

REGISTRATION STATEMENT NO. 33-51023

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 2

TO
FORM S-2
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933
AMPAL-AMERICAN ISRAEL CORPORATION

(Exact name of registrant as specified in its charter)

NEW YORK
(State or other jurisdiction of
incorporation or organization)

612
(Primary Standard Industrial
Classification Code Number)

13-0435685
(I.R.S. Employer
Identification No.)

1177 AVENUE OF THE AMERICAS
NEW YORK, NEW YORK 10036
(212) 782-2100

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

LAWRENCE LEFKOWITZ
PRESIDENT
AMPAL-AMERICAN ISRAEL CORPORATION
1177 AVENUE OF THE AMERICAS
NEW YORK, NEW YORK 10036
(212) 782-2100

(Name, address, including zip code, and telephone number, including area code, of agent for service of process)

COPIES TO:

HERBERT KRONISH, ESQ.
KRONISH, LIEB, WEINER & HELLMAN
1114 AVENUE OF THE AMERICAS
NEW YORK, NEW YORK 10036-7798
10103-3198

RICHARD H. GILDEN, ESQ.
FULBRIGHT & JAWORSKI L.L.P.
666 FIFTH AVENUE
NEW YORK, NEW YORK

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as
practicable after the Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. /X/

If the registrant elects to deliver its latest annual report to security-holders, or a complete and legible facsimile thereof, pursuant to Item 11(a)(1) of this form, check the following box. // THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE

REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

AMPAL-AMERICAN ISRAEL CORPORATION

**CROSS REFERENCE SHEET
SHOWING LOCATION IN PROSPECTUS OF INFORMATION
REQUIRED BY ITEMS IN PART I OF FORM S-2**

ITEM OF FORM S-2 LOCATION IN PROSPECTUS

Item 1.	Forepart of the Registration Statement and Outside Front Cover Page of Prospectus.....	Forepart of the Registration Statement and Outside Front Cover Page of Prospectus
Item 2.	Inside Front and Outside Back Cover Pages of Prospectus.....	Inside Front and Outside Back Cover Pages of Prospectus; Available Information; Incorporation by Reference
Item 3.	Summary Information, Risk Factors and Ratio of Earnings to Fixed Charges.....	Prospectus Summary; The Company; Special Considerations; Management's Discussion and Analysis of Financial
Condition		and Results of Operations; Conditions in Israel
Item 4.	Use of Proceeds.....	Use of Proceeds; Management's Discussion and Analysis of Financial Condition and
Results		of Operations
Item 5.	Determination of Offering Price.....	Underwriting
Item 6.	Dilution.....	*
Item 7.	Selling Security Holders.....	*
Item 8.	Plan of Distribution.....	Underwriting
Item 9.	Description of Securities to be Registered.....	Outside Front Cover Page of Prospectus; Description of Securities
Item 10.	Interests of Named Experts and Counsel.....	Legal Matters; Experts
Item 11.	Information with Respect to Registrant.....	Prospectus Summary; The Company; Special Considerations; Use of Proceeds; Capitalization;
Price		Range of Class A Stock; Dividend Policy; Selected Consolidated Financial Data; Management's Discussion and Analysis of Financial
Condition		and Results of Operations; Business; Conditions in
Israel;		Tax Information; Management; Certain Transactions; Description of Securities; Index to Financial Statements

Item 12. Incorporation of Certain

Information by Reference..... Incorporation by Reference Item 13. Disclosure of Commission Position on Indemnification for Securities Act Liabilities.... *

* Not applicable or answer is in the negative.

EXPLANATORY NOTE

This Registration Statement contains two forms of prospectus: one to be used in connection with a United States offering (the "U.S. Prospectus") and one to be used in connection with the concurrent international offering (the "International Prospectus"). The U.S. Prospectus and the International Prospectus will be identical in all respects except for the front and back cover pages. The U.S. Prospectus is included herein and is followed by those pages to be used in the International Prospectus which differ from those in the U.S. Prospectus. Each of the pages for the International Prospectus included herein has been labelled "Alternate Page for International Prospectus." Final forms of each Prospectus, if required, will be filed with the Securities and Exchange Commission under Rule 424(b).

Subject to Completion, dated January 24, 1994

PROSPECTUS

4,000,000 UNITS
AMPAL-AMERICAN ISRAEL CORPORATION

4,000,000 SHARES OF CLASS A STOCK WITH
4,000,000 REDEEMABLE CLASS A STOCK WARRANTS

Each Unit consists of one share of Class A Stock, par value \$1.00 per share (the "Class A Stock"), of Ampal-American Israel Corporation ("Ampal") and one redeemable warrant to purchase one share of Ampal's Class A Stock at \$ per share (a "Warrant"). Of the 4,000,000 Units offered hereby, Units are being offered initially in the United States by the U.S. Underwriters and Units are being offered initially outside the United States by the International Managers (subject to transfers between the U.S. Underwriters and the International Managers). Such offerings are referred to collectively as the "Offerings." The offering price and underwriting discounts and commissions per Unit are identical for both Offerings. See "Underwriting."

The Class A Stock and Warrants will not be separately transferable prior to , 1994 or such earlier date as may be determined by the Representatives of the U.S. Underwriters and International Managers of the concurrent international offering. See "Description of Securities."

The Warrants are exercisable at any time from the time the Warrants are separately transferable until , 1999. The Warrants are callable by Ampal, in whole or in part, from and after , 1996, without payment to the holder. See "Description of Securities."

The Class A Stock is traded on the American Stock Exchange (the "AMEX") under the symbol "AIS.A." The closing price of Ampal's Class A Stock on January 20, 1994 was \$12.50. See "Price Range of Class A Stock." The Units and Warrants have been authorized for listing on the AMEX, subject to official notice of issuance.

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. For a more complete description of Ampal's capital stock see "Description of Securities."

**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.**

	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS(1)	PROCEEDS TO COMPANY (2)
Per Unit.....	\$	\$	\$
Total(3).....	\$	\$	\$

(1) Ampal has agreed to indemnify the U.S. Underwriters and International Managers against certain liabilities, including liabilities under the Securities Act of 1933. See "Underwriting."

(2) Before deducting expenses of the Offerings, estimated at \$, payable by Ampal.

(3) Ampal has granted the U.S. Underwriters and the International Managers options, exercisable within 30 days of the date hereof, to purchase up to 500,000 additional Units solely to cover over-allotments. If such options are exercised in full, the total "Price to Public," "Underwriting Discounts and Commissions" and "Proceeds to Company" will be \$, \$ and \$, respectively. See "Underwriting."

The Units offered by this Prospectus are offered by the U.S. Underwriters, subject to prior sale, to withdrawal, cancellation or modification of the offer without notice, to delivery to and acceptance by the U.S. Underwriters and to certain further conditions. It is expected that delivery of the Units will be made at the offices of Lehman Brothers Inc., New York, New York on or about February , 1994.

LEHMAN BROTHERS

**OPPENHEIMER & CO., INC.
FURMAN SELZ INCORPORATED**

JANUARY , 1994

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

[Photograph: Moriah Eilat Hotel] [Photograph: Moriah Plaza Hotel, Tel Aviv]

[Photograph: Coral World - Red Sea underwater observatory]

IN CONNECTION WITH THESE OFFERINGS, THE U.S. UNDERWRITERS AND THE INTERNATIONAL MANAGERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE UNITS, THE CLASS A STOCK AND/OR THE WARRANTS OF AMPAL AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE AMERICAN STOCK EXCHANGE OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

OFFERS AND SALES OF THE UNITS IN THE UNITED KINGDOM, AND ADVERTISEMENTS IN CONNECTION THEREWITH, ARE SUBJECT TO CERTAIN RESTRICTIONS.

All references in this Prospectus to dollars (\$) are to U.S. dollars and to NIS are to New Israeli Shekels. On December 31, 1992 and September 30, 1993 the exchange rates between the U.S. dollar and NIS were \$1.00 = NIS 2.764 and \$1.00 = NIS 2.864, respectively. See Note 1 of the Notes to Consolidated Financial Statements of Ampal for a description of foreign currency translations.

[Photograph: Pri Ha'emek - a major
Hacarmel,
Israeli food processor (products)]

[Photograph: Granite
a leading Israeli distributor
of refined petroleum products
(plant)]

[Photograph: Industrial Buildings -
Israel's largest owner/lessor of
industrial properties (buildings)]

[Photograph: Bay Heart - Shopping mall, located in Haifa, Israel's third largest city (interior of building)]
[Photograph: (building site)]

[Photograph: Ampal Subsidiaries - Commercial Real Estate (buildings)]

[Photograph: Orlite Engineering - Composite material products for military and civilian applications (products)]

[Photograph: Paradise Mattresses - Mattresses and beds (products)]

[Photograph: Carmel Containers - An Israeli leader in packaging products (products)]

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the information and financial statements and notes thereto, appearing elsewhere in this Prospectus or incorporated by reference herein. Unless otherwise indicated (a) the information in the Prospectus does not give effect to the over-allotment options granted to the U.S. Underwriters and the International Managers and (b) all references herein to "Ampal" refer to Ampal-American Israel Corporation and to "Company" include Ampal and its subsidiaries and Ophir Holdings Ltd. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Results of Operations."

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. Ampal 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. 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.

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. The Company believes that recent progress in peace negotiations between Israel, the Palestinians and certain Arab states may improve the economic climate in the region, benefit the Company's investees and create additional investment opportunities.

Between January 1 and November 1, 1993, the Company acquired interests in five companies (including additions to existing holdings) for an aggregate of \$60.7 million (including an investment of approximately \$50 million by Ophir Holdings Ltd. in Industrial Buildings Corporation Ltd. (Mivnei Taasiya Ltd.)). See "The Company--Recent and Pending Transactions." The following table sets forth certain information with respect to the Company's principal holdings:

	NUMBER OF NON-PUBLIC COMPANIES AS OF NOVEMBER 1, 1993	NUMBER OF PUBLIC COMPANIES(3) AS OF NOVEMBER 1, 1993	AGGREGATE CARRYING VALUE AS OF SEPTEMBER 30, 1993(1)(2)		AGGREGATE QUOTED MARKET VALUE OF HOLDINGS IN PUBLIC COMPANIES AS OF NOVEMBER 1, 1993(2)(4)
			NON-PUBLIC COMPANIES	PUBLIC COMPANIES	
			(IN THOUSANDS)		
Hotels and Leisure-Time.....	3	--	\$ 27,565	\$ --	\$ --
Real Estate, Finance and Other Holdings.....	10	1	73,668	50,617	60,786
Energy Distribution.....	--	1	--	31,242	52,416
Basic Industry.....	3	2	7,407	5,291	10,754
High Technology and Communications....	2	3	4,241	15,321	62,731

- (1) Carrying value does not reflect shareholders' loans to the Company's affiliates. For selected financial information regarding certain of the Company's holdings, see "Business." Carrying values of investments held by Ophir Holdings Ltd. are shown without deduction for minority interests.
- (2) Does not give effect to the November 1993 private placement of shares of Ophir Holdings Ltd. and its consequent deconsolidation. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Results of Operations" and "Business."
- (3) Shares traded in public securities markets in the United States or Israel.
- (4) Based on closing sale price (or if none, the last quoted price) as reported on the Tel Aviv Stock Exchange ("TASE"), except for Teledata Communication Ltd. and Mercury Interactive Corporation whose market values are based on the closing sale price of such companies' shares as quoted on the NASDAQ NMS, Idan Software Industries I.S.I. Ltd. whose market value is based on the mean between the bid and ask prices of its shares as quoted on NASDAQ and Carmel Container Systems, Ltd. whose market value is based on the closing sale price of its shares as quoted on the AMEX. For those securities traded in Israel, aggregate quoted market value is based upon an exchange rate of \$1.00 = NIS 2.934. Aggregate dollar values shown do not necessarily reflect the values the Company would receive if it were to dispose of its holdings.

Bank Hapoalim B.M. ("Hapoalim"), the largest bank in Israel, is Ampal's controlling shareholder and principal lender. As of September 30, 1993, Hapoalim held 64.7% 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. Pending 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 for a period of 180 days after the date of this Prospectus. See "Special Considerations--Concentration of Ownership; Potential Change in Control," "Certain Transactions," "Conditions in Israel" and "Underwriting."

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" and "Conditions in Israel."

THE OFFERINGS

Securities Offered..... 4,000,000 Units (4,500,000 Units if the U.S.

Underwriters' and International Managers' over-allotment options are exercised in full), each Unit consisting of one share of Class A Stock and one Warrant to purchase one share of Class A Stock. The Class A Stock and Warrants included in the Units will not be separately transferable until , 1994 or such earlier date as may be determined by the Representatives of the U.S. Underwriters and International Managers. Class A Stock Outstanding(1)

Prior to the Offerings.....	16,077,044
Following the Offerings.....	20,077,044
Use of Proceeds.....	Financing of future acquisitions, additions to existing holdings and other working capital and general corporate purposes, including early redemptions of outstanding Ampal debentures. See "Use of Proceeds."
Listing/Trading.....	The Class A Stock trades on the AMEX under the symbol "AIS.A." The Units and the Warrants have been authorized for listing on the AMEX, subject to official notice of issuance.
AMEX Symbol for the Units.....	"AIS.E"
AMEX Symbol for the Warrants.....	"AIS.WS"
 Warrants	
Exercise Price.....	Each Warrant entitles the holder to purchase one share of Class A Stock at \$ _____ per share in cash, subject to adjustment. See "Description of Securities--Warrants."
Exercise Period.....	Commencing on the date the Warrants are separately transferable until five years
from	the date of issue, unless earlier called by Ampal. See "Description of Securities--Warrants."
Call Provision.....	Callable by Ampal, on not less than 30 days notice, in whole or in part, on or after two years from the date of issuance without payment to the holder. See "Description of Securities-- Warrants."

(1) Assuming no conversion of outstanding Preferred Stock on and after January 20, 1994. On January 20, 1994, 4,641,292 shares of Class A Stock were issuable upon conversion of Preferred Stock outstanding.

SUMMARY CONSOLIDATED FINANCIAL DATA
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	YEAR ENDED DECEMBER 31,					NINE MONTHS ENDED SEPTEMBER 30,		PRO FORMA YEAR ENDED DECEMBER 31, (1)
	1988	1989	1990(2)	1991	1992	1992	1993	1992
STATEMENT OF INCOME DATA:								
Equity in earnings of affiliates and others	\$ 9,641	\$ 8,002	\$ 5,725	\$ 5,593	\$ 11,195	\$ 6,548	\$ 7,599	\$ 12,061
Total revenues.....	141,545	127,537	110,401	71,519	85,302	71,800	53,145	75,822
Net income (loss).....	5,405(3)	1,509	1,116	1,126(4)	10,324	9,941	(1,632)(5)	8,169
Earnings (loss) per Class A share(6).....	\$.23(3)	\$.06	\$.05	\$.05(4)	\$.44	\$.42	\$(.07)(5)	\$.34
Weighted average number of Class A shares outstanding.....	20,837	20,773	20,718	20,717	20,717	20,717	20,717	20,717
BALANCE SHEET DATA (AT PERIOD END):								
Cash and cash equivalents.....	\$ 36,194	\$ 20,582	\$ 17,971	\$ 7,515	\$ 9,698	\$ 6,995	\$ 2,036	
Investments.....	55,551	61,186	63,918	67,627	109,912	102,681	162,481	
Total assets.....	1,179,750	1,100,756	436,024	404,466	333,267	345,606	370,458	
Total liabilities and minority interests...	1,071,218	992,429	327,177	295,048	214,065	226,788	255,132	
Total shareholders' equity.....	108,532	108,327	108,847	109,418	119,202	118,818	115,326	

PRO FORMA
NINE MONTHS ENDED
SEPTEMBER 30, (1)

1993

STATEMENT OF INCOME DATA:	
Equity in earnings of affiliates and others	\$ 4,445
Total revenues.....	49,137
Net income (loss).....	(2,374)
Earnings (loss) per Class A share(6).....	\$(.10)
Weighted average number of Class A shares outstanding.....	20,717
BALANCE SHEET DATA (AT PERIOD END):	
Cash and cash equivalents.....	\$ 2,036
Investments.....	110,485
Total assets.....	317,833
Total liabilities and minority interests...	200,354
Total shareholders' equity.....	117,479

- (1) Gives effect to the deconsolidation of Ophir Holdings Ltd. and to the acquisition by Ophir Holdings Ltd. of an interest in Industrial Buildings Corporation Ltd. (Mivnei Taasiya Ltd.) as if such transactions occurred at the beginning of each such period, with respect to the pro forma information for the year ended December 31, 1992, and January 1, 1993. The pro forma balance sheet information gives effect to these transactions as if they occurred on September 30, 1993. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Results of Operations," "Business" and the Pro Forma Consolidated Financial Statements presented elsewhere in this Prospectus.
- (2) Prior to 1989, Ampal was primarily engaged in making loans to businesses in Israel through its industrial banking subsidiaries and, to a lesser extent, in investing in Israeli companies. Because of changes in the relationship between interest rates in the United States and Israel in 1988 and 1989, the margin the Company had earned from these lending activities was effectively eliminated. In 1990 substantially all of the loan portfolios of its industrial banking subsidiaries were sold to Hapoalim.
- (3) Includes extraordinary income of \$1,275, equal to \$.05 per share, which represents tax loss carryforwards utilized by subsidiaries.
- (4) Includes extraordinary income of \$726, equal to \$.03 per share, which represents tax loss carryforwards utilized by subsidiaries.
- (5) Includes cumulative effect on prior years of change in accounting principle of \$(4,982), equal to \$(.21) per share. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--General."
- (6) Calculation of earnings (loss) per Class A share includes weighted average number of Class A shares outstanding and 3.0 million shares of Common Stock.

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. Ampal 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. 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.

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. The Company believes that recent progress in peace negotiations between Israel, the Palestinians and certain Arab states may improve the economic climate in the region, benefit the Company's investees and create additional investment opportunities.

Listed below by industry segment are the Company's most significant investees, the principal business of each and the percentage of equity owned, directly or indirectly, by Ampal. For further information with respect to the investees, including information with respect to Ampal's carrying values for certain investees, see "Business."

INDUSTRY SEGMENT	PRINCIPAL BUSINESS	PERCENTAGE AS OF SEPTEMBER 30, 1993
HOTELS AND LEISURE-TIME		
Moriah Hotels Ltd.	Hotel Chain	46.0%
Coral World International Limited.....	Underwater Observatories and Marine Parks	50.0
Country Club Kfar Saba Ltd.	Country Club Facilities	51.0
REAL ESTATE, FINANCE AND OTHER HOLDINGS		
Industrial Buildings Corporation Ltd. (Mivnei Taasiya Ltd.) (TASE).....	Industrial Real Estate	12.8(1)(2)
Bay Heart Limited (Lev Hamifratz Limited).....	Shopping Mall Owner/Lessor	37.0
Bank Hapoalim (Cayman) Ltd.	Commercial Bank Holding Company	49.0
Etz Vanir Ltd. and Yakhin Mataim Ltd.	Citrus Groves	50.0
Am-Hal Limited.....	Senior Citizen Facility	50.0
Ampal (Israel) Ltd.	Holding Company	100.0
Ophir Holdings Ltd.	Holding Company	49.4(2)
Ampal Development (Israel) Ltd.	Holding Company	100.0
Nir Ltd.	Holding Company	99.9
Ampal Financial Services Ltd.	Holding Company	100.0
ENERGY DISTRIBUTION		
Granite Hacarmel Investments Ltd. (TASE)	Distribution of Refined Petroleum Products	21.6
BASIC INDUSTRY		
Pri Ha'emek (Canned and Frozen Food) 88 Ltd.	Frozen and Canned Food	74.9
Paradise Mattresses (1992) Ltd.	Mattresses and Fold-out Beds	85.1
Carmel Container Systems Ltd. (AMEX: "KML").....	Packaging Materials and Carton Production	20.0
Orlite Engineering Company Ltd. (TASE)	Composite Material Products	31.0
Davidson-Atai Publishers Ltd.	Publications	22.5
HIGH TECHNOLOGY AND COMMUNICATIONS		
Teledata Communication Ltd. (NASDAQ NMS: "TLDCF").....	Telecommunications Systems	22.2(2)(3)
Mercury Interactive Corporation (NASDAQ NMS: "MERO").....	Automated Software Quality Products	4.9(4)
DSP Group, Inc.	Digital Signal Processing Technologies	6.7(5)(2)
DSP Telecommunications Ltd.....	Digital Signal Processing Technologies	4.4(1)(2)
Idan Software Industries I.S.I. Ltd. (NASDAQ: "IDANF").....	Telecommunications Services	8.4(6)

(1) Held by Ophir Holdings Ltd.

(2) As a result of a private placement in November 1993, Ampal's interest in Ophir Holdings Ltd. was reduced to 42.5%.

(3) Includes 19.7% held by Ophir Holdings Ltd..

(4) 3.8% after the Mercury Interactive Corporation public offering in October 1993.

(5) Includes 3.1% held by Ophir Holdings Ltd.

(6) 7.8% after the Idan Software Industries I.S.I. Ltd. private placement in October 1993.

RECENT AND PENDING TRANSACTIONS

Since 1992, the Company has continued to expand its activities in Israel. It is currently negotiating certain transactions and has made additional investments, including the following:

Pending Transactions

The Company is constantly reviewing investment proposals received from a variety of sources. Ophir Holdings Ltd. ("Ophir"), which is 42.5% owned by Ampal, has recently agreed, subject to the receipt of certain governmental and other 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.

The Company is considering several prospective ventures including one to establish, together with an affiliate of Hapoalim, a venture capital fund which will make investments in high-technology ventures, including investments in start-up entities. The Company and the Hapoalim affiliate would each invest up to \$2.5 million in this fund.

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

Recent Transactions

. In January 1994, the Company invested approximately \$66,000 for 50% of the equity of, and made a loan of \$1.0 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. The Company believes that at present all medium density fiber materials used in Israel are imported.

. In August 1993, the Company invested approximately \$3.5 million in Idan Software Industries I.S.I. Ltd. ("Idan") for approximately 8.4% of Idan's shares. Idan provides telecommunications services and markets telecommunications products in Israel and overseas. Following Idan's private placement in October 1993, the Company holds approximately 7.8% of Idan's shares. Idan's shares are quoted on NASDAQ under the symbol "IDANF."

. In February and June 1993, the Company invested an aggregate of approximately \$4.3 million in Paradise Mattresses (1992) Ltd. ("Paradise") for an aggregate of approximately 85.1% of the shares of Paradise. Paradise is one of Israel's largest manufacturers and distributors of mattresses and fold-out beds.

. In March 1993, the Company, through Ophir, participated in the purchase from the Government of Israel of a controlling interest in Industrial Buildings Corporation Ltd. ("Industrial Buildings"), the largest owner/lessor of industrial properties in Israel. Ophir purchased 12.8% of the shares of Industrial Buildings for approximately \$50 million. Ampal owns 42.5% of Ophir.

. In 1992 and 1993, Ampal purchased approximately 3.6% of the shares of DSP Group, Inc. ("DSP Group") for approximately \$1.1 million from an unrelated DSP Group shareholder. In 1992, Ophir invested approximately \$1.9 million for securities which it exchanged for 3.1% of the shares of DSP Group. DSP Group is a leading developer of cost effective, high performance digital signal processing software and integrated circuits for digital speech processing. Ophir also owns 4.4% of DSP Telecommunications Ltd. ("DSP Telecommunications"), an investee of the DSP Group, for which it paid \$1 million in 1992. DSP Telecommunications is primarily engaged in the development and marketing of digital signal processing-based integrated circuits for the wireless communications market.

. In the first quarter of 1993, the Company invested approximately \$300,000 in Davidson-Atai Publishers Ltd. ("Davidson-Atai") for 22.5% of the shares of Davidson-Atai. Davidson-Atai is a newly established Israeli publishing house.

. In July 1992, the Company purchased from an unrelated shareholder for approximately \$2.2 million, 20% of the shares of Carmel Container Systems Limited ("Carmel"), one of the two largest Israeli manufacturers of cardboard packaging materials. Carmel's shares are traded on the AMEX under the symbol "KML."

. In March 1992, the Company invested approximately \$1.5 million in Mercury Interactive Corporation ("Mercury") for approximately 4.9% of Mercury's shares. Mercury develops, markets and supports products that automate testing and quality assurance for developers of client/server software and systems. Following Mercury's initial public offering in October 1993, the Company holds approximately 3.8% of Mercury's shares. Mercury's shares are traded on NASDAQ NMS under the symbol "MERQ."

Ampal is a New York corporation that was organized on February 6, 1942. The Company's headquarters are located at 1177 Avenue of the Americas, New York, New York 10036. Its telephone number is (212) 782-2100.

SPECIAL CONSIDERATIONS

In addition to the other information in this Prospectus, the following factors should be carefully considered by prospective investors in evaluating the Company before purchasing any of the Units offered hereby.

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. 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.

Since the establishment of the State of Israel in 1948, 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. ("Moriah") and Coral World International Limited ("Coral World"). In January 1991, a direct hit by an Iraqi scud missile caused damage to a shopping mall under construction by Bay Heart Limited ("Bay Heart"). Pri Ha'emek (Canned and Frozen Food) 88 Ltd. ("Pri Ha'emek"), a food processing company, also experienced a downturn in business as a result of this crisis.

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.

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.

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.

Economic Policy

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.

In 1992, for the third consecutive year, the economy of Israel underwent an appreciable expansion. During calendar years 1990 through 1992, Israel's gross domestic product ("GDP") increased by 5.8%, 6.2% and 6.6%, respectively, while the total amount of exports was approximately \$11.6 billion, \$11.2 billion and \$12.4 billion, respectively. In the first half of 1993, GDP increased by 1.3% and exports were approximately \$6.8 billion. The Israeli Government's monetary policy contributed to relative price and exchange rate stability during most of these years despite fluctuating rates of economic growth 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 450,000 new immigrants arrived through the end of 1992 and approximately 36,000 new immigrants arrived during the first half of 1993. During the period 1990 through the first six months of 1993, Israel's population increased by approximately 15.2%. 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.

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.

For additional information regarding economic conditions in Israel see "Conditions in Israel."

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.

SEC EXEMPTIVE ORDER

In 1947, the Securities and Exchange Commission (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 September 30, 1993, Hapoalim owned beneficially approximately 64.7% of the outstanding Class A Stock, assuming conversion of all 3,350 shares of the 4% Preferred Stock, as defined below, and all 122,536 shares of the 6 1/2% Preferred Stock, as defined below, owned by it. Hapoalim also beneficially owns 100% of the outstanding Common Stock of Ampal. Upon consummation of the sale of 4,000,000 Units pursuant to the Offerings, without giving effect to the grant or exercise of any options that may be granted pursuant to the Company's Stock Option Plan (the "Stock Option Plan") and assuming no conversion of Preferred Stock, other than by Hapoalim, Hapoalim will own beneficially approximately 51.9% of the outstanding Class A Stock (approximately 50.7% if the overallotment options are fully exercised, approximately 43.4% if the Warrants are fully exercised and approximately 41.6% if the Warrants issued in connection with the overallotment options are fully exercised). See "Management--Stock Option Plan" for a discussion of options that may be granted under the Stock Option Plan. 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 "Class A Directors"), 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. Following the Offerings, Hapoalim, so long as it continues to beneficially own a majority of each of the Common Stock and the Class A Stock, will be able to elect all of Ampal's directors. 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. See "Description of Securities--Voting Rights."

A proposed Israeli law would require Hapoalim to reduce its holdings in non-banking corporations, including Ampal, to 25% or less of the means of control of such corporations within two years of the enactment of the law. Because of the size of its holdings, if Hapoalim were to dispose of its shares of Class A Stock in public sales, there could be an adverse impact on the market for the Class A Stock. Other potential effects of this proposed legislation cannot be predicted at this time. See "Special Considerations--Market Considerations" and "Conditions in Israel--Other Israeli Regulations--The Banking Law."

There is also recently enacted legislation in Israel that will likely result in a change of ownership of Hapoalim, and may result in a significant change in the composition of Hapoalim's board of directors. The impact, if any, of this legislation on the Company cannot be predicted. In May 1993, the Government of Israel sold a total of approximately 8% of the shares of Hapoalim in a public offering and also sold options to purchase an additional approximately 10% of the shares of Hapoalim. In November 1993, the Government of Israel sold 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. See "Conditions in Israel--Other Israeli Regulations--The Bank Share Arrangement."

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. See "Certain Transactions."

CERTAIN CONSIDERATIONS RELATING TO THE INVESTEEES

The Company's results of operations may be affected by capital transactions of investee companies. The issuance of shares by an investee company that is accounted for under the equity method at a price per share above the Company's carrying value per share for such investee company results in the Company recognizing income for the period in which such issuance is made, while the issuance of shares by such an investee company at a price per share that is below the Company's carrying value per share for such investee company results in the Company recognizing a loss for the period in which such issuance is made.

The Company's Israeli investees whose customary business and accounting ("functional") currency is the NIS prepare inflation-adjusted financial statements under Israeli generally accepted accounting principles ("GAAP"). Thus, in a period of inflation the carrying amounts of assets, other than cash, and liabilities are adjusted to reflect the effect of the change in general purchasing power. Under United States GAAP, these companies report net gains or losses in their income statements resulting from changes in assets or liabilities linked to the Israeli Consumer Price Index ("CPI"). United States GAAP requires investee companies to prepare different financial statements for inclusion of those companies' results in the consolidated financial statements of the Company. These financial statements are translated into dollars under United States GAAP and to the extent that rates of exchange between foreign currencies and dollars result in gains or losses, such gain or loss is reflected in the balance sheets of these companies. Consequently, even though an investee may have achieved profits in local currency as reported in its financial statements prepared under Israeli GAAP, there may be a loss reflected in the investee's financial statements prepared for inclusion in the consolidated financial statements of the Company under United States GAAP.

To the extent there is a divergence between the rate of inflation and the rate of exchange between the NIS and the dollar, Israeli investee companies whose functional currency is the dollar will record

translation gains or losses in their statements of income. Where considered appropriate, these investees have adopted financial strategies that attempt to compensate for inflation in Israel and changes in the relative value of the NIS compared to the dollar and other currencies. However, continuing inflation in Israel and delays in the devaluation of the Israeli currency against the dollar and other currencies could have an adverse impact on some of the investees as well as on Israel's economy as a whole.

MARKET CONSIDERATIONS

As of January 20, 1994 approximately 36.2 of the Class A Stock was owned by non-affiliated shareholders (assuming conversion in full of all 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. Pending legislation in Israel may require Hapoalim to divest a substantial portion of its holdings of 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 for a period of 180 days after the date of this Prospectus. See "Conditions in Israel-- Other Israeli Regulations--The Banking Law" and "Underwriting."

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, Warrants and Units. 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 TASE 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.

USE OF PROCEEDS

The net proceeds to be received by Ampal from the sale of the 4,000,000 Units (which do not include proceeds from exercise of Warrants or exercise of the U.S. Underwriters' and International Managers' overallotment options) are estimated to be approximately \$ after deduction of expenses. Portions of the net proceeds are expected to be employed to finance new investments and additions to existing holdings. There are several new investments presently under consideration. See "The Company-- Recent and Pending Transactions." Other new investments may be identified in the future. Ampal also intends to use a portion of the proceeds to fund early redemptions of its 8% to 10% debentures and variable rate debentures callable in 1994. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources." Any remaining proceeds will be used for working capital and general corporate purposes.

Pending use of the net proceeds from the Offerings 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.

CAPITALIZATION

The following table sets forth the unaudited capitalization of the Company at September 30, 1993, and as adjusted to give effect to the sale by Ampal of 4,000,000 Units pursuant to the Offerings. The table does not reflect the deconsolidation of Ophir and should be read in conjunction with the Consolidated Financial Statements and Pro Forma Consolidated Financial Statements of the Company and the related notes, included elsewhere in this Prospectus.

	ACTUAL	AS ADJUSTED
	(IN THOUSANDS)	
Total liabilities and minority interests.....	\$ 255,132	\$ 255,132(1)
Shareholders' equity:		
Common Stock, par value \$1.00; 3,000,000 shares authorized; 3,000,000 shares outstanding.....	3,000	3,000
Class A Stock, par value \$1.00; 30,000,000 shares authorized; 15,966,872 shares issued (including 128,904 shares held in treasury); 19,837,968 shares, as adjusted (2)(3).....	15,967	19,838
4% Preferred Stock, par value \$5.00; 650,000 shares authorized; 223,869 shares issued (including 8,338 shares held in treasury), 215,531 shares, after conversion of treasury shares(4).....	1,119	1,077
6 1/2% Preferred Stock, par value \$5.00; 4,282,850 shares authorized; 1,270,960 shares issued (including 3,824 shares held in treasury), 1,267,136 shares, after conversion of treasury shares(4).....	6,355	6,336
Additional paid-in capital.....	10,468	
Retained earnings.....	80,181	80,181
Cumulative translation adjustments.....	(1,764)	(1,764)
Total shareholders' equity.....	115,326	
Total capitalization.....	\$ 370,458	\$

(1) Does not reflect the redemption of debentures which may be effected with a portion of the proceeds of the Offerings. See "Use of Proceeds."

(2) Does not reflect (i) 4,000,000 shares of Class A Stock reserved for issuance upon exercise of the Warrants included in the Units offered hereby, (ii) 500,000 shares of Class A Stock included in the Units that may be sold upon exercise of the U.S. Underwriters' and International Managers' over-allotment options (and 500,000 shares of Class A Stock reserved for issuance under the Warrants included therein), (iii) 4,878,963 shares of Class A Stock issuable upon conversion of Preferred Stock outstanding as of September 30, 1993 (1,077,555 shares on conversion of the outstanding 4% Preferred Stock and 3,801,408 shares on conversion of the outstanding 6 1/2% Preferred Stock) and (iv) 200,000 shares of Class A Stock issuable upon exercise of options which may be granted pursuant to the Stock Option Plan. See "Description of Securities" and "Management--Stock Option Plan."

(3) All shares of Class A Stock held in treasury will be sold in the Offerings.

(4) All shares of Preferred Stock held in treasury have been converted in accordance with their terms to shares of Class A Stock, which will in turn be sold in the Offerings.

PRICE RANGE OF CLASS A STOCK

Ampal's Class A Stock is listed on the AMEX under the symbol "AIS.A." The following table sets forth the high and low sales prices for the Class A Stock, as reported on the American Stock Exchange Composite Tape for each calendar quarter during the periods indicated:

	HIGH	LOW
	-----	-----
1992:		
First Quarter.....	5 7/8	3 1/3
Second Quarter.....	6 7/8	4 1/2
Third Quarter.....	6 1/4	5 1/8
Fourth Quarter.....	6 1/4	4 3/4
1993:		
First Quarter.....	9 7/8	5 1/4
Second Quarter.....	9 1/2	7 1/4
Third Quarter.....	12 1/4	7 5/8
Fourth Quarter.....	13	10 1/4
1994:		
First Quarter (to January 20, 1994).....	12 1/2	11

As of January 20, 1994, there were 16,077,044 shares of Class A Stock outstanding held by 1,490 holders of record.

DIVIDEND POLICY

Ampal has not paid cash dividends on its Class A Stock since 1989 and has no present intention of declaring a cash dividend on the Class A Stock. Past decisions not to pay cash dividends reflected the policy of Ampal to apply retained earnings, including funds realized from the disposition of holdings, to finance its business activities and to redeem debentures. The payment of cash dividends in the future will depend upon the Company's operating results, cash flow, working capital requirements and other factors deemed pertinent by its board of directors. See "Description of Securities--Capital Stock-- Dividend Rights."

SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data presented below for, and as of the end of, each of the five years in the period ended December 31, 1992, are derived from audited consolidated financial statements of the Company. The consolidated financial statements of the Company as of December 31, 1991 and 1992, and for each of the years in the three-year period ended December 31, 1992, and the report thereon of Arthur Andersen & Co., independent public accountants, are included elsewhere in this Prospectus. The selected consolidated financial data presented below as of December 31, 1988 and 1989, and for each of the years then ended, are derived from the consolidated financial statements of the Company audited by the Company's previous auditors.

The selected consolidated financial data presented below for, and as of the end of, the nine months ended September 30, 1992 and 1993 and the pro forma consolidated financial data for the year ended December 31, 1992 and for, and as of, the nine months ended September 30, 1993 are derived from unaudited consolidated financial statements of the Company which, in the opinion of the Company, reflect all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the consolidated financial position of the Company as of those dates and the results of operations of the Company for those periods. The pro forma balance sheet data gives effect to the deconsolidation of Ophir and to the acquisition by Ophir of an interest in Industrial Buildings as if such transactions occurred as of September 30, 1993. The pro forma statements of income data for the year ended December 31, 1992 and the nine months ended September 30, 1993 give effect to the aforementioned transactions as if they took place at the beginning of each such period. The pro forma information does not purport to be indicative of the results that actually would have occurred had the transactions been effected on January 1, of the pro forma periods presented. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Results of Operations," "Business" and the Pro Forma Consolidated Financial Statements presented elsewhere in this Prospectus. Operating results for the nine months ended September 30, 1993 may not be indicative of the results that may be expected for the full year. The selected consolidated financial data set forth below should be read in conjunction with the Company's consolidated financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" which are included elsewhere in this Prospectus.

	YEAR ENDED DECEMBER 31,					NINE MONTHS ENDED SEPTEMBER 30,	
	1988	1989	1990(1)	1991	1992	1992	1993
(IN THOUSANDS, EXCEPT PER SHARE DATA)							
STATEMENT OF INCOME DATA:							
Revenues:							
Interest.....	\$ 85,574	\$ 77,709	\$ 57,182	\$ 27,260	\$ 18,613	\$ 16,374	\$ 12,892
Food processing.....	--	--	--	--	31,482	26,469	24,221
Manufacturing and distribution.....	--	--	--	--	--	--	2,314
Hotel & leisure-time operations.....	39,847	37,461	39,521	28,719	--	--	--
Equity in earnings of affiliates and others.....	9,641	8,002	5,725	5,593	11,195	6,548	7,599
Other income.....	3,808	4,365	5,036	5,347	7,130	5,510	4,493
Gains on issuance of shares by affiliates	--	--	--	--	13,062	13,062	--
Gains on sale of investments.....	2,675	--	2,937	4,600	3,820	3,837	1,626
Total revenues.....	141,545	127,537	110,401	71,519	85,302	71,800	53,145
Expenses:							
Interest.....	73,467	69,791	55,821	26,006	18,346	14,235	17,215
Food processing.....	--	--	--	--	24,415	20,911	20,049
Manufacturing and distribution.....	--	--	--	--	--	--	1,442
Hotel and leisure-time operations.....	31,045	29,106	31,828	26,465	--	--	--
Other expenses including translation loss (gain).....	26,338	23,860	16,182	12,945	14,151	10,396	8,786
Minority interests.....	792	257	392	1,609	4,785	4,575	(300)
Total expenses.....	131,642	123,014	104,223	67,025	61,697	50,117	47,192
Income before income taxes.....	9,903	4,523	6,178	4,494	23,605	21,683	5,953
Income taxes.....	5,773	3,014	5,062	4,094	13,281	11,742	2,603
Net income before extraordinary income and cumulative effect of change in accounting principle.....	4,130	1,509	1,116	400	10,324	9,941	3,350
Extraordinary income.....	1,275(2)	--	--	726(2)	--	--	--
Cumulative effect on prior years of change in accounting principle.....	--	--	--	--	--	--	(4,982)
Net income (loss).....	\$ 5,405	\$ 1,509	\$ 1,116	\$ 1,126	\$ 10,324	\$ 9,941	\$ (1,632)
Earnings (loss) per Class A share:							
Earnings before extraordinary income and cumulative effect of change in accounting principle.....	\$.18	\$.06	\$.05	\$.02	\$.44	\$.42	\$.14
Extraordinary income.....	.05(2)	--	--	.03(2)	--	--	--
Cumulative effect on prior years of change in accounting principle.....	--	--	--	--	--	--	(.21)
Earnings (loss) per Class A share(3).....	\$.23	\$.06	\$.05	\$.05	\$.44	\$.42	\$ (.07)
Weighted average number of Class A shares and equivalent shares outstanding.....							
Dividends per Class A share.....	\$.07	\$.06	--	--	--	--	--
BALANCE SHEET DATA (AT PERIOD END):							
Cash and cash equivalents.....	\$ 36,194	\$ 20,582	\$ 17,971	\$ 7,515	\$ 9,698	\$ 6,995	\$ 2,036
Investments.....	55,551	61,186	63,918	67,627	109,912	102,681	162,481
Total assets.....	1,179,750	1,100,756	436,024	404,466	333,267	345,606	370,458
Total liabilities and minority interests.....	1,071,218	992,429	327,177	295,048	214,065	226,788	255,132
Total shareholders' equity.....	108,532	108,327	108,847	109,418	119,202	118,818	115,326

PRO FORMA YEAR ENDED DECEMBER 31,	PRO FORMA NINE MONTHS ENDED SEPTEMBER 30,
1992	1993

STATEMENT OF INCOME DATA:

Revenues:	
Interest.....	\$ 18,365
Food processing.....	31,482
Manufacturing and distribution.....	--
Hotel & leisure-time operations.....	--
Equity in earnings of affiliates and others.....	12,061
Other income.....	5,626
Gains on issuance of shares by affiliates	7,869
Gains on sale of investments.....	419
Total revenues.....	75,822
Expenses:	
Interest.....	17,936
Food processing.....	24,415
Manufacturing and distribution.....	--
Hotel and leisure-time operations.....	--
Other expenses including translation loss (gain).....	13,012
Minority interests.....	537
Total expenses.....	44,059
Income before income taxes.....	19,922
Income taxes.....	11,753
Net income before extraordinary income and cumulative effect of change in accounting	5,078
	2,470

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

GENERAL

The Company's results of operations are directly affected by the results of operations of its investees.

Investees which are greater than 50%-owned are included in the consolidated financial statements of the Company. The Company accounts for its holdings in investees over which the Company exercises significant influence, generally 20% - to 50%-owned companies, under the equity method. Under the equity method, the Company recognizes its proportionate share of such companies' income based on its percentage of direct and indirect equity interests in earnings of those companies. The Company accounts for its holdings in investees, other than those described above, on the cost method. Under the cost method, the Company accounts for its investment at the lower of cost or market. The Company's results of operations may be affected by capital transactions of investee companies. Thus, the issuance of shares by an investee company which is accounted for under the equity method at a price per share above Ampal's carrying value per share for such investee company results in Ampal recognizing income for the period in which such issuance is made, while the issuance of shares by such an investee at a price per share that is below Ampal's carrying value per share for such investee company results in Ampal recognizing a loss for the period in which such issuance is made. A comparison of the Company's financial statements from year to year must be considered in light of the Company's acquisitions and divestitures during the period.

The Company's effective tax rates have been and in the future may be above United States statutory rates, in part, because of taxes paid in foreign jurisdictions by investees for which Ampal does not fully receive tax credits in the United States.

Effective January 1, 1993, Ampal was required to adopt the Statement of Financial Accounting Standards ("SFAS") No. 109 "Accounting for Income Taxes" ("SFAS No. 109") which requires a change from the deferred method to the liability method of accounting for income taxes. The cumulative effect on prior years of this change in accounting principle was reflected as a nonrecurring reduction of net income and an increase in deferred income tax liability of approximately \$5 million. This was reported separately in the consolidated statement of income for the nine months ended September 30, 1993. This change required no payment to any taxing jurisdiction and had no material effect on income tax expense for the current period. Prior years' financial statements have not been restated to apply the provisions of SFAS No. 109.

Based on the guidelines of SFAS No. 52, "Foreign Currency Translation" ("SFAS No. 52"), the economy in Israel is no longer considered hyper-inflationary as a result of changes in the economic conditions and the decrease in the rate of inflation in Israel. Accordingly, as of the second quarter of 1993, for those subsidiaries and affiliates whose functional currency is considered to be the NIS, assets and liabilities were translated at the rate of exchange at the end of the reporting period and revenues and expenses were translated at the average currency exchange rates during the reporting period. Gains or losses from translations of those foreign companies' financial statements are recorded as a separate component of shareholders' equity at June 30, 1993. Prior years' financial statements have not been restated to apply SFAS No. 52. Prior to 1993, translation gains and losses were reflected in the Company's consolidated statements of income. The effect of this change in method of reporting translations on the March 31, 1993 financial statements was immaterial.

Moriah and Orlite Engineering Company Ltd. ("Orlite") report their financial statements on a three-month lag. Consequently, for example, their results for the 12 month period ended September 30, 1992 were incorporated into the Company's 1992 consolidated annual financial statements.

RESULTS OF OPERATIONS

Nine Months Ended September 30, 1993 Compared to Nine Months Ended September 30, 1992

Consolidated net income decreased from net income of \$9.9 million for the nine months ended September 30, 1992 to a net loss of \$1.6 million for the nine months ended September 30, 1993. This decrease was primarily attributable to gains on issuance of shares by affiliates and gains on sale of shares in 1992 which were greater than those in the comparable period in 1993, reductions in net interest earnings and earnings from food processing operations and the adoption of SFAS No. 109 in 1993 which were partially offset by an increase in equity in earnings of affiliates and the inclusion of Paradise's results. Consolidated net income before cumulative effect of change in accounting principle (SFAS No. 109) decreased from \$9.9 million for the nine months ended September 30, 1992 to \$3.4 million for the nine months ended September 30, 1993.

The decrease in net interest earnings for the nine months ended September 30, 1993 as compared to the same period in 1992 resulted from additional interest income earned by Ampal from a prepayment of a deposit receivable in 1992, and additional interest expense in 1993 resulting from Ophir's bank borrowings to finance its investment in Industrial Buildings.

Equity in earnings of affiliates increased for the nine months ended September 30, 1993 as compared to the same period in 1992. The increase was mainly attributable to Ampal's share of earnings of newly acquired affiliates including Industrial Buildings and Carmel, as well as from Moriah and Teledata Communication Ltd. ("Teledata"). Food processing revenues decreased because sales were affected by foreign currency fluctuations.

In February and October 1992, Granite concluded two public offerings in Israel on the TASE for proceeds of approximately \$60 million and \$42 million, respectively, which Granite intends to use for expansion, diversification and the repayment of high interest debt. As a result of these transactions the Company's ownership interest in Granite was diluted from 26% to 21.6%. Also in February 1992, Moriah concluded a private placement of 20% of its shares with a related party in Israel for a price of \$12.5 million. These funds were used, together with internal sources, bank borrowings and a \$7 million government grant, to finance the approximately \$32 million renovation and expansion of the Moriah Eilat Hotel which was reopened in August 1992. As a result of the private placement, the Company's ownership in Moriah was diluted from 57.5% to 46%. Thus, effective in the first quarter of 1992, the Company no longer consolidates the results of Moriah in its financial statements but accounts for its investment in Moriah under the equity method. The Moriah and Granite offerings resulted in gains on issuance of shares of \$7.0 million (approximately \$2.7 million after taxes).

In April 1992, Teledata concluded a public offering of its securities in the United States. This offering resulted in a gain on issuance of shares of \$5.8 million (\$2.1 million after taxes and a deduction for Ophir's minority interest). In connection with Teledata's public offering, Ampal and Ophir (then a consolidated subsidiary of Ampal) sold a portion of their interests in Teledata and realized a gain on sale of \$3.8 million (\$1.2 million after taxes and a deduction for Ophir's minority interest). During 1993, the Company sold additional shares in Teledata and realized a gain on sale of \$1.5 million (approximately \$900,000 after taxes). As a result of these transactions, Ampal's ownership of Teledata was reduced to 2.5% and Ophir's to 19.7%.

In November 1993, the capital structure of Ophir was reorganized to equalize the voting and equity interests of its two shareholders. Immediately thereafter, Ophir concluded a private placement to a different related party under which it issued 15% of its shares for approximately \$10.2 million. As a result, the Company's interest in Ophir was diluted from 50% to 42.5%. Until September 30, 1993, Ophir's financial statements were consolidated by the Company. As a result of these transactions, in the fourth quarter of 1993 Ophir will be accounted for under the equity method, and the Company will record a gain on issuance of shares of approximately \$3.1 million (approximately \$2 million after taxes). At September 30, 1993, the Company's consolidated balance sheet included Ophir's assets of approximately \$69.4 million and Ophir's liabilities and minority interests of approximately \$57.1 million and the consolidated income statement included Ophir's revenues of approximately \$3.6 million.

Had these transactions been consummated on September 30, 1993, the Company's investment in Ophir under the equity method would have been approximately \$11.8 million.

