RECORD DATE. The Board of Directors may fix, in advance, a date as the record date for the purpose of determining the shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or to express consent to or to dissent from any proposal without a meeting, or for the purpose of determining shareholders entitled to receive payment of any dividend or the allotment of any

rights, or for the purpose of any other action. Such date shall be not more than fifty nor less than ten days before the date of such meeting, nor more than fifty days prior to any other action. If no record date is fixed, the record date for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders shall be at the close of the business day preceding the day on which notice is given; the record date for determining shareholders for any purpose other than that specified in the preceding clause shall be at the close of business on the day on which the resolution of the directors relating thereto is adopted.

Section 2.6 QUORUM. Except as otherwise provided by law, by the Certificate of Incorporation, or by these By-Laws, the holders of record of one-third of the shares entitled to vote at any meeting of shareholders, present in person or by proxy shall be necessary to constitute a quorum for the transaction of any business. When a quorum is once present to organize a meeting of shareholders, it is not broken by the subsequent withdrawal of any of the shareholders.

Section 2.7 VOTE OF SHAREHOLDERS. Except as otherwise required by law, at any meeting at which a quorum is present, all elections shall be had and all questions decided by a plurality of the votes cast by the shareholders so present in person or represented by proxy or, in cases where any class of stock votes

as a class, by a plurality of the votes cast by the holders of such class of stock so present in person or by proxy. All voting shall be by voice vote unless the person presiding at the shareholders' meeting shall direct that the vote be by written ballot, or the owners and holders of not less than 20% of the shares entitled to vote shall in writing demand that the vote in question be by ballot.

Section 2.8 PROXIES. Every shareholder entitled to vote at a meeting of the shareholders or to express consent or dissent without a meeting may authorize another person to act for him by proxy. Every proxy must be in writing and signed by the shareholder or his attorney-in-fact, and no proxy shall be valid after the expiration of eleven months from the date thereof, unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the shareholder executing it, except as otherwise provided by law.

Section 2.9 LIST OF SHAREHOLDERS AT MEETINGS. A list of shareholders as of the record date, certified by the Secretary or other officer responsible for its preparation or by the transfer agent, shall be produced at any meeting of shareholders upon the request thereat or prior thereto of any shareholder. If the right to vote at any meeting is challenged, the inspectors of election, if any, or person presiding thereat, shall require such list of shareholders to be produced as evidence of the right of

the persons challenged to vote at such meeting, and all persons who appear from such list to be shareholders entitled to vote thereat may vote at such meeting.

Section 2.10 INSPECTORS AT SHAREHOLDERS' MEETING. The Board of Directors, in advance of any shareholders' meeting, may appoint one or more inspectors to act at the meeting or any adjournment thereof. If inspectors are not so appointed, the person presiding at a shareholders' meeting may, and on the request of any shareholder entitled to vote thereat shall, appoint one or more inspectors. In case any person appointed fails to appear or act, the vacancy may be filled by appointment made by the Board in advance of the meeting or at the meeting by the person presiding thereat. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of his ability.

Section 2.11 WAIVER OF NOTICE. Notice of a shareholders' meeting need not be given to any shareholder who submits a signed waiver of notice, in person or by proxy, whether before or after the meeting. The attendance of any shareholder at a meeting, in person or by proxy, without protesting prior to the conclusion of the meeting the lack of notice of such meeting, shall constitute a waiver of notice by him.

Section 2.12 WRITTEN CONSENT OF SHAREHOLDERS WITHOUT A MEETING. Any shareholder action required as permitted by law, the Certificate of Incorporation or these By-Laws, to be taken by vote may be taken without a meeting on written consent, setting forth the action so taken, signed by the holders of all outstanding shares entitled to vote thereon.

ARTICLE III

DIRECTORS

Section 3.1 POWERS OF THE BOARD OF DIRECTORS. Except as otherwise provided by law, by the Certificate of Incorporation or by these By-Laws, the property, business and affairs of the corporation shall be managed by the Board of Directors (sometimes hereinafter referred to as the "Board").

