AMPAL-AMERICAN ISRAEL CORP

FORM 10-K
(Annual Report)

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Address	555 MADISON AVENUE 20TH FLOOR
	NEW YORK, New York 10022
Telephone	212-593-9842
CIK	0000731859
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2006

OR

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

For the transition period from _____ to _____

Commission file number 0-538

AMPAL-AMERICAN ISRAEL CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

New York	**13-0435685**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
111 Arlozorov Street, Tel Aviv, Israel	**62098**
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code (866) 447-8636
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	***Name of Each Exchange on which Registered***
Class A Stock, par value $1.00 per share	The NASDAQ Global Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer (as defined in Rule 405 of the Securities Act). Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K ☐ .

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2).
Yes ☐ No ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the registrant's voting stock held by non – affiliates of the registrant on June 30, 2006, the last business day of the registrant's most recently completed second fiscal quarter was $41,854,745 based upon the closing market price of such stock on that date. As of March 28, 2007, the number of shares outstanding of the registrant's Class A Stock, its only authorized and outstanding common stock, is 49,355,791.

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES

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ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006
OF AMPAL-AMERICAN ISRAEL CORPORATION

PART I

ITEM 1. BUSINESS

As used in this report on Form 10-K (the "Report"), the term "Ampal" or "registrant" refers to Ampal-American Israel Corporation. The term "Company" refers to Ampal and its consolidated subsidiaries. Ampal is a New York corporation founded in 1942.

The Company primarily acquires interests in businesses located in the State of Israel or that are Israel-related. Ampal's investment focus is principally on companies or ventures where Ampal can exercise significant influence, on its own or with investment partners, and use its management experience to enhance those investments. An important objective of Ampal is to seek investments in companies that operate in Israel initially and then expand abroad. In determining whether to acquire an interest in a specific company, Ampal considers quality of management, potential return on investment, growth potential, projected cash flow, investment size and financing, and reputable investment partners.

The Company's strategy is to invest opportunistically in undervalued assets with an emphasis on the following sectors: Energy, Real Estate, Project Development and Leisure Time. We believe that past experience, current opportunities and a deep understanding of the above-referenced sectors both domestically in Israel and internationally will allow the Company to bring high returns to its shareholders. The Company emphasizes investments which have long-term growth potential over investments which yield short-term returns.

The Company provides its investee companies with ongoing support through its involvement in the investees' strategic decisions and introduction to the financial community, investment bankers and other potential investors both in and outside of Israel.

Listed below by industry segment are all of the substantial investee companies in which the Ampal had ownership interests as of December 31, 2006, the principal business of each and the percentage of equity owned, directly or indirectly, by Ampal. Further information with respect to the more significant investee companies is provided after the following table. For additional information concerning the investee companies, previously provided annual reports on Forms 10-K of Ampal are incorporated by reference herein. For industry segment financial information and financial information about foreign and domestic operations, see "Note 14" to the Company's consolidated financial statements included elsewhere in this Report.

Industry Segment	Principal Business	Percentage as of December 31, 2006 [1]
Energy		
East Mediterranean Gas Company	Natural Gas Provider & Pipeline Owner	12.5
Real Estate		
Am-Hal Ltd.	Chain of Senior Citizen Facilities	100.0
Bay Heart Limited	Shopping Mall Owner/Lessor	37.0
Leisure-Time		
Country Club Kfar Saba Limited	Country Club Facility	51.0
Hod Hasharon Sport Center (1992) Limited Partnership	Country Club Facility	50.0
Finance		
Ampal (Israel) Ltd.	Holding Company and Real Estate	100.0
Ampal Development (Israel) Ltd.	Holding Company	100.0
Ampal Holdings (1991) Ltd.	Holding Company	100.0
Capital Markets and Other Holdings		
Carmel Container Systems Limited	Packaging Materials and Carton Production Holding Company	21.8
Fimi Opportunity Fund, L.P	Investment Fund	2.1

(1) Based upon current ownership percentage. Does not give effect to any potential dilution.

Significant Developments Since the Fiscal Year Ended December 31, 2006

On February 18, 2007, Ampal reached a non binding letter of understanding with Merkaz Mishan Ltd. ("Mishan") for a potential sale of all of its holdings in Am-Hal Ltd., a wholly owned subsidiary of Ampal ("Am-Hal"). The potential transaction is subject to the customary due diligence process, negotiation and signing of a definitive sale and purchase agreement, the approvals of the Board of Directors of Ampal (the "Board") and "Mishan" and the receipt of all necessary regulatory and governmental approvals and other customary conditions. There can be no assurance that the parties will consummate a transaction regarding Am-Hal Ltd.

On March 18, 2007, tenants of the retirements centers for senior citizens of Am-Hal filed a lawsuit in the Tel Aviv District Court against Ampal, Am-Hal and other subsidiaries of Ampal. The lawsuit was filed after Ampal announced the potential sale of its holdings in Am-Hal to Mishan. Among other things, the plaintiffs requested that the District Court (i) issue warrants that will oblige Am-Hal to keep the deposits received from the tenants in a designated account for each tenant controlled by an accountant agreed to by Am-Hal and the tenants, (ii) maintain the level of services provided by Am-Hal to the tenants and (iii) maintain the ratio of independent tenants and supportive tenants in the centers. The plaintiffs also asked the District Court to issue temporary ex parte injunctions to prohibit Ampal from signing an agreement for the sale of its holdings in Am-Hal and to nominate a receiver to locate and keep the tenants' deposits. The District Court did not grant the temporary injunctions ex parte and requested that the defendants reply to the claim in accordance with normal procedures.

On March 7, 2007, Ampal entered into an agreement to sell to Carmel Container Systems Ltd., a packaging manufacturer based in Israel ("Carmel"), all of the holdings of Carmel held by Ampal and its subsidiaries. Pursuant to this transaction, Ampal and its subsidiaries will sell to Carmel an aggregate of 522,350 ordinary shares of Carmel for an expected aggregate sales price of approximately $4.57 million. The Company expects to record a loss before tax of $0.4 million. The completion of the sale of shares to Carmel is subject to the satisfaction of certain closing conditions.

Energy

EAST MEDITERRANEAN GAS COMPANY ("EMG")

EMG, an Egyptian joint stock company, organized in accordance with the Egyptian Special Free Zones system, has been granted the right to export natural gas from Egypt to Israel, other locations in the East Mediterranean basin and to other countries. EMG's first project involves linking the Israeli energy market with the Egyptian national gas grid via an East Mediterranean pipeline. Fully financed and contracted, the pipeline and associated facilities are under construction with expected first gas delivery scheduled for the first quarter of 2008. EMG shall be the developer, owner and operator of the pipeline and its associated facilities on shore in both the point of departure at El Arish, Egypt and the point of entry in Ashkelon, Israel. In the Israeli market, EMG's first contract was signed in late 2005 with the Israel Electric Corporation for a quantity of 2.1 BCM annually over 15-20 years. EMG is in the process of negotiating several additional agreements covering much of the anticipated 7.0 BCM annually earmarked for the Israeli market. This project is governed by an agreement signed between Israel and Egypt which designates EMG as the authorized exporter of Egyptian gas, secures EMG's tax exemption in Israel and provides for the Egyptian government's guarantee for the arrival of the gas to the Israeli market.

As of December 31, 2006, the Company beneficially owns approximately 12.5% of EMG. For more information concerning our interest in EMG please see "Item 7 - Management Discussion and Analysis of Financial Condition and Results of Operations" below.

Real Estate

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

AM-HAL LTD. ("AM-HAL")

Am-Hal is a wholly-owned subsidiary of the Company, which develops and operates luxury retirement centers for senior citizens.

In March 1992, the first center was opened in Rishon LeZion, a city located approximately 10 miles south of Tel-Aviv. This center, of about 120,000 square feet, includes 149 self-contained apartments, a 74-bed nursing care ward, a 21-bed assisted-living ward, a swimming pool, a health care center and other recreational facilities. The nursing care ward is leased to a non-affiliated health care provider.

In June 2000, the second center was opened in Hod Hasharon, a city located approximately 7 miles north of Tel Aviv. This center, which is approximately 250,000 square feet, includes 235 self-contained apartments, a 33-bed nursing care ward and a 22-bed assisted-living ward.

On April 7, 2005 Am-Hal Ltd. entered into an agreement to build a new project in Tel-Aviv. Am-Hal Ltd. holds 75% of the new project through a limited partnership (Ad 120 Ramat-Hahayal), the project, which is in its early stages, is still subject to further regulatory and financing approvals.(See "Significant Developments Since the Fiscal Year Ended December 31, 2006").

BAY HEART LIMITED ("BAY HEART")

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 three-story facility with approximately 280,000 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. A train station on the west side of the Mall was completed in September 2001. A transportation complex, in conjunction with a subsidiary of Egged Bus Corporation, was opened in January 2002. The Company owns 37% of Bay Heart.

Leisure-Time

COUNTRY CLUB KFAR SABA LIMITED ("KFAR SABA")

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 estate property on which the Club is situated. The Club's facilities include swimming pools, tennis courts and a clubhouse. The Club currently is seeking to obtain building permits for an additional 30,000 square feet of commercial development on the Club grounds.

The Club, which has a capacity of 2,000 member families, had approximately 1,722 member families for the 2006 season. The Company owns 51% of Kfar Saba.

HOD HASHARON SPORT CENTER (1992) LIMITED PARTNERSHIP ("HOD HASHARON")

Hod Hasharon operates a country club facility (the "H.H. Club") in Hod Hasharon, a town north of Tel Aviv. The H.H. Club, which opened in July 1994, occupies a 7-1/4 acre lot which is leased for a 49 year period. The lease expires in 2043. The H.H. Club has a capacity of 1,600 member families and has operated at capacity for the past three years. In 2006, the H.H. Club contributed $0.2 million to each of its partners. As of December 31, 2006, the Company holds a 50% direct interest in Hod Hasharon.

Capital Markets and Other Holdings

CARMEL CONTAINERS SYSTEMS LIMITED ("CARMEL")

Carmel is one of the leading Israeli companies in designing, manufacturing and marketing carton boards and packaging products. Carmel and its subsidiaries manufacture a varied line of products, including corrugated shipping containers, moisture-resistant packaging, consumer packaging, triple-wall packaging and wooden pallets and boxes. The Company's equity interest in Carmel is 21.75%. As of December 31, 2006, the Company accounts for this investment pursuant to the equity method as $3.5 million (which includes impairment in an amount of $3.0 million). For information about our agreement to sell our holdings of Carmel, please see the section entitled "Significant Developments Since the Fiscal Year Ended December 31, 2006."

EMPLOYEES

The executives officers of Ampal are listed in "Item 11" below. As of December 31, 2006, Ampal (Israel) Ltd. had 13 employees, Am-Hal Ltd. (a wholly owned subsidiary of Ampal) had 180 employees and Country Club Kfar Saba Ltd., of which the Company owns 51% of the interest, had 100 employees.

Relations between the Company and its employees are satisfactory.

CONDITIONS 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. A state of hostility, varying as to degree and intensity, exists between Israel and the Arab countries and the Palestinian Authority (the "PA"). Israel signed a peace agreement with Egypt in 1979 and with Jordan in 1994. Since 1993, several agreements have been signed between Israel and Palestinian representatives regarding conditions in the West Bank and Gaza. While negotiations have taken place between Israel, its Arab neighbors and the PA to end the state of hostility in the region, it is not possible to predict the outcome of these negotiations and their eventual effect on Ampal and its investee companies. During the summer of 2006, Israel was engaged in a military conflict with the Hizballa movement in Lebanon. This conflict was the most violent outbreak of hostilities in which Israel has been involved during the past several years. This situation had an adverse effect on the economy, primarily in the relevant geographic areas, and increased the political and military uncertainty in Israel and the Middle East. See "Item 1A - Risk Factors" below for a further discussion of the possible impact of the political and military situation in Israel on the Company.

All male adult citizens and permanent residents of Israel under the age of 48 are obligated, unless exempt, to perform military reserve duty annually. Additionally, all these individuals are subject to being called to active duty at any time under emergency circumstances. Some of the officers and employees of Ampal's investee companies are currently obligated to perform annual reserve duty. While these companies have operated effectively under these requirements since they began operations, Ampal cannot assess the full impact of these requirements on their workforce or business if conditions should change. In addition, Ampal cannot predict the effect on its business in a state of emergency in which large numbers of individuals are called up for active duty.

CERTAIN UNITED STATES AND ISRAELI REGULATORY MATTERS

SEC Exemptive Order

In 1947, the SEC 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 SEC will not reexamine the Exemptive Order and revoke, suspend or modify it. A revocation, suspension or material modification of the Exemptive Order could materially and adversely affect the Company unless Ampal were able to obtain other appropriate exemptive relief. In the event that Ampal becomes subject to the provisions of the 1940 Act, it could be required, among other matters, to make changes, which might be material, to its management, capital structure and methods of operation, including its dealings with principal shareholders and their related companies.

TAX INFORMATION

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. Through December 31, 2003, the corporate tax rate was 36%. In July 2004, Amendment No. 140 to the Income Tax Ordinance was enacted. One of the provisions of this amendment is that the corporate tax rate is to be gradually reduced from 36% to 30%. In August 2005, a further amendment (No. 147) was published, which makes a further revision to the corporate tax rates prescribed by Amendment No. 140. As a result of the aforementioned amendments, the corporate tax rates for 2004 and thereafter are as follows: 2004 – 35%, 2005 – 34%, 2006 – 31%, 2007 – 29%, 2008 – 27%, 2009 – 26% and for 2010 and thereafter – 25%.

A tax treaty between Israel and the United States became effective on January 1, 1995 ("the Treaty"). The Treaty has not substantially affected the tax position of the Company in either the United States or in Israel.

Ampal generated income from interest and dividends resulting from its investments in Israel. Under Israeli law, Ampal has been required to file tax returns with the Israeli tax authorities with respect to such income. Under Israeli domestic law Ampal, as a non-resident, is generally subject to withholding tax at a rate of 25% on dividends it receives from Israeli companies (20% as of January 1, 2006, under certain circumstances). This rate may be reduced to either 15% or 12.5%, (under Israeli law and/or the provisions of the Treaty), depending on the ownership percentage in the investee company, and on the type of income generated by such investee company from which the dividend is distributed (by contrast, dividends received by one Israeli company from another Israeli company are generally exempt from Israeli corporate tax, unless (i) they arise from income generated from sources outside of Israel, in which case they are subject to tax at a rate of 25%; or (ii) they are paid out of the profits of an "approved enterprise" to either residents or non-residents, in which case tax is withheld at a rate of 15%).

Pursuant to an arrangement with the Israeli tax authorities, Ampal's income from Israeli sources has been taxed based on principles generally applied in Israel to income of non-residents. Ampal has filed tax returns with the Israeli tax authorities through the tax year 2004. Based on the tax returns filed by Ampal through 2004, it has not been required to make any additional tax payments in excess of the tax withheld on dividends it has received. In addition, pursuant to Ampal's arrangement with the Israeli tax authorities, the aggregate taxes paid by Ampal in Israel and in the United States on interest, rent and dividend income derived from Israeli sources has not exceeded the tax which would have been payable by Ampal in the United States had such interest, rent and dividend income been derived by Ampal from United States sources. There can be no assurance that this arrangement will continue to be effective in the future. This arrangement does not apply to taxation of Ampal's Israeli subsidiaries.

Generally, under the provisions of the Israeli Income Tax Ordinance, taxable income from Israeli sources paid to non-residents of Israel by residents of Israel is subject to withholding tax at the rate of 25%. However, such rate of withholding tax may be reduced under the Treaty, with respect to certain payments made by Israeli tax residents to US tax residents that qualify for benefits of the Treaty. For example, under the Treaty, the rate of withholding tax applicable to interest is generally reduced to 17.5%. The continued tax treatment of Ampal by the Israeli tax authorities in the manner described above is based, among other things, 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, Israeli tax residents are taxed on capital gains generated from sources in Israel or outside of Israel, whereas non residents are taxable only with respect to gains generated from sources in Israel. Gains are generally regarded as being from Israeli sources if arising from the sale 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, and of rights in non-resident entities that mainly represent ownership and rights to assets located in Israel, with regard to such assets). Under the Treaty, US tax residents are subject to Israeli capital gains tax on the sale of shares in Israeli companies if they have held 10% or more of the voting rights in such company at any time during the 12 months immediately preceding the sale.

Since January 1, 1994, the portion of the gain attributable to inflationary differences prior to that date is taxable at a rate of 10%, while the portion of the gain attributable to inflationary differences between such date and the date of disposition of the asset is exempt from tax. 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 tax residents if they elect 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, rather than the change in the Israeli consumer price index. Beginning January 1, 2006, the section of the Israeli Tax Ordinance under which the regulations providing such tax exemption to non-Israeli residents were promulgated, was rescinded. It is therefore unclear whether this exemption shall continue to be applicable. The remainder of the gain ("Real Capital Gain"), if any, is taxable to corporations at the rate of 25%. However, Real Capital Gains arising from the sale of capital assets that had been acquired prior to January 1, 2003 shall be apportioned on a linear basis to the periods before and after the same date, namely - the portion of the gain attributed to the period before January 1, 2003 shall be subject to tax at a rate equal to the corporate tax rate in affect at the time of the sale (in 200 6 – 31%), whereas the portion of the gain attributed to the period after January 1, 2003 shall be taxed at the preferential rate of 25%. This 25% preferential tax rate may also apply to a certain portion of the profit upon the sale of Israeli shares.

Foreign corporations are generally exempt from tax on gains from the sale of shares in publicly traded companies. Amendment No. 147 introduces a broader exemption under domestic law for non-residents regardless of their percentage holding in an Israeli company (not holding real estate rights) to include capital gains from the sale of securities (even where not traded in Israel), which are purchased between July 1, 2005 through December 31, 2008, provided certain conditions are met.

The Income Tax Law (Adjustment for Inflation), 1985 ("Inflationary Adjustment Law"), 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. Under the Inflationary Adjustment Law, results for tax purposes are measured in real terms. 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. Conversely, if the depreciated cost of Fixed Assets exceeds shareholders' equity, then such excess, multiplied by the annual inflation change, is added to taxable income.

Individuals and companies in Israel pay value added tax ("VAT") at a rate of 15.5% (16.5% until June 30, 2006, 17.0% from March 1, 2004 to August 31, 2005) of the price of assets sold and services rendered. In computing its VAT liability, Ampal's Israeli subsidiaries are entitled to claim as a deduction input VAT it has incurred with respect to goods and services acquired for the purpose of the business.

United States Federal Taxation of Ampal

Ampal and its United States subsidiaries (in the following discussion, generally referred to collectively as "Ampal U.S.") are subject to United States taxation on their taxable income, as computed on a consolidated basis, from domestic as well as foreign sources. The gross income of Ampal U.S. for United States tax purposes includes or may include (i) income earned directly by Ampal U.S., (ii) Ampal U.S.'s pro rata share of certain types of income, primarily "subpart F income" earned by certain Controlled Foreign Corporations in which Ampal U.S. owns or is considered as owning 10 percent or more of the voting power; and (iii) Ampal U.S.'s pro rata share of ordinary income and capital gains earned by certain Passive Foreign Investment Companies in which Ampal U.S. owns stock, and with respect to which Ampal has elected that such company be treated as a Qualified Electing Fund. Subpart F income includes, among other things, dividends, interest and certain rents and capital gains. Since 1993, the maximum federal rate applicable to domestic corporations is 35%.

Certain of Ampal's non-U.S. subsidiaries have elected to be treated as partnerships for U.S. tax purposes. As a result, Ampal is generally subject to U.S. tax on its distributive share of income earned by such subsidiaries (generally computed with reference to Ampal's proportionate interest in such entity), as it is earned, i.e. – without regard to whether or not such income is distributed by the subsidiary. Certain of Ampal's wholly-owned non-U.S. subsidiaries have elected to be treated as "disregarded entities" for U.S. federal tax consequences. As a result, Ampal is subject to US tax on all income earned by such subsidiaries, as it is earned.

Ampal U.S. is generally 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 U.S. receives dividends from a non-US corporation in which it owns 10% or more of the voting stock, Ampal U.S. is treated (in determining the amount of foreign income taxes paid by Ampal U.S. for purposes of the foreign tax credit) 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 U.S. may claim is limited to the same proportion of Ampal U.S.'s United States income taxes that its foreign source taxable income bears to its taxable income from all sources, US and non-US. This limitation is applied separately with respect to passive and active items of income, which may further limit Ampal's ability to claim foreign taxes as a credit against its U.S. tax liability. The use of foreign taxes as an offset against United States tax liability is further limited by certain rules pertaining to the sourcing of income and the allocation of deductions. As a result of the combined operation of these rules, it is possible that Ampal U.S. would exercise its right to elect to deduct the foreign taxes, in lieu of claiming such taxes as a foreign tax credit.

Ampal U.S. may also 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.

FORWARD-LOOKING STATEMENTS

This Report (including but not limited to factors discussed in the "Management's Discussion and Analysis of Financial Condition and Results of Operations," as well as those discussed elsewhere in this Report on Form 10-K) includes forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) and information relating to the Company that are based on the beliefs of management of the Company as well as assumptions made by and information currently available to the management of the Company. When used in this Report, the words "anticipate," "believe", "estimate," "expect," "intend," "plan," and similar expressions, as they relate to the Company or the management of the Company, identify forward-looking statements. Such statements reflect the current views of the Company with respect to future events or future financial performance of the Company, the outcome of which is subject to certain risks and other factors which could cause actual results to differ materially from those anticipated by the forward-looking statements, including among others, the economic and political conditions in Israel, the Middle East, including the situation in Iraq, and in the global business and economic conditions in the different sectors and markets where the Company's portfolio companies operate. These risks and uncertainties include, but are not limited to, those described in Part I, "Item 1A - Risk Factors" and elsewhere in this report and those described from time to time in our future reports filed with the Securities and Exchange Commission.

SHOULD ANY OF THOSE RISKS OR UNCERTAINTIES MATERIALIZE, OR SHOULD UNDERLYING ASSUMPTIONS PROVE INCORRECT, ACTUAL RESULTS OR OUTCOME MAY VARY FROM THOSE DESCRIBED THEREIN AS ANTICIPATED, BELIEVED, ESTIMATED, EXPECTED, INTENDED OR PLANNED. SUBSEQUENT WRITTEN AND ORAL FORWARD-LOOKING STATEMENTS ATTRIBUTABLE TO THE COMPANY OR PERSONS ACTING ON ITS BEHALF ARE EXPRESSLY QYALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENTS IN THIS PARAGRAPH AND ELSEWHERE DESCRIBED IN THIS REPORT AND OTHER REPORTS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THE COMPANY ASSUMES NO OBLIGATION TO UPDATE OR REVISE FORWARD-LOOKING STATEMENTS.

ITEM 1A. RISK FACTORS

An investment in our securities involves risks and uncertainties. These risks and uncertainties could cause our actual results to differ materially from our historical results or the results contemplated by any forward-looking statements contained in this report on Form 10-K or that we make in other filings with the SEC under the Securities and Exchange Act of 1934 or in other public statements. The risks described below are not the only risks facing the Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results. You should consider the following factors carefully, in addition to the other information contained in this Report, before deciding to purchase, sell or hold our securities:

Because the companies in which we invest conduct their principal operations in Israel and Israel-related, we may be adversely affected by the economic, political, social and military conditions in the Middle East.

Most of the companies in which we directly or indirectly invest have principal operations that are Israel-related. We may, therefore, be directly affected by economic, political, social and military conditions in the Middle East, including Israel's relationship with the Palestinian Authority and Arab countries. In addition, many of the companies in which we invest are dependent upon materials imported from outside of Israel. We also have interests in companies that export significant amounts of products from Israel. Our existing 12.5% stake in East Mediterranean Gas Company, an Egyptian joint stock company, represents a substantial portion of our investment portfolio and may be particularly sensitive to conditions in the Middle East. Accordingly, our operations could be materially and adversely affected by acts of terrorism or if major hostilities should continue or occur in the future in the Middle East or trade between Israel and its present trading partners should be curtailed, including as a result of acts of terrorism in the United States. Any such effects may impact our value and the value of our investee companies.

During the summer of 2006, Israel was engaged in a military conflict with the Hizballa movement in Lebanon. This conflict was the most violent outbreak of hostilities in which Israel has been involved during the past several years. This situation had an adverse effect on the economy, primarily in the relevant geographic areas. Although we do not believe that this situation has had a material adverse effect on our business or financial condition, if such situation resumes and/or escalates, the adverse economic effect may deepen and spread to additional areas and may materially adversely affect the Company and its subsidiaries' business and financial condition.

Because of our significant investment in EMG, we may be adversely affected by changes in the financial condition, business, or operations of EMG.

As of December 31, 2006, the Company beneficially owns approximately 12.5% of EMG, a result of a transaction with our controlling shareholder, which was accounted as transaction between entities under common control. This investment constitutes our single largest holding. As a result, changes in the financial condition, business or operations of EMG, including, without limitation, unexpected delays in first gas delivery, the completion of the pipeline, and the ability of EMG to utilize the pipeline, whether as a result of environmental, regulatory or political issues or otherwise, may impact our ability to received dividends from EMG which could adversely affect our operations and financial condition. Additionally, we have a minority interest in EMG, and therefore, do not have the ability to direct the affairs of EMG.

The SEC may re-examine, suspend or modify our exemption from the Investment Company Act of 1940, as amended.

In 1947, the SEC granted us 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 our operations, the purposes for which we were organized, which have not changed, and the interest of purchasers of our securities in the economic development of Israel. There can be no assurance that the SEC will not re-examine the exemptive order and revoke, suspend or modify it. A revocation, suspension or material modification of the exemptive order could materially and adversely affect us unless we were able to obtain other appropriate exemptive relief. In the event that we become subject to the provisions of the 1940 Act, we could be required, among other matters, to make changes, which might be material, to our management, capital structure and methods of operation, including our dealings with principal shareholders and their related companies.

As most of our investee companies conduct business outside of the United States, we are exposed to foreign currency and other risks.

We are subject to the risks of doing business outside the U.S., including, among other risks, foreign currency exchange rate risks, changes in interest rates, equity price changes of our investee companies, import restrictions, anti-dumping investigations, political or labor disturbances, expropriation and acts of war. No assurances can be given that we will be protected from future changes in foreign currency exchange rates that may impact our financial condition or performance.

Foreign securities or illiquid securities in our portfolio involve higher risk and may subject us to higher price volatility. Investing in securities of foreign issuers involves risks not associated with U.S. investments, including settlement risks, currency fluctuations, local withholding and other taxes, different financial reporting practices and regulatory standards, high costs of trading, changes in political conditions, expropriation, investment and repatriation restrictions, and settlement and custody risks.

Changes in accounting standards and taxation requirements could affect our financial results.

New accounting standards or pronouncements that may become applicable to the Company from time to time, or changes in the interpretation of existing standards and pronouncements, could have a significant effect on our reported results for the affected periods. We are also subject to income tax in the numerous jurisdictions in which we generate revenues. Increases in income tax rates could reduce our after-tax income from affected jurisdictions.

We have had a history of losses which may ultimately compromise our ability to implement our business plan.

We have had losses in four of the past five fiscal years. The net loss for 2006 was approximately $7.1 million. We will continue to make investments opportunistically and to divest ourselves from certain assets which we believe lack growth potential. However, if we are not able to generate sufficient revenues or we have insufficient capital resources, we will not be able to implement our business plan of investing in, and growing, companies with strong long-term growth prospectus and investors will suffer a loss in their investment. This may result in a change in our business strategies.

The loss of key executives could cause our business to suffer.

Yosef A. Maiman, the Chairman of our board of directors, President & CEO, and other key executives have been key to the success of our business to date. The loss or retirement of such key executives and the concomitant loss of leadership and experience that would occur could adversely affect us.

We are controlled by a group of investors, which includes Yosef A. Maiman, our Chairman, and this control relationship could discourage attempts to acquire us.

A group of shareholders consisting of Yosef A. Maiman, Ohad Maiman, Noa Maiman, and Yoav Maiman, and the companies Merhav (M.N.F.) Limited, De Majorca Holdings Ltd. and Di-Rapallo Holdings Ltd. beneficially owns approximately 62.0% of the voting power of our Class A Stock. The group was formed in recognition of the Maiman family's strong connection with the Company and in furtherance of the group's common goals and objectives as shareholders, including the orderly management and operation of the Company. By virtue of its ownership of Ampal, this group is able to control our affairs and to influence the election of the members of our board of directors. This group also has the ability to prevent or cause a change in control of Ampal. Mr. Maiman owns 100% of the economic shares and one-quarter of the voting shares of De Majorca and Di-Rapallo. Merhav (M.N.F.) Limited is wholly owned by Mr. Maiman.

Because we are a "controlled company," we are exempt from complying with certain listing standards of the NASDAQ Global Market ("NASDAQ").

Because a group of investors who are acting together pursuant to an agreement hold more than 50% of the voting power of our Class A Stock, we are deemed to be a "controlled company" under the rules of NASDAQ. As a result, we are exempt from the NASDAQ rules that require listed companies to have (i) a majority of independent directors on the board of directors, (ii) a compensation committee and nominating committee composed solely of independent directors, (iii) the compensation of executive officers determined by a majority of the independent directors or a compensation committee composed solely of independent directors and (iv) a majority of the independent directors or a nominating committee composed solely of independent directors elect or recommend director nominees for selection by the board of directors. Accordingly, our directors who hold management positions or who are otherwise not independent have greater influence over our business and affairs.

We do not publish the value of our assets.

It is our policy not to publish the value of our assets or our views on the conditions of or prospects for our investee companies. To the extent the value of our ownership interests in our investee companies were to experience declines in the future, our performance would be adversely impacted.

We do not typically pay cash dividends on our Class A Stock.

We have not paid a dividend on our Class A Stock other than in 1995. Past decisions not to pay cash dividends on Class A Stock reflected our policy to apply retained earnings, including funds realized from the disposition of holdings, to finance our business activities and to redeem or repay our outstanding debt, including our $58,000,000 unsecured debentures on which principal payments commence in 2011. The payment of cash dividends in the future will depend upon our operating results, cash flow, working capital requirements and other factors we deem pertinent.

The market price per share of our Class A Stock on NASDAQ and TASE fluctuates and has traded in the past at less than our book value per share.

Stock prices of companies, both domestically and abroad, are subject to fluctuations in trading price. Therefore, as with a company like ours that invests in stocks of other companies, our book value and market price will fluctuate, especially in the short term. As of March 9, 2007 the market price on NASDAQ was $4.50 per share. However our shares have in the past traded below book value. You may experience a decline in the value of your investment and you could lose money if you sell your shares at a price lower than you paid for them.

Our Class A Stock may not be liquid.

Our Class A Stock is currently traded on NASDAQ and the TASE. The trading volume of our Class A Stock may be adversely affected due to the limited marketability of our Class A Stock as compared to other companies listed on NASDAQ and the TASE. Accordingly, any substantial sales of our Class A Stock may result in a material reduction in price of our Class A Stock because relatively few buyers may be available to purchase our Class A Stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTY

On September 12, 2006, we sold our building located at 111 Arlozorov Street, Tel-Aviv which contains our headquarters. The new owner has agreed to lease to us the office space that contains our headquarters for a period of up to 2 years commencing on November 28, 2006. The annual rent for this lease is $162,000.

We also lease an office at 10 Abba Even St., Herzelia Pituach, which is currently under renovation. The lease is for a period of 10 years commencing on January 24, 2007. The annual rent for this lease is $130,000.

We also lease an office at 555 Madison Avenue in New York City from Rodney Company N.V., Inc. The lease period is seven years commencing on October 15, 2002. The annual rent for this lease is $120,588. On March 31, 2004, the Company closed this office. The office space has been subleased.

Country Club Kfar Saba Ltd. occupies a 7-1/4 acre lot in the town of Kfar Saba which will be leased for five consecutive ten-year periods, at the end of which the land returns to the lessor. The lease expires on July 14, 2038, and lease payments in 2006 totaled $185,020.

Other properties of the Company are discussed elsewhere in this Report. See “Item 1 - Business.”

ITEM 3. LEGAL PROCEEDINGS

On January 1, 2002, Galha (1960) Ltd. (“Galha”) filed a suit against the Company and other parties, including directors of Paradise Industries Ltd. (“Paradise”) appointed by the Company, in the Tel Aviv District Court, in the amount of NIS 10,927,100 ($2.6 million). Galha claimed that the Company, which was a shareholder of Paradise, and another shareholder of Paradise, misused funds that were received by Paradise from an insurance company for the purpose of reconstructing an industrial building owned by Galha and used by Paradise which burnt down. Paradise is currently involved in liquidation proceedings. Ampal issued a guarantee in favor of Galha for the payment of an amount of up to NIS 4,059,000 ($961,000) if a final judgment against the Company will be given.

On May 26, 2003, the Company and the directors of Paradise appointed by the Company filed a third party claim against Arieh Israeli Insurance Company Ltd. in the Tel Aviv District Court claiming that, to the extent the court decides that the directors of Paradise appointed by the Company will have to pay any amounts to Galha, Arieh will pay such amounts on behalf of the directors in accordance with the Directors and Officers insurance policy that the Company had at that time with Arieh. Arieh filed a statement of defense and stated that the policy does not cover the claim. At this stage, the Company cannot estimate the impact this claim will have on it. There have not been any significant developments in this matter as of the date of filing this report.

Claims Against Subsidiaries and Affiliates:

Legal claims arising in the normal course of business have been filed against subsidiaries and affiliates of the company.

ITEM 4. SU B MISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

PRICE RANGE OF CLASS A STOCK

Ampal's Class A Stock is listed on NASDAQ Global Market under the symbol "AMPL". The following table sets forth the high and low bid prices for the Class A Stock, by quarterly period for the fiscal years 2006 and 2005, as reported by NASDAQ Global Market and representing inter-dealer quotations which do not include retail markups, markdowns or commissions for each period, and each calendar quarter during the periods indicated. Such prices do not necessarily represent actual transactions.

	High	Low
2006:		
Fourth Quarter	5.15	4.25
Third Quarter	5.03	4.44
Second Quarter	5.22	4.13
First Quarter	4.75	3.60
2005:		
Fourth Quarter	4.05	2.80
Third Quarter	4.09	3.21
Second Quarter	4.29	3.52
First Quarter	4.38	3.61

As of March 20 2007, there were approximately 1,339 record holders of Class A Stock.

VOTING RIGHTS

The holders of Class A Stock are entitled to one vote per share on all matters voted upon. The shares of Class A Stock do not have cumulative voting rights in relation to the election of the Company's directors, which means that any holder of at least 50% of the Class A Stock can elect all of the members of Board of Directors of Ampal.

DIVIDEND POLICY

Ampal has not paid a dividend on its Class A Stock other than in 1995. Past decisions not to pay cash dividends on Class A Stock 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 the Board.

For equity compensation plan information required Item 2.01(d) of Regulation S-K, please see "Item 12" below.

ITEM 6. SELECTED FINANCIAL DATA

The selected consolidated statement of operations data for the years ended December 31, 2004, 2005 and 2006 and consolidated balance sheet data as of December 31, 2005 and 2006 have been derived from our audited consolidated financial statements included in this Report. The selected consolidated statement of operations data for the years ended December 31, 2002 and 2003 and the selected consolidated balance sheet data as of December 31, 2002, 2003 and 2004 have been derived from our audited consolidated financial statements not included herein.

This data should be read in conjunction with our consolidated financial statements and related notes included herein and "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Fiscal year ended December 31,				
FISCAL YEAR ENDED DECEMBER 31,	2006 [2]	2005	2004	2003	2002
	(U.S. Dollars in thousands, except per share data)				
Revenues	$ 23,949	$ 30,530	$ 31,464	$ 51,814	$ 16,732
Net income (loss)	$ (7,087)	$ (5,958)	$ (18,385)	$ 8,847	$ (44,047)
Earnings (loss) per Class A Share [1] :					
Basic EPS	$ (0.40)	$ (0.31)	$ (0.94)	$ 0.42	$ (2.27)
Diluted EPS	$ (0.40)	$ (0.31)	$ (0.94)	$ 0.40	$ (2.27)
Total assets	$ 401,683	$ 211,485	$ 304,947	$ 354,367	$ 323,699
Notes and loans and debentures payable	$ 105,625	$ 50,366	$ 120,796	$ 138,334	$ 136,803

(1) Computation is based on net income (loss) after deduction of preferred stock dividends (in thousands) of $2,438, $191, $200, $213 and $218 for the years ended 2006, 2005, 2004, 2003, and 2002, respectively.

(2) In 2006, the Company changed the method by which it accounts for share-based compensation by adopting SFAS 123R, which resulted in expenses of $720 thousand and impacted the EPS by $(0.03).

See "Significant Developments Since the Fiscal Year Ended December 31, 2006."

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

We seek to maximize shareholder value through acquiring and investing in companies that we consider have the potential for growth. In utilizing our core competencies and financial resources, our investment portfolio primarily focuses on Israel-related companies engaged in various market segments including Energy, Real Estate, Project Development and Leisure Time.

Our investment focus is primarily on companies or ventures where we can exercise significant influence, on our own or with investment partners, and use our management experience to enhance those investments. We are also monitoring investment opportunities, both in Israel and abroad, that we believe will strengthen and diversify our portfolio and maximize the value of our capital stock. In determining whether to acquire an interest in a specific company, we consider the quality of management, return on investment, growth potential, projected cash flow, investment size and financing, and reputable investment partners. We also provide our investee companies with ongoing support through our involvement in the investee companies' strategic decisions and introductions to the financial community, investment bankers and other potential investors both in and outside of Israel.

Our results of operations are directly affected by the results of operations of our investee companies. A comparison of the financial statements from year to year must be considered in light of our acquisitions and dispositions during each period.

The results of investee companies which are greater than 50% owned by us are included in the consolidated financial statements. We account for our holdings in investee companies over which we exercise significant influence, generally 20% to 50% owned companies ("affiliates"), under the equity method. Under the equity method, we recognize our proportionate share of such companies' income or loss based on its percentage of direct and indirect equity interests in earnings or losses of those companies. The results of operations are affected by capital transactions of the affiliates. Thus, the issuance of shares by an affiliate at a price per share above our carrying value per share for such affiliate results in our recognizing income for the period in which such issuance is made, while the issuance of shares by such affiliate at a price per share that is below our carrying value per share for such affiliate results in our recognizing a loss for the period in which such issuance is made. We account for our holdings in investee companies, other than those described above, on the cost method or in accordance with Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities". In addition, we review investments accounted for under the cost method and those accounted for under the equity method periodically in order to determine whether to maintain the current carrying value or to write off some or all of the investment. For more information as to how we make these determinations, see "Critical Accounting Policies."

For those subsidiaries and affiliates whose functional currency is considered to be the New Israeli Shekel ("NIS"), assets and liabilities are translated at the rate of exchange at the end of the reporting period and revenues and expenses are translated at the average rates of exchange during the reporting period. Translation differences of those foreign companies' financial statements are included in the cumulative translation adjustment account (reflected in accumulated other comprehensive loss) of shareholders' equity. Should the NIS be devalued against the U.S. dollar, cumulative translation adjustments are likely to result in a reduction in shareholders' equity. As of December 31, 2006, the accumulated effect on shareholders' equity was a decrease of approximately $16.6 million. Upon the disposition of an investment, the related cumulative translation adjustment balance will be recognized in determining gains or losses.

CRITICAL ACCOUNTING POLICIES

The preparation of Ampal's consolidated financial statements is in conformity with generally accepted accounting principles in the United States which requires management to make estimates and assumptions in certain circumstances that affect amounts reported in the accompanying consolidated financial statements and related footnotes. Actual results may differ from these estimates. To facilitate the understanding of Ampal's business activities, described below are certain Ampal accounting policies that are relatively more important to the portrayal of its financial condition and results of operations and that require management's subjective judgments. Ampal bases its judgments on its experience and various other assumptions that it believes to be reasonable under the circumstances. Please refer to Note 1 to Ampal's consolidated financial statements included in this Annual Report for the fiscal year ended December 31, 2006 for a summary of all of Ampal's significant accounting policies.

Investment in EMG and other cost basis investments

The Company accounts for its 12.5% equity interest in EMG and a number of other investments on the basis of the cost method. EMG, which is the Company's most significant holding as of December 31, 2006, was acquired from Merhav (M.N.F.) Ltd. ("Merhav"), which is an entity controlled by one of the members of the Company's controlling shareholder group. As a result, the transaction was accounted for as a transfer of assets between entities under common control, which resulted in Merhav transferring the investment in EMG to Ampal at carrying value. Due to the nature of Merhav's operations, this entity would be treated as an investment company under US GAAP, and as such, the carrying value of the investment in EMG would equal fair value. As a result, the 12.5% investment in EMG was transferred at carrying value, which equals fair value. Application of the cost basis method requires the Company to periodically review these investments in order to determine whether to maintain the current carrying value or to write off some or all of the investment. While the Company uses some objective measurements in its review, such as the portfolio company's liquidity, burn rate, termination of a substantial number of employees, achievement of milestones set forth in its business plan or projections and seeks to obtain relevant information from the company under review, the review process involves a number of judgments on the part of the Company's management. These judgments include assessments of the likelihood of the company under review to obtain additional financing, to achieve future milestones, make sales and to compete effectively in its markets. In making these judgments the Company must also attempt to anticipate trends in the particular company's industry as well as in the general economy. There can be no guarantee that the Company will be accurate in its assessments and judgments. To the extent that the Company is not correct in its conclusion it may decide to write down all or part of the particular investment.

Long- lived assets

On January 1, 2002, Ampal adopted SFAS 144, "Accounting for the Impairment or Disposal of Long- Lived Assets." SFAS 144 requires that long- lived assets, to be held and used by an entity, be reviewed for impairment and, if necessary, written down to the estimated fair values, whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through undiscounted future cash flows.

Accounting for Income Taxes

As part of the process of preparing our consolidated financial statements, we are required to estimate our income taxes in each of the jurisdictions in which we operate. This process involves us estimating our current tax exposure together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included in our consolidated balance sheet. We must then assess the likelihood that our deferred tax assets will be recovered from future taxable income, and, to the extent we believe that recovery is not likely, we must establish a valuation allowance. To the extent we establish a valuation allowance or increase this allowance in a period, we must include an expense within the tax provision in the statement of operations. A valuation allowance is currently set against certain tax assets because management believes it is more likely than not that these deferred tax assets will not be realized through the generation of future taxable income. We also do not provide for taxes on undistributed earnings of our foreign subsidiaries, as it is our intention to reinvest undistributed earnings indefinitely outside the United States. In 2006, there were no undistributed earnings from foreign subsidiaries.

Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities and our future taxable income for purposes of assessing our ability to realize any future benefit from our deferred tax assets. In the event that actual results differ from these estimates or we adjust these estimates in future periods, our operating results and financial position could be materially affected.

Employee Stock-Based Compensation

Prior to January 1, 2006, we accounted for employees' share-based payment under the intrinsic value model in accordance with Accounting Principles Board Opinion No" - 25. Accounting for Stock Issued to Employees" ("APB 25") and related interpretations. In accordance with Statement of Financial Accounting Standards No. 123 - "Accounting for Stock-Based Compensation" ("FAS 123"), as amended by Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure", we disclosed pro forma information assuming we had accounted for employees' share-based payments using the fair value-based method defined in FAS 123.

Effective January 1, 2006, we adopted Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-based Payment" ("FAS 123(R)"). FAS 123(R) supersedes APB 25 and related interpretations and amends Statement of Financial Accounting Standards No. 95", Statement of Cash Flows" ("FAS 95"). FAS 123(R) requires awards classified as equity awards to be accounted for using the grant-date fair value method. The fair value of stock options is determined based on the number of shares granted and the price of our common stock, and determined based on the Black-Scholes models, net of estimated forfeitures. We estimated forfeitures based on historical experience and anticipated future conditions.

In March 2005, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 107 ("SAB 107"). SAB 107 provides supplemental implementation guidance on FAS 123(R), including guidance on valuation methods, inventory capitalization of share-based compensation cost, income statement effects, disclosures and other issues. SAB 107 requires share-based payment to be classified in the same expense line items as cash compensation. We have applied the provisions of SAB 107 in our implementation of FAS 123(R).

We elected to adopt the modified prospective transition method, permitted by FAS 123(R). Under such transition method, FAS 123(R) was implemented as of the first quarter of 2006 with no restatement of prior periods. The valuation provisions of FAS 123(R) apply to new awards and to awards modified, repurchased, or cancelled after January 1. 2006, Additionally, compensation cost for the portion of awards for which the requisite service has not been rendered that are outstanding as of January 1, 2006, is recognized over the remaining service period using the grant-date fair value of those awards as calculated for pro forma disclosure purposes under FAS123.

The cumulative effect of our adoption of FAS 123(R), as of January 1, 2006, was not material.

NEWLY ISSUED AND RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

SFAS No. 155 – Accounting for Certain Hybrid Financial Instruments - an Amendment of FASB Statements No. 133 and 140.

In February 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments — an Amendment of FASB Statements No. 133 and 140" ("SFAS No. 155"). SFAS No. 155 allows financial instruments that contain an embedded derivative and that otherwise would require bifurcation to be accounted for as a whole on a fair value basis, at the holders' election. SFAS No. 155 also clarifies and amends certain other provisions of SFAS No. 133 and SFAS No. 140. This statement is effective for all financial instruments acquired or issued in fiscal years beginning after September 15, 2006 (January 1, 2007 for the Company). Management does not expect the adoption of SFAS No. 155 will have a material impact on the Company's consolidated financial condition or results of operations.

ASB Interpretation No. 48 – Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109

In July 2006, the FASB issued FIN 48, "Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 clarifies the recognition threshold and measurement of a tax position taken on a tax return. FIN 48 is effective for fiscal years beginning after December 15, 2006 (January 1, 2007 for the Company). FIN 48 also requires expanded disclosure with respect to the uncertainty in income taxes. Management does not expect the adoption of this interpretation to have a material impact on the Company's financial statements.

SFAS No. 157 - Fair Value Measurements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"), which provides guidance on how to measure assets and liabilities that use fair value. SFAS 157 will apply whenever another US GAAP standard requires (or permits) assets or liabilities to be measured at fair value but does not expand the use of fair value to any new circumstances. This standard also will require additional disclosures in both annual and quarterly reports. SFAS 157 will be effective for fiscal years beginning after November 15, 2007 (January 1, 2008 for the Company). The Company is currently evaluating the impact, if any, the adoption of SFAS 157 will have on its financial statements.

Staff Accounting Bulletin No. 108 - Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements

In September 2006, the SEC staff issued Staff Accounting Bulletin (SAB) No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" (SAB 108). SAB 108 was issued in order to eliminate the diversity of practice in how public companies quantify misstatements of financial statements, including misstatements that were not material to prior years' financial statements. The Company adopted SAB 108 and follows SAB 108 requirements when quantifying financial statement misstatements. The adoption of SAB 108 did not have any impact on the Company's consolidated financial condition or results of operations.

FAS No. 159 - The Fair Value Option for Financial Assets and Financial Liabilities

In February 2007, the FASB issued FAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities." This standard permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. As applicable to the Company, this statement will be effective as of the year beginning January 1, 2008. The Company is currently evaluating the impact that the adoption of FAS 159 would have on its consolidated financial statements.

RESULTS OF OPERATIONS

Fiscal year ended December 31, 2006 compared to fiscal year ended December 31, 2005:

The Company recorded a consolidated net loss of $7.1 million for the fiscal year ended December 31, 2006, as compared to $6.0 million loss for the same period in 2005. The increase in net loss is primarily attributable to a decrease in earnings of affiliates and a decrease in other income. The increase in net loss was partially offset by an increase in net realized and unrealized gains from marketable securities and investments, gain on sale of real estate, a decrease in loss from impairment of investments and a decrease in translation losses in 2006, as compared to 2005.

Income from equity of affiliates decreased to $1.6 million for the fiscal year ended December 31, 2006 as compared to $6.7 million for the fiscal year ended in 2005. The decrease is primarily attributable to a decrease in the earnings of Ophir Holdings Ltd., which was sold during the second quarter of 2006 and did not record any earnings in the fiscal year ended December 31, 2006, as compared to a gain of $6.1 million recorded by Ophir Holdings, Ltd. in the same period in 2005.

In the fiscal year ended December 31, 2006, Ampal recorded a gain of $2.2 million on the sale of its building in Tel-Aviv (proceeds of $4.6 million).

In the fiscal year ended December 31, 2006, the Company recorded $2.5 million in other income, as compared to $9.9 million for the same period in 2005. The decrease in other income is primarily related to the committed dividend for 2005 which had been fully paid on October 3, 2005 by Motorola Israel Ltd. as part of the sale of its investment in MIRS Communications Ltd. last year.

In the fiscal year ended December 31, 2006, the Company recorded $4.4 million of net realized gain on investments, as compared to $2.7 million of net realized loss in the same period in 2005. The gain recorded in 2006 was primarily attributable to the sale of Coral World International ($4.2 million gain), additional proceeds from the sale of Modem Art Ltd. ($0.6 million gain), the sale of certain assets by PSINet Europe, one of the holdings of Ampal's investee company, Telecom Partners ("TP")($0.4 million gain) and the sale of certain assets by FIMI Opportunity Fund L.P ("FIMI") ($0.2 million gain). These gains were partially offset by a loss recorded in connection with the sale of Ophir Holding Ltd. ($1.0 million loss).

The Company recorded realized and unrealized gains from marketable securities in the amount of $1.1 million in fiscal year ended December 31, 2006, compared to $3.2 million in the same period in 2005.

In the fiscal year ended December 31, 2005, the Company recorded $14.0 million of losses from the impairment of its investment in MIRS ($13.3 million), Shiron Ltd. ($0.6 million) and other loans ($0.1 million). In the same period in 2006, the Company recorded no such impairments.

In the fiscal year ended December 31, 2006, the Company recorded a $0.3 million translation gain, as compared to a $2.2 million translation loss for the same period in 2005. The decrease in translation loss is related to a change in the valuation of the New Israeli Shekel as compared to the U.S. Dollar.

The management of the Company currently believes that inflation has not had a material impact on the Company's operations.

Fiscal year ended December 31, 2005 compared to fiscal year ended December 31, 2004:

The Company recorded a consolidated net loss of $6.0 million for the fiscal year ended December 31, 2005, as compared to $18.4 million loss for the same period in 2004. The decrease in net loss is primarily attributable to an increase in earnings of affiliates, an increase in interest income and a decrease in loss from impairment of investments. The decrease in net loss was partially offset by a decrease in realized and unrealized gains from marketable securities and investments and an increase in translation losses in 2005, as compared to 2004.

Income from equity of affiliates increased to $6.7 million for the fiscal year ended December 31, 2005 as compared to $4.0 million for the fiscal year ended in 2004. The increase is primarily attributable to a $6.6 million gain recorded by Ophir Holding Ltd. as a result of the sale of all its holdings in Industrial Building Corporation Ltd.

In the fiscal year ended December 31, 2005, the Company recorded $14.0 million in losses from the impairment of its investments and loans relating primarily to MIRS ($13.3 million) and Shiron Satelite Communications (1996) Ltd. ("Shiron Ltd.") ($0.6 million). On October 3, 2005, the Company, through Ampal Communications L.P., a limited partnership controlled by the Company, completed the previously announced sale to Motorola Israel Ltd. of all of its holdings of MIRS pursuant to the terms of a Stock Purchase and Indemnification Agreement, dated as of August 30, 2005, by and among Motorola Israel, Ampal Communications L.P. and MIRS. In connection with the sale of its holdings of MIRS, Ampal Communications L.P. received approximately US $89 million of total proceeds, composed of $67.7 million for the purchase price and an additional $ 21.3 million related to guaranteed dividend payments. In the fiscal year ended December 31, 2004, the Company recorded $38.8 million in losses from the impairment of its investments and loans which was comprised primarily of the following losses: MIRS ($30.0 million), ShellCase ($3.8 million) and Star Management ($1.6 million).

During the fiscal year ended December 31, 2005, Ampal recorded $2.7 million of realized losses on investments, as compared to $6.0 million of realized gains in the same period in 2004. The loss recorded in 2005 was primarily attributable to the third-party investment in the high-tech portfolio (which is treated as a disposition for accounting purposes) which resulted in a $7.3 million loss ($4.6 net loss after tax). This loss was partially offset by the gain recorded from the sale of all of Ampal's shares of Modem Art Ltd. ($3.3 million gain) and the sale of all of its shares in Epsilon investment ($1.4 million gain). The $6.0 million gain recorded in 2004 is mainly attributable to the sale of PowerDsine Ltd. and the sale of assets by PSINet Europe, one of the holdings of Ampal's investee company, TP.

The Company recorded realized and unrealized gains from marketable securities in the amount of $3.2 million in the year 2005 as compared to $1.9 million in 2004.

The increase in real estate income and expenses in 2005 as compared to 2004 is primarily attributable to the increase in the tenant occupancy rate in Am-Hal Ltd.

Other income realized by the Company is principally composed of guaranteed dividend payments from Motorola equal to $7.1 million for the years ended December 31, 2005, and December 31, 2004.

The Company recorded higher interest income in the fiscal year ended December 31, 2005, as compared to the same period in 2004, primarily as a result of a $0.7 million gain from forward contracts to purchase U.S. Dollars and increases in interest rates.

The Company recorded an interest expense of $5.3 million in the fiscal year ended December 31, 2005, as compared to $4.9 million in the same period in 2004, primarily as a result of increases in applicable interest rates.

SELECTED QUARTERLY FINANCIAL DATA

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(U.S. Dollars in thousands, except per share data)			
	Unaudited			
Fiscal Year Ended December 31, 2006				
Revenues	$ 5,548	$ 8,519	$ 6,424	$ 3,458
Net interest expense	(781)	(408)	(339)	(2,147)
Net (loss) income	(575)	1,381	(1,795)	(6,098)
Basic EPS:				
Earnings (Loss) per Class A share [(1)]	(0.03)	0.06	(0.18)	(0.19)
Diluted EPS:				
Earnings (Loss) per Class A share.	(0.03)	0.06	(0.18)	(0.19)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(U.S. Dollars in thousands, except per share data)			
	Unaudited			
Fiscal Year Ended December 31, 2005				
Revenues	$ 15,634	$ 5,827	$ 7,907	$ 1,162
Net interest expense	(1,017)	(1,439)	(1,143)	(91)
Net (loss) income	6,728	(2,511)	(10,630)	455
Basic EPS:				
Earnings (Loss) per Class A share [(1)]	0.33	(0.13)	(0.53)	0.02
Diluted EPS:				
Earnings (Loss) per Class A share.	0.30	(0.13)	(0.53)	0.02

(1) After deduction of dividends on the 4% and 6 1/2% Cumulative Convertible Preferred Stock in 2006 and 2005 (in thousands) of $2,438 and $191, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

On December 31, 2006, cash, cash equivalents and marketable securities were $37.1 million, as compared with $62.9 million at December 31, 2005. The decrease in cash, cash equivalents and marketable securities is primarily attributable to the sale of marketable securities, which were used to partially finance our acquisition of interests in EMG in August and November 2006 as described below.

The Company has sources of cash from operations, cash from investing activities and amounts available under credit facilities, as described below. The Company believes that these sources are sufficient to fund the current requirements of operations, capital expenditures, investing activities and other financial commitments of the Company for the next 12 months. However, to the extent that contingencies and payment obligations described below and in other parts of this Report require the Company to make unanticipated payments, the Company would need to further utilize these sources of cash. In the event of a decline in the market price of its marketable securities, the Company may need to draw upon its other sources of cash, which may include additional borrowing, refinancing of its existing indebtedness or liquidating other assets, the value of which may also decline.

In addition, cash equal to $9 million has been placed as a compensating balance for various loans provided to the Company and would therefore be unavailable if the Company wished to pledge them in order to provide an additional source of cash.

Cash flows from operating activities

Net cash provided by operating activities totaled approximately $29.8 million for the fiscal year ended December 31, 2006, as compared to approximately $43.2 million at the same period in 2005. The decrease is primarily attributable to (i) the receipt of a $21.3 million dividend from MIRS Communications Ltd. as part of the sale of MIRS to Motorola Communication Israel Ltd. in 2005 while there was none in 2006 and (ii) the $0.2 million in dividend payments received from affiliates as compared to $4.3 million in dividend payments received from affiliates in 2005. The decrease was primarily offset by $39.6 million of net proceeds from marketable securities ($89.6 million proceeds offset by $50.0 million invested) as compared to $19.7 million net proceeds in the same period of 2005.

Cash flows from investing activities

Net cash used in investing activities totaled approximately $107.3 million for the fiscal year ended December 31, 2006, as compared to approximately $36.7 million provided by investing activities for the same period in 2005. The change is primarily attributable to the Company's investments in EMG ($120.9 million), Bay Heart ($1.7 million) and FIMI ($0.4 million) and $10.0 million deposit at Hermatic Trust (1975) Ltd. to secure the payment of interest on the debenture. This increase was partially offset by proceeds in the amount of $23.4 million from the sale of our interests in Coral World International, Ophir Holdings Ltd., Modem Art Ltd., certain dispositions by FIMI, certain dispositions by TP, other dispositions and $3.8 million from the sale of the building which contains our headquarters in Tel-Aviv.

Cash flows from financing activities

Net cash provided by financing activities was approximately $86.2 million for the fiscal year ended December 31, 2006, as compared to approximately $73.5 million of net cash used in financing activities for the same period in 2005. In November, 2006, the Company issued notes to institutional investors in Israel in the principal aggregate amount of approximately $58.0 million ($56.4 million after deducting related expense) in accordance with Regulation S under the Securities Act of 1933, as amended. In December 2006, the Company completed a private placement of the sale of 8,142,705 shares of its Class A Stock for aggregate proceeds of $37.8 million ($36.7 million after deducting related expenses) to certain non-U.S. institutional investors in accordance with Regulation S under the Securities Act of 1933, as amended. In 2006, the Company paid down its existing notes payable to banks in the amount of $11.2 million and paid a dividend to the holders of its preferred stock in the aggregate amount of $2.3 million while using its own cash and borrowed an additional $6.0 million. In 2005, the Company repaid in full the $73.1 million loan which was received from Bank Hapoalim Ltd. and Bank Leumi Le-Israel Ltd. relating to the investment in MIRS Communications Ltd., repaid $2.5 million of loans made to Am-Hal Ltd. and used its own cash to pay down Ampal's existing notes payable and debentures in the amount of $5.3 million. Those effects were offset in 2005 by the borrowing of $8.8 million to finance a new project by Am-Hal Ltd. and its minority partner.

Investments

On December 31, 2006, the aggregate fair value of trading and available-for-sale securities were approximately $0.4 million, as compared to $38.6 million at December 31, 2005. The decrease in 2006 is mainly attributable to the sale of various marketable securities in order to finance the purchase of EMG.

a) In 2006, the Company made the following investments:

1. During 2006, the Company made an additional investment of $229.9 million in EMG as follows:

   The Company, through Merhav Ampal Energy, Ltd., a wholly-owned subsidiary of the Company, entered into an agreement with Merhav (M.N.F.) Ltd. ("Merhav") for the purchase from Merhav a portion of its interest in East Mediterranean Gas Co. S.A.E., an Egyptian joint stock company ("EMG"). The sole owner of Merhav is Yosef A. Maiman, who is also the Chairman, President and CEO of the Company and a member of the controlling shareholder group of Ampal.

   On August 1, 2006 the Company acquired the beneficial ownership of 4.6% of the outstanding shares of EMG's capital stock from Merhav. The transaction was accounted for as a transfer of assets between entities under common control, which resulted in Merhav transferring the investment in EMG to Ampal at carrying value. Due to the nature of Merhav's operations, this entity would be treated as an investment company under US GAAP, and as such, the carrying value of the investment in EMG would equal fair value. On this basis, the 4.6% investment in EMG was transferred to Ampal at carrying value, which also equals fair value. The purchase price for the shares was $100.0 million, of which, $50.0 million was paid in cash and the balance was paid in 10,248,002 shares of the Company Class A Stock (based on a purchase price of $4.88 per share) that was accounted for at a fair value of $49.0 million (the fair value was determined based on the average price per share from 2 days before the agreement press release through 2 days after the agreement press release). The issuance of the shares of Class A Stock received the approval of the shareholders of the Company as required by the marketplace rules of the NASDAQ Global Market. As a result of this transaction, the Company beneficially owned 6.6% of the total outstanding shares of EMG. Through August 2008, the purchase price may be adjusted downward should Merhav sell any of its remaining shares of EMG to a third-party purchaser at a purchase price per share lower than the price per share paid by the Company pursuant to the agreement. Additionally, pursuant to the agreement, the Company was granted an option for a period of up to two years to have the right to acquire up to an additional 5.9% of the total outstanding shares of EMG stock.

   Yosef A. Maiman, the Chairman, President and CEO of the Company and a member of the controlling shareholder group of the Company, is the sole owner of Merhav. Because of the foregoing relationships, a special committee of the Board of Directors composed of the Company's independent directors, who also constitute all of the members of the Company's Audit Committee, negotiated and approved the transaction. Houlihan Lokey Howard & Zukin Financial Advisors, Inc., which was retained as financial advisor to the special committee, delivered a fairness opinion to the special committee regarding the transaction.

   On August 22, 2006, EMG called for additional capital from all of its shareholders. As a result, the Company paid an additional $2.7 million in order to maintain its pro rata beneficial interest in this investment.

On December 21, 2006, the Company acquired the beneficial ownership of an additional 5.9% of the outstanding shares of EMG's capital stock pursuant to an option granted by Merhav in August 2006. The transaction was accounted for as a transfer of assets between entities under common control, which resulted in Merhav transferring the investment in EMG to Ampal at carrying value. Due to the nature of Merhav's operations, this entity would be treated as an investment company under US GAAP, and as such, the carrying value of the investment in EMG would equal fair value. On this basis, the 5.9% investment in EMG was transferred to Ampal at carrying value, which also equals fair value.

The purchase price for the shares was approximately $128.3 million, of which approximately $68.3 million was paid in cash, $40 million was paid in 8,602,151 shares of the Company's Class A Stock and the balance was satisfied by the issuance of a promissory note in the principal amount of $20 million (the "Convertible Promissory Note"), which, at the option of Merhav, will be paid in cash, additional shares of the Company Class A Stock (based on a price per share of $4.65 per share), or a combination thereof. As permitted under the stock purchase agreement, Merhav assigned its right to the 8,602,151 Shares to De Majorca Holdings Limited as part of Merhav's restructuring process. The Convertible Promissory Note bears interest at 6 months LIBOR (5.375%) and matures on the earlier of September 20, 2007 or upon demand by Merhav. Ampal may pre-pay the Convertible Promissory Note at any time in whole or in part. The maximum number of shares that can be issued in this transaction (including accrued interest payable through the maturity date on the Convertible Promissory Note) is 13,078,540 shares of Class A Stock. As a result of this transaction, Ampal beneficially owns 12.5% of the total outstanding shares of EMG. The issuance of the 8,602,151 shares and the shares underlying the Convertible Promissory Note received the approval of the shareholders of the Company on February 7, 2007, as required by the marketplace rules of the NASDAQ Global Market. Due to the agreement of the controlling shareholder group to vote in favor of the issuance of these shares to Merhav as of the closing date of the EMG transaction (which ensured that the proposal would be adopted by the requisite shareholder vote on February 7, 2007), the Company classified for accounting purposes the sale of these shares as part of the exchange with Merhav on December 21, 2006, and recognized the $40 million within shareholders' equity as "Receipt on account of unallocated shares." The investment in EMG is included in the energy segment.

Yosef A. Maiman, the Chairman, President and CEO of the Company and a member of the controlling shareholder group of the Company, is the sole owner of Merhav. Because of the foregoing relationships, a special committee of the Board of Directors composed of the Company's independent directors, who also constitute all of the members of the Company's Audit Committee, negotiated and approved the transaction. Houlihan Lokey Howard & Zukin Financial Advisors, Inc., which was retained as financial advisor to the special committee, advised the special committee on these transactions.

For more information regarding our interest in EMG, see "Item 13."

2. Additional investment of $0.4 million in FIMI Opportunity Fund, L.P.

3. A loan to Bay Heart of $1.7 million, for a shopping mall in Haifa, Israel.

b) In 2006, Ampal made the following dispositions:

1. In June and December 2006, the Company received proceeds in the total amount of $0.6 million from the sales of certain investments by FIMI.

2. On June 13, 2006, the Company sold its holdings in Coral World International for $21.0 million and recorded a gain of $4.2 million.

3. In March 2006, the Company received additional proceeds from the sale of Modem Art Ltd. in the amount of $ 0.6 million.

4. In April 2006, the Company received additional proceeds in the amount of $0.4 million from the sale of certain assets by PSINet Europe, one of the holdings of Ampal's investee company, TP.

5. On May 8, 2006, the Company sold its holdings in Ophir Holdings Ltd. for $1.1 million and recorded a loss of $1.0 million.

6. On September 12, 2006, the Company sold the building in Tel-Aviv containing its headquarters for proceeds of $4.6 million and recorded a gain of $2.2 million. The new owner has agreed to lease to us the office space that contains our headquarters for a period of up to 2 years commencing on November 28, 2006. The annual rent for this lease is $162,000.

Debt

Notes issued to institutional investors in Israel, the convertible note issued to Merhav and other loans payable pursuant to bank borrowings are either in U.S. dollars, linked to the Consumer Price Index in Israel or in unlinked Israel Shekels, with interest rates varying depending upon their linkage provision and mature between 2007-2015.

The Company finances its general operations and other financial commitments through bank loans from Bank Hapoalim. These loans in the amount of $26.3 million mature through 2007-2010. (As of December 31, 2005 the amount was $31.3 million).

On November 20, 2006, the Company entered into a trust agreement with Hermatic Trust (1975) Ltd. pursuant to which the Company issued notes to institutional investors in Israel in the principal aggregate amount of NIS 250,000,000 (approximately $58 million) with an

interest rate of 5.75%, which is linked to the Israeli consumer price index. The notes shall rank *pari passu* with our unsecured indebtedness. The notes will be repaid in five equal annual installments commencing on November 20, 2011, and the interest will be paid semi-annually. The Company received the funds from the private placement on November 20, 2006. Midroog Ltd., an affiliate of Moody's Investors Service rated the Company as A3.

