

# 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, 1994

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 2-5061*

## 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 each of the issuer's classes of common stock is Common - 3,000,000; Class A - 20,724,777 (as of April 30, 1994).

**AMPAL-AMERICAN ISRAEL CORPORATION**

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AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

THREE MONTHS ENDED MARCH 31,	1994	1993
<hr/>		
(Dollars in thousands, except per share data) (Unaudited)	(Unaudited)	
REVENUES		
Interest:		
Related parties.....	\$ 3,058	\$ 2,655
Others.....	347	216
Food processing.....	7,280	8,671
Manufacturing and distribution.....	2,654	-
Equity in earnings of affiliates and others..	2,990	3,255
Other income:		
Related parties.....	753	888
Others.....	401	681
Gains on issuance of shares by affiliates (Note 4).....	2,692	-
	-----	-----
Total revenues.....	20,175	16,366
	-----	-----
EXPENSES		
Interest:		
Related parties.....	817	393
Others.....	2,940	2,575
Food processing.....	7,098	7,321
Manufacturing and distribution.....	1,594	-
Other expenses.....	3,360	2,757
Minority interests.....	(279)	228
	-----	-----
Total expenses.....	15,530	13,274
	-----	-----
Income before income taxes.....	4,645	3,092
Income taxes.....	1,971	861
	-----	-----
Income before cumulative effect of change in accounting principle.....	2,674	2,231
Cumulative effect on prior years of change in accounting principle.....	-	-
(4,982)	-----	-----
	-----	-----
NET INCOME (LOSS).....	\$ 2,674	\$
(2,751)	=====	=====
Earnings (loss) per Class A share:		
Earnings before cumulative effect of change in accounting principle.....	\$ .10	\$ .09
Cumulative effect on prior years of change in accounting principle.....	-	-
(.21)	-----	-----
	-----	-----
Earnings (loss) per Class A share.....	\$ .10	\$
\$(.12)	=====	=====

Weighted average number of Class A and  
equivalent shares outstanding (in thousands) 22,960 22,717



AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES

-----  
 CONSOLIDATED BALANCE SHEETS

31, ASSETS AS AT	MARCH 31, 1994	DECEMBER 1993
	(Unaudited)	(Note 2)
(Dollars in thousands)		
Cash and cash equivalents.....	\$ 35,158	\$ 3,178
Deposits:		
Related parties.....	89,769	99,481
Others.....	337	-
Notes and loans receivable:		
Related parties.....	12,929	11,948
Others.....	2,357	4,964
Investments (Note 2):		
Related parties.....	102,913	103,319
Others.....	39,092	8,322
Property and equipment, less accumulated depreciation of \$10,123 and \$10,554.....	30,184	30,496
Other assets.....	40,625	42,352
TOTAL ASSETS.....	\$ 353,364 =====	\$ 304,060 =====

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	MARCH 31, 1994	DECEMBER 31, 1993
(Dollars in thousands)	(Unaudited)	(Note 2)
<b>LIABILITIES</b>		
Deposits and notes and loans payable:		
Related parties.....	\$ 35,160	\$ 42,752
Others.....	17,421	18,091
Debentures outstanding.....	86,175	91,270
Accounts and income taxes payable and accrued expenses (Note 2):		
Related parties.....	465	1,169
Others.....	37,188	33,621
Total liabilities.....	176,409	186,903
 MINORITY INTERESTS.....	 3,992	 340
 <b>SHAREHOLDERS' EQUITY (Note 3)</b>		
4% Cumulative, Participating, Convertible Preferred Stock, \$5 par value; authorized 650,000 shares; issued and outstanding 212,098 and 213,720 shares.....		
	1,061	1,068
6-1/2% Cumulative, Convertible Preferred Stock, \$5 par value; authorized 4,282,850 shares; issued and outstanding 1,145,823 and 1,202,342 shares.....		
	5,729	6,011
Class A Stock, \$1 par value; authorized 30,000,000 shares; issued 20,720,380 and 16,224,779 shares; outstanding 20,720,380 and 16,042,713 shares.....		
	20,720	16,225
Common Stock, \$1 par value; authorized, issued and outstanding 3,000,000 shares.....		
	3,000	3,000
Additional paid-in capital.....		
	57,232	10,605
Retained earnings.....		
	84,753	82,079
	(2,261)	
(2,171)		
Cumulative translation adjustments.....		
Unrealized gain on marketable securities (Note 2).....		
	2,729	-
Total shareholders' equity.....	172,963	116,817
 TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY.....	 \$ 353,364	 \$ 304,060