Section 3.2 NUMBER, ELECTION, TENURE AND QUALIFICATIONS OF DIRECTORS. Until changed by amendment to these By-Laws or resolution of the Board of Directors the number of directors shall be not less than 3 nor more than 29 members, with the actual number of members of the Board of Directors to be set from time to time by resolution of the Board of Directors. Such an amendment or resolution shall require the affirmative vote of a majority of the entire Board. Directors need not be shareholders. Except as otherwise provided by law or these By-Laws, the directors shall be elected at the annual meetings of the

shareholders, and each director shall hold office until the next annual meeting of shareholders and until his successor has been elected and qualified. No decrease in the number of directors by amendment of these By-Laws shall shorten the term of any incumbent director.

Section 3.3 NEWLY CREATED DIRECTORSHIPS AND VACANCIES. Newly created directorships resulting from an increase in the authorized number of directors and vacancies occurring in the Board through death, resignation or disqualification or for any other reason, including the removal of directors without cause, may be filled by the vote of a majority of the directors then in office, although less than a quorum exists, or by the shareholders, and the directors so chosen shall hold office until the next annual meeting of shareholders and until their successors shall be duly elected and qualified unless sooner displaced.

Section 3.4 REGULAR MEETINGS. Regular meetings of the Board of Directors may be held without call or formal notice at such place either within or without the State of New York, and at such times as the Board may by vote from time to time determine. There shall be a regular meeting of the Board of Directors which may be held without call or formal notice immediately after and at the same place as the annual meeting of the shareholders or any special meeting of the shareholders at which a Board of

Directors is elected.

Section 3.5 SPECIAL MEETINGS. Special meetings of the Board of Directors may be held at any place within or without the State of New York at any time when called by the Chief Executive Officer, the President or Secretary or two or more directors, notice of the time and place thereof being given to each director by leaving such notice with him at his residence or usual place of business or by mailing, cabling, telegraphing or telexing it, prepaid, addressed to him at his post office address as it appears on the books of the corporation, at least two days before the meeting. Notice shall be deemed given when sent in accordance with these By-Laws. Neither the call, notice nor waiver of notice need specify the purpose of any special meeting of the Board of Directors.

Section 3.6 QUORUM. One-third of the entire Board of Directors shall constitute a quorum, but in no case less than two directors. A majority of the directors present, whether or not a quorum exists, may adjourn a meeting to another time and place without further notice until a quorum shall attend.

Section 3.7 ACTION BY THE BOARD OF DIRECTORS. The vote of a majority of the directors present at the time of the vote, if a quorum is present at such time, shall be the act of the Board, except where a larger vote is required by law, by the Certificate of Incorporation or these By-Laws.

Section 3.8 COMPENSATION OF DIRECTORS. The Board of Directors shall have authority to fix the compensation of directors for services in any capacity.

Section 3.9 RESIGNATION AND REMOVAL OF DIRECTORS.

(a) Any director may resign at any time by giving written notice thereof to the Chief Executive Officer, the President or to the Board of Directors, and such resignation shall take effect at the time therein specified without the necessity of further action by the Board.

(b) Any director elected by the holders of the Preferred Stock of the corporation voting as a separate class may be removed with or without cause by vote of the holders of the class of stock electing such director at a meeting. Any other director may be removed with or without cause by vote of the shareholders at a meeting or for cause by vote of the Board of Directors at a meeting.

Section 3.10 INTERESTED DIRECTORS.

