

# SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

## FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 1995

OR

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

For the transition period from to

*Commission file number 2-5061*

## AMPAL-AMERICAN ISRAEL CORPORATION

(Exact name of registrant as specified in its charter)

New York

13-0435685

-----  
(State or other jurisdiction of  
incorporation or organization)

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

1177 Avenue of the Americas, New York, New York

10036

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (212) 782-2100

Former name, former address and former fiscal year, if changed since last  
report.

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

The number of shares outstanding of each of the issuer's classes of common stock is Common - 3,000,000; Class A - 20,453,956 (as of October 31, 1995).

**AMPAL-AMERICAN ISRAEL CORPORATION**

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**AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**

**NINE MONTHS ENDED SEPTEMBER 30, 1995 1994**

(Dollars in thousands, except per share data) (Unaudited) (Unaudited)

(Note 2)

**REVENUES**

Equity in earnings of affiliates.....	\$ 6,859	\$
6,381		
Food processing and manufacturing.....	33,258	
31,820		
Interest:		
Related parties.....	7,355	
10,961		
Others.....	2,646	
1,556		
Gains on issuance of shares by subsidiary and affiliate (Note 6).....	-	
2,692		
Realized and unrealized gains on investments (Note 5).....	3,030	
4,524		
Rental income.....	4,948	
2,501		
Other.....	1,507	
1,294		
-----		
Total revenues.....	59,603	
61,729		
-----		
EXPENSES		
Food processing and manufacturing.....	33,717	
29,772		
Interest:		
Related parties.....	3,051	
2,732		
Others.....	9,073	
10,352		
Rental property operating expenses.....	1,599	
365		
Other.....	3,831	
5,804		
-----		
Total expenses.....	51,271	
49,025		
-----		
Income before income taxes.....	8,332	
12,704		
Income taxes.....	5,260	
5,665		
-----		
NET INCOME.....	\$ 3,072	\$
7,039		
=====		
=====		
Earnings per Class A share.....	\$ .11	\$
.26		
=====		
=====		
Weighted average number of Class A and equivalent shares outstanding (in thousands)	25,076	
24,318		

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

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**AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**

**THREE MONTHS ENDED SEPTEMBER 30, 1995 1994**

(Dollars in thousands, except per share data) (Unaudited) (Unaudited)

(Note 2)

**REVENUES**

Equity in earnings of affiliates.....	\$ 1,239	\$
2,934		
Food processing and manufacturing.....	10,443	
10,833		
Interest:		
Related parties.....	2,719	
3,747		
Others.....	712	
735		
Realized and unrealized gains on investments		
(Note 5).....	1,313	
4,524		
Rental income.....	3,161	
924		
Other.....	538	
486		
-----		
Total revenues.....	20,125	
24,183		
-----		
EXPENSES		
Food processing and manufacturing.....	11,624	
9,564		
Interest:		
Related parties.....	1,448	
912		
Others.....	2,936	
3,566		
Rental property operating expenses.....	1,354	
123		
Other.....	914	
2,496		
-----		
Total expenses.....	18,276	
16,661		
-----		
Income before income taxes.....	1,849	
7,522		
Income taxes.....	1,364	
3,658		
-----		
NET INCOME.....	\$ 485	\$
3,864		
=====		
=====		
Earnings per Class A share.....	\$ .02	\$
.14		
=====		
=====		
Weighted average number of Class A and		
equivalent shares outstanding (in thousands)	24,875	
25,218		

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



AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES

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 CONSOLIDATED BALANCE SHEETS

31, ASSETS AS AT	SEPTEMBER 30, 1995	DECEMBER 1994
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(Dollars in thousands) (Unaudited) (Note 2)

Cash and cash equivalents..... 42,104	\$ 54,458	\$
Deposits, notes and loans receivable:		
Related parties..... 90,462	74,948	
Others..... 3,786	1,601	
Investments (Note 5)..... 131,537	114,879	
Real estate rental property, less accumulated depreciation of \$5,147 and \$4,556 (Notes 4 and 7)..... 13,600	58,428	
Property and equipment, less accumulated depreciation of \$8,368 and \$7,060..... 17,314	17,820	
Other assets..... 44,077	49,610	
-----	-----	

TOTAL ASSETS..... \$ 371,744 \$ 342,880

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

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES

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 CONSOLIDATED BALANCE SHEETS

