

PROSPECTUS
4,500,000 Shares

AMPAL-AMERICAN ISRAEL CORPORATION

Class A Stock

This Prospectus relates to 4,500,000 shares of Class A Stock, par value \$1.00 per share ("the Class A Stock"), of Ampal- American Israel Corporation ("Ampal"), that are reserved for issuance upon exercise of redeemable warrants to purchase 4,500,000 shares of Ampal's Class A Stock at \$16.00 per share (the "Offered Shares").

The Class A Stock is traded on the American Stock Exchange under the Symbol "AIS.A." The closing price of Ampal's Class A Stock on May 27, 1994 was \$8.375.

The holders of Class A Stock are entitled to one vote per share on all matters voted upon by shareholders and, voting as a class, have the right to elect 25% of the Board of Directors of Ampal. The Class A Stock has certain rights to dividends before dividends may be paid on Ampal's common stock. The dividend, voting and certain other rights of the Class A Stock are subject to certain rights of the holders of Ampal's preferred stock. The Class A Stock has no conversion, redemption or preemptive rights. All of Ampal's outstanding common stock and a majority of the outstanding Class A Stock are owned by Bank Hapoalim B.M.

Investors Should Carefully Consider Certain Special Factors Relating to the Company.
See "Special Considerations."

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

June 3, 1994

AVAILABLE INFORMATION

Ampal has filed a Registration Statement on Form S-2 under the Securities Act of 1933, as amended (the "Act"), and certain amendments thereto (including a post-effective amendment on Form S-3), with the Securities and Exchange Commission (the "Commission") with respect to the Offered Shares. As permitted by the rules and regulations of the Commission, this Prospectus omits certain of the information contained in the Registration Statement and the exhibits and schedules thereto. For further information with respect to Ampal and its consolidated subsidiaries and the Offered Shares, reference is hereby made to such Registration Statement, including the exhibits and schedules filed as part thereof. Statements contained in this Prospectus concerning the provisions of certain documents filed with, or incorporated by reference in, the Registration Statement are not necessarily complete, each such statement being qualified in all respects by such reference. Copies of all or any part of the Registration Statement, including the documents incorporated by reference therein or exhibits thereto, may be obtained upon payment of the prescribed fees at the offices of the Commission set forth below.

Ampal is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith, files reports, proxy statements and other information with the Commission. Such reports can be inspected and copied at the public reference facilities maintained by the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549; and at the Regional Offices of the Commission, 500 West Madison Street, Suite 1400, Chicago, Ill. 60661-2511; and at Seven World Trade Center, 13th Floor, New York, New York 10048. Copies of such material can be obtained from the public reference section of the Commission, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Such materials also can be inspected and copied at the offices of the American Stock Exchange, 86 Trinity Place, New York, N.Y. 10006.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The following reports, which were filed by Ampal with the Commission, are incorporated in this Prospectus by reference except with respect to those portions of the following reports responsive to items 402(i), 402(k) and 402(1) of Regulation S-K promulgated by the Commission:

Annual Report on Form 10-K for the fiscal year ended December 31, 1993;

Quarterly Report on Form 10-Q for the Quarter ended March 31, 1994;

The description of Class A Stock contained in Ampal's registration statement on Form 8-A under the Exchange Act, filed December 9, 1993.

All documents filed by Ampal with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this Prospectus and prior to the termination of the offering covered by this Prospectus will be deemed incorporated by reference into this Prospectus and to be a part hereof from the date of filing of such documents.

Any statement contained in a document incorporated by reference herein shall be deemed to be modified or superseded for all purposes to the extent that a statement contained in this Prospectus or in any other document filed prior to the date hereof which is also incorporated by reference modifies or replaces such statements.

Ampal agrees to provide without charge to each person, including any beneficial owner, to whom a Prospectus is delivered, upon the written or oral request of such person, a copy of any and all documents that has been incorporated by reference in the Registration Statement (other than exhibits to such documents unless such exhibits are specifically incorporated by reference into the information that this Prospectus incorporates). Such requests may be made to Ampal-American Israel Corporation, 1177 Avenue of the Americas, New York, New York 10036, Attention: Secretary (telephone number (212) 782-2100).