(a) Unless previously disclosed or otherwise known, each director of the corporation shall inform the Board or the committee thereof considering any contract or other transaction with any other corporation, firm, association or entity if such director is a director or officer of such other corporation, firm, association or other entity or has a substantial financial interest therein;

(b) No contract or other transaction between the corporation and one or more of its directors, or between the corporation and any other corporation, firm, association or other entity in which one or more of its directors are directors or officers, or have a substantial financial interest, shall be either void or voidable for this reason alone or by reason alone that such director or directors are present at the meeting of the Board, or of a committee thereof, which approves such contract or transaction, or that his or their votes are counted for such purpose:

(1) If the material facts as to such director's interest and as to any such common directorship, officership or financial interest are disclosed in good faith or known to the Board or committee, and the Board or committee approves such contract or transaction by a vote sufficient for such purpose without counting the vote or votes of such interested director or directors or, if the votes of the disinterested directors are insufficient to constitute an act of the Board as provided by law, by unanimous vote of the disinterested directors; or

(2) If the material facts as to such director's interest and as to any such common directorship, officership or financial interest are disclosed in good faith or known to the shareholders entitled to vote thereon, and such

contract or transaction is approved by vote of such shareholders.

(3) If there is no good faith disclosure of the material facts as to the director's interest in the contract or transaction and if there is no knowledge of such interest, or if the vote of such interested director was necessary for the approval of such contract or transaction at a meeting of the Board or committee at which it was approved, and the party or parties thereto shall establish affirmatively that the contract or transaction was fair and reasonable as to the corporation at the time it was approved by the Board or committee or the Shareholders.

(c) Interested directors may be counted in determining the presence of a quorum at a meeting of the Board or of a committee which approves such contract or transaction.

Section 3.11 WAIVER OF NOTICE. Notice of a meeting need not be given to any director who signed a waiver of notice whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to him.

Section 3.12 THE ENTIRE BOARD OF DIRECTORS. As used in these By-Laws the term "the entire Board of Directors" or "the entire Board" means the number of directors the Board would have if there were no vacancies.

Section 3.13 PARTICIPATION AT MEETINGS BY USE OF COMMUNICATIONS EQUIPMENT. Any one or more members of the Board of Directors or any committee thereof may participate in a meeting of the Board of Directors or a committee thereof by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time. Participation by such means shall constitute presence in person at a meeting.

Section 3.14 CONSENT IN LIEU OF MEETING. Unless otherwise restricted by the certificate of incorporation or these By-Laws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the Board of Directors or committee, as the case may be, consent in writing to the adoption of a resolution authorizing the action and the resolution and the written consents thereto are filed with the minutes of the proceedings of the Board or committee.

ARTICLE IV
EXECUTIVE COMMITTEE AND OTHER COMMITTEES
OF THE BOARD

Section 4.1 HOW CONSTITUTED AND POWERS. The Board of Directors, by resolution adopted by a majority of the entire Board, may designate from among its members an Executive

Committee and other committees, each consisting of three or more directors. No such committee shall have authority as to the following matters:

- (1) The submission to shareholders of any action that needs shareholders' authorization by law.
- (2) The filling of vacancies in the Board of Directors or in any committee.
- (3) The fixing of compensation of the directors for serving on the Board or on any committee.
- (4) The amendment or repeal of By-Laws, or the adoption of new By-Laws.
- (5) The amendment or repeal of any resolution of the Board which by its terms shall not be so amendable or repealable.

Except as provided above and except to the extent the Board, by resolution, withholds from or denies to the Executive Committee any power or authority, the Executive Committee shall have all the authority of the Board of Directors. Except as provided above, each other committee designated by the Board of Directors shall have such authority as is specifically delegated to it by resolution of the Board of Directors.

Section 4.2 ALTERNATE COMMITTEE MEMBERS. The Board may designate one or more directors as alternate members of any committee established under this Article, who may replace any

absent member or members at any meeting of such committee.

Section 4.3 ORGANIZATION, ETC. The Executive Committee (or other committee established under this Article) may choose its own Chairman and Secretary and shall keep minutes of all of its acts and proceedings and report the same from time to time to the Board of Directors.