LIABILITIES AND 31, SHAREHOLDERS' EQUITY AS AT	SEPTEMBER 30, 1995	DECEMBER 1994
--	-----------------------	------------------

(Dollars in thousands) (Unaudited) (Note 2)

**LIABILITIES**

Notes and loans payable:		
Related parties (Note 4).....	\$ 52,186	\$
24,837		
Others.....	18,384	
19,226		
Debentures.....	80,381	
84,491		
Accounts and income taxes payable, accrued expenses and minority interests.....	46,980	
40,832		
-----		
Total liabilities.....	197,931	
169,386		
-----		

**SHAREHOLDERS' EQUITY**

4% Cumulative, Participating, Convertible Preferred Stock, \$5 par value; authorized 650,000 shares; issued and outstanding 201,066 and 206,608 shares.....	1,005	
1,033		
6-1/2% Cumulative, Convertible Preferred Stock, \$5 par value; authorized 4,282,850 shares; issued and outstanding 1,078,429 and 1,114,927 shares.....	5,392	
5,575		
Class A Stock, \$1 par value; authorized 30,000,000 shares; issued 20,977,722 and 20,840,518 shares; outstanding 20,511,822 and 20,840,518 shares (Note 8).....	20,978	
20,841		
Common Stock, \$1 par value; authorized, issued and outstanding 3,000,000 shares.....	3,000	
3,000		
Additional paid-in capital.....	57,259	
57,185		
Retained earnings.....	91,688	
89,007		
Treasury Stock, at cost (Note 3).....	(3,046)	
-		
Cumulative translation adjustments.....	(2,419)	
(2,636)		
Unrealized loss on marketable securities.....	(44)	
(511)		
	-----	-----
Total shareholders' equity.....	173,813	
173,494		
	-----	
-----		

**TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY..... \$ 371,744 \$ 342,880**

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

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

**NINE MONTHS ENDED SEPTEMBER 30, 1995 1994**

(Dollars in thousands) (Unaudited) (Unaudited)

(Note 2)

Cash flows from operating activities:

Net income.....	\$ 3,072	\$
7,039		
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in earnings of affiliates.....	(6,859)	
(6,381)		
Gains on issuance of shares by subsidiary and affiliate.....	-	
(2,692)		
Realized and unrealized gains on investments.....	(3,030)	
(4,524)		
Translation loss.....	97	
102		
Depreciation expense.....	1,996	
1,628		
Amortization expense.....	3,603	
3,748		
Minority interests.....	(1,774)	
(115)		
(Increase) in other assets.....	(5,537)	
(4,867)		
Increase in accounts and income taxes payable, accrued expenses and minority interests.....	7,213	
6,361		
Investments made in trading securities.....	(5,606)	
(1,165)		
Proceeds from sale of trading securities...	12,029	
783		
Dividends received from affiliates.....	3,029	
4,277		
-----		
-----		
Net cash provided by operating activities.	8,233	
4,194		
-----		
-----		
Cash flows from investing activities:		
Deposits, notes and loans receivable collected:		
Related parties.....	21,477	
27,860		
Others.....	2,322	
2,845		
Deposits, notes and loans receivable granted:		
Related parties.....	(3,042)	
(5,899)		
Others.....	(40)	
-		
Investments made in:		
Available-for-sale securities.....	(1,339)	
-		
Affiliates and others.....	(32,039)	
(18,515)		
Proceeds from sale of investments:		
Affiliates and others.....	50,969	
4,730		
Purchase of property and equipment.....	(1,908)	
(1,939)		
Purchase of real estate rental property....	(45,270)	
-		
-----		
-----		
Net cash (used in) investing activities.....	(8,870)	
9,082		
-----		

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

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

**NINE MONTHS ENDED SEPTEMBER 30, 1995 1994**

(Dollars in thousands) (Unaudited) (Unaudited)

(Note 2)

Cash flows from financing activities:

Notes and loans payable received:		
Related parties.....	\$ 32,167	\$
1,077		
Others.....	7,718	
2,225		
Notes and loans payable repaid:		
Related parties.....	(5,121)	
(18,789)		
Others.....	(8,689)	
(3,824)		
Debentures issued by subsidiary.....	-	
4,622		
Debentures repaid.....	(9,582)	
(15,927)		
Proceeds from issuance of shares.....	-	
57,296		
Proceeds from issuance of shares to		
minority interests.....	50	
-		
Purchase of treasury stock.....	(3,046)	
-		
-----		
Net cash provided by financing activities.	13,497	
26,680		
Effect of exchange rate changes on cash		
and cash equivalents.....	(506)	
(973)		
-----		-----
Net increase in cash and cash equivalents...	12,354	
38,983		
Cash and cash equivalents at beginning		
of period.....	42,104	
3,178		
-----		
Cash and cash equivalents at end of		
period.....	\$ 54,458	\$
42,161		
=====		
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period:		
Interest:		
Related parties.....	\$ 1,748	\$
1,310		
Others.....	4,825	
5,062		
-----		
Total interest paid.....	\$ 6,573	\$
6,372		
=====		
Income taxes paid.....	\$ 2,421	\$
1,528		
=====		

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

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

**NINE MONTHS ENDED SEPTEMBER 30, 1995 1994**

(Dollars in thousands) (Unaudited) (Unaudited)

**4% PREFERRED STOCK**

Balance, beginning of year.....	\$ 1,033	\$
1,068		
Conversion of 5,542 and 4,521 shares into Class A Stock.....	(28)	
(22)		
	-----	-----
Balance, end of period.....	\$ 1,005	\$
1,046		
	=====	
=====		

**6-1/2% PREFERRED STOCK**

Balance, beginning of year.....	\$ 5,575	\$
6,011		
Conversion of 36,498 and 71,355 shares into Class A Stock.....	(183)	
(356)		
	-----	-----
Balance, end of period.....	\$ 5,392	\$
5,655		
	=====	
=====		

**CLASS A STOCK**

Balance, beginning of year.....	\$ 20,841	\$
16,225		
Issuance of shares upon conversion of Preferred Stock.....	137	
236		
Issuance of shares in a public offering*.....	-	
4,318		
	-----	
Balance, end of period.....	\$ 20,978	\$
20,779		
	=====	
=====		

**ADDITIONAL PAID-IN CAPITAL**

Balance, beginning of year.....	\$ 57,185	\$
10,605		
Conversion of Preferred Stock.....	74	
142		
Proceeds from issuance of shares in a public offering.....	-	
46,242		
-----		
Balance, end of period.....	\$ 57,259	\$
56,989		
=====		
=====		

**RETAINED EARNINGS**

Balance, beginning of year.....	\$ 89,007	\$
82,079		
Net income.....	3,072	
7,039		
Dividends declared:		
4% Preferred Stock - \$.20 per share.....	(40)	
(42)		
6-1/2% Preferred Stock - \$.325 per share....	(351)	
(368)		
-----		-----
Balance, end of period.....	\$ 91,688	\$
88,708		
=====		
=====		

**TREASURY STOCK (Note 3)**

Balance, beginning of year.....	\$ -	\$
-		
Purchase of 465,900 shares of Class A Stock at cost.....	(3,046)	
-		
-----		
Balance, end of period.....	\$ (3,046)	\$
-		
=====		
=====		

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

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

**NINE MONTHS ENDED SEPTEMBER 30, 1995 1994**

(Dollars in thousands) (Unaudited) (Unaudited)

**CUMULATIVE TRANSLATION ADJUSTMENTS**

Balance, beginning of year.....	\$ (2,636)	\$
(2,171)		
Foreign currency translation adjustment.....	217	
(972)		
	-----	-----
Balance, end of period.....	\$ (2,419)	\$
(3,143)		
	=====	=====

**UNREALIZED LOSS ON MARKETABLE SECURITIES**

Balance, beginning of year.....	\$ (511)	\$
4,300**		
Transfer to trading securities.....	-	
(3,800)		
Write-down due to permanent impairment.....	-	
(500)		
Unrealized gain (loss), net.....	467	
(394)		
	-----	-----
Balance, end of period.....	\$ (44)	\$
(394)		
	=====	=====

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

\*\* Represents cumulative effect of adoption of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities."

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

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

(Unaudited)

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

2. The December 31, 1994 consolidated balance sheet presented herein was derived from the audited December 31, 1994 consolidated financial statements of the Company.