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed information appearing elsewhere in this Prospectus or incorporated by reference herein. Unless otherwise indicated, all references herein to "Ampal" refer to Ampal-American Israel Corporation and to "Company" include Ampal and its consolidated subsidiaries.

The Company

The Company acquires interests in businesses located in the State of Israel or that are Israel-related. An important objective of Ampal is to make investments in companies that take advantage of growth in Israel's domestic economy. The Company has diversified interests in the following sectors: hotels and leisure-time, real estate, energy distribution, basic industry and high technology and communications. The Company generally seeks to acquire and maintain a sufficient equity interest in a company to permit it, on its own or with investment partners, to have a significant influence in the management and operation of that company. Ampal usually makes investments with or through affiliated companies.

The Company emphasizes long-term appreciation over short-term returns and liquidity. The Company often makes equity investments accompanied by more significant loans or loan guarantees with the intention that cash flow from operations of the investee companies will repay these loans. In determining whether to acquire an interest in a specific company, the Company considers quality of management, qualifications of investment partners, potential return on investment, projected cash flow, market share and growth potential.

Bank Hapoalim B.M. ("Hapoalim"), the largest bank in Israel, is Ampal's controlling shareholder and principal lender. As of May 27, 1994, Hapoalim held 49.7% of the Class A Stock (assuming conversion in full of Ampal preferred stock held by Hapoalim) and 100% of the common stock of Ampal ("Common Stock"). The Company has been, and may continue to be, a party to joint transactions with companies affiliated with or related to Hapoalim. Recently-enacted Israeli legislation may require Hapoalim to substantially reduce its percentage shareholdings in Ampal. Ampal and Hapoalim have agreed not to offer, sell or otherwise dispose of any shares of Class A Stock until July 24, 1994. See "Special Considerations--Concentration of Ownership; Potential Change in Control."

Special Considerations

The Company's principal holdings are located in Israel. For a discussion of certain factors concerning the State of Israel and its economic, political and military situation and certain other considerations affecting the Company, see "Special Considerations."

The Offering
Securities Offered.... 4,500,000 shares of Class A
Stock
that are reserved for
issuance
upon exercise of redeemable
warrants
to purchase 4,500,000 shares
of
Ampal's Class A Stock at \$16.00
per
share.

Class A Stock
Outstanding(1) Prior
to the Offering..... 20,729,546

Assuming issuance of
all of the Offered
Shares..... 25,229,546

Use of Proceeds..... Working capital and general
corporate
purposes, including financing
of
future acquisitions and additions
to
existing holding. See "Use
of
Proceeds."

Listing/Trading..... The Class A Stock trades on the American Stock Exchange under the Symbol "AIS.A."

(1) Assuming no conversion of outstanding Preferred Stock on and after May 27, 1994. On May 27, 1994, 4,488,790 shares of Class A Stock were issuable upon conversion of Preferred Stock outstanding.

THE COMPANY

The Company acquires interests in businesses located in the State of Israel or that are Israel-related. An important objective of Ampal is to make investments in companies that take advantage of growth in Israel's domestic economy. The Company has diversified interests in the following sectors: hotels and leisure-time, real estate, energy distribution, basic industry and high technology and communications.

The Company emphasizes long-term appreciation over short-term returns and liquidity. The Company often makes equity investments accompanied by more significant loans or loan guarantees with the intention that cash flow from operations of the investee companies will repay these loans within a relatively short period. In determining whether to acquire an interest in a specific company, the Company considers quality of management, qualification of investment partners, potential return on investment, projected cash flow, market share and growth potential.

The Company generally seeks to acquire and maintain a sufficient equity interest in a company to permit it, on its own or with investment partners, to have a significant influence in the management and operation of that company. The Company often seeks investment partners who have expertise in the business in which an investment is being made or whose operations and associations provide the investee company with additional markets, sources of supply, financing or other competitive advantages. Frequently, the Company enters into arrangements with its investment partners or with the company in which it is investing in order to ensure board representation or other rights relating to its investments. Hapoalim, the largest bank in Israel, is Ampal's controlling shareholder and principal lender. The Company usually makes investments with or through affiliated companies. Members of the Hapoalim group of companies, including Investment Company of Bank Hapoalim Ltd., sometimes invest jointly with the Company.