Section 4.4 MEETINGS. Regular meetings of the Executive Committee (or other committee established under this Article), of which no notice shall be necessary, shall be held at such times and in such places as shall be fixed by a majority of the Committee. Special meetings of the Committee shall be called at the request of any member of the Committee. Notice of each special meeting of the Committee shall be sent by mail, telegraph, cable or wireless or telephone not later than the day before the date on which the meeting is to be held. Notice of any such meeting need not be given to any member of the Committee, however, if waived by him in writing or by telegraph, cable or wireless, before or after the meeting; and any meeting of the Committee shall be a legal meeting without notice thereof having been given, if all the members of the Committee shall be present thereat.

Section 4.5 QUORUM AND MANNER OF ACTING. A majority of the Executive Committee (or other committee established under this Article), shall constitute a quorum for the transaction of

business, and the act of a majority of those present at the meeting at which a quorum is present shall be the act of the Executive Committee.

Section 4.6 GENERAL. Each committee established by the Board of Directors shall serve at the pleasure of the Board of Directors, which may fill vacancies in any such committee.

ARTICLE V

OFFICERS

Section 5.1 AUTHORIZED OFFICERS. The officers of the corporation shall be a Chairman of the Board of Directors, a Chief Executive Officer, a President, one or more Vice-Presidents, a Secretary, a Treasurer and a Controller, and such other officers, including one or more Assistant Vice-Presidents, Assistant Secretaries, Assistant Treasurers and Assistant Controllers, as the Board may from time to time determine as the business of the corporation may require. One person may hold the office of, and perform the duties of, any one or more of the above mentioned positions, except those of President and Secretary or Assistant Secretary.

Section 5.2 ELECTION OR APPOINTMENT AND TERM OF OFFICE. The officers of the corporation shall be elected by the Board of Directors and, except as otherwise provided by these By-Laws, shall hold office until the first meeting of the Board following

the next annual meeting of shareholders and until his successor has been elected or appointed and qualified.

Section 5.3 RESIGNATION AND REMOVAL. Any officer may resign at any time by giving written notice thereof to the Chief Executive Officer, President or to the Board of Directors, and such resignation shall take effect at the time therein specified. Any officer may be removed from office, with or without cause by a vote of a majority of the entire Board of Directors.

Section 5.4 VACANCIES. A vacancy occurring in any office shall be filled by the Board of Directors.

Section 5.5 COMPENSATION. Each officer shall receive such salary as compensation as may be determined by the Board of Directors, and no officer shall be prevented from receiving such compensation by reason of the fact that he is also a director of the corporation.

Section 5.6 CHAIRMAN OF THE BOARD OF DIRECTORS. The Chairman of the Board of Directors shall, when present, preside at all meetings of the shareholders and the Board of Directors.

Section 5.7 CHIEF EXECUTIVE OFFICER. The Chief Executive Officer of the corporation, subject to the direction of the Board of Directors, shall have general and active control of its affairs and business and general supervision of its offices, agents and employees. The Chief Executive Officer shall see that all orders and resolutions of the Board are carried into effect.

He may sign deeds, mortgages, bonds, contracts or other instruments which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these By-Laws to some other officer or agent of the corporation, or shall be required by law to be otherwise signed or executed. He shall perform all duties incident to the office of Chief Executive Officer and such other duties as may be prescribed by the Board of Directors from time to time. He shall have custody of the treasurer's bond, if any. In the event of the absence, death, or incapacity of the President, the Chief Executive Officer shall have the powers and duties of the President.

Section 5.8 PRESIDENT. The President, subject to the direction of the Board of Directors, shall have general and active control of the operations, affairs and business of the corporation in North America and general supervision of the corporation's officers, agents and employees in North America. He may sign deeds, mortgages, bonds, contracts or other instruments which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these By-Laws to some other officer or agent of the corporation, or shall be required by law to be otherwise signed or executed. In the event of the absence, death or incapacity of the Chief

Executive Officer, the President shall have the powers and the duties of the Chief Executive Officer.