Reference should be made to the Company's consolidated financial statements for the year ended December 31, 1994 for a description of the accounting policies which have been continued without change. Also, reference should be made to the notes to the Company's December 31, 1994 consolidated financial statements for additional details of the Company's consolidated financial condition, results of operations and cash flows. The details in those notes have not changed except as a result of normal transactions in the interim. Certain amounts in the 1994 consolidated statement of income, balance sheet and statement of cash flows have been reclassified to conform with the current period's presentation. All adjustments (of a normal recurring nature) which are, in the opinion of management, necessary to a fair presentation of the results of the interim period have been included.

3. On March 28, 1995 Ampal's Board of Directors authorized the repurchase of up to 2 million shares of Ampal's Class A Stock through open market purchases. At September 30, 1995 Ampal had purchased 465,900 shares of its Class A Stock for approximately \$3 million.

4. On June 28, 1995 one of the Company's subsidiaries purchased a property on which an approximately 290,000 square-foot office building is located for approximately \$45 million. The building is located at 800 Second Avenue, New York, New York and houses the Consulate of the Government of Israel in New York and many other Israel government offices as well as other tenants. The purchase was partially financed by a loan of \$30 million from Bank Hapoalim B.M. ("Hapoalim") at an interest rate based on a three-month London Interbank Offered Rate plus 1% which matures on the initial expiry date of June 28, 1996. The effective interest rate on the loan from the inception date to September 30, 1995 was 6.97%. At Ampal's request, Hapoalim may, but is not required to, extend the repayment of the loan until June 28, 2000 with quarterly principal payments commencing March 28, 1997. The Company financed the balance of the acquisition from its own funds. For further details, see the Company's Form 8-K dated June 28, 1995.

5. On August 15, 1995 Ampal sold all of its Ordinary Shares and 7% Preferred Shares of Bank Hapoalim (Cayman) Ltd., which constituted 49% and 50% of each series, respectively, to Hapoalim. The sales price was approximately \$20.3 million and the Company recorded a gain on sale of approximately \$.4

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million (\$.2 million, net of taxes). Ampal obtained an opinion from an independent investment consultant that the consideration received in the sale was fair to Ampal.

6. In March 1994, Pri Ha'emek (Canned and Frozen Food) 88 Ltd. ("Pri Ha'emek"), the Company's then 66.7%-owned subsidiary, conducted an initial public offering in Israel on the Tel Aviv Stock Exchange. In connection with this offering, the Company realized a gain on issuance of shares of \$2.3 million (\$1.5 million, net of taxes). The Company's interest in Pri Ha'emek was diluted initially to 51.25%. Subsequent to the public offering, the Company has purchased additional shares and convertible debentures and at September 30, 1995 its interest was 57.9%. If all warrants and convertible debentures were to be exercised, the Company's interest would be diluted to 40.5%. If the Company's interest in Pri Ha'emek decreases to 50% or below, Pri Ha'emek's results will no longer be consolidated with the Company's but will be recorded by the equity method of accounting.

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

7. On November 6, 1995 Ampal sold its property located at 174 North Michigan Avenue, Chicago, Illinois to an unrelated party for \$.85 million. In connection therewith, Ampal received \$.55 million from Hapoalim and Ampal, as landlord, and Hapoalim, as tenant, released each other from their respective obligations under a lease which was scheduled to expire in 2007. Ampal obtained an opinion from an independent real estate consultant that the consideration received from Hapoalim was fair to Ampal. The Company will record a total gain of approximately \$.5 million (\$.3 million, net of taxes).

8. On November 8, 1995, at a Special Meeting of Shareholders of Ampal, the shareholders voted to approve an amendment to Ampal's Certificate of Incorporation increasing the number of authorized shares of Class A Stock from 30,000,000 to 60,000,000.

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

**Results of Operations**

Nine months ended September 30, 1995 compared to nine months ended September 30, 1994:

Consolidated net income decreased from \$7 million for the nine-month period ended September 30, 1994 to \$3 million for the same period in 1995. The decrease in net income in 1995 resulted primarily from the absence of gains on issuance of shares which were recorded in 1994, lower unrealized gains on investments, greater losses incurred by the Company's food processing subsidiary, Pri Ha'emek (Canned and Frozen Food) 88 Ltd. ("Pri Ha'emek"), and higher net interest expense and effective income tax rate in 1995. These decreases were partially offset by an increase in net rental income and equity in earnings of affiliates and a decrease in other expenses in 1995.