The Company intends to register the notes for trading on the TASE subject to publishing a final prospectus approved by the Israeli Securities Authority as well as the approval of the TASE for the listing of the notes. Until the listing is approved, Ampal will pay an additional annual interest rate of 0.5% on the notes.

The following additional terms apply to the notes:

- Until the listing of the notes is approved, if the rating of the notes from Midroog is reduced below A3, the interest rate per annum of the notes will increase by 0.2% increments subject to the terms and conditions set forth in the notes;
- Ampal may issue additional notes without limitation, but until the listing is approved by the TASE, Ampal cannot issue additional notes if such issuance would adversely affect the Midroog rating of our existing series of notes, which are the subject of this prospectus;
- The notes will be listed for trade on the TASE no sooner than 47 days after the final prospectus is approved by the Israeli Securities Authority and the TASE, and during such 47 day period, the notes will not be tradable;
- If Yosef A. Maiman ceases to directly or indirectly own the largest amount of shares of Ampal (relative to the rest of the shareholders of Ampal) before the notes are listed on the TASE, a meeting of the noteholders will be convened to discuss whether the notes will be redeemed.

In addition, as part of the EMG transaction in December 2006, the Company issued to Merhav a promissory note in the principal amount of $20 million, which at the option of Merhav, will be paid in cash, additional shares of Ampal Class A Stock (based on a price per share of $4.65 per share), or a combination thereof. The Convertible Promissory Note bears interest at 6 months LIBOR (5.375%) and matures on the earlier of September 20, 2007 or upon demand by Merhav. Ampal may pre-pay the Convertible Promissory Note at any time in whole or in part.

The Company financed a portion of the development of Am-Hal, a wholly-owned subsidiary of the Company, which develops and operates luxury retirement centers for senior citizens, through a revolving credit facility from Bank Hapoalim Ltd., Phoenix Insurance Company and others. On December 1, 2005, a loan agreement creating the facility was signed between Am-Hal, Phoenix Insurance Company and others. Pursuant to the loan agreement, the lenders granted the Company a revolving credit facility in Israeli Shekels equal to $12.5 million. The annual interest rate on the loan, which matures in 10 years, is 7.5%. The interest rate and the principal of the loan will be adjusted based on the changes in the Israeli Consumer Price Index. As of December 31, 2006 the Company had drawn $2.5 million from the facility. As of December 31, 2006 and December 31, 2005 the amount of Am-Hal's outstanding debt under the loans from Bank Hapoalim Ltd., Phoenix Insurance Company and others, were $15.0 million and $13.5 million, respectively. The loans, excluding the Phoenix loan, mature in up to one year and have interest rates ranging between 6.5% and 7.5%. The Company generally repays these loans with the proceeds received from deposits and other payments from the apartments in Am-Hal facilities. The loans are secured by a lien on Am-Hal's properties. The Company also issued guarantees in the amount of $2.9 million in favor of tenants of Am-Hal in order to secure their deposits.

Other long term borrowings in the amount of $1.7 million are linked to the Israeli C.P.I and mature between 2007 and 2010, of which an amount of $1.5 million bears no interest. The remaining $0.2 million bears an annual interest of 5.7%.

The weighted average interest rates and the balances of these short-term borrowings at December 31, 2006 and December 31, 2005 were 6.4% on $21.2 million and 6.0% on $15.0 million, respectively.

Contractual Obligations	Payments due by period (in thousands) Total	Less than 1 year	1 – 3 years	3-5 years	More than 5 years
Long-Term Debt	$ 25,260	$ 6,212	$ 10,672	$ 5,139	$ 3,237
Debentures	$ 59,172	-	-	$11,834	$ 47,338
Convertible Promissory Note	$ 20,000	$ 20,000			
Short-Term Debt	$ 21,193	$ 21,193			
Capital Call Obligation [1]	$ 2,800	$ 2,800			
Operating Lease [2] Obligation	$ 7,827	$ 591	$ 887	$ 647	$ 5,702
Capital Lease Obligation	--	--	--	--	--
Purchase Obligations	--	--	--	--	--
Other Long-Term Liabilities Reflected on the Company's Balance Sheet Under GAAP	--	--	--	--	--
Total	$ 136,252	$ 50,796	$ 11,559	$17,620	$ 56,277

(1) See note 16(d)

(2) See note 16(a)

As of December 31, 2006, the Company had issued guarantees on certain outstanding loans to its investees and subsidiaries in the aggregate principal amount of $9.5 million. This includes:

1. $5.6 million guarantee on indebtedness incurred by Bay Heart ($2.6 million of which is recorded as a liability in the Company's financial statements at December 31, 2006) in connection with the development of its property. Bay Heart recorded losses in 2006 as a result of decreased rental revenues. There can be no guarantee that Bay Heart will become profitable or that it will generate sufficient cash to repay its outstanding indebtedness without relying on the Company's guarantee.

2. $2.9 million guarantee to Am- Hal tenants as described above.

3. $1.0 million guarantee to Galha 1960 Ltd. as described in Item 3 of this Report.

In each of 2005 and 2004, Ampal paid dividends in the amount of $0.20 and $0.325 per share on its 4% and 6 ½% Cumulative Convertible Preferred Stocks, respectively. Total dividends paid in each year amounted to approximately $0.2 million. In 2006, the preferred shares were converted to Class A Shares and the dividend paid was approximately $2.3 million (see "Change in Shareholders Equity"- below).

Off-Balance Sheet Arrangements

Other than the foreign currency contracts specified below, the Company has no off-balance sheet arrangements.

Foreign Currency Contracts

The Company's derivative financial instruments consist of foreign currency forward exchange contracts to purchase or sell US Dollars. These contracts are utilized by the Company, from time to time, to manage risk exposure to movements in foreign exchange rates. None of these contracts have been designated as hedging instruments. These contracts are recognized as assets or liabilities on the balance sheet at their fair value, which is the estimated amount at which they could be settled, based on market prices or dealer quotes, where available, or based on pricing models. Changes in fair value are recognized currently in earnings.

As of December 31, 2006, the Company did not have any open foreign currency forward exchange contracts to purchase or sell U.S. Dollars.

CHANGES IN SHAREHOLDERS EQUITY

During the third and fourth quarter of 2006, the shareholders' equity changed as follows:

On July 31, 2006, all outstanding shares of our 4% Cumulative Convertible Preferred Stock and our 6-1/2% Cumulative Convertible Preferred Stock were converted as follows:

Each share of our 4% Cumulative Convertible Preferred Stock was converted to five shares of Ampal's Class A Stock plus an additional $2.58 per share paid in cash and each share of Ampal's 6-1/2% Cumulative Convertible Preferred Stock was converted to three shares of Ampal's Class A Stock plus an additional $4.09 per share paid in cash.

Holders of our 4% Cumulative Convertible Preferred Stock and 6-1/2% Cumulative Convertible Preferred Stock who voted in favor of the amendments to Ampal's Restated Certificate of Incorporation received an additional $0.15 per share.

As of July 31, 2006, the only class of outstanding shares of our capital stock is our Class A Stock.

On October 9, 2006, as part of our additional investment in EMG, the Company sold to Merhav (M.N.F.) Ltd. 10,248,002 shares of the Company's Class A Stock that was accounted for at a fair market value of $49.0 million. The issuance of these shares received the approval of the shareholders of the Company on September 19, 2006, as required by the marketplace rules of the NASDAQ Global Market.

On December 21, 2006, as part of the closing of the Company's additional investment in EMG, the Company sold to Merhav (M.N.F.) Ltd. 8,602,151 shares of the Company's Class A Stock that was accounted for at a fair market value of $40.0 million. The sale of these shares received the approval of the shareholders of the Company on February 7, 2007, as required by the marketplace rules of the NASDAQ Global Market. Due to the agreement of the controlling shareholder group to vote in favor of the issuance of these shares to Merhav as of the closing date of the EMG transaction (which ensured that the proposal would be adopted by the requisite shareholder vote on February 7, 2007), the Company classified for accounting purposes the sale of these shares as part of the exchange with Merhav on December 21, 2006, and recognized the $40 million within shareholders' equity as "Receipt on account of unallocated shares."

On December 28, 2006, the Company completed the sale of 8,142,705 shares of our Class A Stock (based on a price per share of $4.65) for an aggregate price of approximately $37.9 million (recorded at $36.7 million after deducting related expenses) and warrants to purchase 4,071,352 shares of the Class A Stock of the Company for an exercise price of $4.65 per share. The warrants will expire on August 27, 2007. The shareholders of the Company approved the issuance of the shares underlying the warrants on February 7, 2007, as required by the marketplace rules of the NASDAQ Global Market. The fair value market, from an accounting stand point, of the warrants is $308,000, and it was estimated using the following weighted average assumption: 1) expected life of warrants of 8 months, 2) dividend yield of 0%, 3) volatility of 13.76% and 4) risk free interest of 4.97%. The offering was made solely to certain non-U.S. institutional investors in accordance with Regulation S under the U.S. Securities Act of 1933, as amended.

ITEM 7A QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

MARKET RISKS AND SENSITIVITY ANALYSIS

The Company is exposed to various market risks, including changes in interest rates, foreign currency exchange rates and equity price changes. The following analysis presents the hypothetical loss in earnings, cash flows and fair values of the financial instruments which were held by the Company at December 31, 2006, and are sensitive to the above market risks.

During the fiscal year ended December 31, 2006, there have been no material changes in the market risk exposures facing the Company as compared to those the Company faced in the fiscal year ended December 31, 2005.

Interest Rate Risks

At December 31, 2006, the Company had financial assets totaling $27.7 million and financial liabilities totaling $105.6 million. For fixed rate financial instruments, interest rate changes affect the fair market value but do not impact earnings or cash flows. Conversely, for variable rate financial instruments, interest rate changes generally do not affect the fair market value but do impact future earnings and cash flows, assuming other factors are held constant.

At December 31, 2006, the Company did not have fixed rate financial assets and had variable rate financial assets of $27.7 million. A ten percent decrease in interest rates would not increase the unrealized fair value of the fixed rate assets.

At December 31, 2006, the Company had fixed rate debt of $66.3 million and variable rate debt of $39.3 million. A ten percent decrease in interest rates would increase the unrealized fair value of the financial debts in the form of the fixed rate debt by approximately $0.1 million.

The net decrease in earnings and cash flow for the next year resulting from a ten percent interest rate increase would be approximately $0.2 million, holding other variables constant.

Foreign Currency Exchange Rate Sensitivity Analysis

The Company’s exchange rate exposure on its financial instruments results from its investments and ongoing operations in Israel. During 2006, the Company entered into various foreign exchange forward purchase contracts to partially hedge this exposure. At December 31, 2006, the Company didn’t have any open foreign exchange forward purchase contracts. Holding other variables constant, if there were a ten percent devaluation of the foreign currency, the Company’s cumulative translation loss reflected in the Company’s accumulated other comprehensive loss would increase by $1.3 million, and regarding the statements of operations a ten percent devaluation of the foreign currency would be reflected in a net increase in earnings and cash flow would be $7.3 million.

Equity Price Risk

The Company’s investments at December 31, 2006, included marketable securities which are recorded at a fair value of $0.4 million, including a net unrealized gain of $0.1 million. Those securities have exposure to equity price risk. The estimated potential loss in fair value resulting from a hypothetical ten percent decrease in prices quoted on stock exchanges is approximately $0.1 million. There will be no impact on cash flow resulting from a hypothetical ten percent decrease in prices quoted on stock exchanges.

ITEM 8 – FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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, 2006 and 2005, and the related consolidated statements of operations, cash flows, changes in shareholders' equity, for each of the three years in the period ended December 31, 2006. These financial statements are the responsibility of the Company's Board of Directors and 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 affiliated companies, the company's interest in which as reflected in the balance sheets as of December 31, 2006 and 2005 is $1,262 thousands and $14,001 thousands, respectively, and the Company's share in excess of profits over losses in a net amount of $1,620 thousands, $88 thousands and $1,931 thousands for the years ended December 31, 2006, 2005 and 2004, respectively. The financial statements of those affiliated companies were audited by other independent registered public accounting firms whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for those companies, is based solely on the reports of the other independent registered public accounting firms. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Boards (United States). 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 independent auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other independent registered public accounting firms, the financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1(n) to the consolidated financial statements, effective January 1, 2006, the Company changed its method of accounting for share based payment, to conform with FASB Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment".

Tel Aviv, Israel
March 30, 2007

/s/ KESSELMAN & KESSELMAN CPAs (ISR) A member of PricewaterhouseCoopers International Limited

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	Assets As At	
	December 31, 2006	**December 31, 2005**
	(U.S. Dollars in thousands)	
Cash and cash equivalents	$ 36,733	$ 24,314
Deposits, notes and loans receivable (Note 6)	10,207	343
Investments (Notes 2, 3 and 13):		
Non marketable securities	265,236	54,903
Marketable securities	380	38,575
Total investments	265,616	93,478
Real estate property, less accumulated depreciation of $14,003 and $13,907	69,319	70,989
Other assets (Note 4)	19,808	22,361
TOTAL ASSETS	$ 401,683	$ 211,485

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

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	Liabilities and Shareholders' Equity As At	
	December 31, 2006	December 31, 2005
	(U.S. Dollars in thousands except share amounts per share data)	
LIABILITIES		
Notes and loans payable (Note 5)	$ 46,453	$ 50,366
Debentures (Note 6)	59,172	--
Deposits from tenants	54,979	53,461
Accounts payable, accrued expenses and others (Note 7)	30,964	17,369
Commitments and Contingencies (note 16)		
Total liabilities	191,568	121,196
Minority interests, net (Note 8)	1,302	1,420
SHAREHOLDERS' EQUITY (Note 9)		
Class A Stock $1 par value; authorized 60,000,000 shares; issued 46,328,429 and 25,826,821 shares; outstanding 40,753,640 and 20,075,782 shares	46,328	25,827
4% Cumulative Convertible Preferred Stock, $5 par value as of December 31, 2005; authorized 189,287 shares; issued 114,198 shares; outstanding 110,848 shares	-	571
6-1/2% Cumulative Convertible Preferred Stock, $5 par value as of December 31, 2005; authorized 988,055 shares; issued 641,423 shares; outstanding 518,887 shares	-	3,207
Receipt on account of unallocated shares	40,000	-
Additional paid-in capital	126,945	58,252
Warrants	308	-
Retained earnings	40,165	51,223
Accumulated other comprehensive loss	(17,059)	(19,518)
Treasury stock, at cost	(27,874)	(30,693)
Total shareholders' equity	208,813	88,869
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 401,683	$ 211,485

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

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Fiscal Year Ended December 31,		
	2006	2005	2004
	(U.S. Dollars in thousands, except per share data)		
REVENUES:			
Real estate income	$ 9,642	$ 9,244	$ 9,020
Equity in earnings of affiliates (Note 13)	1,610	6,666	4,031
Realized gains on investments (Note 3)	5,386	--	5,964
Realized and unrealized gains on marketable securities	1,126	3,203	1,929
Gain (loss) on sale of real estate rental property (Note 3)	2,186	--	(123)
Interest income	1,479	1,567	590
Other income	2,520	9,850	10,053
Total revenues	23,949	30,530	31,464
EXPENSES:			
Real estate expenses	9,229	8,651	8,874
Realized losses on investments (Note 3)	1,016	2,735	--
Loss from impairment of investments & real estate (Note 3)	--	13,984	38,811
Interest expense	5,154	5,257	4,880
Translation (gain) loss	(303)	2,220	(194)
Other (mainly general and administrative)	13,548	10,957	11,806
Total expenses	28,644	43,804	64,177
Loss before income taxes	(4,695)	(13,274)	(32,713)
Provision for income taxes (tax benefits) (Note 12)	2,731	(2,849)	(10,198)
Loss after income taxes (tax benefits)	(7,426)	(10,425)	(22,515)
Minority interests, net	(339)	(4,467)	(4,130)
NET LOSS	$ (7,087)	$ (5,958)	$ (18,385)
Basic and diluted EPS (Note 11):			
Loss per Class A share	$ (0.40)	$ (0.31)	$ (0.94)
Shares used in calculation (in thousands)	24,109	19,967	19,841

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

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

	Fiscal Year Ended December 31,		
	2006	2005	2004
	(U.S. Dollars in thousands)		
Cash flows from operating activities:			
Net loss	$ (7,087)	$ (5,958)	$ (18,385)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Equity in earnings of affiliates	(1,610)	(6,666)	(4,031)
Realized and unrealized gains on investments, net	(5,496)	(468)	(7,893)
Loss (gain) on sale of real estate rental property	(2,186)	--	123
Depreciation expense	1,967	1,978	2,168
Amortization income from tenants deposits	(1,747)	(1,876)	(1,944)
Impairment of investments	--	13,984	38,811
Non cash stock based compensation	720	--	--
Minority interests	(339)	(4,467)	(4,130)
Translation (gain) loss	(303)	2,220	(194)
Decrease in other assets	4,196	13,425	537
Increase (decrease) in accounts payable, accrued expenses and other	1,817	6,968	(18,273)
Investments made in trading securities	(49,994)	(12,868)	(36,811)
Proceeds from sale of trading securities	89,622	32,595	59,834
Dividends received from affiliates	217	4,335	3,277
Net cash provided by operating activities	29,777	43,202	13,089
Cash flows from investing activities:			
Deposits, notes and loans receivable collected	--	2,872	14,935
Deposits, notes and loans receivable granted	(10,001)	(1,024)	(6,696)
Investments made	(123,031)	(30,621)	(6,295)
Proceeds from sale of investments:			
Affiliate companies	21,714	3,041	--
Others	1,663	72,315	16,556
Capital improvements	(1,430)	(9,884)	(1,075)
Proceeds from sale of real estate property	3,800	--	236
Net cash provided by (used in) investing activities	(107,285)	36,699	17,661

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

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

	Fiscal Year Ended December 31,		
	2006	2005	2004
	(U.S. Dollars in thousands)		
Cash flows from financing activities:			
Notes and loans payable received	$ 6,015	$ 8,869	$ 6,463
Long term loan received by partnership minority	166	2,050	--
Notes and loans payable repaid	(11,210)	(78,875)	(23,655)
Proceeds from exercise of stock options	550	251	--
Debentures repaid	--	(2,023)	(1,753)
Proceeds from issuance of shares, net	36,668	--	--
Proceeds from issuance of debentures	57,978	--	--
Deferred expense relating to issuance of debentures	(1,607)	--	--
Contribution (distribution) to partnership by minority interests	--	(3,567)	40
Dividends paid on preferred stock	(2,332)	(191)	(200)
Net cash provided by (used) in financing activities	86,228	(73,486)	(19,105)
Effect of exchange rate changes on cash and cash equivalents	3,699	281	1,401
Net increase in cash and cash equivalents	12,419	6,696	13,046
Cash and cash equivalents at beginning of year	24,314	17,618	4,572
Cash and cash equivalents at end of year	$ 36,733	$ 24,314	$ 17,618
Supplemental Disclosure of Cash Flow Information Cash paid during the year:			
Interest	2,969	2,535	5,170
Income taxes paid	$ 66	$ 68	$ 3,763
Supplemental Disclosure of Non-Cash investing and financing activity:			
Consideration for sale of an investment recorded as other assets	418	--	--
Consideration for sale of fixed assets recorded as other assets	800	--	--
Capital improvement recorded as account payable	868	--	--
Investment made in consideration for sale of shares capital	88,965	--	--
Investment made in investee by issuance of promissory note payable	20,000	--	--
Marketable securities received as consideration for sale of an investment	--	3,316	2,267
Dividend in kind from an affiliate	--	7,088	--
Dividend from an equity investment recorded as payable accounts in previous period	5,060	--	--
Conversion of preferred stock to class A stock	2,111	--	--

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

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

(U.S. Dollars in thousands)

	Class A stock		4% Preferred stock		6.5% Preferred stock								
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Receipt on account of unallocated shares	Additional paid in capital	Warrants	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total sharehold equity
BALANCE AT JANUARY 1, 2006	25,827	25,827	114	571	641	3,207	--	58,252	--	51,223	(19,518)	(30,693)	88,869
CHANGES DURING 2006:													
Net loss										(7,087)			(7,087)
Other comprehensive income (loss):													
Foreign currency translation adjustments											2,676		2,676
Unrealized gain on marketable securities											109		109
Sale of available for sale securities											(326)		(326)
Total comprehensive loss													(4,628)
Conversion of 110,848 4% preferred stock and 518,887 6.5% preferred stock into Class A stock	2,111	2,111	(111)	(554)	(519)	(2,594)		1,037					--
Elimination of treasury stock			(3)	(17)	(122)	(613)				(1,307)		1,937	--
Shares issued for investment made	10,248	10,248					40,000	38,717					88,965
Shares issued and warrants in a private placement	8,142	8,142						28,219	308				36,669
Compensation expense recognized under SFAS 123R								720					720
Reissuance of 176,250 treasury stock for exercise of stock options										(332)		882	550
Dividend – 4% Preferred stock										(285)			(285)
– 6.5% Preferred stock										(2,047)			(2,047)
BALANCE AT DECEMBER 31, 2006	46,328	46,328	-	-	-	-	40,000	126,945	308	40,165	(17,059)	(27,874)	208,813

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

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

(U.S. Dollars in thousands)

	Class A stock		4 % preferred stock		6.5 % preferred stock						
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Additional paid in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total shareholders equity
BALANCE AT JANUARY 1, 2005	25,715	25,715	124	620	662	3,311	58,211	57,524	(14,272)	(31,096)	100,013
CHANGES DURING 2005:											
Net loss								(5,958)			(5,958)
Other comprehensive income (loss):											
Foreign currency translation adjustments									348		348
Unrealized loss on marketable securities									(1,472)		(1,472)
Sale of available for sale securities									(4,122)		(4,122)
Total comprehensive loss											(11,204)
Conversion of 9,826 4% preferred stock and 20,796 6.5% preferred stock into Class A stock	112	112	(10)	(49)	(21)	(104)	41				-
Reissuance of 80,625 treasury stock for exercise of stock options								(152)		403	251
Dividends :											
4% preferred stock, $0.2 per share								(22)			(22)
6.5% preferred stock, $0.325 per share								(169)			(169)
BALANCE AT DECEMBER 31, 2005	25,827	25,827	114	571	641	3,207	58,252	51,223	(19,518)	(30,693)	88,869

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

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

(U.S. Dollars in thousands)

	Class A stock		4 % preferred stock		6.5 % preferred stock						
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Additional paid in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total shareholders equity
BALANCE AT JANUARY 1, 2004	25,567	25,567	132	660	697	3,487	58,143	76,109	(17,847)	(31,096)	115,023
CHANGES DURING 2004:											
Net loss								(18,385)			(18,385)
Other comprehensive income (loss):											
Foreign currency translation adjustments									513		513
Unrealized loss on marketable securities									3,396		3,396
Sale of available for sale securities									(334)		(334)
Total comprehensive loss											(14,810)
Conversion of 7,928 4% preferred stock and 35,161 6.5% preferred stock into Class A stock	148	148	(8)	(40)	(35)	(176)	68				
4% preferred stock, $0.2 per share								(24)			(24)
6.5% preferred stock, $0.325 per share								(176)			(176)
BALANCE AT DECEMBER 31, 2004	25,715	25,715	124	620	662	3,311	58,211	57,524	(14,272)	(31,096)	100,013

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

Note 1 – Summary of Significant Accounting Policies

(a) General

(1) Ampal-American Israel Corporation is a New York corporation founded in 1942. The Company primarily acquires interests in businesses located in the State of Israel or that are Israel-related.

(2) As used in these financial statements, the term the "Company" refers to Ampal-American Israel Corporation ("Ampal") and its consolidated subsidiaries. As to segment information see "Note 14".

(3) The consolidated financial statements are prepared in accordance with accounting principals generally accepted in the United States of America.

(4) The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(b) Consolidation

The consolidated financial statements include the accounts of Ampal and its controlled and majority owned subsidiaries. Inter-company transactions and balances are eliminated in consolidation.

(c) Translation of Financial Statement in Foreign Currencies

For those subsidiaries and affiliates whose functional currency is other than the US Dollar, assets and liabilities are translated using year-end rates of exchange. Revenues and expenses are translated at the average rates of exchange during the year. Translation differences of those foreign companies' financial statements are reflected in the cumulative translation adjustment accounts which are included in accumulated other comprehensive income (loss).

In subsidiaries where the primary currency is the U.S. Dollar, accounts maintained in currencies other than the U.S. Dollar are remeasured into U.S. Dollars using the representative foreign exchange rate at the balance sheet date. Operational accounts and nonmonetary balance sheet accounts are measured and recorded at the rate in effect at the date of the transaction. The effects of foreign currency remeasurement are reported in current operations.

(d) Foreign Exchange Forward Contracts

The Company's derivative financial instruments consist of foreign currency forward exchange contracts. These contracts are utilized by the Company, from time to time, to manage risk exposure to movements in foreign exchange rates. None of these contracts qualify for hedge accounting. These contracts are recognized as assets or liabilities on the balance sheet at their fair value, which is the estimated amount at which they could be settled based on market prices or dealer quotes, where available, or based on pricing models. Changes in fair value are recognized currently in earnings.

At December 31, 2006, the Company did not have any open foreign currency forward exchange contracts to purchase or sell US Dollars.

(e) Investments

(i) Investments in Affiliates

Investments in which the Company exercises significant influence, generally 20% to 50% owned companies ("affiliates"), are accounted for by the equity method, whereby the Company recognizes its proportionate share of such companies' net income or loss and in other comprehensive income its proportional share in translation difference on net investments and in other comprehensive income (loss). The Company reduces the carrying value of its investment in an affiliate if an impairment in value of that investment is deemed to be other than temporary.

(ii) Investments in Marketable Securities

Marketable equity securities, other than equity securities accounted for by the equity method, are reported based upon quoted market prices of the securities. For those securities, which are classified as trading securities, realized and unrealized gains and losses are reported in the statements of income (loss). Unrealized gains and losses net of taxes from those securities that are classified as available-for-sale, are reported as a separate component of shareholders' equity and are included in accumulated other comprehensive income (loss) until realized. Decreases in value determined to be other than temporary on available-for-sale securities are included in the statements of income (loss).

(iii) Cost Basis Investments

Equity investments of less than 20% in non-publicly traded companies are carried at cost subject to impairment.

(f) Risk Factors and Concentrations

Financial instruments that subject the Company to credit risk consist primarily of cash, cash equivalents, bank deposits, marketable securities and notes and loans receivable. The Company invests cash equivalents and short-term investments through high-quality financial institutions. The Company's management believes that the credit risk in respect of these balances is not material.

The company performs ongoing credit evaluations of its receivables allowance for doubtful accounts.

(g) Long - Lived Assets

The assets are recorded at cost, depreciating these costs over the expected useful life of the related assets.

Real-estate property of a subsidiary, which existed at the time of the subsidiary's acquisition by the company, are included at their fair value as that date.

Financial expenses incurred during the construction period have been capitalized to the cost of the land and building.

The Company applies the provisions of SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived assets" ("SFAS 144"). SFAS 144 requires that long-lived assets, to be held and used by an entity, be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Under SFAS 144, if the sum of the expected future cash flows (undiscounted and without interest charges) of the long-lived assets is less than the carrying amount of such assets, an impairment loss would be recognized, and the assets are written down to their estimated fair values.

(h) Leasehold improvements

Fixed assets leased by the companies under capital leases are classified as the companies' assets and are recorded, at the inception of the lease, at the lower of the asset's fair value or the present value of the minimum lease payments (not including the financial component). Leasehold improvements are amortized by the straight-line method over the term of the lease, which is shorter than the estimated useful life of the improvements.

(i) Income Taxes

The Company applies the asset and liability method of accounting for income taxes, whereby deferred taxes are recognized for the tax consequences of "temporary differences" by applying estimated future tax effects of differences between financial statements carrying amounts and the tax bases of existing assets and liabilities. Deferred tax assets are created to the extent management believes that it is more likely than not that it will be utilized, otherwise a valuation is provided for those assets that do not qualify under this term.

The Company does not record deferred income taxes on undistributed earnings of foreign subsidiaries adjusted for translation effect since such earnings are currently expected to be permanently reinvested outside the United States. As of December 31, 2006 and 2005 there were no undistributed earnings of foreign subsidiaries.

Income taxes are provided on equity in earnings of affiliates, gains on issuance of shares by affiliates and unrealized gains on investments. Ampal's foreign subsidiaries file separate tax returns and provide for taxes accordingly.

(j) Revenue Recognition

The Company recognizes revenue in accordance with Staff Accounting Bulletin (SAB) No. 104 – "Revenue Recognition". Revenue is recognized when there is persuasive evidence of an arrangement, the fee is fixed or determinable, delivery has occurred and the Company has determined that collection of the fee is probable.

Rental income is recorded over the rental period. Revenues from services provided to tenants and country-club subscribers are recognized ratably over the contractual period or as services are performed. Revenue from amortization of tenant deposits is calculated at a fixed periodic rate based on the specific terms in the occupancy agreement signed with the tenants.

(k) Cash and Cash Equivalents

Cash equivalents are short-term, highly liquid investments that have original maturity dates of three months or less and that are readily convertible into cash.

Cash equal to $9.0 million has been placed as a compensating balance for various loans provided to the Company and would therefore be unavailable if the Company wished to pledge them in order to provide an additional source of cash.

(l) Earning (loss) per share (EPS)

Basic and diluted net earning (loss) per share are presented in accordance with SFAS No. 128 "Earnings per share" ("SFAS No. 128") and with EITF 03-06 "participating securities and the two-class method under FAS 128". In 2006, 2005 and 2004, all outstanding stock options and preferred shares have been excluded from the calculation of the diluted loss per share because all such securities are anti-dilutive for these periods presented. Also, participating 4% Convertible Preferred Stock was not taken into account in the computation of the basic EPS for those years (in the period in which it was outstanding) since its shareholders do not have contractual obligation to share in the losses of the Company.

(m) Comprehensive Income

SFAS No. 130, "Reporting Comprehensive Income", ("SFAS No. 130") established standards for the reporting and display of comprehensive income (loss), its components and accumulated balances in a full set of general purpose financial statements. The Company's components of comprehensive income (loss) are net income (losses), net unrealized gains or losses on available for sale investments and foreign currency translation adjustments, which are presented net of income taxes.

(n) Employee Stock Based Compensation

Effective January 1, 2006 the Company adopted SFAS No. 123R, using the Modified Prospective Approach. SFAS No. 123R revises SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123") and supersedes Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB No. 25"). SFAS No. 123R requires the cost of all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values at grant date, or the date of later modification, over the requisite service period. In addition, SFAS No. 123R requires unrecognized cost (based on the amounts previously disclosed in the pro forma footnote disclosure) related to options vesting after the date of initial adoption to be recognized in the financial statements over the remaining requisite service period.

Under the Modified Prospective Approach, the amount of compensation cost recognized includes: (i) compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123 and (ii) compensation cost for all share-based payments that will be granted subsequent to January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123R. Upon adoption, the Company recognizes the stock based compensation of previously granted share-based options and new share-based options under the straight-line method over the requisite service period.

The Company has applied the provisions of SAB 107 in its adoption of SFAS 123R. The Company recognizes no income tax benefit on its stock compensation expense as it is not "more likely than not" that it will be able to utilize them to offset future income taxes.

Prior to January 1, 2006, the Company accounted for the stock-based compensation plans in accordance with the provisions of APB No. 25, as permitted by SFAS No. 123, and accordingly did not recognize compensation expense for stock options since the exercise price was equal to the market price of the underlying stock at the date of grant. If compensation cost for the options under the plans in effect been determined in accordance with SFAS No. 123, the Company's net income (loss) and EPS for the years 2005 and 2004 would have been reduced as follows:

	Year ended December 31,	
	2005 (In thousands, except per share data)	2004 (In thousands, except per share data)
Net loss, as reported	$ (5,958)	$ (18,385)
Less – stock based compensation expense determined under fair value method	(874)	(569)
Pro forma, net loss	(6,832)	(18,954)
Basic and diluted EPS:		
As reported [1][2]	$ (0.31)	$ (0.94)
Pro forma [1][2]	$ (0.35)	$ (0.97)

[1] After deduction of accrued Preferred Stock Dividend of $191 thousands and $200 thousands for the years 2005 and 2004, respectively.

[2] The effect of the conversion of the 4% and 6.5% Preferred Stock was excluded from the basic and diluted EPS calculation due to its antidilutive effect.

(o) Treasury stock

These shares are presented as a reduction of shareholders' equity at their cost to the Company. The Company does not have a policy to repurchase it's shares.

(p) Newly Issued and Recently Adopted Accounting Pronouncements

SFAS No. 155 – Accounting for Certain Hybrid Financial Instruments - an Amendment of FASB Statements No. 133 and 140.

In February 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments — an Amendment of FASB Statements No. 133 and 140" ("SFAS No. 155"). SFAS No. 155 allows financial instruments that contain an embedded derivative and that otherwise would require bifurcation to be accounted for as a whole on a fair value basis, at the holders' election. SFAS No. 155 also clarifies and amends certain other provisions of SFAS No. 133 and SFAS No. 140. This statement is effective for all financial instruments acquired or issued in fiscal years beginning after September 15, 2006 (January 1, 2007 for the Company). Management does not expect the adoption of SFAS No. 155 will have a material impact on the Company's consolidated financial condition or results of operations.

FASB Interpretation No. 48 – Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109

In July 2006, the FASB issued FIN 48, "Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 clarifies the recognition threshold and measurement of a tax position taken on a tax return. FIN 48 is effective for fiscal years beginning after December 15, 2006 (January 1, 2007 for the Company). FIN 48 also requires expanded disclosure with respect to the uncertainty in income taxes. Management does not expect the adoption of this interpretation to have a material impact on the Company's financial statements.

SFAS No. 157 - Fair Value Measurements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"), which provides guidance on how to measure assets and liabilities that use fair value. SFAS 157 will apply whenever another US GAAP standard requires (or permits) assets or liabilities to be measured at fair value but does not expand the use of fair value to any new circumstances. This standard also will require additional disclosures in both annual and quarterly reports. SFAS 157 will be effective for fiscal years beginning after November 15, 2007 (January 1, 2008 for the Company). The Company is currently evaluating the impact, if any, the adoption of SFAS 157 will have on its financial statements.

Staff Accounting Bulletin No. 108 - Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements

In September 2006, the SEC staff issued Staff Accounting Bulletin (SAB) No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" (SAB 108). SAB 108 was issued in order to eliminate the diversity of practice in how public companies quantify misstatements of financial statements, including misstatements that were not material to prior years' financial statements. The Company adopted SAB 108 and follows SAB 108 requirements when quantifying financial statement misstatements. The adoption of SAB No.108 did not have any impact on the Company's financial statements.

FAS No. 159 - The Fair Value Option for Financial Assets and Financial Liabilities

In February 2007, the FASB issued FAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities." This standard permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. As applicable to Ampal, this statement will be effective as of the year beginning January 1, 2008. Ampal is currently evaluating the impact that the adoption of FAS 159 would have on its consolidated financial statements.

(q) Reclassifications

Certain comparative figures have been reclassified to conform to the current year presentation.

Note 2 – Investments

The balance of investments as of December 31, 2006 and 2005, are composed of the following items:

	As of December 31,	
	2006	2005
	(U.S. Dollars in thousands)	
EMG	$ 259,860	$ 29,960
Investment in Affiliates	3,855	23,427
Other Investments	1,521	1,516
Marketable Securities [1]	380	38,575
	$ 265,616	$ 93,478

[1] The Company classifies investments in marketable securities as trading securities or available-for-sale securities.

(a) Trading Securities

The cost and market values of Trading securities at December 31, 2006 and 2005 are as follows:

	Cost	Unrealized Gains	Market Value
	(U.S. Dollars in thousands)		
2006	$ 245	$ 135	$ 380
2005	$ 36,316	$ 71	$ 36,387

(b) Available-For-Sale Securities

The cost and market values of available-for-sale securities consisting of marketable securities only at December 31, 2006 and 2005 are as follows:

	Cost	Unrealized Gains	Market Value
	(U.S. Dollars in thousands)		
2006	$ -	$ -	$ -
2005	$ 1,855	$ 333	$ 2,188

Note 3 – Acquisitions, Dispositions and Impairments

a) In 2006, the Company made the following investments:

1. During 2006, the Company made an additional investments of $229.9 million in EMG as follows:

The Company, through Merhav Ampal Energy, Ltd., a wholly-owned subsidiary of the Company, entered into an agreement with Merhav (M.N.F.) Ltd. ("Merhav") for the purchase from Merhav a portion of its interest in East Mediterranean Gas Co. S.A.E., an Egyptian joint stock company ("EMG"). The sole owner of Merhav is Yosef A. Maiman, who is also the Chairman, President and CEO of the Company and a member of the controlling shareholder group of Ampal.

On August 1, 2006 the Company acquired the beneficial ownership of 4.6% of the outstanding shares of EMG's capital stock from Merhav. The transaction was accounted for as a transfer of assets between entities under common control, which resulted in Merhav transferring the investment in EMG to Ampal at carrying value. Due to the nature of Merhav's operations, this entity would be treated as an investment company under US GAAP, and as such, the carrying value of the investment in EMG would equal fair value. On this basis, the 4.6% investment in EMG was transferred to Ampal at carrying value, which also equals fair value. The purchase price for the shares was $100.0 million, of which, $50.0 million was paid in cash and the balance was paid in 10,248,002 shares of the Company Class A Stock (based on a purchase price of $4.88 per share) that was accounted for at a fair value of $49.0 million (the fair value was determined based on the average price per share from 2 days before the agreement press release through 2 days after the agreement press release). The issuance of the shares of Class A Stock received the approval of the shareholders of the Company as required by the marketplace rules of the NASDAQ Global Market. As a result of this transaction, the Company beneficially owned 6.6% of the total outstanding shares of EMG. Through August 2008, the purchase price may be adjusted downward should Merhav sell any of its remaining shares of EMG to a third-party purchaser at a purchase price per share lower than the price per share paid by the Company pursuant to the agreement. Additionally, pursuant to the agreement, the Company was granted an option for a period of up to two years to have the right to acquire up to an additional 5.9% of the total outstanding shares of EMG stock.

Yosef A. Maiman, the Chairman, President and CEO of the Company and a member of the controlling shareholder group of the Company, is the sole owner of Merhav. Because of the foregoing relationships, a special committee of the Board of Directors composed of the Company's independent directors, who also constitute all of the members of the Company's Audit Committee, negotiated and approved the transaction. Houlihan Lokey Howard & Zukin Financial Advisors, Inc., which was retained as financial advisor to the special committee, delivered a fairness opinion to the special committee regarding the transaction.

On August 22, 2006, EMG called for additional capital from all of its shareholders. As a result, the Company paid an additional $2.7 million in order to maintain its pro rata beneficial interest in this investment.

On December 21, 2006, the Company acquired the beneficial ownership of an additional 5.9% of the outstanding shares of EMG's capital stock pursuant to an option granted by Merhav in August 2006. The transaction was accounted for as a transfer of assets between entities under common control, which resulted in Merhav transferring the investment in EMG to Ampal at carrying value. Due to the nature of Merhav's operations, this entity would be treated as an investment company under US GAAP, and as such, the carrying value of the investment in EMG would equal fair value. On this basis, the 5.9% investment in EMG was transferred to Ampal at carrying value, which also equals fair value.

The purchase price for the shares was approximately $128.3 million, of which approximately $68.3 million was paid in cash, $40 million was paid in 8,602,151 shares of the Company's Class A Stock and the balance was satisfied by the issuance of a promissory note in the principal amount of $20 million (the "Convertible Promissory Note"), which, at the option of Merhav, will be paid in cash, additional shares of the Company Class A Stock (based on a price per share of $4.65 per share), or a combination thereof. As permitted under the stock purchase agreement, Merhav assigned its right to the 8,602,151 Shares to De Majorca Holdings Limited as part of Merhav's restructuring process. The Convertible Promissory Note bears interest at 6 months LIBOR (5.375%) and matures on the earlier of September 20, 2007 or upon demand by Merhav. Ampal may pre-pay the Convertible Promissory Note at any time in whole or in part. The maximum number of shares that can be issued in this transaction (including accrued interest payable through the maturity date on the Convertible Promissory Note) is 13,078,540 shares of Class A Stock. As a result of this transaction, Ampal beneficially owns 12.5% of the total outstanding shares of EMG. The issuance of the 8,602,151 shares and the shares underlying the Convertible Promissory Note received the approval of the shareholders of the Company on February 7, 2007, as required by the marketplace rules of the NASDAQ Global Market. Due to the agreement of the controlling shareholder group to vote in favor of the issuance of these shares to Merhav as of the closing date of the EMG transaction (which ensured that the proposal would be adopted by the requisite shareholder vote on February 7, 2007), the Company classified for accounting purposes the sale of these shares as part of the exchange with Merhav on December 21, 2006, and recognized the $40 million within shareholders' equity as "Receipt on account of unallocated shares." The investment in EMG is included in the energy segment.

Yosef A. Maiman, the Chairman, President and CEO of the Company and a member of the controlling shareholder group of the Company, is the sole owner of Merhav. Because of the foregoing relationships, a special committee of the Board of Directors composed of the Company's independent directors, who also constitute all of the members of the Company's Audit Committee, negotiated and approved the transaction. Houlihan Lokey Howard & Zukin Financial Advisors, Inc., which was retained as financial advisor to the special committee, advised the special committee on these transactions.

2. Additional investment of $0.4 million in FIMI Opportunity Fund, L.P. ("FIMI").

3. A loan to Bay Heart of $1.7 million, for a shopping mall in Haifa, Israel

b) In 2006, Ampal made the following dispositions:

1. In June and December 2006, the Company received proceeds in the total amount of $0.6 million from the sales of certain investments by FIMI.

2. On June 13, 2006, the Company sold its holdings in Coral World Iinternational for $21.0 million and recorded a gain of $4.2 million. The gain is included in the leisure-time segment.

3. In March 2006, the Company received an additional proceeds from the sale of Modem Art Ltd. in the amount of $0.6 million.

4. In April 2006, the Company received additional proceeds in the amount of $0.4 million from the sale of certain assets by PSINet Europe, one of the holdings of Ampal ' s investee company, TP.

5. On May 8, 2006, the Company sold its holdings in Ophir Holdings Ltd. for $1.1 million and recorded a loss of $1.0 million.

6. In September 2006, the Company sold the building in Tel-Aviv containing its headquarters for a proceeds of $4.6 million and recorded a gain of $2.2 million. The new owner has agreed to lease to the Company the office space containing the Company's headquarters for a period of up to 2 years commencing on November 28, 2006. The annual rent for this lease is $162,000. The gain from the sale is included in the real-estate segment.

(c) In 2005, the Company made the following investments:

1. On December 1, 2005, the Company acquired a 2% interest in EMG from Merhav. EMG is an Egyptian joint stock company organized in accordance with the Egyptian Special Free Zones system which has been given the right to export natural gas from Egypt to Israel and other locations in the East Mediterranean basin and other countries. Egyptian natural gas shall reach the Israeli market via an underwater pipeline owned by EMG. Under the terms of the transaction, the Company acquired a 2% beneficial ownership in EMG for a purchase price of $29,960,000. Additionally, the Company was granted the exclusive right to negotiate to acquire a substantial portion of Merhav's remaining shares of EMG. The Company also has the right for a period of time to require Merhav to repurchase the EMG interest.

Yosef A. Maiman, the chairman of the Company's Board of Directors, is the sole owner of Merhav. The transaction was approved by a special committee of the Board of Directors composed of the Company's independent directors. Houlihan Lokey Howard & Zukin Financial Advisors, Inc. acted as financial advisors to the special committee.

2. Additional investment of $0.7 million in FIMI Opportunity Fund, L.P.

3. A loan to Bay Heart Ltd. of $0.9 million.

(d) In 2005, the Company made the following dispositions:

1. During the third and fourth quarter of 2005, one of the holdings of Ampal's investee companies, TP, received proceeds at the amount of $1.1 million from selling all its assets in Grapes Communications N.V./S.A. and its holdings in PSINet Europe B.V.

2. On October 3, 2005, the Company, through Ampal Communications L.P., completed the sale to Motorola Israel Ltd. of all of its 25% holdings of MIRS pursuant to the Agreement. In connection with the sale of its holdings of MIRS, Ampal Communications L.P. received approximately US $89 million of total proceeds, composed of US $67.7 million for the purchase price and an additional US $21.3 million related to guaranteed dividend payments. During the third quarter of 2005, the Company recorded a $13.3 million loss from impairment relating to this investment.

3. On September 7, 2005, a third-party Israeli based venture fund and certain of its affiliated companies invested $2.65 million in the Company's high-tech and communications portfolio. Ampal received $2.5 million in connection with this transaction. The Company treated this investment as a disposition for accounting purposes and recorded a loss of $7.3 million ($4.6 million after taxes).

4. On August 15, 2005, the Company sold its holdings in Epsilon Investment House Ltd. and Renaissance Investment Company Ltd. for $2.0 million and recorded a $1.4 million gain.

5. On July 11, 2005, the Company sold its holdings in Xpert Ltd. for $0.8 million and recorded a loss of $0.2 million.

6. On March 8, 2005, the Company sold its holdings in Modem Art Ltd. for $4.4 million and recorded a gain of $3.3 million.

(e) In 2005, the Company recorded loss from impairment of investments and loans of $14.0 million as follows:

1. MIRS Communications Ltd. ($13.3 million)

2. Shiron Ltd. ($0.6 million)

3. Other loans ($0.1 million)

(f) In 2004, the Company made investments aggregating $6.3 million, as follows:

1. The Company invested EUR 4.9 million (approximately US$5.8 million) in Telecom Partners Limited Partnership ("TP"), a newly formed entity that will serve as a platform for investments in the telecommunication industry predominantly outside of Israel. Ampal holds 33.3% of TP which currently holds investments in two European telecom service providers: PSINet Europe B.V. ("PSInet") and Grapes Communications N.V./S.A.

2. A loan of $0.2 million to ShellCase, the principal business of which is the packaging process of semiconductor chips.

3. An investment of $0.3 million in FIMI Opportunity Fund, L.P.

(g) In 2004, the Company made the following dispositions:

1. On February 19, 2004, Ampal sold its holdings in XACCT Technology Ltd. for $3.8 million.

2. During May 2004, the Company sold 49% of its holdings in PowerDSine Ltd. for approximately $7.4 million.

3. During the third quarter of 2004, PSInet, one of the holdings of Ampal's investee company, TP, sold all its assets to large telecommunications providers. Following the sale, a portion of the proceeds was distributed to TP, of which Ampal received $7.1 million and recorded a gain of $2.5 million in connection with this transaction. The remaining carrying value is $1.2 million.

(h) In 2004, the Company recorded loss from the impairment of investments in an aggregate amount equal to $38.8 million as follows:

1. MIRS Communications Ltd. ($30 million)*

2. Star Management of Investment ($1.6 million)

3. Courses Investment in Technology Ltd. ($0.3 million)

4. VisionCare Opthalmic Technologies ($0.5 million investment)

5. ShellCase Ltd. ($3.8 million)

6. Identify Solutons Ltd. ($0.7 million)

7. Xpert Integrated Systems Ltd. ($1.7 million)

8. Peptor Ltd. ($0.2 million).

* Management determined that a reduction in the carrying value of MIRS by $30 million was appropriate at the time due to the then existing relationship with Motorola.

Note 4 – Other Assets

The balance of "Other Assets" as of December 31, 2006 and 2005 is composed as follows:

	As of December 31,	
	2006	2005
	(U.S. Dollars in thousands)	
Deferred tax assets	$ 10,398	$ 15,681
Accounts receivable-trade	1,943	1,713
Deferred expenses	2,727	1,424
Leasehold improvements	2,562	2,595
Other	2,178	948
	$ 19,808	$ 22,361

Note 5 – Notes and Loans Payable

Notes issued in December 2006 to institutional investors in Israel, the convertible note issued to Merhav and other loans payable pursuant to bank borrowings are either in U.S. dollars, linked to the Consumer Price Index ("CPI") in Israel or in unlinked Israel Shekels, with interest rates varying depending upon their linkage provision and mature between 2007-2015.

The Company financed a portion of the development of Am-Hal, a wholly-owned subsidiary of the Company, which develops and operates luxury retirement centers for senior citizens, through a revolving credit facility from Bank Hapoalim Ltd., Phoenix Insurance Company and others. On December 1, 2005, a loan agreement creating the facility was signed between Am-Hal, Phoenix Insurance Company and others. Pursuant to the loan agreement, the lenders granted the Company a revolving credit facility in Israeli Shekels equal to $12.5 million. The annual interest rate on the loan, which matures in 10 years, is 7.5%. The interest rate and the principal of the loan will be adjusted based on the changes in the Israeli Consumer Price Index. As of December 31, 2006 the Company had drawn $2.5 million from the facility. As of December 31, 2006 and December 31, 2005 the amount of Am-Hal's outstanding debt under the loans from Bank Hapoalim Ltd., Phoenix Insurance Company and others, were $15.0 million and $13.5 million, respectively. The loans, excluding the Phoenix Insurance Company loan, mature in up to one year and have interest rates ranging between 6.5% and 7.5%. The Company generally repays these loans with the proceeds received from deposits and other payments from the apartments in Am-Hal facilities. The loans are secured by a lien on Am-Hal's properties.

The Company also issued guarantees in the amount of $2.9 million in favor of tenants of Am-Hal in order to secure their deposits.

The Company finances its general operations and other financial commitments through bank loans from Bank Hapoalim. As of December 31, 2006, these loans in the amount of $26.3 million will mature during 2007-2010. (As of December 31, 2005 the amount was $31.3 million).

Other long term borrowings in the amount of $1.7 million are linked to the Israeli CPI and mature between 2007 and 2010, of which an amount of $1.5 million bears no interest. The remaining $0.2 million bears an annual interest of 5.7%.

The weighted average interest rates and the balances of these short-term borrowings at December 31, 2006 and December 31, 2005 were 6.4% on $21.2 million and 6.0% on $15.0 million, respectively.

Payments due by period:

	(US. Dollars in thousands)				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-Term Debt	$ 25,260	$ 6,212	$ 10,672	$ 5,139	$ 3,237
Short-Term Debt	$ 21,193	$ 21,193			
	$ 46,453	$ 27,405	$ 10,672	$ 5,139	$ 3,237

Note 6 – Debentures

On November 20, 2006, the Company entered into a trust agreement with Hermatic Trust (1975) Ltd. pursuant to which the Company issued notes to institutional investors in Israel in the principal aggregate amount of NIS 250,000,000 (approximately $58 million) with an interest rate of 5.75%, which is linked to the Israeli consumer price index. The notes shall rank *pari passu* with the Company's unsecured indebtedness. The notes will be repaid in five equal annual installments commencing on November 20, 2011, and the interest will be paid semi-annually. The Company deposited an amount of $10,207 thousands at Hermatic Trust (1975) Ltd. to secure the first 3 years worth of payments of interest on the debentures. Prior to the issuance of the debentures Midroog Ltd., an affiliate of Moody's Investors Service, rated the Company as A3.

The Company intends to register the notes for trading on the TASE subject to publishing a final prospectus approved by the Israeli Securities Authority as well as the approval of the TASE for the listing of the notes. Until the listing is approved, Ampal will pay an additional annual interest rate of 0.5% on the notes.

The following additional terms apply to the notes:

- Until the listing of the notes is approved, if the rating of the notes from Midroog is reduced below A3, the interest rate per annum of the notes will increase by 0.2% increments subject to the terms and conditions set forth in the notes;
- Ampal may issue additional notes without limitation, but until the listing is approved by the TASE, Ampal cannot issue additional notes if such issuance would adversely affect the Midroog rating of our existing series of notes, which are the subject of this prospectus;
- The notes will be listed for trade on the TASE no sooner than 47 days after the final prospectus is approved by the Israeli Securities Authority and the TASE, and during such 47 day period, the notes will not be tradable;

- If Yosef A. Maiman ceases to directly or indirectly own the largest amount of shares of Ampal (relative to the rest of the shareholders of Ampal) before the notes are listed on the TASE, a meeting of the noteholders will be convened to discuss whether the notes will be redeemed.

Note 7 – Accounts payable accrued expenses and others

(a) The balance of accounts payable accrued expenses and others as of December 31, 2006 and 2005 is comprised as follows:

	As of December 31,	
	2006	2005
	(U.S. Dollars in thousands)	
Deferred tax liabilities	$ 974	$ 3,310
Deferred income and accrued expenses	2,808	2,283
Excess of share in losses of affiliate over the investment therein	2,574	3,456
Related party	--	5,081
Convertible promissory note*	20,000	--
Others	4,608	3,239
	$ 30,964	$ 17,369

* The Convertible Promissory Note bears interest at 6 months LIBOR (5.375%) and matures on the earlier of September 20, 2007 or upon demand by Merhav. Ampal may pre-pay the Convertible Promissory Note at any time in whole or in part. The maximum number of shares that can be issued with respect to the promissory note (including accrued interest payable through the maturity date on the Convertible Promissory Note) is 4,476,389 shares of Class A Stock. The Company concluded that there was no beneficial conversion feature embedded within the Convertible Promissory Note.

(b) Accrued severance liabilities

Israeli labor laws and agreements require payment of severance pay upon dismissal of an employee or upon termination of employment in certain other circumstances. Ampal severance pay liability in Israel, which reflects the undiscounted amount of the liability as if it was payable at each balance sheet date, is calculated based upon length of service and the latest monthly salary (one month's salary for each year worked).

The Company's liability for severance pay pursuant to Israeli law is partly covered by insurance policies. The accrued severance pay liability of $0.3 million, is included in accounts payable, accrued expenses and other liabilities - others.

The Company expects that the payments relating to future benefits to its employees upon their retirement at normal retirement age in the next 10 years will be immaterial. These payments are determined based on recent salary rates and do not include amounts that might be paid to employees that will cease working with the Company, before their normal retirement age or amount paid to employees that their normal retirement age extends beyond the year 2016.

Note 8 – Minority Interest, net

The minority interest is mostly attributable to the warrants granted by Am-Hal to Phoenix Insurance Company. As part of the loan agreement which was signed on December 1, 2005 between Am-Hal and Phoenix Insurance Company, the lender is granted a warrant to purchase 19.9% (on fully diluted basis) of the issued and paid capital of Am-Hal (the "warrant"). The warrant is exercisable during a period of 4 years and can be exercised for payment of $5,960,000. The number of shares under the warrant is adjusted for stock splits or bonus shares, and also adjusted for any new issuances to third parties; in such case the lender's number of shares under the warrant will increase respectively, so as to provide the lender with 19.9% of the outstanding shares after the issuance to a third party. The exercise price for the additional shares (19.9% of the shares issued to the third party) will be equal the price paid by such third party. Also if there is a public offering in a price less then the exercise price of the warrant, the exercise price of the warrant will be adjusted to represent the price in the public offering discounted by 15%. The warrant can only be exercised for the full 19.9% - there can be no partial exercise at any time. The value of the warrant was estimated at approximately $1.3million and recorded as deferred expenses (Note 4). The amortization that was recorded in the reported period is $0.2 million.

Note 9 – Shareholders' Equity

During the third quarter of 2006 the sharesholders' equity changed as follows:

On July 31, 2006, all outstanding 4% Cumulative Convertible Preferred Stock and 6-1/2% Cumulative Convertible Preferred Stock were converted as follows:

Each share of Ampal's 4% Cumulative Convertible Preferred Stock was converted to five shares of Ampal's Class A Stock plus an additional $2.58 per share paid in cash and each share of Ampal's 6-1/2% Cumulative Convertible Preferred Stock was converted to three shares of Ampal's Class A Stock plus an additional $4.09 per share paid in cash. The total amount paid upon conversion was $2.3 million.

Holders of Ampal's 4% Cumulative Convertible Preferred Stock and 6-1/2% Cumulative Convertible Preferred Stock who voted in favor of the amendments to Ampal's Restated Certificate of Incorporation received an additional $0.15 per share. These payments amounted to $49,000.

As of July 31, 2006, the only class of outstanding shares of our capital stock is our Class A Stock.

On October 9, 2006, as part of the Company's additional investment in EMG, the Company issued to Merhav (M.N.F.) Ltd. 10,248,002 shares of the Company's Class A Stock that was accounted for at a fair market value of $49.0 million. The issuance of these shares received the approval of the shareholders of the Company on September 19, 2006, as required by the marketplace rules of the NASDAQ Global Market.

On December 21, 2006, as part of the closing of the Company's additional investment in EMG, the Company sold to Merhav (M.N.F.) Ltd. 8,602,151 shares of the Company's Class A Stock that was accounted for at a fair market value of $40.0 million. The sale of these shares received the approval of the shareholders of the Company on February 7, 2007, as required by the marketplace rules of the NASDAQ Global Market. Due to the agreement of the controlling shareholder group to vote in favor of the issuance of these shares to Merhav as of the closing date of the EMG transaction (which ensured that the proposal would be adopted by the requisite shareholder vote on February 7, 2007), the Company classified for accounting purposes the sale of these shares as part of the exchange with Merhav on December 21, 2006, and recognized the $40 million within shareholders' equity as "Receipt on account of unallocated shares."

On December 28, 2006, the Company completed the sale of 8,142,705 shares of its Class A Stock (based on a price per share of $4.65) for an aggregate price of approximately $37.9 million (recorded at $36.7 millions after deducting related expenses) and warrants to purchase 4,071,352 shares of the Class A Stock of the Company for an exercise price of $4.65 per share. The warrants will expire on August 27, 2007 as the shareholders of the Company approved the issuance of the shares underlying the warrants on February 7, 2007, as required by the marketplace rules of the NASDAQ Global Market. The fair value market of the warrants is $308 thousand and it was estimated using the following weighted average assumption: 1) expected life of warrants of 8 months; 2) dividend yield of 0%; 3) volatility of 13.76%; and 4) risk free interest of 4.97%. The offering was made solely to certain non-U.S. institutional investors in accordance with Regulation S under the U.S. Securities Act of 1933, as amended.

Set forth below is our treasury stock as of December 31, 2006, 2005 and 2004:

	Fiscal Year Ended December 31,		
	2006	2005	2004
	(U.S. Dollars in thousands, except share amounts per share data)		
TREASURY STOCK:			
4% PREFERRED STOCK			
Balance, beginning of year 3,350 shares	$ (84)	$ (84)	$ (84)
Elimination of treasury stock 3,350 shares	84	--	--
Balance, at the end of year	$ --	$ (84)	$ (84)
6-1/2% PREFERRED STOCK			
Balance, beginning and end of year 122,536 shares	$ (1,853)	$ (1,853)	$ (1,853)
Elimination of treasury stock 122,536 shares	1,853	--	--
Balance, at the end of year	$ --	$ (1,853)	$ (1,853)
CLASS A STOCK			
Balance, beginning of year – 5,751,039, 5,831,664 and 5,831,664 shares, at cost	$ (28,756)	$ (29,159)	$ (29,159)
Issuance of 176,250 and 80,625 shares	882	403	--
Balance, end of year – 5,574,789, 5,751,039 and 5,831,664 shares, at cost	$ (27,874)	$ (28,756)	$ (29,159)
Balance end of year	$ (27,874)	$ (30,693)	$ (31,096)

Note 10 – Stock Options

In March 1998, the Board approved a Long-Term Incentive Plan (“1998 Plan”) permitting the granting of options to all employees, officers, directors and consultants of the Company and its subsidiaries to purchase up to an aggregate of 400,000 shares of Class A Stock. The 1998 plan was approved by the majority of the Company’s shareholders at the June 19, 1998, annual meeting of shareholders. The plan remains in effect for a period of ten years. As of December 31, 2006, no options of the 1998 Plan are fully vested and outstanding.

On February 15, 2000, the Stock Option Committee approved a new Incentive Plan (“2000 Plan”), under which the Company has reserved 4 million shares of Class A Stock, permitting the granting of options to all employees, officers and directors. The 2000 Plan was approved by the Board of Directors of Ampal (the “Board”) at the meeting held on March 27, 2000 and was approved by a majority of the Company’s shareholders at the June 29, 2000 annual meeting of shareholders. The plan remains in effect for a period of ten years. As of December 31, 2006, 2,164,500 options under the 2000 Plan are outstanding.

The option term is for a period of five years from the grant date for the options granted under the 1998 Plan and ten years from the grant date for the options granted under the 2000 Plan. If the options are not exercised and the shares not paid for by such date, all interests and rights of any grantee shall expire. These options were granted for no consideration.

The options granted under the 1998 Plan and the 2000 Plan (collectively, the “Plans”) may be either incentive stock options, at an exercise price to be determined by the Stock Option Compensation Committee (the “Committee”) but not less than 100% of the fair market value of the underlying options on the date of grant, or non-incentive stock options, at an exercise price to be determined by the Committee. The stock options granted under the plans were granted either at market value or above. Under the Plans, the Committee may also grant, at its discretion, “restricted stock”, “dividend equivalent awards”, which entitle the recipient to receive dividends in the form of Class A Stock, cash or a combination of both and “stock appreciation rights,” which permit the recipient to receive an amount in the form of Class A Stock, cash or a combination of both, equal to the number of shares of Class A Stock with respect to which the rights are exercised multiplied by the excess of the fair market value of the Class A Stock on the exercise date over the exercise price. During 2006, no such compensation instrument were granted by the Committee.

Under each of the Plans, all granted but unvested options become immediately exercisable upon the occurrence of a change in control of the Company.

The following table summarizes the activity of both Plans for the years 2006, 2005 and 2004 respectively:

	Options (in thousands)	Weighted-Average Exercise Price (U.S. Dollars)	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (U.S. Dollars in thousands)
Outstanding at January 1, 2006	2,024	$ 3.37		
Granted at fair value	630	$ 5.06		
Exercised	(176)	$ 3.12		
Forfeited	(284)	$ 3.50		
Expired	(30)	$ 5.94		
Outstanding at December 31, 2006	2,164	$ 3.83	7.70	2,078
Exercisable at December 31, 2006	1,111	$ 3.24	-	1,644

	Options (in thousands)	Weighted-Average Exercise Price (U.S. Dollars)	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (U.S. Dollars in thousands)
Outstanding at January 1, 2005	2,064	$ 3.39		
Granted at fair value	135	$ 3.69		
Exercised	-	$ -		
Forfeited	(175)	$ 3.85		
Expired	-	$ -		
Outstanding at December 31, 2005	2,024	$ 3.37	7.72	-
Exercisable at December 31, 2005	1,044	$ 3.29	-	-

	Options (in thousands)	Weighted-Average Exercise Price (U.S. Dollars)	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (U.S. Dollars in thousands)
Outstanding at January 1, 2004	1,396	$ 3.46		
Granted at fair value	886	$ 3.49		
Exercised	-	$ -		
Forfeited	(218)	$ 4.22		
Expired	-	$ -		
Outstanding at December 31, 2004	2,064	$ 3.39	8.40	-
Exercisable at December 31, 2004	678	$ 3.43	-	-

Valuation and Expenses under 123R

The fair value of each stock option is estimated on the date of grant using the Black-Scholes option pricing model that uses the assumptions noted below. Expected life is based on the Company's management estimate for future behavior. Expected volatility is based on the historical volatility of the Class A common stock. The risk free rate is based on the U.S. Treasury yield curve for a term consistent with the expected life of the award, in effect at the date of grant.

The fair value of options granted during the years ended December 31, 2006, 2005 and 2004 were estimated using the following weighted average assumptions: (1) expected life of options of 5, 5 and 6 years, respectively; (2) dividend yield of 0%; (3) volatility of 41.11%, 46.07% and 60%, respectively; and (4) risk free interest of 4.42%, 4.08% and 3.3%, respectively.

Total stock-based compensation expense recognized under SFAS No. 123R, was approximately $720,000 for the year 2006. No share-based compensation was capitalized in the consolidated financial statements.

The total intrinsic value (market value on date of exercise less exercise price) of options exercise during 2006 was $260,000.

Cash received from option exercises for the year 2006 was $550,000.

At December 31, 2006, there was $2.16 million of total unrecognized, pre-tax compensation cost related to non-vested stock options. This cost is expected to be recognized over a weighted-average period of approximately four years. The Company settles employee stock options exercises primarily with newly issued common shares and occasionally with treasury shares.

Note 11 – Earnings (Loss) Per Class A Share

Basic net loss per share is computed by dividing net loss after deduction of preferred stock dividends by the weighted-average number of common stock shares outstanding for the period. In 2006, 2005 and 2004, all outstanding stock options and preferred shares have been excluded from the calculation of the diluted loss per share because all such securities are anti-dilutive for these periods presented. Also, participating 4% Convertible Preferred Stock were not taken into account in the computation of the basic EPS for those years (in the period in which it was outstanding) since its shareholders did not have contractual obligation to share in the losses of the Company. A reconciliation of the numerator and denominator used in the calculation of basic and diluted net income per share follows (in thousands, except per share amounts):

	Year Ended December 31,		
	2006	2005	2004
Net loss	(7,087)	(5,958)	(18,385)
Less: preferred stock dividend	(2,438)	(191)	(200)
Net loss available for class A stock	(9,525)	(6,149)	(18,585)
Weighted average class A shares outstanding	24,109	19,967	19,841
Net loss per share:			
Basic and diluted	$ (0.40)	$ (0.31)	$ (0.94)

The following table summarized securities that were not included in the calculations of diluted earnings per class A shares for the years ended December 31, 2006, 2005 and 2004 because such shares are anti-dilutive.