Section 5.9 VICE-PRESIDENTS. Each Vice-President shall assist the Chief Executive Officer and the President and shall perform such duties as may be assigned to him by the Chief Executive Officer, the President or the Board of Directors. In the event of the absence, death or incapacity of both the Chief Executive Officer and the President, the Vice-Presidents in the order designated by the Board of Directors, or if no such designation has been made, in order of seniority in office, shall have the powers and duties of the Chief Executive Officer and President. Any Vice-President may sign, with the Secretary or other proper officer of the corporation thereunto authorized by the Board of Directors, certificates representing shares of the corporation.

Section 5.10 THE SECRETARY. The Secretary shall act as Secretary of all meetings of the Board of Directors and of the Executive Committee and of the stockholders of the corporation, and shall keep the minutes thereof in the proper book or books to be provided for that purpose; he shall see that all notices required to be given by the corporation are duly given and served; he may, with the President or Chief Executive Officer or any of the Vice-Presidents, sign certificates for stock of the corporation; he shall be custodian of the seal of the corporation

and shall affix the seal or cause it to be affixed to all certificates for stock of the corporation and to all documents the execution of which on behalf of the corporation under its corporate seal is duly authorized in accordance with the provisions of these By-Laws; he shall have charge of the stock records and also of the other books, records and papers of the corporation relating to its organization and management as a corporation, and shall see that the reports, statements and other documents required by law are properly kept and filed; and shall, in general, perform all the duties incident to the office of secretary and such other duties as from time to time may be assigned to him by the Board of Directors or by the Executive Committee, the Chief Executive Officer or the President.

Section 5.11 TREASURER. The Treasurer shall have charge and custody of, and be responsible for, all funds, securities, evidences of indebtedness and other personal property of the corporation and shall deposit, or cause to be deposited, the same in accordance with instructions of the Board of Directors. He shall receive and give receipts and acquittances for moneys paid in on account of the corporation, and shall pay out of the funds on hand all bills, payrolls and other just debts of the corporation. He shall enter regularly in the books belonging to the corporation to be kept by him for that purpose, full and accurate accounts of all moneys received and paid out by him on

account of the corporation. He shall have the right to require, from time to time, reports or statements giving such information as he may desire with respect to any and all financial transactions of the corporation from the officers or agents transacting the same. Upon the request of the Board, the Chief Executive Officer, the President or the Executive Committee, he shall make such reports to them as they shall require from time to time relating to the financial condition of the corporation and all his transactions as Treasurer. He shall perform all other duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Chief Executive Officer, the President, the Board of Directors or the Executive Committee. He may sign, with the Chief Executive Officer, the President or a Vice-President, certificates for stock of the corporation.

The Treasurer shall, if required by the Board of Directors, give the corporation a bond in such sums and with such securities as may be satisfactory to the Board, conditioned upon the faithful performance of his duties and for the restoration to the corporation in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind belonging to the corporation in his possession or under his control.

Section 5.12 ASSISTANT SECRETARIES, ASSISTANT TREASURERS

AND ASSISTANT CONTROLLERS. The Assistant Secretary, Assistant Treasurer and Assistant Controller, or, if there be more than one, the Assistant Secretaries, Assistant Treasurers and Assistant Controllers in the order determined by the Board of Directors shall, in the absence or disability of the Secretary, Treasurer or the Controller, perform the duties of the Secretary, the Treasurer and the Controller, respectively, and shall perform such other duties and have such other powers as from time to time may be assigned to them or any of them by the Chief Executive Officer, President or Board of Directors or Executive Committee. The Assistant Treasurer or Treasurers shall, if required by the Board of Directors, give the corporation a bond in such sums and with such securities as shall be satisfactory to the Board, conditioned upon the faithful performance of their duties and for the restoration to the corporation in case of their death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind belonging to the corporation in their possession or under their control.