Equity in earnings of affiliates increased for the nine months ended September 30, 1995 as compared to the same period in 1994. The earnings of the Company's 42.5%-owned affiliate, Ophir Holdings Ltd. ("Ophir"), increased in 1995 because of realized and unrealized gains recorded on its investment in DSP Communications, Inc. as well as decreased interest expense on its CPI-linked bank borrowings in 1995 due to the lower rate of increase in the Consumer Price Index ("CPI") in Israel. Am-Hal Limited, the Company's 50%-owned affiliate which operates a luxury senior citizens center in Rishon Lezion, recorded higher earnings in 1995 resulting from a higher occupancy rate which reached 97% in 1995 and a decrease in finance expenses resulting from loan repayments. Carmel Container Systems Limited ("Carmel"), the Company's 20.4%-owned affiliate, which is a manufacturer of paper-based packaging, also reported higher earnings in 1995 because of increased sales volume and selling prices which were adjusted for the continuing increase in the price of paper on international markets in 1995. At the same time, Carmel's gross profit increased due to greater efficiency and improvements originating from investments in equipment as well as the renovation of production lines at its plants. Bay Heart Ltd., the Company's 37%-owned affiliate which owns and operates a shopping mall near Haifa, reported improved results in 1995 mainly because of lower interest expense on its CPI-linked borrowings in 1995 due to the lower rate of increase in the CPI in Israel. These increases were partially offset by losses recorded by Teledata Communication Ltd. which sustained decreased demand for its products and losses recorded by the Company's start-up affiliates. In addition, the Moriah Hotel group of companies ("Moriah") reported lower earnings because the increase in hotel operating expenses which are linked to the CPI in Israel exceeded the increase in revenues resulting from higher room and occupancy rates in 1995. Moriah's earnings also decreased due to higher income tax provisions in 1995 because of the absence of loss carryforwards, which were available in 1994.

Pri Ha'emek recorded higher losses in 1995 as compared to 1994 because of lower sales prices and increased cost of goods sold due to increases in the CPI in Israel. Because of the disappointing results, the Managing Director was replaced and additional steps are being considered.

Interest income from related parties decreased in 1995 due to the scheduled repayments of deposits, notes and loans receivable to related parties. Net interest expense increased mainly because of increased interest expense recorded on a CPI-linked loan which was refinanced in 1995 by Pri Ha'emek (prior to refinancing, the loan was linked to the U.S. dollar), and interest expense incurred in connection with the purchase of an office building located at 800 Second Avenue, New York, New York ("800 Second Avenue"). See Liquidity and Capital Resources.

The Company recorded \$1.3 million and \$2.7 million of unrealized gains on marketable securities and \$1.7 million and \$1.8 million of gains on sale of investments in the nine months ended September 30, 1995 and 1994, respectively. The aggregate fair value of trading securities amounted to approximately \$4.7 million and \$8.6 million at September 30, 1995 and 1994, respectively.

In the quarter ended March 31, 1994, the Company recorded gains on issuance of shares of \$2.3 million by Pri Ha'emek and \$.3 million by Granite Hacarmel Investments Ltd.

The increases in rental income and rental property operating expenses are attributable to the operations of 800 Second Avenue.

The decrease in other expenses is due to the decrease in minority interest in 1995 which is included in this category.

The increase in the effective income tax rate from 45% in 1994 to 63% in 1995 is attributable to changes in the components of taxable income and a reported loss of an Israeli subsidiary from which no tax benefit was available.

Three months ended September 30, 1995 compared to three months ended September 30, 1994:

Consolidated net income decreased from \$3.9 million for the three-month period ended September 30, 1994 to \$.5 million for the same period in 1995. The decrease in net income in 1995 resulted primarily from lower realized and unrealized gains on investments, losses incurred by Pri Ha'emek, decreased equity in earnings of affiliates, and higher net interest expense and effective income tax rate in 1995. These decreases were partially offset by an increase in net rental income and a decrease in other expenses in 1995.

Equity in earnings of affiliates decreased primarily because of lower earnings reported by Moriah, unrealized losses on marketable securities recorded by Ophir in the third quarter of 1995 and losses recorded by the Company's start-up affiliates.