(Shares in thousands)	December 31, 2006	2005	2004
Options and Rights	2,164	2,024	2,064
6-1/2% Preferred Stock	-	641	662
4% Preferred Stock	-	114	124
Warrants	4,071	-	-
Promissory note	4,476	-	-

Note 12 – Income Taxes

	Fiscal Year Ended December 31,		
	2006	2005	2004
	(U.S. Dollars in thousands)		
The components of current and deferred income tax expense (benefit) are:			
Current:			
Federal	$ -	$ -	$ -
Foreign	308	-	1,472
Deferred:			
State and local	-	3	-
Federal	2,464	(2,955)	(20,404)
Foreign	(41)	103	8,734
Total	$ 2,731	$ (2,849)	$ (10,198)
The domestic and foreign components of income (loss) before income taxes are:			
Domestic	$ (4,855)	$ (14,046)	$ (29,286)
Foreign	160	772	(3,427)
Total	$ (4,695)	$ (13,274)	$ (32,713)
A reconciliation of income taxes between the statutory and effective tax is as follows:			
Federal income tax (benefit) at 34%	$ (1,596)	$ (4,513)	$ (11,123)
Taxes on foreign Gain (Loss) below U.S. rate	5,058	(12,796)	(806)
Changes in valuation allowance	(446)	14,639	2,304
Other	(285)	(179)	(573)
Total effective tax: 58.2%; 22% and 31%	$ 2,731	$ (2,849)	$ (10,198)

	As of December 31,	
	2006	2005
Deferred tax assets:		
The components of deferred tax assets and liabilities are as follows:		
Net operating loss and capital loss carryforwards	$ 30,629	$ 35,925
Unrealized losses on investments	700	1,132
Foreign tax credits carryforwards	5,456	5,456
Total deferred assets	36,785	42,513
Valuation allowance	(26,387)	(26,832)
Net deferred tax assets	10,398	15,681
Deferred tax liabilities:		
Tax on equity in earnings of affiliates	434	2,470
Other	540	840
Total deferred tax liability	974	3,310
Net deferred tax assets	$ 9,424	$ 12,371

As of December 31, 2006, valuation allowance is provided against tax benefits on domestic and foreign net operating loss carryforwards of $5.1 million and $21.3 million, respectively.

As of December 31, 2006, the Company has foreign tax credits of $5.5 million that will expire in the years 2009 through 2014.

As of December 31, 2006, the Company has U.S. Federal net operating loss carryforwards of approximately $24.7 million that will expire in the years 2022 through 2025. The utilization of net operating loss carryforwards may be subject to substantial annual limitations if there has been a significant “change in ownership”. Such a “change in ownership”, as described in Section 382 of the Internal Revenue Code, may substantially limit the Company’s utilization of the net operating loss carryforwards.

Note 13 – Investments in Affiliates

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

	As of December 31,	
	2006	2005
	%	%
Bay Heart Limited	37	37
Carmel Containers Systems Limited	21.8	21.8
Coral World International Limited	--	50
Hod Hasharon Sport Center (1992) Limited Partnership	50	50
Ophir Holdings	--	42.5
Trinet Investment in High-Tech Ltd.	37.5	37.5
Trinet Venture Capital Ltd.	50	50

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

	Fiscal Year Ended December 31,		
	2006	2005	2004
	(U.S. Dollars in thousands)		
Revenues	$ 100,567	$ 140,197	$ 129,091
Gross profit	12,707	30,918	22,200
Net income	57	15,803	8,184

	As of December 31,	
	2006	2005
	(U.S. Dollars in thousands)	
Property and equipment	$ 56,835	$ 65,931
Other assets	63,240	134,700
Total assets	$ 120,075	$ 200,631
Total liabilities, including bank borrowings	$ 104,176	$ 143,217

Note 14 – Operating Segments Information

SFAS 131 "Disclosure about Segments of an Enterprise and Related Information" establishes annual and interim reporting standards for an enterprise's operating segments and related disclosures about its products, services, geographic areas and major customers. Segment information presented below results primarily from operations in Israel.

The energy segment consists of the investment in EMG, an Egyptian Joint Stock Company, which holds the rith to supply natural gas to Israel through a pipe line to be constructed from Egypt to Israel.

The real estate rental segment consists of rental property owned in Israel and the United States leased to unrelated parties, and operations of Am-Hal Ltd., a wholly-owned subsidiary which owns and operates a chain of senior citizens facilities located in Israel.

The leisure-time segment consists of Coral World International Limited (marine parks located around the world) and Country Club Hod Hasharon Sport Center and Kfar Saba, the Company's 51%-owned subsidiary located in Israel. In June 2006, the Company sold all of its interest in Coral World International Limited (see "Note 3").

The finance segment consists of all other activity which are not part of the above segments.

	Fiscal Year Ended December 31,		
	2006	2005	2004
	(U.S. Dollars in thousands)		
Revenues:			
Finance	$ 4,271	$ 12,475	$ 16,379
Real estate income	11,828	9,244	8,897
Leisure-time	6,317	2,208	2,233
Intercompany adjustments	(77)	(63)	(76)
	22,339	23,864	27,433
Equity in earning of affiliates	1,610	6,666	4,031
Total	$ 23,949	$ 30,530	$ 31,464
Equity in Earnings (losses) of Affiliates:			
Finance	$ 566	$ 106	$ 1,523
Real estate rental	(676)	5,448	590
Leisure-time	1,720	1,112	1,122
Others	--	--	796
Total	$ 1,610	$ 6,666	$ 4,031
Interest Income:			
Finance	$ 1,502	$ 1,586	$ 613
Intercompany adjustments	(23)	(19)	(23)
Total	$ 1,479	$ 1,567	$ 590
Interest Expense:			
Finance	$ 4,248	$ 4,278	$ 4,246
Real estate rental	849	836	540
Leisure-time	83	162	117
Intercompany adjustments	(26)	(19)	(23)
Total	$ 5,154	$ 5,257	$ 4,880
Pretax Operating (Loss) Income:			
Finance	$ (11,570)	$ (20,472)	$ (36,192)
Real estate rental	861	287	(963)
Leisure-time	4,404	245	411
	(6,305)	(19,940)	(36,744)
Equity in earning of affiliates	1,610	6,666	4,031
Total	$ (4,695)	$ (13,274)	$ (32,713)
Income (Benefit) Tax Expense:			
Finance	$ 2,518	$ (2,970)	$ (10,558)
Real estate rental	146	63	334
Leisure-time	67	58	26
Total	$ 2,731	$ (2,849)	$ (10,198)
Net Income:			
Finance	$ (13,522)	$ (17,396)	$ (24,111)
Real estate rental	39	5,672	(707)
Leisure-time	6,057	1,299	1,507
Others	--	--	796

	(7,426)	(10,425)	(22,515)
Minority interest, net	(339)	(4,467)	(4,130)
Total	$ (7,087)	$ (5,958)	$ (18,385)
Total Assets for year end:			
Finance	$ 330,548	$ 88,498	$ 225,577
Energy	259,860	29,960	--
Real estate rental	76,513	76,117	64,128
Leisure-time	2,874	17,568	17,426
Intercompany adjustments	(268,112)	(1,239)	(2,184)
Total	$ 401,683	$ 210,904	$ 304,947
Investments in Affiliates for year end:			
Finance	$ 3,498	$ 8,360	$ 3,389
Real estate rental	(2,574)	(3,456)	10,987
Leisure-time	357	15,066	14,479
Total	$ 1,281	$ 19,970	$ 28,855
Capital Expenditures:			
Finance	$ 28	$ --	$ 5
Real estate rental	1,300	9,794	774
Leisure-time	102	90	296
Total	$ 1,430	$ 9,884	$ 1,075
Depreciation, Amortization and Impairment:			
Finance	$ 66	$ 14,039	$ 38,984
Real estate rental	(32)	(160)	(111)
Leisure-time	186	207	162
Total	$ 220	$ 14,086	$ 9,035

Corporate office expense is principally applicable to the financing operation and has been charged to that segment above. Revenues and pretax operating gain above exclude equity in earnings of affiliates.

Note 15 – 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

For cash and cash equivalents, the carrying amount is a reasonable estimate of fair value (see "Note 1(k)").

(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.

(c) Investments

For financial instruments with maturities between 91 days and 1 year, and all marketable securities, the carrying amount is a reasonable estimate of fair value.

(d) Financial Instruments

The fair value of the financial instruments included in other assets, accounts payable, and accrued expenses presented at a fair value.

(e) Commitments

Due to the relatively short term of commitments discussed in "Note 16", the contract value is considered to be at fair value.

(f) Financial Assets and Financial Liabilities

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.

	As of December 31,			
	2006		2005	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(U.S. Dollars in thousands)			
Financial assets:				
Cash and cash equivalents	$ 36,733	$ 36,733	$ 24,314	$ 24,314
Deposits, notes and loans receivable	--	--	343	343
Investments	380	380	38,575	38,575
	$ 37,113	$ 37,113	$ 63,232	$ 63,232
Financial liabilities:				
Notes and loans payable	$ 46,453	$ 46,648	$ 50,366	$ 50,362
Debentures outstanding	59,172	58,353	--	--
	$ 105,625	$ 105,001	$ 50,366	$ 50,362

Note 16– Commitments and Contingencies

(a) The combined minimum annual lease payments on Ampal's corporate offices in New York and in Israel and its subsidiary Country Club Kfar Saba Ltd. in 2006 were $0.3 million. The lease of the corporate office in New York expires in 2009, the lease of the office in Tel Aviv expires in 2008, the lease of the office in Herzelia Pituach expires in 2017 and the Kfar Saba lease expires in 2038. In the years 2007-2011, the combined annual lease payments on those premises will be in an aggregate amount of $2.1 million, and thereafter, an amount totaling $5.7 million.

(b) AM-Hal provided a lien to Bank Hapoalim on AM-Hal properties in Rishon – Le Zion and Hod Hasharon to guarantee a loan of $11.5 million.

(c) The Company has issued guarantees on bank loans to its investees and subsidiaries totaling $9.5 million as follows:

(1) The Company provided a $2.9 million guarantee to AM–Hal tenants.

(2) The Company provided a $5.6 million guarantee on indebtedness incurred by Bay Heart.

(3) The Company provided a $1.0 million guarantee to Galha (1960) Ltd, for the payment of the Company's subsidiary of a final judgment, if entered against the Company's subsidiary. (See below)

(d) The Company made a commitment to invest $2.8 million in Star II (2000 L.P.).

(e) Legal Proceedings:

On January 1, 2002, Galha (1960) Ltd. ("Galha") filed a suit against the Company and other parties, including directors of Paradise Industries Ltd. ("Paradise") appointed by the Company, in the Tel Aviv District Court, in the amount of NIS 10,927,100 ($2.6 million). Galha claimed that the Company, which was a shareholder of Paradise, and another shareholder of Paradise, misused funds that were received by Paradise from an insurance company for the purpose of reconstructing an industrial building owned by Galha and used by Paradise which burnt down. Paradise is currently involved in liquidation proceedings. Ampal issued a guarantee in favor of Galha for the payment of an amount of up to NIS 4,059,000 ($961,000) if a final judgment against the Company will be given.

On May 26, 2003 the Company and the directors of Paradise appointed by the Company filed a third party claim against Arieh Israeli Insurance Company Ltd., in the Tel Aviv District Court, claiming that, to the extent the court decides that the directors of Paradise appointed by the Company will have to pay any amounts to Galha, Arieh will pay such amounts on behalf of the directors in accordance with the Directors and Officers insurance policy that the Company had at that time with Arieh. Arieh filed a statement of defense and stated that the policy does not cover the claim. At this stage, the Company cannot estimate the impact this claim will have on it. There have not been any significant developments in this matter as of the date of filing this report.

Note 17 – Subsequent Events

Significant Developments Since the Fiscal Year Ended December 31, 2006

On February 18, 2007, Ampal reached a non binding letter of understanding with Merkaz Mishan Ltd. ("Mishan") for a potential sale of all of its holdings in Am-Hal Ltd., a wholly owned subsidiary of Ampal ("Am-Hal"). The potential transaction is subject to the customary due diligence process, negotiation and signing of a definitive sale and purchase agreement, the approvals of the Board of Directors of Ampal (the "Board") and "Mishan" and the receipt of all necessary regulatory and governmental approvals and other customary conditions. There can be no assurance that the parties will consummate a transaction regarding Am-Hal Ltd.

On March 18, 2007, tenants of the retirements centers for senior citizens of Am-Hal filed a lawsuit in the Tel Aviv District Court against Ampal, Am-Hal and other subsidiaries of Ampal. The lawsuit was filed after Ampal announced the potential sale of its holdings in Am-Hal to Mishan. Among other things, the plaintiffs requested that the District Court (i) issue warrants that will oblige Am-Hal to keep the deposits received from the tenants in a designated account for each tenant controlled by an accountant agreed to by Am-Hal and the tenants, (ii) maintain the level of services provided by Am-Hal to the tenants and (iii) maintain the ratio of independent tenants and supportive tenants in the centers. The plaintiffs also asked the District Court to issue temporary ex parte injunctions to prohibit Ampal from signing an agreement for the sale of its holdings in Am-Hal and to nominate a receiver to locate and keep the tenants' deposits. The District Court did not grant the temporary injunctions ex parte and requested that the defendants reply to the claim in accordance with the normal procedures.

On March 7, 2007, Ampal entered into an agreement to sell to Carmel Container Systems Ltd., a packaging manufacturer based in Israel ("Carmel"), all of the holdings of Carmel held by Ampal and its subsidiaries. Pursuant to this transaction, Ampal and its subsidiaries will sell to Carmel an aggregate of 522,350 ordinary shares of Carmel for an expected aggregate sales price of approximately $4.57 million. The Company expects to record a loss before tax of $0.4 million. The completion of the sale of shares to Carmel is subject to the satisfaction of certain closing conditions.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company's management with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of the end of the period covered by this report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective. Notwithstanding the foregoing, a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will detect or uncover failures within the Company to disclose material information otherwise required to be set forth in the Company's periodic reports.

Internal Control Over Financial Reporting

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the Company's fourth fiscal quarter that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

On December 12, 2006, the Stock Option and Compensation Committee of the Board approved the grant pursuant to the Company's 2000 Incentive Plan to Yosef A. Maiman an option to purchase 250,000 shares of the Company's Class A Stock. This option has an exercise price of $5.06 per share and will vest in equal installments beginning on March 12, 2007 and each three month anniversary thereafter. Additionally, the exercise price of this option may only be paid by the holder by having the Company withhold from the underlying option stock the number of shares having a fair market value equal to the exercise price. The form of option agreement pursuant to which this option was granted under the 2000 Plan is being filed as Exhibit 10o hereto.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

MANAGEMENT

The following table sets forth certain information regarding Ampal's directors and executive officers as of March 28, 2007:

Name	Position
Yosef A. Maiman	President, Chief Executive Officer, Chairman of the Board of Directors
Jack Bigio	Director
Leo Malamud [1]	Director
Dr. Joseph Yerushalmi [1]	Director
Dr. Nimrod Novik	Director
Yehuda Karni [1] [2] [3][4]	Director
Eitan Haber [2] [3][4]	Director
Menahem Morag [2] [3][4]	Director
Irit Eluz	CFO, Senior Vice President - Finance and Treasurer
Yoram Firon	Vice President-Investments and Corporate Affairs and Secretary
Amit Mantsur	Vice President-Investments
Giora Bar-Nir	Vice President - Accounting and Controller

The numbers listed below, which follow the names of some of the foregoing directors, designate committee membership:

(1) Member of the Executive Committee of the Board which meets as necessary between regularly scheduled Board meetings and, consistent with certain statutory limitations, exercises all the authority of the Board.

(2) Member of the Audit Committee of the Board which reviews functions of the outside auditors, auditors' fees and related matters. Mr. Karni is the Chairman of the Audit Committee of the Board.

(3) Member of the Stock Option and Compensation Committee of the Board.

(4) Member of the Special Committee of the Board.

In 2006, the Board met twelve times and acted four times by written consent; the Executive Committee acted one time by written consent; the Audit Committee met four times and did not act by written consent. The Stock Option and Compensation Committee met one time and did not act by written consent. The Special Committee met four times and did not act by written consent. All directors attended more than 75% of the aggregate of (1) the total number of Board meetings held during the period in 2006 for which such individual was a director and (2) the total number of meetings held by all committees of the Board on which such individual served in 2006 (during the period of such service). Each director of the Board is elected for a one year term and serves until his or her successor is duly elected and qualified.

The following sets forth the ages of all of the above-mentioned directors and executive officers, all positions and offices with Ampal or its subsidiaries held by each director and officer and principal occupations during the last five years.

YOSEF A. MAIMAN, 61, has been the Chairman of the Board of Ampal since April 25, 2002 and President and Chief Executive Officer of Ampal since October 1, 2006. Mr. Maiman has been President and Chief Executive Officer of Merhav (M.N.F.) Ltd. ("Merhav"), one of the largest international project development companies based in Israel, since its founding in 1975. Mr. Maiman is also the Chairman of the Board of Directors of Channel Ten, a commercial television station in Israel, a director of Eltek, Ltd. ("Eltek"), a developer and manufacturer of printed circuit boards, a member of the Board of Directors of the Middle East Task Force of the New York Council on Foreign Relations and Honorary Consul to Israel from Peru. Mr. Maiman is also member of the Board of Trustees of the Tel Aviv University, Chairman of the Israeli Board of the Jaffee Center for Strategic Studies at Tel Aviv University, a member of the Board of Governors of Ben Gurion University, and the Chairman of the Board of Trustees of the International Policy Institute for Counter Terrorism.

JACK BIGIO, 41 has been the President and Chief Executive Officer of Ampal since between April 25, 2002 and September 30, 2006, and a director of Ampal since March 6, 2002. From 1996 until April 2002, Mr. Bigio served as Senior Vice President - Operations and Finance of Merhav. Mr. Bigio is also a director of Eltek, a member of the Board of Israel-America Chamber of Commerce & Industry and a member of Young Presidents' Organization.

LEO MALAMUD, 55, has been a director of Ampal since March 6, 2002. Since 1995, Mr. Malamud is Senior Vice President of Merhav. Mr. Malamud is also a director of Eltek.

Dr. JOSEPH YERUSHALMI, 69, has been Senior Vice President - Head of Energy and Infrastructure Projects of Merhav since 1995. He has been a director of Ampal since August 16, 2002.

Dr. NIMROD NOVIK, 61, has been a director of Ampal since September 19, 2006. Dr. Novik has been Senior Vice President of Merhav since 1995, responsible for Middle East projects (including the MIDOR petroleum refinery in Egypt and the current EMG project for the export of Egyptian natural gas to Israel) as well as for corporate and government relations. He is a member of the board of EMG and of Channel 10 News Corp. Mr. Novik is an advisor to the Israeli National Security Council as well as to several members of the Israeli cabinet, and a former Special Ambassador of the State of Israel as well as Chief Advisor on Foreign Policy to Israel's Prime Minister and Minister of Foreign Affairs.

YEHUDA KARNI, 78, was a senior partner in the law firm of Firon Karni Sarov & Firon, from 1961 until his retirement in 2000. He has been a director of Ampal since August 16, 2002.

EITAN HABER, 67, was the Head of Bureau for the former Prime Minister of Israel, Yitzhak Rabin, from July 1992 until November 1995. Since 1996, Mr. Haber has been the President and Chief Executive Officer of Geopol Ltd., which represents the Korean conglomerate Samsung Aircraft and Industries in Israel and the Middle East; Kavim Ltd., a production and project development company; Mr. Haber is a member in the Board of Directors of Africa Israel Ltd. Mr. Haber is also a member of various non-profit organizations. He has been a director of Ampal since August 16, 2002.

MENAHEM MORAG, 56, has been a director of Ampal since January 27, 2004. From 1996 to 1999 Mr. Morag was the Head of Finance and Budget at the Israeli Prime Minister's office in Tel Aviv. From 1999 to 2001, Mr. Morag was the Controller and Ombudsman at the Israeli Prime Minister's office in Tel Aviv. From 2001 to 2003, Mr. Morag was the Head of Human Resources Department at the Israeli Prime Minister's office in Tel Aviv. Since 2003, Mr. Morag has been the Head of the Council of the Pensioners Association of the Israeli Prime Minister's office in Tel Aviv, director in Palram Industries since 2004 and since 2005 he is the CEO of Keren-Shemesh Foundation for the Encouragement of Young Entrepreneurs.

IRIT ELUZ, 40, has been the Chief Financial Officer and Senior Vice President - Finance and Treasurer since October 2004. From May 2002 through October 2004, Ms. Eluz was Chief Financial Officer and Vice President – Finance and Treasurer. From January 2000 through April 2002, Ms. Eluz was the Associate Chief Financial Officer of Merhav. From June 1995 through December 1999, Ms. Eluz was the Chief Financial Officer of Kamor Group.

YORAM FIRON, 38, has been Secretary and Vice President - Investments and Corporate Affairs since May 2002. During the preceding five years, Mr. Firon was a Vice President of Merhav and a partner in the law firm of Firon Karni Sarov & Firon.

AMIT MANTSUR, 37, has been Vice President – Investments since March 2003. From September 2000 through December 2002, Mr. Mantsur served at Alrov Group as Strategy & Business Development Manager. From February 1997 through September 2000, Mr. Mantsur was a projects manager at the Financial Advisory Services of KPMG Somekh Chaikin.

GIORA BAR-NIR, 50, has been Vice-President – Accounting and Controller Since October 2004. From March 2002 through October 2004 Mr. Bar-Nir has been the Controller. During the preceding five years, Mr. Bar-Nir was the Controller of the Israeli subsidiaries of Ampal.

AUDIT COMMITTEE

The Company has an Audit Committee of the Board consisting of Messrs. Karni, Haber and Morag, each of whom is an independent director as defined under the rules of the National Association of Securities Dealers, Inc. and the rules promulgated by the Securities and Exchange Commission. The Board has determined that Mr. Morag is an "audit committee financial expert" for purposes of the rules promulgated by the Securities and Exchange Commission.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires Ampal's executive officers and directors, and persons who own more than 10% of a registered class of Ampal's equity securities, to file with the Securities and Exchange Commission initial statements of beneficial ownership (Form 3), and statements of changes in beneficial ownership (Forms 4 and 5), of Class A Stock of Ampal. To the Company's knowledge, based solely on its review of the copies of such forms received by it, all filing requirements applicable to its executive officers, directors and greater than 10-percent stockholders were complied with, except that Leo Malamud did not timely file a Form 4 reporting the stock option award granted on December 12, 2006.

CODE OF ETHICS

The Company has adopted a code of ethics (as defined in the rules promulgated under the Securities Exchange Act of 1934) that applies to the Company's principal executive officer, principal financial officer, principal accounting officer, or person performing similar functions. A copy of the Company's code of ethics is available on the Company's website at www.ampal.com (the "Company's Website").

CODE OF CONDUCT

The Company has adopted a code of conduct that applies to all of the Company's employees, directors and officers. A copy of the code of conduct is available on the Company's Website.

ITEM 11. EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Objectives of Compensation Program

This section contains a discussion of the material elements of compensation awarded to, earned by or paid to the principal executive and principal financial officers of the Company, and the other three most highly compensated executive officers of the Company. These individuals are referred to as the "Named Executive Officers" in this Report on Form 10-K.

The objectives of our compensation program are (i) to attract and retain qualified personnel in the Israeli marketplace, (ii) to provide incentives and rewards for their contributions to the Company, and (iii) to align their interests with the long-term interests of the Company's shareholders.

Our Named Executive Officers compensation has three primary components: salary, an annual cash incentive bonus and stock option awards. In addition, we provide our Named Executive Officers with benefits that are generally available to our salaried employees.

We determine the appropriate level for each compensation component based in part, but not exclusively, on competitive benchmarking consistent with a broad spectrum of companies in Israel and in the United States.

Due to the small size of our executive team and the need to tailor each Named Executive Officer's compensation package for retention and recruitment purposes, we have not adopted any formal policies or guidelines for allocating compensation between long term and currently payable compensation, between cash and non cash compensation or among different forms of compensation.

Responsibilities

Prior to September 19, 2006, the Stock Option and Compensation Committee of the Board (the "Compensation Committee") was responsible for determining all facets of executive compensation including annual base salary and bonuses for executive officers, administration of the Company's 1998 Long Term Incentive Plan and the Company's 2000 Incentive Plan (collectively, the "Option Plans"), and director compensation. The Compensation Committee is composed of independent directors as defined under the rules of NASDAQ and the SEC. The Compensation Committee does not operate pursuant to a written charter.

On September 19, 2006, the members of the Board engaged in discussions regarding the appropriate scope of the responsibilities of the Compensation Committee in light of the Company's "controlled company" status under the rules of NASDAQ and the fact that Mr. Yosef A. Maiman was appointed as the Chief Executive Officer of Ampal. During these discussions, the Board decided to re-allocate certain of the responsibilities with regard to executive compensation to Yosef A. Maiman, the Chairman, President and Chief Executive Officer.

Effective as of September 19, 2006, the Board determined that the Compensation Committee will continue to be responsible for (i) administering the Option Plans and determining the officers and key employees who are to be granted options under the Option Plans and the number of shares subject to such options and (ii) determining the annual base salary and non-equity based annual bonus for Mr. Maiman in his capacity as Chairman, President and Chief Executive Officer.

Effective as of September 19, 2006, the Board also determined that Mr. Maiman will be responsible for (i) determining the annual base salary and non-equity based annual bonuses for all executive officers(other than the Chief Executive Officer) and for (ii) recommending to the Board director compensation and benefit programs. Mr. Maiman also may attend and participate in meetings of the Compensation Committee.

No outside compensation consultant is engaged by the Company at this time, although the Company may elect to do so in the future.

Elements of Compensation

The material elements of the Company's executive compensation program for Named Executive Officers includes three primary components: salary, an annual cash incentive bonus and stock option awards, In addition, we provide our Named Executive Officers with benefits that are generally available to our salaried employees.

Base Salary

We set our salaries for our Named Executive Officers generally based on what we believe enables us to hire and retain individuals in the competitive environment in Israel and rewards individual performance and the contribution to our overall business goals. We also take into account the base salaries paid by similarly situated companies in Israel and in the United States which we believe we generally compete for talent. There are no formal guidelines or formulas used by us to determine annual base salary for our Named Executive Officers, as annual salary determinations are made on a case by case basis from year to year to react to compensation market trends in Israel and to take into account the Named Executive Officer's performance. Additionally, stock price performance has not been a factor in determining annual compensation because the price of the Company's common stock is subject to a variety of factors outside our control. Our approach to annual base salary is designed to retain our Named Executive Officers so that they will continue to operate at high levels in the best interests of the Company.

Determinations for annual base salary for the fiscal year ended December 31, 2006 were made by the Compensation Committee in consultation with Mr. Maiman and other executive officers.

Annual Cash Incentive Bonus Compensation

The non-equity based annual bonus compensation is based on each Named Executive Officer's individual performance for the Company over the fiscal year, which is measured in terms of overall effort, performance and contribution to the Company. In the past, bonuses were based on a multiple of the Named Executive Officer's base salary, but in the interest of flexibility, we no longer exclusively utilize this approach. In 2006, we considered the performance of our Named Executive Officers with respect to certain material transactions and the amount of funds raised during the year and allocated an amount among the Named Executive Officers who were involved in those special efforts. We take into account the amount of annual base salary paid to each Named Executive Officers in determining such Named Executive Officers' non-equity based annual bonus compensation. Determinations for non-equity based annual bonus compensation for the fiscal year ended December 31, 2006 were made by Mr. Maiman.

Long-Term Equity Incentive Compensation

At this time, we do not award long-term equity incentive compensation to our Named Executive Officers on an annual basis, however we may elect to award this form of compensation in the future. Following the April 2002 acquisition by Y.M. Noy Investments Ltd. of a controlling interest in the Company, we awarded long-term equity incentive compensation in April 2002 to provide the new management team with incentives aligned with shareholder interests and in December 2004, in recognition of the Named Executive Officers' assistance to a Special Committee of the Board of Directors that had been appointed to consider alternatives available to the Company to maximize shareholder value. In December 2006, the Stock Option Committee granted Mr. Maiman an option to acquire 250,000 shares of our Class A Stock for his service as Chairman of the Board. The amount of this award was consistent with the amount of the option grant previously awarded to Mr. Maiman in August 2002, which previous option grant became fully vested in August 2006.

While our current policy is to award option grants to our executive officers and directors, the awards granted under the Option Plans may be in the form of options, restricted stock, dividend equivalent awards and/or stock appreciation rights. There are no formal guidelines or formulas used by us to determine equity compensation awards for our Named Executive Officers.

Beginning January 1, 2006, the Company accounts for all options in accordance with SFAS 123R

As stated above, the Compensation Committee is responsible for determining long-term equity incentive compensation in accordance with the Option Plans. Such determinations are made in consultation with Mr. Maiman and other executive officers from time to time.

Perquisites

As is customary in Israel, we provide each Named Executive Officer with the use of a car, mobile phone, one meal per day, telephone expenses, economic newspapers, and stipends for traveling out of the country from time to time. The value of the specific car an employee receives varies according to his or her pay grade within the Company.

Additionally, consistent with practice in the Israeli marketplace, the Company reimburses the Named Executive Officers for a portion of the taxes associated with the use of the car and mobile phone.

Severance and Change of Control Benefits

Israeli labor laws and agreements require payment of severance pay upon dismissal of an employee or upon termination of employment in certain other circumstances, including retirement. The Company's severance pay is calculated based upon length of service and the latest monthly base salary (one month's salary for each year worked). Severance pay is paid from a fund into which the Company contributes up to 8 1/3% of the employee's base salary each month, in accordance with Israeli law and the customary practice in Israel. The Company's liability for severance pay pursuant to Israeli law is partly offset by insurance policies, where the Named Executive Officers are the beneficiaries of such insurance policies.

In addition to the above the Named Executive Officers are eligible to participate in a Pension Plan in which both the employee and the Company contribute up to 5% of the employee's base salary each month. The Named Executive Officers are eligible to receive the fund upon termination of employment, including retirement.

In addition to the above benefits, each of the employment agreements of certain executive officers provide that such executive officer shall receive an additional payment of six months' salary (together with all related benefits for the six month period including social benefits, use of a vehicle, mobile telephone and any other rights accompanying the executive officer's employment by the Company) in the event (i) of a change of control of Ampal and (ii) such executive officer's employment is terminated within six months from the date of the change of control of Ampal. These arrangements were designed to provide these key employees with an additional benefit consistent with Israeli practice for employees in comparable positions.

Pursuant to the terms of the employment agreements of each of the certain executive officers, following the termination of employment, such executive officers shall not be involved, directly or indirectly, with any business or entity that is in the field of the Company's activities and/or is in direct competition in the field of the Company's activities for a period of six months following the termination of employment. Furthermore, during the term of employment at the Company and for a period of twenty four months following the termination of employment, each of these executive officers shall abstain from providing services in any manner whatsoever, including consulting services, either paid or not paid, to any business or occupation in which the Company was involved.

Education Fund

The Named Executive Officers are eligible to participate in an education fund in which both the employee and the Company contribute up to 2.5% and 7.5% respectively of the employee's base salary each month. The Named Executive Officers are eligible to receive the fund upon termination of employment, including retirement. The education fund contribution, which is customary in Israel, can be used by the Named Executive Officers at any time for professional education and every 6 years for any other purpose. As is customary in Israel, the Company also reimburses the Named Executive Officers for taxes associated with Company contributions to this fund beyond the maximum contributed amount allowed according to the Israel Tax law.

Vacation Provision and Recreation Pay

The Named Executive Officers are eligible to take one month vacation per year. Additionally, pursuant to Israeli employment laws, each Named Executive Officer is entitled to a certain amount of recreation pay to be used for any other purpose. Each Named Executive Officer is entitled to receive 13 days of recreation pay, which amounts to approximately $1,690 on an annual basis.

Stock Ownership and Retention Guidelines

The Company does not have any stock ownership or retention guidelines or policies.

Summary Compensation Table
For Fiscal Year Ended December 31, 2006

The following table sets forth all of the compensation awards to our Named Executive Officers for the year ended December 31, 2006.

Name and Principal Position	Year	Salary	Bonus	Stock Awards	Option Awards (12)	All Other Compensation (7)	Total (9)
		$	$	$	$	$	$
Yosef A. Maiman (1) (8) Chairman of the Board, President and CEO	2006	632,144	984,627	-	68,947	30,605[10]	1,716,323
Irit Eluz (2) (8) CFO – SVP Finance & Treasurer	2006	263,848	673,692	-	152,664	152,928	1,243,133
Yoram Firon (3) (8) Secretary, Vice President Investments	2006	206,194	173,964	-	107,504	80,235	567,897
Amit Mantsur (4) Vice President Investments	2006	141,538	49,704	-	37,969	50,902	280,114
Giora Bar Nir (5) Vice President Accounting & Controller	2006	152,196	29,822	-	30,501	57,362	269,882
Jack Bigio (6)(8) Former President & CEO	2006	388,346	206,580	-	148,935	662,570[11]	1,406,431

(1) Mr. Maiman has been employed by Ampal since April 25, 2002 as Chairman of the Board; On September 19, 2006 Mr. Maiman was appointed as the President and CEO of Ampal.

(2) Ms. Eluz has been employed by Ampal since April 25, 2002.

(3) Mr. Firon has been employed by Ampal since April 25, 2002.

(4) Mr. Mantsur has been employed by Ampal since February 2, 2003.

(5) Mr. Bar-Nir has been employed by Ampal since June 17, 1990.

(6) Mr. Bigio served as President and CEO from April 25, 2002 until September 30, 2006. The amounts include final account settlement. Mr. Bigio exercised 150,000 options on October 4 , 2006.

(7) Comprised of Ampal (Israel's) contribution pursuant to: (i) Ampal (Israel's) pension plan and (ii) Ampal (Israel's) education fund and (iii) use of car and (iv) use of mobile and (v) final account settlement and (vi) redemption of vacation provision and (vii) reimbursed for the payment of taxes.

(8) Eligible to receive an additional payment of up to six months salary (i) in the event of a change of control of the Company and (ii) such executive officer's employment is terminated within six months from the date of the change of control of the Company.

(9) All cash compensation is paid in New Israeli Shekels. The amounts in the table are converted from the New Israeli Shekel to U.S. Dollars based on the exchange rate of 4.225, which represents the exchange rate as of December 31, 2006.

(10) Of such amount, for services as director, $22,000 was paid in cash.

(11) Of such amount, for services as director, $4,500 was paid in cash.

(12) Represents the compensation cost in 2006 in accordance with SFAS No. 123R for stock options, which includes amounts from awards granted in and prior to 2006.

Grants of Plan-Based Awards
For Fiscal Year Ended December 31, 2006

Name	Grant Date	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards ($)	Grant Date Fair Value of Stock and Option Awards [1]
Yosef A. Maiman	12/12/06	250,000	5.06	591,610

(1) Represents the grant date fair value of stock option awards computed in accordance with SFAS No. 123R.

Outstanding Equity Awards
For Fiscal Year Ended December 31, 2006

Option Awards

Name	Number of Securities Underlying Unexercised Options (Exercisable) (1)	Number of Securities Underlying Unexercised Options (Unexercisable) (1)	Option Exercise Price ($)	Option Expiration Date
Yosef A. Maiman	250,000		3.12	August 15, 2012
		250,000	5.06	December 11, 2016
Irit Eluz	78,500		3.12	August 15, 2012
	140,000	140,000	3.5	October 27, 2014
Yoram Firon	68,500		3.12	August 15, 2012
	95,000	95,000	3.5	October 27, 2014
Amit Mantsur	54,375	3,625	3.69	February 12, 2013
	7,500	7,500	3.5	October 27, 2014
Giora Bar Nir	63,500		3.12	August 15, 2012
	15,000	15,000	3.5	October 27, 2014
Jack Bigio	0	0	-	-

(1) Options expire 10 years from the grant date and vest in sixteen equal installments on the three month anniversary of the date of grant and each three month period thereafter.

Option Exercises and Stock Vested
as of Fiscal Year Ended December 31, 2006

Option Awards

Name	Number of Shares Acquired on Exercise	Value Realized on Exercise ($)
Jack Bigio	150,000	242,994

Compensation of Directors

Directors of Ampal (other than Mr. Maiman and prior to September 19, 2006, Mr. Bigio) received $1,500 per Board meeting attended. The Chairman of the Board receives $2,000 per Board meeting attended. Directors of Ampal also receive the same amount for attendance at meetings of committees of the Board, provided that such committee meetings are on separate days and on a day other than the day of a regularly scheduled Board meeting.

For attending Special Committee, Audit Committee and Executive Committee meetings Mr. Karni, the Chairman of the Special and the Audit Committee, is entitled to $30,000 per year. Each of Mr. Haber and Mr. Morag are entitled to $20,000 per year, for attending Special Committee and Audit Committee meetings.

In connection with the formation of the Special Committee on October 28, 2004, the Company entered into an Indemnification and Compensation Agreement with each of Messrs. Karni, Haber and Morag. In consideration for serving as a member of the Special Committee, the Company has agreed pursuant to the terms of the Indemnification and Compensation Agreement, among other things, to indemnify and hold harmless each Director with respect to his service on, and any matter or transaction considered by, the Special Committee to the fullest extent authorized or permitted by law. A copy of the form of this Indemnification and Compensation Agreement is attached as Exhibit 10j to this annual report on Form 10-K.

On December 12, 2006, the Stock Option and Compensation Committee of the Board approved the grant, pursuant to the Company's 2000 Incentive Plan to (i) Yosef A. Maiman an option to purchase 250,000 shares of the Company's Class A Stock (ii) Nimrod Novik an option to purchase 180,000 shares of the Company's Class A Stock, (iii) Joseph Yerushalmi an option to purchase 80,000 options, (iv) Leo Malamud an option to purchase 30,000 shares of the Company's Class A Stock and (v) each of Eitan Haber,Yehuda Karni and Menahem Morag, the Company's non-employee directors, an option to purchase 30,000 shares of the Company's Class A Stock. All of the foregoing options have an exercise price of $5.06 per share and will vest in equal installments beginning on March 12, 2007 and each three month anniversary thereafter. Additionally, the exercise price of these options may only be paid by the holders by having the Company withhold from the underlying option stock the number of shares having a fair market value equal to the exercise price.

Director Compensation
For Fiscal Year Ended December 31, 2006

Name	Fees Paid in Cash ($)	Option [(1)] Award ($)	Total ($)
Yehuda Karni [(2)(3)]	48,500	23,345	71,845
Menahem Morag [(2)(4)]	34,500	27,478	61,978
Eitan Haber [(2)(3)]	34,500	23,345	57,845
Leo Malamud [(5)]	13,500	39,082	52,582
Dr. Yossi Yerushalmi [(6)]	16,500	27,198	43,698
Dr. Nimrod Novik [(7)]	6,000	3,430	9,430

(1) Represents the compensation cost in 2006 in accordance with SFAS 123(R) for stock options, which includes amounts from awards granted in and prior to fiscal 2006.

(2) In fiscal 2006, Messrs. Karni, Morag and Haber were each granted an option to purchase 30,000 shares of our Class A Stock, each with a grant date fair value of $70,993. In fiscal 2005, Messrs. Karni, Morag and Haber were each granted an option to purchase 45,000 shares of our Class A Stock, each with a grant date fair value of $75,690.

(3) In fiscal 2002, Messrs. Karni, Morag and Haber were each granted an option to purchase 15,000 shares of our Class A Stock, each with a grant date fair value of $24,299.

(4) In fiscal 2004, Mr. Morag was granted an option to purchase 15,000 shares of our Class A Stock, with a grant date fair value of $31,935.

(5) In fiscal 2006, Mr. Malamud was granted an option to purchase 30,000 shares of our Class A Stock, with a grant date fair value of $70,993. In fiscal 2002, Mr. Malamud was granted an option to purchase 150,000 shares of our Class A Stock, with a grant date fair value of $242,994.

(6) In fiscal 2006, Mr. Yerushalmi was granted an option to purchase 80,000 shares of our Class A Stock, with a grant date fair value of $189,315. In fiscal 2002, Mr. Yerushalmi was granted an option to purchase 100,000 shares of our Class A Stock, with a grant date fair value of $161,996.

(7) In fiscal 2006, Mr. Novik was granted an option to purchase 180,000 shares of our Class A Stock, with a grant date fair value of $425,960.

The following table sets forth certain information regarding stock options granted to purchase our Class A Stock to our directors during the fiscal year ended December 31, 2006.

	2006
Yosef A. Maiman (1)	250,000
Jack Bigio (2)	-
Eitan Haber (3)	30,000
Yehuda Karni (3)	30,000
Menahem Morag (4)	30,000
Leo Malamud (2)	30,000
Dr. Yosef Yerushalmi (3)	80,000
Dr. Nimrod Novik (5)	180,000

(1) Director since August 16, 2002

(2) Director since March 6, 2002.

(3) Director since August 16, 2002.

(4) Director since March 24, 2004.

(5) Director since September 19, 2006.

Stock Option Plan

In March 1998, the Board approved a Long-Term Incentive Plan (“1998 Plan”) permitting the granting of options to all employees, officers, directors and consultants of the Company and its subsidiaries to purchase up to an aggregate of 400,000 shares of Class A Stock. The 1998 Plan was approved by a majority of the Company’s shareholders at the June 19, 1998 annual meeting of shareholders. The 1998 Plan remains in effect for a period of ten years. As of December 31, 2006, no options of the 1998 Plan are outstanding.

On February 15, 2000, the Compensation Committee approved a new Incentive Plan (“2000 Plan”), under which the Company has reserved 4 million shares of Class A Stock, permitting the granting of options to all employees, officers and directors. The 2000 Plan was approved by the Board of Directors at a meeting held on March 27, 2000 and was approved by a majority of the Company’s shareholders at the June 29, 2000 annual meeting of shareholders. The 2000 Plan remains in effect for a period of ten years. As of December 31, 2006, 2,164,500 options of the 2000 Plan are outstanding.

The options granted under the 1998 Plan and the 2000 Plan (collectively, the “Plans”) may be either incentive stock options, at an exercise price to be determined by the Compensation Committee but not less than 100% of the fair market value of the underlying options on the date of grant, or non-incentive stock options, at an exercise price to be determined by the Compensation Committee. The Compensation Committee may also grant, at its discretion, “restricted stock,” “dividend equivalent awards,” which entitle the recipient to receive dividends in the form of Class A Stock, cash or a combination of both and “stock appreciation rights,” which permit the recipient to receive an amount in the form of Class A Stock, cash or a combination of both, equal to the number of shares of Class A Stock with respect to which the rights are exercised multiplied by the excess of the fair market value of the Class A Stock on the exercise date over the exercise price. The options granted under the Plans were granted either at market value or above.

Under each of the Plans, all granted but unvested options become immediately exercisable upon the occurrence of a change in control of the Company. Prior to January 1, 2006 the Company accounted for all plans under APB Opinion No. 25, under which no compensation costs were incurred in the years ended December 31, 2004 and 2005. If compensation cost for the options under the above Plans had been determined in accordance with SFAS No. 123, the Company's net income (loss) would have been ($6.8 million) and ($19.0 million) for the years 2005 and 2004, respectively.

Effective January 1, 2006, the Company adopted SFAS No. 123R SFAS No. 123R revises SFAS No. 123, and supersedes Accounting Principles Board ("APB") Opinion No. 25, SFAS No. 123R requires the cost of all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values at grant date, over the requisite service period. For the year ended December 31, 2006 the Company recorded $720,000 as compensation expenses.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The current members of the Stock Option and Compensation Committee are Mr. Yehuda Karni, Mr. Eitan Haber and Mr. Menahem Morag, none of whom is an officer or employee or former officer or employee of the Company. During 2006, no executive officer of the Company served on the compensation committee or the Board of Directors of another entity whose executive officer(s) served on the Company's Stock Option and Compensation Committee for the Board of Directors.

Effective as of September 19, 2006, the Board determined that Mr. Yosef A. Maiman, our President and CEO, shall be responsible for (i) determining the annual base salary and non-equity based annual bonuses for all executive officers (other than the Chief Executive Officer) and for (ii) recommending to the Board director compensation and benefit programs. The Stock Option and Compensation Committee shall continue to be responsible for (i) administering the Option Plans and determining the officers and key employees who are to be granted options under the Option Plans and the number of shares subject to such options and (ii) determining the annual base salary and non-equity based annual bonus for Mr. Maiman in his capacity as Chairman, President and Chief Executive Officer. Mr. Maiman also may attend and participate in meetings of the Stock Option Committee.

COMPENSATION COMMITTEE REPORT

The Stock Option and Compensation Committee and Yosef A. Maiman have reviewed and discussed the Compensation Discussion and Analysis required by Regulation S-K, Item 402(b) with management. Based on the review and discussions referred to in the preceding sentence, the Stock Option and Compensation Committee and Yosef A. Maiman recommended to the board of directors that the Compensation Discussion and Analysis be included in this Annual Report on Form 10-K.

Yehuda Karni
Eitan Harber
Menahem Morag
Yosef A. Maiman

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

	Equity Compensation Plan Information [1]		
Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	2,164,500	3.83	1,796,625[2]
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	2,164,500	3.83	1,796,625

(1) All information provided as of December 31, 2006.

(2) The number of securities remaining available for future issuance under 1998 Plan is 388,000. The number of securities remaining available for future issuance under 2000 Plan is 1,408,625.

PRINCIPAL SHAREHOLDERS OF AMPAL

The following table sets forth information as of March 28, 2007, as to the holders known to Ampal who beneficially own more than 5% of the Class A Stock, the only outstanding series of voting securities of Ampal. As of March 28, 2007, there were 49,355,791 (not including treasury shares) shares of Class A Stock of Ampal outstanding.

Security Ownership of Certain Beneficial Owners

Name and Address of Beneficial Owner	Title of Class	Number of Shares and Nature of Beneficial Ownership	Percent of Outstanding Shares of Class A Stock
Di-Rapallo Holdings Ltd., of 33 Havazelet Hasharon St., Herzliya, Israel	Class A Stock	11,750,132 (1)	23.81%
De-Majorca Holdings Ltd., of 33 Havazelet Hasharon St., Herzliya, Israel	Class A Stock	18,850,153 (2)	38.19%
Yosef A. Maiman Y.M. Noy Investments Ltd., of 33 Havazelet Hasharon St., Herzliya, Israel	Class A Stock	30,865,910 (1)(2)(3)	62.20%
Ohad Maiman Y.M. Noy Investments Ltd., of 33 Havazelet Hasharon St., Herzliya, Israel	Class A Stock	30,600,285 (1)(2)	62.00%
Noa Maiman Y.M. Noy Investments Ltd., of 33 Havazelet Hasharon St., Herzliya, Israel	Class A Stock	30,600,285 (1)(2)	62.00%
Yoav Maiman Y.M. Noy Investments Ltd., of 33 Havazelet Hasharon St., Herzliya, Israel	Class A Stock	30,600,285 (1)(2)	62.00%

(1) Consists of 11,750,132 shares of Class A Stock held directly by Di-Rapallo Holdings Ltd. Yosef A. Maiman owns 100% of the economic shares and one-fourth of the voting shares of Di-Rapallo Holdings Ltd.. In addition, Mr. Maiman holds an option to acquire the remaining three quarters of the voting shares of Di-Rapallo Holdings Ltd. (which are currently owned by Ohad Maiman, Noa Maiman and Yoav Maiman, the son, daughter and son, respectively, of Mr. Maiman).

(2) Consists of 18,850,153 shares of Class A Stock held directly by De-Majorca Holdings Ltd. Yosef A. Maiman owns 100% of the economic shares and one-fourth of the voting shares of De-Majorca Holdings Ltd.. In addition, Mr. Maiman holds an option to acquire the remaining three quarters of the voting shares of De-Majorca Holdings Ltd. (which are currently owned by Ohad Maiman, Noa Maiman and Yoav Maiman, the son, daughter and son, respectively, of Mr. Maiman).

(3) Includes 265,625 shares of Class A Stock underlying options which are currently exercisable by Mr. Maiman.

Security Ownership of Management

The following table sets forth information as of March 28, 2007 as to each class of equity securities of Ampal or any of its subsidiaries beneficially owned by each director and named executive officer of Ampal listed in the Summary Compensation Table and by all directors and named executive officers of Ampal as a group. All ownership is direct unless otherwise noted. The table does not include directors or named executive officers who do not own any such shares:

Name	Number of Shares and Nature of Beneficial Ownership of Class A Stock	Percent of Outstanding Shares of Class A Stock
Yosef Maiman	30,865,910[(1)(2)]	62.20%
Irit Eluz	253,500[(2)]	*
Yoram Firon	187,250[(2)]	*
Amit Mantsur	56,500[(2)]	
Leo Malamud	151,875[(2)]	*
Dr. Joseph Yerushalmi	105,000[(2)]	*
Dr. Nimrod Novik	11,250[(2)]	
Eitan Haber	33,750[(2)]	*
Yehuda Karni	33,750[(2)]	*
Menahem Morag	30,000[(2)]	*
Giora Bar-Nir	82,250[(2)]	*
Jack Bigio	150,000[(2)]	*
All Directors and Executive Officers as a Group	31,961,035[(2)]	63.21%

* Represents less than 1% of the class of securities.

(1) Attributable to 11,750,132 and 18,850,153 shares of Class A Stock held directly by Di-Rapallo Holdings Ltd and De-Majorca Holdings Ltd., respectively. See “Security Ownership of Certain Beneficial Owners.” In addition, this represents 265,625 shares underlying options for Yosef Maiman which are presently exercisable.

(2) Represents shares underlying options which are presently exercisable or exercisable in 60 days.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The Company, through Merhav Ampal Energy, Ltd., a wholly-owned subsidiary of the Company, entered into an agreement with Merhav (M.N.F.) Ltd. ("Merhav") for the purchase from Merhav a portion of its interest in East Mediterranean Gas Co. S.A.E., an Egyptian joint stock company ("EMG"). The sole owner of Merhav is Yosef A. Maiman, who is also the Chairman, President and CEO of the Company and a member of the controlling shareholder group of Ampal.

On August 1, 2006 the Company acquired the beneficial ownership of 4.6% of the outstanding shares of EMG's capital stock from Merhav. The transaction was accounted for as a transfer of assets between entities under common control, which resulted in Merhav transferring the investment in EMG to Ampal at carrying value. Due to the nature of Merhav's operations, this entity would be treated as an investment company under US GAAP, and as such, the carrying value of the investment in EMG would equal fair value. On this basis, the 4.6% investment in EMG was transferred to Ampal at carrying value, which also equals fair value. The purchase price for the shares was $100.0 million, of which, $50.0 million was paid in cash and the balance was paid in 10,248,002 shares of the Company Class A Stock (based on a purchase price of $4.88 per share) that was accounted for at a fair value of $49.0 million (the fair value was determined based on the average price per share from 2 days before the agreement press release through 2 days after the agreement press release). The issuance of the shares of Class A Stock received the approval of the shareholders of the Company as required by the marketplace rules of the NASDAQ Global Market. As a result of this transaction, the Company beneficially owned 6.6% of the total outstanding shares of EMG. Through August 2008, the purchase price may be adjusted downward should Merhav sell any of its remaining shares of EMG to a third-party purchaser at a purchase price per share lower than the price per share paid by the Company pursuant to the agreement. Additionally, pursuant to the agreement, the Company was granted an option for a period of up to two years to have the right to acquire up to an additional 5.9% of the total outstanding shares of EMG stock.

Yosef A. Maiman, the Chairman, President and CEO of the Company and a member of the controlling shareholder group of the Company, is the sole owner of Merhav. Because of the foregoing relationships, a special committee of the Board of Directors composed of the Company's independent directors, who also constitute all of the members of the Company's Audit Committee, negotiated and approved the transaction. Houlihan Lokey Howard & Zukin Financial Advisors, Inc., which was retained as financial advisor to the special committee, delivered a fairness opinion to the special committee regarding the transaction.

On August 22, 2006, EMG called for additional capital from all of its shareholders. As a result, the Company paid an additional $2.7 million in order to maintain its pro rata beneficial interest in this investment.

On December 21, 2006, the Company acquired the beneficial ownership of an additional 5.9% of the outstanding shares of EMG's capital stock pursuant to an option granted by Merhav in August 2006. The transaction was accounted for as a transfer of assets between entities under common control, which resulted in Merhav transferring the investment in EMG to Ampal at carrying value. Due to the nature of Merhav's operations, this entity would be treated as an investment company under US GAAP, and as such, the carrying value of the investment in EMG would equal fair value. On this basis, the 5.9% investment in EMG was transferred to Ampal at carrying value, which also equals fair value.

The purchase price for the shares was approximately $128.3 million, of which approximately $68.3 million was paid in cash, $40 million was paid in 8,602,151 shares of the Company's Class A Stock and the balance was satisfied by the issuance of a promissory note in the principal amount of $20 million (the "Convertible Promissory Note"), which, at the option of Merhav, will be paid in cash, additional shares of the Company Class A Stock (based on a price per share of $4.65 per share), or a combination thereof. As permitted under the stock purchase agreement, Merhav assigned its right to the 8,602,151 Shares to De Majorca Holdings Limited as part of Merhav's restructuring process. The Convertible Promissory Note bears interest at 6 months LIBOR (5.375%) and matures on the earlier of September 20, 2007 or upon demand by Merhav. Ampal may pre-pay the Convertible Promissory Note at any time in whole or in part. The maximum number of shares that can be issued in this transaction (including accrued interest payable through the maturity date on the Convertible Promissory Note) is 13,078,540 shares of Class A Stock. As a result of this transaction, Ampal beneficially owns 12.5% of the total outstanding shares of EMG. The issuance of the 8,602,151 shares and the shares underlying the Convertible Promissory Note received the approval of the shareholders of the Company on February 7, 2007, as required by the marketplace rules of the NASDAQ Global Market. Due to the agreement of the controlling shareholder group to vote in favor of the issuance of these shares to Merhav as of the closing date of the EMG transaction (which ensured that the proposal would be adopted by the requisite shareholder vote on February 7, 2007), the Company classified for accounting purposes the sale of these shares as part of the exchange with Merhav on December 21, 2006, and recognized the $40 million within shareholders' equity as "Receipt on account of unallocated shares." The investment in EMG is included in the energy segment.

Yosef A. Maiman, the Chairman, President and CEO of the Company and a member of the controlling shareholder group of the Company, is the sole owner of Merhav. Because of the foregoing relationships, a special committee of the Board of Directors composed of the Company's independent directors, who also constitute all of the members of the Company's Audit Committee, negotiated and approved the transaction. Houlihan Lokey Howard & Zukin Financial Advisors, Inc., which was retained as financial advisor to the special committee, advised the special committee on these transactions.

Review and Approval of Transactions with Management and Others

Pursuant to its written charter and the marketplace rules of the NASDAQ Global Market, the Audit Committee must review with management and approve all transactions or courses of dealing with parties related to the Company. In determining whether to approve a related person transaction, the Audit Committee will consider a number of factors including whether the related person transaction is on terms and conditions no less favorable to us than may reasonably be expected in arm's-length transactions with unrelated parties. The Audit Committee has the authority to engage independent legal, financial and other advisors. The Audit Committee has reviewed and approved the terms of each of the transactions described above.

Director Independence

Because a "group" of shareholders (as defined under Rule 13d-5(b)(1) of the Securities Exchange Act of 1934, as amended) consisting of Yosef A. Maiman, Ohad Maiman, Noa Maiman, and Yoav Maiman, and the companies Merhav (M.N.F.) Limited, De Majorca Holdings Ltd. and Di-Rapallo Holdings Ltd. beneficially owns more than 50% of the voting power in the Company, the Company is deemed to be a "controlled company" under the rules of the NASDAQ Global Market. As a result, we are exempt from the NASDAQ rules that require listed companies to have (i) a majority of independent directors on the Board of Directors, (ii) a compensation committee and nominating committee composed solely of independent directors, (iii) the compensation of executive officers determined by a majority of the independent directors or a compensation committee composed solely of independent directors and (iv) a majority of the independent directors or a nominating committee composed solely of independent directors elect or recommend director nominees for selection by the Board of Directors. The Company has an Audit Committee of the Board consisting of Messrs. Karni, Haber and Morag, each of whom is an independent director as defined under the rules of the National Association of Securities Dealers, Inc. and the rules promulgated by the Securities and Exchange Commission. Other than the members of the Audit Committee, there are no other independent directors that serve on the Board of Directors.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

AUDIT FEES. The fees of Kesselman & Kesselman ("Kesselman") CPA (ISR) for professional services rendered for the audit of the Company's annual financial statements for the fiscal years ended December 31, 2006 and December 31, 2005 and reviewing the financial statements included in the Company's quarterly reports on Form 10-Q were $276,000 and $266,000, respectively.

TAX FEES. Kesselman's tax fees for the fiscal years ended December 31, 2006 and December 31, 2005, were $205,000 and $209,000, respectively.

ALL OTHER FEES - Kesselman's fees for other services for the fiscal years ended December 31, 2006 and December 31, 2005, were $316,500 and $236,000, respectively.

All of the services provided by our principal accounting firm described above under the captions "Audit Fees", "Tax Fees" and "All Other Fees" were approved by our Audit Committee. The Audit Committee has determined that the rendering of professional services described above by Kesselman is compatible with maintaining the auditor's independence.

Audit Committee Pre-Approval Policies

The Company's Audit Committee Charter provides that the Audit Committee shall approve in advance all audit services and all non-audit services provided by the independent auditors based on policies and procedures developed by the Audit Committee from time to time. The Audit Committee will not approve any non-audit services prohibited by applicable SEC regulations or any services in connection with a transaction initially recommended by the independent auditor, the purpose of which may be tax avoidance and the tax treatment of which may not be supported by the Internal Revenue Code and related regulations.

Our Audit Committee requires that our independent auditor, in conjunction with our Chief Financial Officer, be responsible for seeking pre-approval for providing services to us and that any request for pre-approval must inform the Audit Committee about each service to be provided and must provide detail as to the particular service to be provided.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as a part of this report:

	Page Reference
(1) Financial Statements and Supplementary Data	
Ampal-American Israel Corporation and Subsidiaries	
Report of Independent Registered Public Accounting Firm	27
Consolidated Balance Sheets as of December 31, 2006 and 2005	28-29
Consolidated Statements of Operations for the years ended December 31, 2006, 2005 and 2004	30
Consolidated Statements of Cash Flows for the years ended December 31, 2006, 2005 and 2004	31–32
Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2006, 2005 and 2004	33-35
Consolidated Statements of Comprehensive Income for the years ended December 31, 2006, 2005 and 2004 (included as part of the Statements of Changes in Shareholders' Equity for the respective years)	33-35
Notes to Consolidated Financial Statements	36-58
Supplementary Data:	
Selected quarterly financial data for the years ended December 31, 2006 and 2005	24
(2) Financial Statement Schedules	

(i) Schedule of Representative Rates of Exchange between the U.S. Dollar and New Israeli Shekel for three years ended December 31, 2006

Representative Rates of Exchange
Between the U.S. Dollar and the New Israeli Shekel
For the Three Years Ended December 31, 2006

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

	2006	2005	2004
March 31	4.665	4.361	4.528
June 30	4.440	4.574	4.497
September 30	4.302	4.598	4.482
December 31	4.225	4.603	4.308

(ii) Consolidated financial statements filed pursuant to Rule 3-09 of Regulation S-X

Coral World International Ltd.

Report of Certified Public Accountants

Consolidated Balance Sheets as at December 31, 2006 and 2005
Consolidated Statements of Income for the years ended December 31, 2006, 2005 and 2004
Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2006, 2005 and 2004
Consolidated Statements of Cash Flows for the years ended December 31, 2006, 2005 and 2004
Notes to Financial Statements

Ophir Holdings Ltd.

Report of Certified Public Accountants

Consolidated Balance Sheets as at December 31, 2006 and 2005
Consolidated Statements of Income for the years ended December 31, 2006, 2005 and 2004
Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2006, 2005 and 2004
Consolidated Statements of Cash Flows for the years ended December 31, 2006, 2005 and 2004
Notes to Financial Statements

Ophirtech Ltd.

Report of Certified Public Accountants

Consolidated Balance Sheets as at December 31, 2005 and 2004
Consolidated Statements of Income for the years ended December 31, 2005, 2004 and 2003
Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2005, 2004 and 2003
Consolidated Statements of Cash Flows for the years ended December 31, 2005, 2004 and 2003
Notes to Financial Statements

(iii) Reports of Other Certified Public Accountants filed pursuant to Rule 2-05 of Regulation S-X:

Bay Heart Ltd.
Carmel Container Systems Ltd.
C.D Packaging System Ltd.
Epsilon Investment House Ltd.
Hod Hasharon Sport Center Ltd.
Hod Hasharon Sport Center (1992) Limited Partnership
Renaissance Investment Co. Ltd.

Exhibit 2 - Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession

2a. Purchase and Sale Agreement, dated January 5, 1998, between Ampal Communications, Inc. and Motorola Communications Israel Ltd. (Includes as Exhibit A the form of Partnership Agreement between Ampal Communications, Inc. and Motorola Communications Israel Ltd. and as Exhibit B the form of Shareholders' Agreement between Ampal Communications, Inc. and Motorola Communications Israel Ltd.) (Filed as Exhibit 2 to a Current Report on Form 8-K, dated February 5, 1998, and incorporated herein by reference, File No. 0-538.)

2b. Amendment, dated January 22, 1998, to (i) Purchase and Sale Agreement, dated January 5, 1998, between Ampal Communications, Inc. and Motorola Communications Israel Ltd., (ii) Partnership Agreement between Ampal Communications, Inc. and Motorola Communications Israel Ltd. and (iii) form of Shareholders' Agreement between Ampal Communications, Inc. and Motorola Communications Israel Ltd. (Filed as Exhibit 2a to a Current Report on Form 8-K, dated February 5, 1998, and incorporated herein by reference, File No. 0-538.)

Exhibit 3 - Articles of Incorporation and By-Laws

3a. Amended and Restated Certificate of Incorporation of Ampal-American Israel Corporation, dated May 28, 1997. (Filed as Exhibit 3a. to Form 10-Q, for the quarter ended June 30, 1997 and incorporated herein by reference, File No. 0-5380).

3b. Certificate of Amendment of Certificate of Incorporation, dated July 18, 2006 (Filed as Exhibit 3.1 to Form 8-K, filed with the SEC on July 19, 2006, and incorporated herein by reference).

3c. Certificate of Amendment of Certificate of Incorporation, dated July 18, 2006 (Filed as Exhibit 3.1 to Form 8-K, filed with the SEC on July 19, 2006, and incorporated herein by reference).

3d. Certificate of Amendment of Certificate of Incorporation, dated February 7, 2007 (Filed as Exhibit 3.4 to Form S-3, filed with the SEC on February 28, 2007, and incorporated herein by reference).

3e. By-Laws of Ampal-American Israel Corporation as amended, dated February 14, 2002 (incorporated by reference to Exhibit 3b. of Ampal's Form 10-K filed on March 27, 2002).

Exhibit 4 - Instruments Defining the Rights of Security Holders, Including Indentures

4a. Form of Indenture dated as of November 1, 1984. (Filed as Exhibit 4a. to Registration Statement No. 2-88582 and incorporated herein by reference).

4b. 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).

4c. English translation of the original Hebrew language Trust Deed dated November 20, 2006 between Ampal-American Israel Corporation and Hermatic Trustee (1975) Ltd. for debt offering.

Exhibit 10 - Material Contracts

10a. Agreement, dated March 22, 1993, between the Investment Company of Bank Leumi, Ltd., and Ophir Holdings Ltd., Mercazim Investments Ltd., Diur B.P. Ltd. and Mivnat Holdings Ltd. (Filed as Exhibit 10.4 to Pre-Effective Amendment No. 1 to Registration Statement No. 33-51023 and incorporated herein by reference).

10b. Agreement, dated March 30, 1994, between Poalim Investments Ltd., Ampal (Israel) Ltd. and Ampal Industries (Israel) Ltd. (Translation). (Filed as Exhibit 10l, to Form 10-K for the fiscal year ended December 31, 1994 and incorporated herein by reference, File No. 0-538).

10c. Loan Agreement, dated April 27, 1998, between Bank Hapoalim Ltd. and Ampal Communications Limited Partnership (Filed as Exhibit 10.1 to Report on Form 10-Q for the quarter ended June 30, 1998, File No. 0-538).

10d. Form of Loan Agreement between Ampal Communications Limited Partnership and Bank Leumi Le-Israel B.M. (Filed as Exhibit 10.2 to Report on Form 10-Q for the quarter ended June 30, 1998, File No. 0-538).

10e. Sale and Purchase Agreement, dated November 8, 2000, between Ampal Realty Corporation and Second 800 LLC. (Filed as Exhibit 10I to Form 10-K for the fiscal year ended December 31, 2002, File No. 000-00538).

10f. The Company's 1998 Long-Term Incentive Plan (Filed as Exhibit A to the Company's Proxy Statement for the 1998 Annual Meeting of Shareholders).*

10g. The Company's 2000 Incentive Plan (Filed as an exhibit to the Company's Proxy Statement for the 2000 Annual Meeting of Shareholders).*

10h. Amendment to the Company's 1998 Long Term Incentive Plan adopted by the Board of Directors on February 14, 2002.* (Filed as Exhibit 10h to the report on Form 10K. Filed on March 27, 2003)

10i. Amendment to the Company's 2000 Incentive Plan adopted by the Board of Directors on February 14, 2002.* (Filed as Exhibit 10i to the report on Form 10K. Filed on March 27, 2003).

10j. Compensation and Indemnification Agreement, dated as of December 13, 2004, between Ampal-American Israel Corporation and each of Mr. Yehuda Karni, Mr. Eitan Haber and Mr. Menachem Morag. (Filed as Exhibit 10j to the report on Form 10K. Filed on March 15, 2005).

10k. Stock Option Cancellation Agreement, dated as of November 30, 2004, between Ampal-American Israel Corporation and Dafna Sharir. (Filed as Exhibit 10k to the report on Form 10K. Filed on March 15, 2005).

10l. Omnibus Agreement, dated as of December 1, 2005, between Merhav Ampal Energy Limited and Merhav (M.N.F.) Limited. (Filed as Exhibit 10l to the report on Form 10K filed on March 29, 2006)

10m. Stock Purchase and Indemnification Agreement, dated as of August 30, 2005, by and among Motorola Israeli Ltd., Ampal Communications Limited Partnership and MIRS Communications Ltd. (Filed as Exhibit 99.1 of Form 8-K, filed with the SEC on October 3, 2005, and incorporated herein by reference).

10n. Form of Option Agreement pursuant to the 2000 Incentive Plan (Filed as Exhibit 99.1 of Form 8-K, filed with the SEC on October 11, 2005, and incorporated herein by reference).