Ampal was founded prior to the establishment of the State of Israel as part of the effort of the Jewish community in Palestine to provide resources for and benefit from the growth of its economy. Ampal has participated in the economic development of Israel by providing capital and management to commercial, banking, credit, industrial and agricultural enterprises located in Israel or that are Israel-related. Ampal intends to continue to adhere to its historical policy of focusing its business interests primarily on long-term holdings in Israel-related enterprises.

Prior to 1989, Ampal was primarily engaged in making loans to businesses in Israel through its industrial banking subsidiaries and, to a lesser extent, investing in Israeli companies. In 1989, the Company discontinued this lending activity, and in 1990 substantially all of the loan portfolios of its industrial banking subsidiaries were sold to Hapoalim.

Listed below by industry segment are the Company's most significant investees and the principal business of each.

INDUSTRY SEGMENT -----	PRINCIPAL BUSINESS -----
HOTELS AND LEISURE-TIME Moriah Hotels Ltd. Coral World International Limited..... Country Club Kfar Saba Ltd.	Hotel Chain Underwater Observatories and Marine Parks Country Club Facilities
REAL ESTATE, FINANCE AND OTHER HOLDINGS Industrial Buildings Corporation Ltd. (Mivnei Taasiya Ltd.)..... Bay Heart Limited (Lev Hamifratz Limited)..... Bank Hapoalim (Cayman) Ltd. Etz Vanir Ltd. and Yakhin Mataim Ltd. Am-Hal Limited..... Ampal (Israel) Ltd. Ophir Holdings Ltd. Ampal Development (Israel) Ltd. Nir Ltd. Ampal Financial Services Ltd.	Industrial Real Estate Shopping Mall Owner/Lessor Commercial Bank Holding Company Citrus Groves Senior Citizen Facility Holding Company Holding Company Holding Company Holding Company Holding Company
ENERGY DISTRIBUTION Granite Hacarmel Investments Ltd.	Distribution of Refined Petroleum Products
BASIC INDUSTRY Pri Ha'emek (Canned and Frozen Food) 88 Ltd. Paradise Mattresses (1992) Ltd. Carmel Container Systems Limited..... Orlite Engineering Company Ltd. Davidson-Atai Publishers Ltd.	Frozen and Canned Food Mattresses and Fold-out Beds Packaging Materials and Carton Production Composite Material Products Publications
HIGH TECHNOLOGY AND COMMUNICATIONS Teledata Communication Ltd. Mercury Interactive Corporation..... DSP Group, Inc. DSP Telecommunications Ltd. Idan Software Industries I.S.I. Ltd.	Telecommunications Systems Automated Software Quality Products Digital Signal Processing Technologies Digital Signal Processing Technologies Telecommunications Services

1994 Public Offering

On February 1, 1994, Ampal completed a public offering of 4.5 million units consisting of one share of Class A Stock and one redeemable warrant to purchase one share of Class A Stock at \$16.00 per share. The warrants are exercisable until January 31, 1999 but are callable by Ampal, in whole or in part, from and after February 1, 1996, without payment to the holder. Net proceeds from the offering were approximately \$50.8 million. Since February 2, 1994, the Class A Stock and redeemable warrant components of the units are trading separately.

Certain Pending Transactions

Ophir Holdings Ltd. ("Ophir"), which is 42.5% owned by Ampal, has recently agreed, subject to the receipt of certain approvals, to make equity investments and loans totalling approximately \$2.5 million, for a 16.7% interest in each of three new Israeli companies formed to acquire certain commercial real estate holdings of a major Israeli cooperative wholesale supply company. The aggregate purchase price for this commercial real estate is expected to be approximately \$52.5 million and is expected to be financed principally with mortgage loans which may be guaranteed in whole or in part by the shareholders. Development costs of the properties may also be paid or guaranteed by the shareholders.