Pri Ha'emek recorded higher losses for the reasons discussed in Results of

Operations - Nine months ended September 30, 1995 compared to nine months ended September 30, 1994.

Interest income from related parties decreased and net interest expense increased for the reasons discussed in Results of Operations - Nine months ended September 30, 1995 compared to nine months ended September 30, 1994.

The Company recorded \$.7 million and \$2.7 million of unrealized gains on marketable securities and \$.6 million and \$1.8 million of gains on sale of investments in the three months ended September 30, 1995 and 1994, respectively.

The increases in rental income and rental property operating expenses are attributable to the operations of 800 Second Avenue.

Other expenses decreased because of the decrease in the amount attributed to minority interests in 1995 which is included in this category.

The increase in the effective tax rate from 49% in 1994 to 74% in 1995 is attributable to the reasons discussed in Results of Operations - Nine months ended September 30, 1995 compared to nine months ended September 30, 1994.

### **Liquidity and Capital Resources**

At September 30, 1995, cash and cash equivalents were \$54.5 million and short-term, interest-bearing securities included in the investments caption were \$4.8 million as compared with \$42.1 million and \$11.6 million, respectively, at December 31, 1994. The overall \$6 million increase is primarily a result of approximately \$20 million received from the sale of the Company's investment in Bank Hapoalim (Cayman) Ltd. and the expenditure of approximately \$15 million for the acquisition of 800 Second Avenue (see below).

Deposits, notes and loans receivable and debentures decreased as a result of scheduled repayments.

In January 1995, the Company invested \$1.5 million and acquired a 20% interest in Epsilon Investment House Ltd. ("Epsilon") and its affiliate Renaissance Investment Company Ltd. Epsilon is an investment bank which provides portfolio management and its affiliate provides underwriting services in Israel through its subsidiaries.

In January 1995, the Company acquired 260,416 common shares, equal to a 4.1% interest in M-Systems Flash Disk Pioneers Ltd. ("M-Systems"), for \$1 million and received warrants to purchase an additional 130,206 common shares at \$4.61 per share until June 30, 1998. M-Systems is an Israeli company engaged in the development, manufacturing and marketing of data storage media based on "flash memory," a new silicon memory chip.

On June 6, 1995 the Company invested \$1 million to acquire a 13.64% equity interest in Lannair, Ltd., an Israeli company which is a developer, manufacturer and marketer of wireless local area networks for computers, using license-free, spread spectrum radio technology.

On June 28, 1995 one of the Company's subsidiaries purchased 800 Second Avenue for approximately \$45 million. 800 Second Avenue houses the Consulate of the Government of Israel in New York and many other Israel government offices as well as other tenants. The purchase was partially financed by a loan of \$30 million from Bank Hapoalim B.M., at an interest rate based on the three-month London Interbank Offered Rate plus 1%, which matures on the initial expiry date of June 28, 1996. The effective interest rate on the loan from the inception date to September 30, 1995 was 6.97%. At Ampal's request, the bank may, but is not required to, extend the repayment of the loan until June 28, 2000 with quarterly principal payments commencing March 28, 1997. Notes and loans payable increased primarily as a result of the aforementioned loan. The Company financed the balance of the acquisition from its own funds.

On August 15, 1995 Ampal sold all of its Ordinary Shares and 7% Preferred Shares of Bank Hapoalim (Cayman) Ltd., which constituted 49% and 50% of each series, respectively, to Bank Hapoalim B.M. The sales price was approximately \$20.3 million and the Company recorded a gain on sale of approximately \$.4 million (\$.2 million, net of taxes). Ampal obtained an opinion from an independent investment consultant that the consideration received in the sale was fair to Ampal.

On September 21, 1995 the Company invested \$1.3 million to acquire a 20.6% equity interest in Barshar, Ltd. ("Barshar") and three-year options to acquire up to an additional 5.7% equity interest. Barshar is an Israeli high-technology company which has developed software packages based on optimization models which allow savings in the cost of distribution and increased management control over routing of products and people. Barshar's products have been marketed primarily in Israel and it expects to use the proceeds of the Company's investment to expand into world markets.

On March 28, 1995 Ampal's Board of Directors authorized the repurchase of up to 2 million shares of Ampal's Class A Stock through open market purchases. At September 30, 1995 Ampal had purchased 465,900 shares of its Class A Stock for approximately \$3 million.