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, 1994 1993**

(Dollars in thousands) (Unaudited) (Unaudited)

**Increase (Decrease) in Cash and Cash Equivalents**

Cash flows from operating activities:

Net income (loss).....	\$ 2,674	\$
(2,751)		
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in earnings of affiliates and others.....	(2,990)	
(3,255)		
Gains on issuance of shares by affiliates.....	(2,692)	-
Cumulative effect on prior years of change in accounting principle.....	-	4,982
Translation (gain) loss.....	(52)	37
Depreciation expense.....	527	503
Amortization expense.....	1,237	1,129
Minority interests.....	(279)	228
(Increase) decrease in other assets.....	8	
(1,473)		
(Decrease) increase in accounts and income taxes payable and accrued expenses:		
Related parties.....	(698)	
(1,977)		
Others.....	1,841	
(377)		
Dividend received from an affiliate.....	4,277	1,409
	-----	-----
Net cash provided by (used in) operating activities.....	3,853	
(1,545)		
	-----	-----
Cash flows from investing activities:		
Deposits receivable granted:		
Others.....	(336)	-
Deposits receivable collected:		
Related parties.....	10,825	8,032
Others.....	-	100
Notes and loans receivable granted:		
Related parties.....	(1,009)	
(662)		
Notes and loans receivable collected:		
Related parties.....	498	1,404
Others.....	2,490	382
Investments made:		
Related parties.....	(560)	
(53,996)		
Others.....	(27,478)	
(126)		
Proceeds from sale of investments:		
Others.....	2,398	3,787
Purchase of property and equipment.....	(429)	
(232)		
	-----	-----
Net cash (used in) investing activities...	(13,601)	
(41,311)		
	-----	-----

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

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

**THREE MONTHS ENDED MARCH 31, 1994 1993**

(Dollars in thousands) (Unaudited) (Unaudited)

Cash flows from financing activities:

Deposits and notes and loans payable received:		
Related parties.....	\$ 261	\$ 10,991
Others.....	639	41,385
Deposits and notes and loans payable repaid:		
Related parties.....	(8,081)	
(9,593)		
Others.....	(1,415)	
(2,507)		
Debentures outstanding issued.....	4,360	-
Debentures outstanding repaid.....	(11,442)	
(4,108)		
Proceeds from issuances of shares.....	57,602	-
	-----	-----
Net cash provided by financing activities.	41,924	36,168
Effect of exchange rate changes on cash and cash equivalents.....	(196)	
(282)		
	-----	-----
Net increase (decrease) in cash and cash equivalents.....	31,980	
(6,970)		
Cash and cash equivalents at beginning of period.....	3,178	9,698
	-----	-----
Cash and cash equivalents at end of period.....	\$ 35,158	\$ 2,728
	=====	=====
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period:		
Interest:		
Related parties.....	\$ 505	\$ 727
Others.....	2,603	2,809
	-----	-----
Total interest paid.....	\$ 3,108	\$ 3,536
	=====	=====
Income taxes paid.....	\$ 1,134	\$ 1,212
	=====	=====

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, 1994 1993**

(Dollars in thousands) (Unaudited) (Unaudited)

**4% PREFERRED STOCK**

Balance, beginning of year.....	\$ 1,068	\$ 1,202
Conversion of 1,622 and 2,212 shares into Class A Stock.....	(7)	
(10)		
	-----	-----
Balance, end of period.....	\$ 1,061	\$ 1,192
	=====	=====