In May 1994, the Company entered into an agreement with a subsidiary of Mercury Interactive Corporation and Qronus Interactive Israel 1994 Ltd. ("Qronus") pursuant to which the Company agreed to purchase 10.7% of the equity of Qronus for \$1 million. Qronus engages in the research, development, manufacturing and marketing of automated software quality solutions for non-standard platforms, embedded systems and real time computer systems.

There is no assurance that these pending transactions or other prospective ventures will be completed or that the proposed terms of investment will not be modified.

Recent Transactions

In February 1994, the Company, together with an affiliate of Hapoalim, established a venture capital fund which will make investments in high-technology ventures, including investments in start-up entities. The Company and the Hapoalim affiliate are each expected to invest up to \$2.5 million in this fund. As of June 1, 1994, the fund had made an investment of \$300,000 for 2% of Peptor Ltd., a high-tech pharmaceutical company which uses technology for synthesizing peptides with fixed conformations, and agreed to invest up to \$1.5 million for up to 66% of Imagenet, Ltd., a company which is developing and marketing software systems for computer-aided engineering.

In January 1994, the Company invested approximately \$66,000 for 50% of the equity of, and made a loan of \$1 million to, M.D.F. Boards Industry Ltd. ("MDF"). MDF is a joint venture between the Company and a subsidiary of Etz Lavud Ltd., a publicly-owned Israeli lumber manufacturer. MDF intends to establish a plant in Israel to manufacture medium density fiber products for the construction and furniture industries.

In March 1994, Pri Ha'emek (Canned and Frozen Food) '88 Ltd. ("Pri Ha'emek") conducted a public offering in Israel on the Tel Aviv Stock Exchange. In the offering, Pri Ha'emek sold 23.1% of its shares to the public together with options and convertible debentures and received gross proceeds of approximately \$11.4 million. Ampal recorded a gain on issuance in connection with the offering of approximately \$2.3 million (approximately \$1.5 million after taxes). As a result of the Pri Ha'emek public offering and a private placement to another shareholder made by Pri Ha'emek prior thereto, Ampal's ownership of Pri Ha'emek was diluted from 74.9% to 51.2%. Upon exercise of all options and convertible debentures, Ampal'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.

SPECIAL CONSIDERATIONS

In addition to the other information in this Prospectus or incorporated by reference herein, the following factors should be carefully considered by prospective investors in evaluating the Company before purchasing any of the Offered Shares. All figures and percentages are approximate. A substantial portion of the information with respect to Israel presented hereunder has been taken from Annual Reports of the Bank of Israel, the Israeli Central Bureau of Statistics and from economic reports of Hapoalim. No independent verification has been made of such information.

Operations in Israel

Most of the companies in which Ampal directly or indirectly invests, conduct their principal operations in Israel and are directly affected by the economic, political, military, social and demographic conditions there. The following information is included in order to describe certain of these conditions in Israel. Accordingly, the results of operations of the Company and its investees could be adversely affected if hostilities involving Israel should occur or if trade between Israel and its present trading partners should be interrupted.

A state of hostility has existed, varying as to degree and intensity, between Israel and the Arab countries. In addition, Israel, and companies doing business with Israel, have been the subject of an economic boycott by the Arab countries since Israel's establishment. Following the Six-Day War in 1967, Israel has administered the territories of the West Bank and the Gaza Strip. A peace agreement between Israel and Egypt was signed in 1979 under which full political relations have been established, but economic relations have been very limited. Beginning in December 1987, increased civil unrest has existed in the administered territories. To date, the ongoing civil unrest has not had a material adverse impact on the financial condition or operations of the Company's investees. No prediction can be made whether a resolution of these problems will be achieved or the nature thereof, or whether the continuation of the civil unrest in these territories may have a material adverse impact on the operations of the investees in the future.

The Persian Gulf crisis, which took place in 1990 and 1991, had an adverse effect on the Israeli economy as a whole and on the operations of the Company. A decline in tourism during this period decreased revenues for Moriah Hotels Ltd. and Coral World International Limited. In January 1991, a direct hit by an Iraqi scud missile caused damage to a shopping mall under construction by Bay Heart Limited. Pri Ha'emek, a food processing company, also experienced a downturn in business as a result of this crisis.