On November 6, 1995 Ampal sold its property located at 174 North Michigan Avenue, Chicago, Illinois to an unrelated party for \$.85 million. In connection therewith, Ampal received \$.55 million from Hapoalim and Ampal, as landlord, and Hapoalim, as tenant, released each other from their respective obligations under a lease which was scheduled to expire in 2007. Ampal obtained an opinion from an independent real estate consultant that the consideration received from Hapoalim was fair to Ampal. The Company will record a gain of approximately \$.5 million (\$.3 million, net of taxes).

**PART II - OTHER INFORMATION**

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

**Item 2. Changes in Securities - None.**

**Item 3. Defaults upon Senior Securities - None.**

**Item 4. Submission of Matters to a Vote of Security Holders**

On November 8, 1995, at a Special Meeting of Shareholders of Registrant, the shareholders voted to approve an amendment to Registrant's Certificate of Incorporation increasing the number of authorized shares of Class A Stock from 30,000,000 to 60,000,000 by the following vote:

FOR ABSTAIN	AGAINST	
---	-----	
-----		
20,448,688	13,242	4,413

**Item 5. Other Information - None.**

**Item 6. Exhibits and Reports on Form 8-K**

(a) Index to Exhibits:

Exhibit 11 - Schedule Setting Forth Computation of Earnings Per Class A Share..... Page 16

**Exhibit 27 - Financial Data Schedule.**

(b) Reports on Form 8-K - None.

**Exhibit 11**

**AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES**

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

NINE MONTHS ENDED SEPTEMBER 30,	1995	1994		
-----				
(Amounts in thousands, except per share data)	(Unaudited)	(Unaudited)		
Weighted average number of shares outstanding:				
4% Preferred.....	205		212	
6-1/2% Preferred.....	1,102		1,150	
Class A.....	20,745		19,808	
Common.....	3,000		3,000	
	=====		=====	
 Weighted average number of shares outstanding assuming conversion of preferred stock into Class A shares:				
Class A.....	25,076	89.31%	24,318	89.02%
Common.....	3,000	10.69	3,000	10.98
	-----	-----	-----	-----
	28,076	100.00%	27,318	100.00%
	=====	=====	=====	=====
 NET INCOME.....	\$ 3,072		\$ 7,039	
	=====		=====	
 Allocation of net income on the basis of the respective dividend rights of the above classes of stock, pro rata:				
Class A.....	\$ 2,744	89.31%	\$ 6,266	89.02%
Common.....	328	10.69	773	10.98
	-----	-----	-----	-----
	\$ 3,072	100.00%	\$ 7,039	100.00%
	=====	=====	=====	=====
 Earnings per Class A share.....	\$ .11		\$ .26	
	=====		=====	

SIGNATURES

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

**AMPAL-AMERICAN ISRAEL CORPORATION**

*By:/s/ Lawrence Lefkowitz*  
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*Lawrence Lefkowitz  
President  
(Principal Executive Officer)*

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

*By:/s/ Alla Kanter*  
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*Alla Kanter  
Vice President - Accounting  
& Controller  
(Principal Accounting  
Officer)*

Dated: November 14, 1995

**ARTICLE 5**

MULTIPLIER: 1,000

PERIOD TYPE	9 MOS
FISCAL YEAR END	DEC 31 1995
PERIOD END	SEP 30 1995
CASH	54,458
SECURITIES	114,879
RECEIVABLES	76,549
ALLOWANCES	0
INVENTORY	0
CURRENT ASSETS	49,610
PP&E	89,763
DEPRECIATION	13,515
TOTAL ASSETS	371,744
CURRENT LIABILITIES	46,980
BONDS	150,951
COMMON	23,978
PREFERRED MANDATORY	0
PREFERRED	6,397
OTHER SE	143,438
TOTAL LIABILITY ANDEQUITY	371,744
SALES	33,258
TOTAL REVENUES	59,603
CGS	0
TOTAL COSTS	33,717
OTHER EXPENSES	5,430
LOSS PROVISION	0
INTEREST EXPENSE	12,124
INCOME PRETAX	8,332
INCOME TAX	5,260
INCOME CONTINUING	3,072
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	3,072
EPS PRIMARY	.11
EPS DILUTED	.11

# End of Filing