10o. Form of Option Agreement for December 12, 2006 grants pursuant to the 2000 Incentive Plan.

10p. Stock Purchase Agreement between Merhav Ampal Energy Limited and Merhav (M.N.F.) Limited, dated August 1, 2006 (Filed as Exhibit 10 of Form 8-K, filed with the SEC on August 3, 2006, an incorporated herein by reference).

10q. Stock Purchase Agreement between Merhav Ampal Energy Limited and Merhav (M.N.F.) Limited, dated November 28, 2006 (Filed as Exhibit 10.1 to Form 8-K, filed with the SEC on December 1, 2006, and incorporated herein by reference).

10r. Agreement of Certain Shareholders between Merhav Ampal Energy Ltd. and Merhav (M.N.F.) Ltd. dated August 1, 2006.

10s. Form of Convertible Promissory Note between Ampal-American Israel Corporation and Merhav (M.N.F.) Ltd. (Filed as Exhibit 10.2 to Form 8-K, filed with the SEC on December 1, 2006, and incorporated herein by reference).

10t. Form of Securities Purchase Agreement, dated as of November 28, 2006, between Ampal-American Israel Corporation and certain investors (Filed as Exhibit 10.1 of 8-K, filed with the SEC on January 3, 2007, and incorporated herein by reference).

10u. Form of Warrant Agreement, dated as of December 28, 2006, between Ampal-American Israel Corporation and certain investors (Filed as Exhibit 10.2 of 8-K, filed with the SEC on January 3, 2007, and incorporated herein by reference).

10v. Form of Registration Rights Agreement, dated as of December 28, 2006, between Ampal-American Israel Corporation and certain investors (Filed as Exhibit 10.3 of 8-K, filed with the SEC on January 3, 2007, and incorporated herein by reference).

10w. Share Sale and Purchase Agreements dated May 22, 2006, between Ampal-American Israel Corporation and Red Sea Underwater Observatory Ltd. for the sale of Coral World International Ltd. shares and Ted Sea Marinland Holdings 1973 Ltd.

10x. English translation of the original Hebrew language Form of Employment Agreement for each of Yosef A. Maiman, Jack Bigio, Irit Eluz, Yoram Firon and Amit Mantsur.*

10y. English translation of the original Hebrew language Employment Agreement for Giora Bar-Nir.*

*Management contract, compensatory plan or arrangement.

Exhibit 11 - Statement re Computation of Earnings Per Share

Exhibit 12 - Statement re Computation of Ratios

Exhibit 21 - Subsidiaries of the Registrant

Exhibit 23 - Consents of Experts and Counsel:

23.1	Kesselman & Kesselman CPAs (Isr) A member of PricewaterhouseCoopers International Limited	E-23.1
23.2	Brightman Almagor & Co., Certified Public Accountants A member firm of Deloitte Touche Tohmatsu	E-23.2
23.3	Kost Forer Gabbay & Kasierer Member of Ernst & Young Global	E-23.3
23.4	Kesselman & Kesselman CPAs (Isr) A member of PricewaterhouseCoopers International Limited	E-23.4
23.5	Fahn, Kanne & Co. Certified Public Accountants (Isr.)	E-23.5
23.6	Kost Forer Gabbay & Kasierer Member practice of Ernst & Young Global	E-23.6
23.7	KPMG Somekh Chaikin, Certified Public Accountants	E-23.7
23.8	KPMG Somekh Chaikin, Certified Public Accountants	E-23.8
23.9	Kesselman & Kesselman CPAs (Isr) A member of PricewaterhouseCoopers International Limited	E-23.9
23.10	Kesselman & Kesselman CPAs (Isr) A member of PricewaterhouseCoopers International Limited	E-23.10
23.11	Kost Forer Gabbay & Kasierer Member practice of Ernst & Young Global	E-23.11

Exhibit 31.1 - Certification of Yosef A. Maiman pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Exhibit 31.2 - Certification of Irit Eluz pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 32 - Certification of Yosef A. Maiman and Irit Eluz pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 30 th day of March, 2007.

AMPAL-AMERICAN
ISRAEL CORPORATION

By: /s/ YOSEF A. MAIMAN

Yosef A. Maiman, Chief Executive
Officer and President (Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on March 30, 2007.

Signatures	Title	Date
/s/ YOSEF A. MAIMAN Yosef A. Maiman	Chairman of the Board of Directors, President & CEO	March 30, 2007
/s/ JACK BIGIO Jack Bigio	Director	March 30, 2007
/s/ LEO MALAMUD Leo Malamud	Director	March 30, 2007
/s/ DR. JOSEPH YERUSHALMI Dr. Joseph Yerushalmi	Director	March 30, 2007
/s/ DR. NIMROD NOVIK Dr. Nimrod Novik	Director	March 30, 2007
/s/ YEHUDA KARNI Yehuda Karni	Director	March 30, 2007
/s/ EITAN HABER Eitan Haber	Director	March 30, 2007
/s/ MENAHEM MORAG Menahem Morag	Director	March 30, 2007
/s/ IRIT ELUZ Irit Eluz	CFO, Senior Vice President – Finance and Treasurer (Principal Financial Officer)	March 30, 2007
/s/ GIORA BAR – NIR Giora Bar-Nir	VP Accounting & Controller (Principal Accounting Officer)	March 30, 2007

Consolidated Financial Statements
as of December 31, 2006

CORAL WORLD INTERNATIONAL LTD.

Consolidated financial statements
as of December 31, 2006

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE SHAREHOLDERS

OF CORAL WORLD INTERNATIONAL LTD.

We have audited the accompanying consolidated balance sheets of **"Coral World International Ltd."** (the "Company") as of December 31, 2006 and 2005, 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, 2006. These consolidated financial statements are the responsibility of the Board of Directors and management of the Company. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (PCAOB) (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the Board of Directors and management of the Company, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Coral World International Ltd. as of December 31, 2006 and 2005, and the results of its operations, changes in shareholders' equity and changes in cash flows for each of the three years in the period ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

Fahn Kanne & Co.
Certified Public Accountants (Isr.)

Tel-Aviv, Israel, March 22, 2007

CORAL WORLD INTERNATIONAL LTD.

CONSOLIDATED BALANCE SHEETS

(in thousands)	US Dollars December 31, 2006	2005
A S S E T S		
Current assets		
Cash and cash equivalents (Note 2)	7,432	8,742
Accounts receivable:		
Trade (Note 3)	1,358	1,167
Other (Note 4)	4,034	994
Inventories	1,880	1,867
Total current assets	14,704	12,770
Long-term investments and other debit balances		
Long-term balance – related party	-	914
Investments in affiliated company (Note 5)	-	10,331
Funds in respect of employee rights upon retirement (Note 11)	1,092	901
Total long-term investments and other debit balances	1,092	12,146
Property and equipment, net (Note 6)	52,007	15,065
Deferred income taxes (Note 7)	341	472
Minority share of shareholders deficit of subsidiary	998	497
Total assets	69,142	40,950

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

CORAL WORLD INTERNATIONAL LTD.

CONSOLIDATED BALANCE SHEETS

(in thousands)	US Dollars December 31, 2006	2005
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Credit from banking institutions (Note 8)	10,395	5,714
Accounts payable and other accruals:		
Trade	2,104	1,134
Other (Note 9)	2,026	2,308
Total current liabilities	14,525	9,156
Long-term liabilities		
Long-term loans (Note 10)	39,497	1,093
Deferred taxes (Note 7)	836	-
Liability for employee rights upon retirement (Note 11)	1,675	1,413
	42,008	2,506
Contingent liabilities, commitments and liens (Note 12)		
Minority interests	2,766	2,424
Total long-term liabilities	59,299	14,086
Shareholders' equity (Note 13)		
A. Management shares, $2 par value; authorized 5,000 shares; issued and outstanding 2,500 shares	5	5
B. Management shares, $2 par value; authorized 5,000 shares; issued and outstanding 2,500 shares	5	5
C. Preference shares, $2 par value; authorized 1,000 shares; issued and outstanding 1,000 shares	2	2
Cost of company shares held by subsidiary	(21,000)	-
Additional paid-in capital	17,550	17,550
Retained earnings	14,374	10,444
Accumulated other comprehensive loss	(1,093)	(1,142)
Total shareholders' equity	9,843	26,864
Total liabilities and shareholders' equity	69,142	40,950

Benjamin Kahn
Member of the Board

Benzi Dolev
CFO

Date: March 22, 2007

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

CORAL WORLD INTERNATIONAL LTD.

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except share data)	US dollars Year ended December 31, 2006	2005	2004
Admission fees	17,378	15,475	14,597
Sales in shops and cafeterias	11,109	9,793	8,841
Commissions and others	604	523	425
	29,091	25,791	23,863
Cost of sales (Note 14)	(13,753)	(13,045)	(12,663)
Gross profit	15,338	12,746	11,200
Selling expenses (Note 15)	(2,284)	(2,139)	(2,443)
General and administrative expenses (Note 16)	(6,900)	(5,730)	(6,817)
Other expense, net (Note 17)	(287)	(728)	(28)
Operating income	5,867	4,149	1,912
Financing income (expenses), net	147	(865)	(32)
Income before taxes on income	6,014	3,284	1,880
Taxes on income (Note 18)	(1,677)	(1,533)	(78)
Losses from affiliated company	-	(14)	(451)
Minority interest, net	(407)	(55)	108
Net income	3,930	1,682	1,459
Earnings per share	655	280	243
Weighted average number of shares outstanding:	6,000	6,000	6,000

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

CORAL WORLD INTERNATIONAL LTD.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Number & amount of shares	Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings	Cost of company shares held by a subsidiary	Total
US dollars (in thousands)						
Balance at January 1, 2004	12	17,550	(1,019)	7,303	-	23,846
Changes during 2004:						
Net income	-	-	-	1,459	-	1,459
Translation of financial statements of subsidiaries and affiliated companies	-	-	413	-	-	413
Total comprehensive income						1,872
Balance at December 31, 2004	12	17,550	(606)	8,762	-	25,718
Changes during 2005:						
Net income	-	-	-	1,682	-	1,682
Translation of financial statements of subsidiaries and affiliated companies	-	-	(536)	-	-	(536)
Total comprehensive income						1,146
Balance at December 31, 2005	12	17,550	(1,142)	10,444	-	26,864
Changes during 2006:						
Net income	-	-	-	3,930	-	3,930
Translation of financial statements of subsidiaries and affiliated companies	-	-	49	-	-	49
Total comprehensive income						3,979
Cost of company shares held by subsidiary	-	-	-	-	(21,000) (*)	(21,000)
Balance at December 31, 2006	12	17,550	(1,093)	14,374	(21,000)	9,843

(*) See Note 1B.

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

CORAL WORLD INTERNATIONAL LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	US dollars Year ended December 31, 2006	2005	2004
Cash flows from operating activities:			
Net income for the year	3,930	1,682	1,459
Adjustments required to reflect cash flows from operations:			
Depreciation and amortization	2,849	2,799	4,075
Increase in liability for employee rights upon retirement	136	303	484
Deferred taxes	836	221	(618)
Loss from affiliated company	-	14	451
Capital loss (gain) on sale of property and equipment, net	(11)	1	28
Minority interest, net	407	55	(108)
Exchange differences of long-term loan	(1,060)	(57)	223
Decrease (increase) in accounts receivable:			
Trade	(98)	(98)	191
Other	(574)	(225)	(205)
Decrease (increase) in inventories	56	348	(297)
Increase (decrease) in accounts payable and other accruals:			
Trade	709	246	(186)
Other	(518)	428	(290)
Net cash flows provided by operating activities	6,662	5,717	5,207
Cash flows from investing activities:			
Purchase of property and equipment	(11,345)	(801)	(536)
Investment in projects	-	-	(180)
Loans to affiliated companies	144	(5,391)	(1,579)
Proceeds from sale of property and equipment	33	6	47
Decrease (increase) in funds in respect of employee rights upon retirement	(110)	138	(546)
Acquisition of subsidiary (Appendix A)	1,168	-	-
Net cash flows used in investing activities	(10,110)	(6,048)	(2,794)
Cash flows from financing activities:			
Credit and short-term loans from banking institutions, net	7,722	(524)	(16)
Receipt of long-term credit from banking institutions	20,303	-	-
Repayment of long-term credit from banking institutions	(5,333)	(1,347)	(1,329)
Cost of company shares held by subsidiary	(21,000)	-	-
Net cash flows provided by (used in) financing activities	1,692	(1,871)	(1,345)
Effect of exchange rate changes on cash and cash equivalents	446	(160)	57
Increase in cash and cash equivalents	(1,310)	(2,362)	1,125
Balance of cash and cash equivalents - beginning of the year	8,742	11,104	9,979
Balance of cash and cash equivalents - end of the year	7,432	8,742	11,104

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

CORAL WORLD INTERNATIONAL LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS (cont.)

Appendix A: Acquisition of subsidiary

	US dollars		
(in thousands)	**Year ended December 31, 2006**	**2005**	**2004**
Working capital (excluding cash and cash equivalents, net)	(2,233)	-	-
Property and equipment, net	(27,384)	-	-
Investment in an affiliated company	11,998	-	-
Long-term bank loans	19,285	-	-
Minority interest	(498)	-	-
	1,168	-	-

Supplementary disclosure of cash flow information

	US dollars		
(in thousands)	**Year ended December 31, 2006**	**2005**	**2004**
Interest	1,756	312	419
Income taxes	1,967	120	586

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. General

1. Coral World International Ltd. (hereinafter – "CWI") was incorporated on December 3, 1987 under the laws of the Island of Guernsey, Channel Islands, for purposes of owning and operating marine parks in various locations. Until May 2006, CWI was owned 50% by Ampal-American Israel Corporation and 50% by Marine Parks Holding Ltd. During May 2006, the subsidiary Red Sea Underwater Observatory Ltd. (hereunder: "RSUO"), paid an amount of NIS 94,500 thousand (US$ 21 million) to Ampal-American Israel Corporation in respect of its shares.

In 2005, the subsidiary held 40% of the shares in Palma Aquarium Holdings B.V. (hereinafter: "Palma") during the third quarter of 2006 purchased an additional 15% of Palma in an amount of €852 thousand. Since that date, the financial statements of Palma are consolidated with those of the Company.

As used in these financial statements, the term "Company" refers to Coral World International Ltd. and its subsidiaries.

A list of the Company's investees can be found in the Appendix at the end of these financial statements.

2. Functional currency

The accompanying financial statements have been prepared in US dollars ("dollars" or "$"). Substantially all of the revenues of CWI's subsidiaries are received, and substantially all of their operating costs are incurred, in local currencies. The functional currency of CWI is the US dollar and the functional currencies of its subsidiaries are the local currencies in which each such entity operates. The financial statements of the subsidiaries are translated into US dollars in accordance with the principles set forth in Statement of Financial Accounting Standards ("FAS") No. 52 of the Financial Accounting Standards Board of the United States ("FASB"). Assets and liabilities are translated from the local currencies to dollars at year-end exchange rates. Income and expense items are translated at average exchange rates during the year.

Gains or losses resulting from translation are included under the caption "accumulated other comprehensive loss".

	Year ended December 31,		
	2006	2005	2004
Exchange rates of certain currencies to the US dollar			
- New Israeli shekel	0.237	0.217	0.232
- Australian dollar	0.790	0.734	0.779
- Euro	1.317	1.183	1.364

3. Accounting principles

The consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States (US GAAP).

4. Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. Principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. In these financial statements, the term "subsidiary" refers to a company in which the Company exerts control of more than 50% and the financial statements of which are consolidated with those of the Company. Significant intercompany transactions and balances were eliminated in the consolidation; profits from intercompany sales, not yet realized outside the Group, were also eliminated.

C. Cash and cash equivalents

The Company considers all highly liquid investments to be cash equivalents. These include short-term (up to three month) bank deposits that are not restricted as to withdrawal or use, and short-term debentures, with original periods to maturity of not more than three months.

D. Concentration of credit risks – allowance for doubtful accounts

Most of the Company's revenues are earned in Israel, Australia and Hawaii, and derive from a large number of customers.

In general, the exposure to the concentration of credit risks relating to trade receivables is limited, due to the relatively large number of customers and their wide geographic distribution.

The allowance for doubtful debts is calculated specifically for each debt, the collection of which is considered by management to be doubtful.

E. Inventories

Inventories are mainly jewelry, souvenirs and other goods, and are stated at the lower of cost or market. Cost is determined on the "first-in first-out" basis.

F. Investment in affiliated company

Investments in companies in which the Company has significant influence (ownership interest of between 20% and 50%) but less than a controlling interest, which are not subsidiaries, are accounted for by the equity method. Revenues from intercompany sales, not yet realized outside of the Company, were eliminated.

G. Property and equipment

Property and equipment are stated at cost, net of related investment grants. The assets are depreciated by the straight-line method, on the basis of their estimated useful life.

The Company's property and equipment are reviewed for impairment in accordance with Statement of Financial Accounting Standards No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS No. 144") whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

H. Deferred income taxes

Deferred income taxes are determined utilizing the asset and liability method based on the estimated future tax effects of differences between the financial accounting and the tax bases of assets and liabilities under the applicable tax law. Deferred tax balances are computed using the tax rates expected to be in effect at the time when these differences reverse. Valuation allowances in respect of the deferred tax assets are provided if, based upon the weight of available evidence, it is more likely than not that all or a portion of the deferred income tax assets will not be realized.

As stated in Note 18D, the Israeli subsidiary has been granted "approved enterprise" status and, accordingly, upon distribution of dividends by this subsidiary to the Company, such dividends may be subject to tax. The Company does not intend on causing dividend distribution from this subsidiary. Accordingly, no additional tax has been taken into account in respect of such dividends.

Taxes which would apply in the event of disposal of investments in subsidiaries (all foreign subsidiaries) have not been taken into account in computing the deferred taxes, as it is the Company's policy to continue holding these investments, not to realize them.

I. Revenue recognition

1. Revenue from admission fees is recognized upon entrance of visitors to sites managed by the Company's subsidiaries.

2. Revenue from sales of merchandise is recognized when merchandise is supplied to the customer.

3. Revenue from commissions is recognized upon sale of the "attraction" in respect of which the commission is received.

J. Advertising expenses

Advertising expenses are charged to income as incurred.

K. Foreign currency transactions and balances

Balances denominated in, or linked to, foreign currency are stated on the basis of the exchange rates prevailing at the balance sheet date. For foreign currency transactions included in the statement of income, the exchange rates at transaction dates are used. Transaction gains or loses arising from changes in the exchange rates used in the translation of such balances are carried to financial income or expenses.

L. Earnings per share

Basic earnings per share are computed by dividing net income by the weighted average number of all management and preferred shares outstanding during the year.

Diluted earnings per share are not presented, since the Company has no potential shares.

M. Reclassifications

Certain comparative figures have been reclassified to conform to the current year presentation.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

N. Comprehensive income (loss)

Comprehensive income (loss), presented in shareholders' equity, includes, in addition to net income (loss), translation adjustments of financial statements of subsidiaries and affiliated companies.

O. Recently issued accounting pronouncements

FAS 155 "Accounting for Certain Hybrid Financial Instruments"

In February 2006, the FASB issued FAS 155, *Accounting for certain Hybrid Financial Instruments* , an amendment of FASB statements No. 133 and 140. This statement permits fair value measurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation.

This statement shall be effective for all financial instruments acquired or issued, or subject to remeasurement (new basis) after the beginning of an entity's first fiscal year that begins after September 15, 2006. Earlier adoption is permitted as of the beginning of an entity's fiscal year, provided that no interim period financial statements have been issued for the financial year.

The Company does not expect the adoption of this Statement to have a material impact on its financial position and results of operations.

FAS 156 " Accounting for Servicing of Financial Assets"

In March 2006, the FASB issued FAS No. 156, " *Accounting for Servicing of Financial Assets* " (FAS 156). The statement amends FAS No. 140, " *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* ," with respect to the accounting for separately recognized servicing assets and servicing liabilities. Consistent with FAS No. 140, FAS 156 requires companies to recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a service contract. However, the Statement permits a company to choose either the amortized cost method or fair value measurement method for each class of separately recognized servicing assets. The Statement is effective as of the beginning of a company's first fiscal year after September 15, 2006. Earlier adoption is permitted as of the beginning of an entity's fiscal year, provided the entity has not yet issued financial statements, including interim financial statements. The Company plans to adopt FAS 156 at the beginning of 2007 and does not expect the adoption of this Statement to have a material impact on its financial position and results of operations.

FIN 48 "Accounting for Uncertainty in Income Taxes–an interpretation of FASB Statement No. 109"

In July 2006, the FASB issued FASB Interpretation No. 48, " *Accounting for Uncertainty in Income Taxes–an interpretation of FASB Statement No. 109* " ("FIN 48"), which clarifies the accounting for uncertainty in tax positions. This Interpretation requires that the Company recognizes in its financial statements the impact of a tax position, if that position will more likely than not be sustained upon examination, based on the technical merits of the position. The provisions of FIN 48 are effective as of the beginning of the 2007 calendar year, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings.

The Company does not expect the adoption of this Statement to have a material impact on its financial position and results of operations.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

O. Recently issued accounting pronouncements (cont.)

FAS 157 "Fair Value Measurements"

In September 2006, the FASB issued FAS No. 157, " *Fair Value Measurements* ". This statement clarifies the definition of fair value, establishes a framework for measuring fair value, and expands the disclosures on fair value measurements. FAS No. 157 is effective for fiscal years beginning after November 15, 2007. The Company has not determined the impact, if any, the adoption of this statement will have on its financial position and results of operations.

FAS 158 "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans–an amendment of FAS Statements No. 87, 88, 106 and 132(R)"

In September 2006, the FASB issued FAS No. 158, " *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans–an amendment of FAS Statements No. 87, 88, 106 and 132(R)* ". FAS No. 158 requires the recognition of the funded status of a defined benefit plan in the statement of financial position, requires that changes in the funded status be recognized through comprehensive income, changes the measurement date for defined benefit plan assets and obligations to the entity's fiscal year end and expands disclosures. The recognitions and disclosures under FAS No. 158 are required as of the end of the fiscal year ending after June 15, 2007, for non-public entities. A non-public entity is also required to certain disclosures in the notes to the financial statements for a fiscal year ending after December 15, 2006, but before June 16, 2007. The new measurement date is effective for fiscal years ending after December 15, 2008. The Company is in the process of evaluating the impact of FAS No. 158 on its financial position and results of operations.

FAS 159 "The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115" ("SFAS No. 159")

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115" ("SFAS No. 159"). This pronouncement permits all entities to choose to elect, at specified election dates, to measure eligible financial instruments at fair value. An entity shall report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date, and recognize upfront costs and fees related to those items in earnings as incurred and not deferred. SFAS No. 159 applies to fiscal years beginning after November 15, 2007, with early adoption permitted for an entity that has also elected to apply the provisions of SFAS No. 157. An entity is prohibited from retrospectively applying SFAS No. 159, unless it chooses early adoption. The company is currently assessing the impact of SFAS No. 159 on its consolidated financial position and results of operations.

NOTE 2 – CASH AND CASH EQUIVALENTS

Composition:

	US dollars	
	December 31,	
(in thousands)	2006	2005
NIS	109	251
US dollar	3,696	4,019
Australian dollar	1,494	1,858
Euro	2,133	2,614
	7,432	8,742

NOTE 3 – TRADE ACCOUNTS RECEIVABLE

Composition:

(in thousands)	US dollars December 31, 2006	2005
Open accounts	682	540
Credit card companies	619	555
Post-dated checks	89	102
	1,390	1,197
Less – allowance for doubtful debts	(32)	(30)
	1,358	1,167

NOTE 4 – OTHER ACCOUNTS RECEIVABLE

(in thousands)	US dollars December 31, 2006	2005
Employees	118	151
Institutions	2,614	46
Prepaid expenses	698	459
Deferred taxes	35	30
Loan to minority in consolidated company (*)	100	-
Others	469	308
	4,034	994

(*) Represents an amount denominated in US dollars bearing interest at a rate of 6.63% per annum. The loan maturity is during fiscal year 2007.

NOTE 5 – INVESTMENT IN AFFILIATED COMPANY

A. Palma Aquarium Holding B.V. (Palma)

In 2005, the subsidiary held 40% of the shares in Palma and during the third quarter of 2006 purchased an additional 15% of Palma in an amount of €852 thousand. Since that date, the financial statements of Palma are consolidated with those of the Company.

The balance of the investment in Palma as of December 31, 2005 was US$ 10,331 thousand, of which US$ 10,744 thousand is in respect of a loan granted to Palma in stages, from 2002 to 2005.

Summary financial information of Palma:

(in thousands)	US dollars December 31, 2006	2005
Current assets	-	4,811
Property and equipment	-	17,030
Other assets	-	3,450
Total assets	-	25,298

Total liabilities	-	26,328

B. See Note 17 regarding an affiliated company held by the Company in the past.

NOTE 6 – PROPERTY AND EQUIPMENT, NET

A. Composition:

(in thousands)	US dollars December 31, 2006	2005
Buildings & installations	77,475	37,669
Machinery, equipment and sailing vessels	3,278	3,181
Office equipment & furniture	1,870	1,678
Motor vehicles	213	207
	82,836	42,735
Less – accumulated depreciation	(30,829)	(27,670)
	52,007(*)	15,065

In the years ended December 31, 2006, 2005 and 2004, depreciation expenses were US$ 2,849 thousand, US$ 2,799 thousand and US$ 3,052 thousand, respectively, and additional equipment was purchased in amounts of US$ 11,298 thousand, US$ 801 thousand and US$ 536 thousand, respectively.

(*) In respect of property and equipment of a subsidiary acquired during 2006, see Consolidated Statements of Cash Flows – Appendix A.

B. Leased lands

1. The Eilat park is located on land leased by Red Sea Underwater Observatory Ltd. (RSUO), under an agreement with the Israel Lands Administration, for a period of 49 years, from October 20, 1974 until October 19, 2023, with an option for an additional 49 years.

   Under another lease agreement with the Israel Lands Administration, RSUO leased a plot in the Eilat Tourist Center for a 49 year period, from May 5, 1991 until May 4, 2040, with an option for another 49 year period. RSUO erected a store on the plot, covering an area of 24 square meters.

2. The marine park in Perth, Australia is located on a parcel of land leased from the Australian Government for a 21-year period, beginning in 1987, with an option for an additional 21-year period.

   Exercise of the option has been approved by the Company's board of directors and is currently in the process of being implemented.

C. Depreciation rates

	%
Buildings and installations	4
Machinery, equipment and sailing vessels (mainly 10%)	6 – 20
Office equipment and furniture (mainly 20%)	5 – 33
Motor vehicles	15

D. Liens – See Note 12B.

NOTE 7 – DEFERRED INCOME TAXES

A. Deferred income taxes:

(in thousands)	US dollars December 31, 2006	2005
Short-term deferred tax assets – net:		
Provisions for employee related obligations	35	30
Other	-	-
	35	30
Valuation allowance – in respect of carryforward losses and deductions that may not be utilized	-	-
	35	30
Long-term deferred tax assets (liabilities) – net:		
Property, plant and equipment	(1,076)	(2,435)
Provisions for employee related obligations	156	139
Timing difference for long-term and carryforward losses and deductions	196	2,558
In respect of tax losses of an “approved enterprise” carried forward	229	210
	(495)	472
Valuation allowance – in respect of carryforward losses and deductions that may not be utilized	-	-
	(495)	472
	(460)	502

B. Presented in the balance sheet as follows:

(in thousands)	US dollars December 31, 2006	2005
Current assets	35	30
Long-term assets	341	472
Long-term liabilities	(836)	-
	(460)	502

C. Carryforward tax losses

Carryforward tax losses of an Israeli subsidiary as of December 31, 2006 amount to US$ 2 million.

NOTE 8 – CREDIT FROM BANKING INSTITUTIONS

A. Composition:

(in thousands)	Interest rate as of 2006	US dollars December 31, 2006	2005
	%		
Bank credit – unlinked	5.25	1,397	566
Short-term loans – unlinked	6.5	71	109
Short-term loans – dollar linked	5.8	7,000	-
Current maturities of long-term loans		1,927	5,039
		10,395	5,714

B. Lines of credit

Unutilized short-term credit lines of the Company and its subsidiaries as of December 31, 2006, totaled US$ 3,023 thousand.

C. Liens – see Note 12B.

NOTE 9 – ACCOUNTS PAYABLE AND ACCRUALS – OTHER

Composition:

(in thousands)	US dollars December 31, 2006	2005
Advances from customers	107	59
Employees and institutions in respect thereof	947	671
Institutions	284	1,118
Accrued expenses	529	193
Others	159	267
	2,026	2,308

NOTE 10 – LONG-TERM LOANS

A. Composition:

(in thousands)		Interest rate as of 2006	US dollars December 31, 2006	2005
		%		
Banks –				
Euro	(1)	Euribor+1.75	17,748	239
US dollar	(2)	Libor+1.6	5,933	4,800
US dollar	(3)	Libor+2.25	10,000	-
Australian dollar		7.65	575	773
Shareholders of consolidated companies – Euro		Libor+1.875	7,168	320
			41,424	6,132
Less: current maturities			(1,927)	(5,039)

	39,497	1,093

NOTE 10 – LONG-TERM LOANS (cont.)

A. (cont.)

1. A Euro loan in an amount of € 13,464 thousand, repayable in 39 equal quarterly installments commencing in March 2008, and one quote of 20% of the total on the date of expiration. In connection with this loan, a subsidiary undertook the following conventions: - Debt service cover ratio (RCSD):1.25 during the entire period of operations.

2. A dollar loan in an amount of US$6,000 thousand, payable in equal monthly installments commencing in November 2006. The Credit Agreement requires the subsidiary to comply with certain financial conditions, including (a) Debt Service Coverage Ratio of not less than 3.0 to one; (b) Adjusted Equity of not less than $6,000,000 as of December 31, 2006 and $7,000,000 as of December 31, 2007 and thereafter; (c) Net Cash Reserve of not less than $1,000,000. As of December 31, 2006, the Company has complied with the financial covenants contained in the Credit Agreement. An ALTA-insured first mortgage and a first lien on all leases, rents, other income, and tangible property are pledged as collateral under the terms of this Agreement.

3. A dollar loan in an amount of US$10,000 thousand, repayable in four equal annual installments commencing in September 2007. In connection with this loan, the subsidiary undertook that during the initial loan utilization period, its total tangible shareholders' equity (as defined below) would not fall below NIS 100 million (US$23.7 million) and that it would not fall below 25% of the Company's consolidated balance sheet, as presented in the Company's consolidated financial statements.

   The term "tangible shareholders' equity" is defined as its paid-in capital, plus retained earnings, plus capital notes and various capital reserves, plus the balance of shareholder loans to the Company and/or loans granted to the Company on behalf of shareholders (including loans taken by the Company from the bank against deposits made by shareholders or anyone on behalf of the shareholders), less the balance of loans granted to shareholders, less the value of intangible assets such as goodwill, patents, etc., less investments in the Company.

   The subsidiary undertook that during the initial utilization period of the loan, it will be in possession of a shareholders loan in an amount of US$6 million that was placed/will be placed at the disposal of the Company, including funds deriving from interest and linkage on these loans. For purposes of this item, a loan taken by the Company against deposits made in Union Bank by shareholders or parties on their behalf will be considered as a shareholders loan.

   As of the date of the financial statements, the subsidiary was in compliance with the aforementioned undertaking.

B. Maturity dates:

	US dollars
	December 31, 2006
First year – current maturities	1,927
Second year	4,270
Third year	4,354
Fourth year and thereafter	23,705
	34,256
No repayment date has been set	7,168
	41,424

C. Liens – see Note 12B.

NOTE 11 – LIABILITY FOR EMPLOYEE RIGHTS UPON RETIREMENTS

A. Israeli labor laws generally require payment of severance pay upon dismissal of an employee or upon termination by the employee of employment in certain other circumstances. The severance pay liability of the Company to their employees, which reflects the undiscounted amount of the liability, is based upon the number of years of service and the latest monthly salary (one month's salary for each year worked), and is partly funded by insurance policies and by regular deposits with recognized severance pay funds.

The Company may make withdrawals from the amounts funded only for the purpose of paying severance pay.

Consolidated subsidiaries in Australia deposit 8% of their employees' salaries into recognized pension funds. This is the minimum required by Australian law.

B. The liability for employee severance pay includes, as of December 31, 2006, an amount of US$ 569 thousand, which represents the liability to a former employee.

This debt is being paid-off in fixed monthly installments and is expected to be totally repaid through 2017.

C. Retirement plan

On January 1, 2003, the Hawaiian subsidiary adopted a 401(k) retirement savings plan for all eligible employees who satisfy age and length of service requirements. Eligible employees may make annual contributions limited to the total amount deductible under applicable provisions of the Internal Revenue Code.

On January 1, 2005, the Hawaiian subsidiaries amended the 401(k) retirement savings plan to include a Cash or Deferred Profit Sharing Plan as authorized under the Internal Revenue Code. Employer contributions to this plan amounted to US$ 36,306 and US$ 34,597 for 2006 and 2005, respectively.

NOTE 12 – CONTINGENT LIABILITIES, COMMITMENTS AND LIENS

A. Commitments

1. Agreement with the Israel Nature Reserve Authority

RSUO entered into an agreement with the Israel Nature Reserve Authority (hereafter: "the Authority") on February 26, 1973, whereby the RSUO received sole rights to build a tourist site in the Eilat Nature Reserve and the right of first refusal should the Authority grant permission to set up another underwater observatory in the Red Sea. The agreement has been amended several times, in light of RSUO's requests to expand the park and to add additional attractions. The last such amendment was on December 1, 1992.

RSUO's agreement with the Authority is subject to the lease agreement between the Company and the Israel Lands Administration regarding the area in which the site is located (see Note 6B).

Under the agreement, RSUO undertook to implement reasonable steps to ensure that nothing would be done at the site that would cause damage to or be of a nuisance to the public. RSUO is responsible for any third party damage inflicted in the area of the site and for any damage or injury caused to the Authority, any of its employees or agents at the site or at any other place as a result of performance of RSUO's work at the site or resulting from the operation of the site, if the damages were caused by RSUO, its employees or agents or by any visitors to the site.

NOTE 12 – CONTINGENT LIABILITIES, COMMITMENTS AND LIENS (cont.)

A. Commitments (cont.)

1. Agreement with the Israel Nature Reserve Authority (cont.)

Under the agreement, RSUO has to operate a site in the Eilat park seven days a week.

The agreement is unlimited in time and leaves no room for the Authority to initiate any changes in the consideration RSUO is required to pay for its license under the agreement. Should RSUO wish to add certain activity to its activities in the Eilat park, it will have to obtain permission to do so from the Authority.

In consideration for the license under the agreement, RSUO pays the Authority, as of the balance sheet date, the following:

a. 5.0% of the price of net admission revenue to the Eilat park.

b. 2.5% of the receipts from restaurants and souvenir sales.

c. 4% of the receipts from cruises.

d. US$ 25,000 per annum as participation in the expenses of the Authority to employ a marine biologist engaged in the field of nature conservation.

2. Agreements to sell "attractions"

A subsidiary entered into agreements to set up "attraction counters" (hereinafter – "usage rights agreements"). Under the usage rights agreements, the subsidiary rents space in which it will set up an attraction counter in the lobby of a hotel or a shopping mall, at which it will sell tickets to the Eilat Park and to other attractions in and around Eilat. The rental fee is computed as a percentage of sales, a flat fee, or some combination of the two methods. The subsidiary receives a commission on the sale of tickets to attractions.

B. Liens

1. A floating charge in an unlimited amount was registered by RSUO on all of its assets and on all income from the mortgaged assets, in favor of the State of Israel, to secure the repayment of investment grants received under the terms of the Israeli Law for the Encouragement of Capital Investment – 1959.

2. A specific charge was registered on all RSUO's property rights in the "Oceanarium" project within the underwater observatory in Eilat, block 40032, part of parcel 2, lot "a", in favor of the First International Bank of Israel.

3. A floating charge was registered on all the assets of Maui Ocean Center, Inc. (MOC), on the income from all the mortgaged assets and on all the subsidiary's rights under agreements and insurance policies, in favor of Bank of Hawaii, in respect of a loan granted by the bank to MOC. As of December 31, 2006, the balance of the loan secured by this charge was $ 5,933 thousand.

4. A fixed charge, unlimited in amount, was registered on all the equipment, documents, securities and intangible property rights of the Australian subsidiaries and a floating charge, unlimited in amount on all the assets of those companies, in favor of a bank, to secure the repayment of loans from that bank. As of December 31, 2006, the balance of the loans secured by these charges was $ 554 thousand.

NOTE 12 – CONTINGENT LIABILITIES, COMMITMENTS AND LIENS (cont.)

C. Contingent liabilities

Investment grant

Certain of RSUO's installations have received "approved enterprise" status under the Law for the Encouragement of Capital Investment – 1959. Should RSUO not be able to prove that the investments it made were carried out in accordance with the terms of the approved plans, the Israel Investment Center is entitled to demand repayment of the investment grants received, plus interest and linkage differentials from the date the grants were received. Furthermore, RSUO will have to repay any tax benefits it received (accelerated depreciation and lower tax rates). As of the date of the preparation of the financial statements, RSUO has not received all the final permits from the Investment Center. In the opinion of RSUO management, RSUO is in compliance with the stipulated terms.

NOTE 13 – SHAREHOLDERS' EQUITY

A. The "A" and "B" management shares are the only voting shares and hold equal voting rights. The holders of a majority of the "A" management shares elect one-half of the Board and the holders of a majority of the "B" management shares elect the other half. The "C" Preference Shares have no rights except to receive dividends, if declared.

B. See Note 1A.

NOTE 14 – COST OF SALES

	US dollars		
	Year ended December 31,		
(in thousands)	2006	2005	2004
Payroll and related expenses	4,435	3,780	3,800
Depreciation and amortization	2,464	2,393	2,644
Consumption of inventory	4,317	4,113	3,354
Royalties to the Nature Reserves Authority (*)	262	220	233
Others	2,275	2,539	2,632
	13,753	13,045	12,663

(*) See Note 12A1.

NOTE 15 – SELLING EXPENSES

	US dollars		
	Year ended December 31,		
(in thousands)	2006	2005	2004
Advertising	1,112	1,091	1,391
Payroll and related expenses	674	626	641
Others	498	422	411
	2,284	2,139	2,443

NOTE 16 – GENERAL AND ADMINISTRATIVE EXPENSES

	US dollars		
	Year ended December 31,		
(in thousands)	2006	2005	2004
Payroll and related expenses	3,324	3,256	3,085
Depreciation and amortization	399	406	1,458
Others	3,177	2,068	2,274
	6,900	5,730	6,817

NOTE 17 – OTHER EXPENSES, NET

	US dollars		
	Year ended December 31,		
(in thousands)	2006	2005	2004
Gain on sale of fixed assets	15	1	18
Loss from disposal of investment in an affiliated company (*)	-	(145)	(46)
Severance pay to a former employee (see Note 11B)	-	(584)	-
Expenses for prior years	(302)	-	-
	(287)	(728)	(28)

(*) In 1999, RSUO, together with others, established a company named Amazing World Ltd. (hereinafter – "Amazing"), which set up a tourist attraction in Eliat. RSUO held 33% of the share capital of Amazing.

During 2004, Amazing was liquidated. In 2005 and 2004, RSUO paid amounts of US$ 145 thousand and US$ 46 thousand, respectively, in excess of its investment in Amazing.

As at December 31, 2005, RSUO does not have any liabilities or guarantees in respect to Amazing.

NOTE 18 – TAXES ON INCOME

A. Composition:

	US dollars		
	Year ended December 31,		
(in thousands)	2006	2005	2004
Current taxes	(961)	(1,182)	(619)
Deferred taxes	(836)	(221)	762
Previous years	120	(130)	(221)
	(1,677)	(1,533)	(78)

NOTE 18 – TAXES ON INCOME (cont.)

B. Reconciliation of income tax presented in the financial statements to the theoretical tax computed at the average tax rate in the countries in which the Company operates:

	US dollars		
(in thousands)	Year ended December 31, 2006	2005	2004
Income before taxes on income	6,014	3,284	1,880
Average tax rate	0%	0%	0%
Taxes on income at statutory tax rates	-	-	-
Amounts in respect of which no deferred taxes were recorded	-	(139)	(1,150)
Capitalized income	(106)	397	204
Benefit granted in respect of Eilat residency	-	(77)	(83)
Income from “approved enterprise”	-	-	-
Capital gain	5	51	(6)
Non-deductible expenses	111	40	12
Taxes in respect of prior years	(120)	130	221
Tax rate differentials	2,061	1,117	905
Other differentials including those in respect of the Israeli Inflationary Tax Law	(274)	14	(25)
	1,677	1,533	78

C. Tax assessments

RSUO has received tax assessments that are considered final, for the years up to and including the 2002 tax year. The other subsidiaries have not been assessed since incorporation.

D. The provision in RSUO’s balance sheet was computed based on the fact that some of RSUO’s installations were recognized as “approved enterprises” and are entitled to reduced tax rates and accelerated depreciation for stipulated periods of time, in accordance with the Israeli Law for the Encouragement of Capital Investments – 1959. The following is a tabulation of the benefits granted under the approved plan:

1. Approved plan

Date of permit (including addendum)	Benefits track	Status	First benefit year
20.9.95	Grants	Final implementation report submitted	Not yet begun

2. Accelerated depreciation

RSUO was entitled to accelerated depreciation in respect of buildings and equipment of approved enterprises at rates of 400% and 200% of the ordinary depreciation rates on these assets, respectively, for the first five years of the operation of the assets.

3. Reduced tax rates

RSUO was liable for corporate tax at a rate of 10% (instead of 35%) on the taxable income attributable to the approved enterprises under the “grants” track for the entire benefits period, subject to the percentage of RSUO held by foreign investors.

NOTE 19 – TRANSACTIONS WITH RELATED AND INTERESTED PARTIES

A. Balances

	US dollars	
(in thousands)	December 31, 2006	2005
Long-term balance – related party	-	914

B. Transactions

	US dollars		
(in thousands)	Year ended December 31, 2006	2005	2004
Participation of related parties in expenses	-	128	138

NOTE 20 – ADDITIONAL INFORMATION REGARDING FINANCIAL INSTRUMENTS

A. The Company has financial assets which include, inter alia, cash and cash equivalents and accounts receivable and other debit balances, and financial liabilities which include, inter alia, short and long-term credit from banking institutions and other accounts payable.

The fair value of the financial instruments included in the financial statements of the Company does not materially differ from their value as presented in the financial statements.

B. The interest risk is the risk involved in changes in interest rates and the effect of such changes on the financial instruments presented as part of the short and long-term liabilities. See Notes 8 and 10.

C. The Company operates internationally, which gives rise to exposure to risks from changes in foreign exchange rates in relation to the functional currencies of the applicable subsidiaries.

NOTE 21 – SEGMENT DATA

Geographic segments:

(in thousands)	US dollars Year ended December 31, 2006						
	Israel	Netherlands (*)	U.S.A.	Australia	Others	Adjustments	Total
Revenues	9,543	-	13,623	5,925	400	(400)	29,091
Operating income	764	101	3,893	802	307	-	5,867
Financing income (expenses), net	(80)	(285)	345	172	(5)	-	147
Net income (loss)	695	(184)	2,738	789	303	(411)	3,930
Short-term liabilities	10,356	2,342	526	730	777	(2,285)	12,446
Long-term liabilities	11,675	31,249	8,726	575	760	(9,050)	43,935
Capital investments	289	10,389	371	296	-	-	11,345
Depreciation and amortization	464	-	1,773	612	-	-	2,849

(*) Including Palma Aquarium Holding B.V. See Notes 5 and 18.

(in thousands)	US dollars Year ended December 31, 2005						
	Israel	Netherlands	U.S.A.	Australia	Others	Adjustments	Total
Revenues	8,777	-	12,304	4,710	400	(400)	25,791
Operating income (loss)	600	(193)	3,077	503	162	-	4,149
Financing income (expenses), net	(9)	(50)	(900)	127	(33)	-	(865)
Net income (loss)	(213)	(243)	1,726	352	124	(64)	1,682
Short-term liabilities	2,996	510	514	788	1,415	(2,106)	4,117
Long-term liabilities	1,652	320	7,264	773	-	(2,464)	7,545
Capital investments	246	-	352	203	-	-	801
Depreciation and amortization	456	-	1,745	598	-	-	2,799

NOTE 21 – SEGMENT DATA (cont.)

Geographic segments (cont.):

(in thousands)	US dollars Year ended December 31, 2004						
	Israel	Netherlands	U.S.A.	Australia	Others	Adjustments	Total
Revenues	8,119	-	11,049	4,695	400	(400)	23,863
Operating income (loss)	438	(924)	2,209	298	(109)	-	1,912
Financing income (expenses), net	(74)	(30)	30	35	7	-	(32)
Net income (loss)	(95)	(954)	2,611	390	(103)	(387)	1,462
Short-term liabilities	3,506	24	466	706	1,438	(1,936)	4,204
Long-term liabilities	2,231	356	7,909	1,116	-	(2,509)	9,103
Capital investments	259	180	106	171	-	-	716
Depreciation and amortization	614	892	1,941	628	-	-	4,075

Assets serving the segments:

(in thousands)	US dollars December 31,		
	2006	2005	2004
Israel	8,375	15,364	14,441
U.S.A.	20,700	21,291	22,982
Australia	6,997	7,038	7,272
Netherlands	42,992	83	144
Adjustments	(9,922)	(2,826)	(3,714)
	69,142	40,950	41,125

CORAL WORLD INTERNATIONAL LTD.

Appendix to the Financial Statements

List of Investee

List of Investee Companies	Percentage Control and ownership 2006	2005
	%	%
Subsidiary companies		
Red Sea Underwater Observatory Ltd.	86.152	86.152
Maui Ocean Center Inc.	100	100
Coral World Australia Pty Ltd.	100	100
Coral World Australia Management Pty Ltd.	100	100
Coral World Management Ltd.	100	100
Attractions Reservoir Ltd.	100	100
Vista Historica B.V.	75	75
Palma Aquarium Holdings B.V.	55	40
Palma the Mallorca Aquarium S.A.	100	100
Coral World Bahamas Hotels (1984) Limited	100	100
Red Sea Marineland Holding (1973) Ltd.	42.85	42.85
Red Sea Underwater Observatory Ltd.	13.848	13.848

OPHIR HOLDINGS LTD.

2006 ANNUAL REPORT

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REPORT OF INDEPENDENT AUDITORS

To the shareholders of

OPHIR HOLDINGS LTD.

We have audited the consolidated financial statements of Ophir Holdings Ltd. and its subsidiaries (the "Company"): balance sheets as of December 31, 2006 and 2005 and the related statements of income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2006. These financial statements are the responsibility of the Company's Board of Directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Boards (United States). 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 provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2006 and 2005 and the consolidated results of operations and cash flows of the Company for each of the three years in the period ended December 31, 2006, in conformity with accounting principles generally accepted in Israel.

As explained in note 1b, the financial statements referred to above are presented in new Israeli shekels, in conformity with accounting standards issued by the Israel Accounting Standards Board **.**

Accounting principles generally accepted in Israel vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in note 13 to the consolidated financial statements.

Tel-Aviv, Israel
29 March, 2007

Kesselman & Kesselman
Certified Public Accountants (Isr.)

OPHIR HOLDINGS LTD.

CONSOLIDATED BALANCE SHEETS

	Note	December 31 2006	December 31 2005
		NIS in thousands (see note 1b)	
A s s e t s			
CURRENT ASSETS :	11		
Cash and cash equivalents	1j	1,325	2,396
Short term investments			25,018
Accounts receivable:			
Related parties		7,732	54,952
Other	12a	2,080	11,062
T o t a l current assets		11,137	93,428
LAND - BUSINESS INVENTORY	1e;7(2)	13,048	13,048
INVESTMENTS:			
Associated companies	3	157,774	157,248
Other companies	4;7		1,387
Loan to related party	10b	967	8,306
		158,741	166,941
		182,926	273,417

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DIRECTORS (

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Date of approval of the financial statements: March 29, 2007

	Note	December 31 2006	2005
		NIS in thousands (see note 1b)	
Liabilities and shareholders' equity			
CURRENT LIABILITIES:	11		
Bank credit and loans (mainly current maturities)	12b		3,834
Accounts payable and accruals	12c	2,298	4,245
T o t a l current liabilities		2,298	8,079
LONG-TERM LIABILITIES:	11		
Bank loans (net of current maturities)	5		22,552
Capital notes to an associated company	6	151,601	151,601
Capital note to related party	6	1,069	1,069
Payables in respect of acquisition of land - business inventory	7(2)	11,894	11,894
T o t a l long-term liabilities		164,564	187,116
T o t a l liabilities		166,862	195,195
COMMITMENTS	7		
MINORITY INTEREST		24	25
SHAREHOLDERS' EQUITY	8	16,040	78,197
		182,926	273,417

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

OPHIR HOLDINGS LTD.

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

	Note	2006	2005	2004
		NIS in thousands (see note 1b)		
REVENUES AND GAINS:				
From lease of buildings			3,649	6,737
Share in profits (losses) of associated companies - net	3	(475)	651	(1,150)
Gain from sale and increase in value of marketable securities- net		186	1,815	2,183
Gain from sale of other investment		326		
Dividend received from other companies			79	11,623
Management fees from related parties	10a			433
Financial income - net	10a;12f	922	183	
Others			240	2,141
		959	6,617	21,967
EXPENSES AND LOSSES:				
Operating cost of leased buildings (including depreciation)			1,909	2,703
Impairment of investments in associated companies and other companies	3;4	452	4,571	950
General and administrative expenses - net	10a	806	2,314	1,480
Loss from sale of investments in associated companies			1,618	
Loss (gain) from sale of real estate			7,519	(535)
Financial expenses - net	10a;12f			700
Others			106	
		1,258	18,037	5,298
INCOME (LOSS) BEFORE TAXES ON INCOME		(299)	(11,420)	16,669
TAXES ON INCOME (TAX SAVING)	9c	(141)	(5,255)	2,374
INCOME (LOSS) AFTER TAXES ON INCOME (TAX SAVING)		(158)	(6,165)	14,295
MINORITY INTEREST SHARE IN LOSSES OF A SUBSIDIARY		1		1
NET INCOME (LOSS) FOR THE YEAR		(157)	(6,165)	14,296

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

OPHIR HOLDINGS LTD.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Capital surplus	Appropriation for distribution of dividend subsequent to balance sheet Date	Retained earnings (accumulated deficit)	Total
	NIS in thousands (see note 1b)				
BALANCE AT JANUARY 1, 2004	2,832	80,468		127,686	210,986
CHANGES DURING 2004:					
Net income				14,296	14,296
Dividend paid				(30,000)	(30,000)
Appropriation for distribution of dividend subsequent to balance sheet date			90,830	(90,830)	
BALANCE AT DECEMBER 31, 2004	2,832	80,468	90,830	21,152	195,282
CHANGES DURING 2005:					
loss				(6,165)	(6,165)
Dividend paid		(5,103)	(90,830)	(14,987)	(110,920)
Appropriation for distribution of dividend subsequent to balance sheet date		(55,000)	55,000		
BALANCE AT DECEMBER 31, 2005	2,832	20,365	55,000	-,-	78,197
CHANGES DURING 2006:					
loss				(157)	(157)
Dividend paid, see note 8b		(7,000)	(55,000)		(62,000)
Appropriation for distribution of dividend subsequent to balance sheet date, see note 8c		(10,300)	10,300		
BALANCE AT DECEMBER 31, 2006	2,832	3,065	10,300	(157)	16,040

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

OPHIR HOLDINGS LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	2006	2005	2004
	NIS in thousands (see note 1b)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss) for the year	(157)	(6,165)	14,296
Adjustments to reconcile net income (loss) to net cash flows provided by operating activities (a)	(2,306)	8,820	(3,032)
Net cash provided by operating activities (used in operating activities)	(2,463)	2,655	11,264
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of investments in other companies	362	75,289	21,242
Proceed from sale of Associated Company		32,564	
Proceed from sale of leased buildings, net (b)	9,437	42,397	7,847
Investment in associated companies (including capital notes and loans - net)	(650)	(746)	(499)
Investments in other companies	(391)	(496)	(549)
Short term investments, net	25,204	(25,073)	(196)
Other	1,289		1,935
Net cash provided by investing activities	35,251	123,935	29,780
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of long-term bank loans- net	(26,352)	(42,172)	(8,382)
Repayment of related party company loan	7,300		
Related parties	(7,732)	(55,000)	
Dividend paid (b)	(7,000)	(29,990)	(32,953)
Short-term bank credit and loans - net	(75)	74	(30)
Net cash used in financing activities	(33,859)	(127,088)	(41,365)
DECREASE IN CASH AND CASH EQUIVALENTS	(1,071)	(498)	(321)
BALANCE OF CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,396	2,894	3,215
BALANCE OF CASH AND CASH EQUIVALENTS AT END OF YEAR	1,325	2,396	2,894

OPHIR HOLDINGS LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	2006	2005	2004
	NIS in thousands (see note 1b)		
(a) Adjustments to reconcile net income (loss) to net cash flows provided by operating activities:			
Income and expenses not involving cash flows:			
Share in losses (profits) of associated companies - net	475	(651)	1,150
Depreciation		729	1,459
Deferred income taxes - net		(2,550)	(126)
Minority interest in losses of a subsidiary	(1)		(1)
Loss (gain) from sale of fixed assets - net		7,519	(535)
Gain from sale and increase in value of marketable securities - net	(186)	(1,815)	(2,183)
Loss from sale of associated companies		1,618	
Gain from sale of investment in other company	(326)		(305)
Impairment (reversal of impairment) of investment in associated companies and others - net	452	4,571	(873)
Linkage differences on long-term bank loans- net	41	1,426	676
Linkage differences and interest on loans to associated and others companies and accounts receivable of fixed assets	(844)	(1,770)	(1,604)
	(389)	9,077	(2,342)
Changes in operating asset and liability items:			
Decrease (increase) in accounts receivable	78	1,370	(369)
Decrease in accounts payable and accruals	(1,995)	(1,627)	(321)
	(1,917)	(257)	(690)
	(2,306)	8,820	(3,032)

(b) Additional information with respect to investing and financing activities not involving cash flows

a. Receivables include amounts of NIS 861,000 and NIS 515,000 that have been deposited in trust accounts. These amounts relate to the consideration received from the sale of buildings sold in 2005 and 2003 respectively. These amounts did not appear in the statements of cash flows for the above-mentioned years, and will be reflected in the statement of cash flows when the deposits are repaid. During the course of the reported period, the respective amounts of NIS 6.128 million and NIS 3.309 million were received from the above trust accounts; these amounts were reflected in the statement of cash flows from investing activities.

b. In the wake of a resolution by the Board of Directors dated February 15, 2006, the Company paid a dividend of NIS 55 million during the first quarter of 2006. The dividend paid was offset against the shareholders' outstanding debit balances.

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies, applied on a consistent basis, are as follows:

a. General:

1) Ophir Holdings Ltd. ("the Company") is a holding and investment company. The subsidiary Merkazim Investments Ltd. is engaged in the renting of commercial buildings. In 2003, this company sold all its holdings in the commercial buildings that were designated for rent.

The subsidiary, New Horizons (1993) Ltd., holds a number of real estates (designated for sale), which were purchased from a previous related party, see also note 7(2).

As to the activities of the associated companies, see note 3c.

2) Definitions:

Subsidiary –	a company controlled or owned to the extent of over 50%, the financial statements of which have been consolidated with the financial statements of the Company.
Associated company –	a company controlled to the extent of 20% or over (which is not a subsidiary), or a company less than 20% controlled which complies with the condition relating to "significant influence", as prescribed by Opinion 68 of the Institute of Certified Public Accountants in Israel (the "Israeli Institute"), the investment in which is presented by the equity method.
Other company –	a company to which the conditions specified in the preceding paragraphs do not apply.
The Group –	the Company, its subsidiaries and its associated companies.
Related parties –	as defined in Opinion 29 of the Israeli Institute.

3) Principles of accounting

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Israel (Israeli GAAP). Israeli GAAP vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in note 13.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued) **:**

b. Financial statements presentation basis

The company draws up and presents its financial statements in Israeli currency (hereafter – shekels or NIS), in accordance with the provisions of Israel Accounting Standard No. 12 – "Discontinuance of Adjusting Financial Statements for Inflation"– of the IASB, which establishes principles for transition to nominal reporting, commencing January 1, 2004 (hereafter - the transition date). Accordingly, amounts that relate to non-monetary assets (including depreciation and amortization thereon)/ investments in associated companies / "permanent" investments/ and equity items, which originate from the period that preceded the transition date, are based on the adjusted-for-inflation data (based on the CPI for December 2003), as previously reported. All the amounts originating from the period after the transition date are included in the financial statements at their nominal values.

c. Principles of consolidation:

1) The consolidated financial statements include the accounts of the Company and its subsidiaries. The companies included in consolidation are listed in note 2.

2) Intercompany balances and transactions have been eliminated.

d. Short term investments – marketable securities

These securities are stated at market value.

The changes in value of the above securities are carried to income.

e. Land – business inventory

The land is presented at cost, which – in managements' estimation – is lower than market value.

According to the agreements for the purchase of land, the Company might pay additional costs of up to 90% of the net sale proceeds, see also note 7(2).

f. Investments:

1) Associated companies:

(a) The investments in these companies are accounted for by the equity method. The company reviews – at each balance sheet date – whether any events have occurred or changes in circumstances have taken place, which might indicate that there has been an impairment of its investment in associated companies **.** The balance of the investment as of December 31, 2006 is presented net of a provision for the impairment in value of an associated company, see i. below and note 3.

(b) The excess of cost of the investment in associated companies over the Company's share in their equity in net assets at date of acquisition ("excess of cost of investment") represents the amount attributed to land and buildings. The amount attributed to buildings is amortized in equal annual installments of 4% per year. The above associated companies were sold during the course of 2005.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued):

2) Other companies

The investments in the shares of these companies, are stated at cost, net of impairment for decrease in value, which is not of a temporary nature.

g. Deferred income taxes:

1) Deferred taxes were computed in respect of differences between the amounts presented in these statements and those taken into account for tax purposes. As to the factors in respect of which deferred taxes have been included - see note 9b.

Deferred tax balances were computed at the tax rate expected to be in effect at time of release to income from the deferred tax accounts. The amount of deferred taxes presented in the income statement reflects changes in the above balances during the year.

2) Taxes which would apply in the event of disposal of investments in subsidiaries and associated companies have not been taken into account in computing the deferred taxes, since as of the date of approval of these financial statements it is the Company's policy to hold these investments, not to realize them.

h. Revenue recognition

Income from leasing of buildings was recognized on the accrual basis, in accordance with the terms of the agreements with tenants.

i. Impairment of assets:

The company reviews – at each balance sheet date – whether any events have occurred or changes in circumstances have taken place, which might indicate that there has been an impairment of fixed assets and identifiable intangibles, including goodwill. When such indicators of impairment are present, the company evaluates whether the carrying value of the asset in the company's accounts can be recovered from the cash flows anticipated from that asset, and, if necessary, records an impairment provision up to the amount needed to adjust the carrying amount to the recoverable amount.

The recoverable value of an asset is determined according to the higher of the net selling price of the asset or its value in use to the company. The value in use is determined according to the present value of anticipated cash flows from the continued use of the asset, including those expected at the time of its future retirement and disposal.

The impairment loss is carried directly to income. Where indicators are present that beneficial events have occurred or beneficial changes in circumstances have taken place, the impairment provision in respect of the asset (other than goodwill) may be cancelled or reduced in the future, so long as the recoverable value of the asset has increased, as a result of changes in the estimates previously employed in determining such value.

During 2006 the Company recorded an impairment charge on its investment in other companies of NIS 452 thousand, see also note 4 (2005 – NIS 4,571 thousand).

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued):

j. Cash equivalents

The Group considers all highly liquid investments, which include short-term bank deposits (up to three months from date of deposit) that are not restricted as to withdrawal or use, to be cash equivalents.

k. Loss per NIS 1 of par value of shares

The financial statements do not include data regarding loss per NIS 1 of par value of shares, since the data would not provide significant additional information to that otherwise provided by the financial statements.

l. Format of income statements

In view of the nature of the Company's activities – holding of companies which operate in different fields – the Company is of the opinion that concentrated presentation of all revenue and gain items as a group, and of all expense and loss items in a separate group is more suitable to reflect its activities.

m. Linkage basis

Balances the linkage arrangements in respect of which stipulate linkage to the last index published prior to date of payment are stated on the basis of the last index published prior to the latest balance sheet date (the index for November).

n. Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting years. Actual results could differ from those estimates.

o. Dividend declared subsequent to balance sheet date

Liabilities relating to dividends declared subsequent to balance sheet date are included in the accounts for the period in which the declaration was made. The amount declared is appropriated, however, from retained earnings, and reported as a separate item in the shareholders' equity – "Dividend declared subsequent to balance sheet date".

p. Recently issued accounting pronouncements in Israel:

1) Israel Accounting Standard No. 29 – "Adoption of International Reporting Financial Standards (IFRS)"

In July 2006, the Israel Accounting Standards Board issued Israel Accounting Standard No. 29 – "Adoption of International Reporting Financial Standards (IFRS)" (hereafter - Standard 29). Standard 29 stipulates that companies, which are subject to the Securities Law, 1968 and are required to report pursuant to regulations issued thereunder, shall draw up their financial statements under International Financial Reporting Standards (IFRS) with effect from reporting periods commencing on January 1, 2008 (i.e.. commencing the financial statements for the first quarter of 2008). Pursuant to the provisions of Standard 29, such companies and other companies may elect early adoption of the Standard, and prepare their financial statements under IFRS, commencing with the financial statements that are published subsequent to July 31, 2006.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued):

The standard prescribes that companies, which currently do not draw up their financial statements under IFRS, and are required or elect, as stated above, to prepare their financial statements for the first time under IFRS, shall apply the provisions specified in International Financial Reporting Standard No. 1 ("IFRS 1") - "First-Time Adoption of International Financial Reporting Standards" in making the transition. IFRS 1, which deals with first-time transition to reporting under IFRS, provides that, in the first annual financial statements that are drawn up under IFRS (including the interim financial statements for that year), all the latest IFRS standards in effect at the end of the reporting year in which the company reports under IFRS for the first time, shall be applied retrospectively (with the exception of certain exemptions and prohibitions, as referred to below). IFRS 1 specifies two groups of exceptions to the principle of retrospective application: (1) exemptions from mandatory retrospective application with regard to certain topics, while providing the option to utilize all or part of those exemptions, and (2) prohibitions concerning mandatory retrospective application with regard to defined topics. Pursuant to the provisions of IFRS 1, the first financial statements drawn up under IFRS shall include at least one year's comparative data. Accordingly, a company that draws up its financial statements under IFRS for the first time for periods commencing after January 1, 2008, and elects to present comparative data for one year only, shall be required, pursuant to IFRS 1, to prepare an opening balance sheet as of January 1, 2007, which shall be drawn up under IFRS. In preparing this opening balance sheet, all the latest IFRS standards, as referred to above, with regard to recognition, non-recognition, classification and measurement of all the company's assets, liabilities and shareholders' equity items, shall be applied. IFRS 1 also establishes certain disclosure requirements that apply to the annual financial statements that are drawn up for the first time under IFRS. Pursuant to these disclosure requirements, companies applying IFRS for the first time are required to explain what effect the transition from the previous generally accepted accounting principles to IFRS has had on the reported financial position, operating results and cash flows. Also, companies are required to include notes providing reconciliations of the data reported under the previous accounting principles, to the data reported under IFRS, in respect of their shareholders' equity and statements of income (loss) as of certain dates and for certain prior periods.

In addition, Standard 29 requires companies, which draw up their financial statements under IFRS for the first time for periods commencing after January 1, 2008, to disclose, in a note to their financial statements for 2007, the balance sheet data as of December 31, 2007 and income statement data for the year ended December 31, 2007, as they would appear after applying IFRS recognition, measurement and presentation rules.

IFRS differ from general accounting principles accepted in Israel and, accordingly, financial statements drawn up under IFRS might reflect a financial position, operating results and cash flows that are significantly different from those presented in these financial statements. Application of IFRS requires a proper arrangement from the company, including making certain decisions relating to the manner of determining assets and liabilities at the transition date and with regard to setting an accounting policy for various topics. The company is currently assessing the implications of the transition to reporting under IFRS, including the date for first-time adoption of IFRS by the company. At this stage, the company is unable to estimate the effect that the adoption of IFRS will have on its financial statements

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued):

2) Israeli Accounting Standard No. 23 – "Accounting Treatment Applied to Transactions between an Entity and its Controlling Shareholder".

In December 2006, the IASB issued Accounting Standard No. 23 – "Accounting Treatment Applied to Transactions between an Entity and its Controlling Shareholder"

The standard, which does not obligate entities that are not subject to the Securities Law, 1968, provides that assets and liabilities, in respect of which a transaction was carried out between an entity and its controlling shareholder, shall be measured at the date of transaction at their fair value, and the difference between fair value and the consideration set in the transaction shall be carried to shareholders' equity.

Those provisions replace the requirements of the Securities Regulations (Presentation of Transactions between an Entity and its Controlling Shareholder in Financial Statements), 1996, whereunder, assets transferred as above would be measured at their carrying amount in the transferor's accounts, while the difference between this value and the consideration set in those transactions is carried to shareholders' equity.

Under the provisions of the standard, in case the difference between fair value and the consideration arises from a benefit granted by the controlling shareholder to the entity controlled thereby, the said difference shall be credited to capital surplus within the entity's shareholders' equity; while in case the said difference arises from a benefit granted by the entity to its controlling shareholder, such difference shall be carried to the entity's retained earnings.

In addition, the difference between the fair value of the asset and its carrying amount in the transferor's accounts shall be recognized as a gain or loss in the transferor's accounts.