Year Ended December 31, 1992 Compared to Year Ended December 31, 1991

Consolidated net income increased to \$10.3 million in 1992 from \$1.1 million in 1991. This increase was primarily attributable to gains on issuance and sale of shares, which resulted from offerings of shares by investee companies as described above.

Interest revenue declined in 1992 as compared to 1991 as a result of repayments of existing deposits, notes and loans receivable. During the same period interest expense also declined as a result of the repayment of debentures, notes and loans payable. In addition, net interest earnings in 1992 were greatly reduced in the fourth quarter by a 13% devaluation of the NIS to the dollar. See "Conditions in Israel--Inflation and Devaluation."

In December 1991, the Company acquired an additional 24.9% interest in its food processing subsidiary, Pri Ha'emek, for \$2 million (a 50% interest was acquired in 1988). This brought the Company's total ownership to 74.9%. Therefore, Pri Ha'emek's assets and liabilities have been consolidated in the Company's consolidated balance sheet at December 31, 1992 and 1991; its results of operations were consolidated in the Company's consolidated statement of income in 1992 and included in equity in earnings of affiliates in 1991. Pri Ha'emek showed significant increases in revenues, operating costs and net income in 1992 resulting from increased sales to the domestic market as well as sales of new product lines.

Equity in earnings of affiliates and others increased significantly in 1992. The income for Moriah increased substantially as a result of higher occupancy rates which reflected increased tourism as well as higher room rates. In 1991, the occupancy rates in the hotels were much lower as a result of the virtual standstill in tourism to Israel during the Persian Gulf crisis and its aftermath. Moriah's income for its year ended September 30, 1992 was reported in this category in the Company's 1992 financial statements. The earnings of the Company's real estate affiliates also increased significantly in 1992 because of the effect which the fourth quarter devaluation had on their borrowings which are linked to the CPI.

In 1992, the Company recorded gains on issuance of shares, primarily as a result of offerings of shares by Granite, Moriah and Teledata, and a gain on sale of shares of Teledata described in the discussion covering the nine month periods.

Other expenses declined in 1992 from 1991 primarily as a result of a reduction of headquarters expenses and the deconsolidation of Moriah in 1992.

There was a translation loss of \$1.4 million in 1992 as compared to a gain of \$300,000 in 1991. Translation gains and losses in 1992 and 1991 resulted from the effect of devaluations which approximated 21% and 11%, respectively. Increases in the rates of inflation in Israel (as of November of each year) were 9% for 1992 and 18% for 1991, respectively. See "Conditions in Israel."

The decrease in the effective income tax rate to 56% in 1992 from 75% in 1991 (net of utilization of tax loss carryforwards) resulted from changes in the components of taxable income, changes in tax rates relating to previously recorded deferred income taxes and reported losses of certain subsidiaries for which no tax benefits were available.

Year Ended December 31, 1991 Compared to Year Ended December 31, 1990

Consolidated net income increased slightly in 1991 from 1990.

Interest revenue and interest expense decreased in 1991 as compared to 1990 as a result of the sale of substantially all of the loan portfolios of the Company's banking subsidiaries to Hapoalim in August 1990. As a result of the sale and because of the cessation of new banking activity, the banking subsidiaries voluntarily relinquished their banking licenses in 1991 and now conduct their operations as finance companies.

Hotel revenues and operating expenses (which are reflected for the years ended September 30) decreased in 1991 as a result of lower occupancy rates caused by decreased tourism to Israel during the Persian Gulf crisis and its aftermath. In addition, the Moriah Eilat Hotel was closed for renovation and expansion in August 1990 and did not reopen until August 1992.

Equity in earnings of affiliates decreased in 1991 from 1990 due to decreases in earnings of most of the investees accounted for under the equity method. The Persian Gulf crisis affected the 1991 operations of most of the Company's Israeli investees. Pri Ha'emek reported an increased loss in 1991 primarily as a result of the Persian Gulf crisis and a drought. As described above, in December 1991, the Company acquired an additional 24.9% interest in Pri Ha'emek which brought its total investment to 74.9%. In January 1991, a direct hit by an Iraqi scud missile caused substantial damage to a shopping mall under construction by Bay Heart, a 37%-owned investee of the Company. The mall was scheduled to open in February, but instead was not fully opened for business until May 1991. In 1991, Bay Heart experienced losses caused by one-time operating expenses, loss of revenues caused by the delayed opening and high finance expenses on its borrowings. The volume of business of Bank Hapoalim (Cayman) Ltd. ("Cayman") (in which the Company has a 49% interest) has contracted as a result of a planned decrease in business activities of that company and, consequently, the earnings of the company declined. Teledata experienced a significant increase in sales in 1991 which resulted from a large increase in business in Europe, particularly in Germany.

In 1991, the Company sold its shares of Clal (Israel) Ltd. resulting in a pre-tax gain amounting to \$4.6 million (\$1.4 million, net of taxes and minority interest).

Other expenses declined in 1991 from 1990 primarily as a result of a reduction in headquarters expenses in both the New York and Tel Aviv offices, as well as a reduction of expenses incurred by the Company's Israeli finance subsidiaries.

Translation gains and losses in 1990 and 1991, respectively, resulted from the effect of devaluations which approximated 4% and 11%, respectively.

The decrease in the effective income tax rate to 75% in 1991 (net of utilization of tax loss carryforwards) from 82% in 1990 resulted from changes in the components of taxable income, changes in tax rates relating to previously recorded deferred income taxes and reported losses of certain subsidiaries for which no tax benefits were available.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 1993, the Company had cash and cash equivalents totalling approximately \$2 million and Ampal had bank lines of credit totalling \$10 million. Any new investments which the Company may make are likely to be funded from the Company's internal cash flow, a portion of the net proceeds of the Offerings or bank borrowings.

At September 30, 1993, the Company's debt to equity ratio was 2.21 to 1. At December 31, 1992, the Company's debt to equity ratio was 1.8 to 1 as compared with 2.7 to 1 at December 31, 1991. The ratios of earnings to combined fixed charges and preferred stock dividends for the years 1988, 1989, 1990, 1991, 1992 and the nine months ended September 30, 1993 were 1.10:1, 1.02:1, 1.12:1, 1.08:1, 2.18:1 and .97:1, respectively.

Deposits receivable have continued to decline since 1990 as a result of repayments. During the first nine months of 1993, the decrease in cash and cash equivalents and debentures payable was mainly attributable to the early redemption of \$9.3 million of high interest-bearing debentures which Ampal called in this period and to new investments made during the period.

Since 1989, Ampal has called for early redemption an aggregate of approximately \$120 million principal amount of debentures, which includes \$9.3 million called during the first nine months of 1993. In 1992, debentures were redeemed or paid at maturity in the principal amount of \$54.7 million, of which the early redemption of high interest-bearing debentures amounted to \$39.4 million. Since September 30, 1993, Ampal has made optional redemptions of approximately \$5.1 million of its 8% to

10% debentures maturing in 2000. In 1994, Ampal intends to make further optional redemptions of approximately \$9.1 million of its 8% to 10% debentures maturing in 2000 and approximately \$6.5 million of its debentures which mature in 1996 and bear interest at a variable rate, presently 7.5%. These redemptions will be funded from internal cash flow, a portion of the net proceeds of the Offerings or bank borrowings. At September 30, 1993, Ampal had \$52 million aggregate principal amount, net of discounts, of its debentures outstanding which are scheduled to mature by 2003, including debentures which may be called for early redemption. Most of these debentures bear interest at fixed rates ranging from 10% to 13%. Of the \$52 million of Ampal's outstanding debentures, \$21.4 million principal amount, net of discounts, of non-callable debentures are scheduled to mature between January 1, 1994 and December 31, 1996. A portion of such debentures may be presented to Ampal for payment prior to scheduled maturity. An additional \$47 million principal amount of the Company's outstanding debentures were issued by an Israeli subsidiary and are secured by \$49 million of deposits with Hapoalim. The cash flow from these deposits is matched to scheduled payments of principal and interest on the Israeli subsidiary's debentures. The aggregate \$99 million principal amount, net of discounts, of the Company's outstanding debentures represents \$120.6 million aggregate principal amount payable upon maturity. In addition to such debentures, at September 30, 1993, the Company had \$108 million of notes and loans payable, \$46.5 million of which represents the unpaid balance of the Company's borrowings used to finance Ophir's investment in Industrial Buildings. In addition, at September 30, 1993, the Company had deposits and notes and loans receivable aggregating \$124.5 million with varying interest rates and maturities. Repayment of these deposits and notes and loans receivable is guaranteed by Hapoalim.

In January 1994, the Company invested approximately \$66,000 for 50% of the equity of, and made a loan of \$1.0 million to, 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. Ophir has recently agreed, subject to the receipt of certain governmental and other 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.

As of September 30, 1993, the Company had issued guarantees on certain outstanding loans to its investees in the aggregate principal amount of \$13.3 million, and had made additional commitments to lend up to \$13.2 million to investees and to guarantee up to \$8.2 million of obligations of investees.

In the first quarter of 1993, Ophir, which is now 42.5% owned by the Company, participated in the purchase from the Government of Israel of 51.3% of the shares in Industrial Buildings, the largest owner/lessor of industrial buildings in Israel. The remainder of the shares of this company are held by the public. Ophir's approximately \$50 million investment in Industrial Buildings was financed primarily by borrowings from two unrelated banks. Approximately \$12 million of this debt matures in 1994. Under the loan agreement relating to the Industrial Buildings investment, any amount distributed as a dividend by Industrial Buildings must first be applied to repay then due borrowings. Ophir and another Hapoalim affiliate that participated in the purchase, have pledged their interest in the holding company that purchased the Industrial Buildings shares, as well as the Industrial Buildings shares themselves, to secure borrowings of Ophir and that Hapoalim affiliate from an unaffiliated bank. Industrial Buildings shares held by the holding company, also collateralize a loan made by Hapoalim to another unaffiliated participant in the purchase. There are cross-default provisions which would require acceleration of Ophir's repayment obligations and, potentially, could cause foreclosure on the Industrial Buildings shares if any of the other participants were to default on their loans. See "Certain Transactions." Ophir owns an equivalent 12.8% of the equity of Industrial Buildings.

Between January 1 and November 1, 1993, the Company acquired interests in five companies (including additions to existing holdings) for an aggregate of \$60.7 million (including an investment of approximately \$50 million by Ophir, then a consolidated subsidiary, in Industrial Buildings).

BUSINESS

The Company acquires interests in businesses located in the State of Israel or that are Israel-related. The Company has diversified interests in the following sectors: hotels and leisure-time, real estate, energy distribution, basic industry, high technology and communications.

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 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. Because of changes in the relationship between interest rates in the United States and in Israel in the late 1980s, the Company discontinued this lending activity, and in 1990 substantially all of the loan portfolios of its industrial banking subsidiaries were sold to Hapoalim.

The following chart lists the investments of the Company (without deduction for minority interest) and the total amount invested by the Company, exclusive of shareholders' loans and guarantees, the carrying value of the Company's interest therein as of December 31, 1992 and September 30, 1993 and, if the shares of such investee are publicly traded, the quoted market value of the Company's interest therein as of December 31, 1992, September 30, 1993 and November 1, 1993. Quoted market values do not necessarily reflect amounts that could be realized on a sale of all or part of the Company's interest.

INDUSTRY SEGMENT	CARRYING VALUE			QUOTED MARKET VALUE(1)	
	COST	DECEMBER 31, 1992	SEPTEMBER 30, 1993	DECEMBER 31, 1992	SEPTEMBER 30, 1993
(IN THOUSANDS)					
HOTELS AND LEISURE-TIME					
Moriah Hotels Ltd.....	\$ 4,011	\$ 18,681	\$ 18,994	\$ --	\$ --
Coral World International Limited.....	7,771	9,912	9,653	--	--
Country Club Kfar Saba Ltd.....	3	(976)	(1,082)	--	--
REAL ESTATE, FINANCE AND OTHER HOLDINGS					
Industrial Buildings Corporation Ltd. (Mivnei Taasiya Ltd.)(2).....	51,338	--	50,617	--	57,718
Bay Heart Limited (Lev Hamifratz Limited).....	1,080	2,556	1,514	--	--
Bank Hapoalim (Cayman) Ltd.....	9,332	21,579	21,870	--	--
Etz Vanir Ltd. and Yakhin Mataim Ltd.....	1,034	793	793	--	--
Am-Hal Limited.....	1,223	1,535	730	--	--
Ampal (Israel) Ltd.(3).....	4,362	9,526	9,040	--	--
Ophir Holdings Ltd.(2)(3).....	560	5,718	3,909	--	--
Ampal Development (Israel) Ltd.(3).....	7,028	18,334	19,461	--	--
Nir Ltd.....	885	4,160	4,930	--	--
Ampal Financial Services Ltd.....	1,290	10,239	11,421	--	--
ENERGY DISTRIBUTION					
Granite Hacarmel Investments Ltd.....	2,024	28,233	31,242	44,545	46,207
BASIC INDUSTRY					
Pri Ha'emek (Canned and Frozen Food) 88 Ltd.....	3,000	2,805	2,675	--	--
Paradise Mattresses (1992) Ltd.....	4,317	--	4,484	--	--
Carmel Container Systems Ltd.....	2,241	2,451	2,973	3,150	4,284
Orlite Engineering Company Ltd.....	743	2,290	2,318	2,987	4,217
Davidson-Atai Publishers Ltd.....	271	--	248	--	--
HIGH TECHNOLOGY AND COMMUNICATIONS					
Teledata Communication Ltd.(2).....	828	9,140	10,362	37,814	48,379
Mercury Interactive Corporation.....	1,478	1,478	1,478	--	--
DSP Group, Inc.(2).....	3,241	1,996	3,241	--	--
DSP Telecommunications Ltd.....	1,000	1,000	1,000	--	--
Idan Software Industries I.S.I. Ltd.....	3,481	--	3,481	--	4,229

INDUSTRY SEGMENT	NOVEMBER 1, 1993
HOTELS AND LEISURE-TIME	
Moriah Hotels Ltd.....	\$ --
Coral World International Limited.....	--
Country Club Kfar Saba Ltd.....	--
REAL ESTATE, FINANCE AND OTHER HOLDINGS	
Industrial Buildings Corporation Ltd. (Mivnei Taasiya Ltd.)(2).....	60,786
Bay Heart Limited (Lev Hamifratz Limited).....	--
Bank Hapoalim (Cayman) Ltd.....	--
Etz Vanir Ltd. and Yakhin Mataim Ltd.....	--
Am-Hal Limited.....	--
Ampal (Israel) Ltd.(3).....	--
Ophir Holdings Ltd.(2)(3).....	--
Ampal Development (Israel) Ltd.(3).....	--
Nir Ltd.....	--
Ampal Financial Services Ltd.....	--
ENERGY DISTRIBUTION	
Granite Hacarmel Investments Ltd.....	52,416
BASIC INDUSTRY	
Pri Ha'emek (Canned and Frozen Food) 88 Ltd.....	--
Paradise Mattresses (1992) Ltd.....	--
Carmel Container Systems Ltd.....	5,922
Orlite Engineering Company Ltd.....	4,832
Davidson-Atai Publishers Ltd.....	--
HIGH TECHNOLOGY AND COMMUNICATIONS	
Teledata Communication Ltd.(2).....	49,243
Mercury Interactive Corporation.....	8,384
DSP Group, Inc.(2).....	--
DSP Telecommunications Ltd.....	--
Idan Software Industries I.S.I. Ltd.....	5,104

(1) Based on closing sale price (or if none, the last quoted price) as reported on the TASE, except for Teledata and Mercury whose market values are based on the closing sale price of such companies' shares as quoted on the NASDAQ NMS, Idan whose market value is based on the mean between the bid and ask prices of its shares as quoted on NASDAQ and Carmel whose market value is based on the closing sale price of its shares as quoted on the AMEX. For those securities traded in Israel, aggregate quoted market value is based upon an exchange rate of \$1.00 = NIS 2.934.

(2) Does not give effect to the November 1993 private placement of shares in Ophir and the consequent deconsolidation of Ophir. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Results of Operations" and "Business."

(3) Carrying value excludes investee's share in the equity in earnings of its subsidiaries and affiliates.

INVESTMENT IN ISRAEL

An important objective of Ampal is to make investments in companies which take advantage of growth in Israel's domestic economy. The Israeli economy has expanded appreciably over the past three years. During calendar years 1990 through 1992, GDP increased by 5.8%, 6.2%, and 6.6%, respectively. In the first half of 1993, gross domestic product increased by approximately 1.3%. From 1990 through 1992 the population of Israel increased from 4.6 million to approximately 5.2 million, primarily due to immigration from the former Soviet Union. Tourism has also grown, with the number of tourists arriving in Israel in 1992 increasing to approximately 1.5 million from approximately 1 million in 1991. During the first six months of 1993, approximately 800,000 tourists visited Israel.

Inflation and exchange rates have remained relatively stable. Between December 31, 1990 and December 31, 1992, the Israeli annual inflation rate decreased from 17.6% to 9.4% while the NIS-dollar exchange rate increased from 2.05 to 2.76. For the first nine months of 1993 the inflation rate was 8.0% and at September 30, 1993 the rate of exchange was one dollar for 2.86 NIS. The unemployment rate in Israel also has remained relatively stable increasing from 9.6% in 1990 to 11.2% in 1992 and decreasing to 9.7% at June 30, 1993. See "Conditions in Israel."

Ampal believes that progress in the peace negotiations between Israel, the Palestinians and certain Arab states may improve the economic climate in the region, benefit the Company's investees and create additional investment opportunities. See "Conditions in Israel."

INVESTMENT STRATEGY

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. Ampal is presented with numerous investment opportunities on an on-going basis. The Company invests in only a small percentage of these opportunities.

Ampal 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 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. Members of the Hapoalim group of companies, including Investment Company of Bank Hapoalim Ltd., sometimes invest jointly with the Company.

The Company emphasizes long-term appreciation over short-term returns and liquidity. The Company often makes a nominal equity investment accompanied by more significant loans or loan guarantees with the intention that cash flow from operations of the investee company will repay its loans.

HOTELS AND LEISURE-TIME

MORIAH HOTELS LTD.

Moriah is the largest hotel chain in Israel based both upon the number of rooms and the number of locations.

The following chart provides certain information with respect to hotels Moriah owns or operates:

LOCATION	CATEGORY	NO. OF ROOMS	MORIAH'S INTEREST
Jerusalem	Luxury	295	Owens
Eilat	Luxury	325	Owens
Dead Sea	Luxury	200	Owens
Tel Aviv	Luxury	350	Leases (1)
Tiberias	Luxury	270	Leases (2)
Dead Sea	First Class	195	Manages (3)
Zichron Yaakov	Economy	110	Manages (4)
Nazareth	Economy	110	Manages (4)
Maalot	Economy	110	Manages (4)

(1) Net lease which expires in 1996.

(2) Net lease which expires in 2001.

(3) Management agreement which expires in 1995.

(4) No formal management agreement has yet been signed.

Moriah's competitive position has been enhanced by operating out of more locations than any other chain in Israel, improving its facilities and providing high quality service to its guests. During 1992, Moriah spent approximately \$15.4 million on improvements and renovations, approximately 87% of which was spent on the completion of a major expansion of the Moriah Eilat Hotel. The total cost of the Eilat project was approximately \$32 million, of which approximately \$7 million was recouped through government grants. Among the improvements were the addition of a new wing containing 150 guest rooms, three new restaurants, an entertainment lounge, two new swimming pools and new public spaces. The hotel was reopened in August 1992.

Following net losses in 1990 and 1991, Moriah returned to profitability in 1992. Tourist arrivals increased in Israel by approximately 50% in 1992 as compared to 1991. Moriah's occupancy rate increased from 57% in 1991 to 74% in 1992 (in both years, excluding Moriah Eilat) and to 77% in 1993 (excluding the three economy hotels which came under Moriah management in 1993). In 1991, the occupancy rates in Moriah's hotels were much lower as a result of the reduction in tourism to Israel during the Persian Gulf crisis and its aftermath. The average occupancy rate in the Israeli hotel industry during 1992 was 67.6%.

Moriah's competitive position could be adversely affected by economic changes in foreign countries, construction of new hotels in locations which compete with Moriah's hotels or political or military unrest in Israel or other areas of the Middle East. As a result of the significant rise in tourism in Israel, additional hotels have been constructed and competition is expected to intensify.

Moriah employed approximately 1,750 persons as of December 31, 1993.

The Company owns 46% of Moriah. Its interest was diluted in 1992 from 57.5% to 46% when an affiliate of Hapoalim invested \$12.5 million in exchange for 20% of the equity in Moriah.

Set forth below is selected summary financial data of Moriah for its last three fiscal years:

	SEPTEMBER 30,		
	1990	1991	1992
	(IN THOUSANDS)		
Total assets.....	\$ 39,142	\$ 42,556	\$ 58,836
Liabilities.....	10,796	18,152	18,987
Shareholders' equity.....	28,346	24,404	39,849
Revenues.....	34,477	27,368	43,226
Income (loss) before income taxes.....	(14)	(3,954)	2,945
Net income (loss).....	(318)	(3,942)	2,945

The Moriah-owned Dead Sea hotel is located on the shore of a pool adjacent to the Dead Sea. Because of industrial activities at the pool, its water level has been rising to levels that threaten the hotel structure. Moriah is currently in litigation with respect to the costs of protective measures and other related matters.

CORAL WORLD INTERNATIONAL LIMITED

Coral World, which is 50%-owned by the Company, owns or controls marine parks in Eilat (Israel), St. Thomas (United States Virgin Islands), Nassau (Bahamas) and Perth and Manly (Australia) and a 22 villa luxury hotel in Nassau (Bahamas). In addition, Coral World provides consulting services to an unrelated group of investors regarding construction of an underwater facility in the Pacific Rim. The Company's marine parks, other than those in Australia, are located within or next to coral reefs and visitors at these parks view marine life in its natural coral habitat through large underwater windows. Coral World's marine parks in Perth and Manly, Australia allow visitors to walk through transparent acrylic tubes on the bottom of a man-made aquarium surrounded by marine life.

In 1992 Coral World's parks (including the Manly aquarium which was not acquired until March 1992) had a total of approximately 1.2 million visitors. In addition to admission charges, Coral World's food and beverage concessions and retail outlets are a significant revenue source. Coral World expects to build, acquire or manage new facilities in the future. As of September 30, 1993, Ampal is committed to loan to Coral World up to approximately \$6.2 million, subject to adjustment based upon the United States consumer price index, with respect to new projects which must be approved by Ampal. Coral World employed a total of 275 persons as of December 31, 1993.

Set forth below is selected summary financial data of Coral World for its last three fiscal years:

	DECEMBER 31,		
	1990	1991	1992
	(IN THOUSANDS)		
Total assets.....	\$ 23,003	\$ 25,753	\$ 29,689
Liabilities and minority interest.....	7,405	10,170	11,835
Shareholders' equity.....	15,598	15,583	17,854
Revenues.....	14,434	13,139	17,441
Income before income taxes.....	1,209	81	742
Net income (loss).....	756	(75)	701

COUNTRY CLUB KFAR SABA LTD.

Country Club Kfar Saba Ltd. ("Kfar Saba") operates a country club facility (the "Club") in Kfar Saba, a town north of Tel Aviv. Kfar Saba holds a long term lease to the real property on which the Club is situated. The Club's facilities include swimming pools, tennis courts and a clubhouse.

During 1992 and 1993, the Club had approximately 2,000 member families and operated at capacity. The construction cost of the Club was \$5.2 million, which was financed principally with debt which is expected to be repaid by 1997. Kfar Saba's revenues are principally attributable to annual memberships.

The Company owns 51% of Kfar Saba and the remaining 49% is owned by an unrelated party. The Company has guaranteed up to \$2.4 million of Kfar Saba's lease obligations. Kfar Saba and another investor are each 50% owners of a project to construct a second country club in nearby Hod Hasharon. Construction began during 1993 and is expected to be completed in the first half of 1994. Kfar Saba's investment is expected to be approximately \$1.7 million.

REAL ESTATE, FINANCE AND OTHER HOLDINGS

In Israel, most land is owned by the Israeli Government. In this Prospectus, reference to ownership of land means either direct ownership of land or a long-term lease from the Israeli Government, which is in most respects regarded in Israel as the functional equivalent of ownership. It is the Israeli Government's policy and practice to renew its long-term leases (which usually have a term of 49 years) as a matter of course upon their expiration.

INDUSTRIAL BUILDINGS CORPORATION LTD. (MIVNEI TAASIYA LTD.)

Industrial Buildings, Israel's largest owner/lessor of industrial property, is engaged principally in the development and construction of buildings in Israel for industrial and commercial use and in project management. Industrial Buildings carries out infrastructure development projects for industrial and residential purposes, principally for a number of government agencies and authorities. Industrial Buildings hires and coordinates the work of contractors, planners and suppliers of various engineering services.

Industrial Buildings owns approximately 10.7 million square feet of space in industrial buildings throughout Israel (including approximately 10% in the administered territories). It owns both multi-purpose buildings and built-to-suit buildings which are constructed in accordance with the specific requirements of tenants. In certain cases, there is an option in the tenant's favor to purchase the leased property, and, in the case of most built-to-suit properties, a commitment on the part of the tenant to purchase the property. Industrial Buildings also owns approximately 115 acres of vacant land for industrial purposes throughout Israel.

The buildings which are owned by Industrial Buildings are leased to approximately 1,800 lessees under net leases having terms of up to ten years. See "Conditions in Israel--Certain Israeli Real Estate Tax Matters" for a discussion of Israeli real estate tax considerations that may be applicable to certain real property leases of Industrial Buildings. The average vacancy rate in buildings owned or leased by Industrial Buildings was approximately 7% at September 30, 1993.

Industrial Buildings' plans include building a project in the Tel Aviv area comprising approximately 400 apartments, a commercial center of approximately 43,000 square feet, an office building of approximately 25,000 square feet and parking facilities of approximately 646,000 square feet. Industrial Buildings has also entered into agreements with a fuel company and an Israeli supermarket chain for the joint development of properties.

Industrial Buildings was founded as an Israeli Government company in 1961. In 1988, Industrial Buildings first offered its shares to the public and its shares are traded on the TASE. In 1993, the Government of Israel privatized the company by selling its 51.3% stake in Industrial Buildings. Since the privatization, Industrial Buildings has focused on improving results by decreasing staff and overhead costs and aggressively negotiating lease renewal terms. A holding company in which Ophir has a 25% equity interest and 23.2% voting interest purchased the Government's interest in Industrial Buildings. Ophir's investment in the holding company is approximately \$50 million. Ampal owns 42.5% of Ophir. Industrial Buildings has announced a policy to distribute as a dividend not less than 60% of each year's earnings during the period 1993 through 1996. In January 1994, Industrial Buildings distributed as a dividend approximately NIS 195 million to its shareholders, which was funded with a portion of NIS 244 million of long-term debt.

Ophir's interest in the holding company and the holding company's interest in Industrial Buildings are subject to foreclosure in the event of a default by any of the investors under the bank credit agreements entered into in connection with the acquisition. See "Certain Transactions." Any amounts distributed as a dividend by Industrial Buildings are required to be applied first to pay then due borrowings.

Industrial Buildings had a staff of approximately 42 permanent employees as of December 31, 1993.

Set forth below is selected summary financial data of Industrial Buildings for its last two fiscal years presented in adjusted NIS as of December 31, 1992 in accordance with Israeli GAAP:

	DECEMBER 31, (1)			
	1991		1992	
	(IN THOUSANDS)			
Total assets.....	NIS	1,153,370	NIS	1,180,708
Liabilities.....		376,131		447,805
Shareholders' equity.....		777,239		732,903
Revenues.....		94,997		106,816
Income before income taxes.....		44,133		53,919
Net income.....		32,215		35,449

(1) NIS financial statements for Industrial Buildings are presented elsewhere in this Prospectus. Since Industrial Buildings has historically reported its financial results in NIS under Israeli GAAP, dollar financial statements in accordance with U.S. GAAP are unavailable. For information related to Industrial Buildings' nominal (historical) financial statements and a reconciliation to United States GAAP, see Note 25 to Industrial Buildings' financial statements.

BAY HEART LIMITED (LEV HAMIFRATZ LIMITED)

Bay Heart was established in 1987 to develop and lease a shopping mall (the "Mall") in the Haifa Bay area. Haifa is the third largest city in Israel. The Mall, which opened in May 1991, is a modern three story facility with approximately 279,760 square feet of rentable space. The Mall is located at the intersection of two major roads and provides a large mix of retail and entertainment facilities including seven movie theaters. Approximately 37,500 square feet of the Mall are occupied by Supersol Ltd., one of the two largest Israeli supermarket chains, and the parent of a co-investor in Bay Heart. Shekem Department Stores, a major Israeli department store, is the other anchor tenant under a net lease for approximately 57,600 square feet of retail and approximately 17,750 square feet of storage and other space expiring in 2001. Approximately 98% of the Mall premises is now occupied, primarily under two-year leases, except for anchor tenants.

The total cost of the Mall was approximately \$53 million which was financed principally with debt. The Company has guaranteed approximately \$12.6 million of Bay Heart's borrowings.

Bay Heart is negotiating with the Port and Railway Authority for Bay Heart to build a station for a suburban railway line adjacent to the Mall which will provide direct access to the Mall. If negotiations are successful and necessary approvals are obtained, Bay Heart's investment in that project is expected to be approximately \$1.2 million. Bay Heart is also negotiating the purchase, for approximately \$1.6 million, of a 50% interest in a partnership to purchase property in the vicinity of the Mall for the purpose of developing a commercial center. The Company owns 37% of the shares of Bay Heart.

Set forth below is selected summary financial data of Bay Heart for its fiscal years 1991 and 1992:

DECEMBER 31,

	1991(1)	1992
	(IN THOUSANDS)	
Total assets.....	\$ 54,461	\$ 52,506
Liabilities.....	53,438	45,605
Shareholders' equity.....	1,023	6,901
Revenues.....	4,281	7,048
Income (loss) before income taxes.....	(1,890)	6,114
Net income (loss).....	(1,890)	5,878

(1) The Mall became fully operational in May 1991.

An assessment was made against Bay Heart by the Israeli tax authorities for the payment of approximately \$11.5 million based on taxes claimed due on certain long term leases entered into by Bay Heart. Bay Heart's appeal of the assessment is pending. Based on legal advice, Bay Heart's management believes that Bay Heart will not be liable for these taxes. See "Conditions in Israel--Certain Israeli Real Estate Tax Matters."

BANK HAPOALIM (CAYMAN) LTD.

Cayman is a bank holding company which owns Hapoalim (Latin America) Casa Bancaria S.A. ("Casa Bancaria"), an Uruguayan commercial bank, invests in Israeli and other mutual funds and administers a small loan portfolio. Cayman is currently in negotiations with an unrelated bank regarding the sale of 50% of Casa Bancaria at a price based upon the net equity of Casa Bancaria at December 31, 1993. For the year ended December 31, 1992, Cayman's net income amounted to approximately \$1.5 million. In recent years, other than in 1992, Cayman has paid out a significant portion of its retained earnings as dividends to its two shareholders, causing a contraction in its size and volume of activity. It intends to continue to pay dividends from its retained earnings in the future. Ampal owns 49% of the outstanding shares of common stock of Cayman, and Hapoalim owns the remaining 51%. Ampal also owns \$2 million of 7% preferred shares of Cayman and an equivalent amount is expected to be issued to Hapoalim for \$2 million. See "Certain Transactions." In 1992, Cayman did not pay a dividend on its common stock but paid the required dividend on its 7% preferred shares. In 1993, Cayman paid a \$4 million dividend on its common stock and the required dividend on its 7% preferred shares.

AMPAL (ISRAEL) LTD.

Ampal (Israel) Ltd., a wholly owned subsidiary of Ampal, owns an approximately 57,000 square foot commercial property located in Tel Aviv. A portion of this property is net leased to Hapoalim and another portion is net leased to Moriah. See "Certain Transactions." Ampal (Israel) Ltd. also acts as a holding company for other investments discussed elsewhere in this Prospectus.

OPHIR HOLDINGS LTD.

Ophir is a holding company that holds interests in Teledata, Industrial Buildings, DSP Group and DSP Telecommunications. These companies are discussed elsewhere in this Prospectus. In addition, Ophir has also made investments in two unaffiliated mutual funds and a newly-formed biotechnology company and has recently agreed, subject to the receipt of certain governmental and other approvals, to make an investment 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.

Ophir owns, through a wholly owned subsidiary, nine real estate properties located in Israel aggregating approximately 179,700 square feet. Three of these properties are net leased to Hapoalim or its subsidiaries. See "Certain Transactions." For a discussion of Israeli real estate tax considerations that may be applicable to certain real property leases of Ophir, see "Conditions in Israel--Certain Israeli Real Estate Tax Matters."

Until November 1993, Ampal owned 60% of the voting shares and 49.4% of the equity interest in Ophir, and the balance was owned by a Hapoalim affiliate. In November 1993, the two shareholders' interests in Ophir were equalized. Concurrently, 15% of the shares in Ophir were issued to another Hapoalim affiliate for approximately \$10.2 million. As a result of these transactions, Ophir is now 42.5% owned by Ampal, its results will not be consolidated in the Company's financial statements for any reporting periods after September 30, 1993 and the Company will record a gain on issuance of shares of approximately \$3.1 million (approximately \$2 million after taxes). See "Management's

Ophir intends to develop on property owned by it in Israel, approximately 60,300 square feet of office and commercial space and approximately 59,200 square feet of parking space. The estimated cost of this project is \$5.0 million.

ETZ VANIR LTD. AND YAKHIN MATAIM LTD.

Both Etz Vanir Ltd. ("Etz Vanir") and Yakhin Mataim Ltd. ("Yakhin Mataim") cultivate orange, grapefruit, clementine, lemon and avocado groves in Israel pursuant to various long-term land leases which, including renewal options, do not expire until the mid-21st century. These properties are located near the city of Netanya between an existing and a proposed highway. Approximately 1,200 acres are presently under cultivation by these two companies. The majority of their crops is exported.

Ampal owns 50% of the equity of Etz Vanir and Yakhin Mataim. The remaining 50% of the equity of these companies is owned by Yakhin Hakal Ltd. ("Yakhin Hakal"), a company which is not related to Ampal, which manages their operations. Because of a dispute between Ampal and Yakhin Hakal regarding the operating agreement for the companies, the Company has requested that an Israeli court declare the agreement null and void, and in its response Yakhin Hakal has stated that the companies owe it approximately \$2.5 million for services it has rendered to the companies. This litigation is pending.

AM-HAL LIMITED

Am-Hal Limited ("Am-Hal") has developed and operates a luxury senior citizens center in Rishon Lezion, a city located approximately 10 miles from Tel Aviv. The senior citizens center, which was completed in March 1992, includes 160 apartments of which 65% are occupied, an 80-bed geriatric ward which is fully occupied, a swimming pool and other recreational facilities. The geriatric ward is leased by Am-Hal to a non-affiliated health care provider until 2002. Rental payments are based upon the profits of the geriatric ward.

The Company and a subsidiary of The Israel Corporation, a major Israeli company, each own 50% of Am-Hal. The aggregate cost of the center was approximately \$21 million, and was financed principally by loans made or guaranteed by the shareholders and refundable tenant deposits. In addition, the Company has agreed to indemnify The Israel Corporation for up to \$12 million in the event that The Israel Corporation is required to repay deposits that were received by Am-Hal from residents.

AMPAL DEVELOPMENT (ISRAEL) LTD., NIR LTD. AND AMPAL FINANCIAL SERVICES LTD.

Ampal Development (Israel) Ltd. ("Ampal Development (Israel)"), Nir Ltd. ("Nir") and Ampal Financial Services Ltd. ("Ampal Finance" and together with Ampal Development (Israel) and Nir, the "Holding Companies"), each of which is wholly-owned by the Company, are engaged in the business of financing acquisitions by the Company and holding and leasing commercial real estate in Israel. Prior to 1989, these companies had acted primarily as lenders, and their financing activities were the principal activities of the Company. In 1990, the Holding Companies sold substantially all their loan portfolios to Hapoalim, and they relinquished their banking licenses. The Holding Companies still service certain loans made by them prior to their ceasing lending activity which are guaranteed by Hapoalim. See "Certain Transactions."

Ampal Development (Israel) owns five commercial properties located in Israel aggregating approximately 36,900 square feet. Four of these properties are net leased to Hapoalim. Nir owns four

commercial properties located in Israel aggregating approximately 17,750 square feet. Three of these properties are net leased to Hapoalim. Ampal Finance owns two commercial properties located in Israel aggregating approximately 7,250 square feet. Both of these properties are net leased to Hapoalim. See "Certain Transactions." For a discussion of Israeli real estate tax considerations that may be applicable to certain real property leases of the Holding Companies, see "Conditions in Israel--Certain Israeli Real Estate Tax Matters."

The Holding Companies hold interests in other companies discussed elsewhere in this Prospectus and also make loans to these and other investees in furtherance of their businesses.

Ampal Development issued debentures which are publicly traded on the TASE. An aggregate of approximately \$43.1 million of these debentures were outstanding as of December 31, 1993. Ampal Development has deposited with Hapoalim funds sufficient to pay all principal and interest on these debentures.

ENERGY DISTRIBUTION

GRANITE HACARMEL INVESTMENTS LTD.

Granite owns the Sonol group of companies, the third largest Israeli distributor of refined petroleum products. Supergas, a wholly-owned subsidiary of Granite, is the third largest marketer and distributor in Israel of liquified petroleum gas. Through its subsidiaries, Granite also manufactures and markets lubricating oils and automotive batteries.

As of December 31, 1993, Sonol supplied gas to 149 gas stations in Israel, of which 106 are owned by or leased on a long-term basis to Sonol. The Sonol group sold approximately 1.6 million and 1.8 million metric tons of refined petroleum products and lubricating oils in 1991 and 1992, respectively, representing approximately 24.7% and 25.7% of the total sales of such products in Israel by the three major fuel companies in Israel during these years.

Prior to 1988, Sonol and the other two major fuel companies had a monopoly in the importation of oil into and the distribution of gasoline, fuel oil and diesel in Israel. Since 1988, the Israeli government has licensed new fuel companies and also recently allowed Oil Refineries Ltd., the sole oil refinery operator in Israel, and large industrial customers, such as Israel Electric Corp., to engage in the importation of oil. As a result, Granite's sales volume and share in the refined petroleum products market have declined and may decline further. Beginning in 1992, the Israeli government also lifted price controls on many of the fuel products sold by Sonol. Moreover, the Israeli Ministry of Energy recently has declared its intention to permit new gas stations to be licensed more quickly and in locations not previously permitted. Although Granite is unable to determine the effect of these changes on future sales volume and profits, their impact may be material.

In order to attempt to offset the possible adverse effects of reforms in the energy market, Granite continues to emphasize improving efficiency through modernization, selective expansion and staff reductions. Furthermore, Granite expects to pursue a policy of diversification. Recently, Granite established a subsidiary which will invest in real estate projects in Israel. The new subsidiary has contracted to participate in two real estate projects and is studying other opportunities. Granite is also conducting a strategic survey to identify other potential areas of investment.

In February and October 1992, Granite concluded public offerings of shares and warrants and convertible debentures on the TASE in the amounts of approximately \$60 million and \$42 million, respectively. In the first half of 1993, warrants to purchase convertible debentures were exercised for an aggregate of approximately \$18.8 million. As a result of the public offering of the shares and warrants

and the subsequent exercise of a portion of these warrants, the Company's ownership of Granite was diluted from 26% to 21.6%. The Company also owns warrants to purchase additional shares in Granite. Depending upon whether and to what extent the Company and the public exercise their warrants and debenture conversion rights, the Company's ownership of the equity of Granite could be reduced to 12.9%. Prior to the public offerings, the Company entered into an agreement with the other shareholders of Granite which expires February 8, 1998 and which entitles the Company to appoint three out of the 11 members of Granite's board. The Company and these shareholders, who currently collectively own an aggregate of 83.1% of Granite, have also agreed to certain restrictions on transfer and to vote together at general meetings of Granite's shareholders. This agreement is terminable on 120 days' notice if a party (or a related group) acquires more than 43% of Granite's share capital. Recently, one of the parties to the agreement acquired the interest of another and now owns 54% of Granite's share capital. The shareholder and the Company have agreed to negotiate a new or amended agreement and have entered into an interim agreement which provides for the Company's continuing right to designate three members of Granite's board until February 8, 1998 (the stated expiration date of the current agreement), provided that there is no change in control over Ampal. If Ampal ceases to exercise "significant influence" over Granite under applicable accounting principles (which the Company believes it continues to exercise by virtue of its board representation), Ampal will no longer be permitted to account for its holdings in Granite under the equity method of accounting, and the Company's reported earnings could be adversely affected.

Set forth below is selected summary financial data of Granite for its last three fiscal years:

	DECEMBER 31,		
	1990	1991	1992
	(IN THOUSANDS)		
Total assets.....	\$ 394,498	\$ 317,465	\$ 328,996
Liabilities.....	311,699	241,338	207,047
Shareholders' equity.....	82,799	76,127	121,949
Revenues.....	479,083	409,007	429,982
Income before income taxes.....	21,891	25,118	28,434
Net income.....	12,759	18,779	17,808

On June 29, 1993, the Controller of Restrictive Trade Practices of the Israeli Ministry of Industry and Commerce issued a determination regarding the exclusive agreements between the Israeli oil marketing companies and filling station operators stating that these agreements violate Israeli antitrust law. In his determination the Controller stated that his ruling would affect approximately 77% of the Sonol stations (which are those stations not owned by Sonol). The Controller postponed the effective date of his decision, and Sonol has filed an appeal. Until there is a decision on the appeal, Granite has slowed its investments in non-owned filling stations. If upheld in its current form, the Controller's determination will be considered prima facie evidence in legal proceedings between station operators and Sonol and may have a material adverse effect on Granite.

BASIC INDUSTRY

PRI HA'EMEK (CANNED AND FROZEN FOOD) 88 LTD.

Pri Ha'emek processes and packages frozen vegetables, canned juices and other vegetable and citrus products in Israel and markets its products primarily in Israel and Europe and, to a lesser extent, in North America. Pri Ha'emek has facilities for processing frozen vegetables, citrus and other fruit products and tomatoes and owns a cannery and a freezer plant. Pri Ha'emek also uses a large freezer plant which is partially owned by the Company.

Pri Ha'emek sells to large retail chains. Its products are marketed in Israel principally under its "Pri Ha'emek" and "Priman" names and elsewhere principally under private label. Pri Ha'emek also does some food processing for other food companies, mainly for export out of Israel. Pri Ha'emek intends to expand its food product lines and to seek agreements for the marketing of its products under other brand names.

Pri Ha'emek's principal growth market is the domestic Israeli market. Because of the increase in domestic Israeli sales, exports which had accounted for a majority of sales now only account for approximately one-half of its sales. Pri Ha'emek's main product lines have a significant share of the Israeli market.

Historically Pri Ha'emek has not experienced substantial import restrictions for its products in the overseas markets it serves, but there can be no assurance that trade barriers will not be established in the future that could materially and adversely affect Pri Ha'emek's export businesses.

Pri Ha'emek employed 97 persons on a full time basis as of December 31, 1993. Pri Ha'emek also employs workers on a temporary basis to assist it with its seasonal needs.

The Company owns 74.9% of the shares of Pri Ha'emek. Pri Ha'emek has granted to its other shareholder an option to purchase additional shares in Pri Ha'emek at the same price the Company paid for its shares in 1991, and in November 1993, Pri Ha'emek filed a registration statement for an intended initial public offering in Israel on the TASE. As a result of these developments, the Company's interest in Pri Ha'emek may be diluted to 36.14%. 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. Pri Ha'emek's assets were purchased from another operating entity in 1988 and 1990. The Company and Pri Ha'emek's other shareholder have agreed, among other matters, to appoint directors in proportion to their respective share holdings, to rights of first refusal, to certain restrictions on transfer and to require approval for certain corporate actions.

Set forth below is selected summary financial data of Pri Ha'emek for its last three fiscal years:

	DECEMBER 31,		
	1990	1991	1992
	(IN THOUSANDS)		
Total assets.....	\$ 29,456	\$ 32,768	\$ 35,938
Liabilities.....	28,565	30,525	32,723
Shareholders' equity.....	891	2,243	3,215
Revenues.....	24,781	24,001	31,621
Income (loss) before income taxes.....	(1,951)	(1,648)	972
Net income (loss).....	(1,943)	(1,648)	972

PARADISE MATTRESSES (1992) LTD.

Paradise is a leading manufacturer and distributor of mattresses and fold-out beds in Israel. Paradise manufactures and distributes its mattresses under the brand names "Paradise," "Mefi" and "Sealy." "Sealy" mattresses are manufactured and distributed by Paradise under a ten-year exclusive license covering the Israeli market expiring in 2002 with an option for an additional five-year term. Paradise owns its own manufacturing facilities and employs approximately 100 persons. It distributes mattresses through independent stores and by direct sales to hotels. Paradise commenced business in 1992 when it purchased a 40-year old division of an unrelated company.

The Company currently owns approximately 85.1% of the share capital of Paradise, approximately half of which was purchased in February 1993 and half of which was purchased in June 1993 for \$2 million and \$2.3 million, respectively.

CARMEL CONTAINER SYSTEMS LIMITED

Carmel is one of the leading Israeli designers and manufacturers of paper-based packaging and related products. Carmel manufactures a varied line of products, including corrugated shipping containers, moisture-resistant packaging, consumer packaging, triple-wall packaging and wooden pallets and boxes.

The Company estimates that Carmel manufactures approximately 25% of the corrugated board, approximately 85% of the corrugated triple wall, and approximately 35% of the corrugated board packaging in Israel. Carmel's products are marketed to a wide variety of customers for diverse uses, but its principal market is packaging for agricultural products and for the food and beverage industry. Although sales of packaging products to exporters of agricultural products have declined slightly, an increase in domestic sales has compensated for this decline.

As of December 31, 1993, Carmel employed 670 persons. Carmel has in the past experienced labor difficulties, including a two-week strike in 1992 at one of its plants.

Recently, Carmel initiated measures to reduce its work force, consolidate certain operations and upgrade certain equipment. Carmel expects to make additional investment in equipment of approximately \$12.5 million between 1993 and 1995 for these purposes, of which \$5.5 million has already been committed.

Shares of Carmel are listed for trading on the AMEX under the symbol "KML."

In July 1992, the Company acquired 20% of the shares of Carmel for approximately \$2.2 million. The Company, American Israel Paper Mills Ltd., the largest paper producer in Israel, and Robert Kraft are parties to a shareholders' agreement with respect to their shareholdings (which aggregate approximately 78% of the shares) in Carmel. The agreement includes provisions governing board representation, required votes for specified corporate actions, matters on which the shareholders agree to cooperate and rights of first refusal with respect to the shares owned by the parties. The parties to the shareholders' agreement have also agreed to make available guarantees to third parties of obligations of Carmel. The Company's guarantee obligation, which is currently unused, is limited to \$2 million. Carmel has granted to International Forest Products Corporation, an affiliate of Mr. Kraft, a right to supply up to 80% of Carmel's requirements for imported paper and forest products in the ordinary course of Carmel's business and on a competitive basis.

ORLITE ENGINEERING COMPANY LTD.

Orlite is one of Israel's largest manufacturer of composite material products for military and civilian applications, including specialized fireproof ammunition storage containers for the Israeli Merkava tank, ballistic helmets for military and police use, outdoor storage boxes for telecommunications, cable and electrical switching equipment and specialized aerospace components.

Orlite's markets are changing due to spending cuts undertaken by the Israeli Ministry of Defense ("MOD"). As a result, Orlite expects no growth in sales to MOD, which at one point had represented almost 90% of Orlite's sales, and is focusing on sales of its civilian products which have grown in recent years and which Orlite believes will continue to constitute its most important growth segment. In 1992, approximately 50% of Orlite's sales were of military products (reduced from 77% in 1991). The balance were of civilian products.

Orlite's largest growth products are its composite outdoor storage cabinets which house electrical, cable and telecommunications equipment and are less susceptible to adverse weather conditions than metal cabinets. In 1992, Israel Electric Corp. and Bezeq (the Israeli telephone company) accounted for

a substantial portion of Orlite's civilian sales. Orlite seeks to expand its sales base by, among other methods, developing other applications for its technology and exporting its products.

As of December 31, 1993, Orlite employed 144 permanent workers and 17 temporary workers. Orlite owns its manufacturing facilities.