ARTICLE VI

SHARES

Section 6.1 CERTIFICATES FOR SHARES. Certificates for stock of the corporation shall be in such form as shall be approved by the Board of Directors. The certificates for such stock shall be numbered in the order of their issue, shall be signed by the Chief Executive Officer, President or one of the Vice-Presidents and by the Secretary, an Assistant Secretary, the Treasurer or an Assistant Treasurer, and the seal of the corporation shall be affixed thereto, which seal may be facsimile, engraved or printed. Where any such certificate is signed by a transfer agent or transfer clerk acting on behalf of the corporation and by a registrar, the signatures of the Chief Executive Officer, the President, a Vice President, Secretary, Assistant Secretary, Treasurer or Assistant Treasurer upon such certificate may be facsimiles, engraved or printed. In case any officer or officers who shall have signed or whose signature or facsimile signature or signatures shall be used on any such certificate or certificates shall cease to be such officer or officers of the corporation, whether because of death, resignation, removal or otherwise, before such certificate or certificates shall have been delivered by the corporation, such certificate or certificates shall nevertheless, unless otherwise ordered by the Board of Directors, be issued and delivered as

though the person or persons who signed such certificate or certificates or whose facsimile signature or signatures shall have been used thereon had not ceased to be such officer or officers of the corporation.

Section 6.2 TRANSFER OF SHARES. Upon surrender to the corporation or to a transfer agent of the corporation of a certificate representing shares, duly endorsed or accompanied with proper evidence of succession, assignment or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, and cancel the old certificate. The corporation shall be entitled to treat the holder of record of any shares or share of stock as the holder in fact thereof, and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person whether or not the corporation shall have express or other notice thereof, except as may be required by law.

Section 6.3 RECORD OF SHAREHOLDERS. The corporation shall keep at its principal office in the State of New York, or at the office of its transfer agent or registrar in the State of New York a record in written form, or in any other form capable of being converted into written form within a reasonable time, which shall contain the names and addresses of all the shareholders, the number and class of shares held by each, the dates when they

respectively became the owners thereof, and, when shares are originally issued by the corporation, the amount paid therefor.

Section 6.4 LOST CERTIFICATES. In case of the alleged loss, destruction or mutilation of a certificate or certificates representing shares, the Board of Directors may direct the issuance of a new certificate or certificates in lieu thereof upon such terms and conditions in conformity with law as it may prescribe.

ARTICLE VII

INDEMNIFICATION

Section 7.1 INDEMNIFICATION OF CERTAIN PERSONS. To the fullest extent permitted by the laws and statutes of the State of New York:

(a) The corporation shall indemnify any person made, or threatened to be made, a party to an action or proceeding other than one by or in the right of the corporation to procure a judgment in its favor, by reason of the fact that such person, his testator or intestate, is or was a director or officer of the corporation against any reasonable expenses, including attorneys' fees, actually and necessarily incurred by him as a result of such action or proceeding, or any appeal therein, except in relation to matters as to which such person is adjudged to have breached his duty to the corporation; and

(b) The corporation shall indemnify any person made, or threatened to be made a party to an action or proceeding other than one by or in the right of the corporation to procure a judgment in its favor, whether civil or criminal, including without limitation, one by or in the right of any other corporation, domestic or foreign, which any director or officer of the corporation served in any capacity at the request of the corporation, by reason of the fact that such person, his testator or intestate was a director or officer of the corporation, or served in such other corporation, in any capacity, against any and all judgments, fines, amounts paid in settlement, and reasonable expenses, including attorneys' fees, actually and necessarily incurred by him as a result of such action or proceeding, or any appeal therein, if such person acted in good faith, for a purpose which he reasonably believed to be in the best interests of the corporation and, in criminal actions or proceedings in addition had no reasonable cause to believe that his conduct was unlawful.