Since 1991, negotiations have taken place between Israel, its Arab neighbors and the Palestinians to end the state of hostility in the region. In September 1993, a breakthrough occurred in Israeli-Palestinian relations. A joint Israeli-Palestinian Declaration of Principles was signed by Israel and the Palestine Liberation Organization ("PLO") in Washington, D.C., outlining interim Palestinian self-government arrangements. These arrangements include implementation of Palestinian self-rule in the Gaza Strip and Jericho, proposed elections of a Palestinian council and plans for extensive economic cooperation. In addition, PLO Chairman Arafat sent a letter to Israeli Prime Minister Rabin in which the PLO recognized Israel's right to exist in peace and security, renounced terrorism and violence and affirmed that the clauses of the PLO Covenant denying Israel's right to exist are no longer valid. In reply, Israel recognized the PLO as the representative of the Palestinians in the peace negotiations. In Cairo, Egypt, in May 1994, Israel and the PLO entered into an agreement pursuant to which Israeli forces withdrew from the Arab populated areas of the Gaza Strip and Jericho. Under this agreement, these areas came under control of the PLO.

All male adult permanent residents of Israel under the age of 54 are, unless exempt, obligated to perform up to 44 days of military reserve duty annually. Additionally, all such residents are subject to being called to active duty at any time under emergency circumstances. Some of the employees of the Company and its investees are currently obligated to perform annual reserve duty. While the Company and its investees have

operated effectively under these and similar requirements, no assessment can be made of the full impact of such requirements on the Company or its investees.

Industrial Buildings Corporation Ltd. ("Industrial Buildings"), a major owner/lessor of industrial properties in Israel, owns approximately 1.0 million square feet of industrial buildings in the administered territories (approximately 10% of its total holdings). The future status of buildings owned and property leased by Industrial Buildings in the administered territories is uncertain, but historically the Government of Israel has compensated property owners for forfeitures resulting from government actions.

Economy of Israel

Israel's economy has been subject to numerous destabilizing factors, including a period of rampant inflation in the early to mid-1980's, low foreign exchange reserves, fluctuations in world commodity prices, military conflicts and civil unrest. In response to these problems, the Israeli Government has intervened in all sectors of the economy, employing, among other means, fiscal and monetary policies, import duties, foreign currency restrictions and controls of wages, prices and foreign currency exchange rates. The Israeli Government has frequently changed its policies in all these areas.

The results of operations of certain of the Company's investees have been favorably affected by their participation in Israeli Government business incentive programs, some of which have been reduced in recent years. Their operating results could be adversely affected if these programs were further reduced or eliminated and not replaced with equivalent programs or if the Company's investees' ability to participate in these programs were significantly reduced.

Over the past four years, Israel's economy has experienced very high rates of growth, exceeding 6% in 1990-92 (an average of 7.5% a year in the business sector) and amounting to 3.5% in 1993. The lower growth rate of 1993 was due to an anticipated 27% drop in investment in residential construction. Economic growth in Israel over the past two years has been fueled by the export sector. Exports of goods and services rose by 14.4% in 1992 and amounted to 20.8 billion dollars and increased by an additional 11.8% in 1993 to reach an estimated 22 billion dollars. The Israeli Government's monetary policy contributed to relative price and exchange rate stability during most of the year despite fluctuating rates of economic growth during the year and a high rate of unemployment. There can be no assurance that the Israeli Government will be successful in keeping prices and exchange rates stable. Price and exchange rate instability may have a material adverse impact on the Company and its investees.

Demographics

Since the beginning of 1990, Israel has been experiencing a new wave of immigration, primarily from the former Soviet Union. Approximately 77,000 new immigrants arrived through the end of 1993. During the period 1990 through 1993, Israel's population increased by approximately 16.7%. Although the increased immigration from the former Soviet Union may benefit Israel and its economy in the long-term by providing highly educated, cost competitive labor and by stimulating its economic growth, it has placed an increased strain on government services and national resources. A sustained decrease in immigration would alleviate some of the strain, but a decrease may also have a negative effect on those investees whose revenue is derived mainly from the sale of products and services in Israel. The impact of a significant change in the flow of immigration on the operations of the investees is unclear.