<b>6-1/2% PREFERRED STOCK</b>		
Balance, beginning of year.....	\$ 6,011	\$ 7,554
Conversion of 56,519 and 60,365 shares into Class A Stock.....	(282)	
(301)		
	-----	-----
Balance, end of period.....	\$ 5,729	\$ 7,253
	=====	=====

<b>CLASS A STOCK</b>		
Balance, beginning of year.....	\$ 16,225	\$ 15,164
Issuance of shares upon conversion of Preferred Stock.....	178	192
Issuance of shares in a public offering*.....	4,317	-
	-----	-----
Balance, end of period.....	\$ 20,720	\$ 15,356
	=====	=====

<b>ADDITIONAL PAID-IN CAPITAL</b>		
Balance, beginning of year.....	\$ 10,605	\$ 9,989
Conversion of Preferred Stock.....	111	119
Proceeds from issuance of shares in a public offering.....	46,516	-
	-----	-----
Balance, end of period.....	\$ 57,232	\$ 10,108
	=====	=====

<b>RETAINED EARNINGS</b>		
Balance, beginning of year.....	\$ 82,079	\$ 82,293
Net income (loss).....	2,674	
(2,751)		
	-----	-----
Balance, end of period.....	\$ 84,753	\$ 79,542
	=====	=====

<b>CUMULATIVE TRANSLATION ADJUSTMENTS</b>		
Balance, beginning of year.....	\$ (2,171)	\$ -
Foreign currency translation adjustment.....	(90)	-
	-----	-----
Balance, end of period.....	\$ (2,261)	\$ -
	=====	=====

<b>UNREALIZED GAIN ON MARKETABLE SECURITIES</b>		
Balance, beginning of year.....	\$ -	\$ -
Unrealized gains, net.....	2,729	-
	-----	-----
Balance, end of period.....	\$ 2,729	\$ -
	=====	=====

\* Issuance of 4,500,000 shares, including 182,066 shares held in treasury.

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

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**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, 1993 consolidated balance sheet presented herein was derived from the audited December 31, 1993 consolidated financial statements of the Company.

Reference should be made to the Company's consolidated financial statements for the year ended December 31, 1993 for a description of the accounting policies which have been continued except for the following.

Effective January 1, 1994, the Company adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities." The effect of implementing this accounting standard in 1994 resulted in increases in investments of \$5.8 million, in deferred income taxes payable of \$3.1 million, and in shareholders' equity of \$2.7 million.

Also, reference should be made to the notes to the Company's December 31, 1993 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. 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 25, 1994, Ampal sold 4.5 million units consisting of one share of Class A stock and one redeemable warrant to purchase one share of Ampal's Class A stock, for \$12.125 per unit in a public offering. The warrants are exercisable at \$16 per share at any time until January 31, 1999, and are callable by Ampal, in whole or in part, from and after February 1, 1996, without payment to the holder. The net proceeds which Ampal received from this offering amounted to approximately \$51 million.

On November 5, 1993, Ampal's Board of Directors approved a stock option plan which provides for grants of options to purchase up to 200,000 shares of Class A stock in the aggregate to employees, officers and directors of Ampal and certain subsidiaries of Ampal. On January 25, 1994, the Stock Option Committee of the Board of Directors approved the issuance of 134,900 options in the aggregate at an exercise price of \$10.91 per share (a 10% discount from market price on the date of grant). The Stock Option Plan is subject to approval by Ampal's shareholders.

4. In February 1994, the other shareholder of Pri Ha'emek (Canned and Frozen Food) 88 Ltd. ("Pri Ha'emek"), the Company's then 74.9%-owned subsidiary, purchased additional shares in Pri Ha'emek at the same price the Company paid for its shares in 1991, diluting the Company's ownership to 66.7%. In March 1994, Pri Ha'emek conducted an initial public offering in Israel on the Tel Aviv Stock Exchange. In connection with this offering, the Company realized a gain on issuance of shares of \$2.3 million (\$1.5 million net of taxes). The Company's interest in Pri Ha'emek was diluted to 51.25% and upon exercise of all warrants and convertible debentures, the Company's interest may be diluted to 35.3%. If the Company's interest in Pri Ha'emek decreases below 50%, Pri Ha'emek's results will no longer be consolidated with the Company's but will be recorded by the equity method of accounting.