The Company owns 31% of the shares of Orlite. Another Hapoalim affiliate owns an identical interest. In May 1992, Orlite concluded a public offering of its shares on the TASE.

DAVIDSON-ATAI PUBLISHERS LTD.

Davidson-Atai is a newly established publishing house. As its first project, Davidson-Atai has begun publishing, in Hebrew, the initial volumes of a multi-volume series entitled "The World of the Bible," an illustrated series about the Bible. Davidson-Atai expects to translate this series and publish it abroad. Davidson-Atai distributes its books through subscriptions and book stores.

The Company owns 22.5% of Davidson-Atai which it purchased for approximately \$300,000 in 1993 upon initial capitalization of this company.

HIGH TECHNOLOGY AND COMMUNICATIONS

TELEDATA COMMUNICATION LTD.

Teledata designs, develops, manufactures, markets and supports concentrators and multiplexers for incorporation into telephone networks. Multiplexers eliminate the requirement of a single, dedicated connection extending the entire distance from each subscriber's premises to the local exchange. This is accomplished by permitting groups of subscribers to be connected by individual twisted pairs of copper wires to a remote terminal which is connected, in turn, to a central terminal at the local exchange by means of a single link (which may consist of copper cables, fiber optic cables, radio or domestic satellite). A multiplexer can utilize this single link to transmit many conversations simultaneously. Line concentrators enable telephone operating companies to utilize the links from the remote terminal to the central terminal more efficiently by allocating the capacity of these links among a greater number of subscribers.

Teledata currently produces a single line of multiplexers and line concentrators. Teledata is in the process of developing three new lines of products including those for digital and wireless platforms.

In addition to Israel, Teledata markets its products in Europe, Asia, South America, Central America and Oceania (Australia and the surrounding islands). Teledata maintains marketing activities in 55 countries, and has installed its equipment in 25 countries. As of December 31, 1993, Teledata employed 187 persons, as compared to 138 at December 31, 1992.

The sector of the telecommunications industry in which Teledata operates is highly competitive. Teledata competes directly with manufacturers of equipment similar to Teledata's products. Teledata experiences competition from providers of alternative solutions for local loop enhancement.

Teledata's shares are quoted on the NASDAQ NMS under the symbol "TLDCF."

In April 1992, Teledata concluded an initial public offering of its securities in the United States. In connection with this offering, the Company sold a portion of its interest in Teledata, and realized a gain on sale of \$3.8 million (approximately \$1.2 million after taxes and a deduction for minority interest). In addition, this offering resulted in a gain on issuance of shares of \$5.8 million (approximately \$2.1 million after taxes and a deduction for minority interest). In 1993, the Company recorded a gain of

\$1.5 million (approximately \$900,000 after taxes) from the sale of an additional portion of its shares of Teledata. As a result of these transactions Ampal's ownership of Teledata was diluted to 2.5% and Ophir's to 19.7%.

Set forth below is selected summary financial data of Teledata for its last three fiscal years:

	DECEMBER 31,		
	1990	1991	1992
	(IN THOUSANDS)		
Total assets.....	\$ 3,463	\$ 15,690	\$ 45,570
Liabilities and minority interest.....	3,427	11,551	6,059
Shareholders' equity.....	36	4,139	39,511
Revenues.....	4,731	17,356	23,003
Income before income taxes.....	690	4,158	7,027
Net income.....	690	3,985	6,728

MERCURY INTERACTIVE CORPORATION

Mercury develops, markets and supports a family of Automated Software Quality ("ASQ") products that automate testing and quality assurance for developers of client/server software and systems. By using Mercury's ASQ products, corporate software development organizations, system integrators and independent software vendors can identify software errors, commonly referred to as bugs, more quickly and efficiently than traditional methods allow. This enables developers of software to compress software development cycles, reduce costs and improve software quality.

Mercury's products are targeted to the workstation and personal computer platforms. Mercury's current ASQ products include those for UNIX/X Windows and for MS Windows, and its announced products include those for multi-user system testing and for Windows NT, OS/2 and Macintosh. Mercury has licensed over 3,000 copies of its ASQ products to over 150 customers worldwide in a broad range of industries.

The market for ASQ products is relatively new and undeveloped, and Mercury faces competition from several companies in the United States and Europe.

Mercury is a Delaware corporation with its headquarters in California. Mercury's research and development facility is located in Israel. In October 1993, Mercury completed an initial public offering of its shares. Its shares are quoted on the NASDAQ NMS under the symbol "MERQ." Following the public offering, the Company owns 3.8% of the shares of Mercury which it purchased in March 1992 for approximately \$1.5 million.

DSP GROUP, INC. AND DSP TELECOMMUNICATIONS LTD.

DSP Group is a leading developer of high performance, cost effective, digital signal processing ("DSP") software and integrated circuits for digital speech products, targeted at the convergence of the personal computer, communications and consumer electronics markets. Digital speech technology provides fundamental advantages over analog speech technology and represents an enabling technology for a broad range of major applications in these markets. DSP Group pioneered the all-digital telephone answering machine market. DSP Group has developed TrueSpeech™, a proprietary digital speech compression technology, which offers significant advantages over competing technologies and is being positioned as an industry standard. DSP Group also has interests in related companies engaged in telecommunications and video compression technologies.

The Company owns directly 3.6% of the equity of DSP Group which it purchased from an unaffiliated DSP Group shareholder in 1993 for approximately \$1.1 million. Ophir, which is 42.5%

owned by the Company, owns 3.1% of DSP Group for which it paid approximately \$1.9 million in 1992. Another Hapoalim affiliate also owns 3.6% of DSP Group. In December 1993, DSP Group filed a registration statement for a public offering of its shares in the United States, which has not yet been declared effective.

Ophir also owns 4.4% of DSP Telecommunications, a DSP Group investee, for which it paid \$1 million in 1992. DSP Telecommunications is a leading developer of cost effective, high performance DSP software and integrated circuits for digital communications products targeted at the emerging wireless communications market.

IDAN SOFTWARE INDUSTRIES I.S.I. LTD.

Idan, through its direct and indirect subsidiaries, is a provider of telecommunications services and products. To date, Idan has provided these services and products in Israel, although during 1994 Idan plans to begin marketing certain of its services and products in Europe and selected countries elsewhere.

Idan's subsidiary, Elitec Industries 77 Ltd. ("Elitec"), installs and operates coin-operated pay telephones, installs and provides bedside telephone service to hospital patients and provides tenant communication services to office buildings and other facilities. Elitec, through a subsidiary, provides outbound international telephone and facsimile services to Israeli business customers and issues a telephone calling card to Israeli business executives, professionals and others for use primarily in placing direct-dial inter-country calls. Elitec, through another subsidiary, provides paging services in central Israel. Elitec shares are publicly traded on the TASE.

During the past two years, Idan's subsidiaries have sought to benefit from the Israeli Government's decision to open up segments of the telecommunications industry to competition. These companies have focused on obtaining Israeli Government licenses to enable them to provide certain telecommunications and value-added services and products in Israel and to commence the operation of businesses which provide these services and products. Idan faces substantial competition for the services and products it offers.

Idan is dependent on short-term licenses from the Israeli Ministry of Communications for the services it offers.

The Company has entered into a shareholders' agreement pursuant to which it has agreed to vote all of its shares in favor of all of Idan's nominees to its board of directors, and for so long as it holds at least 70% of the shares it purchased in the private placement from Idan, the other shareholders have agreed to vote in favor of the Company's nominee to Idan's board of directors.

In July 1993, the Company purchased 8.4% of Idan's shares for approximately \$3.5 million. In October 1993, Idan completed a private placement of 6.7% of its shares for \$3.2 million. As a result of this placement, the Company's ownership of Idan was reduced to 7.8%.

Idan is quoted on NASDAQ under the symbol "IDANF."

CONDITIONS IN ISRAEL

The following information is included in order to advise prospective purchasers of Units in the Offerings of certain conditions in Israel that could affect the Company and its investors. All figures and percentages are approximate. A substantial portion of the information with respect to Israel presented hereunder and under "Special Considerations--Operations in Israel" has been taken from Annual Reports of the Bank of Israel and the Israeli Central Bureau of Statistics. GDP growth rates for 1990, 1991 and 1992 were obtained from economic reports of Hapoalim. No independent verification has been made of such information or of other information taken from other Israeli government publications.

ISRAELI-PALESTINIAN DECLARATION OF PRINCIPLES

In September 1993, a breakthrough occurred in Israeli-Palestinian relations. A joint Israeli-Palestinian Declaration of Principles was signed by Israel and the PLO in Washington, D.C., outlining the interim self-government arrangements. These arrangements include early 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. The result of this initiative will depend on the parties' ability to agree on the details and the implementation of these complex arrangements.

INFLATION AND DEVALUATION

Israel's economy suffered from an extended period of rampant inflation in the early 1980's which reached a peak annual rate of 445% during 1984. Inflation resulted from both internal and external factors, including a sharp rise in international prices, dependence on imported goods and services and frequent devaluations of the Israeli currency. Other significant factors included large budget deficits caused by heavy defense expenditures, debt service requirements and substantial social expenditures. Prior to 1985, a substantial portion of Government spending was financed by borrowing, with Israeli tax revenue accounting for only about half of Government of Israel expenditures. Since 1985, the budget deficit has been substantially reduced. Defense spending continues to account for a substantial amount of Government of Israel expenditures. In addition, decreases in price subsidies needed to limit budget deficits contributed to price increases.

In 1992, for the third consecutive year, the economy of Israel underwent an appreciable expansion. During calendar years 1990 through 1992, Israel's GDP increased by 5.8%, 6.2% and 6.6%, respectively, while the total amount of export was \$11.6 billion, \$11.2 billion and \$12.4 billion, respectively, and, in the first half of 1993, \$6.8 billion. During the period 1990 through the first six months of 1993, the population has increased by 15.2% primarily due to immigration from the former Soviet Union. 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.

The number of tourists who arrived in Israel in 1991 was approximately 1.0 million and it increased to approximately 1.5 million in 1992. In the first half of 1993 the number of tourists was approximately 800,000.

Israel's unemployment rate increased to 11.2% at the end of 1992 from approximately 10.6% at the end of 1991 and approximately 9.6% at the end of 1990. At June 30, 1993 the unemployment rate was 9.7%.

The Israeli Government's primary economic policy objective has been to increase business sector employment, and the Government has adopted several economic policy measures in order to stimulate

public and private sector investment and expand business activity. In this respect, in early 1993 there were reductions in the corporation tax and value added tax and the elimination of marginal taxes that were viewed as interfering with economic activity. The overseas travel tax and the levy on some imported services were abolished in January 1993. Earlier, in May 1992, the payroll tax on businesses was abolished. A customs agreement with the European Free Trade Association countries was implemented in January 1993.

During 1992, the NIS was devalued relative to the dollar from NIS 2.283 to NIS 2.764, a 21% devaluation, and was further devalued to NIS 2.864 at the end of September 1993, a 3.6% devaluation. These devaluations resulted primarily from the overall appreciation of the dollar in world money markets.

To offset the effects of inflation on the purchasing power of the Israeli currency, the Government of Israel has instituted "linkage" policies which have also been followed by most private organizations. Through linkage, the amount of an obligation or payment is increased from time to time by an amount related to changes in an index which may be the exchange rate of a foreign currency or a price index. The payee is thus compensated for the relative decline in the purchasing power of the NIS. Linkage adjustments may be based upon the total or only a specified percentage of the change in the index being used. Many obligations or payments in Israeli currency are linked to the dollar or the CPI.

The following table sets forth for the periods indicated the effects of annual inflation on linkage adjustments and annual devaluations, as discussed in the preceding paragraph.

YEAR ENDED DEC. 31,	ISRAEL ANNUAL INFLATION RATE (1)	CLOSING EXCHANGE RATE (2)	ANNUAL DEVALUATION (3)	ANNUAL INFLATION ADJUSTED FOR DEVALUATION (4)	U. S. ANNUAL INFLATION RATE (5)
1984.....	444.9%	0.640	492.7%	(8.06)%	4.3%
1985.....	185.2	1.499	134.8	21.49	3.8
1986.....	19.6	1.486	(0.9)	20.65	1.9
1987.....	16.1	1.539	3.5	12.16	3.8
1988.....	16.4	1.807 (6)	17.4	(0.86)	4.1
1989.....	20.7	1.963	8.7	11.08	4.6
1990.....	17.6	2.048	4.3	12.72	5.4
1991.....	18.0	2.283	11.5	5.85	4.2
1992.....	9.4	2.764	21.1	(9.64)	3.0

- (1) "Israel Annual Inflation Rate" is the percentage increase in the Israeli CPI between December of the year indicated and December of the preceding year.
- (2) "Closing Exchange Rate" is the rate of exchange of one dollar for the NIS at December 31 of the year indicated as reported by the Bank of Israel.
- (3) "Annual Devaluation" is the percentage increase in the value of the dollar in relation to the NIS during the calendar year.
- (4) "Annual Inflation Adjusted for Devaluation" is obtained by dividing the December Israeli CPI by the Closing Exchange Rate, thus first obtaining a dollar-adjusted Israeli CPI, and then calculating the yearly percentage changes in this adjusted index.
- (5) "U.S. Annual Inflation Rate" is obtained by calculating the percentage change in the United States Consumer Price Index for All Urban Consumers, as published by the Bureau of Labor Statistics of the United States Department of Labor.
- (6) The official closing exchange rate on December 31, 1988, was NIS 1.685 to the dollar. On January 1, 1989, a devaluation of the NIS was declared and a new exchange rate of NIS 1.807 to the dollar was determined.

ISRAELI INVESTMENT

Since the establishment of the State of Israel in 1948, the Government of Israel has promoted and developed industrial and agricultural pursuits through a variety of methods including (i) direct grants-in-aid, (ii) direct ownership in agricultural and industrial enterprises, (iii) tax abatements and (iv) tax incentives.

Industrial research and development projects in Israel may qualify for government aid if they deal with the development of commercial products to be made in Israel for sale abroad. Direct incentives

usually are provided in the forms of grants, regulated in accordance with the Law for Encouragement of Industrial Research and Development 1984.

Since 1988, the Government of Israel's policy has been one of privatization aimed at reducing its direct ownership interest in enterprises, and the Government of Israel has sold or is planning to sell all or part of its stake in many Government-owned companies.

TRADE AGREEMENTS

Israel is a member of the United Nations, the International Monetary Fund, the International Bank for Reconstruction and Development and the International Finance Corporation. Israel is also a signatory to the General Agreement on Tariffs and Trade which provides for reciprocal lowering of trade barriers among its members.

Israel became associated with the European Economic Community by an agreement concluded on July 1, 1975 which confers certain advantages with respect to Israeli exports to most European countries and obliges Israel to lower its tariffs with respect to imports from those countries over a number of years.

In 1985, Israel and the United States entered into an agreement to establish a Free Trade Area ("FTA") which is intended ultimately to eliminate all tariff and certain nontariff barriers on most trade between the two countries. Under the FTA agreement, most products received immediate duty-free status in 1985, stated reductions are taking place on others and reductions in tariffs relative to a third category may be accelerated between 1990 and 1995, by which year all tariffs are to have been eliminated.

The end of the Cold War has enabled Israel to establish commercial and trade relations with a number of nations, including Russia, China and the nations of Eastern Europe, with which Israel had not previously had such relations.

ECONOMIC FACTORS

Israel's defense expenditures, debt service and expenditures for the absorption of immigrants are very high. As a result, the share of Israeli resources available for other national purposes is limited. The defense burden, debt service and expenditures for the absorption of immigrants, development of the economy and the provision of a minimum standard of living, particularly for the members of the lower income segments of the community, and the maintenance of a minimum level of net foreign reserves, have resulted in high balance of payments deficits for many years. In order to finance this deficit, Israel must ensure an adequate inflow of capital imports.

The main sources of the country's capital imports are military and economic aid from the United States, personal remittances from abroad, sales of Israel Government bonds, primarily in the United States, intergovernmental, institutional and free market loans and contributions from the Jewish community worldwide.

Israel does not have an abundance of raw materials, including oil, and therefore it is dependent to a large degree on the import of such raw materials.

At December 31, 1991, December 31, 1992 and June 30, 1993, Israel's outstanding net foreign debt was approximately \$15.1 billion, \$14.7 billion and \$16.7 billion, respectively. Israel had approximately \$5.1 billion of foreign exchange reserves at the end of 1992 compared to \$6.3 billion at the end of 1991, \$6.3 billion at the end of 1990 and \$5.3 billion at the end of 1989.

ECONOMIC AND MONETARY POLICIES

In order to stimulate economic growth, the Israeli Government has continued a more liberal monetary policy adopted in 1989 aimed at reducing interest rates and increasing the availability of investment capital. This policy increased the availability of such capital by loosening restrictions on the importation of foreign capital into the country and freeing additional foreign currency deposits held in Israeli banks for domestic lending by reducing bank liquidity requirements.

In an effort to stimulate exports and economic growth, the Israeli Government abandoned the fixed exchange rate policy which was followed in previous years. Commencing in 1989 the rate of exchange was allowed to fluctuate, within a range of 3% (later changed to 5%) up or down, after an initial devaluation of 13.4%. Further fluctuations and devaluations have occurred or have been declared since then, including a 13.3% devaluation in the fourth quarter of 1992. The current exchange rate mechanism adopted in December 1991 allows the exchange rate to fluctuate around a diagonal mid-band rate which will rise by up to 9% per annum and would allow for a total nominal depreciation of the NIS of up to 18% for 1993.

In the past several years the Israeli Government has also liberalized regulations relating to the Israeli securities market.

For a discussion of Israeli taxes see "Tax Information--Israeli Income Taxes."

Further measures which affect wages, prices, taxes, Israeli Government spending, securities markets and currency control may be adopted. The potential effect of political and military events in the Middle East or proposed economic reforms on the Israeli economy in general and the Company cannot be predicted.

OTHER ISRAELI REGULATIONS

The Banking Law

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. The Banking Law does not permit Hapoalim to acquire additional means of control in Ampal. Additionally, not more than 25% of the capital of Hapoalim may be invested in non-banking business corporations, including Ampal. Under the Banking Law, the Company may not use financing directly or indirectly provided by Hapoalim to make acquisitions. 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.

On August 30, 1993, a proposed amendment to the Banking Law passed the preliminary voting stage in the Knesset, the Israeli Parliament. Under the amendment, banks, including Hapoalim, would be required to reduce its holdings of non-banking business corporations, including Ampal, to 25% or less within two years of its enactment. In addition, it has been proposed 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.

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.

The Bank Share Arrangement

In October 1993, the Bank Share Settlement Act (Temporary Provisions) 1993 (the "Bank Shares Act") was enacted by the Knesset. Under the Bank Shares Act, in October 1993, the shares of several Israeli banks, including a majority of the shares of Hapoalim, were transferred to the Government of Israel. The purpose of the Bank Shares Act is to facilitate the Government of Israel's sale of shares in Israeli banks. However, the Bank Shares Act is intended to limit the Government's interference in the day-to-day operations of the banks. Control over such shares will be exercised by a supervisory

committee appointed by a public advisory committee which is in turn approved by the Israeli Government. This committee will appoint directors for the banks.

The Bank Shares Act may result in a significant change in the composition of Hapoalim's board of directors and in Hapoalim's relationship with Ampal. The impact of these developments upon the Company can not be predicted.

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 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 Bay Heart, Ophir, Industrial Buildings and Carmel, 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. Bay Heart has recently received an assessment from the tax authorities based upon certain long term leases to which it is a party. Bay Heart is appealing the assessment. See "Business."

The Company cannot predict whether the Commissioner's position will be upheld or, if upheld, the effect on the Company and its investees.

TAX INFORMATION

ISRAELI INCOME TAXES

Ampal (to the extent that it has income derived in Israel) and Ampal's Israeli subsidiaries are subject to taxes imposed under the Israeli Income Tax Ordinance. For 1993, Israeli companies are taxed on their income at a rate of 39%. For 1994 through 1996, this tax rate will be reduced to 38%, 37% and 36%, respectively. These reductions represent the final stage of reforms begun in 1987. These reforms consisted of combining two separate types of taxes on company income, company tax and income tax, into one tax, and reducing the effective tax rate on company income in 1987 from 61% to 45%, with further reductions to 43.5%, 41% and 40% in 1990 through 1992.

Ampal has income from interest, rent and dividends resulting from its investments in Israel. Under Israeli law, Ampal has been filing reports with the Israeli tax authorities with respect to such income. In addition, as noted below, Ampal is subject to withholding tax on dividends received from Israeli companies at a rate of 25%. Under an arrangement with the Israeli tax authorities, such income has been taxed based on principles generally applied in Israel to income of non-residents. Ampal has filed reports with the Israeli tax authorities through 1991 and has received "final assessments" with respect to such reports (which final assessments are, under Israeli law, subject to reconsideration by the tax authorities only in certain limited circumstances, including fraud). Based on the tax returns filed by Ampal through 1991, it has not been required to make any additional tax payments in excess of the withholding on its dividends. In addition, under Ampal's arrangement with the Israeli tax authorities, the aggregate taxes paid by Ampal in Israel and the United States on interest, rental and dividend income derived from Israeli sources has not exceeded the taxation which would have been payable by Ampal in the United States had such interest, rental and dividend income been derived by Ampal from United States sources. There can be no assurance that this arrangement will continue in the future. This arrangement does not apply to taxation of Ampal's Israeli subsidiaries.

Under the provisions of the Income Tax Ordinance, income paid to non-residents of Israel by residents is generally subject to withholding tax at the rate of 25%. No withholding has been made on interest and rent payable to Ampal under an exemption which Ampal has received from the income tax authorities on an annual basis. There can be no assurance that this exemption will continue in the future. With regard to dividends, however, payments to Ampal are withheld at the 25% rate (as opposed to dividends payable to Israeli companies, which are exempt from tax). The continued tax treatment of Ampal by the Israeli tax authorities in the manner described above is based on Ampal continuing to be treated, for tax purposes, as a non-resident of Israel that is not doing business in Israel.

Under Israeli law, a tax is payable on capital gains of residents and non-residents of Israel. With regard to non-residents, this tax applies to gains on sales of assets either located in Israel or which represent a right to assets located in Israel (including gains arising from the sale of shares of stock in companies resident in Israel). The portion of the gain attributable to inflation is taxable at 10%, while the remainder of the profit, if any, is taxable to corporations at 40% in 1992 (and is scheduled to be reduced to 39% and further to 36% in stages during 1993 through 1996). Non-residents of Israel are exempt from the 10% tax on the inflationary gain derived from the sale of shares in companies that are considered Israeli residents if they choose to compute the inflationary portion of the gain based on the change in the rate of exchange between Israeli currency and the foreign currency in which the shares were purchased from the date the shares were purchased until the date the shares were sold.

The Income Tax Law (Adjustment for Inflation), 5745-1985, which applies to companies which have business income in Israel or which claim a deduction in Israel for financing costs, has been in force since the 1985 tax year. The law provides for the preservation of equity whereby certain corporate assets are classified broadly into Fixed (inflation resistant) and Non-Fixed (non-inflation resistant) Assets. Where shareholders' equity, as defined therein, exceeds the depreciated cost of Fixed Assets, a tax deduction which takes into account the effect of the annual inflationary change on such excess is allowed, subject to certain limitations. If the depreciated cost of Fixed Assets exceeds shareholders' equity, then such excess, multiplied by the annual inflation change, is added to taxable income.

A proposed tax treaty between Israel and the United States was signed in 1975, and amended by protocols signed in 1980 and January 1993. Ratification of the treaty is pending in both countries. The Company believes that this treaty will not have a substantial impact on the taxation of the Company in the United States or in Israel.

Individuals and companies in Israel pay VAT at a rate of 17% of the price of assets sold and services rendered. They can deduct VAT paid on goods and services acquired by them.

UNITED STATES TAXATION OF AMPAL

Ampal and its United States subsidiaries (in the following tax discussion, generally "Ampal") are subject to United States taxation on their consolidated taxable income from foreign and domestic sources. The gross income of Ampal for tax purposes includes or may include (i) income earned directly by Ampal, (ii) Ampal's share of "subpart F income" earned by certain foreign corporations controlled by Ampal, (iii) Ampal's share of income earned by certain electing "passive foreign investment companies" or (under a pending tax bill) "passive foreign corporations" of which Ampal is a stockholder and (iv) an amount (if any) generally equal to Ampal's share of a controlled foreign corporation's "excess passive assets." Subpart F income includes dividends, interest and certain rents and capital gains. Excess passive assets of a controlled foreign corporation for a taxable year are the excess of the average of the amounts of passive assets held by the corporation as of the close of each quarter of a taxable year over 25% of the average of the amounts of total assets held by the corporation at such times. For calendar year 1993, the maximum rate applicable to domestic corporations is 35%.

Ampal is entitled to claim as a credit against its United States income tax liability all or a portion of income taxes, or of taxes imposed in lieu of income taxes, paid to foreign countries. If Ampal receives dividends from a foreign corporation in which it owns 10% or more of the voting stock, in determining total foreign income taxes paid by Ampal for purposes of the foreign tax credit, Ampal is treated as having paid the same proportion of the foreign corporation's post-1986 foreign income taxes as the amount of such dividends bears to the foreign corporation's post-1986 undistributed earnings.

In general, the total foreign tax credit that Ampal may claim is limited to the proportion of Ampal's United States income taxes that its foreign source taxable income bears to its taxable income from all sources, foreign and domestic. The Internal Revenue Code of 1986, as amended (the "Code"), also limits the ability of Ampal to offset its United States tax liability with foreign tax credits by subjecting various types of income to separate limitations. Source of income and deduction rules may further limit the use of foreign taxes as an offset against United States tax liability. As a result of the operation of these rules, Ampal may choose to take a deduction for foreign taxes in lieu of the foreign tax credit.

Ampal may be subject to the alternative minimum tax ("AMT") on corporations. Generally, the tax base for the AMT on corporations is the taxpayer's taxable income increased or decreased by certain adjustments and tax preferences for the year. The resulting amount, called alternative minimum taxable income, is then reduced by an exemption amount and subject to tax at a 20% rate. As with the regular tax computation, AMT can be offset by foreign tax credits (separately calculated under AMT rules and generally limited to 90% of AMT liability as specially computed for this purpose).

In connection with the transfer in 1992 of its stock in Granite to a foreign subsidiary, Ampal entered into a gain recognition agreement with the Internal Revenue Service. Under this agreement, if the foreign subsidiary sells all or a portion of its stock in Granite before 2003, Ampal generally will be required to recognize for tax purposes a proportionate amount of gain based upon the fair market value of the stock in Granite on the date of the transfer to the foreign subsidiary, and to pay tax due in respect of such gain together with interest accrued on such tax since the date of the gain recognition agreement.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES TO UNITED STATES HOLDERS OF UNITS

The following is a brief summary, based on current law, of certain Federal income tax consequences associated with the acquisition, holding and disposition of the Units and the Class A Stock and

Warrants included in the Units by a holder who is a United States person. A "United States person" means a citizen or resident of the United States, a corporation or partnership created or organized under the laws of the United States or of any state, or an estate or trust the income of which is includible in gross income for United States federal income tax purposes regardless of its source. This discussion assumes that the Units are held as capital assets and does not address all aspects of United States Federal income tax that may be relevant to a United States holder of Units in light of his or her specific circumstances. Accordingly, prospective investors are urged to consult their own tax advisors with respect to the particular tax consequences to them of acquiring, holding and disposing of the Units, the Class A Stock or the Warrants as well as any tax consequences that may arise under the laws of any foreign, state, local or other taxing jurisdiction to which they may be subject.

For Federal income tax purposes, the issue price of a Unit must be allocated between the Class A Stock and the Warrant included in the Unit in proportion to their respective fair market values at the time of issuance. The amount allocated to each component in the Unit will constitute the tax basis of that component. Upon exercise of a Warrant, the basis of the Warrant plus the amount paid on the exercise of the Warrant will be the basis of the new share of Class A Stock issued.

No gain or loss will be recognized by a holder of a Warrant upon exercising the Warrant (nor will Ampal recognize any income upon exercise). The holding period of a share of Class A Stock acquired upon the exercise of a Warrant will commence upon the exercise date of the Warrant. Any gain or loss recognized by a holder upon the sale of Class A Stock or a Warrant generally will constitute a capital gain or capital loss. Any loss recognized upon the lapse of a Warrant generally will constitute a capital loss.

CERTAIN UNITED STATES FEDERAL TAX CONSEQUENCES TO FOREIGN HOLDERS OF UNITS

The following is a general discussion, based on current law, of certain United States federal income and estate tax consequences associated with the acquisition, holding and disposition of the Units and the Class A Stock and Warrants included in the Units by a holder who, for United States federal income tax purposes, is not a United States person (a "Foreign Holder") or who, for United States federal estate tax purposes, is neither a citizen of nor resident in the United States. This discussion does not address all aspects of United States federal tax that may be relevant to Foreign Holders in light of their specific circumstances, or the United States federal tax consequences of an investment by a Foreign Holder in a United States corporation or partnership that acquires, owns or disposes of Units or of the Class A Stock and Warrants included in the Units. Prospective investors are urged to consult their own tax advisors with respect to the particular tax consequences to them of acquiring, holding and disposing of the Units, the Class A Stock or the Warrants, as well as any tax consequences that may arise under the laws of any foreign, state, local or other taxing jurisdiction to which they may be subject.

Dividends

Dividends paid to a Foreign Holder generally will be subject to withholding of United States federal income tax at the rate of 30% (or a lower rate prescribed by an applicable income tax treaty) unless such dividends are effectively connected with the conduct of a trade or business within the United States by the Foreign Holder, in which case the dividends generally will be subject to United States federal income tax on a net basis in a manner similar to dividends paid to a United States person. Such effectively connected dividends received by corporate Foreign Holders may also be subject to the 30% United States branch profits tax that is imposed with respect to a foreign corporation's earnings and profits that are effectively connected with its conduct of a trade or business within the United States, as reduced or increased by any increase or decrease, respectively, in such foreign corporation's United States net equity. Different rules from those described above may be provided by an applicable income tax treaty. A Foreign Holder will be required to satisfy certain certification requirements in order to obtain any reduction of, or exemption from, United States withholding taxes under the foregoing rules.

Gain on Disposition

Subject to special rules applicable to individuals, described in the next paragraph, a Foreign Holder generally will not be subject to United States federal income tax with respect to any gain realized upon the sale or other disposition of Class A Stock or a Warrant except to the extent that (i) the gain is (or is treated under the sourcing rules as) effectively connected with the conduct of a trade or business within the United States by the Foreign Holder ("effectively connected income") or (ii) the gain is treated as effectively connected income because Ampal is, was or becomes a "United States real property holding corporation" for United States federal income tax purposes and certain other requirements are met. Ampal has not been, and is not expected to become, a United States real property holding corporation. Any gain that is (or is treated as being) effectively connected income normally will not be subject to United States withholding taxes, but will be subject to United States federal income tax at the rates which would be applicable to such gain in the hands of a United States person (and possibly, with respect to corporate holders, the branch profits tax). Applicable income tax treaties may provide for reduction or elimination of the United States tax to which such gain may be subject.

In addition to the rules described above, an individual Foreign Holder who is not engaged in a United States trade or business and who holds Class A Stock or a Warrant as a capital asset generally will be subject to tax at a 30% rate on gain realized on the disposition of such asset if such individual is present in the United States for 183 days or more in the taxable year of disposition and has a "tax home" in the United States.

Federal Estate Tax

The United States federal estate tax generally is imposed on the value of property, subject to certain deductions, owned by an individual who is neither a citizen nor a resident (as defined for United States federal estate tax purposes) of the United States at the date of death, to the extent such property is situated or treated as situated in the United States. The federal estate tax is imposed at graduated rates ranging from 18% to 55% and is reduced by a credit that exempts the first \$60,000 of the "United States taxable estate." Class A Stock or a Warrant owned or treated as owned by an individual who is neither a citizen nor a resident of the United States at the date of death will be included in the individual's United States taxable estate for federal estate tax purposes, subject to the terms of any applicable estate tax treaty.

Information Reporting and Backup Withholding

Ampal or its designated paying agent (the "payor") must report annually to the Internal Revenue Service and to each Foreign Holder the amount of dividends paid to, and the tax, if any, withheld with respect to, such Foreign Holder. This information might also be required to be made available to the tax authorities of the country in which a Foreign Holder resides.

The 31% United States federal backup withholding tax, which generally is levied against certain payments to persons who fail to furnish certain identifying information to the payor, generally will not apply to dividends paid to a Foreign Holder at an address outside the United States. The backup withholding tax and information reporting requirements will apply, however, to the payment to a Foreign Holder of the gross proceeds of disposition of Class A Stock or (other than upon exercise) of a Warrant by or through a United States office of a United States or foreign broker, unless the Foreign Holder either

(i) certifies to the broker under penalties of perjury as to its name, address and status as a Foreign Holder and certain other matters, or (ii) the Holder otherwise establishes an exemption. Under certain circumstances, the foreign office of a United States or foreign broker may also be subject to the backup withholding tax and information reporting requirements applicable to the payment to a Foreign Holder of the proceeds of a disposition of Class A Stock or a Warrant. Any amounts withheld under the backup withholding rules will be refunded or credited against a Foreign Holder's United States federal income tax liability, provided that required information is furnished to the Internal Revenue Service.

MANAGEMENT

The following table sets forth certain information regarding Ampal's directors and executive officers:

NAME	POSITION
Michael Arnon(1)	Chairman of the Board and Director
Lawrence Lefkowitz(1)	President, Chief Executive Officer and Director
Moshe Mor	Vice President--Israel Operations
Alan L. Schaffer	Vice President--Finance and Treasurer
Alla Kanter	Controller
Michael K. Marks	Secretary
Miri Lent	Assistant Vice President--Israel Operations
Susan Rosenberg	Assistant Treasurer
Yair Youtzis	Assistant Vice President--Hotel Operations
Harry B. Henshel	Class A Director
Leon Riebman(2)	Class A Director
Evelyn Sommer(1)(2)(3)	Class A Director
Stanley Batkin(1)(3)	Director
Yaacov Elinav(1)(4)	Director
Eitan Raff(1)(3)	Director
Shimon Ravid(4)	Director
Alexander Yuhjtman(1)(2)(4)	Director

(1) Member of the Executive Committee

(2) Member of the Audit Committee

(3) Member of the Related Party Transactions Committee

(4) Member of the Stock Option Committee

MICHAEL ARNON, 68, has been Chairman of the Board of Directors of Ampal since November 1990. From July 1986 until November 1990, he was President and Chief Executive Officer of Ampal. From March 1983 until April 1990 he also served as a director of Israel Continental Bank Ltd., a partially-owned subsidiary of Hapoalim, where he had been an Alternative Chairman of the Board until 1987. He became a director of Ampal in 1986.

LAWRENCE LEFKOWITZ, 55, has been President and Chief Executive Officer of Ampal since November 1990. He joined Ampal in 1977 as Vice President-Legal and Secretary. In August 1990 he also became Counsel to Hapoalim in charge of the Legal Department for the United States Branches. He became a director of Ampal in 1990. See "Certain Transactions."

MOSHE MOR, 58, has been Vice President-Israel Operations of Ampal since 1986. He is primarily responsible for reviewing and negotiating business opportunities presented to the Company. From 1975 to 1985, he was Chief Financial Officer of Zim Israel Navigation Company Limited.

ALAN L. SCHAFFER, 51, has been Vice President-Finance and Treasurer since August 1990. From December 1988 until then, he was Vice President-Accounting and Controller of Ampal. From 1984 to 1988 he was Controller of Ampal and has been employed by Ampal since 1983. From 1976 to 1982 he was Senior Financial Advisor at The New York Stock Exchange.

ALLA KANTER, 36, has been Controller of Ampal since August 1990. From January 1986 to August 1990 she served as Assistant Controller of Ampal.

MICHAEL K. MARKS, 29, has been Secretary of Ampal since December 1992 and has been employed by Ampal since August 1992. From January 1992 until July 1992 he was an attorney for the law firm of Weitz and Luxenberg, P.C. From August 1988 until May 1991 he attended Emory University School of Law.

MIRI LENT, 37, has been Assistant Vice President-Israel Operations of Ampal since July 1988 and has been employed by Ampal (Israel) for more than five years.

SUSAN ROSENBERG, 49, has been Assistant Treasurer of Ampal since November 1990 and has been employed by Ampal for more than five years.

YAIR YOUTZIS, 56, has been Assistant Vice President-Hotel Operations of Ampal and Managing Director of Moriah for more than five years.

HARRY B. HENSHEL, 74, has been Chairman of the Board of Bulova Corporation since 1974. He also serves as Chairman of the Chief Executives Council of Omega Group since 1990 and as a Director of the Ponce Hotel Corporation for more than 20 years and the Universal Holdings Corp. since 1993. He is a member of the advisory Board of the New York State Business Partnership for more than 5 years and a Trustee of the New York Backstretch Employees Pension Trust for more than 10 years. He became a director of Ampal in September 1993.

LEON RIEBMAN, 73, is Chairman and Chief Executive Officer and a director of AEL Industries, Inc., an electronic defense system manufacturer, for more than five years. He is also a director of the Bank and Trust Company of Old York Road. He became a director of Ampal in 1979.

EVELYN SOMMER, 54, has been President of Women's International Zionist Organization-USA, and a representative of Women's International Zionist Organization to the United Nations for more than five years, and has been Chairman, American Section of the World Jewish Congress, since December 1990. She became a director of Ampal in 1982.

STANLEY BATKIN, 79, served on the Board of Directors of Ampal Industries from 1983 until 1990 and was a member of its Executive Committee from 1986 until 1990. He became a director of Ampal in 1991.

YAACOV ELINAV, 49, has been a Senior Deputy Managing Director of Hapoalim since August 1992 and a Member of the Board of Management of Hapoalim since October 1991. From October 1991 to August 1992, he was a Deputy Managing Director of Hapoalim. From October 1988 to October 1991, he was head of the corporate division of Hapoalim. From 1983 to October 1988 he was Manager of the New York Branches of Hapoalim. He became a director of Ampal in July 1992. See "Certain Transactions."

EITAN RAFF, 52, has been Alternate Chairman of the Board of Maritime Bank since November 1992, where he had been Chairman of the Board from August 1988 until November 1992. He also serves as a Director of Wolfson Clore Mayer Ltd., a diversified investment company, where he had been Managing Director from July 1987 until April 1992 and as Chairman of Mirage Development Ltd., Yozma Venture Capital Ltd. and Karta Jerusalem Development Centre. He became a director of Ampal in 1987.

SHIMON RAVID, 57, has been Senior Deputy Managing Director of Hapoalim since October 1989. From February 1988 until June 1989 he was Chief Financial and Operating Officer of Koor Ltd. He became a director of Ampal in 1990. See "Certain Transactions."

ALEXANDER YUHJTMAN, 58, has been Executive Vice President, Regional Manager, Western Hemisphere of Hapoalim since October 1988. Prior thereto he was in charge of Hapoalim's International Division. He served as a director of Ampal from 1988 to 1989 and was reelected in 1990. See "Certain Transactions."

STOCK OPTION PLAN

Ampal's Board of Directors has approved the Stock Option Plan which is subject to shareholder approval and 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. Options granted under the Stock Option Plan may be either options which are intended to qualify as "incentive stock options" within the meaning of Section 422 of the Code ("ISOs"), or options that are not intended to so qualify ("Non-ISOs"). The Stock Option Plan's effectiveness is subject to the approval of Ampal's shareholders.

The Stock Option Plan is administered by the Board of Directors or by a Stock Option Committee thereof (the "Committee") consisting exclusively of directors who are "disinterested persons." The Board of Directors (or the Committee) determines, subject to the terms of the Stock Option Plan, the individuals to whom options are to be granted and the terms of the options, including the exercise price, number of shares subject to each option, whether the option is to qualify as an ISO and the vesting of rights to exercise each option.

The exercise price of each ISO granted under the Plan must be not less than the fair market value of the shares on the date of grant or 110% of the fair market value on the date of grant if the ISO grantee owns stock representing more than 10% of the voting power of Ampal's capital stock or value of all classes of stock of Ampal or a subsidiary corporation. The exercise price of each Non-ISO granted under the Stock Option Plan, which may be less than fair market value on the date of grant, will be fixed by the Board of Directors (or the Committee) at the time the Non-ISO is granted.

The Board of Directors (or the Committee) shall determine the dates on which each option shall be exercisable and the conditions precedent to such exercise. However, all options, other than those granted to non-employee directors of Ampal, must not be exercisable prior to the second anniversary of their date of grant. Options granted to non-employee directors of Ampal shall be exercisable immediately upon grant. The terms of options granted under the Stock Option Plan may not exceed five years.

The aggregate fair market value, determined at the date of grant, of shares that may first become exercisable in any calendar year under all ISOs granted to any one employee under any plans of Ampal or a subsidiary may not exceed \$100,000.

CERTAIN TRANSACTIONS

The Board of Directors of Ampal maintains a Related Party Transactions Committee comprised of independent directors which, on an annual basis, reviews and passes upon the fairness of any business dealings and arrangements (other than borrowings on then prevailing market terms or deposits made in the ordinary course of business) between the Company and Hapoalim or any other affiliated party. If the Committee determines that such dealings are no longer in the Company's best interests or involve terms less advantageous to the Company than could be obtained from unaffiliated third parties, Ampal will use its best efforts to modify or discontinue such arrangements. With certain exceptions, the Company may not enter into transactions with Hapoalim or its affiliates, or any officer, director or principal stockholder of the Company, without first obtaining the approval of the Related Party Transactions Committee.

The management of the Company believes that all of the following transactions were done on terms which were no less advantageous to the Company than could have been obtained from unaffiliated third parties.

The Company borrows and receives deposits from Hapoalim and its subsidiaries. During 1992 the largest amount of such indebtedness outstanding at any one time was \$60,245,000. The amount of interest expense paid by the Company to Hapoalim was \$5,536,000. Additionally, the Company makes loans to and maintains deposits with Hapoalim and its subsidiaries. The largest amount of such loans and deposits at any one time during 1992 was \$183,297,000 and interest income thereon was \$16,180,000. As of December 31, 1992, the amount of borrowings and deposits from Hapoalim and its subsidiaries was \$51,015,000 and the amount of loans to and deposits with Hapoalim and its subsidiaries was \$131,002,000. Ampal is the beneficiary of a \$10 million committed line of credit from Hapoalim which expires in October 1994. Borrowings under this line of credit bear interest at a variable rate of interest equal to LIBOR plus 1/2%. Such loans and borrowings are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other unrelated persons and, in the opinion of the management of the Company, do not involve more than normal risk of collectibility or present other unfavorable features. Hapoalim also guarantees

loans secured by the Holding Companies which were made by them prior to their ceasing lending activity.

In 1987, Hapoalim issued a guarantee in favor of an unrelated bank which extended a \$10,000,000 five-year loan to Ampal which matured on October 30, 1992. The annual guarantee fee paid by Ampal equalled one-half of one percent of the outstanding loan balance plus interest due thereon.

For purposes of tax planning for the Company, Ampal Finance assigned a \$13,000,000 deposit with the Accountant General of Israel maturing in 2002 and a similar deposit received from Hapoalim to Hapoalim, thereby foregoing a 0.2% margin on the transaction. The amount of this margin was equal to approximately \$26,000 in 1992, which is less than the tax benefits to the Company attributable to this transaction, and gradually decreases thereafter.

Ampal currently occupies executive office space leased by Hapoalim at 1177 Avenue of the Americas, New York City and will pay Hapoalim base rent of approximately \$168,000 per year commencing in September 1994, subject to escalation. Ampal has space located at 10 Rockefeller Plaza subleased until September 30, 1994 from Hapoalim for an annual rental, subject to escalation. The rental payments for 1992 amounted to approximately \$184,000. Until November 1990, Ampal occupied the entire floor, constituting 10,710 square feet. At that time, Ampal modified the sublease to return 65% of that space to Hapoalim, which then subleased it to an unrelated party subject to Ampal's guarantee of total rent payments equivalent to the rent previously paid under Ampal's sublease in the event the third party defaults.

The Company leases office space in various locations in the United States and Israel to Hapoalim and its subsidiaries in exchange for total annual rental payments of approximately \$3,576,000. These lease transactions consist of the following:

Hapoalim leases a portion of premises owned by Ampal located at 105 Arlozoroff Street, Tel Aviv under a lease which expires March 7, 2003, with annual rental payments based upon 11% of the cost of the property. The annual rent for the premises is approximately \$352,000.

Hapoalim leases premises owned by Ampal (Israel), located at 111 Arlozoroff Street, Tel Aviv under a nine-year lease which expires on September 30, 2000, with annual rental payments based upon 10% of the value of the property linked to the CPI. In 1993, Ampal (Israel) received \$220,000 as rent for these premises.

Ampal Development (Israel) owns two premises located in Tel Aviv aggregating approximately 17,000 square feet which were leased to Hapoalim for use as branch offices. These leases expire December 31, 1996 (with options to extend the lease term through December 31, 2002). The rental received from Hapoalim in 1993 on these premises was \$326,000.

Ampal Development (Israel) owns two offices aggregating approximately 16,500 square feet, located in Holon and Haifa, which are leased to Hapoalim for use as branch offices under nine-year leases which expire on September 30, 2000. Annual rental payments are equal to approximately 10% of the cost of the property linked to the CPI. Ampal Development (Israel) received \$705,000 as rent for these premises during 1993.

An Ophir subsidiary has rented three properties in Israel to Hapoalim or subsidiaries of Hapoalim for periods of up to ten years with the annual rental payments at market rates. The aggregate rentals received by this Ophir subsidiary for 1993 with respect to these properties was approximately \$750,000.

Ampal Finance has rented premises in Ramat Hasharon and Rosh Pina to Hapoalim under nine-year leases expiring September 30, 2000, with the annual rental payments based upon 10% of the cost of the premises linked to the CPI. The rental received in 1993 for these premises was \$469,000.

Nir has rented two premises to Hapoalim, one in Tel Aviv for nine years and one in B'nai Brak for five years (with an option to extend the lease for a period of four years and eleven months), with the annual rental payments based upon 10% of the cost of the premises linked to the CPI. The lease on the premises in Tel Aviv expires on September 30, 2000, and the lease on the premises in B'nai Brak expires

on July 10, 1997 (on June 10, 2002, if the option is exercised). The rental received in 1993 for these premises was \$377,000.

Ampal leases an office building located at 174 North Michigan Avenue, Chicago, Illinois to Hapoalim under a twenty-year net lease expiring in 2007 for a net rental of \$140,000 per year. At the conclusion of the term, Ampal has the option of requiring Hapoalim to purchase the building at its then fair market value.

Under agreements initially made in 1984 and extended in 1989, Ophir separately leases a hotel and parking area in Herzelia, Israel from an unrelated party. Ophir subleases these properties to Hapoalim on terms identical to those it pays. The rental received in 1993 for these premises was approximately \$250,000.

Until November 1993, Ampal owned 60% of the voting shares and 49.4% of the equity interest in Ophir, and the balance was owned by a Hapoalim affiliate. In November 1993, the two shareholders' interests in Ophir were equalized. In connection with the equalization, the Company obtained a fairness opinion from an independent investment consultant. Concurrently, 15% of the shares in Ophir were issued to another Hapoalim affiliate for approximately \$10.2 million. As a result, Ophir is now 42.5% owned by Ampal and its results will not be consolidated in the Company's financial statements after September 30, 1993.

Ophir and the other Hapoalim affiliate shareholder in the holding company that purchased 51.3% of the shares in Industrial Buildings have together pledged their shares in this company and this company's shares in Industrial Buildings to secure borrowings from unaffiliated lenders to finance the acquisition. Moreover, loans from Hapoalim to an unaffiliated shareholder in this holding company are also collateralized by shares in Industrial Buildings owned by the holding company and, under cross-default provisions, a default by any of the shareholders in the holding company could cause acceleration of Ophir's obligations, and, potentially, foreclosure on the Industrial Buildings shares held by this holding company.

Ophir, which has no employees, pays to another Hapoalim affiliate a management fee of approximately \$50,000 per year for administrative services. Moreover, under a recent agreement among Ophir's three shareholders, Ophir has agreed to pay annually to each of Ampal and a Hapoalim affiliate shareholder of Ophir an additional management fee of approximately \$85,300 in NIS linked to the dollar.

Polim Capital Markets and Investments Ltd., an affiliate of Hapoalim, is participating in the International Offering as an International Manager on terms identical to the other International Managers and served as an underwriter of the public offerings of Granite, Orlite and Teledata.