Under the standard, differences as above, arising in the financial statements of an entity as a result of a transaction with its controlling shareholder, and carried to retained earnings or capital surplus, shall constitute, from the controlling shareholder's point of view , an owners' withdrawal or an owners' investment, respectively, and shall be presented accordingly in the financial statements of the controlling shareholder.

The standard includes specific provisions pertaining to assets transfers, assuming liabilities, indemnification and waiver and the grant or receipt of loans. The standard also sets a hierarchy for the measurement of fair value and includes disclosure requirements as to the nature and scope of transactions between an entity and its controlling shareholder, occurring during the reported period, as well as to the effect of these transactions on the entity's income or loss for the reported period and its financial position.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued):

The standard shall apply to all transactions taking place between an entity and its controlling shareholder, except for a business combination under common control, that would be carried out subsequent to January 1, 2007. In addition, the standard would apply to a loan granted to a controlling shareholder or received therefrom, prior to the abovementioned effective date of the standard; the standard would apply to such a loan commencing the standard's effective date.

At this stage, the company is examining the effect of the application of the standard on the financial statements. In the opinion of the company, the application of the standard is not expected to have a material effect on the financial statements in the coming periods.

NOTE 2 – INVESTMENTS IN SUBSIDIARIES

Following is a list of the subsidiaries consolidated in Ophir's financial statements:

Wholly-owned:

Ophir Financing Ltd. - inactive;

Maoz Financial Investments Ltd. ("Maoz") - inactive;

Merkazim Investments Ltd. ("Merkazim") a wholly-owned subsidiary of Maoz. During 2005 Merkazim ceased its activity.

80%-owned - New Horizons (1993) Ltd. ("New Horizons").

NOTE 3 – INVESTMENTS IN ASSOCIATED COMPANIES:

a. The investments are composed as follows:

	consolidated	
	December 31	
	2006	2005
	NIS in thousands	
Equity in net assets:		
Cost of shares	7,252	7,252
Share in accumulated undistributed profit (1)	80,400	81,825
Share in capital surplus derived by Mivnat Holdings Ltd. from sale of its investment in Industrial Buildings Ltd. to its Shareholders (see c(1) below)	66,065	66,065
	153,717	155,142
Long-term loans (2)	4,057	3,056
L e s s - provision for impairment of investment, see c(2) below		(950)
	157,774	157,248

(1) Including accumulated erosion of capital notes and gains on dilution of holding in associated companies resulting from issuance of shares to a third party.

(2) As of December 2006 the loans are linked to the Israeli CPI, bear interest at annual rates of 12% -6.5% and have no fixed maturity date.

b. The changes in the investments in 2006 are as follows:

	NIS in thousands
Balance at beginning of year	157,248
Changes during the year:	
Share in losses of associated companies - net	(475)
Loans to an associated company	650
Accrued linkage differentials and interest in respect of long-term loans	351
Balance at end of year	157,774

NOTE 3 – INVESTMENTS IN ASSOCIATED COMPANIES (continued):

c. Following are details relating to the associated companies:

1) Mivnat Holdings Ltd. ("Mivnat")

Mivnat was established in March 1993 by the Company, the subsidiary Merkazim and others, some of whom were interested parties, in order to acquire the Israeli Government's shares in Industrial Buildings Ltd. ("Industrial Buildings"). During March 1993, Mivnat acquired these shares in consideration of NIS 1,053 million. Ophir holds 18.75% interest in Mivnat directly, and 25% interest jointly with Merkazim.

On December 31, 1998, Mivnat sold its holdings in Industrial Buildings to its shareholders (including the Company). Upon the consummation of the transaction, Mivnat ceased to have any rights in the shares of Industrial Buildings.

During 2005, the Company realized all of its shares in Industrial Buildings.

2) Lysh The Coastal High-way Ltd. ("L1")

In June 1999, the Company entered into an investment agreement with Lysh Commercial and Road Services Ltd. ("L2"), a company controlled by Polar Investments Ltd. – an interested party in the Company, and with L1, a wholly-owned subsidiary of L2.

L1 has a 50% holding in Beit Herut-Lysh Development Company Ltd. ("BHL"), which has invested in a project for the leasing of commercial premises near Moshav Beit Herut (the "project").

BHL developed 16,850 square meters of land owned by the Israel Lands Administration (the "Administration"), in accordance with resolution 717 of the Administration. A commercial project occupying approximately 10,000 square meters was constructed on that land initially, and there is an option to construct an additional 4,000 square meters at a later stage. The Company's share in L1 is approximately 25% (its share in the project being approximately 12.5%). The project commenced in March 2000. As of December 31, 2006 and 2005, the Company invested in L1 approximately NIS 5.5 million.

The Company has also undertaken to provide guarantees in an amount equivalent to 25% of the construction costs. As of December 31, 2005, the Company's share in the guarantees refer to the loans made to BHL amounts to approximately NIS 16 million.

The auditors of L1, while not qualifying their opinion on L1's financial statements for 2005, drew attention to the financial position of BHL, whose financial statements presented a loss of approximately NIS 3.5 million (net of financial expenses in the amount of NIS 5.6 million) and negative working capital amounting to approximately NIS 3.7 million at December 31, 2006.

NOTE 3 – INVESTMENTS IN ASSOCIATED COMPANIES (continued):

In 2006, Laish Coastal Road Ltd. granted Laish Freedom House Ltd. shareholders' loans totaling approximately NIS 2.6 million (2005 - approximately NIS 2 million).

During the course of 2005, the bank agreed to defer the capital repayments for 2005 and to spread these repayments over a period ending no later than March 31, 2006. The remaining outstanding balance will become repayable over a seventeen-year period ending on December 31, 2022.

BHL's management believes that the execution of the aforementioned arrangements will guarantee the continuance of BHL's regular operations.

In 2004, the Company wrote down its investment in BHL Company by NIS 950,000.

NOTE 4 – INVESTMENTS IN OTHER COMPANIES:

	Consolidated	
	December 31	
	2006	2005
	NIS in thousands	
Memadim Investments Ltd. ("Memadim") (a)	-,-	-,-
Mahalachim Investment in Technology Ltd. ("Mahalachim") (b)	-,-	1,351
Others	-,-	36
	-,-	1,387

a. Memadim was established in 1995 by the Company, along with a group of companies, one of which is Industrial Buildings, for the purpose of real estate development. The Company directly holds 10% of the ownership and control of Memadim. see also note 7(1).

During the course of 2006, the Company recorded a provision for an impairment of investment which has been occured this year in an amount of NIS 373,000 (2005 – NIS 4.571 million).

In July 2006, the Company entered into an agreement with Industrial Structures whereby the Company assigned to Industrial Structures for a consideration of NIS 1, all of its rights in Maimadim, including the shareholders' loans but excluding its holding in the shares of that company. It was also agreed that Industrial Structures would take over the obligation of the Company with respect to the guarantees provided to banks in connection with the above investment, and would endeavor to persuade the banks to agree to the proposed change of guarantor (see also note 7(1)). As of the date of the above financial statements, the procedures for introducing a substitute guaranties had not yet been completed.

NOTE 4 – INVESTMENTS IN OTHER COMPANIES (continued):

b. Mahalachim is a venture capital fund; the Company holds approximately 3.5% of shares therein. In 2004, the Company received a dividend in the amount of NIS 3,255,000 from Mahalachim. The share of the dividend that was carried to income amounted to NIS 1,320,000. The balance of the amount was used to reduce the amount of the investment.

During the reported year, Mahalachim realized its investment in Valor Ltd. for approximately NIS 59.4 million, thereby completing the sale of all its significant shareholdings. In June 2006, the Board of Directors of Mahalachim resolved upon the payment of a dividend of approximately NIS 36.4 million. The Company's share of this dividend amounted to approximately NIS 1.3 million, which sum was offset against the cost of the investment in Mahalachim.

During the course of the reported year, the Company made a provision for impairment of value with respect to the balance of its investment in Mahalachim.

NOTE 5 – LONG-TERM BANK LOANS:

a. The loans are linked to the Israeli CPI and bear interest at the annual rate of 4%.

b. An early repayment of 26.3 million (the balance of the said loans) was made in January and February 2006.

NOTE 6 – CAPITAL NOTES:

a. On December 31, 1998, the Company and a subsidiary, Merkazim, issued capital notes to Mivnat with a par value of NIS 113,770,000 and NIS 37,831,000, respectively. The capital notes are unlinked and interest-free.

Capital notes with an aggregate par value of NIS 151,351,000 are repayable at par, upon demand of Mivnat, on January 1, 2005 and only on that date. After balance sheet date, the shareholders of Mivnat decided to extend the repayment date until January 1, 2007. The balance of the capital notes, NIS 250,000 par value, is repayable annually under the terms stipulated in the agreement.

b. On December 31, 1998 and on June 30, 2004, the Company issued capital notes to its subsidiary with a par value of NIS 37,769,000 and NIS 25,409,000, respectively. The capital notes are unlinked and interest-free, and are repayable at par, upon demand, on January 1, 2005 and only on that date. After balance sheet date, the shareholders of Merkazim decided to extend the repayment date until January 1, 2007.

c. In 2002, the subsidiary New Horizons issued capital notes with a par value of NIS 119,000 and NIS 1,069,000 to the Company and the minority shareholder in the subsidiary, respectively. the Company and the minority shareholder in the subsidiary are entitled to receive from New Horizons the principal of the note, without interest or linkage, this after a period of not less than one year.

NOTE 7 – COMMITMENTS, PLEDGES AND LIMITATIONS IN RESPECT OF LIABILITIES:

1) The Company has undertaken to invest in Memadim (see note 4b) approximately 10% of the cost of land and construction of a rental project which is constructed by Memadim on the Carmel shore. The investment was made partly through investment in Memadim (mainly shareholders' loans), and partly by way of a guarantee provided. As of December 31, 2006, the Company had provided guarantees totaling approximately NIS 9 million in respect of bank loans made available to Maimadim. With respect to the assignment of the rights in Maimadim, including the shareholders' loans made to that company, to Industrial Structures, and the removal of the Company from the list of guarantors, see note 4b.

2) In December 1996, the subsidiary New Horizons acquired real estate (designated for sale) from a then interested party, which holds 20% of New Horizons' shares. The selling company will be entitled to 90% of the profits from the subsequent sale of the real estate, with the balance accruing to New Horizons. The registration of the real estate in New Horizons' name in the Land Registry has not yet been completed.

   On December 4, 2005, the subsidiary was granted an irrevocable option to sell all the rights in the real estate inventory that it owns for a consideration of 17,330 thousands dollar. The option period is limited to June 15, 2006. The subsidiary had not exercised the option granted to it.

3) As to the Company's commitment to grant guarantees to BHL, see note 3c(2).

4) The Company and a subsidiary receive various services from the shareholders in Ophir, including management services, head office services, bookkeeping and legal services. As to the expenses recorded in respect of such services, see note 10.

NOTE 8 – SHARE CAPITAL:

a. Composed at December 31, 2006 and 2005 as follows:

	Number of shares		Amount in NIS	
	Authorized	Issued and paid	Authorized	Issued and paid
Ordinary shares of NIS 0.001 par value	160,000	100,000	162	101
Deferred shares of NIS 0.0001 par value*	3	3	0.0003	0.0003

* The deferred shares confer upon their holders the right to receive their par value upon liquidation of the Company.

b. In February 2005 the Company's board of directors resolved to distribute its shareholders the balance of the shares of Industrial Buildings (amounting to NIS 80,930 thousands) as a dividend in kind. Also, the Company distributed its shareholders a cash dividend of NIS 9,990 thousands.

Also, on October 16, 2005, the Company's board of directors resolved to distribute the shareholders a dividend in the total amount of NIS 82 million. For the purpose of distributing this dividend, the Company requested the Court to approve a deduction of capital for the Company in an amount of up to NIS 64 million. On November 29, 2005, the Court approved the said request.

At a later date, in order to clarify the board of directors' resolution dated October 16, 2005 and the Company's shareholders' resolution dated November 6, 2005 to approve a certain amount out of which the Company would distribute its shareholders a dividend in the total amount of up to NIS 82 million for the years 2005 and 2006 and in light of the Tel-Aviv District Court's resolution to approve a distribution of dividend that does not meet the criteria of the "profit test" as required under Section 303 of the Companies Law, 1999 and also since in December 2005 the owners of the Company resolved that the declaration and distribution of the dividend will take place in 2005 and 2006, the board approved in February 2006 the declaration and distribution of dividend to the shareholders, as follows: a total of NIS 20 million paid in cash on December 28, 2005 and a total of NIS 55 million on January 8, 2006.

c. On January 17, 2007, the Company's Board of Directors approved the payment of a dividend of approximately NIS 10.3 million. In connection with the payment of this dividend, the Company applied for the consent of the court to a capital reduction of approximately NIS 10 million (under Section 302 of the Companies Law, the Company was, in any event, entitled to pay a dividend out of capital of NIS 0.3 million). On February 27, 2007, the court issued its consent to the reduction of capital.

NOTE 9 – TAXES ON INCOME:

a. Measurement of results for tax purposes under the Income Tax (Inflationary Adjustments) Law, 1985 (hereafter – the inflationary adjustments law)

Under the inflationary adjustments law, results for tax purposes are measured in real terms, having regard to the changes in the Israeli CPI. The Company and its Israeli subsidiaries are taxed under the inflationary adjustments law.

b. Deferred income taxes:

The composition of the deferred taxes, and the changes therein during the reported years, are as follows:

	Depreciable fixed assets
	NIS in thousands
Balance at January 1, 2005	(2,550)
Changes in 2005 - amounts carried to income	2,550
Balance at December31, 2005	-,-

Deferred taxes are presented in the balance sheets as long-term liabilities.

c. Taxes on income included in the income statements:

1) As follows:

	2006	2005	2004
	NIS in thousands		
In respect of the reported year-			
Deferred, see also b. above		(2,550)	(126)
In respect of previous years - current	(141)	(2,705)	2,500
	(141)	(5,255)	2,374

For tax rates amendment see (e) below.

NOTE 9 – TAXES ON INCOME (continued):

2) Following is a reconciliation of the theoretical tax expense, assuming all income is taxed at the regular tax rates applicable to companies in Israel (see (1) above), and the actual tax expense:

	2006	2005	2004
	NIS in thousands		
Income (loss) before taxes on income as reported in the income statements	(299)	(11,420)	16,669
Add (less) - share in profits of associated companies - net	475	(651)	1,150
B a l a n c e - income (loss)	176	(12,071)	17,819
Theoretical tax expense (tax saving)	55	(4,104)	6,237
Increase (decrease) in taxes resulting from permanent differences - the tax effect:			
Disallowable deductions (exempt income)	(28)	(626)	337
Differences for which deferred taxes were not created, net	(30)	748	(870)
Taxes on income subject to different rates - dividends received from other companies			(4,418)
Taxes in respect of previous years	(141)	(2,705)	2,500
Difference between the basis of measurement of income reported for tax purposes and the basis of measurement of income for financial reporting purposes - net		1,381	
Sundry - net	3	51	(1,412)
Taxes on income (tax saving) for the reported year	(141)	(5,255)	2,374

d. Tax assessments

The Company has received final assessments through tax year 2001.

Subsidiaries:

Merkazim – final assessments has been received through tax year 2003.

New Horizons –assessments that are considered as final through tax year 2001.

Ophir Financing Ltd. – assessments that are considered as final through tax year 2001.

e. Tax rates

The Company's income in Israel is subject to the regular corporate tax rate; until December 31, 2003, a corporate tax rate of 36% was applied. In July 2004, an Amendment to the Income Tax Ordinance was published, which determined, inter alia, that the rate of corporate tax will be gradually reduced from 36% to 30%, in the following manner: the rate for 2004 will be 35%, in 2005 – 34%, in 2006 – 32%, and in 2007 and thereafter – 30%.

In August 2005, a further amendment (No. 147) was published, which makes a further revision to the corporate tax rates prescribed by Amendment No. 140. As a result of the aforementioned amendments, the corporate tax rates for 2004 and thereafter are as follows: 2004 – 35%, 2005 – 34%, 2006 – 31%, 2007 – 29%, 2008 –27%, 2009 – 26% and for 2010 and thereafter – 25%.

NOTE 10 – TRANSACTIONS AND BALANCES WITH RELATED PARTIES:

a. Transactions with related parties:

	2006	2005	2004
	NIS in thousands		
Income (expenses):			
Linkage differences on short- term loans to related party company	(39)	194	
Financial income on loan to shareholders and associated companies	351	1,607	1,371
Management fees			433
General and administrative expenses included - Management fees to shareholder	(634)	(1,000)	

As to other transactions with, and commitments to, interested parties, see note 7.

b. Balances with related parties:

1) Receivables:

	December 31	
	2006	2005
	NIS in thousands	
a) Loan to a corporate interested party (1)	967	8,306
b) Long-term receivables - loans to associated companies (2)	4,057	3,056
c) Shareholders - current accounts	7,732	54,952

(1) The loan is linked to the Israeli CPI and bears no interest.

During the reported year, the Company repaid approximately NIS 7.3 million to the interested party.

(2) The loans are linked to the Israeli CPI and bear annual interest at the rate of 12% – 6.5%.

As to current balances with associated and other companies, see note 12a.

2) Long-term liability in respect of acquisition of land – business inventory – is linked to the Israeli CPI and bears no interest.

NOTE 11 – LINKAGE OF MONETARY BALANCES:

a. As follows:

	December 31, 2006		
	Linked to the Israeli CPI	Unlinked	Total
	NIS in thousands		
Assets:			
Current assets:			
Cash and cash equivalents		1,325	1,325
Accounts receivable	448	9,364	9,812
Loan to a related party		967	967
Long-term loans to associated companies	4,057		4,057
	4,505	11,656	16,161
Liabilities:			
Current liabilities:			
Accounts payable and accruals		2,298	2,298
Long-term liabilities:			
Capital notes to associated company		151,601	151,601
Capital note to an interested party		1,069	1,069
Acquisition of land - business inventory	11,894		11,894
	11,894	154,968	166,862

b. Data regarding the exchange rate and the Israeli CPI:

	Exchange rate of one dollar	Israeli CPI*
At end of year:		
2006	NIS 4.225	184.87 points
2005	NIS 4.603	185.1 points
2004	NIS 4.308	180.7 points
Increase (decrease) during the year:		
2006	(8.2)%	(0.1)%
2005	6.8%	2.4%
2004	(1.6)%	1.2%

* Based on the index for the month ending on each balance sheet date, on the basis of 1993 average = 100.

NOTE 12 – SUPPLEMENTARY FINANCIAL STATEMENT INFORMATION:

Balance sheets:

		December 31	
		2006	2005
		NIS in thousands	
a.	**Accounts receivable - other:**		
	Deposits in respect of sale of fixed assets	1,376	10,280
	Associated and other companies	448	467
	Other	256	315
		2,080	11,062
b.	**Bank credit:**		
	Short-term credit and loans		75
	Current maturities of long- term loans		3,759
			3,834
c.	**Accounts payable and accruals:**		
	Institutions	2,251	2,516
	Accrued expenses		404
	Other	47	1,325
		2,298	4,245

d. Concentrations of credit risks

The Group's cash and cash equivalents and short-term investments at December 31, 2006 and 2005 are deposited with Israeli banks. The Company is of the opinion that the credit risk in respect of these balances is remote.

e. Fair value of financial instruments

The fair value of financial instruments included in the working capital of the Group is usually identical or close to their carrying value. The fair value of long-term loans to associated and other companies and long-term bank loans also approximates their carrying value, since they bear interest at rates close to prevailing market rates. The determination of the fair value of the capital notes to an associated company and a subsidiary and long-term liabilities in respect of acquisition of land – business inventory is not practical.

NOTE 12 – SUPPLEMENTARY FINANCIAL STATEMENT INFORMATION (continued) **:**

f. Financial expenses (income) – net:

	2006	2005	2004
	NIS in thousands		
Financial expenses:			
In respect of loan to a related party	39		
In respect of long-term loans	41	3,593	3,692
In respect of short-term bank credit	16	11	
Other	54	250	84
	150	3,854	3,776
Financial income:			
In respect of bank deposits and others	677	1,777	1,354
Financial income on loan to shareholders		600	
In respect of loans to a related party		194	
In respect of short-term loans to associated companies	377	1,007	1,371
Assigned interest and linkage differences and other	18	459	351
	1,072	4,037	3,076
	(922)	(183)	700

NOTE 13 – EFFECT OF MATERIAL DIFFERENCES BETWEEN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN ISRAEL AND IN THE U.S.A.:

a. General:

1) The Company prepares its financial statements in accordance with Israeli GAAP. As applicable to these financial statements, Israeli GAAP and U.S. of America GAAP vary in certain significant respects, as described below:

2) Effect of inflation

In accordance with Israeli GAAP, through December 31, 2003, the Company comprehensively included the effect of the changes in the general purchasing power of Israeli currency in these financial statements, as described in note 1b. In view of the past inflation in Israel, this was considered a more meaningful presentation than financial reporting based on historical cost.

Under US GAAP Israel is not considered to be a highly inflationary country, thus the measurement currency should be in nominal NIS.

The adjustments to reflect the changes in the general purchasing power of Israeli currency have been reversed in the reconciliation of Israeli GAAP to U.S. GAAP.

NOTE13 – EFFECT OF MATERIAL DIFFERENCES BETWEEN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

IN ISRAEL AND IN THE U.S.A.:

3) Investment in marketable securities

In accordance with Israeli GAAP, since the Company's intent was to hold some of the investment as an investment for a long period, it was partly stated at cost, net of impairment for decrease in value, which was other than temporary decline in their value. During 2005 the company sold its investment.

Under U.S. GAAP, this investment was classified as an investment in available for sale and was reported at fair value with unrealized gains and losses, recorded as a separate component of other comprehensive income (loss) in shareholders' equity until realized in 2005.

b. The effect of the material GAAP differences, as described in a. above, on the consolidated financial statements is as follows:

1) Operating results:

	2006	2005	2004
	NIS in thousands		
Net income (losses) as reported in these financial statements according to Israeli GAAP	(157)	(6,165)	14,296
Effect of the treatment of the following items under U.S. GAAP:			
Reversal of the adjustment due to effect of inflation	1,323	76,050	7,631
Reversal of the adjustment due to Marketable securities- available for sale		1,985	(2,256)
Other	(105)	478	107
Net income under U.S. GAAP	1,061	72,348	19,778

OPHIR HOLDINGS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 13 – EFFECT OF MATERIAL DIFFERENCES BETWEEN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN ISRAEL AND IN THE U.S.A.:

2) Shareholders' equity:

	December 31,	
	2006	2005
	NIS in thousands	
Shareholders' equity, as reported in these financial statements, according to Israeli GAAP	16,040	78,197
Effect of the treatment of the above differences under U.S. GAAP:		
Reversal of the adjustment due effect of inflation, net	(374)	(1,697)
Other	410	218
Shareholders' equity under U.S. GAAP	16,076	76,718

3) The effect of the foregoing GAAP difference on reporting comprehensive income, is as follows:

	2006	2005	2004
	NIS in thousands		
Net income as reconciled to U.S. GAAP, see above	1,061	72,348	19,778
Other comprehensive income - gains not reported (previously reported) in the income statements - unrealized (realized) gains on marketable securities		(61,182)	20,659
Comprehensive income under U.S. GAAP	1,061	11,166	40,437

OPHIRTECH LTD.

(An Israeli Corporation)

2005 ANNUAL REPORT

OPHIRTECH LTD.

2005 ANNUAL REPORT

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REPORT OF INDEPENDENT AUDITORS

To the shareholders of

OPHIRTECH LTD.

We have audited the financial statements of Ophirtech Ltd. (hereafter - the Company): balance sheets as of December 31, 2005 and 2004 and the related statements of income, changes in shareholders' equity and cash flows for the three years ended December 31, 2005. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Boards (United States). 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 provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2005 and 2004 and the results of operations and cash flows of the Company for the three years ended December 31, 2005, in conformity with accounting principles generally accepted in Israel.

As explained in note 1b, the financial statements, as of dates and for reporting periods subsequent to December 31, 2003, are presented in new Israeli shekels, in conformity with accounting standards issued by the Israel Accounting Standards Board. The financial statements as of dates and for reporting periods ended prior to, or on, the above date are presented in values that have been adjusted for the changes in the general purchasing power of the Israeli currency through that date, in accordance with pronouncements of the Institute of Certified Public Accountants in Israel.

Accounting principles generally accepted in Israel vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in note 7 to the financial statements.

Tel-Aviv, Israel
March 27, 2006

Kesselman & Kesselman
Certified Public Accountants (Isr.)

OPHIRTECH LTD.

BALANCE SHEETS

	Note	December 31 2005	2004
		NIS in thousands (see note 1b)	
A s s e t s			
CURRENT ASSETS:			
Cash		151	811
Government		28	49
T o t a l current assets		179	860
INVESTMENTS IN COMPANIES	1c ; 2	32,809	36,063
		32,988	36,923
Liabilities and shareholders' equity			
CURRENT LIABILITIES:	6a(2)		
Short-term credit:			
From bank credit	6a		966
From shareholders		4,125	4,267
Loan from a related party	6b	8,306	8,114
Accounts payable and accruals			23
T o t a l current liabilities		12,431	13,370
SHAREHOLDERS' EQUITY	3	20,557	23,553
		32,988	36,923

)

Avi Israel **)**

) **DIRECTORS**

)

Shlomo Shalev **)**

Date of approval of the financial statements: March 27, 2006

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

OPHIRTECH LTD.

STATEMENTS OF OPERATIONS

	2005	2004	2003
	NIS in thousands (see note 1b)		
WRITE-DOWN OF INVESTMENTS IN COMPANIES, net	2,814		1,239
GENERAL AND ADMINISTRATIVE EXPENSES (note 6e)	34	3	251
FINANCIAL EXPENSES – net	148	139	416
CAPITAL LOSS ON SALE OF FIXED ASSETS			2
LOSS FOR THE YEAR	2,996	142	1,908

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

OPHIRTECH LTD.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Receipts on account of shares to be allotted	Accumulated deficit	Total
	NIS in thousands (see note 1b)			
BALANCE AT JANUARY 1, 2003	1	137,622	(112,019)	25,603
CHANGES DURING 2003 - loss			(1,908)	(1,908)
BALANCE AT DECEMBER 31, 2003	1	137,622	(113,927)	23,695
CHANGES DURING 2004 - loss			(142)	(142)
BALANCE AT DECEMBER 31, 2004	1	137,622	(114,069)	23,553
CHANGES DURING 2005 - loss			(2,996)	(2,996)
BALANCE AT DECEMBER 31, 2005	1	137,622	(117,065)	20,557

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

OPHIRTECH LTD.

STATEMENTS OF CASH FLOWS

	2005	2004	2003
	NIS in thousands (see note 1b)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Loss for the year	(2,996)	(142)	(1,908)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities*	3,004		714
Net cash provided by (used in) operating activities	8	(142)	(1,194)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from disposal of investments	1,746	1,699	
Investment in companies	(1,306)		(3,089)
Proceeds from sale of fixed assets			70
Net cash provided by (used in) investing activities	440	1,699	(3,019)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Short-term credit loans from shareholders - net	(142)	101	4,166
Increase in short term loan from a related party			191
Short-term bank credit	(966)	(873)	(124)
Net cash provided by (used in) financing activities	(1,108)	(772)	4,233
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(660)	785	20
BALANCE OF CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	811	26	6
BALANCE OF CASH AND CASH EQUIVALENTS AT END OF YEAR	151	811	26
*** Adjustments to reconcile net loss to net cash provided by (used in) operating activities:**			
Expenses not involving cash flows:			
Depreciation			7
Write-down of investments in companies, net	2,814		1,239
Capital loss on sale of fixed assets			2
Linkage differences of a loan from a related party	192		165
	3,006		1,413
Changes in operating asset and liability items:			
Decrease (increase) in accounts receivables	21		(33)
Decrease in accounts payable and accruals	(23)		(666)
	(2)		(699)
	3,004		714

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies, applied on a consistent basis, are as follows:

a. General:

1) Ophirtech Ltd. (the "Company"), invests in start-up companies in various stages of development, from newly established enterprises to companies that have reached advanced development stage.

On March 30, 2000, the Company purchased investments in high-tech companies engaged in various fields of activity (communications, software, security, etc.) from Ophir Holdings Ltd. ("Ophir Holdings"), which at that time was a company under common control, for approximately adjusted NIS 76 million. The difference between the proceeds and the carrying value of those investments on the books of Ophir Holdings was carried to the Company's accumulated deficit, in accordance with the Israeli Securities (Presentation in Financial Reports of Acts between Body Corporate and its Controlling Member) Regulations, 1996.

2) Related parties - as defined in Opinion 29 of the Israeli Institute.

3) Principles of accounting

The financial statements have been prepared in accordance with accounting principles generally accepted in Israel (Israeli GAAP). Israeli GAAP vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in note 7.

b. Financial statements presentation basis:

The company draws up and presents its financial statements in Israeli currency (hereafter - shekels or NIS).

1) Transition to nominal financial reporting in 2004

With effect from January 1, 2004, the company has adopted the provisions of Israel Accounting Standard No. 12 –"Discontinuance of Adjusting Financial Statements for Inflation" – of the Israel Accounting Standards Board (hereafter –the IASB) and, pursuant thereto, the company has discontinued, from the aforesaid date, the adjustment of its financial statements for the effects of inflation in Israel.

The amounts adjusted for the effects of inflation in Israel, presented in the financial statements as of December 31, 2003 (hereafter – "the transition date"), were used as the opening balances for the nominal financial reporting in the following periods. Additions made after the transition date have been included in the financial statements at their nominal values.

Accordingly, the amounts reported for 2003, as well as reported amounts for subsequent

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued):

b. Financial statements presentation basis (continued):

periods, that relate to non-monetary assets including "permanent" investment and equity items, which originate from the period that preceded the transition date, are based on the adjusted-for-inflation data (based on the CPI for December 2003), as previously reported. All the amounts originating from the period after the transition date are included in the financial statements at their nominal values.

Through December 31, 2003, the company prepared its financial statements on the basis of historical cost adjusted for the changes in the general purchasing power of Israeli currency ("NIS"), based upon changes in the consumer price index (hereafter – the CPI), in accordance with pronouncements of the Institute of Certified Public Accountants in Israel (hereafter – the Israeli Institute).

In 2003, the components of the income statements were, for the most part, adjusted as follows: the components relating to transactions carried out during the reported period were adjusted on the basis of the index for the month in which the transaction was carried out, while those relating to non-monetary balance sheet items were adjusted on the same basis as the related balance sheet item. The financing component represents financial income and expenses in real terms and the erosion of balances of monetary items during the year.

2) The amounts of non-monetary assets do not necessarily represent realization value or current economic value, but only the reported amounts of such assets, as described in (1) above. In these financial statements, the term "cost" signifies cost in reported amounts.

c. Investments in companies

The investments in the shares of these companies are presented at cost net of write down for decrease in value, which is not of a temporary nature.

The Company performs from time to time fair value evaluations of its investments in start-up and development companies and includes, when necessary, a write-down for decrease in value which is not of a temporary nature, see also d. hereafter.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued):

d. Impairment of assets:

1) The company reviews - at each balance sheet date - whether any events have occurred or changes in circumstances have taken place, which might indicate that there has been an impairment of fixed assets and identifiable intangibles. When such indicators of impairment are present, the company evaluates whether the carrying value of the asset in the company's accounts can be recovered from the cash flows anticipated from that asset, and, if necessary, records an impairment provision up to the amount needed to adjust the carrying amount to the recoverable amount.

   The recoverable value of an asset is determined according to the higher of the net selling price of the asset or its value in use to the company. The value in use is determined according to the present value of anticipated cash flows from the continued use of the asset, including those expected at the time of its future retirement and disposal.

2) During 2005, the company has written-down its investments in companies in the total amount of 2,814 thousands NIS (2004- NIS 0; 2003- NIS 1,239 in thousand).

e. Loss per NIS 1 of par value of shares

The financial statements do not include data regarding loss per NIS 1 of par value of shares, since the data would not provide significant additional information to that otherwise provided by the financial statements.

f. Linkage basis

Balances the linkage arrangements in respect of which stipulate linkage to the last index published prior to date of payment are stated on basis of the last index published prior to balance sheet date (the index for November).

g. Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued):

h. Data regarding the exchange rate and the Israeli CPI:

	Exchange rate of one U.S. dollar	Israeli CPI*
At end of year:		
2005	NIS 4.603	185.05 points
2004	NIS 4.308	180.74 points
2003	NIS 4.379	178.58 points
Increase (decrease) during:		
2005	6.8%	2.4%
2004	(1.6%)	1.2%
2003	(7.6%)	(1.9%)

* Based on the index for the month ending on each balance sheet date, on the basis of 1993 average = 100.

i. Recently issued accounting pronouncements in Israel:

1) In August 2005, the Israel Accounting Standards Board issued Israel Accounting Standard No. 22 – "Financial Instruments: Disclosure and Presentation", which is based on International Accounting Standard No. 32. This standard prescribes the rules for the presentation of financial instruments and the proper disclosure required therefor. The standard sets forth the rules for classifying financial instruments, the rules for splitting and classifying compound financial instruments and the rules for offsetting financial assets and financial liabilities. The standard also prescribes the rules for classifying interest, dividends, losses and gains relating to financial instruments. This accounting standard applies to financial statements for periods commencing on or after January 1, 2006. The standard is to be applied prospectively and, accordingly, comparative data that are presented in the financial statements for periods commencing from the effective date of the standard will not be re-presented. Financial instruments issued before the standard's effective date are to be classified and presented in conformity with the provisions of the standard from its effective date. Compound financial instruments (that include both an equity component and a liability component), which were issued in periods prior to the standard's effective date, and which had not yet been converted or redeemed at that date, are to be classified according to their component parts and are to be presented in conformity with the provisions of the standard, commencing from the effective date of the standard.

When the standard becomes effective, the Israeli institute's Opinion 48 – "Accounting Treatment of Option Warrants", and Opinion 53 – "Accounting Treatment of Convertible Liabilities" will be revoked.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued):

i. Recently issued accounting pronouncements in Israel (continued):

In the Company's opinion, implementation of this standard is not expected to have a material effect on its financial statements in future periods.

2) In February 2006, the IASB issued Israel Accounting Standard No. 25 - "Revenue", which is based on International Accounting Standard No. 18. This standard prescribes recognition, measurement, presentation and disclosure criteria for revenues originating from the sale of goods purchased or manufactured by the company, the provision of services, as well as revenues deriving from the use of the company's assets by others (interest income, royalties or dividends).

The principal issue in accounting for revenue is determining the timing of revenue recognition. Revenue from the sale of goods shall be recognized when all the following conditions have been satisfied: (a) the significant risks and rewards of ownership of the goods have been transferred to the buyer; (b) the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (c) the amount of revenue can be measured reliably; (d) it is probable that the economic benefits associated with the transaction will flow to the company; and (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

A clarification of said standard was issued by the IASB in February 2006: Clarification No. 8 - "Reporting of Revenue on a Gross or Net Basis". According to the clarification, a company acting as an agent or an intermediary without bearing the risks and rewards resulting from the transaction, will present its revenue on a net basis (as profit or commission). However, a company that acts as a principal supplier and bears the risks and rewards resulting from the transaction will present its revenue on a gross basis, distinguishing the turnover from the related expenses.

Standard 25 shall be applicable to financial statements for periods commencing on or after January 1, 2006. The standard is to be applied prospectively; nevertheless, in accordance with the transitional provisions of the standard, the classification and presentation of revenue on a gross or net basis, as above, shall be applied with retroactive effect, including the restatement of revenues and expenses appearing in the comparative figures in the financial statements for periods commencing on the effective date of the standard.

Until the publication of said standard and the related clarification, there were no accounting pronouncements in Israel concerning revenue, and the accounting treatment of this issue was mostly based on generally accepted accounting practices and foreign accounting pronouncements; nevertheless, as the principles applied by the company do not differ materially from the directives of the standard, its implementation is not expected to have a material effect on the financial statements of the company in future periods.

NOTE 2 – INVESTMENTS IN COMPANIES:

The composition of the investments is as follows:

	December 31			
		2005	Percentage of ownership/ Control*	2004
	Cost	Book value		Book value
	NIS in thousands		%	NIS in thousands
Pelican Security Ltd. - “Pelican” (a)	8,885	4		930
Expand Networks Ltd. - “Expand” (b)	10,033	10,033	9.3	9,378
Mainsoft Corporation - “Mainsoft” (c)	500	500	1.9	500
Netformx Ltd. - “Netformx” (d)	9,907	2,322	6.2	2,322
StoreAge Networking Technologies Ltd. - “StoreAge” (e)	13,946	13,946	10.9	13,292
Celvibe Ltd. - “Celvibe” (f)	12,278	-,-	13.1	163
Viola Networks Ltd. - “Viola” (g)	14,088	6,004	5.8	6,004
Cerel Ceramic Technologies Ltd. - “Cerel” (h)	4,451	-,-	15.9	3,474
Others (i)	57,708	-,-		-,-
T o t a l	131,796	32,809		36,063

* Ownership/ Control on a full and undiluted basis.

(a) Pelican is engaged in the development of solutions to the problem of safeguarding information on the Internet against viruses and hackers.

In February 2003, Pelican sold the know-how that it had developed and owned.

Pelican was appointed an outside liquidator who, in 2005, had transferred to the company an aggregate of NIS 626,000 out of the liquidation monies.

(b) Expand is engaged in the development of technology designed to accelerate communications over diverse network infrastructures (including E1, T1 and frame relay lines) and improve broadband efficiency.

In June 2003, as part of a Capital raise from existing shareholders in Expand, the Company invested an addition amount of $ 250,000 (NIS 1,084,000) in Expand.

During April 2005, the Company gave a bridging loan to Expand in the amount of $ 150,000 (NIS 653,000).

(c) Mainsoft is engaged in the development of software and tools for software developers.

NOTE 2 – INVESTMENTS IN COMPANIES (continued):

(d) Netformx is engaged in development, marketing and support of software designed for planning, operation and maintenance of computer networks.

The investment in Netformx as of December 31, 2005 is presented net of a provision of NIS 7.6 million for impairment of value.

Netformx is partly held by companies which are related parties.

(e) StoreAge is engaged in the development and marketing of a software solution and innovative data storage solutions for communications networks (Storage Area Network).

During February 2005, the company gave a bridging loan to Storeage ,in the amount of $ 150,000 (NIS 653,000).

StoreAge is partly held by a company which is related party.

(f) Celvibe develops solutions for digital video transmission for Internet broadband networks and mobile phone communications.

In November 2002, Celvibe ceased its operations and entered a winding-up procedure.

On December 7, 2004, an amount of $ 393,000 was received from Celvibe's liquidator, and On June 30, 2005, an amount of $ 245,000 was received.

As of December 31, 2005, the balance of the investment is set at zero and the company is not expecting to receive an additional amounts from the liquidation of Celvibe.

(g) Viola is engaged in the development of a software system to allow quick and uninterrupted identifications of problems and technical difficulties on various communications networks.

In October 2003, the Company invested $ 150,000 (NIS 668,000) in Viola.

The investment in Viola as of December 31, 2005 is presented net of a provision of NIS 8 million for impairment of value.

(h) Cerel develops ceramic layering technologies for the passive electronic components market.

In 2002, the company recorded an impairment provision of NIS 980,000 in respect of the investment. In 2005, due to adverse indicators, the company wrote off the balance of its investment in Cerel and recorded an impairment loss of NIS 3.3 million.

NOTE 2 – INVESTMENTS IN COMPANIES (continued):

(i) Following is a list of the companies in which the Company has invested approximately NIS 58 million. An impairment provision has been made for the full amount invested:

Cipheractive Ltd;
Carmel Biosensors Ltd;
Elpas Electro-Optic Systems Ltd
Romidot Ltd;
RealM Technologies Ltd;
Camelot Information Technologies Ltd;
Interlink Computer Communications Ltd;
Techimage Ltd;
Indox online ltd.
Iradius.Com, Inc;
Trans4u Ltd;
Praxell Inc;
Electrochemical Light Switch Inc;

NOTE 3 – SHAREHOLDERS' EQUITY:

a. Share capital

The share capital as of December 31, 2005 and 2004 is composed of ordinary shares of NIS 1 par value, as follows: authorized - 10,000 shares; issued and paid - 1,000 shares.

b. Receipts on account of shares to be allotted

On November 1, 2000, the Company received a payment on account of shares in the amount of NIS 137,622,000 from its shareholders. The shares have not yet been allotted.

NOTE 4 – TAXES ON INCOME:

a . Measurement of results for tax purposes under the Income Tax (Inflationary Adjustments) Law, 1985 (hereinafter - the "Inflationary Adjustments Law")

Under the Inflationary Adjustments Law, results for tax purposes are measured in real terms, having regard to the changes in the Israeli CPI. The Company is taxed under this law.

b. Taxes rates

The income of the company is taxed at the regular rate. Through December 31, 2003, the corporate tax was 36%. In July 2004, Amendment No. 140 to the Income Tax Ordinance was enacted. One of the provisions of this amendment is that the corporate tax rate is to be gradually reduced from 36% to 30%. In August 2005, a further amendment (No. 147) was published, which makes a further revision to the corporate tax rates prescribed by Amendment No. 140. As a result of the aforementioned amendments, the corporate tax rates for 2004 and thereafter are as follows: 2004 – 35%, 2005 – 34%, 2006 – 31%, 2007 – 29%, 2008 – 27%, 2009 – 26% and for 2010 and thereafter – 25%.

NOTE 4 – TAXES ON INCOME (continued):

c. Losses for tax purposes, carried forward to future years

Carryforward losses aggregate approximately NIS 2 million at December 31, 2005. Under the Inflationary Adjustments Law such carryforward tax losses are linked to the Israeli CPI. No deferred tax asset has been included in respect of such losses. In addition, no deferred tax asset has been included in respect of the impairment provision created for the investments in companies.

d. Tax assessments

The company has received final tax assessments through tax year 2001.

NOTE 5 – "RELATED PARTIES" - TRANSACTIONS AND BALANCES:

a. Transactions:

	2005	2004	2003
	NIS in thousands		
Financial expenses in respect of short term loan from a company which is a related party	194		165

b. Balances:

		December 31	
		2005	2004
		NIS in thousands	
1)	Short-term loan from a company which is a related party	(8,306)	(8,114)
2)	Current liabilities - presented in the balance sheets as short-term credit from shareholders'	(4,125)	(4,267)

NOTE 6 – SUPPLEMENTARY FINANCIAL STAEMENT INFORMATION:

Balance sheets:

a. Short-term bank credit:

1) Short-term bank credit was unlinked and beared annual interest rate of 5.46% in 2005 and 6.5% in 2004. During October 2005, the company had settled the bank credit in full.

2) In February 2001, the Company and its shareholders gave a commitment to a certain bank that the Company would not make any repayments or settlements to its shareholders on account of shareholders' loans and/or sums received on account of shares up to an amount of approximately adjusted NIS 100 million.

b. Short-term loan from a related party

The loan is linked to the Israeli CPI and bears no interest.

NOTE 6 – SUPPLEMENTARY FINANCIAL STAEMENT INFORMATION (continued):

c. Concentrations of credit risks

The Company's cash at December 31, 2005 and 2004 were deposited with Israeli banks. The Company is of the opinion that the credit risk in respect of these balances is remote.

d. Fair value of financial instruments

The fair value of the financial instruments included in working capital of the Company is usually identical or close to their carrying value.

Statements of operations -

e. General and administrative expenses:

	2005	2004	2003
		NIS in thousands	
Professional fees	24		
Travel abroad	12		
Payroll and related expenses			187
Office rent and maintenance			22
Other	(2)	3	42
	34	3	251

NOTE 7 – EFFECT OF MATERIAL DIFFERENCES BETWEEN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN ISRAEL AND IN THE U.S.A:

a. General:

1) The Company prepares its financial statements in accordance with Israeli GAAP. As applicable to these financial statements, Israeli GAAP and U.S. of America GAAP vary in certain significant respects, as described below:

2) Effect of inflation

In accordance with Israeli GAAP, through December 31, 2003, the Company comprehensively included the effect of the changes in the general purchasing power of Israeli currency in these financial statements, as described in note 1b. In view of the past inflation in Israel, this was considered a more meaningful presentation than financial reporting based on historical cost.

Under US GAAP Israel is not considered to be a highly inflationary country, thus the measurement currency should be in nominal NIS.

The adjustments to reflect the changes in the general purchasing power of Israeli currency have been reversed in the reconciliation of Israeli GAAP to U.S. GAAP.

NOTE 8 – EFFECT OF MATERIAL DIFFERENCES BETWEEN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN ISRAEL AND IN THE U.S.A (continued):

b. The effect of the material GAAP differences, as described in a. above, on the consolidated financial statements is as follows:

1) Operating results:

	2005	2004	2003
	NIS in thousands		
Net losses as reported in these financial statements according to Israeli GAAP)	2,996	142	1,908
Effect of the treatment of the following item under U.S. GAAP-			
Reversal of the adjustment due to effect of inflation	(50)	-,-	(371)
Net losses under U.S. GAAP	2,946	142	1,537

2) Shareholders' equity:

	December 31,	
	2005	2004
	NIS in thousands	
Shareholders' equity, as reported in these financial statements, according to Israeli GAAP	20,557	23,553
Effect of the treatment of the above differences under U.S. GAAP:		
Reversal of the adjustment due To effect of inflation, net	(2,006)	(2,056)
Transaction with related party	800	800
Shareholders' equity under U.S. GAAP	19,351	22,297

3) The company has no other comprehensive income (loss) components other than net loss for the reported periods.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BAY HEART LTD.

We have audited the accompanying balance sheets of Bay Heart Ltd. ("the Company") as of December 31, 2006 and 2005, and the consolidated balance sheets as of those dates, and the related statements of operations, changes in shareholders' deficiency and cash flows – of the Company and on a consolidated basis – for each of the three years in the period ended December 31, 2006. These financial statements are the responsibility of the Company's Board of Directors and management. Our responsibility is to express an opinion on these financial

statements based on our audits.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position – of the Company and on a consolidated basis – as of December 31, 2006 and 2005, and the results of operations, changes in shareholders' deficiency and cash flows – of the Company and on a consolidated basis – for each of the three years in the period ended December 31, 2006, in conformity with accounting principles generally accepted in Israel.

Accounting principles generally accepted in Israel differ in certain respects from accounting principles generally accepted in the United States. With respect to these financial statements, the difference in the application of the latter is described in Note 19.

As described in Note 2A, the financial statements are presented in reported amounts, in conformity with Accounting Standards of the Israel Accounting Standards Board.

The condensed consolidated financial information in U.S. dollars presented in Note 18 to the financial statements, prepared at the request of an investor, represents a translation of the Company's financial statements in nominal values, as stated in Note 18A. In our opinion, such translation into U.S. dollars was appropriately performed on the basis stated in Note 18A.

As described in Note 1C to the financial statements regarding the Company's business condition, the Company has ongoing losses, a working-capital deficit, shareholders' deficiency and negative cash flows from operating activities. As stated in that note, the continuance of the Company's operations and its ability to satisfy its short-term liabilities is contingent upon the attainment of financing from the shareholders and/or bank financing arrangements.

Brightman Almagor & Co.
Certified Public Accountants

Member firm of Deloitte Touche Tohmatsu

Haifa, Israel, February 6, 2007.

ERNST & YOUNG

Kost Forer Gabbay & Kasierer
2 pal-yam St.
Haifa 33095, Israel

Phone: 972-4-8654000
Fax: 972-4-8654022

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of

CARMEL CONTAINER SYSTEMS LTD.

We have audited the accompanying consolidated balance sheets of Carmel Container Systems Ltd. ("the Company") and its subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of operations, changes in shareholders' equity and cash flows – for each of the three years in the period ended December 31, 2006. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

We did not audit the financial statements of a certain subsidiary, whose assets constitute approximately 10% of total consolidated assets as of December 31, 2005 and whose revenues constitute approximately 10% and 9% of total consolidated revenues for the years ended December 31, 2005 and 2004, respectively. The financial statements of this subsidiary were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for this subsidiary, is based on the reports of the other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the company's internal control over financial reporting. Our audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2006 and 2005, and the consolidated results of their operations, changes in shareholder's equity and cash flows for each of the three years in the period ended December 31, 2006, in conformity with Israel generally accepted accounting principles, which differ in certain respects from those followed in the United States, as described in Note 22 to the consolidated financial statements.

As described in Note 2, the financial statements referred to above are presented in reported amounts, in conformity with Accounting Standards of the Israel Accounting Standards Board.

Haifa, Israel,
March 5, 2007

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

To the shareholders of

C.D. PACKAGING SYSTEMS LTD.

We have audited the financial statements of C.D. Packaging Systems Ltd. (hereafter – the Company) and the consolidated financial statements of the Company and its consolidated subsidiary: balance sheets as of December 31, 2005 and 2004 and statements of income (loss), changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2005. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Israel and in the standards of the Public Company Accounting Oversight Board (United States), including those prescribed by the Israeli Auditors (Mode of Performance) Regulations, 1973. 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 the company's Board of Directors and management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2005 and 2004 and the results of operations, changes in shareholders' equity and cash flows – of the Company and consolidated – for each of the three years in the period ended December 31, 2005, in conformity with accounting principles generally accepted ("GAAP") in Israel. Also, in our opinion, except for failure to meet the requirements of the Securities Regulations (Presentation of Transactions between a Corporation and its Controlling Shareholder in the Financial Statements), 1996, as explained in note 11, and except for the exclusion of certain specifications, as explained in that note, the abovementioned financial statements have been prepared in accordance with the Securities (Preparation of Annual Financial Statements) Regulations, 1993.

As explained in note 1b, the financial statements, as of dates and for reporting periods subsequent to December 31, 2003, are presented in new Israeli shekels, in conformity with accounting standards issued by the Israel Accounting Standards Board. The financial statements as of dates and for reporting periods ended prior to, or on, the above date are presented in values that have been adjusted for the changes in the general purchasing power of the Israeli currency through that date, in accordance with pronouncements of the Institute of Certified Public Accountants in Israel.

Haifa,
March 6, 2006

/s/ KESSELMAN & KESSELMAN CPAs
(ISR) A member of
PricewaterhouseCoopers International
Limited

ERNST & YOUNG

Kost Forer Gabbay & Kasierer
3 Aminadav St.
Tel-Aviv 67067, Israel

Phone: 972-3-6232525
Fax: 972-3-5622555

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
To the shareholders of
EPSILON INVESTMENT HOUSE LTD.

We have audited the balance sheets of Epsilon Investment House Ltd. ("the Company") as of December 31, 2004 and 2003, and the consolidated balance sheets as of such date and the related statements of income, changes in shareholders' equity and cash flows – Company and consolidated – for the years then ended expressed in New Israeli Shekels (not presented herein). These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of an investee company have been audited by other auditors whose report has been furnished to us; insofar as our opinion on the consolidated financial statements relates to the amounts included for the investee, it is based solely on their report. In the consolidated financial statements, the Company's investment in the investee is stated at NIS 331 thousand and NIS 26 thousand, respectively, at December 31, 2004 and 2003, and the Company's equity in the net income of the investee is stated at NIS 305 thousand and NIS 25 thousand for the years then ended.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States) and in accordance with auditing standards generally accepted in Israel, including those prescribed by the Auditors' Regulations (Auditor's Mode of Performance)-1973. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the board of directors and management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position – of the Company and consolidated – as of December 31, 2004 and 2003, and the results of operations, changes in shareholders' equity and cash flows – of the Company and consolidated – for the years then ended, in conformity with generally accepted accounting principles in Israel, which differ in certain respects from those generally accepted in the United States (see Note 20 to the financial statements).

As described in Note 2a, the financial statements as of the dates and for the reported periods subsequent to December 31, 2003, are presented in reported amounts, in conformity with Accounting Standards of the Israeli Accounting Standards Board. The financial statements as of the dates and for the reported periods until the aforementioned date are presented in values that were adjusted until that date according to the changes in the general purchasing power of the Israeli currency, in accordance with pronouncements of the Institute of Certified Public Accountants in Israel.

Tel-Aviv, Israel
February 24 , 2005

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
To the shareholders of

Hod Hasharon Sport Center Limited

We have audited the consolidated balance sheets of Hod Hasharon Sport Center Limited and its subsidiaries as of December 31, 2006 and 2005 and the related consolidated statements of operations, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2006. These financial statements are the responsibility of the Company's Board of Directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States of America) and with auditing standards generally accepted in Israel, including those prescribed by the Israeli Auditors (Mode of Performance) Regulations, 1973. 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 the Company's Board of Directors and management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2006 and 2005 and the consolidated results of operations, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

Somekh Chaikin

Certified Public Accountants (Isr)

Tel Aviv, Israel

February 25, 2007

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
To the shareholders of

Hod Hasharon Sport Center (1992) Limited Partnership

We have audited the consolidated balance sheets of Hod Hasharon Sport Center (1992) Limited Partnership and its subsidiaries as of December 31, 2006 and 2005 and the related consolidated statements of operations, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2006. These financial statements are the responsibility of the Company's Board of Directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States of America) and with auditing standards generally accepted in Israel, including those prescribed by the Israeli Auditors (Mode of Performance) Regulations, 1973. 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 the Company's Board of Directors and management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2006 and 2005 and the consolidated results of operations, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

Somekh Chaikin

Certified Public Accountants (Isr)

Tel Aviv, Israel

February 25, 2007

ERNST & YOUNG

Kost Forer Gabbay & Kasierer
3 Aminadav St.
Tel-Aviv 67067, Israel

Phone: 972-3-6232525
Fax: 972-3-5622555

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
To the shareholders of
RENAISSANCE INVESTMENT COMPANY LTD.

We have audited the balance sheets of Renaissance Investment Company Ltd. ("the Company") as of December 31, 2004 and 2003, and the consolidated balance sheet as of December 31, 2004, and the related statements of income, changes in shareholders' equity and cash flows of the Company for the years ended December 31, 2004 and 2003 and the consolidated statements of income and cash flows for the year ended December 31, 2004, expressed in New Israeli Shekels (not presented herein). These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of an investee company have been audited by other auditors whose report has been furnished to us; insofar as our opinion on the financial statements relates to the amounts included for the investee, it is based solely on their report. In the financial statements, the Company's investment in the investee is stated at NIS 3,571 thousand and NIS 1,070 thousand, respectively, at December 31, 2004 and 2003, and the Company's equity in the net income of the investee is stated at NIS 501 thousand and NIS 70 thousand for the years then ended.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States) and in accordance with auditing standards generally accepted in Israel, including those prescribed by the Auditors' Regulations (Auditor's Mode of Performance)-1973. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the board of directors and management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2004 and 2003, and the consolidated financial position as of December 31, 2004 and the results of operations, changes in shareholders' equity and cash flows of the Company for the years ended December 31, 2004 and 2003 and the consolidated results of operations and cash flows for the year ended December 31, 2004, in conformity with generally accepted accounting principles in Israel, which differ in certain respects from those generally accepted in the United States (see Note 15 to the financial statements).

As described in Note 2a, the financial statements as of the dates and for the reported periods subsequent to December 31, 2003, are presented in reported amounts, in conformity with Accounting Standards of the Israeli Accounting Standards Board. The financial statements as of the dates and for the reported periods until the aforementioned date are presented in values that were adjusted until that date according to the changes in the general purchasing power of the Israeli currency, in accordance with pronouncements of the Institute of Certified Public Accountants in Israel.

Tel-Aviv, Israel
February 24 , 2005

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

Exhibit 4c

DEED OF TRUST

that was prepared and signed in Tel Aviv
on the 20 th day of the month of November, in the year 2006

BETWEEN

Ampal-American Israel Corporation

a company incorporated according to the laws of the state of New York of 111 Arlozorov Street, Tel Aviv 62098

Tel.: 03-6080100
Fax: 03-6080101
(hereinafter: the "Company")

of the first part;

AND

Hermetic Trust (1975) Ltd. of 113 HaYarkon Street, Tel Aviv

Tel.: 03- 5274867
Fax: 03- 5271736
(hereinafter: the "Trustee")

of the second part;

WHEREAS The Company is interested in raising funds against an issue of (Series A) Debentures of the Company, all as is specified in the this Deed of Trust below; and

WHEREAS Debenture (Series A) is a series limited to a sum of NIS 250 million which may be further increased in accordance with the approval of Midroog Ltd. (" **Midroog** ") or another ranking corporation; and

WHEREAS It is the intention of the Company to issue out of the series, before the date of publishing the prospectus as stated below, inasmuch as it may be published, in one private issue or in several private issues, (Series A) Debentures which are ranked by Midroog Ltd. at a ranking of A3. (Said private issue or the private issues, that shall be made prior to the date of publishing the prospectus as stated below, shall hereinafter be referred to jointly as the " **private issue** "); and

WHEREAS The Company shall make its best efforts to register the (Series A) Debentures for trading on the Tel Aviv Securities Exchange Ltd., as stipulated in this deed below; and

WHEREAS The Trustee is a company limited by shares that was incorporated in Israel according to the Companies Ordinance whose main objective is to be involved in trusteeship; and

WHEREAS The Trustee has declared that there is nothing preventing, by way of the Securities Law, 5728-1968, or any other law, his engagement with the Company under this Deed of Trust and that he complies with the requirements and the terms of fitness as set by law to serve as a Trustee for the issue of (Series A) Debentures, the subject of this Deed of Trust; and

WHEREAS The Company has approached the Trustee with a request to serve as a Trustee for holding said (Series A) Debentures and the Trustee has agreed to this, all of which is subject to and in accordance with the terms of this Deed of Trust; and

WHEREAS The Company declares that there is nothing preventing it, by any law and/or agreement to execute a private issue of (Series A) Debentures and/or to enter into an engagement with the Trustee under this Deed of Trust;

Therefore, it has been agreed, stipulated and declared between the parties as follows:

1. Preamble, interpretation and definitions

1.1 The preamble to this Deed of Trust and the appendices appended thereto constitutes an inseparable and essential part thereof.

1.2 The division of this Deed of Trust into clauses and also the providing of headings to clauses was undertaken for purposes of convenience and for finding one's place only, and no use may be made thereof for purposes of interpretation.

1.3 Everything contained in this deed in the plural also means the singular and vice versa; everything stated in the masculine gender also means the feminine and vice versa; and everything referring to a person also means a corporation; all of which shall be the case unless there is another explicit instruction in this deed and/or that is implied and/or unless the context of the words or contents does not demand otherwise.

1.4 In this Deed of Trust and in the (Series A) Debentures, the following phrases shall mean as is written alongside, unless another intention may be deduced from the content or context:

"This deed" or "Deed of Trust"	This Deed of Trust including the appendices attached thereto which constitute an inseparable part thereof.
"The prospectus"	The Company's prospectus that shall be published, should it be published, in respect of registering it for trading the (Series A) Debentures.
"(Series A) Debentures"	A series limited to the sum of NIS 250 million of (Series A) registered debentures of the Company, each of NIS 1 par value, whose terms are detailed in this deed, which shall be issued from time to time at the Company's sole discretion.
"The Trustee"	Hermetic Trust (1975) Ltd. and/or anyone who shall serve from time to time as trustee of the holders of the (Series A) Debentures according to this deed.
"Ledger"	The ledger of holders of the (Series A) Debentures as stated in clause 25 of this deed.
"The holders of the (Series A) Debentures" and/or "Owners of the (Series A) Debentures"	Those persons whose names are recorded at a given time in the ledger of holders of the (Series A) Debentures, and in the event of several holders in partnership, the joint holder who is first registered in the ledger.
"Debenture certificate (Series A)"	A (Series A) Debenture certificate whose wording appears as the first addendum to this deed.

"The Law" or "The Securities Law"	The Securities Law 5728-1968 and the Regulations in accordance therewith, as there may be from time to time.
"Principal"	The par value of the (Series A) Debentures in circulation and which have not yet been fully paid up.
"Business day"	A day upon which most of the banks in Israel are open for the conducting of business.
"A ranking corporation"	A company that has been approved as a ranking corporation by the Supervisor for the Capital Markets at the Ministry of Finance.
"The Stock Exchange"	The Tel Aviv Securities Exchange Ltd.
"The Consumer Price Index" ("Index")	The prices index known by the name of the "Consumer Price Index" which includes fruit and vegetables and which is published by the Central Bureau for Statistics and Economic Research in Israel, and that includes that index even if it shall be published by another body or another official institution, and also includes any other official index that may replace it, whether it shall be constructed of the same data upon which the existing index is constructed or not. Should another index replace it that shall be published by a body or institution as aforesaid and that body or institution has not set the ratio between it and the index it is replacing, then the ratio as aforesaid shall be set by the Central Bureau for Statistics, and should this ratio not be set as aforesaid, then it shall be set by the Trustee, who will, upon consultation with economic experts selected by him, set the ratio between the other index and the index being replaced.

"The known index"	For any date - the Consumer Price Index last known.
"The base index"	The Consumer Price Index in respect of the month of October, 2006 which was published on November 15, 2006.
"The payment index"	The index known at the time of making any payment, against principal or interest; however if the payment index is lower than the base index, then the payment index shall be the base index.
"The private issue"	As defined in the preamble to this agreement.
"Date of private issue"	November 20, 2006.

2. Issue of (Series A) Debentures, and the applicability of the Deed of Trust

2.1 A series limited to the sum of NIS 250 million of (Series A) registered debentures, to be repaid in five (5) annual equal installments on November 20 of each one of the years 2011 until 2015 (inclusive), bearing interest at the rate of 5.75% per annum, which shall be calculated and paid once every six months (namely, interest at the rate of 2.875% for a six month period), on November 20 and May 20 of each one of the years 2007 until 2015 (inclusive) (the " **interest** ") which shall commence from the first interest payment to be made on May 20, 2007 until the last interest payment to be made on November 20, 2015, with the principal and interest linked to the base index.

2.2 In addition to the contents of clause 2.1 above, the unpaid balance of the (Series A) Debentures shall bear additional annual interest at the rate of 0.5% in respect of the period commencing on the day of the private issue and terminating on the date of registering the (Series A) Debentures for trading on the Stock Exchange.

In addition, until the registration of the (Series A) Debentures for trading on the Stock Exchange, should there be a reduction in the ranking of the (Series A) Debentures, additional annual interest shall be added at the rate of 0.2% for each rank the ranking drops in respect of the period of time commencing on the day the ranking reduction and terminating on the day of registering the (Series A) Debentures for trading on the Stock Exchange (jointly: " **the additional interest** "). To remove any doubt it is hereby clarified that in the event of the prospectus not being published, then the termination of the period of time in respect of which the additional interest shall be paid, is the last date for the repayment of the debentures, namely November 20, 2015. Said additional interest shall be paid in the following manner:

2.2.1 Until the (Series A) Debentures are registered for trading, said additional interest shall be paid on the same day upon which the payment of interest is made as stated in clause 2.1 above.

2.2.2 Should the (Series A) Debentures be registered for trading, then the additional interest shall be paid by the Company on the seventh day after the registration of the (Series A) Debentures for trading, and in this case, the following provisions shall apply:

One business day after the registration of the (Series A) Debentures for trading, the Company shall give notification to the holders of the (Series A) Debentures, to the Trustee and to the Stock Exchange about the date of payment of the additional interest and the rate of said additional interest. The due date (the CUM date) for entitlement to receive said additional interest shall be the end of the business day after the registration of the (Series A) Debentures for trading.

To remove any doubt, it is clarified that after the payment of the additional interest as stated in this clause 2.2.2, no further additional interest shall be paid to the debenture holders.

It is clarified, to remove any doubt, that the additional interest also shall be linked to the index.

2.3 The first payment of interest shall be made on May 20, 2007 in respect of the period from the date of the private issue until May 20, 2007 (calculated on an annual basis of 365 days in the year).

2.4 Concomitant with the signing of this Deed of Trust, the Company shall make a first private issue out of (Series A) Debentures to a scope of NIS 250 million par value debentures.

The Company shall be permitted to make additional private issues either prior to the publication of the prospectus or after the publication of the prospectus, should it be published, and also to make an issue to the public out of the series within the scope of the prospectus, provided that the ranking of the (Series A) Debentures shall not be harmed following said raising of capital. After the registration of the (Series A) Debentures for trading, the Company shall not be subject to the limitation concerning harm to the ranking as aforesaid. The provisions of clause 2.5 below shall apply to every additional issue. The provisions of this Deed of Trust shall apply to the (Series A) Debentures which shall be issued by way of the private issue as aforesaid, and on every additional issue of (Series A) Debentures that may be issued, should they be issued, out of the series according to this Deed of Trust.

2.5 Immediately after the first private issue, the Company shall act for the registration of the (Series A) Debentures with the Stock Exchange Clearing House, which shall provide clearing services for debentures. Furthermore, the Company shall act to register the (Series A) Debentures on the "NSR" [securities that are not traded on the Stock Exchange] (a clearing and depositary system for securities that were issued to institutional investors). All of the expenses for said registration shall be borne by the Company.

2.6 The Company shall make its best efforts to publish a prospectus according to which the debentures shall be registered for trading on the Stock Exchange, which is subject to the provisions of any law, but it is clarified that the non-publication of a prospectus shall not constitute a breach of the provisions of this deed, nor shall it entitle the debenture holders to a right to demand the immediate repayment of the debentures.

2.7 [a] The Company shall be permitted to issue, from time to time, without the requirement for consent from the debenture holders or from the Trustee, additional debentures out of the (Series A) Debentures at any price and in any way that the Company deems fit, including at discount or premium rates different to other issues that were made in the same series, provided that this shall not harm the ranking of the (Series A) Debentures at that time. After registering the (Series A) Debentures for trading, the Company shall no longer be subject to the limitation concerning harm to the ranking as aforesaid. This deed shall also apply in respect of any additional (Series A) Debentures as aforesaid that may be issued by the Company. Said additional debentures shall not be entitled to interest in respect of interest periods that expired prior to their issue.

[b] In the event of an issue of (Series A) Debentures at different discount rates (or some of the debentures issued are without a discount, as the case may be) tax shall be deducted at source, inasmuch as this shall be required by law, in respect **of all** of the (Series A) Debentures series, in accordance with the higher discount rate between all of the debentures that were issued out of the series; however, the Company shall apply to the taxation authorities to obtain its authorization that as regards deduction of tax at source from the interest in respect of the debentures, a unified discount rate shall be set for the debentures from the series, according to a weighted formula of the various discount rates (including in the absence of a discount, as far as this is relevant) of debentures issued out of the series.