During the first quarter of 1994, Granite Hacarmel Investments Ltd. ("Granite") issued additional shares upon conversions of its debentures. The Company's interest in Granite was diluted from 21.6% to 21.2% and the Company recorded a gain on issuance of shares of approximately \$.3 million (\$.2 million, net of taxes).

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**AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES**

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

**Liquidity and Capital Resources**

As of March 31, 1994, cash and cash equivalents increased by approximately \$32 million from December 31, 1993. This increase is mainly attributable to the proceeds received by Ampal in a public offering (see below), of which \$17.7 million was invested in cash and cash equivalents, the \$11.4 million of proceeds received by the Company's food processing subsidiary, Pri Ha'emek (Canned and Frozen Food) 88 Ltd. ("Pri Ha'emek") from a public offering in Israel (see Results of Operations) and a dividend received from Granite Hacarmel Investments Ltd. ("Granite") of approximately \$4.3 million in March 1994. The Company also has a committed \$10 million bank line of credit expiring in October 1994, which the Company expects to renew.

On January 25, 1994, Ampal sold 4.5 million units consisting of one Class A share and one redeemable warrant to purchase one share of Ampal's Class A stock in a public offering. This offering resulted in net proceeds to Ampal of approximately \$51 million which Ampal intends to use for the financing of acquisitions, additions to existing holdings and other working capital and general corporate purposes, including early redemption of Ampal's outstanding debentures. The Company's investments increased by approximately \$30.8 million, the majority of this increase is related to the investment of the proceeds of this public offering in relatively short-term interest-bearing securities which may in the future result in the Company recording unrealized gains or losses.

Deposits, and notes and loans receivable, and deposits and notes and loans payable declined as a result of scheduled repayments. Outstanding debentures declined primarily as a result of the early redemption of \$6.5 million of high interest-bearing debentures. Later in 1994, Ampal intends to make further redemptions of approximately \$9.1 million of its 8%-10% interest-bearing debentures which were scheduled to mature in 2000.

**Results of Operations**

Consolidated net income increased to \$2.7 million for the three-month period ended March 31, 1994, as compared with a net loss of \$2.8 million for the same period in 1993. In 1993, the Company was required to record a nonrecurring charge to net income of approximately \$5 million with respect to its adoption of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." In addition, net income in 1994 increased as a result of gains on issuances of shares which were partially offset by losses incurred by Pri Ha'emek and decreases in equity in earnings of affiliates and other income.

The Company's lending and borrowing activities are conducted on a long-term basis and are substantially linked to the Consumer Price Index ("CPI") in Israel, both as to principal and interest. The increase in interest income and interest expense in the first quarter of 1994 as compared to the same period in 1993 resulted from an increase in the CPI which exceeded the increase in the rate of exchange of the Israeli shekel to the U.S. dollar.

Food processing revenues and expenses which reflect the operations of Pri Ha'emek decreased in 1994 because export sales were greatly affected by the unavailability of raw materials, mainly citrus fruit, due to a shortage in the labor force.

In February 1994, the other shareholder of Pri Ha'emek, the Company's then 74.9%-owned subsidiary, purchased additional shares in Pri Ha'emek at the same price the Company paid for its shares in 1991, diluting the Company's ownership to 66.7%. In March 1994, Pri Ha'emek conducted an initial public offering in Israel on the Tel Aviv Stock Exchange ("TASE"). In connection with this offering, the Company realized a gain on issuance of shares of \$2.3 million (\$1.5 million net of taxes). The Company's interest in Pri Ha'emek was diluted to 51.25% and upon exercise of all warrants and convertible debentures, the Company's interest may be diluted to 35.3%. If the Company's interest in Pri Ha'emek decreases below 50%, Pri Ha'emek's results will no longer be consolidated with the Company's but will be recorded by the equity method of accounting. The increase in minority interests in the balance sheet is attributable to the minority interests' share of proceeds from this offering.