In connection with Ampal's purchases in 1992 and 1993 of 7.2% of DSP Group, the Company granted a Hapoalim subsidiary, an option to purchase, and the Hapoalim subsidiary granted Ampal an option to sell, 50% of Ampal's interest in the DSP Group for \$1.1 million, the same purchase price the Company paid, plus interest. In October 1993, the Hapoalim subsidiary exercised its option to purchase this interest.

In February 1992, Gmul Investment Company Ltd., an affiliate of Hapoalim, purchased 20% of Moriah for approximately \$12.5 million. As a result of this transaction, the Company's interest in Moriah was diluted from 57.5% to 46%.

In 1991, the Company agreed that its third lien on certain assets of Pri Ha'emek would rank behind the lien of Hapoalim on those assets.

The services of Mr. Lefkowitz are shared by Ampal and Hapoalim pursuant to an arrangement renewable semi-annually whereby Hapoalim reimburses Ampal for a portion of his compensation. Hapoalim paid \$75,000 with respect to services provided under this arrangement for the first nine months of 1993. During 1992, Hapoalim reimbursed Ampal \$151,000 for the services of Mr. Lefkowitz and two other Ampal employees under the arrangement.

Ampal owns \$2 million of 7% preferred shares of Cayman. An equivalent amount of 7% preferred shares in Cayman is expected to be issued to Hapoalim for \$2 million.

DESCRIPTION OF SECURITIES

UNITS

The Class A Stock and Warrants offered hereby will be sold only in Units. Each Unit consists of one share of Class A Stock and one Warrant. The Warrants, which will be in registered form, will be issued pursuant to a warrant agreement dated as of , 1994 (the "Warrant Agreement") between Ampal and Chemical Bank, as warrant agent ("Warrant Agent"). No Units or Warrants have been issued prior to the Offerings.

The Class A Stock and Warrants will not be separately transferable prior to , 1994 or such earlier date as may be determined by the Representatives of the U.S. Underwriters and International Managers (the "Separation Date"). Prior to the Separation Date, the certificates representing the Warrants will also represent the shares of Class A Stock in the Units. On or after the Separation Date, the Class A Stock and Warrants comprising the Units will only be separately transferable and will not be transferable as Units. Certificates evidencing the shares of Class A Stock in the Units will be issued to the holders of record of the Units on the Separation Date or as soon as practicable after the Separation Date.

The Company's Class A Stock is currently listed on the AMEX. The Units and the Warrants have been authorized for listing on the AMEX, subject to official notice of issuance.

CAPITAL STOCK

The authorized capital stock of Ampal currently consists of 30,000,000 shares of Class A Stock, par value \$1.00 per share, 4,932,850 shares of Preferred Stock, par value \$5.00 per share and 3,000,000 shares of Common Stock, par value \$1.00 per share. There are two outstanding series of Preferred Stock, the 4% Preferred Stock and the 6 1/2% Preferred Stock.

Voting Rights

Unless dividends on any outstanding Preferred Stock are in arrears for three successive years, as discussed below, 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, a right to elect the Class A Directors. Other than in the election of Class A Directors, the holders of Common Stock, voting as a class, are entitled to 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, unless dividends on any outstanding series of Preferred Stock are in arrears for three successive years in which case 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. The shares of Common Stock and Class A Stock do not have cumulative voting rights, which means that any holder or holders, acting in concert, of more than 50% of the Common Stock can, if such person or persons owns at least one share of Class A Stock, elect all of the directors other than the Class A Directors if that person or persons chooses to do so.

Dividend Rights

Dividends on all classes of Ampal's shares are payable as a percentage of par value. The holders of Ampal's presently authorized and issued 4% Preferred Stock and 6 1/2% Preferred Stock (each having a \$5.00 par value) are entitled to receive cumulative dividends at the rates of 4% and 6 1/2% per annum, respectively, payable out of surplus or net earnings of Ampal before any dividends are paid on the Common Stock or Class A Stock. If Ampal fails to pay such dividend on the Preferred Stock in any calendar year, such deficiency must be paid in full, without interest, before any dividends may be paid

on the Class A Stock or Common Stock. After the payment of all cumulative dividends on the Preferred Stock and a 4% dividend on the Class A Stock (par value \$1.00 per share), the Board may, but is not required to, declare dividends out of any remaining surplus or net earnings of Ampal, which dividends are participated in by the holders of 4% Preferred Stock and Class A Stock to the extent of an additional 8% each, before the holders of the Common Stock are entitled to receive any dividends. If after the payment of the aforesaid dividends on the Preferred Stock and Class A Stock there remains any surplus, the Board may, but is not required to, declare dividends out of any remaining surplus in an amount of up to 12% on the Common Stock. If, thereafter, there remains any surplus, any dividends declared are to be participated in by the holders of 4% Preferred Stock, Class A Stock and Common Stock, pro rata.

Liquidation Rights

In the event of liquidation, dissolution or winding up of Ampal, the holders of the Preferred Stock will be entitled to receive an amount equal to the share's par value (\$5.00 per share), sharing pari passu, together with accrued dividends to the date of payment, before any distribution or payment may be made to the holders of Class A Stock, Common Stock or any other stock ranking junior to the Preferred Stock. After the holders of Preferred Stock, Class A Stock and Common Stock are paid the par value of their shares (plus accrued dividends), holders of 4% Preferred Stock, Class A Stock and Common Stock share ratably in the distribution of any remaining assets without regard to class of stock, on the basis of the number of shares held multiplied by the par value thereof.

Preemptive Rights and Redemption Provisions

No holder of any class of shares of Ampal, now or hereafter authorized, has any preferential or preemptive right to subscribe for, purchase or receive any shares of any class of Ampal, or any options or warrants for such shares, or any rights to subscribe to or purchase such shares or any securities convertible into or exchangeable for, or carrying options or warrants for, or other rights to purchase, such shares, which may at any time be issued, sold or offered for sale by Ampal.

There are no redemption provisions relating to the Class A Stock.

Conversion Rights

Ampal's Preferred Stock may be authorized and issued in such series and with such designations, preferences and privileges as may be determined by its Board. There are presently authorized and issued two classes of Preferred Stock. The 4% Preferred Stock and 6 1/2% Preferred Stock are convertible at any time into fully paid and non-assessable shares of Class A Stock at the rate of five shares of Class A Stock for each share of 4% Preferred Stock and three shares of Class A Stock for each share of 6 1/2% Preferred Stock. The Class A Stock and Common Stock have no conversion rights.

Special Provisions Relating to Class A Stock

So long as the Class A Stock is listed on the AMEX, Ampal is not permitted to issue any other class of security having voting rights which would (i) deprive the Class A Stock of its right, voting as a class, to elect the Class A Directors, (ii) have the right to vote, as a class, more than ten times the number of shares of such other class of security then outstanding and entitled to vote or (iii) have voting rights which would otherwise adversely affect the voting rights of the Class A Stock. The authorization or issuance of additional Class A Stock or Common Stock or securities convertible into or exchangeable for Class A Stock or Common Stock are not to be deemed to adversely affect the voting rights of the holders of the Class A Stock.

Transfer Agent and Registrar

The transfer agent and registrar for the Class A Stock and the Units is Chemical Bank, New York, New York.

WARRANTS

The Warrants will be issued under the Warrant Agreement, the form of which has been filed as an exhibit to the Registration Statement and is incorporated by reference herein. This description is qualified in its entirety by reference thereto.

Exercise, Call and Rights

Each Warrant entitles the registered holder thereof to purchase one share of Class A Stock at a price of per share, subject to adjustment (the "Exercise Price"). The Warrants will be exercisable at any time after they are separately transferable until the earlier of five business days preceding their redemption date or their date of expiration, , 1999. Ampal has authorized and reserved for issuance that number of shares of Class A Stock sufficient to provide for the exercise of the Warrants. When delivered, such shares of Class A Stock will be fully paid and nonassessable. No fractional shares will be issued upon exercise of Warrants, but Ampal will pay the cash value of any fractional shares otherwise issuable.

The Warrants are not callable by Ampal until two years after their date of issuance. On or after , 1996 the Warrants are callable by Ampal, in whole or in part, without payment to the holder. The Company is required under the terms of the Warrant Agreement to mail to the holders of the Warrants notice of any redemption at least 30 days prior to the date scheduled for such call. The Warrants will be exercisable at any time after they are separately transferrable to the earlier of their date of expiration or five business days preceding their redemption date.

Warrants may be exercised by surrendering to the Warrant Agent a Warrant certificate duly completed and signed by the registered holder indicating his or her election to exercise all or a portion of the Warrants evidenced by such certificate. Surrendered Warrant certificates must be accompanied by payment of the aggregate Exercise Price of the Warrants to be exercised. Payment shall be made in cash or by check.

The Warrants contain provisions that protect the holders thereof against dilution by adjustment of the number of shares issuable thereunder in certain events, such as stock dividends and splits and distributions of stock or assets. Warrant holders are entitled to participate in rights, warrants or similiar offerings made below market value by Ampal to all its Class A stockholders as if the holders of Warrants were then holders of the Class A Stock underlying the Warrants.

Dividend and Voting Rights

Holders of Warrants are not entitled, by virtue of being such holders, to receive dividends or to consent or to receive notice as stockholders with respect to any meeting of stockholders for the election of directors of Ampal or any other matter, or to vote at any such meeting, or to exercise any right whatsoever as stockholders of Ampal.

Transfer Agent and Registrar

The transfer agent and registrar of the Warrants is Chemical Bank.

The exercise price of the Warrants has been determined by negotiations between the Company and the Representatives of the U.S. Underwriters and the Lead Managers. The principal factors considered in determining these prices were the market price of the Class A Stock, the Company's financial condition and prospects, market prices of similar securities of certain other publicly traded companies and the general condition of the securities market.

Warrants are generally more speculative than Class A Stock which is purchasable upon the exercise thereof. A Warrant may become valueless, or of reduced value, if the market price of the Class A Stock decreases or increases only modestly over the term of the Warrant.

UNDERWRITING

The underwriters of the United States Offering of the Units (the "U.S. Underwriters"), for whom Lehman Brothers Inc., Oppenheimer & Co., Inc. and Furman Selz Incorporated are acting as representatives (the "Representatives"), have severally agreed, subject to the terms and conditions of the U.S. Underwriting Agreement, the form of which is filed as an exhibit to the Registration Statement, to purchase from Ampal and Ampal has agreed to sell to the U.S. Underwriters, the aggregate number of Units set forth opposite their respective names below:

U.S. UNDERWRITERS	NUMBER OF UNITS
Lehman Brothers Inc.....	
Oppenheimer & Co., Inc.....	
Furman Selz Incorporated.....	
Total.....	

The managers of the International Offering of the Units (the "International Managers"), for whom Lehman Brothers International (Europe), Oppenheimer International Ltd., Furman Selz Incorporated and Poalim Capital Markets and Investments Ltd. are acting as lead managers (the "Lead Managers"), have severally agreed, subject to the terms and conditions of the International Underwriting Agreement, the form of which is filed as an exhibit to the Registration Statement, to purchase from Ampal and Ampal has agreed to sell to the International Managers, the aggregate number of Units set forth opposite their respective names below:

INTERNATIONAL MANAGERS	NUMBER OF UNITS
Lehman Brothers International (Europe).....	
Oppenheimer International Ltd.....	
Furman Selz Incorporated.....	
Poalim Capital Markets & Investments Ltd.....	
Clal Issuing Ltd.....	
Mizrahi Underwriting Company Ltd.....	
Total.....	

The U.S. Underwriting Agreement and the International Underwriting Agreement (collectively, the "Underwriting Agreements") provide that the obligations of the several U.S. Underwriters and the International Managers to purchase Units are subject to the certain conditions contained therein, and that if any of the foregoing Units are purchased by the U.S. Underwriters pursuant to the U.S. Underwriting Agreement or by the International Managers pursuant to the International Underwriting Agreement, all the Units agreed to be purchased by either the U.S. Underwriters or the International Managers, as the case may be, pursuant to their respective Underwriting Agreements must be so purchased. The offering price and underwriting discounts and commissions for the United States Offering and the International Offering are identical. The closing of the United States Offering is a condition to the closing of the International Offering and the closing of the International Offering is a condition to the closing of the United States Offering.

Ampal has been advised that the U.S. Underwriters and the International Managers propose to offer the Units directly to the public at the public offering price set forth on the cover page of this Prospectus, and to certain selected dealers (who may include the U.S. Underwriters and the International Managers) at such public offering price less a selling concession not in excess of \$ per Unit. The selected dealers may reallow a concession not in excess of \$ per Unit to certain brokers and dealers. After the initial public offering, the public offering price, the concession to selected dealers and the reallowance may be changed by the Representatives and the Lead Managers.

The U.S. Underwriters and the International Managers have entered into an Agreement between U.S. Underwriters and International Managers pursuant to which each U.S. Underwriter has agreed that, as a part of the distribution of the Units offered in the United States Offering, (a) it is not purchasing any such Units for the account of anyone other than a U.S. person and (b) it has not offered or sold, and will not offer, sell, resell or deliver, directly and indirectly, any of such Units or distribute any prospectus relating to the United States Offering to anyone other than a U.S. person. In addition, pursuant to this same Agreement, each International Manager has agreed that, as part of the distribution of the Units offered in the International Offering, (a) it is not purchasing any of such Units for the account of any U.S. person and (b) it has not offered or sold, and will not offer, sell or deliver, directly or indirectly, any of such Units or distribute any prospectus relating to the International Offering to any U.S. person. The foregoing limitations do not apply to stabilization transactions or to certain other transactions specified in the Underwriting Agreements and the Agreement between U.S. Underwriters and International Managers, including (i) certain purchases and sales between the U.S. Underwriters and the International Managers, (ii) certain offers, sales, resales, deliveries or distributions to or through investment advisors or other persons exercising investment discretion, (iii) purchases, offers or sales by a U.S. Underwriter who is also acting as an International Manager or by an International Manager who is also acting as a U.S. Underwriter and (iv) other transactions specifically approved by the Representatives and the Lead Managers.

Pursuant to the Agreement between U.S. Underwriters and International Managers, sales may be made between the U.S. Underwriters and the International Managers of such number of Units as may be mutually agreed. The price of any Units so sold shall be the public offering price as then in effect for Units being sold by the U.S. Underwriters and the International Managers, less an amount not greater than the selling concession allocable to such Units. To the extent that there are sales between the U.S. Underwriters and the International Managers pursuant to the Agreement between U.S. Underwriters and International Managers, the number of Units initially available for sale by the U.S. Underwriters or by the International Managers may be more or less than the amount specified on the cover page of this Prospectus.

Each International Manager has represented and agreed that (i) it has not offered or sold, and will not offer or sell, in the United Kingdom, by means of any documents, any Units other than to persons whose ordinary business it is to buy or sell shares or debentures, whether as principal or agent (except under circumstances which do not constitute an offer to the public within the meaning of the Companies Act 1985); (ii) it has complied and will comply with all applicable provisions of the Financial Services

Act 1986 with respect to anything done by it in relation to the Units, the Class A Stock and the Warrants in, from or otherwise involving the United Kingdom, and

(iii) it has only issued or passed on, and will only issue or pass on to any person in the United Kingdom, any document received by it in connection with the issue of the Units if that person is of a kind described in Article 9(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1988.

No action has been taken in any jurisdiction by Ampal or the International Managers that would permit a public offering of the Units offered pursuant to the Offerings in any jurisdiction where action for that purpose is required, other than the United States. Persons into whose possession this Prospectus comes are required by Ampal and the International Managers to inform themselves about and to observe any restrictions as to the offering of the Units offered pursuant to the Offerings and the distribution of this Prospectus.

Purchasers of the Units offered hereby may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the offering price set forth on the cover hereof.

Ampal granted to the U.S. Underwriters an option to purchase up to an additional Units and the International Managers have been granted a similar option to purchase up to an additional Units at the initial public offering price less the aggregate underwriting discount, solely to cover over-allotments if any. The options may be exercised at any time up to 30 days after the date of this Prospectus. To the extent that the U.S. Underwriters or the International Managers exercise such options, each of the U.S. Underwriters or the International Managers, as the case may be, will be committed, subject to certain conditions, to purchase a number of option Units proportionate to such U.S. Underwriter's or International Manager's initial commitment.

Ampal and Hapoalim have agreed not to offer, sell or otherwise dispose of any shares of Class A Stock for a period of 180 days after the date of this Prospectus without prior written consent of the Representatives, except in the case of Ampal in connection with certain permitted issuances described in the Underwriting Agreements. Ampal has agreed to indemnify the U.S. Underwriters and the International Managers against certain liabilities, including liabilities under the Securities Act of 1933, as amended (the "Act"), or to contribute to payments that the U.S. Underwriters and International Managers may be required to make in respect thereof.

Prior to the Offerings there has been no public trading market for the Units or the Warrants. Consequently, the initial public offering price of the Units and the exercise price of the Warrants have been determined by negotiations between Ampal and the Representatives of the U.S. Underwriters and the Lead Managers. Among the factors considered in determining these prices were the market price of the Class A Stock, Ampal's financial condition and prospects, market prices of similar securities of certain other publicly traded companies and the general condition of the securities market.

LEGAL MATTERS

The legality of the issuance of the Units offered hereby and the Class A Stock and the Warrants comprising the Units will be passed on for Ampal by Kronish, Lieb, Weiner & Hellman, New York, New York. In respect of certain legal matters concerning the law of the State of Israel, Kronish, Lieb, Weiner & Hellman will rely on the opinion of Meitar, Littman, Nechmad & Co., Ramat-Gan, Israel. Certain legal matters will be passed upon for the Underwriters by Fulbright & Jaworski L.L.P., New York, New York. In respect of certain legal matters concerning the law of the State of Israel, Fulbright & Jaworski L.L.P., will rely on the opinion of Herzog, Fox & Neeman, Tel Aviv, Israel.

EXPERTS

The Consolidated Financial Statements and schedules of the Company included 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, 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 referred to above have been included herein in reliance upon the authority of those firms as experts in giving said reports. The Financial Statements of Industrial Buildings included in this Prospectus, to the extent and for the periods indicated in their reports with respect thereto, have been audited by Kost, Levary and Forer, certified public accountants (Israel). The Financial Statements of Industrial Buildings have been included herein in reliance upon the authority of such firm as experts in giving said reports.

AVAILABLE INFORMATION

Ampal has filed a Registration Statement on Form S-2 under the Act, with the Commission with respect to the Offerings. As permitted by the rules and regulations of the Commission, this Prospectus omits certain of the information contained in the Registration Statement. For further information with respect to the Company and the Units being offered by this Prospectus, reference is hereby made to such Registration Statement, including the exhibits 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, and in accordance therewith, files reports and other information with the Commission. Reports, proxy statements and other information filed by the Company 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 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:

- (1) Annual Report on Form 10-K for the fiscal year ended December 31, 1992;
- (2) Quarterly Reports on Form 10-Q, as amended, for the quarters ended March 31, 1993 and June 30, 1993 and on Form 10-Q for the quarter ended September 30, 1993.

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 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).

INDEX TO FINANCIAL INFORMATION

Ampal-American Israel Corporation and Subsidiaries:	
	Report of Independent Public Accountants.....
F-2	
Consolidated Financial Statements:	
	Consolidated Statements of Income for the Years Ended
	December 31, 1990, 1991 and 1992 and for the Nine Months
	Ended September 30, 1992 (unaudited) and 1993 (unaudited)...
F-3	
	Consolidated Balance Sheets as at December 31, 1991 and 1992
	and as at September 30, 1993 (unaudited).....
F-4	
	Consolidated Statements of Cash Flows for the Years Ended
	December 31, 1990, 1991 and 1992 and for the Nine Months
	Ended September 30, 1992 (unaudited) and 1993 (unaudited)...
F-5	
	Consolidated Statements of Changes in Shareholders' Equity
	for the Years Ended December 31, 1990, 1991 and 1992.....
F-6	
	Notes to Consolidated Financial Statements.....
	F-7 -
F-16	
	Selected Quarterly Financial Data (unaudited).....
F-17	
	Representative Rates of Exchange Between the U.S. Dollar and the
	New Israeli Shekel for the Years Ended December 31, 1990, 1991
	and 1992 and for the nine months ended September 30, 1993.....
F-18	
Industrial Buildings Corporation Limited:	
	Report of Independent Auditors.....
F-19	
Consolidated Financial Statements:	
	Balance Sheet as at December 31, 1991 and 1992.....
F-20	
	Statement of Income for the Years Ended December 31, 1990,
	1991 and 1992.....
F-21	
	Statement of Changes in Shareholders' Equity for the Years
	Ended December 31, 1990, 1991 and 1992.....
F-22	
	Statement of Cash Flows for the Years Ended December 31,
	1990, 1991 and 1992.....
F-23	
	F-24
-	
	Notes to Financial Statements.....
F-49	
	Balance Sheet as at December 31, 1992 and September 30, 1993
	(unaudited).....
F-50	
	Statement of Income for the Nine Months Ended September 30,
	1992 (unaudited) and 1993 (unaudited).....
F-51	
	Statement of Changes in Shareholders' Equity for the Nine
	Months Ended September 30, 1993 (unaudited).....
F-52	
	Statement of Cash Flows for the Nine Months Ended September
	30, 1992 (unaudited) and 1993 (unaudited).....
F-53	
	F-54
-	
	Notes to Unaudited Financial Statements.....
F-56	

Ampal-American Israel Corporation Pro Forma Financial Statements:

Introduction to Pro Forma Financial Statements..... F-57 Pro Forma Consolidated Statement of Income for the Nine Months Ended September 30, 1993 (unaudited)..... F-58 Pro Forma Consolidated Balance Sheet as at September 30, 1993 (unaudited)..... F-59 Notes to Pro Forma Consolidated Financial Statements..... F-60 Pro Forma Consolidated Statement of Income for the Year Ended December 31, 1992 (unaudited)..... F-61 Notes to Pro Forma Consolidated Financial Statements..... F-62

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders of AMPAL-AMERICAN ISRAEL CORPORATION:

We have audited the accompanying consolidated balance sheets of Ampal-American Israel Corporation and subsidiaries (the "Company") as of December 31, 1992 and 1991, and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 1992. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of certain consolidated subsidiaries, which statements reflect assets and revenues of 29% and 56%, respectively, of the consolidated totals as of and for the year ended December 31, 1992, 23% and 53%, respectively, of the consolidated totals as of and for the year ended December 31, 1991 and 13% and 38%, respectively, of the consolidated totals as of and for the year ended December 31, 1990. Also, we did not audit the financial statements of certain companies, the investments in which are reflected in the accompanying financial statements using the equity method of accounting. The Company's equity in earnings of these companies represents \$11,167,000, \$5,436,000 and \$5,322,000 for the years ended December 31, 1992, 1991 and 1990, respectively. The statements of these subsidiaries and companies were audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for these entities, is based solely on the reports of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Ampal-American Israel Corporation and subsidiaries as of December 31, 1992 and 1991, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1992, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN & CO.

New York, N.Y.
March 18, 1993

F-2

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	YEAR ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30	
	1990	1991	1992	1992	1993
	(UNAUDITED)				
	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)				
Revenues:					
Interest:					
Related parties.....	\$ 15,672	\$ 23,732	\$ 17,058	\$ 14,008	\$ 11,801
Others.....	41,510	3,528	1,555	2,366	1,091
Food processing (Note 2).....	--	--	31,482	26,469	24,221
Hotel and leisure-time operations (Note 2).....	39,521	28,719	--	--	--
Manufacturing and distribution (Note 14(a)).....	--	--	--	--	2,314
Equity in earnings of affiliates and others (Note 10)....	5,725	5,593	11,195	6,548	7,599
Other income:					
Related parties.....	3,729	3,981	4,574	3,620	2,701
Others.....	1,307	1,366	2,556	1,890	1,792
Gains on issuance of shares by affiliates (Note 2).....	--	--	13,062	13,062	--
Gain on sale of investments (Note 2 and 14(b)):					
Related parties.....	2,539	--	--	--	--
Others.....	398	4,600	3,820	3,837	1,626
Total revenues.....	110,401	71,519	85,302	71,800	53,145
Expenses:					
Interest:					
Related parties.....	29,707	6,807	5,536	4,004	3,476
Others.....	26,114	19,199	12,810	10,231	13,739
Food processing (Note 2).....	--	--	24,415	20,911	20,049
Hotel and leisure-time operations (Note 2).....	31,828	26,465	--	--	--
Manufacturing and distribution (Note 14(a)).....	--	--	--	--	1,442
Other expenses.....	15,858	13,274	12,738	9,723	8,912
Translation loss (gain).....	324	(329)	1,413	673	(126)
Minority interests.....	392	1,609	4,785	4,575	(300)
Total expenses.....	104,223	67,025	61,697	50,117	47,192
Income before income taxes.....	6,178	4,494	23,605	21,683	5,953
Income taxes (Note 9).....	5,062	4,094	13,281	11,742	2,603
Income before extraordinary income.....	1,116	400	10,324	9,941	3,350
Extraordinary income (Note 1(g)).....	--	726	--	--	--
Net income before cumulative effect of change in accounting principle.....	1,116	1,126	10,324	9,941	3,350
Cumulative effect on prior years of change in accounting principle (Note 14(c)).....	--	--	--	--	(4,982)
Net (loss) income.....	\$ 1,116	\$ 1,126	\$ 10,324	\$ 9,941	\$ (1,632)
Earnings (loss) per Class A share (Note 8):					
Earnings before extraordinary income.....	\$.05	\$.02	\$.44	\$.42	\$.14
Extraordinary income.....	--	.03	--	--	--
Earnings before cumulative effect of change in accounting principle.....	.05	.05	.44	.42	.14
Cumulative effect on prior years of change in accounting principle.....	--	--	--	--	(.21)
Earnings (loss) per Class A share.....	\$.05	\$.05	\$.44	\$.42	\$ (.07)
Weighted average number of Class A and equivalent shares outstanding (in thousands).....	20,718	20,717	20,717	20,717	20,717

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

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	AS AT		
	DECEMBER 31, 1991	DECEMBER 31, 1992	SEPTEMBER 30, 1993
	(UNAUDITED)		
	(DOLLARS IN THOUSANDS)		
ASSETS			
Cash and cash equivalents.....	\$ 7,515	\$ 9,698	\$ 2,036
Deposits (Note 3):			
Related parties.....	178,506	125,220	107,658
Others.....	3,316	593	250
Notes and loans receivable (Note 3):			
Related parties.....	18,081	13,439	11,226
Others.....	11,736	6,111	5,319
Investments:			
Related parties (Notes 2, 10, 14(a) and 14(d)).....	62,012	97,243	149,531
Others.....	5,615	12,669	12,950
Property and equipment, less accumulated depreciation of \$25,673, \$9,687 and \$11,335.....	69,835	32,675	35,087
Other assets, including accrued interest.....	47,850	35,619	46,401
	\$ 404,466	\$ 333,267	\$ 370,458
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Deposits payable (Note 4):			
Related parties.....	\$ 8,413	\$ 3,828	\$ 3,332
Notes and loans payable (Note 5):			
Related parties.....	54,098	49,433	46,669
Others (Note 14(d)).....	21,134	19,023	61,415
Debentures outstanding (Note 6):			
Related parties.....	6,803	3,051	3,184
Others.....	159,511	100,795	95,844
Accounts and income taxes payable and accrued expenses:			
Related parties.....	1,962	3,041	1,045
Others.....	28,075	25,303	33,853
	279,996	204,474	245,342
Minority interests			
Related parties.....	13,746	9,591	9,351
Others.....	1,306	--	439
	15,052	9,591	9,790
Commitments and Contingencies (Note 13)			
Shareholders' equity (Note 7)			
4% Cumulative, Participating, Convertible Preferred Stock, \$5 par value; authorized 650,000 shares; issued 251,871, 240,528 and 223,869 shares; outstanding 243,513, 232,170 and 215,511 shares.....	1,259	1,202	1,119
6 1/2% Cumulative, Convertible Preferred Stock, \$5 par value; authorized 4,282,850 shares; issued 1,546,672, 1,510,924 and 1,270,960 shares; outstanding 1,542,848, 1,507,100 and 1,267,136 shares.....	7,733	7,554	6,355
Class A Stock, \$1 par value; authorized 30,000,000 shares; issued 14,999,376, 15,163,685 and 15,966,872 shares; outstanding 14,870,472, 15,034,781 and 15,837,968 shares.....	14,999	15,164	15,967
Common Stock, \$1 par value; authorized, issued and outstanding 3,000,000 shares.....	3,000	3,000	3,000
Additional paid-in capital.....	9,918	9,989	10,468
Retained earnings.....	72,509	82,293	80,181
Cumulative translations adjustments (Note 14(c)).....	--	--	(1,764)
	109,418	119,202	115,326
	\$ 404,466	\$ 333,267	\$ 370,458

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

F-4

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

	YEAR ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,	
	1990	1991	1992	1992	1993
	(DOLLARS IN THOUSANDS)			(UNAUDITED)	
Cash flows from operating activities:					
Net income (loss).....	\$ 1,116	\$ 1,126	\$ 10,324	\$ 9,941	\$ (1,632)
Adjustments to reconcile net income to net cash provided by operating activities:					
Equity in earnings of affiliates and others.....	(5,725)	(5,593)	(11,195)	(6,548)	(7,599)
Gains on issuance of shares by affiliates.....	--	--	(13,062)	(13,062)	--
Cumulative effect on prior years of change in accounting principle.....	--	--	--	--	4,982
Gain on sale of investments.....	(2,937)	(4,600)	(3,820)	(3,837)	(1,626)
Translation loss (gain).....	324	(329)	1,413	673	(126)
Depreciation expense.....	3,409	3,500	1,865	1,363	1,771
Amortization expense.....	5,564	6,321	6,011	4,614	3,710
Minority interests.....	392	1,609	4,785	4,575	(300)
Provision for loan losses.....	(1,693)	--	--	--	--
Expenses relating to sale of loan portfolios.....	2,031	--	--	--	--
Deconsolidation of investee company previously accounted for as a subsidiary.....	--	--	(1,093)	(1,093)	--
Consolidation of subsidiary previously accounted for by the equity method.....	--	418	--	--	--
(Increase) Decrease in other assets.....	4,244	1,744	3,412	2,211	(7,784)
Increase (decrease) in accounts and income taxes payable and accrued expenses:					
Related parties.....	4,710	(2,778)	1,029	(1,040)	(2,020)
Others.....	1,149	838	5,634	8,614	1,646
Dividends received from affiliates.....	5,937	1,886	7,065	5,737	1,409
Net cash provided by (used in) operating activities.....	18,521	4,142	12,368	12,148	(7,569)
Cash flows from investing activities:					
Deposits receivable granted:					
Related parties.....	(45,184)	--	--	--	--
Others.....	(5,500)	--	--	--	--
Deposits receivable collected:					
Related parties.....	22,861	48,844	47,492	37,868	19,614
Others.....	31,127	21,231	2,775	2,525	350
Notes and loans receivable granted:					
Related parties.....	(2,810)	(13,090)	(3,513)	(2,551)	(728)
Others.....	(2,107)	--	--	--	--
Notes and loans receivable collected:					
Related parties.....	2,903	2,186	5,473	2,421	3,309
Others.....	67,757	1,865	6,935	5,344	1,155
Investments made:					
Related parties.....	(60)	(2,645)	(3,323)	(3,296)	(51,817)
Others.....	(3,461)	(2,547)	(8,438)	(3,668)	(5,612)
Proceeds from sales of investments:					
Related parties.....	2,550	--	--	--	--
Others.....	3,031	7,937	5,272	5,093	7,224
Proceeds from sale of loan portfolios.....	32,473	--	--	--	--
Purchase of property and equipment.....	(3,394)	(9,953)	(765)	(544)	(4,286)
Net cash provided by (used in) investing activities.....	100,186	53,828	51,908	43,192	(30,791)
Cash flows from financing activities:					
Deposits payable received:					
Related parties.....	7,538	--	1,322	1,322	--
Others.....	530	--	--	--	--
Deposits payable repaid:					
Related parties.....	(58,597)	(18,599)	(5,686)	(4,877)	(586)
Others.....	(8,441)	--	--	--	(75)
Notes and loans payable received:					
Related parties.....	2,340	9,085	12,999	385	22,656
Others.....	243	1,221	6,981	1,315	49,290
Notes and loans payable repaid:					
Related parties.....	(18,482)	(16,167)	(14,194)	(7,549)	(25,769)
Others.....	(4,936)	(4,400)	(1,803)	(1,105)	(5,088)
Debentures outstanding repaid:					
Related parties.....	(2,604)	--	(3,243)	--	--
Others.....	(37,800)	(39,449)	(57,719)	(44,772)	(9,377)
Dividends paid:					
Others.....	(596)	(551)	(540)	--	--
Minority interests.....	(575)	(177)	--	--	686
Net cash provided by (used in) financing activities.....	(121,380)	(69,037)	(61,883)	(55,281)	31,737
Effect of exchange rate changes on cash and cash equivalents...	62	611	(210)	(579)	(1,039)
Net increase (decrease) in cash and cash equivalents.....	(2,611)	(10,456)	2,183	(520)	(7,662)
Cash and cash equivalents at beginning of period.....	20,582	17,971	7,515	7,515	9,698
Cash and cash equivalents at end of period.....	\$ 17,971	\$ 7,515	\$ 9,698	\$ 6,995	\$ 2,036
Supplemental Disclosure of Cash Flow Information (see Note 2(a) for non-cash financing and investing activities)					
Cash paid during the period:					
Interest:					
Related parties.....	\$ 34,443	\$ 16,443	\$ 5,507	\$ 4,711	\$ 2,060
Others.....	23,075	6,847	10,573	9,832	6,487
Total interest paid.....	\$ 57,518	\$ 23,290	\$ 16,080	\$ 14,543	\$ 8,547
Income taxes paid (refunded), net.....	\$ (1,343)	\$ 401	\$ 5,820	\$ 5,125	\$ 2,928

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

F-5

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	YEAR ENDED DECEMBER 31,		
	1990	1991	1992
	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)		
4% Preferred Stock			
Balance, beginning of year.....	\$ 1,366	\$ 1,310	\$ 1,259
Conversion of 11,086, 10,128 and 11,413 shares into Class A Stock.....	(56)	(51)	(57)
Balance, end of year.....	\$ 1,310	\$ 1,259	\$ 1,202
6 1/2% Preferred Stock			
Balance, beginning of year.....	\$ 8,447	\$ 8,027	\$ 7,733
Conversion of 83,954, 58,586 and 35,748 shares into Class A Stock.....	(420)	(294)	(179)
Balance, end of year.....	\$ 8,027	\$ 7,733	\$ 7,554
Class A Stock			
Balance, beginning of year.....	\$ 14,466	\$ 14,773	\$ 14,999
Issuance of shares upon conversion of Preferred Stock.....	307	226	165
Balance, end of year.....	\$ 14,773	\$ 14,999	\$ 15,164
Additional Paid-In Capital			
Balance, beginning of year.....	\$ 9,634	\$ 9,803	\$ 9,918
Conversion of Preferred Stock.....	169	119	71
Purchase of treasury shares--4% Preferred Stock and 6 1/2% Preferred Stock...	--	(4)	--
Balance, end of year.....	\$ 9,803	\$ 9,918	\$ 9,989
Retained Earnings			
Balance, beginning of year.....	\$ 71,414	\$ 71,934	\$ 72,509
Net income.....	1,116	1,126	10,324
Dividends:			
4% Preferred Stock--\$.20 per share.....	(52)	(49)	(47)
6 1/2% Preferred Stock--\$.325 per share.....	(544)	(502)	(493)
Balance, end of year.....	\$ 71,934	\$ 72,509	\$ 82,293

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

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

AS OF DECEMBER 31, 1992 AND EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER
31, 1992
(DOLLARS IN THOUSANDS)

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) The Company

As used in these financial statements, the term the "Company" refers to Ampal-American Israel Corporation ("Ampal") and its consolidated subsidiaries. A substantial portion of the Company's operations involves transactions with Bank Hapoalim B.M. ("Hapoalim") and companies affiliated or related thereto. Hapoalim, an Israeli banking corporation, owns controlling voting rights in Ampal. Hevrat Ha'ovdim controls Hapoalim pursuant to an agreement with the Israeli Government which will terminate on October 31, 1993.

The Government has announced that until the above-mentioned date it will attempt to provide for a legal framework which will prevent the Israeli banks, which were part of the Bank Share Arrangement of 1983, including Hapoalim, from becoming Government corporations. It is impossible to predict the nature of this arrangement and whether it will indeed come into force.

In February 1993, the Government decided to offer for sale to the public 20% of Hapoalim's shares held by the "Securities Company" and requested the approval for this transaction by the Finance Committee of the Knesset. However, following the demands of certain members of that Committee to re-examine the structure of banking groups in Israel, prior to any such sale of shares (which demand was based on the general guidelines proposed by the Governor of the Bank of Israel), the Minister of Finance has withdrawn said request for the time being, and declared his intention to renew the process of sale within a few months.

The issues to be re-examined relate, inter alia, to the control which the banks exercise over provident funds and mutual funds as well as to the size of their holdings in non-banking corporations, such as the Company.

Companies controlled by Hevrat Ha'ovdim which are not part of the Hapoalim family of companies are not deemed affiliates or related parties.

(b) Consolidation

The consolidated financial statements include the accounts of Ampal and its subsidiaries. The financial statements of the Moriah group of companies are consolidated through their year ended September 30th in 1991 and 1990. Effective with the first quarter of 1992, the Company no longer consolidates the results of the Moriah group of companies in its financial statements, but accounts for its investment in these companies by the equity method. The Company's interest in the Moriah group was diluted from 57.5% to 46% as a result of a private placement transaction (see Note 2 below).

(c) Translation of Foreign Currencies

Assets and liabilities of foreign subsidiaries and companies accounted for by the equity method are translated using year-end rates of exchange, except for property and equipment and certain investment and equity accounts which are translated at rates of exchange prevailing on the dates of acquisition.

Revenues and expenses are translated at average rates of exchange during the year for certain subsidiaries, while others are translated at rates of exchange at the transaction date. Revenue and expense items relating to assets translated at historical rates are translated on the same basis as the related asset. All translation gains and losses are included in the determination of income for the period.

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)
(DOLLARS IN THOUSANDS)

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--(CONTINUED)

(d) Investments

Investments in which the Company exercises significant influence, generally 20%-50% owned companies, are accounted for by the equity method, whereby the Company recognizes its share of such companies' income. The equity in earnings of two companies are reflected through their year ending September 30th.

Investments, other than those reflected by the equity method, are stated at cost, which in the aggregate approximates fair value.

(e) Property and Equipment

Property and equipment are carried at cost, less accumulated depreciation, computed by the straight-line method over the estimated useful lives of the assets.

(f) Income Taxes

Income taxes in the financial statements are recorded in accordance with APB Opinion No. 11. In the first quarter of 1993 the Company will adopt FASB Statement No. 109, "Accounting for Income Taxes," (see Note 9). Deferred income taxes result from timing differences between taxable income and income before income taxes reported for financial statement purposes. Such differences relate principally to tax provisions on equity in earnings of affiliates and provisions for uncollectible loans.

No U.S. income tax is provided on the undistributed earnings of foreign subsidiaries totalling approximately \$43 million (net), since such earnings are currently expected to be reinvested outside the United States or will be offset by available foreign tax credits. U.S. income tax is provided on equity in earnings of affiliates to the extent that taxes on such earnings would exceed available foreign tax credits. Ampal's foreign subsidiaries file separate tax returns and provide for taxes accordingly.

(g) Extraordinary Income

Extraordinary income includes tax loss carryforwards utilized by subsidiaries.

(h) Cash Equivalents

Cash equivalents include time deposits and notes receivable with original maturities of 90 days or less.

NOTE 2--ACQUISITIONS AND DISPOSITIONS

(a) In February 1992, the Company's investee Granite Hacarmel Investments Ltd. concluded a public offering of shares, warrants and convertible debentures in Israel on the Tel Aviv Stock Exchange for an aggregate price of approximately \$60 million. As a result of this transaction the Company's ownership of Granite was diluted from 26% to 21.7% with further dilutions possible, subject to the exercise of warrants or conversion of debentures.

Also in February 1992, the Company's subsidiary Moriah Hotels Ltd. concluded a private placement of its shares with a related party in Israel for a price of \$12.5 million for 20% of the company (see Note 1).

These offerings resulted in gains on issuance of shares of \$7 million (approximately \$2.7 million after taxes).

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)
(DOLLARS IN THOUSANDS)

NOTE 2--ACQUISITIONS AND DISPOSITIONS--(CONTINUED)

(b) In April 1992, the Company's investee Teledata Communication Ltd. concluded a public offering of its securities in the United States. In connection with this offering, the Company sold a portion of its interest in Teledata, and realized a gain on sale of \$3.8 million (approximately \$1.2 million after taxes and a deduction for minority interest). In addition, this offering resulted in a gain on issuance of shares of \$5.8 million (approximately \$2.1 million after taxes and a deduction for Ophir Holdings Ltd.'s minority interest). As a result of this transaction the Company's ownership of Teledata was diluted from 21.7% to 13.1%.

(c) In May 1992, Orlite Engineering Company Ltd. concluded a public offering of its shares in Israel which diluted the Company's investment to 31.1% from 41.9%.

(d) In July 1992, the Company acquired 20% of the shares of Carmel Container Systems Ltd., Israel's second largest carton producer, for \$2.2 million.

(e) In 1991, the Company sold its holdings of Clal (Israel) Ltd. shares. The resulting pretax gain amounted to \$4.6 million (\$1.4 million, net of taxes and minority interest).

(f) On December 15, 1991, the Company acquired an additional 24.9% interest in Pri Ha'emek (Canned and Frozen Food) 88 Ltd. ("Pri Ha'emek") for \$2 million (50% interest was acquired in 1988). This transaction brought the total investment to 74.9%. Accordingly, Pri Ha'emek's assets and liabilities have been consolidated in the Company's consolidated balance sheet at December 31, 1992 and 1991; its results of operations were consolidated in the Company's consolidated statement of income in 1992 and included in equity in earnings of affiliates in 1991 and 1990.

In 1990, Pri Ha'emek exercised its option to purchase a frozen food plant and adjoining cold storage facilities for \$4.5 million, financed with a long-term loan.

(g) In 1990, the Company's sale of its investment in Delek-The Israel Fuel Corporation Ltd. resulted in a pretax gain of \$2.5 million (\$2.4 million net of taxes).

NOTE 3--DEPOSITS AND NOTES AND LOANS RECEIVABLE

Generally, notes and loans receivable were collateralized by liens on real property and/or other tangible business assets or by guarantees, some of which were from Hapoalim and its subsidiaries. There were no charges to the allowance for loan losses in 1992, 1991 and 1990. Deposits and notes and loans receivable earn interest at varying rates depending upon their linkage provisions and are guaranteed by Hapoalim. Deposits have maturities of up to 13 years and notes and loans receivable have maturities of up to 5 years.

NOTE 4--DEPOSITS PAYABLE

Deposits payable bear interest at varying rates depending upon their linkage provisions and have maturities of up to 4 years.

NOTE 5--NOTES AND LOANS PAYABLE

Notes and loans payable consist primarily of borrowings from banks at rates of interest either based on London Interbank Offered Rates or linked to the Consumer Price Index in Israel and mature through 2002.

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)
(DOLLARS IN THOUSANDS)

NOTE 6--DEBENTURES OUTSTANDING

Debentures outstanding as at December 31 consist of:

	1991	1992
	-----	-----
Ampal:		
Various series with interest rates ranging from 8%-13%, maturing 1993-2003.....	\$ 141,276	\$ 83,424
Ampal Development (Israel) Ltd.:		
Various series with interest rates ranging from 6.2%-- 7.5%, linked to the Consumer Price Index in Israel, maturing 1993-2005, secured by assets of \$47 million.....	53,296	44,749
	-----	-----
	194,572	128,173
Less: Unamortized Discounts.....	28,258	24,327
	-----	-----
Total.....	\$ 166,314	\$ 103,846
	-----	-----

Certain debentures are presentable for early maturity. If presented for early maturity, maturities (including required obligations) for the five years ending December 31 would be:

1993.....	\$ 42,683*
1994.....	4,767
1995.....	19,044
1996.....	20,063
1997.....	4,767

* If no debentures are presented for early redemption, scheduled maturities will amount to \$8,159.

The 1993 amounts shown above include \$4 million of debentures with interest rates ranging from 8%-10%, maturing in 1996, which were redeemed in the first quarter of 1993.

NOTE 7--SHAREHOLDERS' EQUITY

Capital Stock

The 4% and 6 1/2% Preferred shares are convertible into 5 and 3 shares of Class A Stock, respectively. At December 31, 1992, a total of 5,682,150 shares of Class A Stock is reserved for issuance upon the conversion of the Preferred Stock.

The 4% and 6 1/2% Preferred Stock are preferred as to dividends on a cumulative basis. Preferred shares are nonvoting unless dividends are in arrears for three successive years. At December 31, 1992, there are no dividend arrearages. If dividends are paid on Class A Stock in amounts exceeding certain levels, then the Preferred and Common stocks are entitled to additional dividends in accordance with a specified formula.

Retained Earnings

At December 31, 1992, retained earnings include \$66.4 million for affiliates accounted for by the equity method, of which \$32.7 million and

approximately \$26.2 million from subsidiaries is not available for the payment of dividends. In most cases this results from Israeli requirements that dividends may only be paid on the basis of shekel-denominated and not dollar-denominated retained earnings.

F-10

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)
(DOLLARS IN THOUSANDS)

NOTE 8--EARNINGS PER CLASS A SHARE ("EPS")

Earnings per share is reflected for Class A Stock and not for Common Stock since Class A Stock is publicly held whereas the Common Stock is not. EPS assumes the conversion of the 4% and 6 1/2% Preferred Stock into Class A Stock at the beginning of the year and gives effect to the participatory rights of 3 million shares of Common Stock. Therefore, EPS is calculated by dividing net income by 23.7 million shares.

NOTE 9--INCOME TAXES

	1990	1991	1992
	-----	-----	-----
The components of current and deferred income tax expense (benefit) are as follows:			
Current:			
State and local.....	\$ 60	\$ (69)	\$ 60
Federal.....	1,712	1,255	2,056
Foreign.....	1,288	1,546	3,647
Deferred:			
Federal.....	804	1,362	7,518
Foreign.....	1,198	--	--
Total.....	\$ 5,062	\$ 4,094	\$ 13,281
	-----	-----	-----
The components of deferred income tax expense are as follows:			
Provision for loan losses.....	\$ 1,250	\$ --	\$ --
Equity in earnings of affiliates and others.....	1,258	1,971	4,484
Debenture selling expenses.....	(631)	(637)	(501)
Gains on issuance of shares.....	--	--	3,549
Other.....	125	28	(14)
Total.....	\$ 2,002	\$ 1,362	\$ 7,518
	-----	-----	-----
The domestic and foreign components of income (loss) before income taxes are as follows:			
Domestic.....	\$ (3,799)	\$ (3,737)	\$ (452)
Foreign.....	9,977	8,231	24,057
Total.....	\$ 6,178	\$ 4,494	\$ 23,605
	-----	-----	-----
A reconciliation of income taxes between the statutory and effective tax follows:			
Federal income tax at 34%.....	\$ 2,101	\$ 1,528	\$ 8,026
Taxes on equity in earnings of affiliates in excess of U.S. tax rate.....	1,890	2,012	2,931
Taxes on foreign income in excess of U.S. rate.....	701	377	2,175
Other.....	370	177	149
Total effective tax: 82%, 92% and 56%.....	\$ 5,062	\$ 4,094	\$ 13,281
	-----	-----	-----
Total effective tax, net of extraordinary income: 82%, 75% and 56%.....	\$ 5,062	\$ 3,368	\$ 13,281
	-----	-----	-----

In the first quarter of 1993 the Company will adopt FASB Statement No. 109, "Accounting for Income Taxes." The effect of implementing the accounting standards in that statement would have resulted in a reduction of the Company's shareholders' equity of approximately \$5 million which will be reflected in net income in the first quarter of 1993.