The Israeli Government has found it necessary to raise additional revenue and to dedicate substantial funds to support programs, including housing, education and job training, designed to assist in the absorption of the new immigrants. No prediction can be made as to the policies that will be adopted in the future or the effect thereof on these and other government spending programs.

Dependence on Assistance from the United States

The State of Israel receives approximately \$3 billion of annual grants for economic and military assistance from the United States and has received approximately \$10 billion of United States Government loan guarantees, subject to reduction in certain circumstances. The Government loan guarantees were granted over a period of five years (\$2 billion per annum) commencing in 1993. The Israeli economy could suffer material adverse consequences were such aid or guarantees to be significantly reduced. There is no assurance that foreign aid from the United States will continue at or near amounts received in the past.

Competition for Investments

The growth of the Israeli economy, the recent success of a number of Israeli-based companies, particularly in the area of high technology, the privatization of government-owned companies and the recent acceleration of the peace process, have prompted numerous potential investors to search for investment opportunities in Israel and have made it possible for certain of such companies to gain direct access to Israeli and foreign public securities markets. The Company competes for investment opportunities with other established and well-capitalized investing entities. There can be no assurance that opportunities will continue to be available to the Company at valuations and on terms which are favorable.

S.E.C. Exemptive Order

In 1947, the Commission granted Ampal an exemption from the Investment Company Act of 1940, as amended (the "1940 Act") pursuant to an Exemptive Order. The Exemptive Order was granted based upon the nature of Ampal's operations, the purposes for which it was organized, which have not changed, and the interest of purchasers of Ampal's securities in the economic development of Israel. There can be no assurance that the Commission will not reexamine the Exemptive Order and revoke, suspend or modify it. A revocation, suspension or material modification of the Exemptive Order would materially and adversely affect the Company. In the event that Ampal becomes subject to the provisions of the 1940 Act, it could be required, among other matters, to make material changes to its management, capital structure and methods of operation, including its dealings with Hapoalim and related companies.

Early Stage Investments; Limited Investment Liquidity

The Company acquires interests in businesses that it believes have long-term growth potential. In certain cases, the Company makes an initial investment at an early stage of a company's development in the form of risk capital and such investment may not be readily marketable. In some instances, disposition of a particular holding may be the only or principal way of realizing the economic benefit of that holding. The Company's shares in most investees are subject to various restrictions on transfer, including, in certain circumstances, rights of first refusal in favor of the investee and other shareholders. Accordingly, these investments are relatively illiquid and have a higher degree of risk than investments in established, publicly traded companies.

Concentration of Ownership; Potential Change in Control

As of May 27, 1994, Hapoalim owned beneficially approximately 49.7% of the outstanding Class A Stock, assuming conversion of all shares of the Ampal's preferred stock owned by it. Assuming conversion of all shares of Ampal's preferred stock owned by Hapoalim and the full exercise of the redeemable warrants to purchase 4,500,000 shares of Class A Stock, Hapoalim would own 41% of the outstanding Class A Stock. Hapoalim also beneficially owns 100% of the outstanding Common Stock of Ampal. On all matters other than the election of 25% of the directors of Ampal by the holders of Class A Stock voting as a class, the holders of the Common Stock are entitled to cast as many votes as shall equal the number of votes to which the holders of Class A Stock are entitled, but in no event more than ten votes per share of Common Stock. Hapoalim, so long

as it continues to beneficially own a majority of each of the Common Stock and at least one share of Class A Stock, will be able to elect a majority of Ampal's directors. Recently-enacted Israeli legislation may require Hapoalim to substantially reduce its percentage shareholdings in Ampal, which potentially could result in a change of control of Ampal. See "Israeli Banking Regulations." In the event that Ampal's 4% Cumulative Convertible Preferred Stock (the "4% Preferred Stock") or Ampal's 6 1/2% Cumulative Convertible Preferred Stock (the "6 1/2% Preferred Stock," and together with the 4% Preferred Stock, the "Preferred Stock") dividends are in arrears for three successive years, the holders of all outstanding series of Preferred Stock as to which dividends are in arrears shall have the exclusive right to vote for the election of directors until all cumulative dividend arrearages are paid.