[c] It is clarified to remove any doubt, that the debentures issued in the first private issue as stated above, namely NIS 250,000 par value (Series A) Debentures, are being issued without a discount; in the event of additional issues and also in the event of the realization of additional purchasing rights in accordance with the provisions of clause 6 below, and inasmuch as the debentures that shall be issued in the same issues shall be issued with a discount, then the contents of sub-clause [b] above shall apply.

[d] Increasing the series beyond the total sum of NIS 250 million, shall obligate the approval of Midroog (to maintain at least the original ranking) and under such circumstances, the Trustee shall be entitled to increase his fees proportionally to the rate of increase in the series of (Series A) Debentures.

3. Limitations regarding tradability

In light of the limitations stipulated by the provisions of law in the United States, the (Series A) Debentures shall be registered for trading on the Stock Exchange after the elapse of about 47 days from the date upon which approval will be received to publish the prospectus. During said period, the holders of the (Series A) Debentures shall be prohibited from any transaction or action in respect of the (Series A) Debentures.

4. The acquisition of debentures by the Company and by a subsidiary

4.1 The Company reserves its right to purchase, either on the Stock Exchange or outside thereof, debentures from this series at any price it deems fits to so do, without harming the compliance of the Company with its undertakings towards the holders of debentures in circulation. In the event of such an acquisition by the Company, the Company shall give notice to the Stock Exchange and a copy of said notification shall be delivered to the Trustee. Debentures that shall be acquired by the Company shall be canceled and expunged from trading on the Stock Exchange (after the debentures shall have been registered for trading on the Stock Exchange) and the Company shall not be permitted to reissue them.

4.2 A subsidiary or associated company of the Company, including controlling owners and/or companies in their control (hereinafter: " **a Company in the group** ") is permitted to acquire and/or to sell from time to time debentures at any price it so chooses, and to sell them accordingly. In the event of acquisition and/or sale as aforesaid, the Company shall give notice of this to the Stock Exchange and shall send a copy to the Trustee. The debentures which shall be held as aforesaid, by a company in the group, shall be considered as an asset of the Company in the group, and shall not be expunged from trading on the Stock Exchange (after said debenture shall have been registered for trading on the Stock Exchange). Debentures that shall be acquired by a company in the group, and while they are still being held by the company in the group, this shall not confer upon the company in the group votes at a ballot in a general meeting of the debenture holders and also shall not be counted for purposes of determining a legal quorum.

5. The Company's undertakings; use of receipts

5.1 The Company hereby undertakes to pay all sums of the principal, the interest and the linkage which shall be paid according to the terms of the (Series A) Debentures and to comply with all of the other terms and undertakings that are placed upon it to by the conditions of the (Series A) Debentures and by this deed.

5.2 Until the date of registration for trading, the Company's payment of default interest at the rate of 3% per annum is in addition to the interest being paid according to the terms of the (Series A) Debentures (according to 365 days in the year) on the principal payments of principal, interest and linkage which shall not be transferred to the (Series A) Debenture holders on the due dates for payment set in this deed. It shall be clarified that after the registration for trading, no default interest shall apply as aforesaid.

5.3 The Company hereby confirms and declares that all of the money that shall be received from the debenture holders within the scope of the private issue as aforesaid in the preamble to this agreement, shall be used within the scope of the Company's regular business and in accordance with the decisions of the board of directors as there shall be from time to time including the realization of an option that was conferred upon the Company in connection with the acquisition of shares in the East Mediterranean Gas Company.

5.4 The Company undertakes to continue the engagement with Midroog (or another ranking company) for the ranking of the (Series A) Debentures up to the date of repayment of the (Series A) Debentures and to send to the Trustee the ranking reports and the ranking report updates, as far as these shall be received.

6. Securing the (Series A) Debentures

6.1 Immediately after signing this Deed of Trust and prior to issuing (Series A) Debentures, the Trustee shall open a deposit account in his name in trust for the benefit of the holders of (Series A) Debentures and for purposes of safeguarding the Company's undertakings to the debenture holders only. Said account shall be opened at a bank whose ranking is no less than an AA ranking (or equivalent ranking), and where in the conditions for opening the account that shall be signed in respect thereof, it shall be stated that the Trustee shall have sole signatory rights for the deposit; the Company shall deposit into said account the sum of NIS 43,125,000 (the " **deposit** ").

6.2 Said deposit shall be returned to the Company as follows (after the payment of all the interest at that time):

At the time of making the first interest payment, the Company shall be refunded 1/6 of the sum that there shall be in the deposit at that time;

At the time of making the second interest payment -1/5 of the sum that there shall be in the deposit at that time;

At the time of making the third interest payment -1/4 of the sum that there shall be in the deposit at that time;

At the time of making the fourth interest payment -1/3 of the sum that there shall be in the deposit at that time;

At the time of making the fifth interest payment -1/2 of the sum that there shall be in the deposit at that time;

At the time of making the sixth interest payment - the entire sum that shall remain in the deposit, including the yield that has accumulated in respect of the deposit less the bank charges in respect of managing said deposit and said account.

6.3 The Trustee shall invest the deposit funds in banking deposits and in State of Israel securities.

6.4 In the event of the (Series A) Debentures being submitted for repayment not on the repayment date, for any reason whatsoever, the deposit funds shall serve for completing the payments to the debenture holders, as far as such a completion shall be required. The balance of the funds in the deposit shall be returned to the Company. Furthermore, if at the time of the payment of interest as aforesaid, the Company shall not comply with its payments, the Trustee shall release out of the deposit funds a sufficient sum for the payment of interest to the debenture holders.

6.5 It is hereby clarified that said deposit is for the benefit of safeguarding the undertakings of the (Series A) Debenture holders only. The Company shall not undertake any action that may prejudice the right of the (Series A) Debenture holders to realize the deposit in the event of a breach of the Company's undertakings under the (Series A) Debenture terms and this Deed of Trust.

6.6 It is hereby clarified that the Company shall be permitted to attach its assets, in whole or in part, apart from the deposit, by way of any attachment or in any way whatsoever, without requiring any consent whatsoever from the Trustee and/or from the debenture holders.

6.7 The Company shall be permitted to issue at any time, and without requiring the consent of the Trustee and/or the consent of the (Series A) Debenture holders, other debentures or additional series of debentures, either secured or unsecured, which may confer a right of conversion into the Company's shares or that do not confer such a right, and on the same terms of redemption, interest, linkage, ranking of repayment in the event of liquidation and other terms as the Company shall deem fit to so do, and whether they are preferential over the terms of the (Series A) Debentures, equal thereto or inferior thereto, provided that the ranking of the (Series A) Debentures at that time shall not be harmed. After the registration of the (Series A) Debentures for trading, the Company shall no longer be subject to limitation concerning harming the ranking as aforesaid.

6.8 The (Series A) Debentures shall have the same security ranking, *pari passu* , among themselves, in connection with the Company's undertakings according to the (Series A) Debentures, and without any right of preference of one against any others.

6.9 To remove any doubt it is clarified that the Trustees shall have no obligation to examine, and in practice the Trustee has not examined the economic value of the securities which have been provided and/or shall be provided (if at all) to safeguard the payments to the debenture holders. With his engagement through this Deed of Trust, and with the consent of the Trustee to serve as Trustee for the debenture holders, the Trustee is not providing his opinion, either explicitly or by inference, as to the economic value of the securities which have been placed and/or with shall be placed (if at all) by the Company. Furthermore, the Trustee is not providing his opinion concerning the ability of the Company to comply with its liabilities towards the debenture holders.

7. Early redemption at the initiative of the Stock Exchange

After the debentures are registered for trading, should they be registered, the following provisions shall apply:

Should it be decided by the Stock Exchange to remove those (Series A) Debentures in circulation from being traded and owing to this the value of the public holdings thereof have become less than the minimum value set in the Stock Exchange regulations concerning removal from trading, the Company shall act as follows:

[a] Within 45 days from the date of the decision of the Stock Exchange concerning the removal of the (Series A) Debentures from trading, the Company shall give notice about the repayment date upon which the (Series A) Debenture holders are permitted to redeem them.

[b] The notification concerning an early redemption date shall be published in two popular daily newspapers which appear in Israel in the Hebrew language, and shall be delivered in writing to all of the registered (Series A) Debenture holders and to the Trustee.

[c] The early redemption date shall fall no earlier than 17 (seventeen) days from the date of publication of the notice and no later than 45 days from the above date, but not during the period between the date set for the payment of interest and the date of its actual payment.

[d] At the early redemption date, the Company shall redeem those (Series A) Debentures whose holders wished to redeem them, according to the balance of their par value, together with the accumulated interest on the principal, which shall be calculated proportional to the period commencing after the last date in respect of which interest was paid up until the aforesaid early redemption date (a calculation of interest for part of a year shall be undertaken on the basis of 365 days in the year).

Setting the early redemption date as aforesaid, shall not harm the rights of redemption as set in the (Series A) Debentures, to any of the (Series A) Debentures holders who shall not redeem them on the early redemption date as aforesaid, but the (Series A) Debentures shall be removed from trading on the Stock Exchange.

The early redemption of the (Series A) Debentures as aforesaid, shall not confer on any of the (Series A) Debenture holders who shall redeem them as aforesaid the right to the payment of interest in respect of that period after the redemption date.

8. Immediate repayment

8.1 Should one or more the following occur which are stipulated in this clause, below, then the provisions of clause 7(2) below shall apply:

[a] Should the Company not repay any sum that it owes in connection with the debentures within 14 days after its repayment date has passed.

[b] Should the Company have submitted to the courts a petition for a compromise or settlement according to the bankruptcy code [1] in the state of New York (" **the American law** ") (which is not within the scope of proceedings for a merger, split, or a change of structure or other reorganization), or a judicial order as aforesaid has been handed down (which is not within the scope of proceedings for a merger, split, or a change of structure or other reorganization).

[c] If a permanent liquidator or a permanent receiver has been appointed for the Company and/or for its assets, in whole or in part, by a court or a valid decision has been made for the liquidation of the Company (apart from liquidation for purposes of a merger with another corporation and/or a change in the Company's structure) and said appointment or decision was not canceled within 60 days of its having been given.

[d] Should one of the following occur, and in the opinion of the Trustee and/or the debenture holders, by way of a special decision as aforesaid, this should be considered a risk to the rights of the debenture holders:

[1] Should the holders of attachments realize the attachments they have on the Company's assets in whole, or an essential part thereof.

[2] Should a lien be placed on the Company's assets in whole, or on an essential part thereof, and said lien shall not be removed within 60 days.

[3] An Execution Order action shall be performed against the Company's assets, in whole or an essential part thereof, and said action shall not be canceled within 60 days.

[4] Should a temporary receiver have been appointed for the Company and/or for its assets in whole, or an essential part thereof, and said appointment shall not have been canceled within 60 days.

[5] Should a temporary liquidator have been appointed for the Company and/or for its assets in whole, or an essential part thereof, and said appointment shall not have been canceled within 60 days.

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[1] 11 U.S.C. Sec. 101 et. seq.

[6] Should a creditor of the Company have submitted to the courts a petition for a compromise or settlement according to the American law (which is not within the scope of proceedings for a merger, split or change of structure or other reorganization) or a judicial order was granted as aforesaid (which is not within the scope of proceedings for a merger, split or change of structure or other reorganization), and said petition or order was not canceled within 60 days from the date of its submission and/or being given, as the case may be.

[7] Should the Company cease making its payments and/or shall give notice of its intention to cease its payments and/or there is a real suspicion that it will cease its payments and/or shall cease to continue its business and/or shall in the future cease to continue its business and/or there is a real suspicion that it shall cease to manage its businesses.

[8] Should the Company breach or shall not fulfill any condition or undertaking included within the debenture and this deed, and shall not make good said breach within 30 days from the date it shall be requested to so do in writing by the Trustee, or should it be ascertained that a declaration or presentation that had been given by the Company in the Deed of Trust and/or in the (Series A) Debenture certificate (including those terms recorded on the reverse side of the page) were incorrect.

[e] Should another series of debentures that were issued by the Company become immediately repayable, unless the (Series A) Debentures were registered for trading.

[f] Should, prior to registering the (Series A) Debentures for trading, Mr. Yosef Maiman cease to be the effective controlling owner of the Company. For this matter, effective control is the direct or indirect holding of the issued and paid up share capital of the Company which confers the largest holding share as a sole holder of all the Company's shareholders.

[g] Any other event which in the Trustee's reasonable opinion constitutes essential harm and/or if there is a real suspicion for essential harm to the rights of the (Series A) Debenture holders, including the existence of circumstances which provide reasonable foundation to assume that the Company is becoming insolvent.

As regards this clause, an essential part of the Company's assets means assets whose value in the Company's books exceeds 50% of the Company's equity capital and/or 40% of Company's assets.

8.2 A meeting of the (Series A) Debenture holders shall be convened as follows:

8.2.1 The Trustee shall be obligated to convene a meeting of (Series A) Debenture holders whose date of convening shall be after the elapse of 30 days from date of its convening (or an earlier date according to the provisions of clause 7.2.4 below) and on whose agenda shall be a resolution concerning the immediate repayment of the entire unpaid balance of the (Series A) Debentures owing to the occurrence of one of those events stipulated in the sub-clauses of clause 7.1 above.

8.2.2 Should, until the date of convening the meeting, any of the events stipulated in the sub-clauses of clause 7.1 above not have been canceled, or removed, and a decision at the meeting of debenture holders as aforesaid was taken as a special decision (as defined in the Second Addendum to this deed), the Trustee shall be obligated, within a reasonable period of time, to submit the entire unpaid balance of the (Series A) Debentures for immediate repayment.

8.2.3 A copy of the notification for convening the meeting as aforesaid shall be sent by the Trustee to the Company immediately upon the publishing of the announcement which shall constitute prior warning in writing to the Company concerning his intention to act as aforesaid.

8.2.4 The Trustee is permitted, at his discretion, to shorten the counting of 30 days as aforesaid (in clause 7.2.1 above) under circumstances in which it will be, in the Trustee's opinion, that any delay in the Company repaying the debt, endangers the rights of the (Series A) Debenture holders.

9. Claims and proceedings by the Trustee

9.1 Without derogating from any other instruction in this deed, the Trustee shall be permitted, at his discretion, and without giving additional notification to the Company, to take against the Company, any of those proceedings, including legal proceedings as he deems fit to so do and subject to the provisions of any law, for purposes of enforcing the Company's obligations under this deed and for purposes of realizing the rights of the (Series A) Debenture holders under this deed.

9.2 The Trustee shall be obligated to act in accordance with clause 8.1 above, without any delay should he be required to so do by a special decision taken at a general meeting of the (Series A) Debenture holders by a majority of 75% of those participating in the ballot. However, if the Trustee saw that under the circumstances of the case, this is not justified and/or reasonable to so do, he shall approach the relevant court with a petition to receive instructions on this matter, and he shall act in accordance with these instructions.

9.3 The Trustee is permitted, prior to taking the aforesaid measures, to call a meeting of holders to allow the holders to decide by way of a special decision as to which steps to take for realizing their rights under this deed. And also, the Trustee is permitted to again convene a meeting of holders for purposes of receiving instructions on everything appertaining to the administration of said proceedings.

9.4 Subject to the provisions of this deed, the Trustee is permitted, but not obligated, to call a general meeting at any time of the (Series A) Debenture holders in order to discuss and/or to receive their instructions on everything concerning this deed.

9.5 In the event of immediate repayment, the Trustees shall give notice to the (Series A) Debenture holders concerning the occurrence of said event by sending notification by registered mail.

9.6 The Trustee is permitted, at his sole discretion, to delay executing any of his actions under this deed for purposes of applying to a meeting of the (Series A) Debenture holders and/or the courts until he shall receive instructions from the meeting of the (Series A) Debenture holders and/or instructions from the court as to how to act.

9.7 To remove any doubt it is hereby clarified that nothing in the provisions stipulated above harm and/or derogate from the right of the Trustee which is conferred upon him hereby to apply, at his sole discretion, to legal tribunals, even prior to the (Series A) Debentures being immediately repaid, for purposes of the giving of any order regarding the trust affairs.

10. Distribution of receipts

Any receipts received by the Trustee as a result of steps taken, should they be taken, against the Company, shall be held by him in trust and shall be used by him for purposes and according to the following order of priorities:

First of all to clear the expenses, the payment of the levies and the obligations that were borne by the Trustee, that were placed upon him, or were caused indirectly or as a result of actions taken for the trust or in another manner in another context with the terms of this deed, including his fees; secondly, for purposes of paying the (Series A) Debenture holders the default interest to which they are entitled according to the terms of the (Series A) Debentures *pari passu* and proportionally to the sum of the interest in default to which each one thereof is entitled without any right of preference of one against any others; thirdly, for purposes of paying the (Series A) Debenture holders the sums of the principal to which they are entitled according to the (Series A) Debentures being held by them *pari passu* which shall be whether the payment date of the principal sums has arrived or not, and proportionally to the sums to which they are entitled, without any preference in connection with bringing forward the time of the issue of the (Series A) Debentures by the Company or in another way, and the surplus, should there be one, the Trustee shall refund to the Company or to those in its stead.

The payment of any sums by the Trustee to the (Series A) Debenture holders is subject to the rights of other Company's creditors, should there be any.

11. Authority to delay distribution of funds

11.1 Notwithstanding the contents of clause 9 above, should the financial sum which shall be available, at any time, for distribution in accordance with clause 9 above, be less than 5% of the balance of the unpaid debenture principal, and at the Trustee's discretion, that such a distribution as this would harm the debenture holders, the Trustee shall be permitted to invest said sum, in whole or in part, in those investments permitted by this deed.

11.2 On the date on which these investments and their profits, together with additional funds that shall come into the possession of the Trustee for said purpose, reach a sum sufficient to pay at least 5% of the balance of the unpaid debenture principal, or after one year has elapsed from the date upon which the receipts were received by the Trustee as stated in clause 9 above, whichever is the earlier thereof, the Trustee shall pay same to the debenture holders in accordance with the contents of clause 9 above.

11.3 Notwithstanding the contents of this clause, the (Series A) Debenture holders are permitted, through a special decision, to instruct the Trustee to pay them the money as aforesaid even prior to the fulfilling of the conditions of this clause.

12. Notification regarding division and separation by the Trustee

12.1 The Trustee shall give notice to the (Series A) Debenture holders regarding the date and place in which the payment of any kind will be made out of those payments referred to in clauses 9 and 10 above, which shall be upon giving prior notification of 14 days which shall be sent in the manner specified in clause 23 below.

After the set notification date, the (Series A) Debenture holders are entitled to interest in respect thereof at the rate set in the (Series A) Debentures, only on the balance of the principal sum (should there be one) after a deduction of the sum that was paid or that was issued to them for the payment as aforesaid.

12.2 Any sum to which a debenture holder is entitled which was not actually paid on the due date for payment for a reason not in the Company's control, while the Company was prepared to pay it, shall cease to bear interest and linkage differentials from the date that was set for the payment thereof, while the debenture holder shall be entitled only to those sums to which he was entitled on the due date for the making of that payment against the principal, interest and linkage differentials, together with the accumulated yields thereon from the due date for payment.

12.3 The Company shall deposit with the Trustee, within 15 working days from the date set for that payment, the payment sum that was not paid for a reason that was not within its control, and said deposit shall be considered as a complete clearing of that sum, and in the event of a clearing of everything owed in respect of the debenture, also as a redemption of the debenture.

12.4 The Trustee shall deposit any sum as aforesaid within the scope of the Trustee accounts in his name and in favor of those debenture holders who will invest in investments permitted to him according to the laws of the State of Israel and the provisions of the Deed of Trust, all as the Trustee shall deem fit to so do, and subject to any law and as set in this Deed of Trust. Should the Trustee so do, he shall not be obligated to those so entitled in respect of those sums but the proceeds received from the realization of the investments less all of the expenses and fees associated with said investment, with the management of the trust account and deducting any obligatory payments applying to the trust accounts and/or investment as aforesaid, and it shall be paid to those so entitled against a presentation of those proofs that may be required by him, to his complete satisfaction.

12.5 The Trustee shall hold these funds and shall invest them in the stipulated manner, until the end of one year from the date of the final redemption of the debentures. After this date, the Trustee shall pass on the sums accumulated with him (including the profits deriving from the investment thereof) less his fees and expenses, to the Company, which shall hold these sums in trust for said beneficiaries. The Company shall confirm to the Trustee in writing regarding the holding of the above sums and concerning the receipt thereof in trust for the beneficiaries as aforesaid and shall indemnify the Trustee in respect of any damage of any kind whatsoever that he may be caused owing to the transfer of said funds, provided that the Trustee has acted reasonably. The Company shall hold said funds in trust for the debenture holders so entitled to those sums for a period of six further years from the date of the transfer thereof to it from the Trustee. Money that shall not be demanded from the Company by a debenture holder by the end of seven years from the final redemption date of the debenture, shall revert to the ownership of the Company, and it shall be permitted to make use of the balance of the funds for any purpose whatsoever.

13. <u>Receipts from debenture holders</u>

A receipt from (Series A) Debenture holders in respect of sums of principal and interest paid to him by the Trustee and in respect of a (Series A) Debenture shall release the Trustee and the Company completely in everything associated with the payment of those sums stipulated in the receipt.

A receipt from the Trustee concerning the deposit of sums of principal and interest with him in favor of (Series A) Debenture holders as stated in clause 12.3 above, shall be considered as a receipt from a (Series A) Debenture holder for the purpose stated in clause 12.1 above in respect of releasing the Company from anything connected with the making of the payment of those sums stipulated in the receipt.

Funds that were distributed as stated in clause 12 above, shall be considered as payment on account of redemption.

14. <u>The Company's undertaking towards the Trustee</u>

The Company hereby undertakes to the Trustee, for the entire time that the (Series A) Debentures have not been fully paid, as follows:

14.1 To be diligent in managing the Company's affairs in a routine, correct and effective manner, according to the provisions of law.

14.2 To hold and preserve its assets in a good and satisfactory state and to regularly and accurately make all of those obligatory payments that apply, should they apply, to its assets.

14.3 To give and to instruct its accountants to provide the Trustee and/or to those people it so directs, any document or information appertaining to the business affairs and/or the assets of the Company that may be reasonably required, at the discretion of the Trustee, for purposes of protecting the (Series A) Debenture holders.

14.4 To administer orderly accounts ledgers according to customary bookkeeping principles. To keep said ledgers and documents that may be used as evidence (including deeds of pledge, mortgage, accounts and receipts), and also to allow the Trustee and/or anyone who shall be appointed by the Trustee in writing for this purpose, to peruse at any reasonable time, any ledger and/or document and/or certification as aforesaid, subject to the settling of problems.

The Trustee hereby undertakes to keep any information that was provided as aforesaid, strictly confidential, apart from the need to transfer data to a meeting of (Series A) Debenture holders for purposes of making a decision appertaining to their rights according to the (Series A) Debentures or for purposes of giving a report concerning the Company's state.

14.5 To allow the Trustee and/or anyone who shall be appointed by the Trustee in writing for this purpose, to enter its offices and any location where its assets are located, at any reasonable time, for purposes of examining its assets, at the discretion of the Trustee, for purposes of protecting the (Series A) Debenture holders. By his signature on this Deed of Trust, the Trustee undertakes to maintain confidentiality in respect of the information that shall be passed to him that he shall not make any use thereof other than as is stipulated in this clause below.

14.6 To notify the Trustee, no later than two working days from the time at which it shall give notice, about any instance in which an attachment has been placed upon its assets, in whole or in part, and also about any instance in which a receiver, a special manager or liquidator has been appointed for its assets in whole or in part, and also to immediately take, at its expense, all reasonable means required for purposes of removing such an attachment or a cancellation of the receivership.

14.7 To invite the Trustee to Company shareholders meetings (whether these are annual general meetings or extraordinary general meetings of the Company's shareholders), where on the agenda for said meeting will be a subject that may be of interest to the Trustee, at the Trustee's discretion. (Without granting the Trustee a right to vote at these meetings).

14.8 To give notice to the Trustee in writing about the occurrence of any incident among those stipulated in clause 7.1 above, no later than two working days from the date of the occurrence of the event.

14.9 To send to the Trustee, no later than the end of 30 days from the date of this Deed of Trust, a payments timetable for clearing the debentures (principal and interest) in an excel file.

14.10 To provide the Trustee with certification, at his demand, that all the payments have been made to (Series A) Debenture holders.

14.11 To make all of the declarations and to sign all of the documents, to execute and cause to be executed all of those necessary actions which are required in accordance with law for purposes of giving validity to use authorities, powers and permits by the Trustee and/or by his representatives under this deed.

14.12 To provide the Trustee with any necessary information, and that which he shall require, for purposes of protecting the (Series A) Debenture holders, to make him aware of all the facts associated with the Company's business or assets, subject to the undertaking by the Trustee to maintain confidentiality.

14.13 To pass on to the Trustee those reports and statements stipulated in clause 28 below.

The Trustee hereby undertakes to maintain all information given to him as aforesaid in complete confidentiality, apart from the need to pass on information to a meeting of (Series A) Debenture holders for purposes of making a decision appertaining to the rights of the (Series A) Debenture holders or for purposes of giving a statement about the state of the Company.

15. Further undertakings

After the (Series A) Debentures shall be submitted for immediate repayment, as defined in clause 8 above, the Company shall undertake, from time to time and at any time so required by the Trustee, all of those reasonable activities that shall allow the exercising of the authorities given to the Trustee and especially, the Company shall take the following actions:

[a] It shall make its declarations and/or sign any documents and/or shall execute and/or cause to execute any actions that are necessary and/or required in accordance with law for purposes of giving validity to the exercise of the authorities, powers and permits of the Trustee and/or his representatives.

[b] It shall provide all of the notifications, instructions and stipulations that the Trustee shall consider as being effective and required.

[c] For purposes of this clause - notification in writing signed by the Trustee certifying that an action required by him, within the scope of his authority, is a reasonable act, shall constitute *prima facie* evidence for this.

16. Representatives

The Company hereby irrevocably appoints the Trustee as its representative, to execute and carry out in its name and in its stead all of the actions that it shall be obligated to undertake according to the terms stipulated in this deed, and generally to act in its name in respect of the actions that the Company is obligated to take under this deed, and has not executed them or has executed part of the authorities given to it, and to appoint any other person as the Trustee shall deem fit to so do to execute his duties under this deed, which is subject to the Company not having executed those activities that it is obligated to so do under the terms of this deed, within a reasonable period of time, according to the determination of the Trustee from the date of the Trustee's demand in writing provided that he has acted reasonably.

There is nothing in the appointment under this clause, that obligates the Trustee to undertake any action and the Company hereby absolves the Trustee in advance in the event of his not executing, by power of the aforesaid power of attorney, any action whatsoever and/or has not undertaken same on time and/or correctly. Furthermore, the Company hereby waives in advance any claim against the Trustee and/or his emissaries in respect of any damage that was caused and/or that is liable to be caused to it, either directly and/or indirectly, in respect of the Trustee's acts and/or omissions as stated in this clause, provided that these were not undertaken negligently or with a lack of good faith.

17. Other agreements

Subject to the provisions of law and the limitations placed upon the Trustee by law, nothing in the fulfilling of the Trustee's duties, under this deed, or by power of his position as Trustee, prevents him from entering into various contractual agreements with the Company or to carry out transactions with it during the usual course of his business.

18. Reporting by the Trustee

The Trustee, by the end of the third quarter of each calendar year, shall prepare an annual statement on the Trustee's affairs all of which is in accordance with the stipulations of Article 35H of the Securities Law (the " **annual statement** ").

Debenture holders shall be permitted to view the annual statement at the Trustee's offices during customary office hours and they shall be permitted to receive a copy of the report upon demand.

The Trustee shall send to the debenture holders, notification about the date of submitting the report, as stated in clause 23 below or an immediate report which shall be published by the Company. Should the Trustee become aware of an essential breach of this deed on the part of the Company, he shall give notice about said breach to the debenture holders and about the steps he took to prevent same or for the fulfilling of the Company's obligations, as the case may be.

19. Salary and covering the Trustee's expenses

The Company shall pay a fee to the Trustee for his services, according to this deed, as stipulated below:

[a] For the first trusteeship year, namely in respect of 12 calendar months from the date of signing this Deed of Trust, NIS 30,000.

[b] As from the second trusteeship year - an annual fee of NIS 20,000 linked to the basic index (" **the annual fee** "). The annual fee shall be paid to the Trustee at the commencement of each trusteeship year. The annual fee shall be paid to the Trustee in respect of the period until the end of the trusteeship. According to the terms of this deed, even if the Company has had a receiver and/or an administrative receiver appointed for it and/or if the trusteeship under this deed is being administered under court supervision.

[c] Should the Trustee's term of office come to a close, as stated in clause 27 below, the Trustee shall not be entitled to the payment of his fees as from the date of expiry of his term of office. Should the term of office of the Trustee expire during the course of the trusteeship year, fees that were paid in respect of those months in which the Trustee is not serving as a trustee to the Company shall be refunded.

[d] Furthermore, the Trustee shall be entitled to a refund of reasonable expenses that he has incurred within the scope of fulfilling his duties and/or by power of the authorities granted to him by this deed, including in respect of newspaper advertisements provided that in respect of expenses to experts, as stipulated in clause 20 below, the Trustees shall have given notice in advance concerning his intention to receive an expert opinion.

[e] The Trustee shall also be entitled to an additional payment of reasonable expenses in respect of an act deriving from the breach of this Deed of Trust by the Company or in respect of an act of submitting the (Series A) Debentures for immediate repayment and in respect of special acts that he may be required to carry out, should he be so required, for purposes of fulfilling his duties under this deed.

It is hereby agreed between the parties that the Trustee shall be entitled to a fee amounting to US$120 for each hour of work that he may be required to undertake as stated above.

Should any changes apply to the provisions of law under which the Trustee shall be required to take actions and/or inspections and/or the preparation of additional statements, the Company undertakes to bear only all of those reasonable expenses that the Trustee shall be caused owing thereto, including reasonable fees in respect of these actions.

[f] In respect of his participation at a meeting of the Company's shareholders or of the debenture holders - the sum of NIS 500 linked to the basic index.

VAT, should it apply, shall be added to the payments to which the Trustee is entitled according to the provisions of this clause, and shall be paid by the Company.

20. Special authorities

The Trustee shall be permitted to deposit all of the deeds and documents which provide testimony, which represent and/or which set his entitlement in connection with any asset which is then in his possession, in a safe and/or in another location as he selects, with any banker and/or any banking Company and/or with any lawyer. Should the Trustee so do, he shall not be responsible for any loss that may be caused in connection with such a deposit, unless the Trustee acted with negligence or malice.

The Trustee is permitted, within the scope of executing the trust affairs, under this deed, to act at his discretion and/or from the advice of any lawyer, accountant, appraiser, valuer, surveyor, agent or other expert, whether such a report and/or advice was prepared at the request of the Trustee and/or by the Company and the Trustee shall not be responsible for any loss or damage that may be caused as a result of any action and/or omission undertaken by him based upon such advice or report, unless the Trustee acted with negligence or with a lack of good faith.

Any such advice and/or report may be provided, sent or received by letter, telegram, facsimile and/or any other electronic means for the transfer of data, and the Trustee shall not be responsible for any acts that he undertook based upon the advice and/or report or information that was sent by one of the means referred to above even if there is a mistake and/or if it was not authentic, unless the Trustee had acted with negligence or with a lack of good faith.

A copy of said report shall be presented to each one of the (Series A) Debenture holders at their demand.

The Trustee shall not be obligated to give notice to any party about the signing of this deed, and he is not permitted to become involved in any way whatsoever in the management of the Company's business or its affairs other than according to the authorities granted to the Trustee in this deed.

The Trustee shall faithfully use the powers, permissions and authorities conferred upon him under this deed, at his complete discretion, and he shall not be responsible for any damage that may be caused owing to a mistake in the aforesaid discretion, unless the Trustee acted with gross negligence or with a lack of good faith.

21. The authority of the Trustee to employee emissaries

The Trustee shall be permitted to employee an emissary/emissaries who shall act in his stead, whether this be a lawyer or other person, for purposes of carrying out or participating in the execution of special activities which must be carried out in connection with the trusteeship and without derogating from the generality of the aforesaid, the taking of legal action.

22. Indemnification of the Trustee

22.1 The Trustee shall be entitled to receive indemnification in respect of his expenses from the (Series A) Debenture holders or from the Company, as the case may be, in respect of the reasonable expenses that he had incurred and/or shall incur, as the case may be, in connection with the activities he carried out and/or which he will be carrying out, by power of his obligations under the terms of the Deed of Trust and/or by law and/or the provisions of any relevant authority and/or any law and/or at the demand of the (Series A) Debenture holders or the Company, provided:

[1] That he shall not be entitled to demand the indemnification in advance on a matter that cannot suffer delay.

[2] An undertaking for indemnification may include indemnification in respect of liability for damages that the Trustee shall be obligated for, according to a final court ruling or compromise that was concluded in respect of a third party who is not a debenture holder, subject to the following conditions:

[a] The expenses owing to a liability for damages are reasonable;

[b] The Trustee acted in good faith and not negligently and this action was taken within the scope of the fulfilling of his duties.

[3] In any event in which the Trustee acted as a result of a direct breach of this deed by the Company, which was caused for reasons dependent upon the Company only, then the obligation for indemnification shall be borne by the Company only.

22.2 Without prejudice to the rights for compensation granted to the Trustee according to law and/or the undertakings of the Company under this deed, the Trustee, his representative, manager, agent or other person appointed by the Trustee in accordance with this deed, shall be entitled to receive indemnification out of the funds that will be received by the Trustee from the steps that he took and/or in another manner according to this deed, appertaining to the obligations that they took upon themselves, in respect of the reasonable expenses that they incurred owing to the execution of the trusteeship or in connection with such activities, which in their opinion the above were required to be carried out and/or in connection with the use of authorities and permissions granted by power of this deed, and also in connection with all kinds of legal proceedings, the professional opinion of a lawyer or other experts, negotiations, disputes, expenses, claims and demands appertaining to any matter and/or event that was undertaken and/or that was not undertaken in any way in respect of the matter, and the Trustee may hold back those funds in his possession and pay out therefrom those sums necessary for purposes of the payment of said indemnification.

22.3 Subject to the provisions of any law, any verification that the Trustee shall be obligated for under the terms of the Deed of Trust, to take any action, including the opening of proceedings or submitting claims at the demand of the (Series A) Debenture holders, as stated in the Deed of Trust, the Trustee shall be permitted to refrain from taking any such action, until he shall receive, to his satisfaction, a letter of indemnification from the (Series A) Debenture holders or from any one thereof in respect of any liability for damages and/or expenses that could be caused to the Trustee and to the Company or to any one thereof, owing to the taking of said action. Notwithstanding the aforesaid, the Trustee shall not desist from taking action that cannot suffer delay for this reason only. Furthermore, notwithstanding the above, for events in which there will be a need to take legal action, the Company shall deposit with the Trustee a sum that shall be set by the Trustee as being the sum anticipated for the Trustee's expenses in respect of said proceedings. Should the Company not have deposited the above sum on the date on which it was requested to so do by the Trustee, and in the opinion of the Trustee, there is a doubt in connection with the Company's ability to cover the costs involved in taking these steps by the Trustee, the Trustee shall immediately convene a meeting of debenture holders for purposes of approving their responsibility to cover the expenses involved in the steps which the Trustee will be taking. Should the debenture holders refuse to bear the expenses involved in taking these steps by the Trustee, then the Trustee shall not be obligated to take said steps. It is hereby clarified that nothing in the aforesaid harms and/or derogates from the obligation of the Trustee to carry out actions by power of his obligation under the terms of this deed, or according to the demand by the debenture holders or at the demand of the Company, even prior to receipt of indemnification and/or an undertaking to indemnify as aforesaid, as the case may be, but in any event, the Trustee shall not be required to take any action whatsoever which requires the financial outlay of a sum exceeding the last annual payment which was paid to the Trustee.

23. Notifications

23.1 Any notification from the Company and/or the Trustee to debenture holders shall be given in one of the two methods stipulated below, at the discretion of the Company or the Trustee, as the case may be:

23.1.1 By sending notice according to the last address of the debenture holder registered in the ledger, and according to one of the three methods stipulated in clause 23.2 below. This method of giving notice is only possible in respect of debenture holders who shall be registered themselves in the roster and not through the nominee company; or-

23.1.2 By an announcement that shall be published in two popular Hebrew language daily newspapers in Israel. An announcement published in newspapers as aforesaid shall be considered as being delivered on the date of the advertisement.

23.2 Any notifications or demands on behalf of the Trustee to the Company may be given by letter that shall be sent by registered mail according to the address stipulated in this Deed of Trust, or according to another address about which the Company had notified the Trustee in writing, or by means of sending by fax or by courier and any notification or demand of this kind shall be considered as having been received by the Company: (1) in the event of sending by registered mail - 3 working days from the date of its being delivered for mailing; (2) in the event of sending by fax (with the addition of checking by telephone as to whether it has been received) - 1 working day from the date of its sending; (3) and in the event of sending by courier, upon its delivery by the courier to the address or upon suggesting to the recipient that he collect it, as the case may be.

23.3 Any notification or demand from the Company to the Trustee may be given in writing that shall be sent by registered mail according to the address stipulated in the Deed of Trust, or according to another address about which he had given notice to the Company in writing, or by means of sending by fax or by courier and any notification or demand of this kind shall be considered as having been received by the Trustee: (1) in the event of sending by registered mail - 3 working days from the date of its being delivered for mailing; (2) in the event of sending by fax (with the addition of checking by telephone as to whether it has been received) - 1 working day from the date of its sending; (3) and in the event of sending by courier, upon its delivery by the courier to the address or upon suggesting to the recipient that he collect it, as the case may be.

23.4 Copies of the notices and invitations that the Company shall give to the debenture holders, shall also be sent by the Company to the Trustee. Copies of notices and invitations that shall be sent by the Trustee to the debenture holders shall also be sent by the Trustee to the Company.

24. Waiver; compromise and changes in the terms of the Deed of Trust

24.1 Subject to the provisions of the Securities Law, the Trustee shall be permitted, from time to time and at any time, if he is convinced that this does not, in his opinion, harm the rights of the debenture holders, waive any breach or non-fulfillment of any of the terms of the Deed of Trust by the Company. Notwithstanding the aforesaid, the Trustee shall not have discretion as aforesaid in anything appertaining to the non-making of payments according to the (Series A) Debentures, a change in the payment terms for the principal and/or the interest, a change in securities, the grounds for immediate repayment and reporting that the Company must send to the Trustee according to the Deed of Trust and by law.

Subject to the provisions of the Securities Law, and with the prior approval that will be given by the general meeting of debenture holders, by a majority of 75% of those participating in the ballot, who were present at it themselves or through representatives, holding at least 50% of the balance of the as yet unpaid principal on debentures that are in circulation, or at a postponed meeting where present thereat were the holders themselves or through representatives holding at least 10% of said balance, then the Trustee shall be permitted, either prior to or after the debenture principal is submitted for repayment, to enter into a compromise with the Company in connection with any right or claim by the debenture holders or any one thereof and to agree with the Company to any settlement, including, in connection with his rights or the rights of the debenture holders or any one thereof against the Company, including to give a waiver of a right or claim by the debenture holders against the Company according to the Deed of Trust.

24.2 Subject to the provisions of the Securities Law, the Regulations that shall be enacted by power thereof and any law, the Company and the Trustee are permitted, either prior to or after the debenture principal shall be submitted for repayment, to change the Deed of Trust (including a change in the terms of the debentures), should one of the following be fulfilled:

24.3 (a) The Trustee is convinced that said change does not harm the debenture holders, apart from changes appertaining to the dates and payments according to the (Series A) Debenture, a reduction of interest, the grounds for immediate repayment and reporting that the Company must send to the Trustee according to the Deed of Trust and by law.

(b) The debenture holders have agreed to the proposed change by way of a special resolution that was passed at a general meeting of the debenture holders where present thereat are the debenture holders themselves or through representatives of at least 50% of the balance of the as yet unpaid principal of the debentures in circulation, or at a deferred meeting, where present thereat are the holders either themselves or through representatives, of at least 50% of said balance.

The Company shall send an immediate report about any such change.

24.4 In any event of the Trustee exercising his rights under clauses 24.1 or 24.2 above, the Trustee is permitted to demand from the debenture holders to send their certificates to him or to the Company, for purposes of registering a comment concerning any waiver, compromise, change or amendment as aforesaid, and at the demand of the Trustee, the Company shall record a comment as aforesaid on the certificates so sent to it.

24.5 Notwithstanding the aforesaid, the Company shall be permitted until the (Series A) Debentures shall be registered for trading on the Stock Exchange, should they be registered, to make changes to the Deed of Trust and/or to the debentures, as may be demanded by the Securities Authority and/or the Stock Exchange and/or the Stock Exchange Clearing House and/or other governmental authority, inasmuch as said changes are acquired for purposes of carrying out the registration for trading on the Stock Exchange, or for purposes of granting a permit to publish the prospectus which shall be without the need for the consent of the Trustee and/or the debenture holders.

25. <u>(Series A) Debenture holders ledger</u>

25.1 The Company shall administer at its registered offices, a ledger of (Series A) Debenture holders, in which will be recorded the names of the (Series A) Debenture holders, their addresses, their number and par value of the (Series A) Debentures which are recorded in their name. Also shall be recorded in the ledger any change of ownership of the debentures. The Company is permitted to close the ledger from time to time for a period or periods not jointly exceeding 30 days per annum. The Trustee and also all (Series A) Debenture holders shall be permitted to peruse said ledger of (Series A) Debenture holders at any reasonable time.

25.2 The Company shall not be obligated to register in the ledger of debenture holders any notifications concerning explicit trusteeship, either real or presumed, or a pledge or attachments of any kind whatsoever, or any equitable right, claim or set-off or any other rights in connection with the (Series A) Debentures. The Company shall only recognize the ownership of that person in whose name (Series A) Debentures shall be registered provided that his legal heirs, estate administrators or executors of the Will of the registered owner and any person who shall be entitled to a debenture owing to the bankruptcy of any registered owner (and if he is a corporation - owing to his liquidation) shall be permitted to be registered as the owner thereof, after providing evidence which in the opinion of members of the board of directors of the Company are sufficient to prove the entitlement of any one thereof to be registered as the owner thereof.

26. Release

Should it be proven, to the satisfaction of the Trustee, that any (Series A) Debentures were paid in full, were redeemed or should the Company have deposited in trust with the Trustee sums of money which are sufficient for redemption, and also should it be proven to the satisfaction of the Trustee that all of the obligations and expenses that were made or incurred by the Trustee in connection with this deed and according to its provisions, were paid in full, then the Trustee shall be obligated, upon first demand by the Company, to act with the money, that has been deposited in respect of the (Series A) Debentures whose redemption has not been demanded, according to the terms stipulated in this deed.

27. Appointment of a new trustee and termination of a Trustee's term of office

27.1 In respect of the Trustee's term of office and its expiry, and in regards to the appointment of a new trustee, the provisions of the Securities Law shall apply.

27.2 Subject to the provisions of the Law, the Trustee and any trustee replacing him, shall be permitted to resign from his position as trustee upon giving notification in writing to the Company 3 (three) months in advance which will contain details of the reasons for his resignation.

27.3 Said resignation shall come into effect only after the courts shall have given approval thereto and also on the day that shall be set in said approval. In the event of such a resignation or in the event of the expiry of the Trustee's term of office, the court is permitted to appoint another trustee to replace the Trustee, for that period and on those terms it deems fit, provided that there will not be a situation in which a trustee has resigned and no replacement trustee has been appointed.

27.4 The court is permitted to dismiss a trustee if he has not fulfilled his duties correctly or if the court has considered another reason for his dismissal.

27.5 The holders of 10% of the unpaid balance of the debentures are permitted to convene a general meeting of debenture holders. Each meeting convened as aforesaid is permitted to decide by a ballot of those holding at least 5% of the unpaid debenture balance, regarding the removal of the Trustee from his office.

27.6 The Securities Authority is permitted to approach the courts with a petition to terminate the term of office of the Trustee under Article 35(n) of the Securities Law.

27.7 The Trustee and the Company shall submit an immediate report to the Securities Authority in respect of any such event stated in this clause above, in connection with the Trustee's term of office.

27.8 Any new trustee shall have the same powers, authorities and other permissions and he shall be able to act in any way as if having been appointed Trustee from the outset, subject to the provisions of Article 35(n) of the Securities Law.

28. Meetings of (Series A) Debenture holders

Meetings of debenture holders shall be administered as stated in the Second Addendum to this deed.

29. The Company's reporting to the Trustee

The Company shall send to the Trustee, while all of the (Series A) Debentures have not yet been fully paid up and also if the Company shall cease to be a public Company:

29.1 The Company's audited financial statements for the financial year ending December 31 of the year just passed, and periodic statements immediately upon their publication.

29.2 Any interim financial statement and any quarterly statement, immediately upon their publication, together with an auditor's review report in respect thereof.

29.3 Every immediate report without delay upon its announcement.

29.4 A copy of every document that the Company sends to its shareholders or to debenture holders and details of any other essential information that the Company sends to them in a different way, and any additional information at the reasonable request of the Trustee, and subject to the Trustee's obligation for confidentiality, within 7 days from the date of raising such a demand.

29.5 Any other reports according to the law that the Company must send to the Trustee.

29.6 Every December 31 of each year, and while this deed is still in force, the Company shall issue to the Trustee, upon his demand, a signed certification by the chairman of the board of directors or the Company's general manager that to the best of his knowledge, there is nothing on the part of the Company that may be considered a breach of this deed (including a breach of the debenture terms).

29.7 Certification by the Company's accountant and/or the comptroller of the Company concerning the execution of the payment of interest and/or principal on time to the debenture holders and the balance of the par value that is in circulation, which shall be after the Trustee shall have requested such a certification in writing from the Company, within 7 days from the date of said request.

29.8 Any additional information that may be reasonably required by the Trustee for purposes of examining the Company's compliance with the provisions of this deed and/or protection of the rights of the (Series A) Debenture holders, within 7 days from date of raising such a demand.

30. Authority of jurisdiction and applicable law

The sole authority of jurisdiction and everything connected with this deed, shall be given to the authorized courts in Tel Aviv-Jaffa and the applicable law shall be Israeli law.

31. Addresses

The addresses of the parties shall be those that appear in the preamble to this deed or any other address that shall be given by one party to the other by means of suitable written notification.

/s/ Irit Eluz By: /s/ Yoram Firon _____	By: /s/ _____
Ampal-American Israel Corporation	**Hermetic Trust (1975) Ltd.**

I, the undersigned, Eran Schweiger, Adv., confirm that this Deed of Trust was signed on behalf of Ampal-American Israel Corporation through Messrs. Yoram Firon and Irit Eluz and their signature binds Ampal-American Israel Corporation in connection with this Deed of Trust.

By: /s/ Eran Schweiger
_____

Eran Schweiger, Adv.

Debenture Terms and Debenture Certificate Wording

Ampal-American Israel Corporation

Debenture Certificate (Series A)

A series limited to a sum of NIS 250 million of (Series A) registered debentures to be repaid in 5 (five) equal annual payments on November 20, 2007 of each one of the years 2011 until 2015 (inclusive), bearing interest at the rate of 5.75% per annum, which shall be calculated and paid once every six months (namely, interest at the rate of 2.875% for a period of six months), on November 20 and May 20 of each one of the years 2007 until 2015 (inclusive), which commences from the first interest payment to be made on May 20, 2007 and until the last payment of interest to be made on November 20, 2015, with the principal and interest linked to the Consumer Price Index that was published for the month of October, 2006.

Further to the above, the unpaid balance of the (Series A) Debentures shall bear annual additional interest at the rate of 0.5% in respect of the period until the registration of the debentures for trading, should they be registered, as stated in the debenture terms. Furthermore, should there be a reduction in the ranking of the (Series A) Debentures, additional annual interest shall be added at the rate of 0.2% for each rank that the ranking drops in respect of the period as from the day of the drop in the ranking and terminating on the date of registering the (Series A) Debentures for trading on the Stock Exchange.

The first interest shall be paid on May 20, 2007 and shall be calculated on an annual basis, according to 365 days in the year.

The Company reserves for itself the right to issue additional debentures out of Series A, from time to time, at its discretion, subject to the terms of the debenture.

Registered Debentures

Certificate number: 1

Total par value of the debentures in this certificate, NIS 250,000,000

The registered owners of the debentures in this certificate are: the Mizrahi Bank Nominee Company Ltd.

1. This certificate bears witness that Ampal-American Israel Corporation (“ **the Company** ”) shall pay to the registered holder of this Debenture (Series A), the par value of this certificate, including interest and linkage differentials, in accordance with and subject to the terms recorded overleaf.

2. (Series A) Debentures are being issued according to the Deed of Trust dated November 20, 2006 that was prepared and signed between the Company of the first part and Hermetic Trust (1975) Ltd. (the “ **Trustee** ”) as Trustee of the second part (“ **the Deed of Trust** ”), and its appendices. It is clarified that the provisions of the Deed of Trust constitute an inseparable part of the debenture terms.

3. All of the (Series A) Debentures, among themselves, shall have the same security ranking (*pari passu*) without any right of preference of one against any others.

4. This (Series A) Debenture is being issued according to and subject to the terms recorded overleaf and in the Deed of Trust.

Signed by the Company on November 20, 2006.

By: /s/ Irit Eluz
/s/ Yoram Firon
_____

Ampal-American Israel Corporation

The terms overleaf

1. General

1.1 In this (Series A) Debenture the following phrases shall mean as is written alongside, unless another intention may be deduced from the context:

"Deed of trust"	As defined in the Debenture Certificate.
"The prospectus"	The Company's prospectus that shall be published, should it be published, in respect of registering the (Series A) Debentures for trading, as stated in the Deed of Trust.
"(Series A) Debentures"	A series limited to the sum of NIS 250 million of (Series A) registered debentures of the Company, each of NIS 1 par value, whose terms are detailed in this deed, which shall be issued from time to time at the Company's sole discretion.
"The Trustee"	Hermetic Trust (1975) Ltd. and/or any one who shall serve from time to time as trustee of the holders of the (Series A) Debentures according to this Deed of Trust.
"Ledger"	The ledger of holders of the (Series A) Debentures administered by the Company.
"Holders of the (Series A) Debentures" and/or **"Owners of the (Series A) Debentures"**	Those persons whose names are recorded at a given time in the ledger of holders of (Series A) Debentures, and in the event of several holders in partnership, the joint holder who is first registered in the ledger.
"Debenture certificate (Series A)"	A (Series A) Debenture certificate whose wording appears as the First Addendum to the Deed of Trust.

"The Law" or **"The Securities Law"**	The Securities Law 5728-1968 and the Regulations in accordance therewith, as there may be from time to time.
"Principal"	The par value of the (Series A) Debentures in circulation and which have not yet been fully paid up.
"The principal sum"	The total registered par value of the debenture certificate.
"Business day"	A day upon which most of the banks are open in Israel for the conducting of business.
"A ranking corporation"	A Company that has been approved as a ranking corporation by the Supervisor for the Capital Markets at the Ministry of Finance.
"The Stock Exchange"	The Tel Aviv Securities Exchange Ltd.
"The Consumer Price Index" ("Index")	The prices index known by the name of the "Consumer Price Index" which includes fruit and vegetables published by the Central Bureau for Statistics and Economic Research in Israel, and includes that index even if it shall be published by another official body or institution, and also includes any other official index that may replace it, whether it shall be constructed of the same data upon which the existing index was constructed or not. Should another index replace it that shall be published by a body or institution as aforesaid and that body or institution has not set the ratio between it and the index it is replacing, then the ratio as aforesaid shall be set by the Central Bureau for Statistics, and should this ratio not be set as aforesaid, then it shall be set by the Trustee, who will, upon consultation with economic experts selected by him, set the ratio between the other index and the index being replaced.

"The known index"	The last known Consumer Price Index.
"The base index"	The Consumer Price Index in respect of the month of October which was published on November 15, 2006.
"The payment index"	The index known at the time of making any payment, on account of the principal or interest; however if the payment index is lower than the base index, then the payment index shall be the base index.
"The private issue"	As defined in the Deed of Trust.
"Date of private issue"	November 20, 2006.

2. Debentures

2.1 The debentures in this certificate are part of a series limited by sum to NIS 250 million of (Series A) Debentures of the Company. The debentures from this series shall have the same security ranking, *pari passu* , compared with each other in connection with the obligations of the Company according to the (Series A) Debentures and without a preference right or priority of one against the other as regards the sums entitled.

2.2 After the private issue, the Company shall act for the registration of the (Series A) Debentures with the Stock Exchange Clearing House, which shall provide clearing services for debentures. Furthermore, the Company shall act to register the (Series A) Debentures on the "NSR" [Securities that are not traded on the Stock Exchange] (A clearing and a depositary system for securities that were issued to institutional investors). All of the expenses for said registration shall be borne by the Company.

The Company shall make its best efforts to act for the Debentures to be registered for trading on the Stock Exchange, subject to the provisions of any law.

3. The principal

The Company shall fully pay the sum of the principal in five (5) equal annual installments on November 20 of each of the years between 2011 and 2015 (inclusive). The principal shall be linked to the Consumer Price Index according to the linkage terms stipulated in clause 5 below.

4. The interest

4.1 The unpaid balance of the principal shall bear interest at the rate of 5.75% per annum, which shall be calculated and paid once every six months (namely, interest at the rate of 2.875% for a six month period), on May 20 and November 20 of each one of the years 2007 until 2015 (inclusive) (the " **interest** ") which shall commence from the first interest payment to be made on May 20, 2007 until the last payment of interest to be made on November 20, 2015, with the principal and interest linked to the base index.

4.2 In addition to the contents of clause 4.1 above, the unpaid balance of the (Series A) Debentures shall bear additional annual interest at the rate of 0.5% in respect of the period commencing on the day of the private issue and terminating on the date of registration of the (Series A) Debentures for trading on the Stock Exchange. In addition, should there be a reduction in the ranking of the (Series A) Debentures, additional annual interest shall be added at the rate of 0.2% for each rank in which the ranking drops in respect of the period of time commencing on the day of reduction in the ranking and terminating on the day of registering the (Series A) Debentures for trading on the Stock Exchange (jointly: "the additional interest"). To remove any doubt it is hereby clarified that in the event of the (Series A) Debentures not being registered for trading, then the termination of the period of time in respect of which the additional interest shall be paid is the last date for the repayment of the Debentures, namely November 20, 2015. Said additional interest shall be paid in the following manner:

4.2.1 Until the (Series A) Debentures are registered for trading on the Stock Exchange, said additional interest shall be paid on the same day upon which the payment of interest is made as stated in clause 4.1 above.

4.2.2 Should the (Series A) Debentures be registered for trading, then the additional interest shall be paid by the Company on the seventh day after the registration of the (Series A) Debentures for trading, and in this case, the following provisions shall apply:

One business day after the registration of the (Series A) Debentures for trading on the Stock Exchange, the Company shall give notification to the holders of the (Series A) Debentures, to the Trustee and to the Stock Exchange about the date of payment of the additional interest and the rate of said additional interest. The due date (the CUM date) for entitlement to receive said additional interest shall be the end of the business day after the registration of the (Series A) Debentures for trading on the Stock Exchange.

To remove any doubt, it is clarified that after the payment of the additional interest as stated in this clause 4.2.2, no further additional interest shall be paid to the debenture holders.

The interest and the additional interest shall be linked to the Consumer Price Index on the linkage terms referred to in clause 5 below.

The interest shall be calculated and paid once every six months (namely, interest at the rate of 2.875% for a six month period), on May 20 and November 20 of each one of the years 2007 until 2015 (inclusive), for the period ending on the last day prior to the payment date (" **the interest period** ").

The first payment of interest shall be made on May 20, 2007 for the period commencing on the date of the private issue until May 20, 2007 (calculated on an annual basis and according to 365 days in the year).

The last payment of interest shall be made on November 20, 2015, together with the last payment of the debenture principal and against delivery of the debentures certificate to the Company (" **the redemption and interest payment date** ").

A payment for income tax, inasmuch as this may be demanded by law, shall be deducted from each payment of interest.

5. Principal and interest linkage terms

The debenture principal, and interest in respect thereof, shall be linked to the index in the following manner:

Should it be ascertained, on the date of making any particular payment against the principal or the interest, that the payment index on that date has risen compared with the base index, the Company shall make that payment of principal or interest after it will have been increased at the rate of increase of the payment index as aforesaid compared with the base index; however, should it be ascertained that the payment index is identical to the base index or lower than it, the payment index shall be equal to the base index.

6. Payments of debenture principal and interest

6.1 The payments of interest and/or principal shall be paid to the debenture holders whose names shall be registered in the ledger of debenture holders of the Company as holding, as of the end of the calendar day, which is 12 calendar days prior to the day of paying the principal and/or the interest (namely, on May 8 in respect of the payment to be made on May 20; and November 8 in respect of the payment to be made on November 20), except for the last payment of interest and principal that shall be made against the delivery of the debenture certificates to the Company, at its registered office or at any other location that the Company shall give notice of, which shall not be later than 5 (five) working days prior to the payment date.

6.2 Should the date stipulated for making any payment of principal or interest fall on a day which is not a working day, the date shall be deferred until the working day immediately following thereafter, without additional interest whatsoever.

6.3 Each payment according to the debentures, to a person so entitled, shall be undertaken by a bank transfer to the credit of his bank account, details about which shall be indicated as he shall so deliver in writing to the Company in good time, as the account to whose credit the payments shall be transferred according to the debentures.

6.4 Should the person so entitled not give written details to the Company in due time concerning his bank account, to whose credit the payments shall be transferred according to the debentures, then any such payment shall be made by check which shall be sent by registered mail to the last registered address in the ledger of debenture holders. The sending of a check to a person so entitled by registered mail as aforesaid, shall be considered, for all intents and purposes, as the payment of the sum stipulated therein, on the date that it was sent by mail as aforesaid and provided that it was settled upon its proper presentation.

6.5 A holder wishing to give notice to the Company concerning the bank account particulars for crediting the payments under the debenture as aforesaid, or to change the account details as aforesaid or his address, all as the case may be, may do so upon giving written notification that shall be sent by registered mail to the Company; however, the Company shall act in accordance with his notification only in respect of those payments whose due date for the payment thereof shall fall after 10 (ten) days from the date his notification reached its registered offices.

7. Splitting (Series A) Debenture certificates and the transfer thereof

7.1 Every debenture certificate may be split into several (Series A) Debenture certificates where the total sum of the principal stipulated therein is equal to the sum of the principal stipulated in the (Series A) Debenture certificate whose split is being requested. The new (Series A) Debenture certificates that shall be issued owing to the split, each one shall have its nominal values in complete new Israeli shekels. Splitting a certificate as aforesaid shall be undertaken against a request for splitting signed by the registered owners of those (Series A) Debentures or his legal representatives, which shall be sent to the Company at its registered offices, together with the certificate of the (Series A) Debentures whose split is being requested, for purposes of executing said split.

All of the expenses involved in said split, including stamp duty and other obligatory payments, should there be any, shall be borne by the party requesting the split.

Executing said split shall be undertaken only 30 days from the end of the month in which notice was given.

7.2 The (Series A) Debentures may be transferred in respect of the entire par value provided that it shall be in complete new Israeli shekels. Each transfer of debentures shall be undertaken according to a letter of transfer in the customary wording, signed as required by the registered holder thereof or his legal representatives, which shall be sent to the Company at its registered offices together with the debenture certificates being transferred thereunder, and any other evidence that may be required by the members of the Company's board of directors for purposes of proving the right of the party making the transfer to undertake the transfer.

In the event of a transfer of any debenture in respect of a part of its par value only, then initially the certificates must be split into several debenture certificates as required for this purpose and in such a way that the total sum of the nominal principal thereon shall be equal to the sum of the par value of said debenture certificate.

All of the expenses involved in the transfer of debentures, including stamp duty and other obligatory payments, should there be any, shall be borne by the party requesting the transfer.

After compliance with all of these terms, the transfer shall be registered in the ledger of debenture holders.

7.3 Notwithstanding the aforesaid, until the registering of the (Series A) Debentures for trading on the Stock Exchange, the debentures shall be held and may not be transferred by any of the debenture owners other than to a person who is (a) an investor counted among those investors listed in the First Addendum to the Securities Law, 5728-1968 (regarding Article 15a(b)(1) of said law); or (b) to the Company or to a corporation under its control.

8. Meetings of (Series A) Debenture holders

General meetings of (Series A) Debenture holders shall be convened and shall be administered in accordance with the contents of the Second Addendum to the Deed of Trust.

9. Receipts as evidence

Without derogating from all of the other debenture terms, a receipt signed by any holder of this (Series A) Debenture shall constitute evidence for the full remittance of any payment made by the Company in respect of this (Series A) Debenture.

10. Replacement of (Series A) Debenture certificates

Should this (Series A) Debenture certificate become damaged, lost or destroyed, the Company shall be permitted to issue in its place a new (Series A) Debenture certificate on the same terms, provided that in the event of wear and tear, the worn debenture certificate shall be returned to the Company prior to the issue of the new certificate. Stamp duty and other levies, as well as other expenses involved in the issue of the new certificate, shall be borne by the party requesting the certificate as aforesaid.

11. Deed of Trust stipulations

The debenture terms (the terms recorded overleaf) are an inseparable part of the stipulations of the Deed of Trust, and the stipulations of the Deed of Trust shall be considered as if explicitly included in the terms of these debentures.

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Ampal-American Israel Corporation

Meetings of the (Series A) Debenture Holders

1. The Trustee or the Company is permitted to convene the debenture holders for a debenture holders meeting. Should the Company convene such a meeting, it must immediately send notification in writing to the Trustee regarding the location, the day and the time upon which the meeting shall be held and also the matters that shall be discussed thereat. Should the Trustee convene such a meeting, he must immediately send notification in writing to the Company about the location, the date and the time at which the meeting shall be held, as well as the matters to be discussed thereat.

   The Company shall be obligated to convene the aforesaid meeting at the written request of the Trustee or of the holders of at least ten percent (10%) of the par value of the unpaid balance of the debenture principal. The Trustee shall be obligated to convene such a meeting at the request in writing of the holders of at least ten percent (10%) of the par value of the unpaid balance of the debenture principal. Should those requesting the convening of the meeting be debenture holders, then the Company and/or the Trustee, as the case may be, shall be permitted to demand from those so requesting, indemnification for the reasonable expenses involved in this.

   Debentures that may be purchased by a company in a group, while they are being held by the company in a group, shall not confer upon the company in a group votes at a ballot of the general meeting of debenture holders nor will it be counted for purposes of determining a legal quorum.

2.

   [a] For every meeting of (Series A) Debenture holders, prior notification shall be given of fourteen days at least which shall provide details therein as to the location, the date and the time of the meeting, the date for setting the entitlement of all the (Series A) Debenture holders to vote at the meeting and also it shall generally indicate those matters on the agenda. Notification of there being a meeting shall be reported by the Company also by way of an immediate report.

[b] Where the objective of the meeting is a discussion and passing a special resolution, then said prior notification shall be given of at least 21 days where, in addition to the above, also the main resolutions proposed shall be stipulated.

[c] The Trustee is permitted to shorten the prior notification date as stated above if he feels that postponing the convening of the meeting could cause harm to the rights of the (Series A) Debenture holders.

3. Any notification to the debenture holders on behalf of the Company or the Trustee shall be in accordance with the provisions of the Deed of Trust in respect to the giving of notifications.

4. No decision shall be rejected, that was legally passed by a meeting convened as aforesaid, either because by error no notification had been given in respect thereof to all of the debenture holders, or because said notification was not received by all of the (Series A) Debenture holders.

5. The chairman of the meeting shall be the person appointed by the Trustee. Should the Trustee not appoint a chairman as aforesaid, or the person who the Trustee had appointed as aforesaid is absent from the meeting, the debenture holders present (or their representatives) shall choose a chairman from among themselves. A meeting of debenture holders shall be opened after it shall have been proven that there is a legal quorum as required to start the discussion.

6. (a) Subject to the legal quorum required at debenture holder meetings to dismiss a trustee according to the law, apart from what is stipulated in clause 6(e) below, a legal quorum shall constitute at least two debenture holders who are themselves present or through representatives and who are holding or representing together at least ten percent (10%) of the par value of the unpaid balance of the debenture principal at that time.

(b) If within 30 minutes of the time set for commencing such a meeting, there shall not be a legal quorum as aforesaid, said meeting shall be deferred to the same day one week later, at the same location and at the same time (without requiring further notification) and should such a day not be a working day, then the next working day thereafter (without requiring further notification), or to a different day, location and time, as the person convening the meeting shall set, provided that the party convening the meeting shall give notice of at least 7 (seven) days in advance concerning the existence of said deferred meeting in the same manner in which the notification about the existence of the original meeting had been given and he shall indicate that if a legal quorum shall not be present at the deferred meeting as aforesaid, then the legal quorum shall be two debenture holders who are present themselves or through representatives, without consideration as to the par value of the debentures held by them. Said notification may be also given by notification by which the deferred meeting was called.

(c) Should no legal quorum be present at said deferred meeting, then two debenture holders who are present themselves or through representatives, who are holding any quantity whatsoever of debentures, shall constitute a legal quorum.

(d) With the consent of those holding a majority of the par value of the balance of the unpaid debentures principal present at the meeting themselves or through representatives, at which a legal quorum is present, the chairman may, and at the demand of the meeting he is obligated to, defer the continuation of the meeting from time to time and from place to place, as the meeting shall so decide. If the continuation of the meeting is deferred for ten days or more, notification about the continued meeting shall be given in the same manner as the first meeting was notified about. Apart from the above, the debenture holders shall not be entitled to receive any notification about a continuation meeting and/or about matters that will be discussed at the continuation meeting. No matter may be discussed at the continuation meeting other than those matters that could have been discussed at the meeting that it was decided to defer.