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)
(DOLLARS IN THOUSANDS)

NOTE 10--INVESTMENTS IN AFFILIATES AND OTHERS

The companies accounted for under the equity method and the Company's share of equity in those investments are:

	1990	1991	1992
Am-Hal Ltd.....	50%	50%	50%
Bank Hapoalim (Cayman) Ltd.....	49	49	49
Bay Heart Limited.....	--	37	37
Carmel Containers Ltd.....	--	--	20
Coral World International Ltd.....	50	50	50
Etz Vanir Ltd.....	50	50	50
Granite Hacarmel Investments Ltd.....	26	26	21.7
Moriah Hotels Ltd. (Note 1(b)).....	--	--	46
Orlite Engineering Company Ltd.	41.9	41.9	31.1
Pri Ha'emek (Canned and Frozen Food) 88 Ltd. (Note 2(e)).....	50	74.9	--
Teledata Communication Ltd.*	21.2	21.7	13.1
Yakhin Mataim Ltd.....	50	50	50

* Net of minority interest.

Combined summarized financial information for the above companies is as follows:

	1990	1991	1992
Revenues.....	\$ 549,239	\$ 488,728	\$ 577,531
Gross profit.....	86,482	96,024	130,538
Net income.....	18,449	20,948	36,704
Fixed assets.....	\$ 116,367	\$ 179,755	\$ 240,384
Other assets.....	455,300	353,459	417,602
Total assets.....	\$ 571,667	\$ 533,214	\$ 657,986
Total liabilities, including bank borrowings.....	\$ 422,879	\$ 383,228	\$ 373,094

The Company's investments in shares of its publicly traded affiliates and others at December 31, 1992 amounted to \$38.2 million and had a market value of \$72.2 million, which is based upon quoted market prices of shares traded on the American Stock Exchange, NASDAQ and the Tel Aviv Stock Exchange. There can be no assurances that these values could be realized by the Company.

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)
(DOLLARS IN THOUSANDS)

NOTE 11--SEGMENT INFORMATION

Segment information presented below results primarily from operations from Israel.

	LEISURE-TIME	FINANCE	FOOD PROCESSING	INTER-COMPANY ADJUSTMENTS	TOTAL
December 31, 1990					
Revenues.....	\$ 40,526	\$ 64,214	\$ --	\$ (64)	\$ 104,676
Equity in earnings of affiliates.....	189*	1,879**	--	--	2,068
Pretax operating income.....	296	549	--	--	845
Total assets.....	44,943	391,241	--	(160)	436,024
Investment in affiliates.....	8,664*	20,984**	--	--	29,648
Capital expenditures.....	3,347	105	--	--	3,452
Depreciation and amortization.....	2,765	6,208	--	--	8,973
December 31, 1991					
Revenues.....	\$ 29,189	\$ 36,838	\$ --	\$ (101)	\$ 65,926
Equity in earnings of affiliates.....	(237)*	899**	--	--	662
Pretax operating (loss) income.....	(4,647)	5,157	--	--	510
Total assets.....	48,324	327,637	33,209	(4,704)	404,466
Investment in affiliates.....	8,427*	20,903**	--	--	29,330
Capital expenditures.....	9,706	292	867	--	10,865
Depreciation and amortization.....	2,792	7,029	924	--	10,745
December 31, 1992					
Revenues.....	\$ 1,579	\$ 41,199	\$ 31,621	\$ (292)	\$ 74,107
Equity in earnings of affiliates.....	1,182*	676**	--	--	1,858
Pretax operating income (loss).....	597	15,670	928	--	17,195
Total assets.....	4,562	296,707	36,336	(4,338)	333,267
Investment in affiliates.....	28,614*	21,579**	--	--	50,193
Capital expenditures.....	203	73	489	--	765
Depreciation and amortization.....	301	6,500	1,075	--	7,876

Interest expense and corporate office expense are principally applicable to the financing operation and have been charged to that segment above. Revenues and pretax operating income above exclude equity in earnings of affiliates and minority interests.

* Operations in Australia (1992 and 1991 only), Bahamas, Israel and U.S. Virgin Islands.

** Operations in Cayman Islands.

NOTE 12--DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

a) Cash and Cash Equivalents. Short-term investments, the carrying amount is a reasonable estimate of fair value.

b) Deposits, Notes and Loans Receivable. The fair value of these deposits, notes and loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)
(DOLLARS IN THOUSANDS)

NOTE 12--DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS--(CONTINUED)

c) Deposits Payable, Notes and Loans Payable and Debentures Outstanding. The fair value of notes and loans payable, deposits payable and debentures outstanding is estimated by discounting the future cash flows using the current rates offered by lenders for similar borrowings with similar credit ratings and for the same remaining maturities.

	1992	
	CARRYING AMOUNT	FAIR VALUE
Financial assets:		
Cash and cash equivalents.....	\$ 9,698	\$ 9,698
Deposits and notes and loans receivable.....	145,363	152,849
	\$ 155,061	\$ 162,547
Financial liabilities:		
Deposits and notes and loans payable.....	\$ 72,284	\$ 73,908
Debentures outstanding.....	103,846	113,602
	\$ 176,130	\$ 187,510

NOTE 13--COMMITMENTS AND CONTINGENCIES

(a) For the years 1993 to 1997, the combined minimum annual lease payments on the Company's corporate offices and the Country Club Kfar Saba, without giving effect to future escalations, are approximately \$157,000 per year, and \$3.8 million in the aggregate, thereafter. These leases expire in 1994 and 2037, respectively.

(b) For the years 1993 to 1997, the combined minimum lease receipts to be received by the Company from rental properties are approximately \$3.5 million in 1993; \$3.1 million in 1994; \$3.0 million in 1995; \$3.0 million in 1996; \$3.0 million in 1997; and \$9.2 million in the aggregate, thereafter.

(c) The Company has issued guarantees on bank loans to its investees and subsidiaries totalling \$12.0 million.

The Company's share of the commitments issued by and to its investees amounted to approximately \$18.4 million.

A consolidated subsidiary pledged the majority of its assets in the amount of \$25.3 million to banks (including a related party) in order to secure a mortgage.

(d) Ophir Holdings Ltd. ("Ophir"), a 60%-owned subsidiary, joined a group composed of an unrelated company, the Jerusalem Economic Corporation, and a subsidiary of Hapoalim. This group won a tender issued by the Government of Israel for the disposal of 51.26% of the shares owned by the Government in Mivnei Taasiya Ltd. (Industrial Buildings Ltd.). The remainder of the shares of this company are held by the public. The price paid by the group for 51.26% of the shares was \$201 million. Ophir is participating in the group up to the extent of 25% (\$50 million), equal to 12.815% of the equity of Mivnei Taasiya. The \$50 million will be financed primarily by borrowing from two unrelated banks. Mivnei Taasiya owns approximately 1 million square meters of industrial buildings in Israel.

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)
(DOLLARS IN THOUSANDS)

NOTE 14--CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 1992 AND 1993 AND AT SEPTEMBER 30, 1993 (UNAUDITED)

(a) 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 as of June 30, 1993; its manufacturing and distribution operations were consolidated for the three months ended September 30, 1993 and included in equity in earnings of affiliates for the six months ended June 30, 1993. 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.

(b) During 1993, the Company sold additional shares in Teledata and realized gains on sales of \$1.5 million (approximately \$.9 million after taxes). As a result of these transactions the Company's ownership of Teledata was diluted from 21.7% to 12.2%. As a result of the Company's dilution in Ophir, the Company's ownership in Teledata has been reduced to 10.9%.

(c) Effective January 1, 1993, the Company was required to adopt Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes," which requires a change from the deferred method to the liability method of accounting for income taxes. The cumulative effect on prior years of this change in accounting principle was reflected as a nonrecurring reduction of net income and an increase in deferred income tax liability of approximately \$5 million. This is reported separately in the consolidated statement of income for the nine months ended September 30, 1993. This change required no payments to any taxing jurisdiction and had no material effect on the current period's net income. Prior years' financial statements have not been restated to apply the provisions of SFAS No. 109.

Based on the guidelines of SFAS No. 52, "Foreign Currency Translation," the Company determined that the economy in Israel should no longer be considered hyperinflationary as a result of changes in the economic conditions and the decrease in the rate of inflation in Israel. Accordingly, as of the second quarter of 1993, for those subsidiaries and affiliates whose functional currency is considered to be the Israeli shekel, assets and liabilities were translated at the rate of exchange at the end of the reporting period and revenues and expenses were translated at the average rates during the reporting period. Gains or losses from translations of those foreign companies' financial statements are recorded as a separate component of shareholders' equity at September 30, 1993. Prior to 1993 translation gains and losses were reflected in the consolidated income statement. The effect of this change in method of reporting translations on the March 31, 1993 financial statements was immaterial.

Reference should be made to the notes to the Company's December 31, 1992 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.

(d) In March 1993, Ophir Holdings Ltd. ("Ophir"), a subsidiary of the Company, made an investment in approximately 12.8% of the equity of Industrial Buildings Corporation Ltd. (Mivnei Taasiya Ltd.) in the amount of approximately \$50 million, which is being accounted for by the equity method of accounting. Industrial Buildings owns approximately one million square meters of industrial buildings in Israel. The investment was financed primarily by borrowings from unrelated banks and was made, together with other investors, as part of a group which acquired approximately 51% of Industrial Buildings. Ophir's interest in Industrial Buildings has been pledged to secure borrowings by it and other investors in the group.

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)
(DOLLARS IN THOUSANDS)

NOTE 14--CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 1992 AND 1993 AND AT SEPTEMBER 30, 1993
(UNAUDITED)--(CONTINUED)

Had the acquisition of Industrial Buildings been effected as of January 1, 1993 and January 1, 1992 the Company would have reported, on a pro forma basis, the following:

	NINE MONTHS ENDED SEPTEMBER 30,	
	1992	1993
	(DOLLARS IN THOUSANDS, EXCEPT EARNINGS PER SHARE)	
Revenues.....	\$ 73,725	\$ 53,638
Net income (loss).....	8,573	
(2,511)		
Earnings (loss) per Class A share.....	\$.36	\$
(.11)		

In November 1993, the capital structure of Ophir was reorganized to provide for only one class of shares, instead of the two classes which previously existed. In connection with the recapitalization, Ophir received a "fairness" opinion from an independent investment consultant. As part of that transaction, the Company's equity interest in Ophir was increased from 49.4% to 50% and its voting interest was decreased from 60% to 50%. The equity ownership of a related party was decreased from 50.7% to 50% and its voting interest was increased from 40% to 50%. Immediately thereafter, Ophir made a private placement of its shares to a different related party under which it issued 15% of its shares for approximately \$10.2 million and the Company's interest in Ophir was diluted from 50% to 42.5%.

Until September 30, 1993, Ophir's financial statements were consolidated by the Company. As a result of the above-mentioned transactions, in the fourth quarter of 1993 Ophir will be accounted for under the equity method of accounting and the Company will record a gain on issuance of shares of approximately \$3.1 million (approximately \$2 million after taxes). At September 30, 1993 the Company's consolidated balance sheet included assets of approximately \$69.4 million and the consolidated income statement included revenues of approximately \$3.6 million with respect to Ophir. Had the above-mentioned transactions been consummated on September 30, 1993, the Company's investment in Ophir on the equity method would have been approximately \$11.8 million.

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES
SELECTED QUARTERLY FINANCIAL DATA
(UNAUDITED)

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	TOTAL
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)					
Year Ended December 31, 1991:					
Revenues.....	\$ 19,184	\$ 13,042	\$ 19,855	\$ 19,438	\$ 71,519
Net interest income (expense).....	(496)	14	1,328	408	1,254
Hotel and leisure-time operating income (loss)...	(939)	(1,033)	1,743	2,483	2,254
Net income (loss).....	(752)	(278)	1,276	880*	1,126*
Earnings (loss) per Class A share.....	(.03)	(.01)	.05	.04*	.05*
Year Ended December 31, 1992:					
Revenues.....	\$ 28,325	\$ 27,391	\$ 16,084	\$ 13,502	\$ 85,302
Net interest income (expense).....	1,929	48	162	(1,872)	267
Food processing operating income.....	1,636	2,191	1,731	1,509	7,067
Net income.....	5,626	3,613	702	383	10,324
Earnings per Class A share.....	.24	.15	.03	.02	.44

* Includes extraordinary income of \$726,000, equal to \$.03 per share which represents loss carryforwards utilized by subsidiaries.

**REPRESENTATIVE RATES OF EXCHANGE
 BETWEEN THE U.S. DOLLAR AND THE NEW ISRAELI SHEKEL
 FOR THE THREE YEARS ENDED DECEMBER 31, 1990, 1991 AND 1992
 AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1993**

The following table shows the amount of New Israeli Shekels equivalent to one U.S. Dollar on the dates indicated:

	1990	1991	1992	1993
	-----	-----	-----	-----
March 31.....	1.994	2.261	2.404	2.768
June 30.....	2.078	2.395	2.444	2.805
September 30.....	2.057	2.393	2.439	2.864
December 31.....	2.048	2.283	2.764	

REPORT OF INDEPENDENT AUDITORS

To the Shareholders of INDUSTRIAL BUILDINGS CORPORATION LIMITED

We have audited the balance sheet of Industrial Buildings Corporation Limited (hereafter--"the Company") as at December 31, 1992 and 1991 and the related statements of income, changes in shareholders' equity and cash flows for the years ended December 31, 1992, 1991 and 1990. Our audit was made in accordance with generally accepted auditing standards including those prescribed by the Auditors (Mode of Performance) Regulations (Israel), 1973, and, accordingly, included such tests of the accounting records and such other auditing procedures as we have considered necessary in the circumstances.

The aforementioned financial statements have been prepared on the basis of the historical costs adjusted for the changes in the general purchasing power of the Israeli currency as measured by the changes in the Israeli Consumer Price Index, as required by Statements of the Institute of Certified Public Accountants of Israel. A summary of the financial statements in nominal (historical) Israeli shekels, which served as a basis for the adjusted statements, is presented in Note 25.

In our opinion, the aforementioned financial statements present fairly the financial position of the Company as at December 31, 1992 and 1991 and the results of its operations, changes in its shareholders' equity and cash flows for the years ended December 31, 1992, 1991 and 1990, in conformity with accounting principles generally accepted in Israel.

It is also our opinion that the aforementioned financial statements comply with the requirements of the Israel Securities Regulations (Preparation of Financial Statements), 1993.

Pursuant to the United States Securities and Exchange Commission requirements, we state:

- (a) The above-mentioned generally accepted accounting principles were applied on a consistent basis.
- (b) The auditing standards and procedures mentioned above are Israeli auditing standards and procedures, which are substantially similar to standards in the United States.

KOST, LEVARY AND FORER
Certified Public Accountants (Israel)

Tel Aviv, Israel
April 28, 1993

INDUSTRIAL BUILDINGS CORPORATION LIMITED
BALANCE SHEET
(ADJUSTED TO SHEKELS OF DECEMBER 1992)

	NOTE	DECEMBER 31,	
		1991	1992
(NOTE ADJUSTED NIS IN THOUSANDS)			
ASSETS			
Current Assets:			
Cash and cash equivalents.....		32,460	28,385
Bank deposits.....		6,059	3,545
Marketable securities.....	3	127,896	108,971
Accounts receivable.....	4	53,731*	67,421
		220,146	208,322
Investment and Long-Term Receivables:			
Bank deposits.....	5	5,910	2,378
Long-term receivables.....	6	155,569	150,268
Government loans.....		685	--
Investment in a subsidiary.....	7	1,673	1,700
		163,837	154,346
Real Estate, Net.....	8	744,367	795,137
Fixed Assets, Net.....	9	18,907	18,449
Deferred Charges, Net.....	10	6,113	4,454
		1,153,370	1,180,708
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities:			
Current maturities of long-term loans.....	12	39,669	39,527
Accounts payable and accrued liabilities.....	11	30,411	46,167
Unearned rental income.....		2,207	1,642
Dividend proposed for payment.....		36,092	120,000
		108,379	207,336
Long-Term Liabilities:			
Long-term loans.....	12	166,797	126,309
Lessees' deposits.....	13	8,226	7,985
Unearned rental income.....		429	--
Debentures.....	14a	31,860	31,630
Debentures convertible into shares.....	14b	10,467	--
		217,779	165,924
Accruals:			
Severance pay and pension, net.....	15	1,469	1,401
Deferred income taxes.....	24d	48,504*	68,001
		49,973	69,402
Debentures Convertible into Shares.....	14b	--	5,143
Share Capital, Perpetual Loans, Capital Surplus and Retained Earnings:			
Share capital.....	25c	508,759	526,358
Perpetual loans.....	18	9,430	8,622
Capital surplus.....		26,631	48,947
Retained earnings.....		232,419	148,976
		777,239	732,903
		1,153,370	1,180,708

* Reclassified.

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

.....
.....
A. Klang
Chairman of the
Board of Directors

.....
Y. Ariav
Director

S. Sayad
Managing Director

INDUSTRIAL BUILDINGS CORPORATION LIMITED
STATEMENT OF INCOME
(ADJUSTED TO SHEKELS OF DECEMBER 1992)

	NOTE	YEAR ENDED DECEMBER 31,		
		1990	1991	1992
(ADJUSTED NIS IN THOUSANDS) (EXCEPT PER SHARE AMOUNTS)				
Revenues:				
Rental fees from lessees.....		80,085	80,372	80,239
Government completion of rental fees.....	22	7,902	1,557	--
		87,987	81,929	80,239
Work management fees.....		3,356	10,505	8,511
		91,343	92,434	88,750
Maintenance and work management costs.....	23a	39,193	40,239	38,831
		52,150	52,195	49,919
General and administrative expenses.....	23b	10,091	10,054	12,554
		42,059	42,141	37,365
Financial expenses, net.....	23c	5,731*	571*	1,512
		36,328	41,570	35,853
Gain (loss) on securities.....		(5,514)*	1,513*	17,036
Gain on realization of assets.....	23d	15,360	927	1,003
		46,174	44,010	53,892
Income before taxes on income.....		14,007	11,918	18,470
Taxes on income.....	24a			
		32,167	32,092	35,422
Income for the year after taxes on income.....		(26)	123	27
Equity in earnings (losses) of a subsidiary.....				
Net income for the year.....		32,141	32,215	35,449
Earnings per share:				
Primary earnings per NIS 1 par value in adjusted NIS.....		0.117	0.121	0.127
Fully-diluted earnings per NIS 1 par value in adjusted NIS.....		0.116	0.117	0.127

* Reclassified.

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

INDUSTRIAL BUILDINGS CORPORATION LIMITED
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(ADJUSTED TO SHEKELS OF DECEMBER 1992)

	SHARE CAPITAL	PERPETUAL LOANS	FUND FOR DISTRIBUTION OF BONUS SHARES	SHARE PREMIUM	RECEIPTS ON ACCOUNT OF STOCK OPTIONS	CAPITAL RESERVE IN RESPECT OF EROSION OF PERPETUAL LOANS	RETAINED EARNINGS
	(ADJUSTED NIS IN THOUSANDS)						
Balance at January 1, 1990.....	434,766	13,089	6,137	587	1,762	6,291	242,971
Realization of stock options (series 1)....	41,678	--	--	5,485	--	--	--
Conversion of debentures convertible into shares.....	1,622	--	(5,158)	5,410	--	--	--
Erosion of perpetual loans.....	--	(1,958)	--	--	--	1,958	--
Net income for the year.....	--	--	--	--	--	--	32,141
Dividend in respect of perpetual loans.....	--	--	--	--	--	--	(260)
Interim dividend proposed for payment (2.07%*).....	--	--	--	--	--	--	(7,036)
Reconcilement of dividend proposed for payment in previous year.....	--	--	--	--	--	--	1,202
Balance at December 31, 1990.....	478,066	11,131	979	11,482	1,762	8,249	269,018
Transfer to a fund for distribution of bonus shares.....	--	--	32,462	--	--	--	(32,462)
Distribution of bonus shares.....	30,198	--	(30,198)	--	--	--	--
Realization of stock options (series 2)....	8	--	(1)	10	(1)	--	--
Realization of debentures convertible into shares.....	487	--	(85)	271	--	--	--
Erosion of perpetual loans.....	--	(1,701)	--	--	--	1,701	--
Net income for the year.....	--	--	--	--	--	--	32,215
Dividend in respect of perpetual loans.....	--	--	--	--	--	--	(260)
Dividend proposed for payment (12.42%)*....	--	--	--	--	--	--	(36,092)
Balance at December 31, 1991.....	508,759	9,430	3,157	11,763	1,761	9,950	232,419
Realization of stock options (series 2)....	14,108	--	(1,551)	23,084	(1,761)	--	--
Conversion of debentures convertible into shares.....	3,491	--	(818)	2,554	--	--	--
Erosion of perpetual loans.....	--	(808)	--	--	--	808	--
Net income for the year.....	--	--	--	--	--	--	35,449
Dividend in respect of perpetual loans.....	--	--	--	--	--	--	(260)
Dividend proposed for payment (12.49%)*....	--	--	--	--	--	--	(120,000)
Reconcilement of dividend proposed for payment in previous year.....	--	--	--	--	--	--	1,368
Balance at December 31, 1992.....	526,358	8,622	788	37,401	--	10,758	148,976
TOTAL							
Balance at January 1, 1990.....	705,603						
Realization of stock options (series 1)....	47,163						
Conversion of debentures convertible into shares.....	1,874						
Erosion of perpetual loans.....	--						
Net income for the year.....	32,141						
Dividend in respect of perpetual loans.....	(260)						
Interim dividend proposed for payment (2.07%*).....	(7,036)						
Reconcilement of dividend proposed for payment in previous year.....	1,202						
Balance at December 31, 1990.....	780,687						
Transfer to a fund for distribution of bonus shares.....	--						
Distribution of bonus shares.....	--						
Realization of stock options (series 2)....	16						
Realization of debentures convertible into shares.....	673						
Erosion of perpetual loans.....	--						
Net income for the year.....	32,215						
Dividend in respect of perpetual loans.....	(260)						
Dividend proposed for payment (12.42%)*....	(36,092)						
Balance at December 31, 1991.....	777,239						
Realization of stock options (series 2)....	33,880						
Conversion of debentures convertible into shares.....	5,227						
Erosion of perpetual loans.....	--						
Net income for the year.....	35,449						
Dividend in respect of perpetual loans.....	(260)						
Dividend proposed for payment (12.49%)*....	(120,000)						
Reconcilement of dividend proposed for payment in previous year.....	1,368						
Balance at December 31, 1992.....	732,903						

* The rate is computed on the basis of the par value of the nominal share capital.

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

F-22

INDUSTRIAL BUILDINGS CORPORATION LIMITED
STATEMENT OF CASH FLOWS
(ADJUSTED TO SHEKELS OF DECEMBER 1992)

	YEAR ENDED DECEMBER 31,		
	1990	1991	1992

	ADJUSTED NIS IN THOUSANDS		
Cash flows from operating activities:			
Net income for the year.....	32,141	32,215	35,449
Adjustments to reconcile net income to net cash provided by operating activities(a).....	29,050	25,798	34,999
	-----	-----	-----
Net cash provided by operating activities.....	61,191	58,013	70,448
	-----	-----	-----
Cash flows from investing activities:			
Investment in fixed assets.....	(3,909)	(1,673)	(1,355)
Investment in real estate.....	(71,841)	(54,398)	(114,637)
Sale (acquisition) of marketable securities, net.....	(20,838)	6,289	35,961
Redemption (acquisition) of bank deposits, net.....	(8,736)	8,612	--
Government grant received.....	10,044	3,462	13,726
Proceeds from realization of real estate.....	16,381	34,749	25,551
Proceeds from realization of fixed assets.....	315	254	277
Proceeds from redemption of government loans.....	311	73	655
Redemption (acquisition) of long-term deposits, net.....	2,019	(4,632)	5,941
	-----	-----	-----
Net cash used in investing activities.....	(76,254)	(7,264)	(33,881)
	-----	-----	-----
Cash flows from financing activities:			
Exercise of stock options.....	47,163	16	33,880
Lessees' deposits, net.....	(446)	(103)	(241)
Dividend paid.....	(19,493)	--	(34,724)
Dividend in respect of perpetual loans.....	(260)	(260)	(260)
Repayment of long-term loans and other long-term liabilities.....	(36,730)	(42,567)	(39,297)
Short-term bank credits, net.....	(608)	--	--
	-----	-----	-----
Net cash used in financing activities.....	(10,374)	(42,914)	(40,642)
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents.....	(25,437)	7,835	(4,075)
Cash and cash equivalents at the beginning of the year.....	50,062	24,625	32,460
	-----	-----	-----
Cash and cash equivalents at the end of the year.....	24,625	32,460	28,385
	-----	-----	-----
(a) Adjustment to reconcile net income to net cash provided by operating activities:			
Income and expenses not relating to cash flows:.....			
Depreciation and amortization.....	36,215	36,363	35,204
Deferred income taxes, net.....	9,889	11,654	18,357
Gain (loss) from marketable securities.....	5,514	(1,513)	(17,036)
Decrease in accrued severance pay and pension.....	(271)	(202)	(68)
Gain on realization of assets and changes in provision for losses.....	(15,360)	(927)	(1,003)
Erosion of long-term loans and debentures.....	1,342	(758)	(1,509)
Erosion of long-term receivables and bank deposits.....	(1,550)	84	419
Increase in value of government loans.....	(49)	(34)	(19)
Equity in losses (earnings) of a subsidiary.....	26	(123)	(27)
	-----	-----	-----
	35,756	44,544	34,318
	-----	-----	-----
Changes in assets and liabilities:			
Decrease (increase) in long-term receivables.....	(530)	363	6,556
Increase in accounts receivables.....	(2,932)	(25,090)	(19,052)
Increase in accounts payable and accrued liabilities.....	6,876	8,344	14,171
Decrease in unearned lease fees.....	(10,120)	(2,363)	(994)
	-----	-----	-----
	(6,706)	(18,746)	681
	-----	-----	-----
	29,050	25,798	34,999
	-----	-----	-----
(b) Supplementary information:			
Total interest paid.....	10,301	11,333	12,148
	-----	-----	-----
Total taxes paid.....	309	622	425
	-----	-----	-----
(c) Non-cash operations:			
1. Sale of buildings by long-term credit.....	45,184	7,768	2,695
	-----	-----	-----
2. Conversion of debentures into shares.....	2,064	719	5,378
	-----	-----	-----

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

F-23

INDUSTRIAL BUILDINGS CORPORATION LIMITED
NOTES TO FINANCIAL STATEMENTS

NOTE 1--GENERAL

a. Definitions:

"The Company"--Industrial Buildings Corporation Limited.

"The subsidiary"--a subsidiary in which the Company holds 100% of rights to share capital, voting rights, and the right to appoint directors.

b. "Government Company":

At balance sheet date the Company was owned and controlled by the State of Israel (hereafter-- the "State") and was, therefore, accordingly subject to the provisions of the Government Companies Law, 1975.

c. "Public Company":

In March 1988, the Company issued shares, debentures and stock options which were registered for trade on the Tel-Aviv Stock Exchange.

In December 1989, the State and the Company made a sales offer and an issuance consisting of shares, options and purchase options which were sold and issued by the State and the Company.

As of balance sheet date, the percentage of holdings of the State in the Company is about 52%. Fully-diluted--the percentage reaches about 51%.

Subsequent to balance sheet date the State sold all its holdings in the Company (see Note 27).

d. Company activities:

The Company is engaged mainly in initiating and erecting buildings for industry, trades and commerce intended for leasing and sale, as well as in managing work by the "cost plus" method, and in developing infrastructure for residential housing and industry.

NOTE 2--SIGNIFICANT ACCOUNTING POLICIES

a. Financial statements in adjusted new Israeli shekels:

1. The Company maintains its accounting records in nominal (historical) new Israeli shekels.

The financial statements have been prepared in accordance with Statements of the Institute of Certified Public Accountants in Israel, on the basis of historical costs adjusted to the changes in the general purchasing power of the Israeli currency.

The nominal shekel financial statements have been restated in terms of the constant purchasing power of the new Israeli shekel as measured by the changes in the Consumer Price Index.

All figures in these financial statements, including those of previous years, have been adjusted to the Consumer Price Index published for December 1992.

INDUSTRIAL BUILDINGS CORPORATION LIMITED
NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

NOTE 2--SIGNIFICANT ACCOUNTING POLICIES--(CONTINUED)

The following are details of the Consumer Price Index and the rate of exchange of the U.S. dollar:

AT THE END OF THE YEAR	CONSUMER PRICE INDEX (POINTS) *	RATE OF EXCHANGE OF THE U.S. DOLLAR
1989.....	149.9	NIS 1.963
1990.....	176.3	NIS 2.048
1991.....	208.1	NIS 2.283
1992.....	227.6	NIS 2.764
THE CHANGE DURING THE YEAR:		
1990.....	17.62%	4.33%
1991.....	18.04%	11.47%
1992.....	9.37%	21.07%

* According to the Consumer Price Index published for the month ended in the balance sheet date on average basis 1987 = 100.

2. The adjusted values of non-monetary assets do not necessarily represent their real economic value, but rather their historical cost adjusted for the changes in the general purchasing power of the Israeli currency.

3. The term "cost" in these financial statements refers to adjusted new Israeli shekel costs, unless otherwise indicated.

4. A summary of the financial statements in nominal Israeli shekels, which served as a basis for the adjusted statements, is presented in Note 25.

b. Principles of adjustment:

1. Balance Sheet:

a) Non-monetary items (such as fixed assets, real estate, investment in a subsidiary, other assets, advances from customers, prereceived income and shareholders' equity and capital surplus), have been adjusted on the basis of the changes in the Consumer Price Index from the date of acquisition or transaction until December 1992.

b) Monetary items (items as to which balance sheet amounts reflect current values or realization at balance sheet date) are reflected in the balance sheet as of December 31, 1992 in their nominal amount (figures for the preceding year have been adjusted to December 1991 Consumer Price Index).

2. Statement of income:

a) The components of the statement of income (except for financing), relating to transactions carried out during the year, have been adjusted at monthly indices on the dates the transactions occurred. The erosion of monetary balances relating to the aforesaid transactions has been included in financial income or expenses.

b) Statement of income items relating to non-monetary balance sheet items such as depreciation and amortization have been adjusted on the same basis applied for adjusting the relevant balance sheet items.

INDUSTRIAL BUILDINGS CORPORATION LIMITED
NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

NOTE 2--SIGNIFICANT ACCOUNTING POLICIES--(CONTINUED)

The components of the statement of income relating to provisions included in the balance sheet, such as provisions for severance pay and vacation pay, have been determined on the basis of the changes in the balances of the related balance sheet items.

c. Fixed assets:

1. These assets are stated at cost net of accumulated depreciation.
2. Depreciation is computed by the straight-line method over the estimated useful lives of the assets.

The annual depreciation rates grouped by the various assets are as follows:

	%	
Offices.....		2
Motor vehicles.....		15
Computers, furniture and equipment.....		6-20

d. Real estate:

1. Real estate is presented at cost, net of investment grants received and net of accumulated depreciation.

The cost of buildings erected by the Company and cost of works in progress include, among other things, real interest costs, if any, for the period until the commencement of operations of the assets and part of the expenses of the engineering department which supervises these works.

2. Depreciation is computed at cost less investment grants, by the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are as follows:

	%	
Buildings for leasing and sale.....		2
Industrial systems and installations in buildings.....		10

3. Real estate leasing transactions are presented in the financial statements by the "operating lease" method.

As to buildings the lessees of which have committed themselves to purchase in a price not fully-linked to the Consumer Price Index (CPI), a provision for losses in respect of erosion of the component not fully linked to the CPI has been made.

4. Income or loss on sale of real estate, including sales by long-term credit, is calculated specifically for each asset separately.

e. Investment in a subsidiary:

Investment in a subsidiary is presented by the equity method. Since the subsidiary's scope of activity is immaterial as compared to the Company's financial scope, no consolidated financial statements have been prepared.

f. Government loans:

Government loans are presented in accordance with the recommendations of the Statements of the Institute of Certified Public Accountants in Israel.

INDUSTRIAL BUILDINGS CORPORATION LIMITED
NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

NOTE 2--SIGNIFICANT ACCOUNTING POLICIES--(CONTINUED)

g. Marketable securities:

Marketable securities are presented at market value as of balance sheet date.

Market value of the securities as of balance sheet date is not significantly different from the cost of the securities with the addition of interest accrued on debentures as at balance sheet date.

h. Deferred charges:

Expenses related to issues of debentures and obtaining a long-term loan are amortized over the period of benefiting from the proceeds, based on the balances in circulation at the end of each year.

i. Provision for doubtful debts:

Provision for doubtful debts has been determined specifically regarding debts whose collection is doubtful.

j. Taxes on Income:

1. Deferred taxes:

a) The provision for deferred taxes was created in order to regulate the tax burden resulting from timing differences between the results measured in the financial statements and those measured for income tax purposes. The provision is computed at the expected tax rate at the time of realization.

b) The main items in respect of which deferred taxes were computed are: accelerated depreciation, prereceived rental fees, advances from customers, provision for severance pay and pension, provision for vacation pay leave, provision for doubtful debts, and accumulated loss for tax purposes.

c) According to a Statement of the Institute of Certified Public Accountants in Israel, a provision for deferred taxes was not computed in respect of part of the adjustment of depreciable fixed assets, whose depreciation period is 20 years or more, which will not be recognized as tax deductible, and in respect of adjustment of depreciable fixed assets which are a priori not entitled to depreciation for tax purposes.

2. Current taxes:

Current taxes include inflationary tax in respect of sale of buildings. (See Note 24c, 3b).

k. Linkage to the CPI or to foreign currency:

Assets or liabilities linked to the CPI or to foreign currency are presented according to the terms of the contractual agreement.

l. Earnings per share:

Earnings per share are computed according to a Statement of the Institute of Certified Public Accountants in Israel.

m. Perpetual loans:

The perpetual loans are not linked and are presented within the framework of share capital, capital surplus and retained earnings items at an amount identical to their nominal amount at balance sheet date (comparative figures have been adjusted of shekels of December 1992).

INDUSTRIAL BUILDINGS CORPORATION LIMITED
NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

NOTE 2--SIGNIFICANT ACCOUNTING POLICIES--(CONTINUED)

Erosion of perpetual loans is charged directly to capital surplus, while the interest payments in respect of these loans, considered as dividend, are deducted from the total retained earnings.

NOTE 3--MARKETABLE SECURITIES

	DECEMBER 31,	
	1991	1992
	ADJUSTED NIS IN THOUSANDS	
Government debentures.....	93,938	72,580
Other debentures.....	16,829	22,999
Trust and other funds.....	17,129	13,392
	127,896	108,971

NOTE 4--ACCOUNTS RECEIVABLE

Lessees.....	6,980	7,257
Less provision for doubtful debts.....	(2,590)	(3,235)
	4,390	4,022
Current maturities of debentures of the State of Israel--through Ministry of Defense and Rafael(1).....	17,714	7,951
Current maturities of other long-term receivables.....	2,706	4,401
Works' orders.....	16,125	31,796
Purchasers.....	1,836	1,985
Tax refunds receivable.....	1,248	2,083
Investment grants receivable.....	4,624	5,984
Employees.....	724*	660
A subsidiary.....	434	--
Deferred income taxes(2).....	2,409*	3,549
Other.....	1,521	4,990
	53,731	67,421

(1) See Note 6a.

(2) See Note 24d.

* Reclassified.

NOTE 5--BANK DEPOSITS

a. Long-term deposits are linked to the CPI and bear an annual weighted interest rate of 3.25%.

INDUSTRIAL BUILDINGS CORPORATION LIMITED
NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

NOTE 5--BANK DEPOSITS--(CONTINUED)

b. Composed as follows:

	DECEMBER 31,	
	1991	1992
	ADJUSTED NIS IN THOUSANDS	
Deposits.....	9,886	5,867
Less current maturities.....	3,976	3,489
	5,910	2,378

NOTE 6--LONG-TERM RECEIVABLES

a. Composed as follows:

	LINKAGE TERMS	WEIGHTED INTEREST RATE %	DECEMBER 31,	
			1991	1992
			ADJUSTED NIS IN THOUSANDS	
State of Israel--through Ministry of Defense and Rafael(c).....	CPI	5.09	122,734	111,840
Less current maturities.....			17,714	7,951
			105,020	103,889
Other receivables(d).....	CPI	4.62	53,255	50,780
Less current maturities.....			2,706	4,401
			50,549	46,379
			155,569	150,268

b. Aggregate maturities of long-term loans:

	DECEMBER 31,	
	1991	1992
	ADJUSTED NIS IN THOUSANDS	
First year (current maturities).....	20,420	12,352
Second year.....	12,045	13,145
Third year.....	12,839	14,385
Fourth year.....	14,083	15,072
Fifth year.....	14,770	11,173
Sixth year and thereafter.....	101,832	96,493
	155,569	150,268
	175,989	162,620

c. State debts through the Ministry of Defense and Rafael:

In February, a compromise arrangement was signed between the Company and the State of Israel through the Ministry of Defense and the Weapons Development Authority (hereafter--"Rafael"), arranging the payments due from Rafael to the Company in respect of buildings erected by the Company for Rafael.

INDUSTRIAL BUILDINGS CORPORATION LIMITED
NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

NOTE 6--LONG-TERM RECEIVABLES--(CONTINUED)

According to the terms of the arrangement, Rafael is to pay the Company for its debts as of the date of making the arrangement and for payments in respect of leasing and purchasing of buildings not as yet due, a total sum of approximately NIS 160 million. This sum will be paid over a period of 18 years, in equal monthly installments linked to the CPI, plus a linked interest at an annual rate of 3.5%.

Moreover, Rafael undertook to pay the Company all the amounts which the Company is obligated to pay to the First International Bank of Israel in respect of a loan received by the Company within the framework of an arrangement for financing part of the leasing payments which Rafael was to pay the Company (see Note 12). In addition, Rafael paid the Company, shortly following the signing of the arrangement, a total sum of approximately NIS 13 million in respect of the amounts paid by the Company to the bank on account of the abovementioned loan, and which were not repaid to it by Rafael.

The compromise agreement was validated by a judgment.

d. Collaterals for other long-term receivables:

About NIS 36 million out of the long-term receivables are collateralized by the following means:

1. Third party guarantees (mainly guarantees by the World Zionist Federation).
2. Liability for payment by the State or a government company.
3. The Company's rights in the building are being transferred to the purchasers only following completion of payments.

NOTE 7--INVESTMENT IN A SUBSIDIARY

The Company has full control of the Trades Development Company Ltd. (hereafter--"TDC"). Regarding transactions and balances with TDC--see Note 20d.

INDUSTRIAL BUILDINGS CORPORATION LIMITED
NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

NOTE 8--REAL ESTATE, NET

a. Composed as follows:

	BUILDINGS (INCLUDING LAND)	SYSTEMS	TOTAL

	ADJUSTED NIS IN THOUSANDS		
Cost at January 1, 1992.....	1,145,980	120,749	1,266,729
Additions during the year(1).....	98,514	1,037	99,551
Disposals during the year.....	(16,205)	(2,970)	(19,175)
	-----	-----	-----
Balance at December 31, 1992(2)(3).....	1,228,289	118,816	1,347,105
	-----	-----	-----
Depreciation at January 1, 1992.....	390,430	50,488	440,918
Additions during the year.....	21,012	11,213	32,225
Disposals during the year.....	(6,973)	(1,203)	(8,176)
	-----	-----	-----
Depreciated cost at December 31, 1992.....	404,469	60,498	464,967
	-----	-----	-----
	823,820	58,318	882,138
	-----	-----	-----
Provision for losses.....			(5,955)
Advance payments from customers.....			(81,046)

Real estate, net at December 31, 1992(4).....			795,137

Depreciated cost at December 31, 1991.....	755,550	70,261	825,811
	-----	-----	-----

Provision for losses.....			(3,003)
Advance payments from customers.....			(78,441)

			744,367

(1) Including the charging of expenses of the planning department at a total of some NIS 1,255 thousand.

(2) Including NIS 106,448 thousands buildings and systems being erected (including land) (at December 31, 1991--NIS 56,388 thousand).

(3) Net of investment grants at a total of NIS 381,370 thousands.

(4) Including land at a total of NIS 88,372 thousands.

b. Company's rights in real estate as at December 31, 1992 are as follows:

	REGISTERED AT THE LAND REGISTRY	NOT REGISTERED AT THE LAND REGISTRY	TOTAL
	%	%	%
Ownership rights.....	4.5	4.4	8.9
Capitalized leasing rights.....	13.5	63.3	76.8
Leasing rights.....	1.0	13.3	14.3
	-----	-----	-----
	19.0	81.0	100.0
	-----	-----	-----
	-----	-----	-----

c. Investment grants

1. The Investment Center has approved under the Law for the Encouragement of Capital Investments, 1959 (hereafter--the "Law") various of the Company's programs for erecting buildings, including equipment and installations in buildings.
2. Under the Law, the Company is entitled to receive investment grants for its approved investments, to claim accelerated depreciation for tax purposes as well as to a reduced tax rate.
3. The amount of the grant is deducted from the cost of the assets in order to calculate depreciation for tax purposes.
4. Under the law, the Investment Center is authorized to demand that the Company, should it fail to fulfill the terms of the approval, return the grants that it received with the addition of interest and

INDUSTRIAL BUILDINGS CORPORATION LIMITED
NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

NOTE 8--REAL ESTATE, NET--(CONTINUED)

linkage differences from the date they were received. Moreover, the Company will have to repay the entire tax benefits (accelerated depreciation and the reduced tax rate). In the opinion of the Company's management, the Company is fulfilling the approvals' terms.

NOTE 9--FIXED ASSETS, NET

	OFFICES*	VEHICLES	OFFICE EQUIPMENT AND FURNITURE	TOTAL
	ADJUSTED NIS			
	IN THOUSANDS			
Cost as at January 1, 1992.....	15,814	1,713	8,479	26,006
Additions during the year.....	39	641	675	1,355
Disposals during the year.....	--	(719)	(255)	(974)
Balance as at December 31, 1992.....	15,853	1,635	8,899	26,387
Accumulated depreciation as at January 1, 1992.....	1,603	617	4,879	7,099
Additions during the year.....	312	251	908	1,471
Disposals during the year.....	--	(429)	(203)	(632)
Balance as at December 31, 1992.....	1,915	439	5,584	7,938
Depreciated cost as at December 31, 1992.....	13,938	1,196	3,315	18,449
Depreciated cost as at December 31, 1991.....	14,211	1,096	3,600	18,907

- - - - -

* Offices in Tel-Aviv (at depreciated cost of about NIS 11 million) have not as yet been registered in the Land Registry Office in the Company's name.

NOTE 10--DEFERRED CHARGES, NET

Including expenses relating to the raising of capital through a public offering on basis of a prospectus, as well as a long-term loan received, as follows:

	DECEMBER 31,	
	1991	1992
	ADJUSTED NIS IN THOUSANDS	
Expenses of capital raising.....	9,441	9,441
Expenses of discounting debentures.....	3,887	3,887
	13,328	13,328
Less accumulated amortization.....	7,215	8,874
	6,113	4,454

INDUSTRIAL BUILDINGS CORPORATION LIMITED
NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

NOTE 11--ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	DECEMBER 31,	
	1991	1992
	ADJUSTED NIS IN THOUSANDS	
Treasury--withheld income tax and VAT.....	1,358	595
Lessees.....	719	406
Work orders and entrepreneurs.....	1,395	116
Contractors and designers.....	21,613	37,849
A subsidiary.....	--	597
Other and expenses payable.....	5,326	6,604
	30,411*	46,167

* Reclassified

NOTE 12--LONG TERM LOANS

a. Composition of loans by lenders, linkage terms, and interest rates:

	WEIGHTED ANNUAL INTEREST RATE	BALANCE OF THE LOANS DECEMBER 31, 1992	CURRENT MATURITIES 31, 1992	LONG-TERM LOANS DECEMBER 31,	
				1991	1992
	(%)	(ADJUSTED NIS IN THOUSANDS)			
Industrial Development Bank Ltd.:					
CPI--linked loans.....	1.43	113,116	30,897	113,825	82,219
Loans linked to the U.S. dollar.....	7.50	990	358	895	632
		114,106	31,255	114,720	82,851
State of Israel:					
CPI--linked loans.....	1.16	3,522	828	3,546	2,694
Unlinked loans.....	17.00	14	3	14	11
		3,536	831	3,560	2,705
Bank Leumi LeIsrael Ltd.:					
CPI--linked loan.....	9.10	26,864	2,985	27,060	23,879
First International Bank of Israel Ltd.:					
CPI--linked loan.....	12.00	20,891	4,017	21,043	16,874
Various lenders:					
CPI--linked loans.....	8.30	439	439	414	--
		165,836	39,527	166,797	126,309

* See note 6c.

INDUSTRIAL BUILDINGS CORPORATION LIMITED
NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

NOTE 12--LONG TERM LOANS--(CONTINUED)

b. Aggregate maturities of the loans:

	DECEMBER 31,	
	1991	1992
	(ADJUSTED NIS IN THOUSANDS)	
First year (current maturities).....	39,669	39,527
Second year.....	39,654	37,797
Third year.....	38,031	29,998
Fourth year.....	30,199	21,194
Fifth year.....	21,324	14,834
Sixth year and thereafter.....	37,589	22,486
	166,797	126,309
	206,466	165,836
	-----	-----

c. As to collaterals for the loans--see Note 19.

NOTE 13--LESSEES' DEPOSITS

Deposits linked to the CPI and not bearing interest, were received from lessees to secure rental payments. The deposits plus linkage differences are returned to the lessees at the end of the leasing period and after the lessees have fulfilled all of their obligations.

NOTE 14--DEBENTURES

a. Debentures (Series "B"):

A series of registered debentures (Series "B") of NIS 15,225 thousand par value, redeemable in equal installments in the years 1994-2003, bearing an annual interest rate of 6.25%, linked (principal and interest) to the CPI of January 1988. To secure these debentures, the Company registered a first degree floating charge on all its assets and rights (see Note 19a(5)).

b. Debentures convertible into shares (Series "A"):

A series of registered debentures (Series "A") of NIS 7,500 thousand par value, redeemable on March 31, 1993, bearing an annual interest rate of 4%, linked (principal and interest) to the CPI of January 1988, and convertible into ordinary registered shares of NIS 1 par value, each at a conversion rate of NIS 1 par value of debentures (Series "A") to 1.21 ordinary shares of NIS 1 par value each (121%) (subject to adjustment in respect of every future distribution of bonus shares), on every business banking day until March 24, 1993. To secure these debentures, the Company registered a floating charge, of last degree, on all of its assets and rights (see Note 19a(5)).

Considering the expected conversion of debentures, the debentures were presented in a separate item in the balance sheet, between the shareholders' equity and the long-term liabilities, and were included according to their "capital value".

INDUSTRIAL BUILDINGS CORPORATION LIMITED
NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

NOTE 14--DEBENTURES--(CONTINUED)

Through balance sheet date, NIS 5,047 thousand par value of debentures (Series "A") have been converted into shares.

Subsequent to balance sheet date all remaining debentures were converted into shares (see Note 27).

NOTE 15--PROVISION FOR SEVERANCE PAY AND PENSION, NET

a. Composed as follows

	DECEMBER 31,	
	1991	1992
	(ADJUSTED NIS IN THOUSANDS)	
Provision for severance pay.....	2,329	2,884
Less amounts deposited.....	1,823	2,444
Undeposited balance.....	506	440
Provision for pension.....	963	961
	1,469	1,401

b. The provision for severance pay covers all the Company's liabilities for severance pay to its employees, as at balance sheet date.

c. The amounts deposited for severance pay reflect the sums deposited in the "Makefet" fund.

d. The provision for pension pay for a former senior employee of the Company, has been computed according to actuarial tables published by the National Insurance Institute. The cash flow has ben capitalized at the rate of 7.5% per annum. The pension payments are linked to the CPI.

The provision for pension pay covers all of the Company's liability for the pension payments to the abovementioned employee.

NOTE 16--STOCK OPTIONS

a. Stock options (Series 1):

All stock options (Series 1) have been realized in 1990 into ordinary shares of NIS 1 each.

b. Stock options (Series 2):

Through balance sheet date all stock options (Series 2) have been exercised. During the reported year 12,404,800 stock options (series 2) were converted into shares for the consideration of approximately adjusted NIS 34 million.

INDUSTRIAL BUILDINGS CORPORATION LIMITED
NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

NOTE 17--CONTINGENT LIABILITIES AND OUTSTANDING CLAIMS

a. Contingent liabilities:

Under the Law for the Encouragement of Capital Investments, 1959, the Company receives investment grants in respect of its investments within the framework of approved programs.