Certain Israeli Real Estate Tax Matters

Under Israeli law, a lease of real property with a term of more than 10 years is required to be reported to the Israeli Appreciation Tax Authorities and is subject to a land appreciation tax or an income tax and an acquisition tax. The Israeli Tax Commissioner has recently taken the position that certain arrangements for the lease of real property, including multiple leases, leases with renewal options and leases or options to lease between affiliated companies, which in the aggregate provide a term exceeding 10 years, are subject to the above reporting and taxes.

Certain of the investees, including Ophir, Industrial Buildings and Carmel Container Systems Ltd., are parties (mostly as lessors) to lease transactions which, under the Commissioner's interpretation, may be deemed leases for terms in excess of 10 years. These investees have all reported their lease income as taxable income and have recently reported such transactions to the tax authorities. Should the tax authorities decide to enforce their position and prevail, these investees would be in breach of Israeli law, and could be subject to material taxes and to civil and criminal penalties. An assessment made against Bay Heart in this regard by the tax authorities has been abandoned.

The Company's investees have taken the position, which the Company believes is shared by many of the other affected taxpayers in Israel, that the Commissioner's position in this matter is incorrect. The Company cannot predict whether the Commissioner's position will be upheld or, if upheld, the effect on the Company and its investees.

Israeli Banking Regulations

In October 1993, the Banks' Shares Under Settlement Act (Temporary Provisions) 1993 (the "Banks' Shares Act") was enacted by the Knesset, the Israeli parliament. Under the Banks' Shares Act, in October 1993, the shares of the major Israeli banks, including a majority of the shares of Hapoalim, were transferred to the State of Israel. The purpose of the Banks' Shares Act is to facilitate the sale by the Government of Israel of shares in Israeli banks. In addition, the Banks' Shares Act is intended to limit the Government's interference in the day-to-day operations of the banks. Control over such shares of each bank will be exercised by a supervisory committee appointed for that bank by a public advisory committee which is in turn approved by the Israeli Government. These supervisory committees will appoint directors for each of the banks.

In May 1993, the Government of Israel sold a total of approximately 7.5% of the shares of Hapoalim in a public offering and to its employees also sold options to purchase an additional approximately 10.4% of the shares of Hapoalim. In November 1993, the Government of Israel sold an additional 5.4% of the shares of Hapoalim in a public offering and an additional 1% of Hapoalim's shares in an offering to its employees.

A provision of the Banking (Licensing) Law, 1981 (the "Banking Law") imposes limitations on the purchase and holding of means of control of non-banking corporations by Israeli banks. Additionally, not more than 25% of the capital of Hapoalim may be invested in non-banking corporations. In view of these limitations, Hapoalim is unable to acquire additional means of control in Ampal. Under the Banking Law, Hapoalim may not directly

or indirectly finance acquisitions by the Company of means of control in non-banking corporations which Hapoalim itself may not acquire. Hapoalim may not extend credit to the Company except in the ordinary course of business and on terms similar to those on which credit is extended to other customers of the same class.

In March, 1994, an amendment to the Banking Law was enacted by the Knesset. Under the amendment, banks, including Hapoalim, are required to reduce their holdings of individual non-banking business corporations, including Ampal, to 25% or less by and not later than December 31, 1996. In addition, it has been proposed by the Government, that the Minister of Finance form a committee to examine the overall economic implications of a further reduction in the permitted holdings of banking corporations in non-banking business corporations.

From time to time, the Company engages in transactions with Hapoalim and its affiliates. Currently, the Company maintains substantial deposits with Hapoalim and its subsidiaries.

Market Considerations

As of May 27, 1994, approximately 50.1% of the Class A Stock was owned by non-affiliated shareholders (assuming conversion in full of all of Ampal's Preferred Stock held by Hapoalim). As a result, relatively small changes in the volume of purchases and sales of these shares have resulted in significant fluctuations in the market price of the Class A Stock. The possible sale of a large portion of the Class A Stock by Hapoalim could have a material adverse effect on the market price of the Class A Stock. Ampal and Hapoalim have agreed not to offer, sell or otherwise dispose of any shares of Class A Stock until July 24, 1994. See "Israeli Banking Regulations."