(e) At the meeting that was convened for passing a special resolution (" **a special decision** "), *inter alia* , those matters stipulated below, a legal quorum shall be present if at the meeting are present the holders of at least fifty percent (50%) of the par value of the unpaid balance of the debenture principal or at a deferred meeting where present thereat are the holders themselves or through representatives of at least ten percent (10%) of said balance:

(1) A change to the Deed of Trust;

(2) Any amendment, change or essential settlement of the rights of the debenture holders, whether these rights derive from the debentures, from the Deed of Trust or otherwise, or any essential compromise or waiver in connection with these rights;

(4) Submitting the debentures for immediate repayment;

(5) Giving instructions to the Trustee;

It is hereby clarified that with a legal quorum for purposes of holding a general meeting for making special decisions and when counting those voting for said special decision, the votes shall not be taken into account of those debenture owners who are the controlling owners of the Company, corporations controlled by the controlling owners of the Company or the Company's associated corporations.

7. (a) The debenture owners are entitled to participate and to vote at any general meeting through representatives. At any meeting of debenture holders, voting shall be administered according to a count of votes, so that each debenture holder or his representative, shall be entitled to one vote for every NIS 1 par value of the debenture that has not yet been fully paid up in respect of which he is entitled to vote. In the event of a joint holding, only the vote of the party wishing to vote who is the first of them registered in the ledger shall be accepted, either himself or through an emissary.

(b) A debenture holder or his emissary is permitted to vote using some of his votes for a particular resolution, with another portion against, and with another portion to abstain, all as he deems fit to so do.

(c) The Trustee who participates at a meeting at the Company's invitation shall participate without any voting rights.

8. (a) The required majority for making an ordinary decision at a general meeting is a simple majority of the number of votes cast at the ballot either voting for or against. The majority required for making a special decision at a meeting as referred to in clause 6 (e) above is a majority of no less than 75% of the number of votes cast at the ballot as aforesaid.

(b) The declaration by the chairman concerning the passing or rejecting of a resolution, and that is recorded in the minutes of the meeting, shall serve as complete evidence of this fact.

9. (a) A letter of appointment that appoints an emissary shall be in writing and shall be signed by the party making the appointment or by his representative who has written legal authority. Should the party making the appointment be a corporation, then the appointment shall be made through a permit in writing legally signed by the corporation together with the certification by a lawyer as to the validity of the signature. An emissary is not bound to be a debenture holder himself.

(b) A letter of appointment and power of attorney or other certificate by which a letter of appointment is signed, or a certified copy of such a power of attorney, shall be deposited at the offices of the Company no less than 48 hours prior to the date of the meeting in respect of which the power of attorney was given, unless otherwise stated in the notification for convening the meeting.

(c) Voting made in accordance with the terms in the emissary appointment document shall be valid even if prior thereto the party making the appointment dies or is declared legally incompetent or if the letter of appointment is canceled or if the debentures in respect of which the vote was given are transferred, unless the Company receives at its registered offices prior to the date of the meeting, notification in writing concerning the death, the decision regarding legal incompetence, cancellation or transfer as aforesaid, all as the case may be.

(d) Every corporation owning a debenture is permitted, by a legally signed written authorization, to grant power of attorney to a person that it considers fit to act as its representative at any meeting of debenture owners, and said person who has been so permitted, is allowed to act on behalf of the corporation he is representing.

10. The Trustee shall ensure that minutes of all the discussions and decisions shall be prepared at each general meeting of debenture holders, and to keep it in the debenture holders meetings minutes book. All minutes signed by the chairman of the meeting at which decisions were taken and discussions held, or by the chairman of the meeting that took place thereafter, shall serve as evidence regarding the matters recorded therein; and until it has been proven to the contrary, then each decision made at such a meeting shall be considered as having been taken legally.

11. A person or persons who shall be appointed by the Trustee, the Company Secretary or any other person or persons who shall be permitted for this purpose by the Company, shall be permitted to be present at meetings of debenture holders.

12. Each meeting of debenture holders shall be held at the Company’s registered offices or at a different address, notification about which shall be sent by the Company.

13. The Trustee shall examine the need for the convening of specific class meetings, in those instances where there are different interests among the debenture holders, according to the circumstances of the matter. The Company and the Trustee shall act to convene specific class meetings of debenture holders according to the provisions of any law, legal precedent, the provisions of the Securities Law and the Regulations or the stipulations that were issued by power thereof.

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Exhibit 10o

Nonqualified Stock Option- 2000 Plan

STOCK OPTION CERTIFICATE

For _____Shares

Issued Pursuant to the
2000 Incentive Plan of

AMPAL-AMERICAN ISRAEL CORPORATION

Name of Holder:

Number of Shares
Subject to this Option:

Exercise Price: $____ per Share

Issuance Date:

Expiration Date: Ten years from date of grant

Vesting Terms: Option to purchase _____ Shares shall vest and become exercisable, on a quarterly basis, on the ___ day of the month of each three month period following the Issuance Date for each of the four years following the Issuance Date.

THIS CERTIFIES that on Issuance Date set forth above, the Holder identified above was granted an option (the "Option") to purchase at the Exercise Price all or any part of the number of shares of fully paid and non-assessable shares ("Shares") of the Class A Stock ($1.00 par value) of AMPAL-AMERICAN ISRAEL CORPORATION, a New York corporation (the "Company")set forth above, upon and subject to the following terms and conditions:

(a) Terms of the Plan . The Option is granted pursuant to, and is subject to the terms and conditions of, the 2000 Incentive Plan of the Company (the "Plan"), the terms, conditions and definitions of which are hereby incorporated herein as though set forth at length, and the receipt of a copy of which the Holder hereby acknowledges by his signature below. Capitalized terms used herein shall have the meanings set forth in the Plan, unless otherwise defined herein.

(b) Expiration . This Option shall expire on the Expiration Date set forth above unless extended or earlier terminated in accordance with this Option Certificate or the Plan.

(c) Exercise . This Option may be exercised or surrendered during the Holder's lifetime only by the Holder or his/her guardian or legal representative. THIS OPTION SHALL NOT BE TRANSFERABLE BY THE HOLDER OTHERWISE THAN BY WILL OR BY THE LAWS OF DESCENT AND DISTRIBUTION, SUBJECT TO THE TERMS AND CONDITIONS OF THE PLAN.

This Option shall vest and be exercisable as set forth in the Vesting Terms above.

This Option shall be exercised by the Holder (or by her executors, administrators, guardian or legal representative) as to all or part of the Shares, by the giving of written notice of exercise to the Company, in which event the Company shall issue to the Holder the number of Shares determined as follows (subject to reduction for any Withholding Taxes as provided in Section J hereof):

$$X = Y [(A-B)/A]$$

where:

X = the number of Shares to be issued to the Holder.

Y = the number of Shares with respect to which this Option is being exercised.

A = the Fair Market Value of the Shares into which such Option is exercisable, determined at the date of tender,

B = the Exercise Price.

The notice of exercise shall be delivered to the Company at its principal business office or such other office as the Committee may from time to time direct, and shall be in such form, containing such further provisions consistent with the provisions of the Plan, as the Committee may from time to time prescribe. In no event may any Option granted hereunder be exercised for a fraction of a Share. The Company shall effect the transfer of Shares purchased pursuant to an Option as soon as practicable, and, within a reasonable time thereafter, such transfer shall be evidenced on the books of the Company. No person exercising an Option shall have any of the rights of a holder of Shares subject to an Option until certificates for such Shares shall have been issued following the exercise of such Option. No adjustment shall be made for cash dividends or other rights for which the record date is prior to the date of such issuance.

(d) Termination of Employment . In the event of the termination of employment of the Holder for any reason (other than death, disability or for reasons other than for cause as provided below), this Option, to the extent not previously exercised or expired, shall be deemed canceled and terminated on the day of such termination or separation.

In the event of the termination of the Holder's employment other than for cause, (i) the Option and all rights granted hereunder shall be forfeited and deemed canceled and no longer exercisable on the day that is seven (7) days after the date of such termination of employment, and (ii) with respect to the portion of the Option that had not vested at the time of termination of Holder's employment, the Option and all rights granted hereunder shall be forfeited and deemed canceled and no longer exercisable. For the purposes of this Stock Option Certificate, the term "cause" shall be defined as (i) any act of fraud or embezzlement in respect of the Company or any of their respective funds, properties or assets, (ii) conviction of the Holder of a felony under the laws of the United States or any state thereof; (iii) willful misconduct or gross negligence by the Holder in connection with the performance of his or her duties to the Company; (iv) intentional dishonesty by the Holder in the performance of his or her duties to the Company; and (v) engagement by the Holder in the use of illegal substances or alcohol, which use has impaired the Holder's ability, as determined by the Board of Directors of the Company, on an ongoing basis, to perform his or her duties to the Company. A determination of cause shall be made by the Board of Directors of the Company.

(e) Death . In the event the Holder dies while employed by the Company or any of its subsidiaries or affiliates, or during his term as a Director of the Company or any of its subsidiaries or affiliates, as the case may be, this Option, to the extent not previously expired or exercised, shall, to the extent exercisable on the date of death, be exercisable by the estate of the Holder or by any person who acquired this Option by bequest or inheritance, at any time within one year after the death of the Holder, unless earlier terminated pursuant to its terms, *provided, however* , that if the term of this Option would expire by its terms within one year after the Holder's death, the term of this Option shall be extended until one year after the Holder's death.

(f) Disability . In the event of the termination of employment of the Holder or the separation from service of a Director who is a Holder due to total disability, the Holder, or her guardian or legal representative, shall have the unqualified right to exercise any portion of this Option which has not been previously exercised or expired and which the Holder was eligible to exercise as of the first date of total disability (as determined by the Company), at any time within ninety (90) days after such termination or separation, unless earlier terminated pursuant to its terms, *provided, however* , that if the term of such Option would expire by its terms within ninety (90) days after such termination or separation, the term of such Option shall be extended until ninety (90) days after such termination or separation. The term "total disability" shall, for purposes of this Option Certificate, be defined in the same manner as such term is defined in Section 22(e)(3) of the Internal Revenue Code of 1986, as amended.

(g) Change in Control . In the event of the occurrence of a change in control (as defined below) of the Company, this Option and all rights granted hereunder shall immediately vest and be exercisable in accordance with its terms with respect to those Shares not already vested and exercisable pursuant to the terms of this Option. For purposes of this Option, a "change in control of the Company" shall be deemed to occur if:

(i) there shall have occurred a change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as in effect on the date hereof, whether or not the Company is then subject to such reporting requirement, provided , however , that there shall not be deemed to be a "change in control" of the Company if immediately prior to the occurrence of what would otherwise be a "change in control" of the Company (a) the Executive is the other party to the transaction (a "Control Event") that would otherwise result in a "change in control" of the Company or (b) the Executive is an executive officer, trustee, director or more than 5% equity holder of the other party to the Control Event or of any entity, directly or indirectly, controlling such other party,

(ii) the Company merges or consolidates with, or sells all or substantially all of its assets to, another company (each, a "Transaction"), provided , however , that a Transaction shall not be deemed to result in a "change in control" of the Company if (a) immediately prior thereto the circumstances in (i)(a) or (i)(b) above exist, or (b) (1) the shareholders of the Company, immediately before such Transaction own, directly or indirectly, immediately following such Transaction in excess of fifty percent (50%) of the combined voting power of the outstanding voting securities of the corporation or other entity resulting from such Transaction (the "Surviving Corporation") in substantially the same proportion as their ownership of the voting securities of the Company immediately before such Transaction and (2) the individuals who were members of the Company's Board of Directors immediately prior to the execution of the agreement providing for such Transaction constitute at least a majority of the members of the board of directors or the board of trustees, as the case may be, of the Surviving Corporation, or of a corporation or other entity beneficially directly or indirectly owning a majority of the outstanding voting securities of the Surviving Corporation, or

(iii) the Company acquires assets of another company or a subsidiary of the Company merges or consolidates with another company (each, an "Other Transaction") and (a) the shareholders of the Company, immediately before such Other Transaction own, directly or indirectly, immediately following such Other Transaction 50% or less of the combined voting power of the outstanding voting securities of the corporation or other entity resulting from such Other Transaction (the "Other Surviving Corporation") in substantially the same proportion as their ownership of the voting securities of the Company immediately before such Other Transaction or (b) the individuals who were members of the Company's Board of Directors immediately prior to the execution of the agreement providing for such Other Transaction constitute less than a majority of the members of the board of directors or the board of trustees, as the case may be, of the Other Surviving Corporation, or of a corporation or other entity beneficially directly or indirectly owning a majority of the outstanding voting securities of the Other Surviving Corporation, provided , however , that an Other Transaction shall not be deemed to result in a "change in control" of the Company if immediately prior thereto the circumstances in (i)(a) or (i)(b) above exist.

(h) Adjustments . In the event that the Company shall determine that any dividend or other distribution (whether in the form of cash, shares of common stock of the Company, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of shares of common stock of the Company or other securities, the issuance of warrants or other rights to purchase shares of common stock of the Company, or other securities, or other similar corporate transaction or event affects the Shares, such that an adjustment is determined by the Company to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available to the Holder, then the Company shall, in such manner as the Company may deem equitable, adjust any or all of (i) the number and type of shares of common stock of the Company subject to this Option, and (ii) the grant or exercise price with respect to this Option, or, if deemed appropriate, make provision for a cash payment to the Holder.

(i) Delivery of Share Certificates . Within a reasonable time after the exercise of this Option, the Company shall cause to be delivered to the person entitled thereto a certificate for the Shares purchased pursuant to the exercise of this Option. If this Option shall have been exercised with respect to less than all of the Shares subject to this Option, the Company shall also cause to be delivered to the person entitled thereto a new Option Certificate in replacement of this Option Certificate if surrendered at the time of the exercise of this Option, indicating the number of Shares with respect to which this Option remains available for exercise, or this Option Certificate shall be endorsed to give effect to the partial exercise of this Option.

(j) Withholding . In the event that the Holder elects to exercise this Option or any part thereof, and if the Company or any subsidiary or affiliate of the Company shall be required to withhold any amounts (the "Withholding Taxes") by reason of any federal, state or local or foreign tax laws, rules or regulations in respect of the issuance of Shares to the Holder pursuant to the Option or the exercise or disposition (in whole or in part) of the Option or the underlying Shares, the Company or such subsidiary or affiliate shall be entitled to deduct and withhold such amounts from any payments to be made to the Holder. In any event, the Holder shall make available to the Company or such subsidiary or affiliate, promptly when requested by the Company or such subsidiary or affiliate, sufficient funds to meet the requirements of such withholding; and the Company or such subsidiary or affiliate shall be entitled to take and authorize such steps as it may deem advisable in order to have such funds available to the Company or such subsidiary or affiliate out of any funds or property due or to become due to the Holder.

(k) Reservation of Shares . The Company hereby agrees that at all times there shall be reserved for issuance and/or delivery upon exercise of this Option such number of Shares as shall be required for issuance or delivery upon exercise hereof.

(l) Rights of Holder . Nothing contained herein shall be construed to confer upon the Holder any right to be continued in the employ of the Company and/or any subsidiary or affiliate of the Company or derogate from any right of the Company and/or any subsidiary or affiliate of the Company to retire, request the resignation of, or discharge the Holder at any time, with or without cause. The Holder shall not, by virtue hereof, be entitled to any rights of a shareholder in the Company, either at law or in equity, and the rights of the Holder are limited to those expressed herein and are not enforceable against the Company except to the extent set forth herein.

(m) Registration; Legend . The Company may postpone the issuance and delivery of Shares upon any exercise of this Option until (a) the admission of such Shares to listing on any stock exchange or exchanges on which Shares of the Company of the same class are then listed and (b) the completion of such registration or other qualification of such Shares under any state or federal law, rule or regulation as the Company shall determine to be necessary or advisable. The Holder shall make such representations and furnish such information as may, in the opinion of counsel for the Company, be appropriate to permit the Company, in light of the then existence or non-existence with respect to such Shares of an effective Registration Statement under the Securities Act of 1933, as amended, to issue the Shares in compliance with the provisions of that or any comparable act.

The Company may cause the following or a similar legend to be set forth on each certificate representing Shares or any other security issued or issuable upon exercise of this Option unless counsel for the Company is of the opinion as to any such certificate that such legend is unnecessary:

> THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY NOT BE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE ACT, THE AVAILABILITY OF WHICH IS ESTABLISHED BY AN OPINION FROM COUNSEL TO THE COMPANY.

(n) Amendment . The Company may, with the consent of the Holder, at any time or from time to time amend the terms and conditions of this Option, and may at any time or from time to time amend the terms of this Option.

(o) Notices . Any notice which either party hereto may be required or permitted to give to the other shall be in writing, and may be delivered personally or by mail, postage prepaid, or overnight courier, addressed as follows: if to the Company, at its office at 111 Arlozorov Street, Tel Aviv, Israel, 62098, Attn: Vice President – Investments and Corporate Affairs, or at such other address as the Company by notice to the Holder may designate in writing from time to time; and if to the Holder, at the address shown below her signature on this Option Certificate, or at such other address as the Holder by notice to the Company may designate in writing from time to time. Notices shall be effective upon receipt.

(p) Interpretation . A determination of the Committee as to any questions which may arise with respect to the interpretation of the provisions of this Option and of the Plan shall be final and binding. The Committee may authorize and establish such rules, regulations and revisions thereof as it may deem advisable.

IN WITNESS WHEREOF, the parties have executed this Option Certificate as of the date set forth above.

AMPAL-AMERICAN ISRAEL CORPORATION

By: _____

Name:
Title:

ACCEPTED:

_____
Holder

_____
Address

_____
City State Zip Code

_____
Social Security/ID Number

Exhibit 10r

AGREEMENT OF CERTAIN SHAREHOLDERS

BETWEEN

MERHAV AMPAL ENERGY LIMITED

AND

MERHAV (M.N.F.) LIMITED

dated as of August 1, 2006

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AGREEMENT OF CERTAIN SHAREHOLDERS

AGREEMENT OF CERTAIN SHAREHOLDERS (this " Agreement "), dated as of August 1, 2006, between Merhav (m.n.f) Limited, a company organized under the laws of the State of Israel (" Merhav "), and Merhav Ampal Energy Limited, a company organized under the laws of the State of Israel (" Ampal Energy ") (each, a " Party " and, collectively, the "Parties ," and together with any other person that becomes party hereto, the " Shareholders ").

RECITALS

WHEREAS, Merhav and Ampal Energy entered into that certain Omnibus Agreement, dated as of December 1, 2005, pursuant to which Ampal Energy purchased from Merhav the beneficial interest in 1,200 normal shares of the outstanding capital stock of East Mediterranean Gas. Co. S.A.E., an Egyptian Company (" EMG ") from Merhav;

WHEREAS, Ampal Energy has exercised its option to purchase an additional 2,760 shares of EMG in accordance with the terms of that certain Stock Purchase Agreement (the " Stock Purchase Agreement "), dated as of the date hereof, between Merhav and Ampal Energy;

WHEREAS, pursuant to the Stock Purchase Agreement, Merhav sold to Ampal Energy 2,760 shares (the " New EMG Shares ") of EMG Stock.

WHEREAS, as of the date hereof, Merhav beneficially owns 11,040 shares of EMG Stock, such shares representing 18.4% of the issued and outstanding capital stock of EMG;

WHEREAS, as of the date hereof, Ampal Energy owns 3,960 shares (together with any subsequent shares of EMG Stock acquired by Ampal Energy, the " Ampal Shares ") such shares representing 6.6% of the issued and outstanding capital stock of EMG;

WHEREAS, pursuant to Article 43 of the Statutes of EMG, as amended, a General Assembly of the Shareholders of EMG (" General Assembly ") must convene annually during the three months following the end of EMG's fiscal year, which fiscal year ends on December 31 st ;

WHEREAS, pursuant to the Article 21 of the Statutes of EMG, as amended, there are currently two members representing Merhav currently serving (the " Merhav Directors ") on the Board of Directors of EMG (the " Board ");

WHEREAS, at the meeting of the General Assembly held on March 13, 2006, Merhav designated Messrs. Yossef A. Maiman and Nimrod Novik as the Merhav Directors and Messrs. Yossef A. Maiman and Nimrod Novik are, as of the date hereof, the current Merhav Directors;

WHEREAS, as a condition to Ampal Energy's purchase of the New EMG Shares pursuant to the Stock Purchase Agreement, Merhav has agreed, among other things, to grant Ampal Energy (a) tag along rights with respect to any sale of the shares of EMG Stock held by Merhav (the " Merhav Shares ") at the time of such transfer; and (b) the right to consult with Merhav regarding the appointment of the Merhav Directors, as provided for in this Agreement.

NOW, THEREFORE, in consideration of the aforesaid premises and of the mutual representations, warranties and covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Shareholders hereby agree as follows:

ARTICLE I

DEFINITIONS

The following terms shall have the following meanings for purposes of this Agreement:

" Affiliate " means (a) with respect to any Person (other than an individual), a person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such person, where "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a Person, whether through the ownership of voting securities, by contract, as trustee or executor, or otherwise and (b) with respect to any individual, any relative or spouse of such Person, or any relative of such spouse, who has the same home as such Person.

" Agreement " has the meaning set forth in the Preamble.

" Ampal Appointee " has the meaning set forth in the Recitals.

" Ampal Energy " has the meaning set forth in the Preamble.

" Ampal Shares " has the meaning set forth in the Recitals.

" Ampal Stock " means the Class A Stock, par value $1.00 per share, of Ampal-American Israel Corporation, a New York corporation.

" Board " has the meaning set forth in the Recitals.

" Business Day " shall mean any day that is not a Saturday, Sunday or other day on which banks are required or authorized by Law to be closed in New York City on Israel.

" Egyptian Law " means any law (including common law), statute, statutory instrument, code, ordinance, regulation, directive, legally binding rule, decree or other legally enforceable obligation imposed by a court or other entity of the Arab Republic of Egypt.

" EMG Organizational Documents " means (i) the Decree of the General Authority for Investment and Free Zones No. 1020 of 2000 Regarding Authorization for the Establishment of East Mediterranean Gas Company an Egyptian Joint Stock Company According to the Special Free Zones System, as amended from time to time, (ii) the Statutes of East Mediterranean Gas Company an Egyptian Joint Stock Company According to the Special Free Zones System, as may be amended from time to time and (iii) any other document or instrument relating to the formation or governance of EMG.

“ EMG Stock ”" means the normal shares of East Mediterranean Gas. Co. S.A.E., an Egyptian Company.

“ Exercise Notice ” has the meaning set forth in Section 3.2(b).

“ Exercise Period ” has the meaning set forth in Section 3.2(b).

“ General Assembly ” has the meaning set forth in the Recitals.

“ Ampal Appointee ” has the meaning set forth in the Recitals.

“ Lien ” means any mortgage, pledge, hypothecation, charge, assignment, deposit arrangement, encumbrance, security interest, lien, fiduciary assignment and any security or similar agreement of any kind or nature whatsoever.

“ Merhav Directors ” has the meaning set forth in the Recitals.

“ Merhav Shares ” has the meaning set forth in the Recitals.

“ Merhav ” has the meaning set forth in the Preamble.

“ New EMG Shares ” has the meaning set forth in the Recitals.

“ Offer ” has the meaning set forth in Section 3.2(a).

“ Offer Notice ” has the meaning set forth in Section 3.2(a).

“ Omnibus Agreement ” has the meaning set forth in the Recitals.

“ Parties ” has the meaning set forth in the Preamble.

“ Party ” has the meaning set forth in the Preamble.

“ Person ” means an individual, corporation, partnership, trust, limited liability company, a branch of any legal entity, unincorporated organization, joint stock company, joint venture, association or other entity, or any government, or any agency or political subdivision thereof.

“ Shareholders ” has the meaning set forth in the Preamble.

“ Statutes of EMG ” means the Statutes of East Mediterranean Gas Company An Egyptian Joint Stock Company According to the Special Free Zones System, as amended from time to time.

“ Stock Purchase Agreement ” has the meaning set forth in the Recitals.

“ Transfer ” means, whether voluntary or involuntary, any transfer, assignment (including any fiduciary assignment), conveyance and sale.

“ Transferee ” has the meaning set forth in Section 3.1(a).

ARTICLE II

NOMINEE ARRANGEMENT

2.1 Ownership and Benefits . To the extent that the Ampal Shares have not been registered in the name of Ampal Energy on the books and records of EMG, Merhav shall act as nominee on behalf of Ampal Energy with respect to the Ampal Shares and agree as follows:

(a) Merhav and Ampal Energy hereby agree that the Ampal Shares shall, subject to Section 2.3, be held in the name of Merhav, but that the economic and all other beneficial interests in and to he Ampal Shares (including the right to direct the votes of the Ampal Shares) shall belong at all times to Ampal Energy for all purposes whatsoever. Merhav and Ampal Energy agree that all the benefits associated with the Ampal Shares shall at all times be solely those of Ampal Energy, and that Merhav shall have no beneficial right whatsoever to the Ampal Shares. All dividends and other distributions with respect to the Ampal Shares shall belong to Ampal Energy.

(b) Merhav agrees to take any action with respect to the Ampal Shares (including, without limitation, with respect to the voting, sale, pledge or other disposition of the Ampal Shares) as shall be requested from time to time by Ampal Energy, to the extent permissible by the constituent documents of EMG and otherwise in accordance with this Agreement.

(c) The Parties hereby agree that Merhav will establish a bank account (the "Bank Account") with a bank mutually acceptable to the parties (the "Bank") in its name, and that Merhav, as legal holder of the Ampal Shares, shall instruct EMG to remit any and all dividends and distributions with respect to all shares of EMG held by Merhav to the Bank Account. Merhav hereby agrees that it shall not, without the consent of Ampal Energy, instruct EMG to remit dividends and other distributions payable on the Ampal Shares to any account other than the Bank Account. Merhav shall instruct the Bank (such instructions to be changed only by joint notification to the Bank from Ampal Energy and Merhav) to immediately transfer to Ampal Energy such part of any dividends or distributions or other money received in the Bank Account, which is attributable and/or paid with respect to the Ampal Shares. The parties will use their commercially reasonable efforts to have the Bank acknowledge the agreement set forth in this Paragraph 2.1(c).

(d) In the event Merhav receives any dividends or distributions or other money in respect of the Ampal Shares, which was not remitted to Ampal Energy in accordance with Section 2.1(c), such distributions and moneys shall belong to Ampal Energy and shall be remitted to Ampal Energy by Merhav promptly upon receipt.

2.2 Capital Calls; Additional Shares . (a) Each of Ampal Energy and Merhav hereby covenants to pay and contribute to EMG (in the case of Ampal Energy, either directly or through payment to Merhav) its pro rata share of the amounts required to be paid by shareholders of EMG pursuant to EMG's constituent documents or other agreements between EMG and its shareholders or among EMG's shareholders. Merhav shall notify Ampal Energy of any such capital calls no more than two (2) Business Days following receipt by nominee of a capital call from EMG. In the event Merhav does not intend to make such required capital contribution it shall so notify Ampal Energy of such intention reasonably in advance of the due date for such capital contribution so as to permit Ampal Energy to make such capital contribution in accordance with this Section 2.2(a).

(b) In the event Merhav has notified Ampal Energy that it will not make a required capital contribution, the parties hereby agree that Ampal Energy may elect to make such capital contribution on behalf of Merhav, and Merhav shall cooperate and take all necessary action to cause such capital contribution to be made with the funds provided by Ampal Energy. In the event Ampal Energy does make such capital contribution, without any further action necessary, Merhav hereby assigns to Ampal Energy the beneficial ownership of such number of additional shares of Merhav Stock for its own account equal to the quotient determined (x) the amount paid by Ampal Energy with respect to such capital call (less the amount attributable to the Ampal Shares) divided by (y) the weighted average of the Purchase Price Per Share set forth in the Stock Purchase Agreement and the purchase price per share of EMG Stock set forth in the Omnibus Agreement. Merhav shall provide any other instruments or documents reasonably requested by Ampal Energy to evidence any transfer or assignment of Merhav Shares hereunder. Any additional Merhav Shares transferred hereunder shall be subject to the same restrictions on transfer set forth in Section 2.1(a) of the Omnibus Agreement.

2.3 Registration . At any time upon the request of Ampal Energy, Merhav shall promptly take all necessary actions to transfer on the register of EMG in accordance with the constituent documents of EMG and Egyptian Law, the full valid legal title to the Ampal Shares, free and clear of any Liens. Merhav shall be responsible for any transfer, stamp or similar taxes in connection with such transfer. Merhav hereby represents and warrants that no consent or approval (including, without limitation, any signature or other document) of EMG or any other Person is necessary for the registration of the Ampal Shares in the name of Ampal on the books and records of EMG (other than notifying the General Authority for Investments and Free Zones and subject to the requirements of the General Authority for Investments and Free Zones). Merhav, in consideration of the undertakings herein and in the Stock Purchase Agreement, hereby authorizes Ampal Energy to execute any documents necessary or advisable in the name of, and on behalf of, Merhav that are required for the transfer of legal title of the Ampal Shares to Ampal Energy on the book and records of EMG.

ARTICLE III

TRANSFER OF SHARES

3.1 Restrictions on Transfer

(a) (Other than to its own Affiliate neither Party may Transfer any of the its shares of EMG Stock to any Person other than to the other Party or its Affiliates (a " Transferee ") except as hereinafter provided or as provided in the Stock Purchase Agreement.

(b) As a condition to the consummation of any Transfer to a Transferee, Merhav shall cause such Transferee to sign a counterpart to this Agreement and agree to be bound by the same terms to which Merhav is bound under this Agreement, other than those terms contained in Article II and Sections 3.1., 3.2 and 4.1.

3.2 Tag Along Right

(a) If at any time after the date hereof, a Party (the " Transferring Party") desires to Transfer some or all of the Shares of EMG held by the Transferring Party, and the Transferring Party shall have obtained a bona fide written offer from an unrelated third-party proposed Transferee (an " Offer "), the Transferring Party shall promptly deliver to the other Party (the "Offeree") a written notice (an " Offer Notice "), enclosing a copy of the Offer, offering the Offeree to exercise, during a period of 30 days after deliver of the Offer Notice (the "Exercise Period "), a right to sell a portion of its shares in such Offer to such Transferee on the same terms and conditions as set forth in such Offer, up to an amount of such number of shares equal to the product of (A) the number of shares of EMG Stock subject to the Offer and (B) a fraction, the numerator of which is the number of shares of EMG Stock owned by the Offerree and the denominator of which is the aggregate number of shares of EMG Stock owned by the Transferring Party and the Offerree. The number of shares to be sold by the Transferring Party to such Transferee shall be reduced by the number of shares to be sold by the Offerree hereunder.

(b) Any election to sell made by the Offerree hereunder shall be made by written notice during the Exercise Period from the Offerree to the Transferring Party.

(c) Any Transfer by the Offerree pursuant to this Section 3.2 shall be for the purchase price and on the terms and conditions set forth in the related Offer, and the closing thereof shall be concurrent with the Transfer by the Transferring Party.

(d) In the event that the Offerree does not elect to sell pursuant to this Section 3.2, or does not respond during the Exercise Period, then the Transferring Party shall have the right to consummate the Transfer of its Shares of EMG Stock in accordance with the terms of the Offer during the 180-day period following the expiration of the Exercise Period relating to such Offer, provided that such unrelated third Party Transferee shall undertake to be bound by the provisions of Section 4.2 of this Agreement.

ARTICLE IV

BOARD OF DIRECTORS; SHAREHOLDER VOTING AGREEMENTS

4.1 Designation of Directors . With regards to the appointment of the Merhav Directors, the Parties agree that (x) prior to the appointment or re-appointment of any Merhav Director, Merhav shall have consulted with Ampal Energy regarding such appointment or re-appointment, and (y) in the event that Merhav ceases to hold any shares of EMG Stock, the Shareholders shall appoint or re-appoint the Merhav Directors, as necessary and from time to time, only after such appointee has received the approval of Shareholders representing greater than 50% of the shares of EMG Stock held by all of the Shareholders.

4.2 Voting Agreements.

(a) The Parties agree that (x) each Shareholder shall not vote its shares of EMG Stock, or (y) Merhav, if acting as nominee, shall not vote such shares as nominee for such Shareholder in favor of, or vote against, any of the following actions unless Shareholders representing 85% of the shares of EMG Stock held by all of the Shareholders have voted in favor of such action:

(i) any change in the purpose of EMG as stated in the EMG Organizational Documents;

(ii) any sale of all or substantially all of EMG's assets;

(iii) the merger or consolidation of EMG with any other party;

(iv) the liquidation or dissolution of EMG;

(v) any proposed amendment to the EMG Organizational Documents;

(vi) any demand for additional capital from the shareholders of EMG; or

(vii) any request for special distributions from EMG.

(b) If at any time Merhav owns less than 13% of the EMG Stock held in the aggregate by the Shareholders, the Shareholders agree to vote their respective shares of EMG Stock (including making shareholder proposals) as directed by a vote of the majority of shares of EMG Stock held by the Shareholders.

4.3 Shareholder Meetings . On ten day's notice, any Shareholder may call a meeting of shareholders for any purpose relating to EMG, this Agreement or the Stock Purchase Agreement.

ARTICLE V

MISCELLANEOUS

5.1 Governing Law . This Agreement shall be governed in all respects, including validity, interpretation and effect, by the internal laws of the State of Israel without regard to its conflict of law principles .

5.2 Consent to Jurisdiction . The Parties hereby agrees that: (i) any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby may be brought in court in the Tel Aviv – Jaffa District of the State of Israel; (ii) such party shall not make any venue objection with respect to any action commenced in any such court; (iii) such party may be served by registered or certified mail, return receipt requested, addressed as provided in Section 4.8 hereof; and (iv) such party irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

5.3 Remedies . It is expressly understood that the equitable remedies of specific performance and injunction shall be available for the enforcement of the covenants and agreements herein, and that the availability of these equitable remedies shall not be deemed to limit any other right or remedy to which any party to this Agreement would otherwise be entitled.

5.4 Severability . Each Section, subsection and clause of this Agreement constitutes a separate and distinct undertaking, covenant or provision hereof. In the event that any provision of this Agreement shall finally be determined to be unlawful, such provision shall be deemed severed from this Agreement, but every other provision of this Agreement shall remain in full force and effect.

5.5 Interpretation . Whenever used in this Agreement, except as otherwise expressly provided or unless the context otherwise requires, any noun or pronoun shall be deemed to include the plural as well as the singular and to cover all genders. Unless otherwise specified, words such as “herein”, “hereof”, “hereby”, “hereunder” and words of similar import refer to this Agreement as a whole and not to any particular Section or subsection of this Agreement, and references herein to “Articles” or “Sections” refer to Articles or Sections of this Agreement. The headings in this Agreement are intended solely for convenience of reference and shall be given no effect in the construction or interpretation of this Agreement.

5.6 Costs and Expenses . Each party shall bear its own expenses incurred in connection with the negotiation, preparation, execution and closing of this Agreement and the transactions provided for hereby.

5.7 Notices . All notices or other communications required or permitted by this Agreement or any other Transaction Document shall be effective upon receipt and shall be in writing and delivered personally or by overnight courier, or sent by facsimile (with confirmation copies delivered personally or by courier within three (3) business days), as follows:

If to Merhav, to:

Merhav (m.n.f) Ltd.
33 Havatzelet Hasharon Street
Herzlia, Israel
Attention: Mr. Yossef Maiman and Mr. Leo Malamud
Facsimile:+972-9-9501733

with copies to:

M. Firon & Co., Advocates and Notaries
16 Abba Hillel St.,
Ramat Gan, Israel
Attention: Adv. Eldad Firon and Adv. Nimrod Bashan
Facsimile: +972-3-7540011

If to Ampal Energy, to:

Merhav Ampal Energy Limited
c/o Ampal-American Israel Corp.
111 Arlozorov Street
Tel Aviv 62098 Israel
Attention: Yoram Firon
Facsimile:+972-3-6080101

with copies to:

Bryan Cave LLP
1290 Avenue of the Americas
New York, NY, USA 10019
Attention: Kenneth Henderson, Esq.
Facsimile: (212) 541-1357

or to such other address as hereafter shall be furnished as provided in this Section 4.7 by any Party to any other Party. If notice is to be given to another Shareholder, such notice shall be sent to the address on the counterpart signature page pursuant to which such Shareholder became party to this Agreement. Any demand, notice or other communication given by personal delivery shall be conclusively deemed to have been given on the day of actual delivery thereof and, if given by facsimile, on the day of transmittal thereof if given during the normal business hours of the recipient, and on the business day during which such normal business hours next occur if not given during such hours on any day.

5.8 Counterparts . This Agreement and may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute a single instrument.

5.9 Entire Agreement . This Agreement sets forth the entire understanding and agreement between the Parties as to the matters covered herein and therein and supersede and replace any prior understanding, agreement or statement of intent, in each case, written or oral, of any and every nature with respect thereto.

5.10 No Third Party Rights; Assignment . Notwithstanding anything to the contrary contained herein, this Agreement is intended to be solely for the benefit of the Parties and is not intended to confer any benefits upon, or create any rights in favor, of any person other than the Parties and shall not be assignable without the prior written consent of the other Party.

5.11 Waivers and Amendments . No modification of or amendment to this Agreement shall be valid unless in a writing signed by the Parties referring specifically to this Agreement and stating the Parties' intention to modify or amend the same. Any waiver of any term or condition of this Agreement must be in a writing signed by the Party sought to be charged with such waiver referring specifically to the term or condition to be waived, and no such waiver shall be deemed to constitute the waiver of any other breach of the same or of any other term or condition of this Agreement.

[SIGNATURES ARE ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement of Certain Shareholders as of the date first above written.

MERHAV AMPAL ENERGY LIMITED

By: /s/ Jack Bigio
/s/ Irit Eluz
_____
Name: Jack Bigio, Irit Eluz
Title: CEO, CFO

MERHAV (M.N.F) LIMITED

By: /s/ Yosef A. Maiman
_____
Name: Yosef A. Maiman
Title: Director

[SIGNATURE PAGE TO AGREEMENT OF CERTAIN SHAREHOLDERS]

Exhibit 10w

Ampal-RSUO *Sale and Purchase of CWI Shares*

SHARE SALE AND PURCHASE AGREEMENT

THIS SHARE SALE AND PURCHASE AGREEMENT (this " **Agreement** ") is entered into this 22 day of May, 2006 by and between **AMPAL-AMERICAN ISRAEL CORPORATION** , a company incorporated under the laws of New York (the " **Seller** ") and **RED SEA UNDERWATER OBSERVATORY LTD.** , a company incorporated under the laws of Israel (the " **Purchaser** ").

WITNESSETH

WHEREAS, the Seller is the holder and record and beneficial owner of the Purchased Shares (as defined in section 2.1 below); and

WHEREAS, the Seller wishes to sell, transfer and assign the Purchased Shares to the Purchaser in consideration for the payment of the Purchase Price (as defined in section 3.1 below) and the Purchaser wishes to purchase, assume and receive such Purchased Shares and pay the Purchase Price, all on and subject to the terms and conditions set forth in this Agreement; and

WHEREAS , simultaneously with the signing of this Agreement the Seller and Purchaser shall sign a share sale and purchase agreement for the sale of Seller's shares in Red Sea Marineland Holding (1973) Ltd., and in Red Sea Underwater Observatory Ltd. (the **"Additional Agreement** ")

NOW, THEREFORE , in consideration of the premises and of the mutual covenants and agreements herein contained, the parties hereto, intending to be legally bound, agree as follows:

1. DEFINITIONS

In this Agreement, the following terms shall have the meaning ascribed thereto in this Section 1:

1.1. **"Action"** means any legal, administrative, governmental or regulatory proceeding or other action, suit, proceeding, claim, arbitration, mediation, alternative dispute resolution procedure, inquiry or investigation by or before any arbitrator, mediator, court or other governmental authority.

1.2. **"Additional Agreement** " shall have the meaning ascribed thereto in the preamble.

1.3. **"Affiliate"** means, with respect to any person, any other person directly or indirectly Controlling, Controlled by or under common Control with such Person. For purposes of this Agreement, the term **"Control"** (including, with correlative meanings, the terms "Controlling", "Controlled by" and "under common Control with"), as used with respect to any person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person, whether through ownership of voting securities or partnership interests, by contract or otherwise.

1.4. **"Business Day"** shall have the meaning ascribed thereto in section 12.1.

1.5. **"Closing"** shall have the meaning ascribed thereto in section 4.1.

1.6. **"Closing Date"** shall have the meaning ascribed thereto in section 4.1.

1.7. **"Company"** shall have the meaning ascribed thereto in section 2.1.

1.8. **"Damages"** means any and all losses, Liabilities, damages, fines, payments, costs and expenses, whenever or however arising and whether or not resulting from Third Party Claims (including the reasonable costs and expenses of any and all Actions or other legal matters; all amounts paid in connection with any demands, assessments, judgments, settlements and compromises relating thereto; interest and penalties with respect thereto; and costs and expenses, including reasonable attorneys', fees and expenses, incurred in preparing for or defending against any such Actions or other legal matters or in asserting, preserving or enforcing an Indemnitee's rights hereunder).

1.9. **"Liability"** means any and all claims, debts and liabilities of whatever nature, whether asserted or, based on the current state of affairs or facts, fixed, absolute or contingent, matured, accrued, liquidated or unliquidated, and whenever or however arising (including those arising out of any contract or tort, whether based on negligence, strict liability or otherwise).

1.10. **"Liens"** shall mean any charge, claim, community property interest, equitable interest, lien, encumbrance, option, proxy, pledge, security interest, mortgage, right of first refusal, right of preemption, transfer or retention of title agreement, right or claim of any third party or restriction by way of security of any kind or nature, including any restriction on use, voting, transfer, receipt of income or exercise of any other attribute of ownership (other than those specified in the incorporation documents of the Company).

1.11. **"Purchase Price"** shall have the meaning ascribed thereto in section 3.1.

1.12. **"Purchased Shares"** shall have the meaning ascribed thereto in section 2.1 below.

2. PURCHASE AND SALE OF THE PURCHASED SHARES

2.1. Subject to the terms and conditions of this Agreement, at the Closing the Seller will sell, convey, transfer, assign and deliver to Purchaser the Purchased Shares, free and clear of any Liens, and Purchaser will, in reliance on the representations and warranties of the Seller included in this Agreement only, purchase, assume and acquire from the Seller the Purchased Shares.

The " **Purchased Shares** " shall mean, collectively:

(i) 2,500 Ordinary A Management Shares, par value GBP 1.00 each, of Coral World International Limited, a company incorporated under the laws of Guernsey (" **Company** ");

(ii) 500 Preference C Shares, par value GBP 1.00 each, of Coral World;

(iii) 100 Redeemable Preference D Shares, par value GBP 1.00 each, of Coral World;

2.2. It is agreed that under the transaction contemplated by this Agreement **all** Purchased Shares together shall be purchased by the Purchaser, under no circumstances shall only part of the Purchased Shares be purchased by Purchaser.

3. PURCHASE PRICE

3.1. In consideration for the Purchased Shares sold and assigned by the Seller, the Purchaser shall pay to the Seller, at the Closing and subject to the fulfillment of the conditions precedent set forth in Section 9 below, an aggregate amount of US$19,338,250 (nineteen million three hundred thirty eight thousand two hundred and fifty United States dollars) (the " **Purchase Price** ").

3.2. The Purchase Price shall be paid in United States dollars by wire transfer in immediately available funds to a bank account, as instructed by the Seller to the Purchaser in writing.

3.3. Seller shall withhold from the Purchase Price any amount as may be required under applicable law, unless provided by Seller, prior to Closing, with a Tax Withholding Exemption from the Israeli tax authorities

4. CLOSING

4.1. **Closing Date.** The sale and transfer of the Purchased Shares will take place at a closing (the " **Closing** ") to be held at the offices of Meitar, Liquornik, Geva & Leshem, Brandwein, Law Offices, 16 Abba Hillel Silver Road, Ramat-Gan 52506, Israel, at 10:00 a.m. on a day to be mutually agreed upon by the parties but in no event later than June 26, 2006, *provided however that* all of the conditions set forth in Section 9 below are satisfied or waived by such date. The date on which the Closing occurs is referred to herein as the " **Closing Date** ".

The Closing and the closing of the transaction contemplated in the Additional Agreement (the **"Additional Closing"**) shall occur simultaneously, and subject to the fulfillment of the conditions to closing under both agreements. All transactions occurring at the Closing and at the Additional Closing shall be deemed to take place simultaneously and no transaction in this Agreement and/or in the Additional Agreement shall be deemed to have been completed and no document or certificate shall be deemed to have been delivered until all transactions contemplated in this Agreement and in the Additional Agreement are completed and all documents to be delivered in the Closing and the Additional Closing are delivered. Unless otherwise indicated, all documents and certificates shall be dated on or as of the Closing Date.

4.2. **Closing Deliveries of the Seller .** At the Closing, the Seller shall deliver, or cause to be delivered, to the Purchaser the following documents:

4.2.1. Share Certificates and Transfer Deeds. Share certificates representing all of the Purchased Shares, accompanied by duly signed share transfer deeds transferring the Purchased Shares to Purchaser, made in accordance with the respective incorporation documents of the Company, in the form of **Schedule 4.2.1** attached hereto;

4.2.2. Compliance Certificate. A certificate in the form of **Schedule 4.2.2** hereto duly signed by the Seller confirming that **(i)** the representations and warranties of the Seller in Section 5 hereto are true and correct in all material respects as of the date of this Agreement and as of the Closing Date, **(ii)** all covenants and agreements of the Seller under this Agreement to be performed or complied with on or prior to the Closing Date have been performed and complied with; and **(iii)** all documents to be executed and delivered by the Seller at the Closing have been executed by a duly authorized officer of the Seller;

4.2.3. Directors and Officers Resignation; Signature Rights Revocation. Written resignation letters from all directors and officers of the Company designated by the Seller, in the form of **Schedule 4.2.2** hereto and revocation of signature rights in the Company;

4.2.4. Board Resolutions. True and correct copies of the resolutions of the Board of Directors of the Company, approving and authorizing the transfer of the respective Purchased Shares from the Seller to the Purchaser, as contemplated by this Agreement;

4.3. **Closing Deliveries of the Purchaser.** At the Closing, the Purchaser shall deliver, or cause to be delivered, to the Seller the following documents:

4.3.1. Share Transfer Deeds. A counterpart signature on the share transfer deeds transferring the Purchased Shares to Purchaser, duly signed by the Purchaser, in the form of **Schedule 4.2.1** attached hereto;

4.3.2. Compliance Certificate. A certificate in the form of **Schedule 4.3.2** hereto duly signed by the Purchaser confirming that: (i) the representations and warranties of the Purchaser in Section 6 hereto are true and correct in all material respects as of the date of this Agreement and as of the Closing Date; (ii) that all covenants and agreements of the Purchaser under this Agreement to be performed or complied with on or prior to the Closing Date have been performed and complied with; and **(iii)** all documents to be executed and delivered by the Seller at the Closing have been executed by a duly authorized officer of the Seller; and

4.3.3. Payment of the Purchase Price . Evidence of transfer of the Purchase Price, in immediately available funds, by wire transfer to the account designated by the Seller.

5. REPRESENTATIONS AND WARRANTIES OF SELLER

The Seller hereby represents and warrants to the Purchaser that as of the date hereof and as of the Closing:

5.1. **Organization.** The Seller is a duly incorporated public company, organized and validly existing under the laws of the New York State, U.S.A.. Seller's securities are traded in Nasdaq. Seller did not have a receiver appointed or an assignee for the benefit of creditors, is not insolvent and is able to pay debts as they become due.

5.2. **Due Authority and Execution.** The Seller has the legal capacity and authority to sign, deliver and perform this Agreement, without the necessity of any act or consent of any other person whomsoever. The signing, delivery and performance by the Seller of this Agreement and each and every agreement, document and instrument provided for herein has been duly authorized and approved by Seller. This Agreement and each and every agreement, document and instrument provided for herein has been signed by an officer that has been duly authorized to sign such document on behalf of the Seller. This Agreement, and each and every other agreement, document and instrument to be signed, delivered and performed by the Seller in connection herewith, constitute or will, when signed and delivered by the Seller, constitute the valid and legally binding obligation of the Seller enforceable against it in accordance with their respective terms.

5.3. **Noncontravention.** The signing, delivery and performance of this Agreement by the Seller **(i)** is not subject to any restriction under any applicable law and **(ii)** do not and will not, violate any provisions of the organizational documents of Seller, or violate or constitute an occurrence of default under any provision of, or conflict with, result in acceleration of any obligation under, or give rise to a right by any party to terminate its obligations under, any material contract, mortgage, deed of trust, secured debt, note, loan or lien or any order, judgment, decree or other arrangement to which Seller is a party or is bound or by which it or its assets are affected.

There is no suit, action, proceeding, claim or investigation pending, or to the knowledge of Seller threatened, against the Seller that seeks to prevent such Seller from performing this Agreement.

5.4. **Title to Purchase Shares.** The Seller is the sole owner of the Purchased Shares, and the Purchase Shares are held by the Seller free and clear of any Liens. Upon the Closing and the payment of the Purchase Price to the Seller in accordance with the provisions of this Agreement, the Purchaser shall acquire good and marketable title to all Purchased Shares free and clear of any Liens.

5.5. **Entire Holdings.** The Purchased Shares constitute all interest which the Seller has in the Company and their respective Affiliates.

5.6. **Purchase Price.** The Seller is familiar with the Company and the business conducted by them. In view thereof, the Seller believes that the Purchase Price represents the fair value of the Purchased Shares. The Seller hereby specifically waives any claim, whether current or future, in connection with such price and the valuation of the Purchased Shares.

5.7. **Shareholders Agreements.** The Purchased Shares are not subject to any agreement with a third party, voting agreements, proxies, trusts or other agreement relating to the voting or disposition of the Purchased Shares (including pre-emptive rights and rights of first refusal of a third party) which would continue to be binding upon the Purchaser after the Closing.

5.8. **Disclosure.** There is no material fact or information relating to the business, prospects, condition (financial or otherwise), affairs, operations or assets of the Company known to the Seller that has not been disclosed to the Purchaser in writing by the Seller in this Agreement. Neither this Agreement nor any certificate made or delivered by the Seller in connection herewith contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements herein or therein not misleading, in view of the circumstances in which they were made.

6. REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

Purchaser hereby represents and warrants to Sellers that as of the date hereof and as of the Closing:

6.1. **Organization.** Purchaser is a private company duly incorporated and validly existing under the laws of the State of Israel.

6.2. **Due Authority and Execution.** Purchaser has the legal capacity and authority to sign, deliver and perform this Agreement without the necessity of any act or consent of any other person whomsoever. The signing, delivery and performance by Purchaser of this Agreement and each and every agreement, document and instrument provided for herein have been duly authorized and approved by Purchaser. This Agreement and each and every agreement, document and instrument provided for herein has been signed by an officer that has been duly authorized to sign such document on behalf of Purchaser. This Agreement, and each and every other agreement, document and instrument to be signed, delivered and performed by Purchaser in connection herewith, constitute or will, when signed and delivered by the Purchaser, constitute the valid and legally binding obligation of Purchaser enforceable against it in accordance with their respective terms.

6.3. **Consents; No Conflict.** The signing, delivery and performance of this Agreement by Purchaser **(i)** is not subject to any restriction under any applicable law and **(ii)** do not and will not, violate any provisions of the organizational documents or other corporate documents of Purchaser, or violate or constitute an occurrence of default under any provision of, or conflict with, result in acceleration of any obligation under, or give rise to a right by any party to terminate its obligations under, any material contract, mortgage, deed of trust, secured debt, note, loan, lien, or any order, judgment, decree or other arrangement to which the Purchaser is a party or is bound or by which it or its assets are affected.

There is no suit, action, proceeding, claim or investigation pending or to the knowledge of Purchaser threatened, against Purchaser that seeks to prevent it from performing this Agreement.

7. **COVENANTS**

7.1. **Reasonable Best Efforts.** Subject to the terms and conditions of this Agreement and applicable law, each of Seller and Purchaser will use its reasonable best efforts to take, or cause to be taken, all actions which are in their responsibility, and to do, or cause to be done, all things reasonably necessary which are in their responsibility, proper or advisable under applicable laws and regulations applicable to each of them, or otherwise to consummate and make effective the transactions contemplated hereby as soon as practicable, including such actions or things as any other party hereto may reasonably request in order to cause any of the conditions to such other party's obligation to consummate such transactions.

7.2. **Confidentiality.** The Seller will, and will use its best efforts to cause its Affiliates to, hold in strict confidence for a period of three years after the date of the Closing, all documents and information, in any form whatsoever concerning the business, operations, financial condition, shareholders, customers, suppliers, intellectual property and other proprietary information concerning the Company (**"Confidential Information"**) and will take reasonable measures to prevent unauthorized disclosure of such information. Notwithstanding the foregoing, Confidential Information shall not include **(i)** any information which is or becomes public, unless such information becomes public as a result of a breach of this Section 7.1 by Seller, **(ii)** any information independently obtained by Seller without an obligations of confidentiality to the party disclosing such information to Seller as can be substantiated by Seller through the use of written documents, and **(iii)** any information which is required to be disclosed under applicable laws, regulations or judgments, *provided that* to the extent practicable in this clause (iii) Seller shall give to Purchaser prior notice of the contemplated disclosure and its content.

7.3. **Non-Compete** . For a period of four years after the Closing Date, the Seller and its Affiliates will not, directly or indirectly, without the written consent of Purchaser, enter into, engage in, manage, operate, control, invest or acquire any interest in, or otherwise engage or participate in, or own any beneficial interest in, any business engaged in the business of the Company as such business is conducted prior to the Closing, including the operation, management and/or construction of underwater observatories or marine parks, submarines, marine attractions of any nature.

8. RELEASES AND WAIVERS .

8.1. **General Release by Seller** . To the extent permitted under applicable law, for and in consideration of the Purchase Price, effective as of the Closing, Seller releases, acquits and forever discharges the Company and each of their present and former shareholders, officers, directors and employees (in their capacities as such) and each of their respective heirs, executors, administrators, successors and assigns, of and from any and all manners of action, or action, cause or causes of action, demands, rights, Damages or Liabilities, debts, dues, sums of money, accounts, reckonings, costs, expenses, responsibilities, covenants, contracts, controversies, Actions, and claims whatsoever, whether known or unknown, of every name and nature, both in law and in equity, which the Seller, or its Affiliates, successors or assigns ever had, now has, or may have or shall have against the Company or any other Person referred to above arising out of any matters, causes, acts, conduct, claims, circumstances or events occurring or failing to occur or conditions existing at or prior to the Closing.

8.2. **General Release by the Company** . To the extent permitted under applicable law, for the transfer of the Purchased Shares, effective as of the Closing, Purchaser shall cause the Company to release, acquit and forever discharge Jack Bigilio and Kenneth Handerson (**"Seller** 's **Directors")** in their capacity as directors of the Company), of and from any and all manners of action, or action, cause or causes of action, demands, rights, Damages or Liabilities, debts, dues, sums of money, accounts, reckonings, costs, expenses, responsibilities, covenants, contracts, controversies, Actions, and claims whatsoever, whether known or unknown, of every name and nature, both in law and in equity, which the Company, or its Affiliates, successors or assigns ever had, now has, or may have or shall have against the Seller's Directors in connection with any actions taken or omitted to be taken by them as directors of the Company, except for fraudulent or willful acts and omissions. Purchaser shall cause the Company to sign an undertaking towards Seller's Directors to that effect, in the form attached hereto as Schedule 8.2 , which will be delivered to the Seller, signed by the Company, on the Closing Date, immediately after the Closing.

8.3. **Waiver of Preemptive and Similar Rights** . For and in consideration of the amounts payable to the Seller under this Agreement, the Seller hereby waives, such waiver to be effective only as of the Closing, any and all preemptive rights, rights of first refusal, tag along, co-sale or other similar rights with regard to the Company and any Affiliate thereof that such Seller has or is or may be entitled to receive, including those which arose or arise as a result of any event or transaction (whenever occurring), including the execution, delivery or performance of this Agreement or consummation of the transaction contemplated hereby.

9. CONDITIONS TO CLOSING

9.1. **Conditions to Each Party's Obligations** . The respective obligations of each Seller and the Purchaser to effect the Closing are subject to the satisfaction at or prior to the Closing Date of each of the following conditions:

9.1.1. **No Injunctions or Restraints** . There shall not exist or have been enacted, entered or enforced any law, regulation, judgment or injunction or any other action of any court or other governmental authority that makes, illegal or prohibits the consummation of the Closing.

9.1.2. **Consents** . The following consents shall have been obtained:

9.1.2.1. Consent of Bank HaPoalim under the Loan Agreement dated November 30, 1995 by and between Maui Ocean Center, Inc. and Bank HaPoalim B.M., as amended.

9.2. **Conditions to Obligations of Purchaser** . The obligations of Purchaser to effect the Closing are subject to the satisfaction or waiver by Purchaser at or prior to the Closing Date of each of the following conditions:

9.2.1. Representations and Warranties . The representations and warranties of Seller set forth in Section 5 above shall be true and correct in all material respects as of the date of this Agreement and as of the Closing Date with the same effect as though made on and as of the Closing Date, and the Seller shall have delivered to Purchaser a certificate as specified in Section 4.2.2.

9.2.2. Performance of Obligations of Seller . Each and all of the covenants and agreements of Seller to be performed or complied with on or prior to the Closing shall have been fully performed and complied, and Seller shall have delivered to Purchaser a certificate confirming the foregoing as of the Closing Date, as specified in Section 4.2.2.

9.2.3. Documents. All documents required to be delivered by the Seller under Section 4.2 shall have been delivered.

9.3. **Conditions to Obligations of Sellers** . The obligations of the Seller to effect the Closing are subject to the satisfaction or waiver by Seller at or prior to the Closing Date of each of the following conditions:

9.3.1. Representations and Warranties . The representations and warranties of Purchaser set forth in Section 6 shall be true and correct in all material respects as of the date of this Agreement and as of the Closing Date with the same effect as though made on and as of the Closing Date, and Purchaser shall have delivered to Sellers a certificate signed by an authorized officer of Purchaser as specified in Section 4.3.2.

9.3.2. Performance of Obligations of Purchaser . Each and all of the covenants and agreements of Purchaser to be performed or complied with on or prior to the Closing shall have been fully performed and complied, and Purchaser shall have delivered to Seller a certificate signed by an executive officer of Purchaser confirming the foregoing as of the Closing Date, as specified in Section 4.3.2.

9.3.3. Documents. All documents required to be delivered by Purchaser under Section 4.3 shall have been delivered.

10. INDEMNIFICATION .

10.1. Either Party (the **"Indemnifying Party"**) shall indemnify defend and hold harmless the other party and its respective employees, directors shareholders and officers (collectively, the **"Indemnitees"**) from and against, and pay or reimburse, as the case may be, the Indemnitees for, any and all Damages as actually incurred or suffered by the Indemnitees directly or indirectly based upon, arising out of or otherwise in any way relating to or in respect of:

10.1.1. any breach of any representation or warranty made by the Indemnifying Party hereunder;

10.1.2. any breach or violation of any covenant or agreement of the Indemnifying Party hereunder;

10.2. **Procedure for Indemnification** .

10.2.1. Third Party Claims,

10.2.1.1. *Notice .* If a claim or a demand is made against an Indemnitee, or an Indemnitee shall otherwise learn of an assertion, by any person, who is not a party to this Agreement (and who is not an Affiliate of a Party to this Agreement) (a **"Third Party Claim"**) as to which the Indemnifying Party may be obligated to provide indemnification pursuant to this Agreement, such Indemnitee will notify the Indemnifying Party in writing, and in reasonable detail, of the Third Party Claim reasonably promptly after becoming aware of such Third Party Claim, *provided, however,* that failure to give any such notification will not affect the indemnification provided hereunder except to the extent the Indemnifying Party shall have demonstrated that it has been actually prejudiced as a result of such failure and to such extent.

10.2.1.2. *Assumption of Defense by Indemnifying Party* . If a Third Party Claim is made against an Indemnitee and the Indemnifying Party agrees to indemnify the Indemnitee therefor, the Indemnifying Party will be entitled to assume the defense thereof (at the expense of the Indemnifying Party) with counsel selected by the Indemnifying Party and reasonably satisfactory to the Indemnitee. Should the Indemnifying Party so elect to assume the defense of a Third Party Claim, the Indemnifying Party will not be liable to the Indemnitee for any legal or other expenses subsequently incurred by the Indemnitee in connection with the defense thereof as long as the Indemnifying Party diligently conducts such defense; *provided that,* if in the Indemnitee's reasonable judgment a conflict of interest exists in respect of such claim, such Indemnitee will have the right to employ separate counsel to represent such Indemnitee and in that event the reasonable fees and expenses of such separate counsel will be paid by the Indemnifying Party.

10.2.1.3. *Indemnitee's Participation in the Defense* . If the Indemnifying Party assumes the defense of any such Third Party Claim, each Indemnitee will have the right to participate in the defense thereof and to employ counsel, at its own expense, separate from the counsel employed by the Indemnifying Party.

10.2.1.4. *Failure of Indemnifying Party to assume defense .* The Indemnifying Party will be liable for the reasonable fees and expenses of counsel employed by the Indemnitees for any period during which the Indemnifying Party has failed to assume the defense thereof or if it does not expressly elect to assume the defense thereof (including the agreement by the Indemnifying Party to indemnify the Indemnitees as aforesaid).

10.2.1.5. *Information* . If the Indemnifying Party assumes the defense of any such Third Party Claim, the Indemnifying Party will promptly supply to the Indemnitee copies of all correspondence and documents relating to or in connection with such Third Party Claim and keep the Indemnitee fully informed of all developments relating to or in connection with such Third Party Claim (including, without limitation, providing to the Indemnitee on request updates and summaries as to the status thereof). If the Indemnifying Party chooses to defend a Third Party Claim, all the Indemnitees will reasonably cooperate with the Indemnifying Party in the defense thereof if requested by the Indemnifying Party (such cooperation to be at the expense, including reasonable legal fees and expenses, of the Indemnifying Party).

10.2.1.6. *Settlement, Compromise or Discharge.* No Indemnifying Party will consent to any settlement, compromise or discharge (including the consent to entry of any judgment) of any Third Party Claim without the Indemnitee's prior written consent, which will not be unreasonably withheld; *provided, that* if the Indemnifying Party agrees to indemnify the Indemnitee for a Third Party Claim, the Indemnitee will agree to any settlement, compromise or discharge of such Third Party Claim which the Indemnifying Party may recommend that unconditionally and irrevocably releases the Indemnitee (pursuant to a release which is reasonably satisfactory to the Indemnitee) completely from all Liability in connection with such Third Party Claim, *provided, however* , that the Indemnitee may refuse to agree to any such settlement, compromise or discharge that provides for injunctive or other non-monetary relief affecting the Indemnitee. If the Indemnifying Party agrees to indemnify the Indemnitee for a Third Party Claim, the Indemnitee will not (unless required by law) admit any liability with respect to, or settle, compromise or discharge, such Third Party Claim without the Indemnifying Party's prior written consent (which consent will not be unreasonably withheld).

10.2.2. Party's Claims . Any claim on account of Damages which does not involve a Third Party Claim shall be asserted by written notice given by the Indemnitee to the Indemnifying Party. The failure by any Indemnitee so to notify the Indemnifying Party will not relieve the Indemnifying Party from any liability which it may have to such Indemnitee under this Agreement, except to the extent that the Indemnifying Party shall have demonstrated that it has been actually prejudiced as a result of such failure and to such extent.

10.2.3. Failure to dispute obligation to indemnify . If the Indemnifying Party does not notify the Indemnitee prior to the expiration of a 30-calendar-day period following its receipt of such notice that the Indemnifying Party disputes its liability to the Indemnitee under this Agreement, such claim specified by the Indemnitee in such notice will be conclusively deemed a liability of the Indemnifying Party under this Agreement and the Indemnifying Party shall pay the amount of Damages subject to such claim to the Indemnitee on demand or, in the case of any notice in which the amount of the Damages subject to such claim (or any portion thereof) is estimated, on such later date when the amount of such claim (or such portion thereof) becomes finally determined. If the Indemnifying Party has timely disputed its liability with respect to such Damages subject to such claim, as provided above, the Indemnifying Party and the Indemnitee will proceed in good faith to negotiate a resolution of such dispute and, if not resolved through negotiations by the 90th day after notice of such claim was given to the Indemnifying Party, the Indemnifying Party and the Indemnitee will be free to pursue such remedies as may be available under this Agreement or applicable law.

11. TERMINATION

11.1. **Right to Terminate.** Without derogating from the parties' rights under any applicable law, this Agreement may be terminated at any time prior to the Closing as follows:

11.1.1. by consent in writing of all parties hereto; or

11.1.2. notwithstanding any other term of this Agreement, by any party, if the Closing and payment of the full Purchase Price does not take place for a reason which is not attributable to such party until the date which is 60 days after the date hereof (the **"Drop Dead Date"**), *provided, however,* that **(i)** Purchaser may not terminate the Agreement under this Section 11.1.2 if the closing conditions under Section 9.2 are satisfied but the Closing does not take place because of failure by Purchaser to fulfill any of the conditions set forth in Section 9.3, and **(ii)** a Seller may not terminate the Agreement under this Section 11.1.2 if the closing conditions under Section 9.3 are satisfied but the Closing does not take place because of failure by such Seller to fulfill any of the conditions set forth in Section 9.2; or

11.1.3. by written notice by the Purchaser to the Seller or by the Seller to the Purchaser, if there shall be any law that makes consummation of the transaction contemplated hereby illegal or otherwise prohibited or if any court of competent jurisdiction or other governmental authority shall have issued an order, decree or ruling or taken any other action permanently restraining, enjoining or otherwise prohibiting the consummation of such transaction, and such order, decree, ruling or other action shall not be subject to appeal or shall have become final and unappealable; or

11.1.4. by written notice by the Purchaser to the Seller, if there shall have been a material breach of any representation, warranty, covenant or agreement on the part of the Seller set forth in this Agreement, or if prior to the Closing Date any representation or warranty of the Seller set forth in this Agreement shall have become untrue.