Section 7.2 INDEMNIFICATION FOR EXPENSES. Indemnification for expenses incurred in any civil or criminal action or proceeding as authorized under

Section 7.1 (a) and (b) may be paid by the corporation in advance of the final disposition of such action or proceeding in the manner authorized by the laws and statutes of the State of New York subject to repayment by the

person, his testator or intestate, to the extent the expenses so advanced by the corporation exceed the indemnification to which such person is entitled or if such person is ultimately found not entitled to indemnification under the laws and statutes of the State of New York.

ARTICLE VIII

MISCELLANEOUS

Section 8.1 SEAL. The corporate seal of the corporation shall be circular in form and shall contain the name of the corporation, the year of its organization and such other legend as may from time to time be determined by the Board.

ARTICLE IX

AMENDMENT AND REPEAL

Section 9.1 MODE OF AMENDMENT OR REPEAL. These By-Laws may be amended, repealed or new By-Laws adopted, by a majority vote of the shares at the time entitled to vote in the election of any directors or, except as provided in

Section 3.2 of these By-Laws, by the affirmative vote of a majority of the members of the Board of Directors present at any meeting duly called and held at which a quorum is present, provided that a reference to the proposed action is contained in the notice or waiver of notice of any meeting held for such purpose. Any By-Law adopted by the Board

may be amended or repealed by the shareholders entitled to vote thereon as herein provided.

Section 9.2 BY-LAWS REGULATING IMPENDING ELECTION. If any By-Law regulating an impending election of directors is adopted, amended or repealed by the Board, there shall be set forth in the notice of the next meeting of shareholders for the election of directors the By-Law so adopted, amended or repealed, together with a concise statement of the changes made.

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES

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

NINE MONTHS ENDED SEPTEMBER 30,	1998	1997
(Amounts in thousands, except per share data)	(Unaudited)	(Unaudited)
Weighted average number of shares outstanding:		
4% Preferred.....	178	188
6-1/2% Preferred.....	948	984
Class A.....	23,885	23,722
	=====	=====
BASIC EPS		
Net (loss) income.....	\$ (815)	\$11,898
	=====	=====
(Loss) earnings per Class A share.....	\$ (.03)	\$.50
	=====	=====
Weighted average number of Class A shares outstanding.....	23,885	23,722
DILUTED EPS		
Net (loss) income.....	\$(1,086) (1)	\$11,610 (1)
	=====	=====
(Loss) earnings per Class A share.....	\$ (.04)	\$.42
	=====	=====
Weighted average number of Class A shares outstanding assuming conversion of preferred stock into Class A shares.....	27,616	27,614

(1) Includes increase in net (loss)/decrease in net income of \$(271) and \$288, 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 NINE MONTHS ENDED SEPTEMBER 30, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

MULTIPLIER: 1,000

PERIOD TYPE	9 MOS
FISCAL YEAR END	DEC 31 1998
PERIOD START	JAN 01 1998
PERIOD END	SEP 30 1998
CASH	3,773
SECURITIES	261,518
RECEIVABLES	28,781
ALLOWANCES	0
INVENTORY	0
CURRENT ASSETS	14,549
PP&E	40,890
DEPRECIATION	9,103
TOTAL ASSETS	340,408
CURRENT LIABILITIES	40,448
BONDS	139,379
PREFERRED MANDATORY	0
PREFERRED	5,529
COMMON	24,556
OTHER SE	130,496
TOTAL LIABILITY ANDEQUITY	340,408
SALES	4,946
TOTAL REVENUES	21,857
CGS	0
TOTAL COSTS	6,298
OTHER EXPENSES	6,916
LOSS PROVISION	0
INTEREST EXPENSE	7,924
INCOME PRETAX	719
INCOME TAX	1,534
INCOME CONTINUING	(815)
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	(815)
EPS PRIMARY	(.03)
EPS DILUTED	(.04)

End of Filing