See note 8d, regarding the event of the Company failing to fulfill the terms of the programs.

b. Outstanding claims against the Company*:

The following legal and other claims exist against the Company:

1. A claim was lodged against the Company in October 1988 by a contractor for the amount of NIS 250 thousand, for invoices of infrastructure development work which was carried out by him between the years 1978-1980 and which he alleges were not paid.

The Company carried out the abovementioned infrastructure development work on behalf of the State of Israel within the framework of implementation of infrastructure work in development areas which the Company has implemented and is implementing on behalf of the State.

In an agreement signed between the Company and the Ministry of Industry and Trade, it has been decided that the Ministry will indemnify the Company for any amount that it will be charged with in the judgment in this claim, on condition that the Company has acted regarding this work in a bona fide manner and without negligence.

2. A corporation which entered into a lease-purchase agreement with the Company for the erection of a building in the Alon-Hatavor industrial zone, submitted in January 1989 a claim against the Company for the amount of about NIS 434 thousand, claiming that the agreement was canceled by the Company. The Company submitted a counterclaim for about NIS 549 thousand to recover its costs. In the opinion of the Company's legal counsels, based, inter alia, on the facts provided by the Company's employees, the Company has a good defense in this claim.

3. In November 1990, the Company was joined as a fourth party to a claim, alleging that the Company was responsible for indemnification of an insurance company with a sum of NIS 500 thousand in respect of a claim lodged against the insurance company. In the opinion of the Company's management, based on the opinion of its legal counsels, the Company has a good defense in this claim.

4. In February 1991, a claim was lodged against the Company for a total of NIS 4 million, alleging that the Company was negligent in supervising investments in a project in Beit Shean, and as a result, damage was caused to the plaintiff. A statement of defense was submitted. In the opinion of Company's management, based on the opinion on its legal counsels, the Company has a good defense in this claim.

5. In August 1991, a design firm lodged a claim against the Company for, the payment of professional fees amounting to a total of about NIS 640 thousand, which it claims that are due to it for work carried out for the Company, and which were not paid by it. The Company submitted a statement of defense and in November 1991 submitted a damage claim against the design company.

* the financial amounts are in accordance with the original amounts in the statements of claim.

INDUSTRIAL BUILDINGS CORPORATION LIMITED
NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

NOTE 17--CONTINGENT LIABILITIES AND OUTSTANDING CLAIMS--(CONTINUED)

amounting to a total of NIS 1,160 thousand. In the opinion of the Company management, based on the opinion of its legal counsels, the Company has a good defense in this claim.

6. In March 1992, an architect lodged a claim against the Company for the payment of professional fees amounting to a total of about NIS 850 thousand, which he claims are due him for the planning of a project. In the opinion of the Company management, based on the opinion of its legal counsels, the Company has a good defense in this claim.

7. The Zionist Federation (henceforth--the "Federation") notified the Company in May 1991 that it disputes the determination of the sums due to the Company for the sale of buildings to various tenants, the payment for which was guaranteed by the Federation. The Federation claims that it is entitled to examine the selling prices of the buildings according to the procedures set out in the agreement and that until the examination is carried out, the Federation will not continue the payments under the agreement.

In the course of 1991, the Federation examined the selling price of the building, and following that notified the Company that the costs of the building examined comply with the market prices, with the exception of the price increases during the implementation period, which are irregular, and that it wishes to check the calculations of the price increases.

At a meeting with the Federation in March 1992, it was agreed that the Federation will submit to the Company its reservations regarding the calculation of the price increases.

All amounts which the Federation was due to pay by December 31, 1992 have been paid.

8. In December 1991, the Israel Lands Administration notified the Company that it is requested to return to it a total of NIS 700 thousand which it collected as handling fees from various entrepreneurs. The Company rejected the Administration's demand.

9. A banking institution submitted in February 1992 a claim amounting to about NIS 3,200 thousand against the State of Israel, the Israel Lands Administration and the Company, claiming that the defendants were negligent in not observing the attachment by the banking institution of the third party's land rights.

The statement of claim states that the Company was joined to the claim by being a trustee for the State of Israel in the matter of the claim.

In the opinion of the Company management, based on the opinion of its legal counsels, the Company has a good defense in this claim.

In view of the stated above, the Company management is of the opinion that there is no need to record provisions for the said claims in its financial statements.

NOTE 18--PERPETUAL LOANS

The Company received perpetual loans from the State. The principal of the loan is unlinked, but it bears interest at a rate of 0.5% per annum which is fully linked to the CPI and payable each quarter.

INDUSTRIAL BUILDINGS CORPORATION LIMITED
NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

NOTE 19--LIENS AND GUARANTEES

a. Liens:

1. There is a floating charge on the Company's assets, unlimited in sum, of first degree, in favor of the Industrial Development Bank of Israel Ltd., to secure the loans received from this bank. In addition, the Company has mortgaged in favor of this bank, by floating first degree charge, by fixed first degree charge and by fixed first degree mortgage all the monies due and/or that will be due to the Company from the State of Israel or from any State authority. These monies have also been assigned to this bank by assignment by way of lien.

2. To secure a loan amounting to about NIS 27 million, the Company registered a fixed charge, unlimited in amount, on the undemanded share capital and on the Company's goodwill, as well as a floating charge, unlimited in amount, on all Company assets, in favor of the Leumi Industrial Development Bank Ltd. and/or Bank Leumi LeIsrael Ltd.

On January 21, 1987, the Company entered into an agreement with the Industrial Development Bank of Israel Ltd., Bank Leumi LeIsrael Ltd. and Leumi Industrial Development Bank Ltd. (henceforth--the "Banks"), according to which any net proceeds received in the event of realizing or enforcing the floating charge created by the Company in favor of the Banks (henceforth--the "Proceeds") as detailed in Sections 1 and 2 above, will be divided in a manner so that 90% of the Proceeds will be paid to the Industrial Development Bank of Israel Ltd., on account of the Company's debts to that bank at that time, and 10% of the Proceeds will be paid to Bank Leumi LeIsrael Ltd. and to the Leumi Industrial Development Bank Ltd., on account of the Company's debts to those banks at that time.

3. To secure the fulfillment by the Company of the terms of the Approved Enterprise status granted the Company under the Law for the Encouragement of Capital Investments, 1959, the Company mortgaged in favor of the State all of its property by a floating charge unlimited in amount.

4. To secure a loan totaling about NIS 21 million, the Company recorded a fixed charge in favor of the First International Bank of Israel on the rental payments received from the leasing of specific buildings.

5. To secure two public debenture series issues according to a prospectus (see Note 14), the Company recorded charges on its property and rights, as follows:

a) For the series of NIS 7,500 thousand nominal value registered debentures (Series "A")--a floating charge of last degree on all Company property and rights.

b) For the series of NIS 15,225 thousand nominal value registered debentures (Series "B")-- a first degree floating charge on all its property and rights. This floating charge is at an equal priority with the other floating charges of first priority created by the Company in favor of the Banks, *pari passu* to the amounts of liabilities that may exist from time to time.

6. In order to secure amounts paid by assets of the Federation of Labour (hereafter--the "Federation"), according to a selling contract from December 23, 1991, signed between the parties, the Company registered in favor of the Institution a first-degree fixed charge, unlimited in amount, on the rights in property in Katzrin.

b. Guarantees:

As of date of the financial statement, no guarantees have been given by the Company, with the exception of guarantees to the courts relating to petitions for attachments made by the Company within

INDUSTRIAL BUILDINGS CORPORATION LIMITED
NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

NOTE 19--LIENS AND GUARANTEES--(CONTINUED)

the framework of the claims that it submitted, and the exception of guarantees to secure payments in respect of purchase of land and buildings by the Company.

NOTE 20--TRANSACTIONS WITH INTERESTED PARTIES

The Company conducted transactions with interested parties as follows:

a. Infrastructure development work for the State:

The Company carries out infrastructure development for industry for the Ministry of Industry and Commerce, and the development for infrastructure for dwelling for the Israel Lands Administration and the Ministry of Construction and Housing. This work is fully financed by the State.

b. Transactions with the State:

1. a) As of December 31, 1992, the total area of buildings leased to the State amounted to about 95 thousand square meters. The State does not enjoy preference regarding the leasing terms over other lessees doing business with the Company.

b) Regarding the State's debt for the leasing and purchase of buildings--see Note 6c.

2. The Company received perpetual loans and other loans from the State. For particulars of the loans, see Notes 12 and 18.

3. According to a trust agreement with the State for the management of the Industrial Research Center (IRC) company, the Company maintains and leases a building owned by IRC with an area of 4,000 square meters, located at the Technion campus in Haifa.

4. The Company manages the Industry and Trades Center with an area of 390 dunams, located near the Erez roadblock north of Gaza, including an industrial building with an area of about 4,500 square meters.

5. The Company leases and maintains a building belonging to the State with a total area of about 26 thousand square meters, located in Kiryat Shmona.

c. Investment grants:

The Company routinely receives investment grants for its investments in buildings and equipment within the framework of programs approved under the Law for the Encouragement of Capital Investments, 1969 (see Note 8d).

d. Transactions with the Trades Development Company Ltd. (henceforth--"TDC"):

1. TDC is fully controlled by the Company. All TDC management activities are conducted by the Company.

INDUSTRIAL BUILDINGS CORPORATION LIMITED
NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

NOTE 20--TRANSACTIONS WITH INTERESTED PARTIES--(CONTINUED)

2. Following are details of transactions and balances between TDC and the Company:

	YEAR ENDED DECEMBER 31,		
	1990	1991	1992
	(ADJUSTED NIS IN THOUSANDS)		
Management fees paid by TDC to the Company.....	117	117	114
Interest, including interest on debentures, paid by Company to TDC.....	106	122	33
	DECEMBER 31,		
	1991	1992	
	(ADJUSTED NIS IN THOUSANDS)		
Mutual debit (credit) balances of TDC.....	434	(597)	
6.25% debentures (Series "B") of Industrial Building:			
1. N.V. in nominal NIS.....	568	171	
2. Value in the books of Industrial Building Corporation Ltd.	1,189	355	
3. Value according to stock market price.....	1,401	432	

e. Israel Lands Administration:

The Company has agreement with the Israel Lands Administration regarding leasing and capitalization of the land on which most of the Company's buildings are located.

For details regarding the Company's land rights--see Note 8c.

f. Additional Transactions with Interested Parties:

The Company has conducted transactions in the regular course of business with other corporations and bodies, which are included or may be included in the definition of "interested parties" according to its meaning in the Securities Law and the regulations enacted according to it, this by force of their being related to the Government of Israel, which is an "interested party" in the Company. To the Company's best knowledge, no transaction had taken place between it and the abovementioned bodies or corporations which deviated from transactions conducted by it in its regular course of business.

g. Wages and Benefits:

According to the Company's articles of association, directors in the Company are not entitled to remuneration for discharging their duties. The Chairman of the Board of Directors who serves-- with the approval of the General Meeting--as an Active Chairman, receives a salary for discharging his duties. The total salary and related expenses (including social benefits), paid by the Company to the Chairman of the Board (Active) in the year ended on December 31, 1992, amounted to about NIS 286 thousands (in 1991: NIS 271 thousands and in 1990: NIS 268 thousands). The total amount of wages and benefits paid by the Company to the general manager in 1992 amounted to NIS 237 thousands.

INDUSTRIAL BUILDINGS CORPORATION LIMITED
NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

NOTE 20--TRANSACTIONS WITH INTERESTED PARTIES--(CONTINUED)

In addition, the company paid on account of severance pay in respect of previous years NIS 130 thousands for the Chairman of the Board, and a total of NIS 52 thousands for the general manager.

NOTE 21--LINKAGE TERMS OF MONETARY BALANCES

	DECEMBER 31, 1991				DECEMBER 31, 1992			
	LINKED TO THE CPI	IN FOREIGN CURRENCY OR LINKED THERETO	UNLINKED	TOTAL	LINKED TO THE CPI	IN FOREIGN CURRENCY OR LINKED THERETO	UNLINKED	TOTAL
	(ADJUSTED NIS				IN THOUSANDS)			
ASSETS								
Cash and cash equivalents.....	--	859	31,601	32,460	--	--	28,385	28,385
Bank deposits.....	6,059	--	--	6,059	3,545	--	--	3,545
Marketable securities*.....	--	--	127,896	127,896	--	--	108,971	108,971
Accounts receivable.....	27,452	--	23,870	51,322	15,143	--	48,729	63,872
Bank deposits.....	5,910	--	--	5,910	2,378	--	--	2,378
Long-term receivables.....	155,569	--	--	155,569	150,268	--	--	150,268
Government loans.....	685	--	--	685	--	--	--	--
	195,675	859	183,367	379,901	171,334	--	186,085	357,419
LIABILITIES								
Current maturities of long-term loans.....	39,340	324	5	39,669	39,166	358	3	39,527
Accounts payable and accrued liabilities.....	3,475	--	26,936	30,411	--	--	46,167	46,167
Dividend proposed for payment.....	--	--	36,092	36,092	--	--	120,000	120,000
Long-term loans.....	165,888	895	14	166,797	125,666	632	11	126,309
Lessees' deposits.....	8,226	--	--	8,226	7,985	--	--	7,985
Debentures.....	31,860	--	--	31,860	31,630	--	--	31,630
Debentures convertible into shares.....	10,467	--	--	10,467	--	--	--	--
	259,256	1,219	63,047	323,522	204,447	990	166,181	371,618

* Including marketable debentures in the amount of approximately NIS 91 million, linked in part to the CPI and in part to foreign currency (previous year: NIS 95 million).

NOTE 22--GOVERNMENT COMPLETION OF RENTAL FEES

In 1987 the agreement between the state of Israel ("the State") and the Company which regulated the relations between them regarding building for rent was canceled.

Upon the cancellation of the agreement, the State paid the Company in 1987 amounts which included, inter alia, income received in advance up to the year 1991, for settling the State's obligations to complete rental payments in the future.

The amounts received in advance were recognized as income over the aforementioned period.

INDUSTRIAL BUILDINGS CORPORATION LIMITED
NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

NOTE 23--SELECTED STATEMENT OF INCOME DATA

	YEAR ENDED DECEMBER 31,		
	1990	1991	1992
	(ADJUSTED NIS IN THOUSANDS)		
a. Maintenance and work management costs			
Depreciation of buildings and equipment.....	32,874	33,151	32,225
Maintenance, insurance and leasing fees.....	3,528	3,546	3,451
Cost of managing development work.....	2,791	3,542	3,155
	-----	-----	-----
	39,193	40,239	38,831
	-----	-----	-----
b. General and administrative expenses			
Salaries and benefits.....	5,059	5,106	6,220
Office, computer and others.....	4,232	3,977	3,217
Depreciation and amortization.....	2,182	2,074	1,989
	-----	-----	-----
	11,473	11,157	11,426
Bad and doubtful debts.....	(1,382)	(1,103)	1,128
	-----	-----	-----
	10,091	10,054	12,554
	-----	-----	-----
c. Financing expenses, net			
Financing expenses:			
In respect of long-term liabilities.....	12,910	11,768	9,329
Others.....	1,310	486	--
	-----	-----	-----
	14,220	12,254	9,329
	-----	-----	-----
Financing income:			
In respect of long-term liabilities.....	8,489	11,683	7,550
Others.....	--	--	267
	-----	-----	-----
	8,489	11,683	7,817
	-----	-----	-----
	5,731	571	1,512
	-----	-----	-----
d. Gain on realization of assets			
Total proceeds from realization of assets.....	61,343	33,461	15,600
Less cost of assets realized (including changes in provision for losses).....	45,983	32,534	14,597
	-----	-----	-----
	15,360	927	1,003
	-----	-----	-----

NOTE 24--PROVISION FOR TAXES ON INCOME

a. Provision for taxes on income included in the statement of income consists of the following:

	YEAR ENDED DECEMBER 31,		
	1990	1991	1992
	(ADJUSTED NIS IN THOUSANDS)		
Deferred taxes *.....	9,889	11,654	18,357
Current taxes.....	--	264	113
Taxes in respect of previous years.....	4,118	--	--
	-----	-----	-----
	14,007	11,918	18,470
	-----	-----	-----

(Footnote on following page)

F-42

INDUSTRIAL BUILDINGS CORPORATION LIMITED
NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

NOTE 24--PROVISION FOR TAXES ON INCOME--(CONTINUED)

(Footnote for previous page)

* Composed as follows:

	YEAR ENDED DECEMBER 31,		
	1990	1991	1992
	(ADJUSTED NIS IN THOUSANDS)		
Depreciation differences.....	(5,357)	(8,920)	(2,969)
Tax loss carryforwards.....	11,834	19,695	21,568
Rental fees received in advance.....	3,036	786	736
Other.....	376	93	(978)
	9,889	11,654	18,357

b. Final assessments:

1. The Company was issued final assessments up to and including the tax year ending on December 31, 1988.
2. The subsidiary was issued final assessments up to and including the tax year ending on March 31, 1985. In respect of the years 1987-1990 the subsidiary received assessments made according to the best judgement, totaling some NIS 350 thousands. The subsidiary disputed the above assessments, but a meeting concerning the assessments has not yet been held. In the opinion of the management of the subsidiary, the subsidiary will not have to pay the above amounts, and therefore the subsidiary did not make a provision in respect of these assessments in its banks.

c. Tax Laws:

1. The Law for the Encouragement of Capital Investments, 1959:

a) Accelerated depreciation: The Company is entitled to deduct in the first five years from the commencement of use of the buildings for rent, which were erected within the framework of approved programs under this law, depreciation at an annual rate of 16% of the investment in the building and 20% of the investment in industrial systems in the building.

b) Reduced tax rate: A reduced corporate tax rate applies to the Company's taxable income related to the approved investment, at a rate not exceeding 25% of said income. The Company will be released from any other tax on that same income.

The reduced tax rate applies to Company income derived from the approved investment in the first seven years commencing with the year in which the Company first earned taxable income from that investment, on condition that no more than 14 years have passed from the year in which the approval was granted, or 12 years from the year in which the asset was activated, the earlier of the two.

c) Dividend: Income tax at a rate of 15% applies to a dividend paid from taxable income related to the approved investment. As long as the Company has adjusted losses for tax purposes, a tax rate of 25% will apply to the dividend to be paid.

d) Sale of buildings: According to the terms of the approval, the Company is prevented from selling buildings erected within the framework of this law, except after the passage of seven years from their erection. Selling the abovementioned buildings earlier, without obtaining the permission of the Investment Center, constitutes a breach of the terms of the approval.

INDUSTRIAL BUILDINGS CORPORATION LIMITED
NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

NOTE 24--PROVISION FOR TAXES ON INCOME--(CONTINUED)

2. Income Tax Law (Adjustments for Inflation), 1985:

The Income Tax Law (Adjustments for Inflation), 1985 applies to the Company, and its implications on the Company are as follows:

- a) The Company is entitled to a deduction for depreciation, as defined in the law, for its investments in buildings for rental, this in addition to the accelerated depreciation to which the Company is entitled under the Law for the Encouragement of Capital Investments, 1959, as detailed above, as well as for its investments in fixed assets.
- b) Appreciation of securities traded on the stock exchange is taxable income for the Company, subject to the provisions of Section 6 of this law.
- c) "Inflationary Increment" as defined in this law is considered by the Company as income from business.

"Inflationary Deduction" as defined in this law, which is created in a certain period and not utilized therein, is carried forward to the next reporting period and is deductible therein as an expense, while fully linked to the CPI.

- d) Losses adjusted for tax purposes that are carried forward from preceding years are fully adjusted to the rise in the CPI. The balance of losses adjusted for tax purposes on balance sheet date amounts to about NIS 29 million (adjusted to the shekel of December 1992).

Moreover, the Company has a "deduction transferred due to inflation", amounting on balance sheet date to about NIS 3 million.

3. Taxation of Building Sales:

- a) Company income from the sale of buildings intended for rental, carried out in the normal course of business, is business income and taxable under the Income Tax Ordinance. In the Company's opinion, based on its legal counsels, the Company is allowed, by force of its agreement with the tax authorities, to view income from the sale of buildings which served for rental for at least five years since their erection, as sales which are taxable under the Land Betterment Law.
- b) Under the Income Tax Law (Adjustments for Inflation), 1985, the Company is entitled to select, at its discretion, to reduce the profit from the sale of buildings which served for rental, by an amount equal to the amount of these buildings as determined for the purpose of the Income Tax Law (Taxation In Inflationary Conditions), 1982, or under the Income Tax Law (Adjustments for Inflation), 1985, less the depreciation accumulated for them by the sale date, multiplied by the rate of increase of the CPI from April 1, 1982 or from the date of deduction from equity or from the day taken into account as a "negative change", all as the case may be, and until the month in which the property is sold, on condition that the amount deducted does not exceed the amount of the profit from the sale of the buildings. The amount that is deducted, as stated, will be taxable at the rate of 10% payable within 30 days from the date on which the buildings were sold.

INDUSTRIAL BUILDINGS CORPORATION LIMITED
NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

NOTE 24--PROVISION FOR TAXES ON INCOME--(CONTINUED)

d. Deferred Income Taxes:

1. a) The deferred taxes are calculated due to the timing differences between the amounts included in the adjusted statements and the amounts taken into account for tax purposes (see Note 2j(1)).

b) The composition of the provision for deferred income taxes is as follows:

	IN RESPECT OF CURRENT BALANCE SHEET ITEMS	IN RESPECT OF NON-CURRENT BALANCE SHEET ITEMS	IN RESPECT OF DEDUCTIONS AND CARRYFORWARD LOSSES FOR TAX PURPOSES	TOTAL
		(ADJUSTED NIS IN	THOUSANDS)	
Balance at January 1, 1991.....	(2,561)	88,120	(51,118)	34,441
Changes during 1991.....	152	(8,193)	19,695	11,654
Balance at December 31, 1991.....	(2,409)	79,927	(31,423)	46,095
Reconciliation in respect of changes in the tax rates and other changes during 1992.....	(1,140)	(2,071)	21,568	18,357
Balance at December 31, 1992.....	(3,549)	77,856	(9,855)	64,452

The deferred taxes are presented in the balance sheet as follows:

	DECEMBER 31,	
	1991	1992
	(ADJUSTED NIS IN THOUSANDS)	
In the framework of current assets.....	(2,409)	(3,549)
In provision for deferred taxes.....	48,504	68,001
	46,095	64,452

2. Following are the adjusted amounts of fixed assets whose depreciation will not be recognized as deduction for tax purposes, and regarding which it has been determined that no provision should be made for deferred taxes:

	DECEMBER 31,	
	1991	1992
	(ADJUSTED NIS IN THOUSANDS)	
Balance of assets whose depreciation has not been allowed for deduction at the year's beginning.....	219,625	193,440
Amount not allowed this year.....	26,185	10,286
Balance of assets whose depreciation will not be allowed for deduction at year's end.....	193,440	183,154

INDUSTRIAL BUILDINGS CORPORATION LIMITED
NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

NOTE 24--PROVISION FOR TAXES ON INCOME--(CONTINUED)

e. Reconciliation between the theoretical tax for the adjusted income before taxes and between the provision for taxes in the books is as follows:

	DECEMBER 31,		
	1990	1991	1992
	(ADJUSTED NIS IN THOUSANDS)		
Income before taxes on income.....	46,174	44,010	53,892
Theoretical tax rate.....	43.5%	41%	40%
Theoretical tax on the above mentioned amount.....	20,086	18,044	21,557
Increase (decrease) due to:			
Decrease in tax rates.....	(6,234)	(4,841)	(3,876)
Disallowable deductions (mainly depreciation).....	7,874	11,216	4,400
Tax exempt income.....	(126)	(573)	(310)
Provision for losses in respect of which deferred tax was not computed.....	--	(4,378)	(1,201)
Inflation differences between income for tax purposes and income for financial reporting purposes.....	(5,613)	(7,550)	(1,478)
Tax saved due to decrease in tax rates.....	(1,535)	--	(622)
Taxes in respect of preceding years, net.....	(445)	--	--
Actual tax expense.....	14,007	11,918	18,470
Effective tax rate.....	30.3%	27.1%	34.3%

NOTE 25--SUMMARY OF FINANCIAL STATEMENTS IN NOMINAL (HISTORICAL) VALUES

a. Balance sheet:

	DECEMBER 31,	
	1991	1992
	(NIS IN THOUSANDS)	
ASSETS		
Current assets.....	199,082	204,722
Investments and long-term receivables.....	149,166	153,756
Real estate, net.....	369,676	442,505
Fixed assets, net.....	11,137	11,294
Deferred charges, net.....	2,894	2,104
	731,955	814,381
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities.....	98,948	207,248
Long-term liabilities.....	199,031	165,924
Severance pay and pension, net.....	1,343	1,401
Debentures convertible into shares.....	--	5,096
	299,322	379,669
Shareholders' equity (Note 25c).....	432,633	434,712
	731,955	814,381

* The Company revaluated the real estate on April 1, 1987.

Depreciation of real estate is computed on the basis of the revaluated cost.

INDUSTRIAL BUILDINGS CORPORATION LIMITED
NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

NOTE 25--SUMMARY OF FINANCIAL STATEMENTS IN NOMINAL (HISTORICAL) VALUES--(CONTINUED)

The undepreciated balance of the revaluation addition as of balance sheet date amounts to about NIS 142 million (December 31, 1991: about NIS 149 million).

b. Statement of Income

	YEAR ENDED DECEMBER 31,		
	1990	1991	1992
	(NIS IN THOUSANDS)		
Revenues:			
Rental fees from lessees.....	60,862	68,974	76,222
Work management fees.....	2,460	9,120	8,248
	63,322	78,094	84,470
Maintenance and work management costs **.....	19,417	19,691	17,768
	43,905	58,403	66,702
General and administrative expenses.....	7,585	8,681	11,725
	36,320	49,722	54,977
Financial expenses, net.....	23,214*	12,715*	2,349
	13,106	37,007	52,628
Gain on securities.....	10,340*	20,843*	25,626
Gain on realization of assets.....	21,422	13,552	5,247
	44,868	71,402	83,501
Income before taxes on income.....	686	241	113
	44,182	71,161	83,388
Income for the year after taxes on income.....	103	269	164
Equity in earnings of a subsidiary.....			
Net income for the year.....	44,285	71,430	83,552

** Including depreciation in respect of real estate revaluation differences.....	6,697	6,552	4,332

* Reclassified.

c. 1. Statement of changes in shareholders' equity

	SHARE CAPITAL	PERPETUAL LOANS	CAPITAL SURPLUS	RETAINED EARNINGS	TOTAL
	(NIS IN THOUSANDS)				
Balance at January 1, 1990.....	210,178	8,622	63,254	36,002	318,056
Realization of stock options (series 1).....	29,892	--	5,031	--	34,923
Conversion of debentures convertible into shares.....	1,086	--	237	--	1,323
Net income for the year.....	--	--	--	44,285	44,285
Interim dividend proposed for payment (2.07%) *.....	--	--	--	(5,000)	(5,000)
Balance at December 31, 1990.....	241,156	8,622	68,522	75,287	393,587
Realization of stock options (series 2).....	7	--	8	--	15
Conversion of debentures convertible into shares.....	400	--	201	--	601
Net income for the year.....	--	--	--	71,430	71,430
Transfer to a fund for distribution of bonus shares.....	--	--	25,945	(25,945)	--
Distribution of bonus shares.....	24,136	--	(24,136)	--	--
Dividend proposed for payment (12.42%) *.....	--	--	--	(33,000)	(33,000)
Balance at December 31, 1991.....	265,699	8,622	70,540	87,772	432,633
Realization of stock options (series 2).....	13,644	--	19,823	--	33,467
Conversion of debentures convertible into shares.....	3,085	--	1,975	--	5,060
Net income for the year.....	--	--	--	83,552	83,552
Dividend proposed for payment (12.49%) *.....	--	--	--	(120,000)	(120,000)
Balance at December 31, 1992.....	282,428	8,622	92,338**	51,324	434,712

F-47

INDUSTRIAL BUILDINGS CORPORATION LIMITED
NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

NOTE 25--SUMMARY OF FINANCIAL STATEMENTS IN NOMINAL (HISTORICAL)
VALUES--(CONTINUED)

* The rate is computed on the basis of the par value of the nominal share capital.

** Including a fund for distribution of bonus shares to the holders of debentures convertible into shares (Series A) and holders of stock options (Series 2) in the amount of NIS 515 thousands (December 31, 1991 and 1990--NIS 2,291 thousands and NIS 535 thousands, respectively).

2. The registered capital of the Company is composed of Ordinary Shares, NIS 1 each, as follows:

DECEMBER 31,	

(NIS IN THOUSANDS)	
1991	1992
-----	-----
278,000	294,000
-----	-----
-----	-----

d. Differences between Israeli and United States generally accepted accounting principles:

1. Advance payments received from customers were deducted from real estate balances. In the United States, these prepayments are presented as liabilities. The amount in nominal terms which was deducted from real estate on December 31, 1992, was NIS 17,970 thousands (December 31, 1991--NIS 12,934 thousands).
2. The U.S. Financial Accounting Standards Board has promulgated Statement No. 109, "Accounting for Income Taxes", which the Company will implement for its U.S. GAAP requirements in 1993. The effect of implementing the accounting standards in that statement would have resulted in a reduction of the Company's shareholders' equity of approximately NIS 75,496 thousands, which would be reflected in net income in the first quarter of 1993 for U.S. GAAP purposes. The Israeli tax provision is based on adjusted shekels and the SFAS No.109 calculation was based on the Israeli tax law.
3. The revaluation addition referred to in Note 25(a) and the associated depreciation expense referred to in Note 25(b) would not be recorded for U.S. GAAP purposes.

NOTE 26--EARNINGS PER SHARE

a. Primary earnings per share data:

	YEAR ENDED DECEMBER 31,		
	1990	1991	1992
	-----	-----	-----
Weighted number of shares (in thousands).....	271,744	265,698	285,396
	-----	-----	-----
Primary income (adjusted NIS in thousands).....	31,894	32,215	36,347
	-----	-----	-----
	-----	-----	-----

b. Adjustment of the income and the number of shares used in calculating the primary earnings per share for the purpose of calculating the fully diluted earnings per share, as follows:

	YEAR ENDED DECEMBER 31,					
	1990		1991		1992	
	INCOME ADJUSTED NIS	WEIGHTED NUMBER OF SHARES	INCOME ADJUSTED NIS	WEIGHTED NUMBER OF SHARES	INCOME ADJUSTED NIS	WEIGHTED NUMBER OF SHARES
	(IN THOUSANDS)					
Primary earnings per share and weighted number of shares.....	31,894	271,744	32,215	265,698	36,347	285,396
Convertible securities not included in primary earnings per share:						
Convertible debentures (Series "A").....	--	--	559	6,053	--	--
Stock options (Series "2").....	1,416	13,652	794	13,645	--	--
	33,310	285,396	33,568	285,396	36,347	285,396

INDUSTRIAL BUILDINGS CORPORATION LIMITED
NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

NOTE 26--EARNINGS PER SHARE--(CONTINUED)

c. The real interest rate at balance sheet date, for the purpose of calculating the present value of the realization addition in respect of the stock options and the debentures conversion price, and the computation of earnings per share index-linked, amounts to 2.5% (1991--3.5%, 1990--4%).

d. The tax rate for the various calculations is 30%.

NOTE 27--SUBSEQUENT EVENTS

1. In March 1993 the State of Israel sold all of its holdings in the Company (comprising 51.26% of the Company's equity, fully diluted).

Following such sale, the Company is no longer a Government Company (the sale is subject to the confirmation of the officer in charge on the restraint of trade of the State of Israel, which has not been received until the date of signing these financial statements).

2. In January 1993, the shareholders of the Company in their general meeting, have approved the distribution of final cash dividend for the year 1992 amounting NIS 120,000 thousands. The dividend was paid in March 1993.

3. At March 24, 1993 all convertible debentures (Series "A") have been converted into shares. As a result of such conversion the Company's share capital was increased by NIS 5,212 thousands.

NOTE 28:--SUPPLEMENTARY INFORMATION

Expected rentals from long-term leases as of December 31, 1992 are as follows:

<u>NIS IN THOUSANDS</u>			
1993.....	67,242	1994.....	44,794
1995.....	27,252	1996.....	21,684
1997.....	17,040	1998-2002.....	32,868

INDUSTRIAL BUILDINGS CORPORATION LIMITED
BALANCE SHEET
(ADJUSTED TO SHEKELS OF SEPTEMBER 1993)

	DECEMBER 31, 1992	SEPTEMBER 30, 1993
	(AUDITED)	(UNAUDITED)
	(ADJUSTED NIS IN THOUSANDS)	
ASSETS		
Current Assets:		
Cash and cash equivalents.....	30,668	11,124
Bank deposits.....	3,830	1,118
Marketable securities.....	117,733	23,958
Accounts receivable.....	72,842	58,280
	225,073	94,480
Investments and Long-Term Receivables:		
Bank deposits.....	2,569	1,730
Long-term receivables.....	162,350	185,120
Investment in a subsidiary.....	1,836	1,848
	166,755	188,698
Real Estate, Net.....	859,070	911,777
Fixed Assets, Net.....	19,932	18,542
Deferred Charges, Net.....	4,812	3,984
	1,275,642	1,217,481
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of long-term loans.....	42,706	48,076
Accounts payable and accrued liabilities.....	49,879	39,860
Unearned rental income.....	1,774	2,309
Dividend proposed for payment.....	129,648	--
	224,007	90,245
Long-Term Liabilities:		
Long-term loans.....	136,465	165,159
Lessees' deposits.....	8,627	8,644
Debentures.....	34,173	30,780
	179,265	204,583
Accruals:		
Severance pay and pension, net.....	1,514	1,708
Deferred income taxes.....	73,469	85,086
	74,983	86,794
Debentures Convertible into Shares.....	5,556	--
Share Capital, Perpetual Loans, Capital Surplus and Retained Earnings:		
Share capital.....	568,679	572,107
Perpetual loans.....	9,315	8,622
Capital surplus.....	52,882	55,690
Retained earnings.....	160,955	199,440
	791,831	835,859
	1,275,642	1,217,481

* Reclassified.

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

.....
.....
E. Fishman
Chairman of the
Manager
Board of Directors

.....
.....
S. Sayad
General Manager

A. Elimelech
Vice General
for Finance

F-50

INDUSTRIAL BUILDINGS CORPORATION LIMITED
STATEMENT OF INCOME
(ADJUSTED TO SHEKELS OF SEPTEMBER 1993)

	NINE MONTHS ENDED SEPTEMBER 30, 1992	NINE MONTHS ENDED SEPTEMBER 30, 1993

	(UNAUDITED)	
	(ADJUSTED NIS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)	
Revenues:		
Rental fees from lessees.....	65,481	65,108
Work management fees.....	6,006	5,267

Maintenance costs and work management.....	71,487	70,375
	31,434	30,902

General and administrative expenses.....	40,053	39,473
	8,737	8,578

Financial expenses, net.....	31,316	30,895
	1,662*	3,352

Profit (loss) on securities.....	29,654	27,543
Gain (loss) on realization of assets.....	13,423*	(1,066)
	1,392	22,534

Income before taxes on income.....	44,469	49,011
Taxes on income.....	13,256	15,099

Income after taxes on income.....	31,213	33,912
Equity in earnings of a subsidiary.....	28	12

Net income for the period.....	31,241	33,924

Earnings per share:		
Primary earnings per NIS 1 par value in adjusted NIS.....	0.11	0.12

* reclassified

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

INDUSTRIAL BUILDINGS CORPORATION LIMITED
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(ADJUSTMENT TO SHEKELS OF SEPTEMBER 1993) (UNAUDITED)

NINE MONTHS ENDED SEPTEMBER 30, 1993					
	SHARE CAPITAL	PERPETUAL LOANS	CAPITAL SURPLUS	RETAINED EARNINGS	TOTAL
	(ADJUSTED NIS IN THOUSANDS)				
Balance at the beginning of the period.....	568,679	9,315	52,882	160,955	791,831
Conversion of debentures convertible into shares.....	3,428	--	2,115	--	5,543
Erosion of perpetual loans.....	--	(693)	693	--	--
Dividend in respect of perpetual loans.....	--	--	--	(212)	(212)
Reconcilement of dividend proposed for payment in previous year.....	--	--	--	4,773	4,773
Net income for the period.....	--	--	--	33,924	33,924
	572,107	8,622	55,690	199,440	835,859

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

F-52

INDUSTRIAL BUILDINGS CORPORATION LIMITED
STATEMENT OF CASH FLOWS
(ADJUSTED TO SHEKELS OF SEPTEMBER 1993)

	NINE MONTHS ENDED SEPTEMBER 30, 1992	NINE MONTHS ENDED SEPTEMBER 30, 1993
	(UNAUDITED) (ADJUSTED NIS IN THOUSANDS)	
Cash flows from operating activities:		
Net income for the period.....	31,241	33,924
Adjustments to reconcile net income to net cash provided by operating activities(a).....	16,257	19,306
Net cash provided by operating activities.....	47,498	53,230
Cash flows from investing activities:		
Investment in fixed assets.....	(1,148)	(201)
Investment in real estate.....	(92,904)	(100,954)
Sale of short-term securities, net.....	45,087	92,709
Acquisition of bank deposits, net.....	(68)	--
Government grant received.....	11,115	9,447
Proceeds from realization of real estate.....	25,011	17,502
Proceeds from realization of fixed assets.....	258	380
Proceeds from redemption of government loans.....	699	--
Redemption of long-term deposits, net.....	5,353	3,475
Net cash (used in) provided by investing activities.....	(6,597)	22,358
Cash flows from financing activities:		
Exercise of stock options.....	1,653	--
Lessees' deposits, net.....	(82)	17
Dividend paid.....	(37,519)	(124,875)
Interest in respect of perpetual loans.....	(208)	(212)
Long-term loans received.....	--	40,932
Issuance of debentures.....	--	18,731
Repayment of loans and other long-term liabilities.....	(29,456)	(29,725)
Net cash used in financing activities.....	(65,612)	(95,132)
Net decreases in cash and cash equivalents.....	(24,711)	(19,544)
Cash and cash equivalents at the beginning of the period.....	35,069	30,668
Cash and cash equivalents at the end of the period.....	10,358	11,124
(a) Adjustments to reconcile net income to net cash provided by operating activities:		
Income and expenses not relating to cash flows:		
Depreciation and amortization.....	28,960	27,162
Deferred income taxes, net.....	13,131	12,759
(Gain) loss from marketable securities.....	(13,423)	1,066
Increase in accrued severance pay and pension, net.....	12	194
Gain on realization of assets and changes in provision for losses.....	(1,392)	(22,534)
(Decrease) increase in value of long-term loans and debentures.....	(2,356)	733
Decrease in long-term receivables and deposits.....	1,640	108
Decrease in value of government loans.....	(19)	(3)
Equity in earnings of subsidiaries.....	(28)	(12)
Net cash provided by operating activities.....	26,525	19,473
Changes in assets and liabilities:		
Decrease (increase) in long-term receivables.....	4,541	(4,571)
(Increase) decrease in accounts receivables.....	(17,964)	13,658
Decrease (increase) in accounts payable and accrued liabilities.....	2,896	(9,789)
Increase in unearned rental income.....	259	535
Net cash provided by operating activities.....	(10,268)	(167)
Net cash provided by operating activities.....	16,257	19,306
(b) Supplementary information:		
1. Total interest paid	6,333	7,729
2. Total taxes paid	442	171
(c) Non-cash operation:		
1. Debentures convertible into shares in a total amount of NIS 5,433 thousands were converted into shares.		
2. Sale of buildings by long-term credit in a total amount of NIS 31,529 thousands.		

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

F-53

INDUSTRIAL BUILDINGS CORPORATION LIMITED
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1--GENERAL

a. These financial statements have been prepared as at September 30, 1993 and for the nine months then ended. These financial statements should be viewed in relation to the annual financial statements of the Company as at December 31, 1992 and their accompanying notes.

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.

b. The interim financial statements as at September 30, 1993 have been reviewed by the accountants of the Company. The said review is limited in scope, according to the procedures set forth by the Institute of Certified Public Accountants in Israel and does not constitute an examination made in accordance with generally accepted auditing procedures. Therefore, the auditors have not expressed their opinion on these financial statements.

NOTE 2--SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies have been established in the interim financial statements on a consistent basis in relation to the annual financial statements as at December 31, 1992.

NOTE 3--FINANCIAL STATEMENTS IN ADJUSTED NEW ISRAELI SHEKELS

The financial statements have been prepared on the basis of historical costs adjusted for the changes in the general purchasing power of the shekel. Comparative figures in these financial statements were adjusted to the shekel of September 1993.

In the nine-month period ended September 30, 1993, the Israeli Consumer Price Index increased by 8.04%.

INDUSTRIAL BUILDINGS CORPORATION LIMITED
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)--(CONTINUED)

NOTE 4--FINANCIAL STATEMENTS IN NOMINAL (HISTORICAL) NIS

a. Balance Sheet:

	DECEMBER 31, 1992	SEPTEMBER 30, 1993
	(AUDITED)	(UNAUDITED)
	(NIS IN	THOUSANDS)
ASSETS		
Current Assets:		
Cash and cash equivalents.....	28,385	11,124
Bank deposits.....	3,545	1,118
Marketable securities.....	108,971	23,958
Accounts Receivable.....	63,821	55,587
	-----	-----
	204,722	91,787
	-----	-----
Investments and Long-Term Receivables:		
Long-term deposits.....	2,378	1,730
Long-term receivables.....	150,268	185,120
Investment in a subsidiary.....	1,110	1,155
	-----	-----
	153,756	188,005
	-----	-----
Real Estate.....	442,505	511,707
	-----	-----
Fixed Assets, Net.....	11,294	10,426
	-----	-----
Deferred Charges, Net.....	2,104	1,741
	-----	-----
	814,381	803,666
	-----	-----
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of long-term loans.....	39,527	48,076
Accounts payable and accrued liabilities.....	46,167	39,860
Unearned rental income.....	1,554	2,257
Dividend proposed for payment.....	120,000	--
	-----	-----
	207,248	90,193
	-----	-----
Long-Term Liabilities:		
Long-term loans.....	126,309	165,159
Unearned rental income.....	7,985	8,644
Debentures.....	31,630	30,780
	-----	-----
	165,924	204,583
	-----	-----
Accruals:		
Severance pay and pension, net.....	1,401	1,708
	-----	-----
Debentures convertible into shares.....	5,096	--
	-----	-----
Shareholders' Equity:		
Share capital.....	282,428	285,396
Perpetual loans.....	8,622	8,622
Capital surplus.....	92,338	94,752
Retained earnings.....	51,324	118,412
	-----	-----
	434,712	507,182
	-----	-----
	814,381	803,666
	-----	-----

INDUSTRIAL BUILDINGS CORPORATION LIMITED
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)--(CONTINUED)

NOTE 4--FINANCIAL STATEMENTS IN NOMINAL (HISTORICAL) NIS--(CONTINUED)

b. Statement of Operations

	NINE MONTHS ENDED SEPTEMBER 30, 1992	NINE MONTHS ENDED SEPTEMBER 30, 1993
----- (NIS IN THOUSANDS) -----		
Revenues:		
Rental fees from lessees.....	57,001	62,711
Work management fees.....	5,310	5,143
	-----	-----
Maintenance and Work Management Costs.....	62,311	67,854
	12,590	15,322
	-----	-----
General and Administrative Expenses.....	49,721	52,532
	7,376	8,327
	-----	-----
Financial Expenses, Net.....	42,345	44,205
	4,934	4,816
	-----	-----
Gain on Securities.....	37,411	39,389
Gain on Realization of Assets.....	21,119	4,076
	5,255	25,869
	-----	-----
Income before Taxes on Income.....	63,785	69,334
Provision for Tax.....	113	2,340
	-----	-----
Income for the Period after Taxes on Income.....	63,672	66,994
Equity in Earnings of a Subsidiary.....	87	96
	-----	-----
Net Income for the Period.....	63,759	67,090
	-----	-----

c. Differences between Israeli and United States generally accepted accounting principles:

1. Advance payments received from customers were deducted from real estate balances. In the United States, these prepayments are presented as liabilities. The amount in nominal terms which was deducted from real estate on September 30, 1993, was NIS 11,767 thousands (September 30, 1992--NIS 18,089 thousands).

2. The U.S. Financial Accounting Standards Board has promulgated Statement No. 109, "Accounting for Income Taxes", which the Company implemented for its U.S. GAAP requirements in 1993. The effect of implementing the accounting standards in that statement have resulted in a reduction of the Company's shareholders' equity of approximately NIS 75,496 thousands as of January 1, 1993, and an increase of approximately NIS 8,168 thousands during the nine months ended September 30, 1993 for U.S. GAAP purposes. The net amount (NIS 67,328 thousands) was reflected in net income for the nine months ended September 30, 1993 for U.S. GAAP purposes. The Israeli tax provision is based on adjusted shekels and the SFAS No. 109 calculation was based on the Israeli tax law.

3. The undepreciated balance of revaluation additions of real estate assets of approximately NIS 139 million as of September 30, 1993 (September 30, 1992 about NIS 143 million) and the associated depreciation expense of approximately NIS 3,200 thousands would not be recorded for U.S. GAAP purposes.

NOTE 5--EARNINGS PER SHARE

a. Primary earnings per share data:

	NINE MONTHS ENDED SEPTEMBER 30,	
	1992	1993
Weighted number of shares (in thousands).....	285,396	285,396
Primary income (adjusted NIS in thousands).....	31,637	33,924

b. The real interest rate at balance sheet date, for the purpose of calculating the present value of the realization addition in respect of the stock options and the debentures conversion price, and the computation of earnings per share index-linked, amounts to 2.5%.

c. The tax rate for the various calculations is 30%.

NOTE 6--SUBSEQUENT EVENTS

After the balance sheet date it has been resolved by the board of directors of the Company to recommend to the general meeting to distribute cash dividends amounting to NIS 195 million.

AMPAL-AMERICAN ISRAEL CORPORATION
INTRODUCTION TO PRO FORMA FINANCIAL STATEMENTS
(UNAUDITED)

In November 1993, the capital structure of Ophir Holdings Ltd. ("Ophir") was reorganized to provide for only one class of shares, instead of the two classes which previously existed. As part of that transaction, the Company's equity interest in Ophir was increased from 49.4% to 50% and its voting interest was decreased from 60% to 50%. The equity ownership of a related party was decreased from 50.7% to 50% and its voting interest was increased from 40% to 50%. Immediately thereafter, Ophir made a private placement of its shares to a different related party under which it issued 15% of its shares at a price of approximately \$10.2 million and the Company's interest in Ophir was diluted from 50% to 42.5%.

In March 1993, Ophir made an investment in approximately 12.8% of the equity of Industrial Buildings Ltd. (Mivnei Taasiya Ltd.) in the amount of approximately \$50 million, which is being accounted for by the equity method of accounting. Industrial Buildings owns approximately one million square meters of industrial buildings in Israel. The investment was financed primarily by borrowings from unrelated banks and was made, together with other investors, as part of a group which acquired approximately 51% of Industrial Buildings.

The pro forma balance sheet gives effect to these transactions as of September 30, 1993.

The pro forma statements of income for the year ended December 31, 1992 and nine months ended September 30, 1993 give effect to the above-described transactions as if they took place at the beginning of each such period. These pro forma statements do not purport to be indicative of the results that actually would have occurred had the above-mentioned transactions been effected on January 1, of each period presented.