During the first quarter of 1994, Granite issued additional shares upon conversions of its debentures. The Company's interest in Granite was diluted from 21.6% to 21.2% and the Company recorded a gain on issuance of shares of approximately \$.3 million (\$.2 million, net of taxes).

In February and June 1993, the Company invested an aggregate of approximately \$4.3 million in Paradise Mattresses (1992) Ltd. ("Paradise") for approximately 85.1% of the shares of Paradise. Paradise's assets and liabilities were consolidated commencing June 30, 1993; its manufacturing and distribution operations were included in equity in earnings of affiliates for the six months ended June 30, 1993 and consolidated thereafter. Paradise is a company which manufactures and markets mattresses and fold-out beds in Israel and is a licensee of the Sealy Posturepedic Mattress name and manufacturing process.

Equity in earnings of affiliates decreased because of a net decline in earnings of affiliates accounted for by the equity method.

Other income, and specifically rental income which is included in this category, decreased because Ophir Holdings Ltd.'s ("Ophir") financial statements, which were consolidated with the Company's financial statements in the first nine months of 1993, are reflected by the equity method thereafter because the Company's interest in Ophir was diluted to 42.5% in November 1993. Ophir earns rental income which was included in other income in 1993.

Other expenses increased because of the consolidation of Paradise's results in the Company's consolidated financial statements in 1994.

The increase in the effective income tax rate from 28% in 1993 to 42% in 1994 resulted from changes in the components of taxable income and a reported loss of a subsidiary for which no tax benefit was available.

**PART II - OTHER INFORMATION**

**Item 1. Legal Proceedings - None.**

**Item 2. Changes in Securities - 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) Index to Exhibits:

Schedule setting forth the computation of earnings per Class A share.....Page 12

(b) No Reports on Form 8-K were filed during the quarter covered by this Report.

**AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES**

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

THREE MONTHS ENDED MARCH 31,	1994		1993	
(Amounts in thousands, except per share data)	(Unaudited)		(Unaudited)	
Weighted average number of shares outstanding:				
4% Preferred.....	213		231	
6-1/2% Preferred.....	1,170		1,476	
Class A.....	18,393		15,134	
Common.....	3,000		3,000	
	=====		=====	
Weighted average number of shares outstanding assuming conversion of preferred stock into Class A shares:				
Class A.....	22,968	88.45%	20,717	
87.35%				
Common.....	3,000	11.55	3,000	12.65
	-----	-----	-----	-----
100.00%	25,968	100.00%	23,717	
	=====	=====	=====	=====
Income before cumulative effect of change in accounting principle.....	\$ 2,674		\$ 2,231	
Cumulative effect on prior years of change in accounting principle.....	-		(4,982)	
	-----		-----	
NET INCOME (LOSS).....	\$ 2,674		\$(2,751)	
	=====		=====	
Allocation of net income (loss) on the basis of the respective dividend rights of the above classes of stock, pro rata:				
Class A.....	\$ 2,365	88.45%	\$(2,403)	
87.35%				
Common.....	309	11.55	(348)	12.65
	-----	-----	-----	-----
100.00%	\$ 2,674	100.00%	\$(2,751)	
	=====	=====	=====	=====
Earnings (loss) per Class A share:				
Earnings before cumulative effect of change in accounting principle...	\$ .10		\$ .09	
Cumulative effect on prior years of change in accounting principle.....	-		(.21)	
	-----		-----	
Earnings (loss) per Class A share....	\$ .10		\$ (.12)	
	=====		=====	



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/ Lawrence Lefkowitz*  
-----

*Lawrence Lefkowitz  
President  
(Principal Executive Officer)*

*By:/s/ Alan L. Schaffer*  
-----

*Alan L. Schaffer  
Vice President - Finance  
and Treasurer  
(Principal Financial Officer)*

*By:/s/ Alla Kanter*  
-----

*Alla Kanter  
Controller  
(Principal Accounting  
Officer)*

Dated: May 16, 1994

# End of Filing