The shares of certain of the Company's investees are publicly traded in Israel or the United States. Fluctuations in the market prices of such companies could result in fluctuations in the market price of the Class A Stock. Due to a relatively small equity market capitalization and the small number of company listings in comparison to the United States securities markets, and due to the concentration of ownership of public companies in the hands of a few institutions, the Tel Aviv Stock Exchange is subject to relatively high short-term price volatility and has a less liquid secondary trading environment. Accordingly, this market could be affected to a greater extent than the United States markets by adverse events generally and trades of significant blocks of securities.

United States Banking Regulations

Due to its status as a subsidiary of Hapoalim which is subject, through the United States International Banking Act of 1978 ("IBA"), to the provisions of the United States Bank Holding Company Act of 1956 ("BHC"), there may be limitations upon the direct or indirect investment activities of Ampal in the United States. While Ampal itself is a "grandfathered" investment of Hapoalim under the IBA for purposes of the BHC, Ampal may not invest in more than 5% of the voting shares or 25% of the equity of United States corporations or non-United States corporations which have a majority of their assets in or revenues derived from the United States, subject to certain exceptions. Management of the Company does not believe that these limitations contained in the BHC and the regulations of the Board of Governors of the Federal Reserve System thereunder have had or will have any material adverse impact upon the Company or its operations.

Israeli Foreign Exchange Regulations

Foreign exchange regulations are in effect in Israel. The regulations are administered by the Controller of Foreign Currency, an official of the Bank of Israel, who is appointed by the Minister of Finance. The Company's capital investments in Israeli enterprises and the payment in U.S. dollars of dividends on such investments do not require prior approval by the Controller. Under Israeli law, foreign investors who make

foreign currency investments in Israeli companies are entitled to receive payments of dividends and proceeds upon resale of the investment in that foreign currency.

To the extent that loans or investments have been or will be made by Ampal or any of its subsidiaries in or to Israeli enterprises, substantially all such loans or investments have been, and will be, made in such manner as to permit the payment of dividends, interest and principal and proceeds of resale thereon in U.S. dollars.

USE OF PROCEEDS

The exercise of the outstanding warrants to purchase the Offered Shares will in large respect be dependant on the market price of Ampal's Class A Stock. There can be no assurance that any of the warrants will be exercised or as to the timing of such exercise. Assuming that the outstanding warrants are exercised in full, the net proceeds to be received by Ampal from the sale of the Offered Shares are estimated to be approximately \$72 million. Ampal currently expects that proceeds, if any, from the sale of the Offered Shares will be used for working capital and general corporate purposes including financing of future acquisitions and additions to existing holdings.

Pending use of the net proceeds from the sale of Offered Shares as described above, Ampal intends to invest such proceeds in short-term United States government securities, short-term time deposits and money market funds (including those offered by Hapoalim), short-term interest bearing investments and other cash equivalents.

RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

The ratio of earnings to combined fixed charges and preferred stock dividends for the years 1989, 1990, 1991, 1992 and 1993 were 1.02:1, 1.12:1, 1.08:1, 2.18:1 and 1.20:1, respectively.

PLAN OF DISTRIBUTION

The Offered Shares are being offered to holders of Ampal's redeemable warrants and will be delivered to such holders or their designated assignees upon receipt of a completed election to purchase form and payment of the exercise price.

LEGAL MATTERS

The legality of the issuance of the Offered Shares will be passed on for Ampal by Kronish, Lieb, Weiner & Hellman, New York, New York.

EXPERTS

The Consolidated Financial Statements and schedules of the Company incorporated by reference in this Prospectus and elsewhere in the Registration Statement, to the extent and for the periods indicated in their reports with respect thereto, have been audited by Arthur Andersen & Co. and the Company's previous auditors, each independent public accountants. In those reports, these firms state that with respect to certain of the investees, their opinions are based on the reports of other independent public accountants. The Consolidated Financial Statements and schedules referred to above have been included herein in reliance upon the authority of those firms as experts in giving said reports.

End of Filing