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES
PRO FORMA CONSOLIDATED STATEMENT OF INCOME
(UNAUDITED)

NINE MONTHS ENDED SEPTEMBER 30, 1993

	HISTORICAL	DECONSOLIDATION OF OPHIR	PURCHASE OF MIVNEI TAASIYA	PRO FORMA BALANCES
	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)			
REVENUES				
Interest:				
Related parties.....	\$ 11,801	\$ 260A	\$	\$ 12,061
Others.....	1,091	(25)A		1,066
Food processing.....	24,221			24,221
Manufacturing and distribution.....	2,314			2,314
Equity in earnings of affiliates and others.....	7,599	(2,382)A	(683)D	4,445
Other income:				
Related parties.....	2,701	(487)A		2,214
Others.....	1,792	(602)A		1,190
Gain on sale of investments.....	1,626			1,626
Total revenues.....	53,145	(3,325)	(683)	49,137
EXPENSES				
Interest:				
Related parties.....	3,476	(275)A		3,201
Others.....	13,739	(2,618)A		11,121
Food processing.....	20,049			20,049
Manufacturing and distribution.....	1,442			1,442
Other expenses.....	8,912	(346)A		8,566
Translation (gain).....	(126)			(126)
Minority interests.....	(300)	106A		(194)
Total expenses.....	47,192	(3,133)		44,059
Income before income taxes.....	5,953	(192)	(683)	5,078
Income taxes.....	2,603	(206)A	73E	2,470
Net income before cumulative effect of change in accounting principle.....	3,350	14	(756)	2,608
Cumulative effect on prior years of change in accounting principle.....	(4,982)			(4,982)
NET (LOSS).....	\$ (1,632)	\$ 14	\$ (756)	\$ (2,374)
Earnings (loss) per Class A share:				
Earnings before cumulative effect of change in accounting principle.....	\$.14			\$.11
Cumulative effect on prior years of change in accounting principle.....	(.21)			(.21)
(Loss) per Class A share.....	\$ (.07)			\$ (.10)
Weighted average number of Class A and equivalent shares outstanding (in thousands).....	20,717			20,717

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES
PRO FORMA CONSOLIDATED BALANCE SHEET
AS AT SEPTEMBER 30, 1993
(UNAUDITED)

	HISTORICAL	DECONSOLIDATION OF OPHIR	PRO FORMA BALANCE
	(DOLLARS IN THOUSANDS)		
ASSETS			
Cash and cash equivalents.....	\$ 2,036	\$	\$ 2,036
Deposits:			
Related parties.....	107,658		107,658
Others.....	250		250
Notes and loans receivable:			
Related parties.....	11,226	3,584A	14,810
Others.....	5,319		5,319
Investments:		(59,826)A	
Related parties.....	149,531	8,710B	
Others.....	12,950	3,112C	101,527
Property and equipment, less accumulated depreciation of \$10,194.....	35,087	(3,992)A	8,958
Other assets, including accrued interest.....	46,401	(3,568)A	31,519
		(645)A	45,756
Total Assets.....	\$ 370,458	\$ (52,625)	\$ 317,833
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits payable:			
Related parties.....	\$ 3,332	\$	\$ 3,332
Notes and loans payable:			
Related parties.....	46,669	(3,584)A	43,085
Others.....	61,415	(41,545)A	19,870
Debentures outstanding:			
Related parties.....	3,184		3,184
Others.....	95,844		95,844
Accounts and income taxes payable and accrued expenses:			
Related parties.....	1,045	(93)A	952
Others.....	33,853	(1,294)A	
		1,089C	33,648
Total Liabilities.....	245,342	(45,427)	199,915
Minority Interests			
Related parties.....	9,351	(9,351)A	--
Other.....	439		439
Total minority interests.....	9,790	(9,351)	439
Shareholders' Equity			
4% Cumulative, Participating, Convertible Preferred Stock, \$5 par value; authorized 650,000 shares; issued 223,869 shares, outstanding 215,511 shares.....	1,119		1,119
6 1/2% Cumulative, Convertible Preferred Stock, \$5 par value; authorized 4,282,850 shares; issued 1,270,960 shares, outstanding 1,267,136 shares.....	6,355		6,355
Class A Stock, \$1 par value; authorized 30,000,000 shares; issued 15,966,872 shares, outstanding 15,837,968 shares.....	15,967		15,967
Common Stock, \$1 par value; authorized, issued and outstanding 3,000,000 shares.....	3,000		3,000
Additional paid-in capital.....	10,468		10,468
Retained earnings.....	80,181	2,023C	82,204
Cumulative translation adjustments.....	(1,764)	130A	(1,634)
Total shareholders' equity.....	115,326	2,153	117,479
Total Liabilities and Shareholders' Equity.....	\$ 370,458	\$ (52,625)	\$ 317,833

AMPAL-AMERICAN ISRAEL CORPORATION
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1993

- A) Represents the deconsolidation of Ophir Holdings Ltd.
- B) Represents the recording of Ophir Holdings Ltd. on the equity basis. C) Represents the gain on issuance of shares by Ophir Holdings Ltd. D) Reflects the effect on the Company's statement of income under the assumption that Industrial Buildings was purchased on January 1, 1993.
- E) Represents the tax provision on equity in earnings of Industrial Buildings.

F-60

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES
PRO FORMA CONSOLIDATED STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 1992

	HISTORICAL	DECONSOLIDATION OF OPHIR	PURCHASE OF INDUSTRIAL BUILDINGS	PRO FORMA BALANCE
	(DOLLARS	IN THOUSANDS, EXCEPT PER SHARE DATA))
Revenues:				
Interest:				
Related parties.....	\$ 17,058	\$ (218)A	\$	\$ 16,840
Others.....	1,555	(30)A		1,525
Food processing.....	31,482			31,482
Equity in earnings of affiliates and others.....	11,195	(1,470)A	(1,229)C	12,061
Other income:				
Related parties.....	4,574	(717)A		3,857
Others.....	2,556	(787)A		1,769
Gains on issuance of shares by affiliates.....	13,062	(5,193)A		7,869
Gain on sale of investments.....	3,820	(3,401)A		419
Total revenues.....	85,302	(8,251)	(1,229)	75,822
Expenses:				
Interest:				
Related parties.....	5,536	(410)A		5,126
Others.....	12,810			12,810
Food processing.....	24,415			24,415
Other expenses.....	12,738	(318)A		12,420
Translation loss.....	1,413	(821)A		592
Minority interests.....	4,785	(4,248)A		537
Total expenses.....	61,697	(5,797)		55,900
Income before income taxes.....	23,605	(2,454)	(1,229)	19,922
Income taxes.....	13,281	(1,880)A	352D	11,753
Net Income.....	\$ 10,324	\$ (574)	\$ (1,581)	\$ 8,169
Earnings per Class A share.....	\$.44			\$.34
Weighted average number of Class A and equivalent shares outstanding (in thousands).....	20,717			20,717

F-61

.AMPAL-AMERICAN ISRAEL CORPORATION
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 1992

- A) Represents the deconsolidation of Ophir Holdings Ltd.
- B) Represents the recording of Ophir Holdings Ltd. on the equity basis. C) Reflects the effect on the Company's statement of income under the assumption that Industrial Buildings was purchased on January 1, 1992.
- D) Represents the tax provision on equity in earnings of Industrial Buildings.

F-62

[Photograph: Teledata Communication -
Multiplexers and concentrators for
telephone networks (products)]

[Photograph: DSP Group - High
performance digital signal
processing products (products)]

[Photograph: Idan Software -
-
Telecommunications services and
products (products)]

[Photograph: Mercury Interactive
Automated software quality
products (products)]

NO DEALER, SALESPERSON OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS NOT CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THE OFFERING COVERED BY THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY AMPAL OR THE U.S. UNDERWRITERS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER OF ANY SECURITIES OTHER THAN THOSE TO WHICH IT RELATES OR AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY TO ANY PERSON IN ANY JURISDICTION WHERE SUCH AN OFFER OR SOLICITATION WOULD BE UNLAWFUL. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

TABLE OF CONTENTS

PAGE

Prospectus Summary.....	3
The Company.....	6
Special Considerations.....	9
Use of Proceeds.....	13
Capitalization.....	14
Price Range of Class A Stock.....	15
Dividend Policy.....	15
Selected Consolidated Financial Data.....	16
Management's Discussion and Analysis of Financial Condition and Results of Operations.....	17
Business.....	22
Conditions in Israel.....	37
Tax Information.....	42
Management.....	46
Certain Transactions.....	48
Description of Securities.....	51
Underwriting.....	54
Legal Matters.....	56
Experts.....	57
Available Information.....	57
Incorporation by Reference.....	57
Index to Financial Information.....	F-1

4,000,000 UNITS

**AMPAL-AMERICAN
ISRAEL CORPORATION**

**4,000,000 SHARES OF CLASS A STOCK
WITH 4,000,000 REDEEMABLE
CLASS A STOCK WARRANTS**

PROSPECTUS
, 1994

LEHMAN BROTHERS

OPPENHEIMER & CO., INC.

FURMAN SELZ INCORPORATED

Subject to Completion, dated January 24, 1994

PROSPECTUS

**4,000,000 UNITS
AMPAL-AMERICAN ISRAEL CORPORATION**

**4,000,000 SHARES OF CLASS A STOCK WITH
4,000,000 REDEEMABLE CLASS A STOCK WARRANTS**

Each Unit consists of one share of Class A Stock, par value \$1.00 per share (the "Class A Stock"), of Ampal-American Israel Corporation ("Ampal") and one redeemable warrant to purchase one share of Ampal's Class A Stock at \$ per share (a "Warrant"). Of the 4,000,000 Units offered hereby, Units are being offered initially in the United States by the U.S. Underwriters and Units are being offered initially outside the United States by the International Managers (subject to transfers between the U.S. Underwriters and the International Managers). Such offerings are referred to collectively as the "Offerings." The offering price and underwriting discounts and commissions per Unit are identical for both Offerings. See "Underwriting."

The Class A Stock and Warrants will not be separately transferable prior to or such earlier date as may be determined by the Representatives of the U.S. Underwriters and International Managers of the concurrent international offering. See "Description of Securities."

The Warrants are exercisable at any time from the time the Warrants are separately transferable until , 1999. The Warrants are callable by Ampal, in whole or in part, from and after , 1996, without payment to the holder. See "Description of Securities."

The Class A Stock is traded on the American Stock Exchange (the "AMEX") under the symbol "AIS.A." The closing price of Ampal's Class A Stock on January 20, 1994 was \$12.50. See "Price Range of Class A Stock." The Units and Warrants have been authorized for listing on the AMEX, subject to official notice of issuance.

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. For a more complete description of Ampal's capital stock see "Description of Securities."

**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.

	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS(1)	PROCEEDS TO COMPANY (2)
Per Unit.....	\$	\$	\$
Total(3).....	\$	\$	\$

(1) Ampal has agreed to indemnify the U.S. Underwriters and International Managers against certain liabilities, including liabilities under the Securities Act of 1933. See "Underwriting."

(2) Before deducting expenses of the Offerings, estimated at \$, payable by Ampal.

(3) Ampal has granted the U.S. Underwriters and the International Managers options, exercisable within 30 days of the date hereof, to purchase up to 500,000 additional Units solely to cover over-allotments. If such options are exercised in full, the total "Price to Public," "Underwriting Discounts and Commissions" and "Proceeds to Company" will be \$, \$ and \$, respectively. See "Underwriting."

The Units offered by this Prospectus are offered by the International Managers, subject to prior sale, to withdrawal, cancellation or modification of the offer without notice, to delivery to and acceptance by the International Managers and to certain further conditions. It is expected that delivery of the Units will be made at the offices of Lehman Brothers Inc., New York, New York on or about February , 1994.

LEHMAN BROTHERS

**OPPENHEIMER INTERNATIONAL LTD.
FURMAN SELZ INCORPORATED**

**POALIM CAPITAL MARKETS & INVESTMENTS LTD.
CLAL ISSUING LTD. UNITED MIZRAHI BANK LTD.**

JANUARY , 1994

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

NO DEALER, SALESPERSON OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS NOT CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THE OFFERING COVERED BY THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY AMPAL OR THE INTERNATIONAL MANAGERS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER OF ANY SECURITIES OTHER THAN THOSE TO WHICH IT RELATES OR AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY TO ANY PERSON IN ANY JURISDICTION WHERE SUCH AN OFFER OR SOLICITATION WOULD BE UNLAWFUL. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

TABLE OF CONTENTS

PAGE

Prospectus Summary.....	3
The Company.....	6
Special Considerations.....	9
Use of Proceeds.....	13
Capitalization.....	14
Price Range of Class A Stock.....	15
Dividend Policy.....	15
Selected Consolidated Financial Data.....	16
Management's Discussion and Analysis of Financial Condition and Results of Operations.....	17
Business.....	22
Conditions in Israel.....	37
Tax Information.....	42
Management.....	46
Certain Transactions.....	48
Description of Securities.....	51
Underwriting.....	54
Legal Matters.....	56
Experts.....	57
Available Information.....	57
Incorporation by Reference.....	57
Index to Financial Information.....	F-1

4,000,000 UNITS

**AMPAL-AMERICAN
ISRAEL CORPORATION**

**4,000,000 SHARES OF CLASS A STOCK
WITH 4,000,000 REDEEMABLE
CLASS A STOCK WARRANTS**

**PROSPECTUS
, 1994**

LEHMAN BROTHERS

OPPENHEIMER INTERNATIONAL LTD.

FURMAN SELZ INCORPORATED

POALIM CAPITAL MARKETS & INVESTMENTS LTD.

CLAL ISSUING LTD.

UNITED MIZRAHI BANK LTD.

PART II

INFORMATION NOT REQUIRED IN THE PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following is an itemization of the expenses to be borne by Ampal in connection with the distribution of the securities hereunder.

Securities and Exchange Commission Filing Fee.....	\$	39,181.03
NASD Filing Fee.....		11,862.00
American Stock Exchange Application and Listing Fees.....		37,500.00
Printing Costs and Expenses*.....		100,000.00
Legal Fees and Expenses*.....		225,000.00
Accountant's Fees and Expenses*.....		175,000.00
Transfer Agent's Fees and Expenses*.....		10,000.00
Warrant Agent's Fees and Expenses*.....		10,000.00
Blue Sky Expenses and Counsel Fees*.....		15,000.00
Miscellaneous*.....		1,456.97

Total.....	\$	625,000.00

* Estimated.

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Ampal's Certificate of Incorporation provides that the personal liability of the directors of Ampal shall be limited to the fullest extent permitted by law including limitations contained in the provisions of paragraph (b) of Section 402 of the Business Corporation Law of the State of New York (the "BCL"), as amended from time to time. Ampal's By-laws contain a provision requiring indemnification of Ampal's directors and officers to the fullest extent authorized by the laws and statutes of the State of New York. The By-laws require Ampal to indemnify any person by reason of the fact that such person, his testator or intestate is or was a director or officer of Ampal against any reasonable expenses (including attorneys' fees), actually and necessarily incurred by him in connection with any action or proceeding (or any appeal therein) brought (or threatened to be brought) by third parties except if such person breached his duty to Ampal. The By-laws require Ampal to indemnify any person by reason of the fact that such person, his testator or intestate is or was a director or officer of Ampal against any and all judgments, fines, amounts paid in settlement, and reasonable expenses (including attorney's fees) actually and necessarily incurred by him in connection with any action or proceeding (or any appeal therein) brought (or threatened to be brought) by third parties including, without limitation, one by or in the right of any other corporation which such person served in any capacity at the request of Ampal, if such person acted in good faith, for a purpose which he believed to be in the best interests of Ampal, and in criminal actions or proceedings in which he had no reasonable cause to believe that his conduct was unlawful. Ampal's By-laws further provide that indemnification for expenses as described above may be paid 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 such advances 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. Reference is made to sections 721 through 726 inclusive of the BCL which deal with indemnification of directors and officers in their capacity as such.

Effective January 29, 1993, the Registrant renewed a directors and officers liability policy in the amount of \$5,000,000 and an excess directors and officers liability policy in the amount of \$5,000,000. Both policies expire on January 29, 1994 and provide coverage (subject to certain exclusions and

retentions) to all of the officers and directors of the Registrant and those subsidiaries of which the Registrant owns more than 50% of the outstanding stock.

Under Section 6 of the proposed forms of U.S. and International Underwriting Agreements between Ampal and the U.S. Underwriters and Ampal and the International Managers, respectively, filed as Exhibit 1.1 hereto, the officers, directors and controlling persons of Ampal are entitled to be indemnified by the U.S. Underwriters against loss, claim, damage or liability (or any action in the respect thereof) resulting from the inclusion in the registration statement of false or misleading information provided by the U.S. Underwriters for use therein. See Exhibit 1.1 for a complete description of such terms.

ITEM 16. EXHIBITS.

EXHIBIT

NO.

DESCRIPTION


-
- 1.1 --Forms of Underwriting Agreement between Registrant and Lehman Brothers Inc., Oppenheimer & Co., Inc. and Furman Selz Incorporated and Registrant and Lehman Brothers International (Europe), Oppenheimer & Co., Inc., Furman Selz Incorporated and Poalim Capital Markets and Investments Ltd.*

 - 4.1 --Form of Indenture dated as of June 6, 1980 (filed as Exhibit 13a to Registration Statement No. 2-68234 and incorporated herein by reference).*
 - 4.2 --Form of Indenture dated as of April 1, 1982 (filed as Exhibit 4a to Registration Statement No. 2-77263 and incorporated herein by reference).*
 - 4.3 --Form of Indenture dated as of November 1, 1984 (filed as Exhibit 4a to Registration Statement No. 2-88582 and incorporated herein by reference).*
 - 4.4 --Form of Indenture dated as of May 1, 1986 (filed as Exhibit 4a to Pre-Effective Amendment No. 1 to Registration Statement No. 33-5578 and incorporated herein by reference).*

 - 4.5 --Form of Warrant Agreement, as amended.
 - 4.6 --Form of Warrant Certificate contained in Exhibit 4.5.*
 - 4.7 --Form of Class A Stock Certificate.*

 - 4.8 --Restated Certificate of Incorporation of the Registrant dated December 23, 1982 (filed as Exhibit 3t to Registration Statement No. 2-81156 and incorporated herein by reference).*
 - 4.9 --Certificate of Amendment of the Certificate of Incorporation of the Registrant dated March 17, 1983 (filed as Exhibit 3r to Form 10-K for the fiscal year ended December 31, 1982 and incorporated herein by reference. File No. 0-538).*
 - 4.10 --Certificate of Amendment of the Certificate of Incorporation of the Registrant dated July 26, 1988 (filed as Exhibit 3c to Form 10-K for the fiscal year ended December 31, 1988 and incorporated herein by reference. File No. 0-538).*
 - 4.11 --By-Laws of the Registrant, as amended (filed as Exhibit 3d to Form 10-K for fiscal year ended December 31, 1992 and incorporated herein by reference. File No. 0-538).*

 - 5 --Opinion of Kronish, Lieb, Weiner & Hellman.*
 - 10.1 --Agreement dated February 7, 1992 between Inerta-Energies and Future Technologies Ltd., Yehuda (Yuli) Offer, Offer Brothers (Management) Ltd., Offer Shipping Ltd., Offer Ship Holdings Ltd., L.I.N. (Holdings) Ltd, I.I.Z. European Enterprise B.V., Amnon Leon, Ampal Industries Inc. and Yeshayahu Landau [Translation].*
 - 10.2 --Employment Agreement between Registrant and Lawrence Lefkowitz dated July 26, 1993.*
 - 10.3 --Registrant's 1993 Stock Option Plan.*
 - 10.4 --Agreement dated March 22, 1992 between the Investment Company of Bank Leumi, Ltd., and Ophir Holdings Ltd., Mercazim Investments Ltd., Diur B.P. Ltd. and Mivnat Holdings Ltd.*
 - 10.5 --Committed Line of Credit Agreement dated as of June 5, 1992 and amendments dated October 31, 1992 and October 31, 1993.*
 - 10.6 --Agreement dated January 18, 1994 between Ampal Industries, Inc. and Inerta-Energies and Future Technologies Ltd. [Translation].

 - 11 --Statements re: Computation of Earnings Per Share.*
 - 12 --Statement re: Computation of Ratios of Earnings to Combined Fixed Charges and Pr Powered by  EDGAR www.sec.gov/edgar Discontinued www.dbsar.com Online, Inc.

 - 23.1 --The Consent of Kronish, Lieb, Weiner & Hellman is contained in its opinion filed as Exhibit 5 hereto.*

EXHIBIT NO. -----	DESCRIPTION -----
23.2	--Consent of Arthur Andersen & Co.
23.3	--Consent of Somekh Chaiken.
23.4	--Consent of Igal Brightman & Co.
23.5	--Consent of H.H.S.L. Haft & Haft & Co.
23.6	--Consent of Fahn, Kanne & Co.
23.7	--Consent of Fahn, Kanne & Co.
23.8	--Consent of Morris Brankin & Co.
23.9	--Consent of Ronel Stettner & Co.
23.10	--Consent of Porat & Co.
23.11	--Consent of Ernst & Young International.
23.12	--Consent of Haggai Wallenstein & Co.
23.13	--Consent of Kesselman & Kesselman.
23.14	--Consent of Braude & Co.
23.15	--Consent of Reuveni, Hartuv, Tepper & Co.
23.16	--Consent of Dov Kahana & Co.
23.17	--Consent of Haggai Wallenstein & Co.
23.18	--Consent of Dov Kahana & Co.
23.19	--Consent of Reuveni, Hartuv, Tepper & Co.
23.20	--Consent of Almagor & Co.
23.21	--Consent of Kost, Levary and Forer.
24	--Powers of Attorney.*

* Previously filed.

ITEM 17. UNDERTAKINGS.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended (the "Securities Act") may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

- (1) For purposes of determining any liability under the Securities Act the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.
- (2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.
- (3) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement.
 - (i) To include any prospectus required by Section 10(a)(3) of the Securities Act.
 - (ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement.

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(4) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

II-3

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-2 and has duly caused this Amendment No. 2 to this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in The City of New York, State of New York, on January 24, 1994.

AMPAL-AMERICAN ISRAEL CORPORATION (registrant)

By: /s/ LAWRENCE LEFKOWITZ

.....
Lawrence Lefkowitz
President and Chief Executive
Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 2 to this Registration Statement has been signed below by the following persons in the following capacities on January 24, 1994.

NAME	TITLE
----- /s/ LAWRENCE LEFKOWITZ Lawrence Lefkowitz	President, Chief Executive Officer and Director (Principal Executive Officer)
/s/ ALAN L. SCHAFFER Alan L. Schaffer	Vice President--Finance and Treasurer (Principal Financial Officer)
/s/ ALLA KANTER Alla Kanter *	Controller (Principal Accounting Officer)
..... Michael Arnon *	Director
..... Stanley Batkin *	Director
..... Yaacov Elinav *	Director
..... Harry B. Henshel *	Director
..... Eitan Raff *	Director
..... Shimon Ravid	

NAME

TITLE

*

Director

Leon Riebman

*

Director

Evelyn Sommer

*

Director

Alexander Yuhjtman

*By: /s/ LAWRENCE LEFKOWITZ

.....
Lawrence Lefkowitz
Attorney-in-Fact

II-5

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders of AMPAL-AMERICAN ISRAEL CORPORATION

We have audited in accordance with generally accepted auditing standards, the consolidated financial statements of Ampal-American Israel Corporation and subsidiaries included in this registration statement and have issued our report thereon dated March 18, 1993. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules on pages S-2 through S-4 are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN & CO.

New York, N.Y.
March 18, 1993

S-1

SCHEDULE IV

**AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES
INDEBTEDNESS OF AND TO RELATED PARTIES--NOT CURRENT**

YEAR ENDED DECEMBER 31, 1990:				
NAME OF PERSON	BALANCE AT BEGINNING	ADDITIONS	DEDUCTIONS	BALANCE AT END
Indebtedness of:				
Bank Hapoalim B.M.	\$ 24,283,000	\$ 158,885,000	\$ --	\$ 183,168,000
Israel Continental Bank Ltd.	28,750,000	--	28,750,000	--
All other related parties as a group.....	6,674,000	57,000	--	6,731,000
	<u>\$ 59,707,000</u>	<u>\$ 158,942,000</u>	<u>\$ 28,750,000</u>	<u>\$ 189,899,000</u>
Indebtedness to:				
Bank Hapoalim B.M.	\$ 509,995,000	\$ --	\$ 460,242,000	\$ 49,753,000
Bank Hapoalim (Cayman) Ltd.	2,700,000	--	1,200,000	1,500,000
Israel Continental Bank Ltd.	2,639,000	--	157,000	2,482,000
All other related parties as a group.....	1,404,000	2,563,000	--	3,967,000
	<u>\$ 516,738,000</u>	<u>\$ 2,563,000</u>	<u>\$ 461,599,000</u>	<u>\$ 57,702,000</u>
YEAR ENDED DECEMBER 31, 1991:				
NAME OF PERSON	BALANCE AT BEGINNING	ADDITIONS	DEDUCTIONS	BALANCE AT END
Indebtedness of:				
Bank Hapoalim B.M.	\$ 183,168,000	\$ --	\$ 40,297,000	\$ 142,871,000
All other related parties as a group.....	6,731,000	3,862,000	--	10,593,000
	<u>\$ 189,899,000</u>	<u>\$ 3,862,000</u>	<u>\$ 40,297,000</u>	<u>\$ 153,464,000</u>
Indebtedness to:				
Bank Hapoalim B.M.	\$ 49,753,000	\$ --	\$ 14,289,000	\$ 35,464,000
Bank Hapoalim (Cayman) Ltd.	1,500,000	--	900,000	600,000
Israel Continental Bank Ltd.	2,482,000	158,000	--	2,640,000
All other related parties as a group.....	3,967,000	--	1,701,000	2,266,000
	<u>\$ 57,702,000</u>	<u>\$ 158,000</u>	<u>\$ 16,890,000</u>	<u>\$ 40,970,000</u>
YEAR ENDED DECEMBER 31, 1992:				
NAME OF PERSON	BALANCE AT BEGINNING	ADDITIONS	DEDUCTIONS	BALANCE AT END
Indebtedness of:				
Bank Hapoalim B.M.	\$ 142,871,000	\$ --	\$ 44,834,000	\$ 98,037,000
All other related parties as a group.....	10,593,000	--	1,125,000	9,468,000
	<u>\$ 153,464,000</u>	<u>\$ --</u>	<u>\$ 45,959,000</u>	<u>\$ 107,505,000</u>
Indebtedness to:				
Bank Hapoalim B.M.	\$ 35,464,000	\$ --	\$ 14,780,000	\$ 20,684,000
Bank Hapoalim (Cayman) Ltd.	600,000	--	600,000	--
Israel Continental Bank Ltd.	2,640,000	--	501,000	2,139,000
All other related parties as a group.....	2,266,000	--	20,000	2,246,000
	<u>\$ 40,970,000</u>	<u>\$ --</u>	<u>\$ 15,901,000</u>	<u>\$ 25,069,000</u>

SCHEDULE IX

**AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES
SHORT-TERM BORROWINGS**

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F
CATEGORY OF AGGREGATE SHORT-TERM BORROWINGS	BALANCE AT END OF PERIOD	WEIGHTED AVERAGE INTEREST RATE	MAXIMUM AMOUNT OUTSTANDING DURING THE PERIOD	AVERAGE AMOUNT OUTSTANDING DURING THE PERIOD(1)	WEIGHTED AVERAGE INTEREST RATE DURING THE PERIOD(1)
Year Ended December 31, 1990: Notes and loans payable.....	\$ 1,300,000	10.46%	\$ 10,390,000	\$ 6,027,000	11.77%
Year Ended December 31, 1991: Notes and loans payable.....	\$ 22,683,000	8.15%	\$ 22,683,000	\$ 6,066,000	10.16%
Year Ended December 31, 1992: Notes and loans payable.....	\$ 36,568,000	6.81%	\$ 36,568,000	\$ 24,642,000	7.76%

(1) Based on quarter-end balances.

SCHEDULE X

**AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY INCOME STATEMENT INFORMATION**

COLUMN A		COLUMN B	
ITEM		CHARGED TO COSTS AND EXPENSES	
Year Ended December 31, 1990:			
1. Maintenance and repairs.....		\$	1,614,000
5. Advertising costs.....			1,292,000
Year Ended December 31, 1991:			
1. Maintenance and repairs.....		\$	1,170,000
5. Advertising costs.....			1,116,000
Year Ended December 31, 1992:			
1. Maintenance and repairs.....		\$	4,221,000
5. Advertising costs.....			101,000

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
1.1	--Forms of Underwriting Agreement between Registrant and Lehman Brothers Inc., Oppenheimer & Co., Inc. and Furman Selz Incorporated and Registrant and Lehman Brothers International (Europe), Oppenheimer & Co., Inc., Furman Selz Incorporated and Poalim Capital Markets and Investments Ltd.*
4.1	--Form of Indenture dated as of June 6, 1980 (filed as Exhibit 13a to Registration Statement No. 2-68234 and incorporated herein by reference).*
4.2	--Form of Indenture dated as of April 1, 1982 (filed as Exhibit 4a to Registration Statement No. 2-77263 and incorporated herein by reference).*
4.3	--Form of Indenture dated as of November 1, 1984 (filed as Exhibit 4a to Registration Statement No. 2-88582 and incorporated herein by reference).*
4.4	--Form of Indenture dated as of May 1, 1986 (filed as Exhibit 4a to Pre-Effective Amendment No. 1 to Registration Statement No. 33-5578 and incorporated herein by reference).*
4.5	--Form of Warrant Agreement, as amended.
4.6	--Form of Warrant Certificate contained in Exhibit 4.5.*
4.7	--Form of Class A Stock Certificate.*
4.8	--Restated Certificate of Incorporation of the Registrant dated December 23, 1982 (filed as Exhibit 3t to Registration Statement No. 2-81156 and incorporated herein by reference).*
4.9	--Certificate of Amendment of the Certificate of Incorporation of the Registrant dated March 17, 1983 (filed as Exhibit 3r to Form 10-K for the fiscal year ended December 31, 1982 and incorporated herein by reference. File No. 0-538).*
4.10	--Certificate of Amendment of the Certificate of Incorporation of the Registrant dated July 26, 1988 (filed as Exhibit 3c to Form 10-K for the fiscal year ended December 31, 1988 and incorporated herein by reference. File No. 0-538).*
4.11	--By-Laws of the Registrant, as amended (filed as Exhibit 3d to Form 10-K for fiscal year ended December 31, 1992 and incorporated herein by reference. File No. 0-538).*
5	--Opinion of Kronish, Lieb, Weiner & Hellman.*
10.1	--Agreement dated February 7, 1992 between Inerta-Energies and Future Technologies Ltd., Yehuda (Yuli) Offer, Offer Brothers (Management) Ltd., Offer Shipping Ltd., Offer Ship Holdings Ltd., L.I.N. (Holdings) Ltd, I.I.Z. European Enterprise B.V., Amnon Leon, Ampal Industries Inc. and Yeshayahu Landau [Translation].*
10.2	--Employment Agreement between Registrant and Lawrence Lefkowitz dated July 26, 1993.*
10.3	--Registrant's 1993 Stock Option Plan.*
10.4	--Agreement dated March 22, 1992 between the Investment Company of Bank Leumi, Ltd., and Ophir Holdings Ltd., Mercazim Investments Ltd., Diur B.P. Ltd. and Mivnat Holdings Ltd.*
10.5	--Committed Line of Credit Agreement dated as of June 5, 1992 and amendments dated October 31, 1992 and October 31, 1993.*
10.6	--Agreement dated January 18, 1994 between Ampal Industries, Inc. and Inerta-Energies and Future Technologies Ltd. [Translation].*
11	--Statements re: Computation of Earnings Per Share.*
12	--Statement re: Computation of Ratios of Earnings to Combined Fixed Charges and Preferred Stock Dividends.*
23.1	--The Consent of Kronish, Lieb, Weiner & Hellman is contained in its opinion filed as Exhibit 5 hereto.*

EXHIBIT
NO.

DESCRIPTION

23.2 --Consent of Arthur Andersen & Co.
23.3 --Consent of Somekh Chaiken.
23.4 --Consent of Igal Brightman & Co.
23.5 --Consent of H.H.S.L. Haft & Haft & Co.
23.6 --Consent of Fahn, Kanne & Co.
23.7 --Consent of Fahn, Kanne & Co.
23.8 --Consent of Morris Brankin & Co.
23.9 --Consent of Ronel Stettner & Co.
23.10 --Consent of Porat & Co.
23.11 --Consent of Ernst & Young International.
23.12 --Consent of Haggai Wallenstein & Co.
23.13 --Consent of Kesselman & Kesselman.
23.14 --Consent of Braude & Co.
23.15 --Consent of Reuveni, Hartuv, Tepper & Co.
23.16 --Consent of Dov Kahana & Co.
23.17 --Consent of Haggai Wallenstein & Co.
23.18 --Consent of Dov Kahana & Co.
23.19 --Consent of Reuveni, Hartuv, Tepper & Co.
23.20 --Consent of Almagor & Co.
23.21 --Consent of Kost, Levary and Forer.
24 --Powers of Attorney.*

* Previously filed.

AMPAL-AMERICAN ISRAEL CORPORATION

and

CHEMICAL BANK,

as Warrant Agent

Warrants to Purchase Shares of Class A Stock

WARRANT AGREEMENT

Dated as of

THIS WARRANT AGREEMENT, dated as of, 1994, is made by and
between AMPAL-AMERICAN ISRAEL CORPORATION, a New York corporation (the "Company"), and CHEMICAL BANK, as Warrant Agent (or any successor thereto) (the "Warrant Agent").

The Company proposes to issue up to Warrants, as hereinafter described (each a Warrant and, together, the "Warrants"), each to purchase one share of its Class A Stock, par value \$1.00 per share (the "Class A Stock") (the shares of Class A Stock issuable upon exercise of the Warrants being referred to herein as the "Warrant Shares"), in connection with the public offerings of up to units (which include the Additional Units, as defined below) (the "Units") each consisting of one share of Class A Stock (each a "Unit Share" and, together, the "Unit Shares") and one Warrant. A portion of the Units are being sold in a public offering in the United States underwritten on a firm commitment basis by Lehman Brothers, Inc., Oppenheimer & Co., Inc. and Furman Selz Incorporated as representatives (the "Representatives") of the U.S. Underwriters in accordance with the terms of an underwriting agreement (the "United States Underwriting Agreement") that relates to the offering of a portion of the Units in the United States. The remaining portion of the Units are being sold in a public offering outside of the United States underwritten on a firm commitment basis by Lehman Brothers International, Oppenheimer International Ltd., Furman Selz Incorporated and Poalim Capital Markets and Investments Ltd. as Lead Managers of the International Managers (the "International Managers" and together with the Representatives, the "Underwriters") in accordance with the terms of an underwriting agreement (the "International Underwriting Agreement" and together with the U.S. Underwriting Agreement, the "Underwriting Agreements") that relate to the offering of a portion of the Units outside of the United States. Under the Underwriting Agreements, Units (the "Firm Units") are required to be purchased by the Underwriters if any are purchased, and, in accordance with the Underwriting Agreements, up to Units (the "Additional Units") may be purchased by the Underwriters.

The Company wishes the Warrant Agent to act on behalf of the Company, and the Warrant Agent is willing so to act, in connection with the issuance, division, transfer, exchange and exercise of Warrants and, during the period prior to the Separation Date, as hereinafter defined, as transfer agent and registrar for the Units.

In consideration of the foregoing and for the purpose of defining the terms and provisions of the Warrants and the respective rights and obligations thereunder of the Company and the registered owners of the Warrants (the "Holders"), and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and confirmed, the Company and the Warrant Agent agree as follows:

Section 1. Appointment of Warrant Agent. The Company hereby appoints the Warrant Agent to act as agent for the Company in accordance with the instructions set forth in this Agreement, and the Warrant Agent hereby accepts such appointment.

Section 2. Transferability and Form of Warrant.

2.1 Registration. The Warrants shall be numbered and shall be registered in a Warrant register maintained by the Warrant Agent as they are issued. The Company and the Warrant Agent shall be entitled to treat a Holder as the owner in fact for all purposes of each Warrant registered in such Holder's name and shall not be bound to recognize any equitable or other claim to or interest in such Warrant on the part of any other person, and shall not be liable for any registration of transfer of Warrants that are registered or to be registered in the name of a fiduciary or the nominee of a fiduciary unless made with the actual knowledge that a fiduciary or nominee is committing a breach of trust in requesting such registration of transfer, or with such knowledge of such facts that its participation therein amounts to bad faith.

2.2 Transfer. The Unit Shares and Warrants included in the Units will not be separately transferable prior to , 1994 or such earlier date as may be determined by the Representatives and International Managers (the "Separation Date"). Prior to the Separation Date, the certificates representing the Warrants will also represent the Unit Shares. On or after the Separation Date, the Unit Shares and the Warrants will only be separately transferable and will not be transferable as Units. On its face, the certificate for the Warrants shall be legended to make it a certificate for Units through the Separation Date. Thereafter, the certificate for Warrants shall represent only Warrants. Certificates evidencing the Unit Shares will be issued to the Holders of the Units on the Separation Date or as soon as practicable after the Separation Date.

The Warrants shall be transferable only on the books of the Company maintained at the principal office of the Warrant Agent at 450 West 33rd Street, New York, New York 10001, upon delivery thereof duly endorsed by the Holder or by his duly authorized attorney or representative, which endorsement shall be guaranteed by a bank or trust company located in the United States or by a broker or dealer that is a member of a national securities exchange, or accompanied by proper evidence of succession, assignment or authority to transfer. In all cases of transfer by an attorney, the original power of attorney, duly approved, or an official copy thereof, duly certified, shall be deposited and remain with the Warrant Agent. In case of transfer by executors, administrators, guardians or other legal representatives, duly authenticated evidence of their authority shall be produced, and may be required to be deposited and remain with the Warrant Agent in its discretion. Upon any registration of transfer, the Warrant Agent shall countersign and deliver a new Warrant or Warrants to the persons entitled thereto.

2.3 Form of Warrant. The text of the Warrant and of the Form of Election to Purchase Warrant Shares shall be substantially as set forth in Exhibit A attached hereto. The price per Warrant Share and the number of Warrant Shares issuable upon exercise of each Warrant are subject to adjustment upon the occurrence of certain events, all as hereinafter provided. The Warrants shall be executed on behalf of the Company by its President or its Vice President-Finance, under its corporate seal produced thereon attested by its Secretary. The signature of any of such officers on the Warrants may be manual or facsimile.

Warrants bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any one of them shall have

ceased to hold such offices prior to the delivery of such Warrants or did not hold such offices on the date of this Agreement.

Warrants shall be dated as of the date of counter-signature thereof by the Warrant Agent either upon initial issuance or upon division, exchange, substitution or transfer.

Section 3. Deposit of Class A Stock.

3.1 Depository. Prior to the Separation Date, the Warrant Agent hereby agrees to act as depository for the Unit Shares.

3.2 Form of Certificate. Upon receipt of instructions from the Underwriters, the Company, on the First Closing Date and the Option Closing Date (as such terms are defined in the Underwriting Agreements), if applicable, will deliver to the Warrant Agent certificates for such number of Warrants as are included in the Firm Units and in the Additional Units, in such denominations as are specified by the Representatives. The certificates delivered by the Company to the Warrant Agent shall be registered in the name of the Warrant Agent or its nominee, and shall be held by the Warrant Agent and its successors, in its capacity as depository upon and subject to the terms of this Agreement, for the beneficial owners thereof, which will be the registered owners of the Firm Units and the Additional Units.

3.3 Legend. There shall be printed on the Warrants to be originally issued and upon all Warrants issued on transfers, exchanges or substitutions thereof, a legend in substantially the following form:

Until 1994, or such earlier date as designated by the Representative and International Managers as defined in the Warrant Agreement (the "Separation Date"), this certificate evidences Units, each consisting of one share of Class A Stock, \$1.00 par value and one Warrant to purchase one share of Class A Stock, which may be combined, exchanged or transferred only as Units, and the shares of Class A Stock and Warrants comprising such Units may not be split up, combined, exchanged or transferred separately. Warrants may not be exercised until after the Separation Date. The holder of record of this certificate at the close of business on the Separation Date will be mailed a certificate evidencing such holder's ownership of shares of Class A Stock, and this certificate shall no longer represent Units but shall represent solely the number of Warrants set forth herein.

3.4 Delivery. Subject to the next succeeding paragraph, at the Separation Date, the Warrant Agent shall prepare a record list of the holders of Units and will submit such list to the transfer agent for the Class A Stock. As soon after the Separation Date as practicable, the Warrant Agent, in its capacity as depository, shall mail to the holders of Units at the close of business on the Separation Date, at their addresses as shown on the Warrant register maintained by the Warrant Agent, the certificates for the Unit Shares to which such holders are entitled.

If the Company with the consent of the Representatives and International Managers, determines, at least seventy-two hours prior to the First Closing Date, that the Unit Shares shall be separately transferable as of such First Closing Date (or, if practicable, if such determination shall be made less than seventy-two hours prior to such closing), in lieu of the actions

specified in the immediately preceding paragraph, the Warrant Agent shall deliver the certificates for such Unit Shares at the closing (or as soon thereafter as practicable) and will prepare and submit a record list for the Units Shares to the transfer agent for the Class A Stock.

3.5 Failure to Deliver Certificate. If the Warrant Agent, in its capacity as depository, shall be unable to make any delivery of a certificate for a Unit Share within one year after the Separation Date, then the Warrant Agent shall hold such certificate for the account of the person to whom such delivery was to be made. The Warrant Agent, upon the Company's request and at the Company's expense, shall produce and supply to the Company a list of all such undelivered certificates, the Holders of such certificates and the last known address of such Holders. The Company shall then cause to be published in a newspaper printed in the English language and of general circulation in New York City, New York, a notice prepared by the Company stating the names of the Holders contained in such list.

Section 4. Countersignature of Warrants. The Warrants shall be countersigned by the Warrant Agent and shall not be valid for any purpose unless so countersigned. Warrants may be countersigned, however, by the Warrant Agent and may be delivered by the Warrant Agent, notwithstanding that the persons whose manual or facsimile signatures appear thereon as proper officers of the Company shall have ceased to be such officers at the time of such countersignature, issuance or delivery. The Warrant Agent shall, upon written instructions of the President, one of its Vice Presidents or the Secretary of the Company, countersign, issue and deliver the Warrants and shall countersign and deliver the Warrants as otherwise provided in this Agreement.

Section 5. Exchange of Warrant Certificates. Each Warrant certificate may be exchanged at the option of the Holder thereof for another certificate or certificates entitling the Holder thereof to purchase a like aggregate number of Warrant Shares as the certificate or certificates surrendered then entitle such Holder to purchase. Any Holder desiring to exchange a Warrant certificate or certificates shall make such request in writing delivered to the Warrant Agent, and shall surrender, properly endorsed, which endorsement shall be guaranteed as provided in Section 2.2 hereof if the certificate or certificates are to be issued other than in the name of the Holder, the certificate or certificates to be so exchanged at the office of the Warrant Agent at 450 West 33rd Street, New York, New York 10001. Thereupon, the Warrant Agent shall countersign and deliver to the person entitled thereto a new Warrant certificate or certificates, as the case may be, as so requested.

Section 6. Term of Warrants; Exercise of Warrants.

6.1 Term of Warrants. Subject to the terms of this Agreement, each Holder shall have the right, which may be exercised at any time after the Separation Date until the earlier of five business days preceding their redemption date or their date of expiration, which shall be 5:00 p.m., New York City time, on _____, 1999 ("Expiration Date"), to purchase from the Company the number of fully paid and nonassessable Warrant Shares that the Holder may at the time be entitled to purchase on exercise of such Warrants. After the Expiration Date, any previously unexercised Warrants shall be void and have no value. After the Redemption Date for a Warrant, such Warrant shall be void and have no value.

6.2 Exercise of Warrants. A Warrant may be exercised upon surrender to the Company at the office of the Warrant Agent at 450 West 33rd Street, New York, New York 10001, of the certificate or certificates evidencing the Warrants to be exercised, together with the form of election to purchase on the reverse thereof duly completed and signed, and upon payment to the Warrant Agent for the account of the Company of the Warrant Price (as defined in Section 10 hereof) for the number of Warrant Shares in respect of which such Warrants are then exercised.

Payment of the aggregate Warrant Price shall be made in cash or by check.

Subject to Section 7 hereof, upon such surrender of Warrants and payment of the Warrant Price as aforesaid, the Company shall issue and cause to be delivered with all reasonable dispatch to or upon the written order of the Holder and in such name or names as the Holder may designate, a certificate or certificates for the number of whole Warrant Shares so purchased upon the exercise of such Warrants, together with cash, as provided in Section 12 hereof, in respect of any fractional Warrant Shares otherwise issuable upon such surrender. Such certificate or certificates shall be deemed to have been issued and any person so designated to be named therein shall be deemed to have become a holder of record of such Warrant Shares as of the date of the surrender of such Warrants and payment of the Warrant Price, as aforesaid; provided, however, that if, at the date of surrender of such Warrants and payment of such Warrant Price, the transfer books for the Warrant Shares or other class of stock purchasable upon the exercise of such Warrants shall be closed, the certificates for the Warrant Shares in respect of which such Warrants are then exercised shall be issuable as of the date on which such books shall next be opened (whether before or after the Expiration Date) and until such date the Company shall be under no duty to deliver any certificate for such Warrant Shares; provided further, however, that the transfer books of record, unless otherwise required by law, shall not be closed. The rights of purchase represented by the Warrants shall be exercisable, at the election of the Holders thereof, either in full or from time to time in part and, in the event that a certificate evidencing Warrants is exercised in respect of less than all of the Warrant Shares purchasable on such exercise at any time prior to the date of expiration of the Warrants, a new certificate evidencing the remaining Warrant or Warrants will be issued, and the Warrant Agent is hereby irrevocably authorized to countersign and to deliver the required new Warrant certificate or certificates pursuant to the provisions of this Section and of Section 4 hereof and the Company, whenever required by the Warrant Agent, will supply the Warrant Agent with Warrant certificates duly executed on behalf of the Company for such purpose.

Section 7. Payment of Taxes. The Company will pay all documentary stamp taxes, if any, attributable to the initial issuance of Warrant Shares upon the exercise of Warrants; provided, however, that the Company shall not be required to pay any tax or taxes that may be payable in respect of any transfer involved in the issue or delivery of any Warrants or certificates for Warrant Shares in a name other than that of the registered Holder of Warrants in respect of which such Warrant Shares are issued, and the Company shall not be required to issue or deliver such certificates unless or until the person or persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

Section 8. Mutilated or Missing Warrants. In case any of the certificates evidencing the Warrants shall be mutilated, lost, stolen or destroyed, the Company may in its discretion issue, and the Warrant Agent shall countersign and deliver in exchange and substitution for and upon cancellation of the mutilated Warrant certificate, or in lieu of and substitution for the Warrant Certificate lost, stolen or destroyed, a new Warrant certificate of like tenor and representing an equivalent right or interest; but only upon receipt of evidence satisfactory to the Company and the Warrant Agent, of such loss, theft or destruction of such Warrant and indemnity, if requested, also satisfactory to them. An applicant for such a substitute Warrant certificate shall also comply with such other reasonable requirements and pay such other reasonable charges as the Company or the Warrant Agent may prescribe.

Section 9. Reservation of Warrant Shares; Purchase of Warrants; Redemption of Warrants.

9.1 Reservation of Warrant Shares. There have been reserved, and the Company shall at all times keep reserved, free from preemptive rights, out of its authorized Class A Stock, a number of shares of Class A Stock sufficient to provide for the exercise of the rights of purchase represented by the outstanding Warrants. The Warrant Agent, in its separate capacity as transfer agent for the Class A Stock, and every subsequent transfer agent for any shares of the Company's capital stock issuable upon the exercise of any of the rights to purchase aforesaid will be irrevocably authorized and directed at all times to reserve such number of authorized shares as shall be required for such purpose. The Company will keep a copy of this Agreement on file with the transfer agent for the Class A Stock and with every subsequent transfer agent for any shares of the Company's capital stock issuable upon the exercise of the rights of purchase represented by the Warrants. The Warrant Agent in its capacity as transfer agent for the Class A Stock and any successor transfer agent for the Class A Stock are hereby irrevocably authorized to cause to be issued from time to time the stock certificates required to honor outstanding Warrants upon exercise thereof in accordance with the terms of this Agreement. The Company will supply such transfer agent with duly executed stock certificates for such purposes and will provide or otherwise make available any cash which may be payable as provided in Section 12 hereof. All Warrants surrendered in the exercise of the rights thereby evidenced shall be canceled by the Warrant Agent and shall thereafter be delivered to the Company. Promptly after the date of expiration of the Warrants, the Warrant Agent shall certify to the Company the aggregate number of Warrants then outstanding, and thereafter no shares of Class A Stock shall be subject to reservation in respect of such Warrants.

The Company covenants that all shares issued upon exercise of the Warrants, will, upon issuance in accordance with the terms of this Agreement, be fully paid and nonassessable and free from all taxes, liens, charges and security interests created by the Company with respect to the issuance thereof.

The Company from time to time will use its best efforts (a) to obtain and keep effective any and all permits, consents and approvals of governmental agencies and authorities and to make securities acts filings under federal and state laws, which may be or become requisite in connection with the issuance, sale, transfer and delivery of the Warrant certificates, the exercise or conversion of the Warrants and the issuance, sale, transfer and delivery of the shares of Class A Stock issued upon exercise of the Warrants, and (b) after

separation, to have the Warrants listed on the principal securities exchanges on which the Class A Stock is then listed.

9.2 Purchase of Warrants by the Company. The Company shall have the right, except as limited by law, by other agreements or herein, to purchase or otherwise acquire Warrants at such times, in such manner and for such consideration as it may deem appropriate.

9.3 Right of Company to Call Warrants. The Warrants are not redeemable by the Company until two years after their date of issuance. On or after such date, the Warrants are redeemable by the Company, from time to time and at any time in whole or in part, without any payment. If less than all of the Warrants are to be redeemed, the Warrant Agent shall select the Warrants to be redeemed by lot or pro rata.

9.4 Notice of Call of Warrants by the Company. Notice of the redemption shall be mailed on a date at least 30 days prior to the date scheduled for such redemption (the "Redemption Date") and shall be given to the Warrant Agent and the Holders in accordance with the provisions of Section 19 hereof. The notice of redemption also shall be given at the time of the mailing of notice to the Holders pursuant to this Section, by publishing, at least once in one or more newspapers printed in the English language and in general circulation in New York City, New York. Such notice shall state the date, place and price of such repurchase.

9.5 Cancellation of Warrants. In the event the Company shall purchase, redeem or otherwise acquire Warrants, the same shall thereupon be delivered to the Warrant Agent and be canceled by the Warrant Agent and retired. The Warrant Agent shall cancel any Warrant surrendered for exchange, substitution, transfer or exercise in whole or in part.

Section 10. Warrant Price. The price per share at which Warrant Shares shall be purchasable upon exercise of Warrants (the "Warrant Price") shall be \$.

Section 11. Certain Rights and Adjustment of Number and Kind of Warrant Shares.

11.1 Certain Rights. In case the Company shall issue rights, options or warrants to all holders of its outstanding Class A Stock, without payment of additional consideration by such holders, entitling them to subscribe for or purchase shares of Class A Stock at a price per share that is lower than the current market price per share of Class A Stock (as defined in Section 12) at the record date established by the Company in connection with the issuance of such rights, options or warrants, each holder of a Warrant at such record date shall be entitled to receive such rights, options or warrants as if, and to the extent, it was at such record date the holder of the number of shares of Class A Stock then underlying its Warrant; provided, however, that any such rights, options or warrants issued pursuant to this Section 11.1 shall terminate and no longer be exercisable if not exercised prior to the earliest of (i) the scheduled expiration of such right, option or warrant, (ii) the Expiration Date, and (iii) the Redemption Date of the Warrant with respect to which such rights, options or warrants were issued.

11.2 Adjustments. The number and kind of securities or other property purchasable upon the exercise of each Warrant shall be subject to adjustment from time to time upon the happening of the following events:

(a) If the Company shall distribute to all holders of its shares of Class A Stock evidence of its indebtedness or assets (excluding (i) cash dividends or distributions payable out of consolidated earnings or earned surplus, (ii) rights, options or warrants or convertible or exchangeable securities representing the right to subscribe for or purchase shares of Class A Stock and (iii) any other dividend or distribution of securities covered by subsection (b) below), then in each case the number of shares of Class A Stock thereafter purchasable upon the exercise of each Warrant shall be determined by multiplying the number of shares of Class A Stock theretofore purchasable upon the exercise of each Warrant, by a fraction, of which the numerator shall be (i) the then current market price per share of Class A Stock (as defined in Section 12) on the date of such distribution, and of which the denominator shall be (ii) the then current market price per share of Class A Stock (as defined in Section 12) on the date of such distribution, less the then fair value (as determined in good faith by the Board of Directors of the Company, whose determination shall be conclusive and shall be evidenced by a resolution filed with the Warrant Agent) of the portion of the assets or evidences of indebtedness so distributed. Such adjustment shall be made whenever any such distribution is made, and shall become effective on the date of distribution retroactive to the record date established by the Company for the determination of stockholders entitled to receive such distribution.

(b) In case the Company shall (1) pay a dividend in, or make a distribution of, shares of Class A Stock or of securities convertible into or exchangeable (without payment of any additional consideration) for, Class A Stock on its outstanding Class A Stock (other than a dividend or distribution covered by Section 11.2 (a)), (2) subdivide its outstanding shares of Class A Stock into a greater number of such shares or (3) combine its outstanding shares of Class A Stock into a smaller number of such shares, the total number of shares of Class A Stock and the number of shares of securities convertible into Class A Stock purchasable upon the exercise of each Warrant outstanding immediately prior thereto shall be adjusted so that the holder of any Warrant thereafter surrendered for exercise shall be entitled to receive at the same aggregate Warrant Price the number of shares of Class A Stock and the number of shares of securities convertible into Class A Stock which such holder would have owned or have been entitled to receive immediately following the happening of any of the events described above had such Warrant been exercised in full immediately prior to the happening of such event. Any adjustment made pursuant to this Section 11.2(b) shall, in the case of a stock dividend or distribution, become effective as of the record date therefor and, in the case of a subdivision or combination, be made as of the effective date thereof. If, as a result of an adjustment made pursuant to this Section 11.2(b), the holder of any Warrant thereafter surrendered for exercise shall become entitled to receive shares of two or more classes of securities of the Company, the Board of Directors of the Company (whose determination shall be conclusive and shall be evidenced by a Board resolution filed with the Warrant Agent) shall determine the allocation of the adjusted Warrant Price between or among shares of such classes of securities

(c) In the event of a capital reorganization or a reclassification of the Class A Stock (except as provided in Sections 11.2 (b) and (d)), any holder of Warrants, upon exercise thereof, shall be entitled to receive, in lieu

of the Class A Stock to which he would have become entitled upon exercise immediately prior to such reorganization or reclassification, the shares (of any class or classes) or other securities or property of the Company (or cash) that he would have been entitled to receive at the same aggregate Warrant Price upon such reorganization or reclassification if his Warrants had been exercised immediately prior thereto; and in any such case, appropriate provision (as determined by the Board of Directors of the Company, whose determination shall be conclusive and shall be evidenced by a Board resolution filed with the Warrant Agent) shall be made for the application of this Section 11.2(c) with respect to the rights and interests thereafter of the holders of Warrants (including, but not limited to, the allocation of the Warrant Price between or among the classes of capital stock), to the end that this Section 11.2(c) (including the adjustments of the number of shares of Class A Stock or other securities purchasable) shall thereafter be reflected, as nearly as reasonably practicable, in all subsequent exercises of the Warrants for any shares or securities or other property (or cash) thereafter deliverable upon the exercise of the Warrants.

(d) In case of any consolidation of the Company with, or merger of the Company with, or merger of the Company into, another corporation (other than a consolidation or merger which does not result in any reclassification or change of the outstanding Class A Stock), or in case of any sale or conveyance of all or substantially all of the assets of the Company, the corporation formed by such consolidation or merger or the party which shall have acquired such assets, as the case may be, shall execute and deliver to the Warrant Agent a supplemental warrant agreement providing that the holder of each Warrant then outstanding shall have the right thereafter (until the expiration of such Warrant) to receive, upon exercise of such Warrant, solely the kind and amount of shares of stock and other securities and property (or cash) receivable upon such consolidation, merger, sale or transfer by a holder of the number of shares of Class A Stock of the Company for which such Warrant might have been exercised immediately prior to such consolidation, merger, sale or transfer. Such supplemental warrant agreement shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided in this Section. The above provision of this Section 11.2(d) shall similarly apply to successive consolidations, mergers, sales or transfers.

(e) No adjustment in the number of shares of Class A Stock purchasable hereunder shall be required unless such adjustment would require an increase or decrease of at least one percent (1%) in the number of shares of Class A Stock purchasable upon the exercise of each Warrant; provided, however, that any adjustments which by reason of this Section 11.2(e) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations shall be made to the nearest cent and to the nearest one-hundredth of a share, as the case may be.

(f) Whenever the number of shares of Class A Stock or other securities purchasable upon exercise of a Warrant is adjusted as provided in this Section 11.2, the Company will promptly file with the Warrant Agent a certificate signed by the President or Vice President of the Company and by the Treasurer or Secretary of the Company setting forth the number and kind of shares purchasable, as so adjusted, stating that such adjustments in the number or kind of shares or other securities conform to the requirements of this Section 11.2 and setting forth a brief statement of the facts accounting for such adjustments. For the purposes of the Warrant Agent, such certificates shall be conclusive evidence of the correctness of such adjustments. Promptly

after filing such certificate with the Warrant Agent, the Company, or the Warrant Agent at the Company's request, will deliver, by first-class, postage prepaid mail, a brief summary thereof (to be supplied by the Company) to the registered holders of the outstanding Warrants; provided, however, that failure to file or to give any notice required under this Section 11.2 (f), or any defect therein, shall not affect the legality or validity of any such adjustments under this Section 11.2; provided further, that, where appropriate, such notice may be given in advance and included as part of the notice required to be given pursuant to Section 13 hereof.

The Warrant Agent shall not be under any responsibility to determine the correctness of any provision contained in any such supplemental warrant agreement relating to either the kind or amount of shares of stock or securities or property (or cash) purchasable by holders of Warrants upon the exercise of their Warrants after any such consolidation, merger, sale or transfer or of any adjustment to be made with respect thereto, but subject to the provisions of

Section 16 hereof, may accept as conclusive evidence of the correctness of any such provisions, and shall be protected in relying upon, a certificate of a firm of independent public accountants with respect thereto.

(g) Irrespective of any adjustments in the number or kind of shares issuable upon exercise of Warrants, Warrants theretofore or thereafter issued may continue to express the same price and number and kind of shares as are stated in the similar Warrants initially issuable pursuant to this Warrant Agreement.

(h) The Company may retain a firm of independent public accountants of recognized standing, which may be the firm regularly retained by the Company, selected by the Board of Directors of the Company or the Executive Committee of said Board to make any computation required under this Section 11.2 and a certificate signed by such firm shall, for purposes of the Warrant Agent, be conclusive evidence of the correctness of any computation made under this Section 11.2.

(i) For the purpose of Section 11, the term "Class A Stock" shall mean (i) the class of stock designated as Class A Stock in the Restated Certificate of Incorporation of the Company, as amended, at the date of this Agreement, or (ii) any other class of stock resulting from successive changes or reclassifications of such Class A Stock consisting solely of changes in par value, or from no par value to par value, or from par value to no par value. In the event that at any time as a result of an adjustment made pursuant to this Section 11.2, the holder of any Warrant thereafter surrendered for exercise shall become entitled to receive any shares of capital stock of the Company other than shares of Class A Stock, thereafter the number of such other shares so receivable upon exercise of any Warrant shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Class A Stock contained in this Section, and all other provisions of this Agreement, with respect to the Class A Stock, shall apply on like terms to any such other shares.

Section 12. Fractional Interests. The Company shall not be required to issue fractional Warrant Shares on the exercise of Warrants. If more than one Warrant shall be presented for exercise in full at the same time by the same Holder, the number of full Warrant Shares that shall be issuable upon the exercise thereof shall be computed on the basis of the aggregate number of Warrant Shares purchasable on exercise of the Warrants so presented. If any

fraction of a Warrant Share would, except for the provisions of this Section 12, be issuable on the exercise of any Warrant (or specified portion thereof), the Company shall calculate and pay an amount in cash equal to the then current market price per Warrant Share multiplied by such fraction. For purposes of Sections 11 and 12, current market price per share of Class A Stock at any date shall be the average of the daily closing prices for 15 consecutive trading days commencing 20 trading days before the date of such computation. The closing price for each day shall be the daily closing prices of the Class A Stock as reported on the composite transactions tape for the principal exchanges on which the Class A Stock is listed or admitted to trading (the "Composite Tape"). The closing price for each day shall be the last sale price regular way or in case no such sale takes place on such day, the average of the closing bid and asked prices regular way, in either case as reported on the Composite Tape, or, if the Class A Stock is not reported on the Composite Tape, on the principal national securities exchange on which the Class A Stock is listed or admitted to trading, or if the Class A Stock is listed or admitted to trading on any national securities exchange, the average of the highest reported bid and lowest reported asked prices on the National Association of Securities Dealers Automated Quotation System ("NASDAQ"), or a similar service if NASDAQ is no longer reporting such information. If on any such date the Class A Stock is not quoted by any such service, the current or closing market price per share of Class A Stock on such date shall be determined by the Board of Directors of the Company on the basis of such quotations or other information as it in good faith considers appropriate or such other relevant evidence as may be appropriate under the circumstances, and such determination, if made in good faith, shall be binding upon all Holders.

Section 13. No Rights as Stockholder; Notices to Holders. Nothing contained in this Agreement or in any of the Warrants shall be construed as conferring upon the Holders or their transferees the right to vote or to receive dividends or to consent or to receive notice as stockholders in respect of any meeting of stockholders for the election of directors of the Company or any other matter, or any rights whatsoever (except as expressly provided in Section 11.1) as stockholders of the Company. If, however, at any time prior to the expiration of the Warrants and prior to their exercise, any of the following events shall occur:

- (a) the Company shall declare any dividend payable in any securities upon its shares of Class A Stock or make any distribution (other than a cash dividend) to the holders of its shares of Class A Stock; or
- (b) a dissolution, liquidation or winding up of the Company (other than in connection with a consolidation, merger, or sale of all or substantially all of its property, assets and business as an entirety) shall be proposed; or
- (c) the Company shall issue rights, options or warrants to all holders of its outstanding Class A Stock, without payment of additional consideration by such holders of the type described in and covered by Section 11.1 then in any one or all of said events,

the Company shall (a) give notice in writing of such event to the Warrant Agent and the Holders as provided in Section 19 hereof and (b) cause notice of such event to be published once in one or more newspapers printed in the English

language and in general circulation in New York City, New York, such giving of notice and publication to be completed, at least 20 days prior to the date fixed as a record date or the date of closing the transfer books for the determination of the stockholders entitled to such dividend, or distribution rights, or for the determination of stockholders entitled to vote on such proposed dissolution, liquidation or winding up. Such notice shall specify such record date or the date of closing the transfer books, as the case may be. Failure to publish or mail such notice or any defect therein or in the publication or mailing thereof shall not affect the validity of any action taken in connection with such dividend, distribution or subscription rights, or proposed dissolution, liquidation or winding up.

Section 14. Disposition of Proceeds on Exercise of Warrants; Inspection of Warrant Agreement. The Warrant Agent shall account promptly to the Company with respect to Warrants exercised and concurrently pay to the Company all immediately available funds received by the Warrant Agent for the purchase of the Warrant Shares through the exercise of such Warrants. The Warrant Agent shall, upon request of the Company from time to time, deliver to the Company such complete reports of registered ownership of the Warrants and such complete records or transactions with respect to the Warrants and the shares of Class A Stock as the Company may request. The Warrant Agent shall also make available to the Company for inspection by the Company's agents or employees from time to time as the Company may request, such original books of accounts and records maintained by the Warrant Agent in connection with the issuance and exercise of Warrants hereunder, such inspections to occur at the Warrant Agent's principal office in New York, New York, as specified in Section 2.2 during normal business hours.

The Warrant Agent shall keep copies of this Agreement and any notices given or received hereunder available for inspection by the Holders during normal business hours at its principal office in New York, New York. The Company shall supply the Warrant Agent from time to time with such numbers of copies of this Agreement as the Warrant Agent may request.

Section 15. Merger or Consolidation or Change of Name of Warrant Agent. Any corporation into which the Warrant Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Warrant Agent shall be a party, or any corporation succeeding to the corporate trust business of the Warrant Agent, shall be the successor to the Warrant Agent hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto; provided that, such corporation must be eligible for appointment as a successor Warrant Agent under the provisions of Section 17 hereof. In case at the time such successor to the Warrant Agent shall succeed to the agency created by this Agreement, any of the Warrants shall have been countersigned but not delivered, any such successor to the Warrant Agent may adopt the countersignature of the original Warrant Agent and deliver such Warrants so countersigned, and in case at that time any of the Warrants shall not have been countersigned, any successor to the Warrant Agent shall countersign and deliver such Warrants; and in all such cases Warrants shall have the full force provided in the Warrants and in this Agreement.

In case at any time the name of the Warrant Agent shall be changed and at such time any of the Warrants shall have been countersigned but not delivered, the Warrant Agent may adopt the countersignatures under its prior name and deliver such Warrants so countersigned, and in case at that time any of the Warrants shall not have been countersigned, the Warrant Agent may

countersign, such Warrants either in its prior name or in its changed name, and in all such cases such Warrants shall have the full force provided in the Warrants and in this Agreement.

Section 16. Concerning the Warrant Agent. The Warrant Agent undertakes the duties and obligations imposed by this Agreement upon the following terms and conditions, by all of which the Company and the Holders, by their acceptance of Warrants, shall be bound.

16.1 Correctness of Statements. The statements contained herein and in the Warrants shall be taken as statements of the Company and the Warrant Agent assumes no responsibility for the correctness of any of the same except such as describe the Warrant Agent or action taken by it. The Warrant Agent assumes no responsibility with respect to the distribution of the Warrants except as herein otherwise provided.

16.2 Breach of Covenants. The Warrant Agent shall not be responsible for any failure of the Company to comply with any of the covenants contained in this Agreement or in the Warrants to be complied with by the Company.

16.3 Performance of Duties. The Warrant Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys or agents (which shall not include its employees) and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

16.4 Reliance on Counsel. The Warrant Agent may consult at any time with legal counsel satisfactory to it (who may be counsel for the Company) and the Warrant Agent shall incur no liability or responsibility to the Company or to any Holder in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with the opinion or the advice of such counsel provided that such counsel shall have been selected with due care.

16.5 Proof of Actions Taken. Whenever in the performance of its duties under this Agreement the Warrant Agent shall deem it necessary or desirable that any fact or matter be proved or established by the Company prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed conclusively to be proved and established by a certificate signed by the President or the Vice President-Finance, of the Company and delivered to the Warrant Agent, and such certificate shall be full authorization to the Warrant Agent for any action taken or suffered in good faith by it under the provisions of this Agreement in reliance upon such certificate.

16.6 Compensation. The Company agrees to pay the Warrant Agent reasonable compensation as set forth in the attached fee schedule for all services rendered by the Warrant Agent in the performance of its duties under this Agreement, to reimburse the Warrant Agent for all expenses, taxes and governmental charges and other charges of any kind and nature incurred by the Warrant Agent in the performance of its duties under this Agreement, and to indemnify the Warrant Agent and save it harmless against any and all liabilities, including judgments, costs and counsel fees, for anything done or omitted by the Warrant Agent in the performance of its duties under this Agreement except as a result of the Warrant Agent's negligence or bad faith.

16.7 Legal Proceedings. The Warrant Agent shall be under no obligation to institute any action, suit or legal proceeding or to take any other action likely to involve expense unless the Company or one or more Holders shall furnish the Warrant Agent with reasonable security and indemnity for any costs and expenses that may be incurred, but this provision shall not affect the power of the Warrant Agent to take such action as the Warrant Agent may consider proper, whether with or without any such security or indemnity. All rights of action under this Agreement or under any of the Warrants may be enforced by the Warrant Agent without the possession of any of the Warrants or the production thereof at any trial or other proceeding relative thereto, and any such action, suit or proceeding instituted by the Warrant Agent shall be brought in its name as Warrant Agent, and any recovery of judgment shall be for the ratable benefit of the Holders, as their respective rights or interests may appear.

16.8 Other Transactions in Securities of Company. The Warrant Agent and any stockholder, director, officer or employee of the Warrant Agent may buy, sell or deal in any of the Warrants or other securities of the Company or become pecuniarily interested in any transaction in which the Company may be interested, or contract with or lend money to the Company or otherwise act as fully and freely as though it were not Warrant Agent under this Agreement. Nothing herein shall preclude the Warrant Agent from acting in any other capacity for the Company or for any other legal entity.

16.9 Liability of Warrant Agent. The Warrant Agent shall act hereunder solely as agent, and its duties shall be determined solely by the provisions hereof. The Warrant Agent shall not be liable for anything that it may do or refrain from doing in connection with this Agreement except for its own negligence and bad faith. Anything in this Agreement to the contrary notwithstanding, in no event shall the Warrant Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Warrant Agent has been advised of the likelihood of such loss or damage and regardless of the cause of action.

16.10 Reliance on Documents. The Warrant Agent will not incur any liability or responsibility to the Company or to any Holder for an action taken in reliance on any notice, resolution, waiver, consent, order, certificate, or other paper, document or instrument reasonably believed by it to be genuine and to have been signed, sent or presented by the proper party or parties.

16.11 Validity of Agreement. The Warrant Agent shall not be under any responsibility in respect of the validity of this Agreement or the execution and delivery hereof (except the due execution hereof by the Warrant Agent) or in respect of the validity or execution of any Warrant (except its countersignature thereof), nor shall the Warrant Agent by any act hereunder be deemed to make any representation or warranty as to the authorization or reservation of any Warrant Shares (or other stock) to be issued pursuant to this Agreement or any Warrant, or as to whether any Warrant Shares (or other stock) will, when issued, be validly issued, fully paid and nonassessable, or as to the Warrant Price or the number or amount of Warrant Shares or other securities or other property issuable upon exercise of any Warrant.

16.12 Instructions from Company. The Warrant Agent is hereby authorized and directed to accept instructions with respect to the

performance of its duties hereunder from the President or the Vice President- Finance, of the Company, and to apply to such officers for advice or instructions in connection with its duties, and shall not be liable for any action taken or suffered to be taken by it in good faith in accordance with instructions of any such officer or officers.

Section 17. Change of Warrant Agent. The Warrant Agent may resign and be discharged from its duties under this Agreement by giving to the Company 30 days' notice in writing. The Warrant Agent may be removed by like notice to the Warrant Agent from the Company. If the Warrant Agent shall resign or be removed or shall otherwise become incapable of acting, the Company shall appoint a successor to the Warrant Agent. If the Company shall fail to make such appointment within a period of 30 days after such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Warrant Agent, or is notified in writing by any Holder (who shall with such notice submit his Warrant for inspection by the Company), then any Holder may apply to any court of competent jurisdiction for the appointment of a successor to the Warrant Agent. Pending the appointment of the successor warrant agent, the Company shall perform the duties of the Warrant Agent. Any successor warrant agent, whether appointed by the Company or such a court, shall be a bank or trust company, in good standing, incorporated under the laws of the United States of America or any state thereof and having at the time of its appointment as warrant agent a combined capital and surplus of at least \$10,000,000. After appointment, the successor warrant agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Warrant Agent without further act or deed; but the former Warrant Agent shall deliver and transfer to the successor warrant agent any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Failure to file any notice provided for in this Section 17, however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Warrant Agent or the appointment of the successor warrant agent, as the case may be. In the event of such resignation or removal, the successor warrant agent shall mail, first class, to each Holder, written notice of such removal or resignation and the name and address of such successor warrant agent.

Section 18. Identity of Transfer Agent. Forthwith upon the appointment of any subsequent transfer agent for the Class A Stock, or any other shares of the Company's capital stock issuable upon the exercise of the Warrants, the Company will file with the Warrant Agent a statement setting forth the name and address of such subsequent transfer agent.

Section 19. Notices. Any notice pursuant to this Agreement by the Company or by any Holder to the Warrant Agent, or by the Warrant Agent or by any Holder to the Company, shall be in writing and shall be mailed first class, postage prepaid, or delivered (a) to the Company, at 1177 Avenue of the Americas, New York, New York 10036, and (b) to the Warrant Agent, at 450 West 33rd Street, New York, New York 10001. Each party hereto may from time to time change the address to which notices to it are to be delivered or mailed hereunder by notice in writing to the other party.

Any notice mailed pursuant to this Agreement by the Company or the Warrant Agent to the Holders shall be in writing and shall be mailed first class, postage prepaid, or delivered to such Holders at their respective addresses on the books of the Warrant Agent.

Section 20. Supplements and Amendments. The Company and the Warrant Agent may from time to time supplement or amend this Agreement, without the approval of any Holder, in order to cure any ambiguity or to correct or supplement any provision contained herein which may be defective or inconsistent with any other provision herein or to make any other provision in regard to matters or questions arising hereunder that the Company and the Warrant Agent may deem necessary or desirable and that shall not be inconsistent with the provisions of the Warrants and that shall not adversely affect the interests of the Holders.

Section 21. Successor. All the covenants and provisions of this Agreement by or for the benefit of the Company or the Warrant Agent shall bind and inure to the benefit of their respective successors and assigns hereunder.

Section 22. Merger or Consolidation of the Company. The Company will not merge or consolidate with or into any other corporation unless the corporation resulting from such merger, or consolidation (if not the Company) shall expressly assume, by supplemental agreement satisfactory in form to the Warrant Agent and executed and delivered to the Warrant Agent, the due and punctual performance and observance of each and every covenant and condition of this Agreement to be performed and observed by the Company.

Section 23. Applicable Law. This Agreement and each Warrant issued hereunder shall be governed by and construed in accordance with the laws of New York, without giving effect to principles of conflict of laws.

Section 24. Benefits of this Agreement. Nothing in this Agreement shall be construed to give to any person or corporation other than the Company, the Warrant Agent and the Holders any legal or equitable right, remedy or claim under this Agreement; but this Agreement shall be for the sole and exclusive benefit of the Company, the Warrant Agent and the Holders.

Section 25. Counterparts. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

Section 26. Captions. The captions of the Sections and subsections of this Agreement have been inserted for convenience only and shall have no substantive effect.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed, all as of the day and year first written above.

AMPAL-AMERICAN ISRAEL CORPORATION

By:

Name: Lawrence Lefkowitz Title: President

CHEMICAL BANK as Warrant Agent

By:

Name:

Title:

Exhibit A

Redeemable Class A Stock Purchase Warrant
For the Purchase of

Shares of Class A Stock, Par Value of \$1.00 Per Share, of

Warrant to Purchase

----- ----- No .	
------------------------	--

Shares

AMPAL-AMERICAN ISRAEL CORPORATION

(Incorporated under the law of the State of New York)

VOID AFTER 5:00 P.M. NEW YORK CITY TIME ON _____

This is to certify that, for value received,

, or registered assigns, is entitled, subject to the terms and conditions hereof and of the Warrant Agreement mentioned below, at any time on or after the date of this certificate, and prior to 5:00 p.m., New York City time, on ____, 1999, but not thereafter, to purchase the number of shares set forth above of the class A stock, par value of \$1.00 per share, hereinafter called Class A Stock, of Ampal-American Israel Corporation, hereinafter called the Corporation, from the Corporation at the purchase price of \$_____ per share ("Exercise Price") and to receive a certificate or certificates for the Class A Stock so purchased, upon presentation and surrender to Chemical Bank, the Warrant Agent, with the form of subscription completed and duly executed, and accompanied by payment of the purchase price of each share purchased and any applicable transfer tax, either in cash or by certified or bank cashier's check payable to the order of the Corporation.

This warrant is issued under and in accordance with the Warrant Agreement dated as of _____ (the "Warrant Agreement"), between the Corporation and the Warrant Agent and is subject to the terms of the Warrant Agreement, to all of which terms every holder of this Warrant consents by acceptance hereof. The Warrant Agreement is incorporated herein by reference and made a part hereof and reference is made to the Warrant Agreement for a full description of the rights, obligations, duties and immunities of the Warrant Agent, the Corporation and the holders of the Warrant Certificates. Copies of the Warrant Agreement are available for inspection at the office of the Warrant Agent, 450 West 33rd Street, New York, New York 10001 or may be obtained upon written request addressed to the Corporation at 1177 Avenue of the Americas, New York, New York 10036.

In certain events specified in the Warrant Agreement, the number of shares which may be purchased upon the exercise of this Warrant shall be subject to adjustment as therein provided. In certain circumstances specified in the Warrant Agreement, the holders of Warrants may be entitled to receive rights, options or warrants to purchase shares of Class A Stock as therein provided. This Warrant may also be redeemed by the Corporation without payment to the holder at certain times and under certain conditions set forth in the Warrant Agreement.

The Corporation covenants and agrees that all shares of Class A Stock which may be delivered upon the exercise of this Warrant will, upon delivery, be free from all taxes, liens, and charges with respect to the purchase thereof hereunder, and without limiting the generality of the foregoing, the Corporation covenants and agrees that it will from time to time take all such action as may be required to assure that the par value per share of the Class A Stock is at all times equal to or less than the then current Exercise Price per share of the Class A Stock issuable pursuant to this Warrant.

The purchase rights represented by this Warrant Certificate are exercisable at the option of the registered owner hereof in whole at any time, or in part from time to time, within the period above specified, provided, however, that such purchase rights shall not be exercisable with respect to a fraction of a share of Class A Stock. As to any fractions of a share which would otherwise be purchasable on the exercise of a Warrant, the Corporation shall pay the cash value thereof determined as provided in the Warrant Agreement. In case of the purchase of less than all the shares purchasable under this Warrant Certificate, the Corporation shall cancel this Warrant Certificate upon the surrender hereof and shall execute and deliver a new Warrant Certificate of like tenor for the balance of the shares purchasable hereunder.

The Corporation agrees at all times to reserve or hold available a sufficient number of shares of Class A Stock to cover the number of shares issuable upon the exercise of this and all other Warrant Certificates of like tenor then outstanding.

This Warrant Certificate shall not entitle the holder hereof to any voting rights or other rights as a stockholder of the Corporation, or to any other rights whatsoever except the rights herein expressed and such as are set forth in the Warrant Agreement, and no dividends shall be payable or accrue in respect of this Warrant or the interest, represented hereby or the shares purchasable hereunder until or unless, and except to the extent that, this Warrant shall be exercised.

This Warrant Certificate is part of a duly authorized issue of Units, each Unit consisting of one share of Class A Stock and one Warrant. Until 1994, or such earlier date as designated by the Representatives and International Managers as defined in the Warrant Agreement (the "Separation Date"), this certificate evidences Units, each consisting of one share of Class A Stock and one Warrant to purchase one share of Class A Stock, which may be combined, exchanged or transferred only as Units, and the shares of Class A Stock and Warrants comprising such Units may not be split up, combined, exchanged or transferred separately. Warrants may not be exercised until after the Separation Date. The holder of record of this certificate at the close of business on the Separation Date will be mailed a certificate evidencing such holder's ownership of shares of Class A Stock, and this certificate shall no longer represent Units but shall represent solely the number of Warrants set forth herein.

This Warrant Certificate is exchangeable upon the surrender hereof by the registered owner to the Warrant Agent for new Warrant Certificates of like tenor representing in the aggregate the right to purchase the number of shares purchasable hereunder, each of such new Warrant Certificates to represent the right to purchase such number of shares as shall be designated by the registered owner at the time of such surrender.

Except as otherwise above provided, this Warrant Certificate and all rights hereunder are transferable by the registered owner hereof in person or by duly authorized attorney on the books of the Warrant Agent upon surrender of this Warrant Certificate, properly endorsed, to the Warrant Agent.

The Corporation may deem and treat the registered owner of this Warrant Certificate at any time as the absolute owner hereof for all purposes and shall not be affected by any notice to the contrary.

This Warrant Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by the Warrant Agent. This Warrant Certificate shall be deemed to be a contract made under the laws of the State of New York and for all purposes shall be construed in accordance with the law of such state.

In witness whereof the Corporation has caused this Warrant Certificate to be executed by its duly authorized officers and the corporate seal hereunder affixed.

Dated:
CORPORATION

AMPAL-AMERICAN ISRAEL

Countersigned:
CHEMICAL BANK

ATTEST:

as Warrant Agent

By

Authorized Officer Secretary President

AMPAL-AMERICAN ISRAEL CORPORATION

The Corporation will furnish to any shareholder upon request and without charge, a full statement of the designations, relative rights, preferences and limitations of the shares of each class of capital stock authorized to be issued by the Corporation, of the designation, relative rights, preferences and limitation of each series of Preferred Shares so far as they have been fixed by the Board of Directors pursuant to authority heretofore granted to it and of the authority of the Board of Directors to designate and fix the relative rights, preferences and limitations of other series.

ELECTION TO PURCHASE
(To be executed upon exercise of Warrant)

The undersigned hereby irrevocably elects to exercise the right, represented by this Warrant Certificate, to purchase shares of Class A Stock and herewith tenders \$ in payment for such shares and any applicable taxes payable by the undersigned in cash or a certified or official bank check payable to the order of Ampal-American Israel Corporation, in accordance with the terms hereof. The undersigned requests that a certificate for such shares be registered in the name of

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF PERSON IN WHOSE NAME SHARES ARE TO BE REGISTERED.

||

whose address is
and that such certificate shall be delivered to whose address is

If the specified number of shares is less than all of the shares represented by this Warrant Certificate, the undersigned requests that a new Warrant Certificate representing the right to purchase the remaining balance of the shares be registered in the name of

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF PERSON IN WHOSE NAME WARRANT CERTIFICATE IS TO BE REGISTERED.

||

whose address is _____
and that such Warrant Certificate shall be delivered to _____
whose address is _____

DATED: _____, 19 _____

Signature Guaranteed: Signature:

(Required if an assignment of (Signature must correspond shares acquired on exercise or with the name as written upon an assignment of Warrants the face of this Warrant remaining after exercise is Certificate in every made upon exercise. The particular, without alteration signature must be guaranteed or enlargement or any change by a duly authorized officer whatever.) of a commercial bank or trust company in the United States or member of a registered national securities exchange.)

ASSIGNMENT

(To be executed by the registered holder if such holder desires to transfer this Warrant Certificate)

FOR VALUE RECEIVED, hereby
sells,

assigns and transfer -----
Warrants

unto

(PLEASE PRINT NAME AND ADDRESS OF ASSIGNEE)

together with all right, title and interest therein, and
does

hereby irrevocably constitute and appoint

-----Attorney, to transfer said Warrants on the books of the within-named Company, with full
power of substitution.

If said number of Warrants shall not be all the Warrants evidenced by this Warrant Certificate, a new Warrant Certificate shall be issued in the
name of and delivered to the undersigned for such portion of the warrants not so sold, assigned or transferred.

DATED:

**PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF PERSON IN WHOSE
NAME WARRANT CERTIFICATE IS TO BE REGISTERED.**

Signature Guaranteed:

Signature:

(The signature must be
guaranteed by a duly
authorized officer of a
commercial bank or trust
company in the United States
or member of a registered
national securities exchange.)

(Signature must correspond
with the name as written upon
the face of this Warrant
Certificate in every
particular, without alteration
or enlargement or any change
whatever.)

Tel Aviv, January 18, 1994

Messrs.
Inerta-Energies and Future Technologies Ltd. 99 Ben Yehuda Street
Tel Aviv

Re: Granite Hacarmel Investments Ltd.

Shareholders Agreements

Following is the agreed between us, as shareholders of Granite Hacarmel Investments Ltd. (hereinafter - "Granite"), with regard to the agreement dated February 7, 1992 between Inerta group, Ampal group, Ofer group and Landau group, as defined in the above-mentioned agreement (hereinafter- "the Agreement").

1. As soon as possible after the date of this letter, the parties to this letter will negotiate with the purpose of signing an agreement between them which will maintain the spirit of the provisions of the Agreement, with the necessary changes (hereinafter - "The Amending Agreement").
2. Until the signing of the Amending Agreement, the existing voting agreement will remain in force.
3. For the avoidance of doubt it is hereby clarified that in any case and without regard to the provisions of the Agreement or the Amending Agreement, or their validity, and as long as the control of Ampal remains with the existing shareholders, or as long as the majority of the directors of Ampal's Board are appointed by the existing shareholders, Ampal group shall maintain the right, until the end of the Agreement's period pursuant to clause 4.1 of the Agreement, to appoint three directors to Granite's Board and, to appoint Moshe Mor, as long as her serves as a director of Granit on behalf of Ampal as chairman of the Finance Committee of Granite, along with the permanent appointment of Inerta's representative as chairman of the Board.

In case you agree to the said in this letter, kindly confirm same by signing at the bottom of this letter.

Sincerely Yours,

Ampal Industries, Inc.

By:

We hereby agree to said in this
letter and we undertake to act in
conformity with this letter.

Inerta-Energies and Future Technologies Ltd. By: Y. Rosen.

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference in Ampal-American Israel Corporation's amendment No. 2 to the registration statement on Form S-2 (File No. 33-51023) of our reports dated March 18, 1993, included in Ampal-American Israel Corporation's FORM 10-K for the year ended December 31, 1992 and to all references to our Firm included in this registration statement.

ARTHUR ANDERSEN & CO.

New York, New York
January 21, 1994

Public

(972)
3517 4440
SOMEKH CHAIKIN

(972)
467 0319

(972)
225 3292

Certified

Accountants (Isr)
Tel Aviv 61006
33 Yavetz Street
P. O. Box 609
Tel: (03) 517 4444
Telecopier:

Haifa 31001
5 Palyam Street
P. O. Box 210
Tel: (04) 6703 38
Telecopier:

Jerusalem 91001
33 Jaffa Road
P. O. Box 212
Tel: (02) 253 291
Telecopier:

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference in the amendment No. 2 to registration statement on FORM S-2 (File No.33-51023) of Ampal American Israel Corporation of our report on the consolidated financial statements of Granite Hacarmel Investments Limited dated February 21, 1993, included in Ampal American Israel Corporation's FORM 10-K for the year ended December 31, 1992 and to all references to our firm included in such registration statement.

Certified Public Accountants (ISRAEL)

Haifa, January 21, 1994

Igal Brightman
Mordecai Bar Levav
Chaim Schwartzboro
Bernard (Dov) Ratowitz
Zeev Feldman
Shimon Gothalf
Chaim Schwartzbard
David Valiano
Adir Inbar
Rami Benvenisti
Eyal Hardler

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference in the amendment No.2 to the registration statement on Form S-2 (File No.33-51023) of Ampal American Israel Corporation's of our report dated February 17, 1993 relating to the financial statements of Am-Hal Ltd. included in Ampal American Israel Corporation's Form 10-K for the year ended December 31, 1992 and to all references to our firm included in such registration statement.

Igal Brightman & Co. January 21, 1994 Certified Public Accountants (Isr.)

**HAFT & HAFT & CO.
CERTIFIED PUBLIC ACCOUNTANTS (Isr.)
INCL. STRAUSS, LAZER & CO.**

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference in the amendment No. 2 to the registration statement on Form S-2 (File No.33-51023) of Ampal American Israel Corporation of our report on the consolidated financial statements of Ampal (Israel) Ltd. dated March 18, 1993 included in Ampal American Israel Corporation's Form 10-K for the year ended December 31, 1992 and to all references to our firm included in such registration statement.

H.H.S.L. Haft & Haft & Co.
January 21, 1994 Certified Public Accountants (Isr.)

FAHN, KANNE & CO.
CERTIFIED PUBLIC ACCOUNTANTS (Isr.)

5. DRUYANOV ST., TEL-AVIV 63143
P. O. B. 11535, TEL-AVIV 61114

TEL 03-294946, FAX. 03-201386

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference in the amendment No. 2 to the registration statement on FORM S-2 (File No.33-51023) of Ampal American Israel Corporation of our report on the financial statements of Ampal Financial Services Ltd. dated March 11, 1993, included in Ampal American Israel Corporation's FORM 10-K for the year ended December 31, 1992, and to all references to our firm included in such registration statement.

Fahn, Kanne & Co.

Certified Public Accountants (Isr.)

Tel-Aviv, Israel
January 21, 1994

FAHN, KANNE & CO.
CERTIFIED PUBLIC ACCOUNTANTS (Isr.)

5. DRUYANOV ST., TEL-AVIV 63143
P. O. B. 11535, TEL-AVIV 61114

TEL. 03-294946, FAX. 03-201836

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference in the amendment No. 2 to the registration statement on FORM S-2 (File No.33-51023) of Ampal American Israel Corporation of our report on the financial statements of Ampal Industries (Israel) Ltd. dated March 18, 1993, included in Ampal American Israel Corporation's FORM 10-K for the year ended December 31, 1992, and to all references to our firm included in such registration statement.

Fahn, Kanne & Co.

Certified Public Accountants
(Isr.)

Tel-Aviv, Israel
January 21, 1994

S A Morris MORRIS BRANKIN & CO.
W J Matthew C H A R T E R E D
ACCOUNTANTS
D R Cottingham
P.O. BOX 1044

West Wind Building
Grand Cayman
British West Indies

Telephone: (809 94)
98588

Facsimile: (809 94)
97325

Telex: 4248 MIDS� CP

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference in the amendment No. 2 to the registration statement on FORM S-2 (File No:33-51023) of Ampal American Israel Corporation of our report on the consolidated financial statements of Bank Hapoalim (Cayman) Ltd. dated February 22, 1993 included in Ampal American Israel Corporation's FORM 10-K for the year ended December 31, 1992, and to all references to our firm included in such registration statement.

Auditor

January 21, 1994

**RONEL STETTNER & CO.
CERTIFIED PUBLIC ACCOUNTANTS**

**TEL. (4)532291 FAX (4) 515873 ISRAEL
35 HAMEGINIM AVE. P.O.B. 466
HAIFA 31033**

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference in of the amendment No. 2 to the registration statement on FORM S-2 (File No. 33-51023) of Ampal American Israel Corporation of our report on the financial statements of Bay Heart Limited dated February 14, 1993, included in Ampal American Israel Corporation's FORM 10-K for the year ended December 31, 1992 and to all references to our firm included in such registration statement.

Truly yours,

**RONEL, STETTNER & CO.
Certified Public Accountants
(Israel)**

January 21, 1994

PORAT & CO.

Certified Public Accountants (ISR.)

Re: Consent of Independent Public Accountants

As independent public accountants, we hereby consent to the incorporation by reference in Ampal American Israel Corporation's amendment No. 2 to the registration statement on FORM S-2 (file No.33-51023) of our report on the financial statements of Country Club Kfar-Saba Ltd. dated March 12, 1993 included in Ampal American Israel Corporation's FORM 10-K for the year ended December 31, 1992 and to all references to our firm included in such registration statement.

January 21, 1994

Porat & Co.

Certified Public Accountants
(Isr.)

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

We consent to the incorporation by reference in Ampal-American Israel Corporations Registration Statement on Form S-2 (File No. 33-51023) of our report dated February 3, 1993 with respect to the Financial Statements of Hapoalim (Latin America) Casa Bancaria S.A. included in Ampal-American Israel Corporations Form 10-K for the year ended December 31, 1992 and consent to all reference to our firm under the caption "Experts" in the amendment No. 2 of said registration statement.

Montevideo
VILLARMARZO Y ASOC.
January 21, 1994
Young
International

C R . R .
Ernest &

HAGGAI WALLENSTEIN & Co. C.P.A. (Isr.)

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference in Ampal American Israel Corporation's amendment No. 2 to the registration statement on FORM S-2 (File No.33-51023) of our report on the consolidated financial statements of Moriah Hotels Ltd. and its subsidiaries dated March 25, 1993, included in Ampal American Israel Corporation's FORM 10K for the year ended December 31, 1992, and to all references to our firm included in such registration statement.

HAGGAI WALLENSTEIN & CO.
Certified Public Accounts (Isr.)

January 21, 1994

KESSELMAN & KESSELMAN Certified Public Accountants (Isr)

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference in the amendment No. 2 to the registration statement on FORM S-2 (File No.33-51023) of Ampal American Israel Corporation of our report on the consolidated financial statements of Ophir Holdings Limited, dated March 9, 1993, included in Ampal American Israel Corporation's FORM 10-K for the year ended December 31, 1992, and to all references to our firm included in such registration statement.

January 21, 1994

KESSELMAN & KESSELMAN

**BRAUDE & CO.
CERTIFIED PUBLIC ACCOUNTANTS (ISRAEL)**

Consent of Independent Public Accountants

As independent public accountants, we hereby consent to the incorporation by reference in the amendment No. 2 to the registration statement on Form S-2 (file No.33-51023) of Ampal American Israel Corporation of our report on the financial statements of Orlite Engineering Company Ltd. dated February 15, 1993, included in Ampal American Israel Corporation's Form 10-K, for the year ended December 31, 1992, and to all references to our firm included in such registration statements.

Braude & Co.

C.P.A. (ISRAEL)

Tel-Aviv, January 21, 1994

REUVENI, HARTUV, TEPPER & CO.
Certified Public Accountants (ISR)
P.O.B. 29870 CODE 61298
30 Achad Ha'Am St., Tel Aviv, ISRAEL

TEL. 972-3-5604281 FAX. 972-3-5605001

AMPAL

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference in the amendment No. 2 to the Ampal American Israel Corporation's registration statement on FORM S-2 (File No.33-51023) of our report on the consolidated financial statements of Pri Haemek (Canned and Frozen Food) 88 Ltd. dated February 28, 1993 included in Ampal American Israel Corporation's FORM 10-K for the year ended December 31, 1992 and to all references to our firm included in such registration statement.

January 21, 1994

REUVENI, HARTUV, TEPPER & CO.
Certified Public Accounts (Isr.)

DOV KAHANA & CO.
Certified Public Accountants (Isr.)

54 Bezalel St. Ramat-Gan
P.O. Box 3532, Ramat-Gan 52134
TEL. 575 9681 FAX. 575 9584

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference in the amendment No. 2 to the registration statement on FORM S-2 (File No.33-51023) of Ampal American Israel Corporation of our report on the financial statements of Red Sea Marineland Holding (1973) Ltd. dated March 22, 1993, included in Ampal American Israel Corporation's FORM 10-K for the year ended December 31, 1992, and to all references to our firm included in such registration statement.

DOV KAHANA & CO.
Certified Public Accountants (Isr.)

Ramat-Gan. January 21, 1994

HAGGAI WALLENSTEIN & Co. C.P.A. (Isr.)

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference in Ampal American Israel Corporation's amendment No. 2 to the registration statement on Form S-2 (File No. 33-51023) of our report on the consolidated financial statements of RED SEA MARINELAND HOLDING (1973) LTD. AND ITS SUBSIDIARY dated March 25, 1992, included in Ampal American Israel Corporation's FORM 10K for the year ended December 31, 1991, and to all references to our firm included in such registration statement.

HAGGAI WALLENSTEIN & CO.
Certified Public Accounts (Isr.)

January 21, 1994

DOV KAHANA & CO.
Certified Public Accountants (Isr.)
54 Bezalel St. Ramat-Gan
P.O. Box 3532, Ramat-Gan 52134

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference in the amendment No. 2 to the registration statement on FORM S-2 (File No.33-51023) of Ampal American Israel Corporation of our report on the financial statements of Red Sea Under Water Observatory Ltd. dated March 22, 1993, included in Ampal American Israel Corporation's FORM 10-K for the year ended December 31, 1992, and to all references to our firm included in such registration statement.

DOV KAHANA & CO.

C.P.A. (Isr.)
Ramat-Gan. January 21, 1994

**REUVENI, HARTUV, TEPPER & CO.
CERTIFIED PUBLIC ACCOUNTANTS (Isr.)**

30 ACHAD HA'AM ST., TEL-AVIV ISRAEL P.O.B. 29870, CODE 61298

TEL: 972-3-5604281 FAX: 972-3-5605001

1946/AMPI

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference in the amendment No. 2 to the Ampal American Israel Corporation's registration statement on FORM S-2 (File No.33-51023) of our report on the financial statements of the Snow and Cool Palace (Limited Partnership) dated February 3, 1993 included in Ampal American Israel Corporation's FORM 10-K for the period ended December 31, 1992 and to all references to our firm included in such registration statement.

January 21, 1994

Reuveni, Hartuv Tepper & Co.
Certified Public Accountants (Isr.)

A&Co. Almagor & Co.

CPA(ISR)

7, Abba Hillel Rd., P.O. Box 3600, Zip 52134, Ramat-Gan, Israel
Tel.: 03-5760606, Fax.: 972-3-5754671

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference in the amendment No. 2 to the registration statement on Form S-2 (File No.33-51023) of Ampal American Israel Corporation of our report on the consolidated financial statements of Teledata Communication Ltd., dated February 18, 1993, included in Form 10-K of Ampal American Israel Corporation for the year ended December 31, 1992 and to all references to our firm in such registration statement.

Almagor & Co. (formerly Almagor-Bash & Co.) Certified Public Accountants (Isr.)

Ramat-Gan, Israel
January 21, 1994

KOST LEVARY AND FORER

January 21, 1994

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference in the Amendment No. 2 to the registration statement on FORM S-2 (File-No. 33-51023) of Ampal American-Israel Corporation of our report on the consolidated financial statements of Industrial Buildings Corporation Ltd., dated April 28, 1993, included in Ampal American-Israel Corporation's Form 10-K for the year ended December 31, 1992, and to all references to our firm included in such registration statement.

Yours truly,

KOST LEVARY AND FORER.
Certified Public Accounts (Isr.)

End of Filing