11.2. Effect of Termination . In the event of the termination of this Agreement pursuant to Section 11.1, this Agreement shall thereafter become void and have no effect, without any liability on the part of any party in respect thereof, except that nothing herein will relieve any party from Liability for any breach of any representation, warranty, covenant or agreement in this Agreement that were due to be performed prior to the termination hereof.

12. NOTICES

12.1. All notices required to be sent hereunder shall be in writing and delivered by hand, fax, registered mail or overnight courier and shall be deemed to have been given **(a)** upon three (3) Business Days following the date on which they were mailed by registered mail return, receipt requested, **(b)** upon one Business Day following the dispatch by a recognized overnight courier, or **(c)** upon one Business Day following a delivery by fax or hand, receipt acknowledged, all to the address specified hereinabove for the party receiving the notice. For purposes of this Agreement a **"Business Day"** is a day in which banks, generally, are open for business in Israel

12.2. For purposes of this Agreement, the addresses of the parties shall be as follows, unless otherwise notified in writing by a party:

If to Purchaser:

Red Sea Underwater Observatory Ltd.16 Abba Hillel Silver Rd.

Ramat-Gan 52506, Israel

Attention: Miki Gur

Facsimile: +972-3-576 24 95

If to Seller:

Ampal American Israel Corporation

111 Arlozorov St.

Tel Aviv, Israel

Attention: Mr. Yoram Firon

Facsimile: +971-3-608 01 01

13. GOVERNING LAW; EXCLUSIVE JURISDICTION.

This Agreement is subject to and shall be governed by and interpreted in accordance with the laws of the State of Israel, without giving effect to its relevant choice of law provisions, and each of the parties submits itself to the sole and exclusive jurisdiction of the courts of Tel-Aviv-Jaffa and waives to the fullest extent it may do so any objection which it may now or hereafter have to the laying of venue as aforesaid.

14. MISCELLENOUS

14.1. **Entire Agreement, Amendment.** This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and this Agreement, supersede all prior negotiations, agreements and understandings of the parties of any nature, whether oral or written, relating thereto. This Agreement may not be amended, modified or supplemented except by a written agreement executed by both parties hereto.

14.2. **Enforceability.** If any provision of this Agreement is held by a court of competent jurisdiction to be unenforceable under applicable law, then such provision shall be excluded from this Agreement and the remainder of this Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms; *provided, however* , that in such event this Agreement shall be interpreted so as to give effect, to the greatest extent consistent with and permitted by applicable law, to the meaning and intention of the excluded provision as determined by such court of competent jurisdiction.

14.3. **Assignment** . No party to this Agreement will convey, assign or otherwise transfer any of its rights or obligations under this Agreement without the prior written consent of the other party, *except* to any Affiliate of such party or to any successor to all or any portion of its business. No assignment of this Agreement will relieve the assigning party of its obligations hereunder. Notwithstanding the above, Seller undertakes not the transfer the Purchased Shares from the date of execution of this agreement and until the Drop Dead Date.

14.4. **Waiver; Remedies** . No failure or delay on the part of either party in exercising any right, power or privilege hereunder will operate as a waiver thereof, nor will any waiver on the part of either party of any right, power or privilege hereunder operate as a waiver of any other right, power or privilege hereunder, nor will any single or partial exercise of any right, power or privilege thereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege under this Agreement. The rights and remedies herein provided are cumulative and are not exclusive of any rights or remedies which the parties may otherwise have at law or in equity.

14.5. **Fees and Expenses** . Each of the Parties hereto shall bear the expenses incurred by it relating to the transactions contemplated by this Agreement, including without limitation fees and expenses of counsel.

14.6. **Counterparts** . This Agreement may be executed in separate counterparts, each such counterpart being deemed to be an original instrument, and all such counterparts will together constitute the same agreement.

14.7. **Interpretation.** Unless the context otherwise requires, words denoting the singular number only shall include the plural and vice versa. The headings in this Agreement are inserted for convenience only and shall not affect the construction thereof. References herein to recitals, sections and exhibits refer to recitals, sections and exhibits of this Agreement unless otherwise stated. The recitals, exhibits and schedules form part of this Agreement and shall have the same force and effect as if expressly set out in the body of this Agreement, and any reference to this Agreement shall include the exhibits and schedules hereto.

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IN WITNESS WHEREOF, the parties have caused this Agreement to be signed by its duly authorized representatives as of the date first above written.

Ampal American Israel Corporation	Red Sea Underwater Observatory Ltd.
By: /s/ Jack Bigio /s/ Yoram Firon	By: /s/ Benjamin Kahn /s/ Miki Gur
Name: Jack Bigio, Yoram Firon	Name: Benjamin Kahn, Miki Gur
Title: CEO, VP	Title:

SHARE SALE AND PURCHASE AGREEMENT

THIS SHARE SALE AND PURCHASE AGREEMENT (this " **Agreement** ") is entered into this 22 of May, 2006 by and between **AMPAL-AMERICAN ISRAEL CORPORATION** , a company incorporated under the laws of New York (the " **Seller** ") and **RED SEA UNDERWATER OBSERVATORY LTD.** , a company incorporated under the laws of Israel (the " **Purchaser** ").

WITNESSETH

WHEREAS, the Seller is the holder and record and beneficial owner of the Purchased Shares (as defined in section 2.1 below); and

WHEREAS, the Seller wishes to sell, transfer and assign the Purchased Shares to the Purchaser in consideration for the payment of the Purchase Price (as defined in section 3.1 below) and the Purchaser wishes to purchase, assume and receive such Purchased Shares and pay the Purchase Price, all on and subject to the terms and conditions set forth in this Agreement; and

WHEREAS , simultaneously with the signing of this Agreement, the Seller and Purchaser shall sign a share sale and purchase agreement for the sale of Seller's shares in Coral World International Limited (the **"Additional Agreement** ")

NOW, THEREFORE , in consideration of the premises and of the mutual covenants and agreements herein contained, the parties hereto, intending to be legally bound, agree as follows:

1. DEFINITIONS

In this Agreement, the following terms shall have the meaning ascribed thereto in this Section 1:

1.1. **"Action"** means any legal, administrative, governmental or regulatory proceeding or other action, suit, proceeding, claim, arbitration, mediation, alternative dispute resolution procedure, inquiry or investigation by or before any arbitrator, mediator, court or other governmental authority.

1.2. **"Additional Agreement** " shall have the meaning ascribed thereto in the preamble.

1.3. **"Affiliate"** means, with respect to any person, any other person directly or indirectly Controlling, Controlled by or under common Control with such Person. For purposes of this Agreement, the term **"Control"** (including, with correlative meanings, the terms "Controlling", "Controlled by" and "under common Control with"), as used with respect to any person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person, whether through ownership of voting securities or partnership interests, by contract or otherwise.

1.4. **"Business Day"** shall have the meaning ascribed thereto in section 12.1.

1.5. **"Closing"** shall have the meaning ascribed thereto in section 4.1.

1.6. **"Closing Date"** shall have the meaning ascribed thereto in section 4.1.

1.7. **"Companies"** shall have the meaning ascribed thereto in section 2.1(i).

1.8. **"Damages"** means any and all losses, Liabilities, damages, fines, payments, costs and expenses, whenever or however arising and whether or not resulting from Third Party Claims (including the reasonable costs and expenses of any and all Actions or other legal matters; all amounts paid in connection with any demands, assessments, judgments, settlements and compromises relating thereto; interest and penalties with respect thereto; and costs and expenses, including reasonable attorneys', fees and expenses, incurred in preparing for or defending against any such Actions or other legal matters or in asserting, preserving or enforcing an Indemnitee's rights hereunder).

1.9. **"Liability"** means any and all claims, debts and liabilities of whatever nature, whether asserted or, based on the current state of affairs or facts, fixed, absolute or contingent, matured, accrued, liquidated or unliquidated, and whenever or however arising (including those arising out of any contract or tort, whether based on negligence, strict liability or otherwise).

1.10. **"Liens"** shall mean any charge, claim, community property interest, equitable interest, lien, encumbrance, option, proxy, pledge, security interest, mortgage, right of first refusal, right of preemption, transfer or retention of title agreement, right or claim of any third party or restriction by way of security of any kind or nature, including any restriction on use, voting, transfer, receipt of income or exercise of any other attribute of ownership (other than those specified in the incorporating documents of any of the Companies).

1.11. **"Purchase Price"** shall have the meaning ascribed thereto in section 3.1.

1.12. **"Purchased Shares"** shall have the meaning ascribed thereto in section 2.1 below.

1.13. **"Red Sea"** shall have the meaning ascribed thereto in section 2.1(i).

1.14. **"RSUO"** shall have the meaning ascribed thereto in section 2.1(i).

2. PURCHASE AND SALE OF THE PURCHASED SHARES

2.1. Subject to the terms and conditions of this Agreement, at the Closing the Seller will sell, convey, transfer, assign and deliver to Purchaser the Purchased Shares, free and clear of any Liens, and Purchaser will, in reliance on the representations and warranties of the Seller included in this Agreement only, purchase, assume and acquire from the Seller the Purchased Shares.

The " **Purchased Shares** " shall mean, collectively:

(i) 40,000 Ordinary Shares, par value NIS 0.0001 each, of Red Sea Marineland Holding (1973) Limited, a company incorporated under the laws of Israel (" **Red Sea** "); and

(ii) 103 Ordinary Shares, par value NIS1.00 each, of Red Sea Underwater Observatory Limited, a company incorporated under the laws of the State of Israel (" **RSUO** " and together with Red Sea, the " **Companies** ").

2.2. It is agreed that under the transaction contemplated by this Agreement **all** Purchased Shares together shall be purchased by the Purchaser, under no circumstances shall only part of the Purchased Shares be purchased by Purchaser.

3. PURCHASE PRICE

3.1. In consideration for the Purchased Shares sold and assigned by the Seller, the Purchaser shall pay to the Seller, at the Closing and subject to the fulfillment of the conditions precedent set forth in Section 9 below, an aggregate amount of US$1,661,750 (one million six hundred sixty one thousand seven hundred and fifty United States dollars) (the " **Purchase Price** ").

3.2. The Purchase Price shall be paid in United States dollars by wire transfer in immediately available funds to a bank account, as instructed by the Seller to the Purchaser in writing.

3.3. Seller shall withhold from the Purchase Price any amount as may be required under applicable law, unless provided by Seller, prior to Closing, with a Tax Withholding Exemption from the Israeli tax authorities.

4. CLOSING

4.1. **Closing Date.** The sale and transfer of the Purchased Shares will take place at a closing (the " **Closing** ") to be held at the offices of Meitar, Liquornik, Geva & Leshem, Brandwein, Law Offices, 16 Abba Hillel Silver Road, Ramat-Gan 52506, Israel, at 10:00 a.m. on a day to be mutually agreed upon by the parties but in no event later than June 26, 2006, *provided however that* all of the conditions set forth in Section 9 below are satisfied or waived by such date The date on which the Closing occurs is referred to herein as the " **Closing Date** ".

The Closing and the closing of the transaction contemplated in the Additional Agreement (the **"Additional Closing"**) shall occur simultaneously, and subject to the fulfillment of the conditions to closing under both agreements. All transactions occurring at the Closing and at the Additional Closing shall be deemed to take place simultaneously and no transaction in this Agreement and/or in the Additional Agreement shall be deemed to have been completed and no document or certificate shall be deemed to have been delivered until all transactions contemplated in this Agreement and in the Additional Agreement are completed and all documents to be delivered in the Closing and the Additional Closing are delivered. Unless otherwise indicated, all documents and certificates shall be dated on or as of the Closing Date.

4.2. **Closing Deliveries of the Seller .** At the Closing, the Seller shall deliver, or cause to be delivered, to the Purchaser the following documents:

4.2.1. Share Certificates and Transfer Deeds. Share certificates representing all of the Purchased Shares, accompanied by duly signed share transfer deeds transferring the Purchased Shares to Purchaser, made in accordance with the respective incorporation documents of the respective Companies, in the form of **Schedule 4.2.1** attached hereto;

4.2.2. Shareholders' Registrar. The register of shareholders of each Company certified by an authorized officer of such Company, evidencing the transfer of the applicable Purchased Shares to Purchaser, in the form of **Schedule 4.2.2** attached hereto;

4.2.3. Compliance Certificate. A certificate in the form of **Schedule 4.2.3** hereto duly signed by the Seller confirming that **(i)** the representations and warranties of the Seller in Section 5 hereto are true and correct in all material respects as of the date of this Agreement and as of the Closing Date, **(ii)** all covenants and agreements of the Seller under this Agreement to be performed or complied with on or prior to the Closing Date have been performed and complied with; and **(iii)** all documents to be executed and delivered by the Seller at the Closing have been executed by a duly authorized officer of the Seller;

4.2.4. Directors and Officers Resignation; Signature Rights Revocation. Written resignations letters from all directors and officers of the Companies designated by the Seller, in the form of **Schedule 4.2.3** hereto and revocation of signature rights in the Companies;

4.2.5. Board Resolutions. True and correct copies of the resolutions of the Board of Directors of each of the Companies, approving and authorizing the transfer of the respective Purchased Shares from the Seller to the Purchaser, as contemplated by this Agreement;

4.2.6. Notice to Registrar – Transfer of Shares. Duly completed notices of the transfer of the Purchased Shares held in the Companies by the Seller to Purchaser to be submitted to the Israeli Registrar of Companies immediately after the Closing; and

4.2.7. Notice to Registrar – Change of Directors. Duly completed notices of change in the composition of the board of directors of Red Sea and RSUO to be submitted to the Israeli Registrar of Companies immediately after the Closing.

4.3. **Closing Deliveries of the Purchaser** . At the Closing, the Purchaser shall deliver, or cause to be delivered, to the Seller the following documents:

4.3.1. Share Transfer Deeds. A counterpart signature on the share transfer deeds transferring the Purchased Shares to Purchaser, duly signed by the Purchaser, in the form of **Schedule 4.2.1** attached hereto;

4.3.2. Compliance Certificate. A certificate in the form of **Schedule 4.3.2** hereto duly signed by the Purchaser confirming that: (i) the representations and warranties of the Purchaser in Section 6 hereto are true and correct in all material respects as of the date of this Agreement and as of the Closing Date; (ii) that all covenants and agreements of the Purchaser under this Agreement to be performed or complied with on or prior to the Closing Date have been performed and complied with; and **(iii)** all documents to be executed and delivered by the Seller at the Closing have been executed by a duly authorized officer of the Seller; and

4.3.3. Payment of the Purchase Price. Evidence of transfer of the Purchase Price, in immediately available funds, by wire transfer to the account designated by the Seller.

5. REPRESENTATIONS AND WARRANTIES OF SELLER

The Seller hereby represents and warrants to the Purchaser that as of the date hereof and as of the Closing:

5.1. **Organization.** The Seller is a duly incorporated public company, organized and validly existing under the laws of the New York State, U.S.A.. Seller's securities are traded in Nasdaq. Seller did not have a receiver appointed or an assignee for the benefit of creditors, is not insolvent and is able to pay debts as they become due.

5.2. **Due Authority and Execution.** The Seller has the legal capacity and authority to sign, deliver and perform this Agreement, without the necessity of any act or consent of any other person whomsoever. The signing, delivery and performance by the Seller of this Agreement and each and every agreement, document and instrument provided for herein has been duly authorized and approved by Seller. This Agreement and each and every agreement, document and instrument provided for herein has been signed by an officer that has been duly authorized to sign such document on behalf of the Seller. This Agreement, and each and every other agreement, document and instrument to be signed, delivered and performed by the Seller in connection herewith, constitute or will, when signed and delivered by the Seller, constitute the valid and legally binding obligation of the Seller enforceable against it in accordance with their respective terms.

5.3. **Noncontravention.** The signing, delivery and performance of this Agreement by the Seller **(i)** is not subject to any restriction under any applicable law and **(ii)** do not and will not, violate any provisions of the organizational documents of Seller, or violate or constitute an occurrence of default under any provision of, or conflict with, result in acceleration of any obligation under, or give rise to a right by any party to terminate its obligations under, any material contract, mortgage, deed of trust, secured debt, note, loan or lien or any order, judgment, decree or other arrangement to which Seller is a party or is bound or by which it or its assets are affected.

There is no suit, action, proceeding, claim or investigation pending, or to the knowledge of Seller threatened, against the Seller that seeks to prevent such Seller from performing this Agreement.

5.4. **Title to Purchase Shares.** The Seller is the sole owner of the Purchased Shares, and the Purchase Shares are held by the Seller free and clear of any Liens. Upon the Closing and the payment of the Purchase Price to the Seller in accordance with the provisions of this Agreement, the Purchaser shall acquire good and marketable title to all Purchased Shares free and clear of any Liens.

5.5. **Entire Holdings.** The Purchased Shares constitute all interest which the Seller has in each of the Companies and their respective Affiliates.

5.6. **Purchase Price.** The Seller is familiar with the Companies and the business conducted by them. In view thereof, the Seller believes that the Purchase Price represents the fair value of the Purchased Shares. The Seller hereby specifically waives any claim, whether current or future, in connection with such price and the valuation of the Purchased Shares.

5.7. **Shareholders Agreements.** The Purchased Shares are not subject to any agreement with a third party, voting agreements, proxies, trusts or other agreement relating to the voting or disposition of the Purchased Shares (including pre-emptive rights and rights of first refusal of a third party) which would continue to be binding upon the Purchaser after the Closing.

5.8. **Disclosure.** There is no material fact or information relating to the business, prospects, condition (financial or otherwise), affairs, operations or assets of the Companies known to the Seller that has not been disclosed to the Purchaser in writing by the Seller in this Agreement. Neither this Agreement nor any certificate made or delivered by the Seller in connection herewith contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements herein or therein not misleading, in view of the circumstances in which they were made.

6. REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

Purchaser hereby represents and warrants to Sellers that as of the date hereof and as of the Closing:

6.1. **Organization.** Purchaser is a private company duly incorporated and validly existing under the laws of [the State of Israel].

6.2. **Due Authority and Execution.** Purchaser has the legal capacity and authority to sign, deliver and perform this Agreement without the necessity of any act or consent of any other person whomsoever. The signing, delivery and performance by Purchaser of this Agreement and each and every agreement, document and instrument provided for herein have been duly authorized and approved by Purchaser. This Agreement and each and every agreement, document and instrument provided for herein has been signed by an officer that has been duly authorized to sign such document on behalf of Purchaser. This Agreement, and each and every other agreement, document and instrument to be signed, delivered and performed by Purchaser in connection herewith, constitute or will, when signed and delivered by the Purchaser, constitute the valid and legally binding obligation of Purchaser enforceable against it in accordance with their respective terms.

6.3. **Consents; No Conflict.** The signing, delivery and performance of this Agreement by Purchaser **(i)** is not subject to any restriction under any applicable law and **(ii)** do not and will not, violate any provisions of the organizational documents or other corporate documents of Purchaser, or violate or constitute an occurrence of default under any provision of, or conflict with, result in acceleration of any obligation under, or give rise to a right by any party to terminate its obligations under, any material contract, mortgage, deed of trust, secured debt, note, loan, lien, or any order, judgment, decree or other arrangement to which the Purchaser is a party or is bound or by which it or its assets are affected.

There is no suit, action, proceeding, claim or investigation pending or to the knowledge of Purchaser threatened, against Purchaser that seeks to prevent it from performing this Agreement.

7. **COVENANTS**

7.1. **Reasonable Best Efforts.** Subject to the terms and conditions of this Agreement and applicable law, each of Seller and Purchaser will use its reasonable best efforts to take, or cause to be taken, all actions which are in their responsibility, and to do, or cause to be done, all things reasonably necessary which are in their responsibility, proper or advisable under applicable laws and regulations applicable to each of them, or otherwise to consummate and make effective the transactions contemplated hereby as soon as practicable, including such actions or things as any other party hereto may reasonably request in order to cause any of the conditions to such other party's obligation to consummate such transactions.

7.2. **Confidentiality.** The Seller will, and will use its best efforts to cause its Affiliates to, hold in strict confidence for a period of three years after the date of the Closing, all documents and information, in any form whatsoever concerning the business, operations, financial condition, shareholders, customers, suppliers, intellectual property and other proprietary information concerning the Companies (**"Confidential Information"**) and will take reasonable measures to prevent unauthorized disclosure of such information. Notwithstanding the foregoing, Confidential Information shall not include **(i)** any information which is or becomes public, unless such information becomes public as a result of a breach of this Section 7.1 by Seller, **(ii)** any information independently obtained by Seller without an obligations of confidentiality to the party disclosing such information to Seller as can be substantiated by Seller through the use of written documents, and **(iii)** any information which is required to be disclosed under applicable laws, regulations or judgments, *provided that* to the extent practicable in this clause (iii) Seller shall give to Purchaser prior notice of the contemplated disclosure and its content.

7.3. **Non-Compete.** For a period of four years after the Closing Date, the Seller and its Affiliates will not, directly or indirectly, without the written consent of Purchaser, enter into, engage in, manage, operate, control, invest or acquire any interest in, or otherwise engage or participate in, or own any beneficial interest in, any business engaged in the business of the Companies as such business is conducted prior to the Closing, including the operation, management and/or construction of underwater observatories or marine parks, submarines, marine attractions of any nature.

8. RELEASES AND WAIVERS .

8.1. **General Release by Seller.** To the extent permitted under applicable law, for and in consideration of the Purchase Price, effective as of the Closing, Seller releases, acquits and forever discharges each Company and each of their present and former shareholders, officers, directors and employees (in their capacities as such) and each of their respective heirs, executors, administrators, successors and assigns, of and from any and all manners of action, or action, cause or causes of action, demands, rights, Damages or Liabilities, debts, dues, sums of money, accounts, reckonings, costs, expenses, responsibilities, covenants, contracts, controversies, Actions, and claims whatsoever, whether known or unknown, of every name and nature, both in law and in equity, which the Seller, or its Affiliates, successors or assigns ever had, now has, or may have or shall have against the Companies or any other Person referred to above arising out of any matters, causes, acts, conduct, claims, circumstances or events occurring or failing to occur or conditions existing at or prior to the Closing.

8.2. **General Release by the Companies** . To the extent permitted under applicable law, for the transfer of the Purchased Shares, effective as of the Closing, Purchaser shall cause the Companies to release, acquit and forever discharge Jack Bigio and Kenneth Handerson (**"Seller** 's **Directors")** in their capacity as directors of the Company), of and from any and all manners of action, or action, cause or causes of action, demands, rights, Damages or Liabilities, debts, dues, sums of money, accounts, reckonings, costs, expenses, responsibilities, covenants, contracts, controversies, Actions, and claims whatsoever, whether known or unknown, of every name and nature, both in law and in equity, which each of the Companies, or their Affiliates, successors or assigns ever had, now has, or may have or shall have against the Seller's Directors in connection with any actions taken or omitted to be taken by them as directors of the Companies, except for fraudulent or willful acts and omissions. . Purchaser shall cause each of the Companies to sign an undertaking towards Seller's Directors to that effect, in the form attached hereto as Schedule 8.2 , which will be delivered to the Seller, signed by all Companies, on the Closing Date, immediately after the Closing.

8.3. **Waiver of Preemptive and Similar Rights** . For and in consideration of the amounts payable to the Seller under this Agreement, the Seller hereby waives, such waiver to be effective only as of the Closing, any and all preemptive rights, rights of first refusal, tag along, co-sale or other similar rights with regard to the Companies and any Affiliate thereof that such Seller has or is or may be entitled to receive, including those which arose or arise as a result of any event or transaction (whenever occurring), including the execution, delivery or performance of this Agreement or consummation of the transaction contemplated hereby.

9. CONDITIONS TO CLOSING

9.1. **Conditions to Each Party's Obligations** . The respective obligations of each Seller and the Purchaser to effect the Closing are subject to the satisfaction at or prior to the Closing Date of each of the following conditions:

9.1.1. **No Injunctions or Restraints** . There shall not exist or have been enacted, entered or enforced any law, regulation, judgment or injunction or any other action of any court or other governmental authority that makes, illegal or prohibits the consummation of the Closing.

9.1.2. **Consents** . The following consents shall have been obtained:

9.1.2.1. Consent of Bank HaPoalim under the Loan Agreement dated November 30, 1995 by and between Maui Ocean Center, Inc. and Bank HaPoalim B.M., as amended.

9.2. **Conditions to Obligations of Purchaser** . The obligations of Purchaser to effect the Closing are subject to the satisfaction or waiver by Purchaser at or prior to the Closing Date of each of the following conditions:

9.2.1. Representations and Warranties . The representations and warranties of Seller set forth in Section 5 above shall be true and correct in all material respects as of the date of this Agreement and as of the Closing Date with the same effect as though made on and as of the Closing Date, and the Seller shall have delivered to Purchaser a certificate as specified in Section 4.2.3.

9.2.2. Performance of Obligations of Seller . Each and all of the covenants and agreements of Seller to be performed or complied with on or prior to the Closing shall have been fully performed and complied, and Seller shall have delivered to Purchaser a certificate confirming the foregoing as of the Closing Date, as specified in Section 4.2.3.

9.2.3. Documents. All documents required to be delivered by the Seller under Section 4.2 shall have been delivered.

9.3. **Conditions to Obligations of Sellers** . The obligations of the Seller to effect the Closing are subject to the satisfaction or waiver by Seller at or prior to the Closing Date of each of the following conditions:

9.3.1. Representations and Warranties . The representations and warranties of Purchaser set forth in Section 6 shall be true and correct in all material respects as of the date of this Agreement and as of the Closing Date with the same effect as though made on and as of the Closing Date, and Purchaser shall have delivered to Sellers a certificate signed by an authorized officer of Purchaser as specified in Section 4.3.2.

9.3.2. Performance of Obligations of Purchaser . Each and all of the covenants and agreements of Purchaser to be performed or complied with on or prior to the Closing shall have been fully performed and complied, and Purchaser shall have delivered to Seller a certificate signed by an executive officer of Purchaser confirming the foregoing as of the Closing Date, as specified in Section 4.3.2.

9.3.3. Documents. All documents required to be delivered by Purchaser under Section 4.3 shall have been delivered.

10. INDEMNIFICATION .

10.1. Either Party (the **"Indemnifying Party"**) shall indemnify defend and hold harmless the other party and its respective employees, directors shareholders and officers (collectively, the **"Indemnitees"**) from and against, and pay or reimburse, as the case may be, the Indemnitees for, any and all Damages as actually incurred or suffered by the Indemnitees directly or indirectly based upon, arising out of or otherwise in any way relating to or in respect of:

10.1.1. any breach of any representation or warranty made by the Indemnifying Party hereunder;

10.1.2. any breach or violation of any covenant or agreement of the Indemnifying Party hereunder;

10.2. **Procedure for Indemnification** .

10.2.1. Third Party Claims,

10.2.1.1. *Notice*. If a claim or a demand is made against an Indemnitee, or an Indemnitee shall otherwise learn of an assertion, by any person, who is not a party to this Agreement (and who is not an Affiliate of a Party to this Agreement) (a **"Third Party Claim"**) as to which the Indemnifying Party may be obligated to provide indemnification pursuant to this Agreement, such Indemnitee will notify the Indemnifying Party in writing, and in reasonable detail, of the Third Party Claim reasonably promptly after becoming aware of such Third Party Claim, *provided, however,* that failure to give any such notification will not affect the indemnification provided hereunder except to the extent the Indemnifying Party shall have demonstrated that it has been actually prejudiced as a result of such failure and to such extent.

10.2.1.2. *Assumption of Defense by Indemnifying Party* . If a Third Party Claim is made against an Indemnitee and the Indemnifying Party agrees to indemnify the Indemnitee therefor, the Indemnifying Party will be entitled to assume the defense thereof (at the expense of the Indemnifying Party) with counsel selected by the Indemnifying Party and reasonably satisfactory to the Indemnitee. Should the Indemnifying Party so elect to assume the defense of a Third Party Claim, the Indemnifying Party will not be liable to the Indemnitee for any legal or other expenses subsequently incurred by the Indemnitee in connection with the defense thereof as long as the Indemnifying Party diligently conducts such defense; *provided that*, if in the Indemnitee's reasonable judgment a conflict of interest exists in respect of such claim, such Indemnitee will have the right to employ separate counsel to represent such Indemnitee and in that event the reasonable fees and expenses of such separate counsel will be paid by the Indemnifying Party.

10.2.1.3. *Indemnitee's Participation in the Defense.* If the Indemnifying Party assumes the defense of any such Third Party Claim, each Indemnitee will have the right to participate in the defense thereof and to employ counsel, at its own expense, separate from the counsel employed by the Indemnifying Party.

10.2.1.4. *Failure of Indemnifying Party to assume defense.* The Indemnifying Party will be liable for the reasonable fees and expenses of counsel employed by the Indemnitees for any period during which the Indemnifying Party has failed to assume the defense thereof or if it does not expressly elect to assume the defense thereof (including the agreement by the Indemnifying Party to indemnify the Indemnitees as aforesaid).

10.2.1.5. *Information.* If the Indemnifying Party assumes the defense of any such Third Party Claim, the Indemnifying Party will promptly supply to the Indemnitee copies of all correspondence and documents relating to or in connection with such Third Party Claim and keep the Indemnitee fully informed of all developments relating to or in connection with such Third Party Claim (including, without limitation, providing to the Indemnitee on request updates and summaries as to the status thereof). If the Indemnifying Party chooses to defend a Third Party Claim, all the Indemnitees will reasonably cooperate with the Indemnifying Party in the defense thereof if requested by the Indemnifying Party (such cooperation to be at the expense, including reasonable legal fees and expenses, of the Indemnifying Party).

10.2.1.6. *Settlement, Compromise or Discharge.* No Indemnifying Party will consent to any settlement, compromise or discharge (including the consent to entry of any judgment) of any Third Party Claim without the Indemnitee's prior written consent, which will not be unreasonably withheld; *provided, that* if the Indemnifying Party agrees to indemnify the Indemnitee for a Third Party Claim, the Indemnitee will agree to any settlement, compromise or discharge of such Third Party Claim which the Indemnifying Party may recommend that unconditionally and irrevocably releases the Indemnitee (pursuant to a release which is reasonably satisfactory to the Indemnitee) completely from all Liability in connection with such Third Party Claim, *provided, however,* that the Indemnitee may refuse to agree to any such settlement, compromise or discharge that provides for injunctive or other non-monetary relief affecting the Indemnitee. If the Indemnifying Party agrees to indemnify the Indemnitee for a Third Party Claim, the Indemnitee will not (unless required by law) admit any liability with respect to, or settle, compromise or discharge, such Third Party Claim without the Indemnifying Party's prior written consent (which consent will not be unreasonably withheld).

10.2.2. Party's Claims. Any claim on account of Damages which does not involve a Third Party Claim shall be asserted by written notice given by the Indemnitee to the Indemnifying Party. The failure by any Indemnitee so to notify the Indemnifying Party will not relieve the Indemnifying Party from any liability which it may have to such Indemnitee under this Agreement, except to the extent that the Indemnifying Party shall have demonstrated that it has been actually prejudiced as a result of such failure and to such extent.

10.2.3. Failure to dispute obligation to indemnify. If the Indemnifying Party does not notify the Indemnitee prior to the expiration of a 30-calendar-day period following its receipt of such notice that the Indemnifying Party disputes its liability to the Indemnitee under this Agreement, such claim specified by the Indemnitee in such notice will be conclusively deemed a liability of the Indemnifying Party under this Agreement and the Indemnifying Party shall pay the amount of Damages subject to such claim to the Indemnitee on demand or, in the case of any notice in which the amount of the Damages subject to such claim (or any portion thereof) is estimated, on such later date when the amount of such claim (or such portion thereof) becomes finally determined. If the Indemnifying Party has timely disputed its liability with respect to such Damages subject to such claim, as provided above, the Indemnifying Party and the Indemnitee will proceed in good faith to negotiate a resolution of such dispute and, if not resolved through negotiations by the 90th day after notice of such claim was given to the Indemnifying Party, the Indemnifying Party and the Indemnitee will be free to pursue such remedies as may be available under this Agreement or applicable law.

11. TERMINATION

11.1. **Right to Terminate.** Without derogating from the parties' rights under any applicable law, this Agreement may be terminated at any time prior to the Closing as follows:

11.1.1. by consent in writing of all parties hereto; or

11.1.2. notwithstanding any other term of this Agreement, by any party, if the Closing and payment of the full Purchase Price does not take place for a reason which is not attributable to such party until the date which is 60 days after the date hereof, (the **"Drop Dead Date"**), *provided, however,* that **(i)** Purchaser may not terminate the Agreement under this Section 11.1.2 if the closing conditions under Section 9.2 are satisfied but the Closing does not take place because of failure by Purchaser to fulfill any of the conditions set forth in Section 9.3, and **(ii)** a Seller may not terminate the Agreement under this Section 11.1.2 if the closing conditions under Section 9.3 are satisfied but the Closing does not take place because of failure by such Seller to fulfill any of the conditions set forth in Section 9.2; or

11.1.3. by written notice by the Purchaser to the Seller or by the Seller to the Purchaser, if there shall be any law that makes consummation of the transaction contemplated hereby illegal or otherwise prohibited or if any court of competent jurisdiction or other governmental authority shall have issued an order, decree or ruling or taken any other action permanently restraining, enjoining or otherwise prohibiting the consummation of such transaction, and such order, decree, ruling or other action shall not be subject to appeal or shall have become final and unappealable; or

11.1.4. by written notice by the Purchaser to the Seller, if there shall have been a material breach of any representation, warranty, covenant or agreement on the part of the Seller set forth in this Agreement, or if prior to the Closing Date any representation or warranty of the Seller set forth in this Agreement shall have become untrue.

11.2. Effect of Termination . In the event of the termination of this Agreement pursuant to Section 11.1, this Agreement shall thereafter become void and have no effect, without any liability on the part of any party in respect thereof, except that nothing herein will relieve any party from Liability for any breach of any representation, warranty, covenant or agreement in this Agreement that were due to be performed prior to the termination hereof.

12. NOTICES

12.1. All notices required to be sent hereunder shall be in writing and delivered by hand, fax, registered mail or overnight courier and shall be deemed to have been given **(a)** upon three (3) Business Days following the date on which they were mailed by registered mail return, receipt requested, **(b)** upon one Business Day following the dispatch by a recognized overnight courier, or **(c)** upon one Business Day following a delivery by fax or hand, receipt acknowledged, all to the address specified hereinabove for the party receiving the notice. For purposes of this Agreement a **"Business Day"** is a day in which banks, generally, are open for business in Israel

12.2. For purposes of this Agreement, the addresses of the parties shall be as follows, unless otherwise notified in writing by a party:

If to Purchaser :

Red Sea Underwater Observatory Ltd.

16 Abba Hillel Silver Rd.

Ramat-Gan 52506, Israel

Attention: Miki Gur

Facsimile: +972-3-576 24 95

If to Seller :

Ampal American-Israel Corporation

111 Arlozorov St.

Tel Aviv, Israel

Attention: Mr. Yoram Firon

Facsimile: +971-3-608 01 01

13. GOVERNING LAW; EXCLUSIVE JURISDICTION.

This Agreement is subject to and shall be governed by and interpreted in accordance with the laws of the State of Israel, without giving effect to its relevant choice of law provisions, and each of the parties submits itself to the sole and exclusive jurisdiction of the courts of Tel-Aviv-Jaffa and waives to the fullest extent it may do so any objection which it may now or hereafter have to the laying of venue as aforesaid.

14. MISCELLENOUS

14.1. **Entire Agreement, Amendment.** This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and this Agreement, supersede all prior negotiations, agreements and understandings of the parties of any nature, whether oral or written, relating thereto. This Agreement may not be amended, modified or supplemented except by a written agreement executed by both parties hereto.

14.2. **Enforceability.** If any provision of this Agreement is held by a court of competent jurisdiction to be unenforceable under applicable law, then such provision shall be excluded from this Agreement and the remainder of this Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms; *provided, however*, that in such event this Agreement shall be interpreted so as to give effect, to the greatest extent consistent with and permitted by applicable law, to the meaning and intention of the excluded provision as determined by such court of competent jurisdiction.

14.3. **Assignment** . No party to this Agreement will convey, assign or otherwise transfer any of its rights or obligations under this Agreement without the prior written consent of the other party, *except* to any Affiliate of such party or to any successor to all or any portion of its business. No assignment of this Agreement will relieve the assigning party of its obligations hereunder. Notwithstanding the above, Seller undertakes not the transfer the Purchased Shares from the date of execution of this agreement and until the Drop Dead Date.

14.4. **Waiver; Remedies** . No failure or delay on the part of either party in exercising any right, power or privilege hereunder will operate as a waiver thereof, nor will any waiver on the part of either party of any right, power or privilege hereunder operate as a waiver of any other right, power or privilege hereunder, nor will any single or partial exercise of any right, power or privilege thereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege under this Agreement. The rights and remedies herein provided are cumulative and are not exclusive of any rights or remedies which the parties may otherwise have at law or in equity.

14.5. **Fees and Expenses** . Each of the Parties hereto shall bear the expenses incurred by it relating to the transactions contemplated by this Agreement, including without limitation fees and expenses of counsel.

14.6. **Counterparts** . This Agreement may be executed in separate counterparts, each such counterpart being deemed to be an original instrument, and all such counterparts will together constitute the same agreement.

14.7. **Interpretation.** Unless the context otherwise requires, words denoting the singular number only shall include the plural and vice versa. The headings in this Agreement are inserted for convenience only and shall not affect the construction thereof. References herein to recitals, sections and exhibits refer to recitals, sections and exhibits of this Agreement unless otherwise stated. The recitals, exhibits and schedules form part of this Agreement and shall have the same force and effect as if expressly set out in the body of this Agreement, and any reference to this Agreement shall include the exhibits and schedules hereto.

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IN WITNESS WHEREOF, the parties have caused this Agreement to be signed by its duly authorized representatives as of the date first above written.

Ampal American Israel Corporation	Red Sea Underwater Observatory Ltd.
By: /s/ Jack Bigio /s/ Yoram Firon	By: /s/ Benjamin Kahn /s/ Miki Gur
Name: Jack Bigio, Yoram Firon	Name: Benjamin Kahn, Miki Gur
Title: CEO, VP	Title:

Exhibit 10x

Employment Agreement – Part One

Made, entered into and signed in Tel Aviv on _____

By and Between
Ampal Industries (Israel) Ltd.
Of 111, Arlozorov Street, Tel Aviv
(Hereinafter: The **Company**)

Of the First Part

And Between

_____ (Identity Card Number: _____)
At: _____
(Hereinafter: The **Employee**)

Of the Second Part

1) This, Part One of the Employment Agreement, together with Part Two attached to it shall hereinafter be called (both Part One and Part Two) the **Employment Agreement** or the **Agreement** .

2) The Employment Agreement in its entirety constitutes the Employment Agreement between the parties.

3) **Task**

The Employee is hereby appointed to the postion of _____

4) **Personal Trust**

Clause 3(b) in Part Two of the Employment Agreement shall apply to the parties.

5) **Remuneration**

The Company shall pay the Employee a gross monthly salary in the sum of _____and a total of 13 monthly salaries per annum. Each year, after publication of the Company's annual balance sheet, agreement shall be reached between the Company's CEO and the Employee, concerning an annual bonus in appropriate to the Employee's performance and the Company's achievements.

6) Pension Insurance Program

a) The Company shall pay the premiums incurred for the pension insurance program as mentioned in Part Two to the Employment Agreement and at the following rates:

i) A rate of 13 1/3 % of the Employee's gross salary (5% on account for benefits and 8 1/3 % on account for severance payments) and all such shall be on the dates determined between the Company and the insurance company's provident fund.

ii) A rate of up to 2.5 % of the Employee's gross salary (according to actual costs) for incapacity to work insurance.

b) The Company shall deduct from the Employee's gross salary, as mentioned in Part Two to the Employment Agreement, a total 5 % on account for benefits and shall transfer the sum to the pension insurance program and the Employee hereby confirms and agrees to that deduction.

7) **Further Education Fund**

As stated in Part Two to the Employment Agreement, each month, on the date on which the Employee's salary is paid and as instructed by the Employee, the Company shall pay for the Employee into the Further Education Fund, the sum that is 7.5 % (seven and one half parts in a hundred) of the Employee's monthly salary and on the Employee's part, the Employee shall agree to and instruct the Company to deduct and pay from the Employee's monthly salary, an additional sum at the rate of 2.5 % (two and one half parts in a hundred) of the Employee's monthly salaries into the aforementioned Further Education Fund.

If there will be payments, which will be higher than the ceiling for such provisions in accordance with Law, tax shall be grossed up for such payments.

8) **Sick Leave**

As stated in Part Two to the Employment Agreement, the Employee shall be entitled to annual sick leave as determined by Law.

9) **Holidays**

As stated in Part Two to the Employment Agreement, the Employee shall be entitled to _____holiday each year for each 12 (twelve) calendar months of continuous work during the Agreement period.

10) **Vehicle**

That stated in Clause 6(c) in Part Two to the Employment Agreement shall apply to the parties.

If that stated in Clause 6(c) in Part Two to the Employment Agreement shall apply to the parties, the Company shall put at the Employee's disposal, a vehicle of the type: _____.

The Company shall gross up the sum of tax payable for the use of the vehicle as aforementioned to Level ___.

11) **Credit Cards**

That stated in Clause 6(c) in Part Two to the Employment Agreement shall apply to the parties.

12) **Newspaper**

The Company shall purchase for the Employee, an annual subscription for the Globes newspaper.

13) **Telephone**

The Company shall place a mobile phone at the Employee's disposal; the Company shall bear the costs and shall gross up the tax component. The Company shall pay the expense incurred for the telephone line in the Employee's home.

14) **Options**

That stated in Clause 6(c) in Part Two to the Employment Agreement shall apply to the parties.

If that stated in Clause 6(c) in Part Two to the Employment Agreement shall apply to the parties, the following provisions shall apply:

a) The Company shall grant the Employee, the option to purchase _____ shares of the type _____ in Ampal-American Israel Corporation (hereinafter: Ampal USA), each share to the nominal value of _____, in lieu of a realization price of _____ US dollars (hereinafter: The **Option**).

b) The options shall be granted to the Employee in stages and on condition that for each stage, the Employee's work at the Company is not halted for any reason whatsoever until the date of each stage as aforementioned:
Beginning on: _____ the Employee shall be granted part of the options for the purchase of _____ shares and beginning on: _____ the Employee shall be granted another part of the option for the purchase of _____ additional shares. Beginning on: _____ the Employee shall be granted the part of the option for the purchase of _____ additional shares.

c) The date on which the options shall be granted shall be determined by the Company and Ampal USA and such shall be after approval for the new options program for Ampal USA, by the Board of Directors of Ampal USA.

Now, in witness thereof, the parties have signed below:

The Company	**The Employee**

Employment Agreement – Part Two

1) Definitions

All definitions in Part Two to this Employment Agreement shall have the same meaning as in Part One to the Employment Agreement, unless stated otherwise in this Part Two to the Employment Agreement.

2) Task and Employee Functioning

a) The Company shall employ the Employee during the Agreement Period and the Employee undertakes to work in the Company's service during the Agreement Period in the capacity stipulated in Part One to the Agreement and/or in any other appropriate capacity imposed on the Employee by the Company.

Furthermore, the Employee undertakes to fulfill all the instructions and/or additional tasks that shall be transferred to the Employee by the Company, as part of the Employee's tasks, in accordance with the Employee's skills and professional knowledge, including in accordance with the Company's procedures as shall be extant from time to time, including tasks that shall be imposed on the Employee in connection with work linked to the activities of the Holding Company, sister companies, subsidiary companies or companies linked to the Company. It is hereby declared and clarified that notwithstanding all that stated above; there shall be no employer / employee relationship between the Employee and those companies and the Employee shall receive no payment in lieu of the roles that the Employee shall fulfill in connection with those companies, beyond the payments listed in the Employment Agreement.

b) The Employee shall dedicate the Employee's time, energies, skills, knowledge and experience to the Employee's work in the Company's service and to that work alone.

c) During the Employment Agreement period, the Employee shall not be involved, either directly or indirectly, in any other work and/or employment, either as an employee or as self-employed; without the Company's prior written agreement to such.

d) The Employee shall serve the Company loyally and shall assure the Company's interests and shall protect those interests to the best of the Employee's ability. The Employee shall obey the Company's reasonable instructions on all matters referring to the manner in which the Employee fulfills the Employee's tasks, work arrangements, discipline and behavior, as such shall be given to the Employee from time to time.

e) The Employee undertakes to inform the Company immediately and without delay, of any relevant matter or issue, in which the Employee, or any member of the Employee's family have personal and/or other interests, which might create a conflict of interest with the Employee's role at the Company.

f) The Employee undertakes to obey the instructions given by the Employee's superiors on the Company's behalf as given from time to time.

g) The Employee undertakes to inform the Employee's superiors in the Company and the Company's CEO, concerning any information referring to the Company's interests, when the subject matter exceeds normal business practice, immediately after it comes to the Employee's attention.

3) Scope of Employment

a) The Employee has been informed by the Company and is aware that when working for the Company, the required scope of the Employee's employment shall be full time and the Employee shall agree to such.

b) Furthermore, the Employee declares that the Employee is aware that the Hours of Work and Rest Law; 5711 – 1951, shall not apply to the Employee, because the Employee is employed at a task, which requires a special degree of personal trust in conditions and circumstances, which do not permit the Company any supervision of the Employee's hours of work and rest.

The Employee shall not be entitled to any additional payment in lieu of the additional hours of work.

4) Remuneration

a) In lieu of the Employee's work and as full remuneration for all the Employee's undertakings in accordance with the Employment Agreement; each calendar month the Company shall pay the Employee a gross monthly salary to the sum stipulated in Part One to the Employment Agreement, (hereinafter: The **Gross Salary**).

b) After the publication of the Company's annual balance sheet for each calendar year; the Company shall decide whether to grant the Employee a bonus to a sum that shall be determined by the Company and at the Company's sole discretion (hereinafter: The **Bonus**).

c) From the Gross Salary, the Bonus and from any other payment as required by all Law, the Company shall deduct and subtract all payments and/or taxes and/or levies, including income tax payments, health tax, national insurance payments and the like, as required by all Law.

5) Pension Insurance Program

a) The Company shall maintain for the Employee, a pension insurance program with an insurance company and/or a provident fund and/or a pension fund, as shall be determined by the Company and subject to that stipulated in this Clause below.

b) The Company shall pay the premiums for the pension insurance program at the rates listed in Part One to the Employment Agreement.

c) The Company shall deduct from the Employee's Gross Salary as stipulated in Part One to the Employment Agreement on account for payments and shall transfer the sum to the pension insurance program and the Employee hereby confirms and agrees to this deduction.

d) The pension insurance program shall be registered in the Company's name and if the Employee has a pension insurance program taken out by a previous employer, the Employee shall request its transfer into the Company's name; the Company shall not object to such; on condition that the Company shall not be required to set aside any sum for previous periods.

To remove all doubt: It is hereby clarified that after transfer of the program into the Company's name as aforementioned, the Company and the Employee shall set aside for the program, the sums stipulated in Part One to the Employment Agreement for the period beginning only on the day on which the Employee starts work as a Company employee, as stipulated in this Employment Agreement.

e) It is agreed that the component set aside for severance pay in the pension insurance program, as set aside by the Company during the Employee's employment by the Company, shall be transferred into the Employee's name with the Employee's departure from the Company; only if the following condition is met:

Cessation of the employer / employee relationship did not occur under any circumstance listed in Clause 10(b), (c) or (d) below.

To remove all doubt: It is hereby clarified that all other components of the pension insurance program, including components and monies within it, which were in it or were to the Employee's credit before the date on which the Employee began work as an employee of the Company, shall be transferred into the Employee's name with the Employee's departure from the Company.

6) Additional Conditions of Work

a) Sick Leave – The Employee shall be entitled to sick leave each year as stipulated in Part One to the Employment Agreement, on condition that the Employee delivers to the Company, appropriate medical certificates, attesting to illness and the Employee's inability to work for the period; if so required by the Company and at the Company's discretion.

b) Leave – The Employee shall be entitled to days of leave for each 12 (twelve) calendar months of continuous work during the Agreement period, as stipulated in Part One to the Employment Agreement.

The Employee declares that the Employee is aware of and agrees to prior coordination of leave with the Company and the Company shall be entitled to refuse to allow the Employee to take leave on specific dates and all such shall be in accordance with the Company's needs and requirements and at the Company's sole discretion.

c) Vehicle

If the Company places a vehicle at the Employee's disposal, as stated in Part One to the Employment Agreement, the following provisions shall apply:

i) The vehicle type and model shall be determined by the Company and as stipulated in Part One to the Employment Agreement. To remove all doubt – Nothing in that stated above shall oblige the Company to place a new-model vehicle at the Employee's disposal and the vehicle shall be from the stock fleet of vehicles at the Company's disposal at the time and at the Company's discretion.

ii) The Company shall arrange insurance (obligatory, comprehensive, third party) for the vehicle at the Company's sole discretion and the Company shall bear the costs of that insurance.

iii) The Company shall bear the cost of the vehicle's ongoing service and repair.

iv) The Company shall bear fuel costs.

v) The Employee shall bear the cost of all fines and traffic violations imposed on the vehicle and/or its driver and all other expenses not listed in this Clause.

vi) The Company shall deduct from the Employee's Gross Salary, the income tax payments incurred for that stated in this Clause above, or shall gross up those tax payments; all as such is stipulated in Part One to the Agreement.

vii) The Employee shall present to the Company, claims concerning expenses relating to the vehicle as required by Law and as instructed by the Company from time to time.

d) Convalescence Pay

The Employee shall be entitled to Convalescence Pay as determined in the Expansion Orders issued by the Minister of Labor and Social Affairs and as such apply to all employers and employees and as valid from time to time and as is accepted practice at the Company.

e) Military Reserve Duty

During periods of active duty in the Reserves, the Employee shall be paid salary, on condition that all the payments received by the Employee or which the Employee shall be entitled to receive from any party whatsoever, in lieu of service in the Reserves, shall be transferred to the Company by the Employee immediately upon their receipt and if the Employee does not so act, such sums shall be deducted from the Employee's salary.

f) Travel Abroad

The Employee hereby declares and agrees that as part of the Employee's work at the Company, it is possible that the Employee might be required to travel abroad for periods of varying lengths. Reasonable travel and accommodation costs shall apply and shall be paid by the Company, subject to approval by the Company and in accordance with the Company's procedures from time to time.

g) Further Education Fund

Each month, on the date on which the Employee's salary is paid and as instructed by the Employee, the Company shall pay into a Further Education Fund for the Employee, a sum to the total stipulated in Part One to the Employment Agreement and on the Employee's part, the Employee agrees and instructs the Company to deduct and pay from the Employee's salary, an additional sum to the total stipulated in Part One to the Employment Agreement from the Employee's monthly salary to the aforementioned Further Education Fund.

h) Reimbursement of Expenses

The Company shall reimburse the Employee, for reasonable expenses laid out during the Employee's work for the Company, in accordance with the procedures, which shall be determined by the Company (such as: Hospitality for the Company's guests, reimbursement of expenses abroad, etc.), subject to the guidelines that shall be given to the Employee by the Company, from time to time.

At the end of each calendar month, or on any other date determined by the Company, the Employee shall provide the Company with an expense claim, accompanied by the appropriate receipts, in accordance with the accepted procedures at the Company and/or as required by the provisions of all Law applicable to the matter.

i) Company Property for the Employee's Use

If the Company provides for the Employee's use while fulfilling the Company's tasks, various items and property belonging to the Company and in the Company's opinion the Employee needs them to fulfill those tasks, such as a mobile telephone (and bears the cost of reasonable use), a laptop computer and the like; when all such is as appropriate to the Employee's role and at the Company's discretion; in such circumstances the Employee hereby undertakes to return to the Company, immediately upon the end of the Employee's employment at the Company for any reason whatsoever, all the property in the Employee's possession that belongs to the Company, including the vehicle at the Employee's disposal as aforementioned and all other property placed at the Employee's disposal in accordance with that stipulated in this Clause.

j) Credit Cards

i) If the Company places at the Employee's disposal, a credit card selected by the Company as stipulated in Part One to the Employment Agreement; the Employee shall be entitled to use it solely for the purposes of the Employee's work for the Company (hereinafter: The **Credit Card**).

ii) The Employee shall make use of the Credit Card solely for the purposes of the Employee's work for the Company and in connection with the Credit Card, the Employee undertakes to act in accordance with the Management's instructions and in accordance with the different guidelines that shall be given to the Employee on this matter from time to time.

k) Options

If the Company grants to the Employee, Options for the purchase of shares in Ampal USA as stated in Part One to the Employment Agreement; then the following provisions shall apply:

i) The Options shall be for the purchase of shares in Ampal USA to the number and at the realization price stipulated in Part One to the Employment Agreement (hereinafter: The **Options**).

ii) The Options shall be granted to the Employee in the stages listed in Part One to the Employment Agreement and on condition that at each stage, the Employee's employment shall not be terminated for any reason whatsoever until the date of that stage.

Granting of Options as aforementioned in this Clause is possible for as long as the working relationship between the parties continues or for a period of 60 (sixty) days from the day on which the working relationship ends between the parties for any reason whatsoever; according to the earlier of the two and on condition that on the date when the Options or any part thereof were first granted to the Employee, an employer / employee relationship was still extant between the Employee and the Company.

iii) The Options shall be granted to the Employee in accordance with the options program for Ampal USA, as shall be approved by its Board of Directors and in accordance with the documents appropriately drawn up and whenever a contradiction arises, particularly between the provisions of this Clause 6 and the Employment Agreement as a whole and the provisions of the options program and its documents as aforementioned, the provisions of the options program and its documents shall take precedence.

7) Confidentiality and Non-Competition

a) The Employee undertakes not to reveal the provisions of the Employment Agreement in general and the conditions of the Employee's employment (in other words – salary, additional conditions, etc.) in particular, to any third party whatsoever (with the exception of close relatives, subject to the condition that the limitations of the aforementioned confidentiality shall also apply to such close relatives) either directly or indirectly, including to other employees at the Company.

b) In this clause, the following terms shall have the meanings given alongside them: "Company Secrets" – Any commercial, professional or business knowledge or information whatsoever, which is not public knowledge and cannot be discovered lawfully with ease by others, which has come to the Employee's attention and/or has been passed on to the Employee and/or the Employee has been made aware of and/or has been developed by the Employee, either directly or indirectly, during and/or consequential to the Employee's work at the Company. Without any derogation from the generality of the above; such knowledge shall include among other things, both existing and future research results and processes, information referring to the development of ideas in the Company's possession, lists of existing and future clients, commercial information referring to clients and/or the Company's links with third parties, marketing information and sales promotion strategies, documents, records, contracts, offers, intellectual copyright, databases and data and all information referring to the planning, manufacturing, marketing and distribution of products manufactured by and/or planned by the Company and all other written materials (hardcopy) stored in electro-magnetic devices or using any other means, as they touch upon the Company's interests, products, services, plans and commercial interests and information regarding the computer array and information systems at the Company and information regarding the Company's relationships with the Company's employees and/or clients and/or suppliers;

"Company Documents" – All documents that shall be passed on to the Employee and/or that shall reach the Employee as the consequence to and/or following the Employee's work at the Company, as linked either directly or indirectly to the Company or its employees' activities and/or its clients and/or suppliers and/or that contain and/or refer to information and/or any knowledge whatsoever belonging to the Company.

c) The Employee hereby declares and undertakes to preserve confidentiality and not to reveal and/or expose and/or advertise and/or use and/or pass on to others, any of the Company's secrets, either directly or indirectly. Moreover, the Employee undertakes not to make any use whatsoever of the Company's secrets, which can be commercially exploited in any manner whatsoever, unless by way of fulfillment of the Employee's role at the Company and the execution of work at and for the Company and to the extent that such is necessary for that purpose alone.

To remove all doubt – It is hereby clarified and agreed that the Employee's undertakings, as made in accordance with this Clause, shall remain valid and shall oblige the Employee, even after the end of the period of the Employee's employment by the Company.

d) Proprietary Rights

i) It is hereby declared and agreed by both parties that the Company's documents are the Company's property for all purposes and in all matters and they shall be returned to the Company by the Employee (including all copies and duplicates thereof of any type or kind, both if such were made with permission and if made without permission by the Employee or another acting on the Employee's behalf), immediately upon the end of the Agreement period and/or at the end of the employer / employee relationship between the Company and the Employee (the earlier of the twos) or on any other date, as required by the Company. The Employee undertakes not to copy the documents in any manner whatsoever, unless for the purposes of fulfilling and executing the Employee's tasks and/or relationships with and in the name of the Company.

ii) The Employee shall not pass on or publish any information, articles, research or the like, referring to matters linked to or touching upon the field of the Company's activities, without receiving prior written approval for such from the Company.

e) During the Employee's work at the Company – without any derogation from that stated in the Employment Agreement and for a period of 6 (six) months following the end of the Employee's employment by the Company, the Employee shall not be involved, either directly or indirectly, the Employee himself or through others, in any manner whatsoever, including through a corporation in which the Employee has part ownership and/or is an interested party or is the controlling interest in that corporation; in any other employment in the field of the Company's activities and/or direct competition in the field of the Company's activities.

f) Without any derogation from the generality of that stated above, the Employee undertakes that during the Employee's period of employment at the Company and for a period of 24 (twenty four) months after the end of the employment by the Company, the Employee shall abstain from providing services in any manner whatsoever, including consulting services, either paid or not paid, to any business or occupation in which the Company was involved.

8) Agreement Period

The Employment Agreement shall become valid on _____and shall remain valid, for as long as it is not abrogated by either of the parties to the Agreement as stipulated in Clauses 9 and/or 10 below.

9) Each side to the Agreement shall be entitled to bring the Agreement to an early close by providing early written notice without reasons, of at least _____ months to the other party.

If the aforementioned notice shall be given by the Company to the Employee, the Company shall specify in the notice, at the Company's sole discretion, the date on which the Employee shall end employment at the Company. If the date for the end of the Employee's work at the Company as mentioned above, is before the end of the aforementioned _____month period, or occurs on the date on which the aforementioned notice was given; the Employee shall be entitled to early notice payments, for the remainder of the _____month period mentioned above or the entire period, as appropriate. Furthermore, if the date for the end of the Employee's employment at the Company as aforementioned is before the end of the aforementioned _____month period or shall apply on the date when the aforementioned notice is given; until the end of the aforementioned _____month period (either if the Employee actually ceases work at the Company or if not) the Employee shall be entitled to receive all the accompanying conditions and rights (provisions for social benefits, use of a vehicle, mobile phone and all other accompanying rights and conditions to the Employee's employment by the Company in accordance with the Employment Agreement).

10) Notwithstanding that stated above, the Company shall be entitled to bring the Employment Agreement to an immediate close, if any of the following incidents occurs:

a) If the Employee breaches any provision whatsoever in Clause 2 above.

b) If the Employee breaches any provision whatsoever in Clause 7 above.

c) If the Employee is accused of or convicted of a criminal offense that is a misdemeanor or an infamous crime.

d) If the Employee abused the trust placed in the Employee by the Company and/or was contemptuous of the work and/or the Company and/or damaged the Company's reputation.

11) With the end of the Agreement for any reason whatsoever, the Employee shall cease working for the Company and the employer / employee relationship between the Employee and the Company shall reach conclusion.

12) With the cessation of the Agreement Period in accordance with that stipulated in the Employment Agreement; the Employee shall receive the Employee's salary or the early notice payments, if there shall be such, as appropriate, until the date on which the Agreement Period ends as stipulated in Clause 9 and/or Clause 10 above (hereinafter: The **Cessation Date**) on condition that until the Cessation Date, the Employee shall work and fulfill the Employee's tasks in accordance with the Company's demands.

The Employee undertakes that until the Cessation Date, the Employee shall pass on the Employee's role at the Company in a full, orderly manner to another employee or to other employees, in accordance with the Company's instructions and furthermore, the Employee shall deliver to the Company, all the documents, the required equipment and all other materials of any sort or kind whatsoever, which has reached the Employee or is in the Employee's control and/or has been prepared by the Employee in connection with the Company and/or the Employee's work at the Company, including all copies of such.

Furthermore, the Employee shall be entitled to Holiday Pay and to Convalescence Pay, for the relative part of the Employee's holiday entitlement as stipulated in the Employment Agreement above, when not realized before the Cessation Date.

13) Notwithstanding that mentioned in Sub-clause 12 above, it is agreed that if the full transfer process for the Employee's work is not completed during the early notice period, the Employee shall cooperate with the Company in the transfer of the task as aforementioned, even after the end of the early notice period and such shall not be considered an employer / employee relationship in any manner whatsoever and on condition that the transfer completion dates as aforementioned shall be determined in coordination with the Employee and the Company shall act to the best of its ability, to shorten the additional transfer period as much as possible.

14) The Employment Agreement, including the Appendices thereto, constitutes all that agreed between the parties in reference to the matters considered within it and it is not amendable and/or changeable unless through a written document signed by both parties.

15) The Company shall be entitled to set off any sum, which the Company is entitled to receive from the Employee in accordance with the Employment Agreement, against any sum to which the Employee is entitled at any time whatsoever from the Company and/or to appropriate as aforementioned without any derogation of the Company's right to collect the sum by any other means.

16) The Employment Agreement replaces all other previous agreements or arrangements of any sort or type whatsoever that existed (if any such did exist) between the Employee and the Company and it shall apply to the working relationship between the parties, beginning with the start of the Agreement Period as aforementioned in Clause 8 above, but it shall in no way harm the Employee's rights as such accrue to the Employee through the Employee's work in the Company's service until the aforementioned date.

17) Notices

Any notice or any other document that must be provided in accordance with the Employment Agreement, shall be made out in writing and for as long as any party has not informed the other party otherwise, the parties' addresses shall be as stated in the preamble to the Employment Agreement and any such notice shall be considered as received by the addressee, 7 (seven) days from the day on which it was sent by registered mail or with its delivery if delivered by hand.

Now, in witness thereof, the parties have signed below:

The Company	**The Employee**

Addition to the Employment Agreement Dated: _____

Made, entered into and signed in Tel Aviv
On _____

By and Between
Ampal Industries (Israel) Ltd.
At 111, Arlozorov Street, Tel Aviv
(Hereinafter: The **Company**)

Of the First Part

And Between

_____ (Identity Card Number: _____)
At: _____
(Hereinafter: The **Employee**)

Of the Second Part

Whereas: On _____, the parties signed an Employment Agreement (hereinafter: The **Employment Agreement**);

And Whereas: The Appendix marked "A" (hereinafter: **Appendix A**) attached to the Employment Agreement lists specific conditions for the employment of the Employee by the Company;

And Whereas: It is the parties' wish to add the provisions of this Addition to Appendix A, all subject to the provisions of the Employment Agreement and the provisions of this Addition as given below;

Now, therefore, the parties hereto agree, stipulate and declare as follows:

1. The preamble to this Addition constitutes an integral part thereof and obliges as all its other conditions.

2. All terms not specifically defined in this Addition, shall have the same meaning as that given for them in the Employment Agreement.

3. *The following clause shall be added to the provisions of Appendix A: If during the period of the Employment Agreement, control of the Ampal American – Israel Corporation (hereinafter:* ***Ampal USA*** *) shall change and the controlling interest in Ampal USA on the date on which this addition is signed shall cease to be the controlling interest in Ampal USA and if during six months from the change in controlling interest as aforementioned, the Company ceases employment of the Employee for any reason whatsoever or if the Employee shall cease the Employee's employment at the Company for any reason whatsoever; the Employee shall be entitled, in addition to and without any derogation from any other right and relief to which the Employee shall be entitled in accordance with the provisions of the Employment Agreement and/or in Law; to an adjustment grant (hereinafter:* ***Adjustment Grant*** *) to the value of _____months of the Employee's last salary, including all the accruing conditions and rights (provisions for social benefits, use of a vehicle, mobile telephone and any other rights accompanying the Employer's employment by the Company in accordance with the Employment Agreement and Appendix A). The Adjustment Grant shall be paid and given to the Employee for a period of ____months from the date on which the Employee's employment ended as aforementioned. The rights, which by their very nature do not find monetary expression (such as use of a vehicle, mobile telephone, etc.), shall be actually provided to the Employee during the aforementioned _____month period.*

To remove all doubt – the Employee shall be responsible for all payment of taxes imposed on the Employee as a consequence to the receipt of the Adjustment Grant. Furthermore, the Employee hereby agrees that if and to the extent that such shall be required by Law, the Company shall deduct from the Adjustment Grant and shall garner from it, all payments and/or taxes and/or levies, including income tax payments, health tax and National Insurance levies and all the like, if so required by all Law.

4. The provisions of this Addition are complementary to the provisions of the Employment Agreement and in no circumstances shall they replace the provisions of the Employment Agreement, unless such is stated explicitly.

In the event of any contradiction between the provisions of this Addition and the provisions of the Employment Agreement, the provisions of this Addition shall take precedence.

Now, in witness thereof, the parties have signed below:

The Company	**The Employee**

Employee Transfer Agreement

Made, entered into and signed on the
_____ Day of the Month of _____ in the Year _____

By and Between
Ampal Industries (Israel) Ltd.
At: 111, Arlozorov Street, Tel Aviv
(Hereinafter: The **Transferring Company**)

Of the First Part

And Between
Ampal Israel Ltd.
At:111, Arlozorov Street, Tel Aviv
(Hereinafter: The **Receiving Company**)

Of the Second Part

And Between
_____ (Identity Card Number: _____)
(Hereinafter: The **Employee**)

Of the Third Part

Whereas: The Employee is employed by the Transferring Company in accordance with an employment agreement between them as signed on: _____ , as such was amended from time to time and as attached to this agreement marked Appendix "A" (hereinafter: The **Employment Agreement**);

And Whereas: The Transferring Company and the Receiving Company are companies under common control;

And Whereas: It is the parties' wish that from December 1, 2004 (hereinafter: The **Deciding Date**), the employee shall cease working for the Transferring Company and shall begin working for the Receiving Company and as is stipulated below;

Now, therefore, the parties hereto agree, stipulate and declare as follows:

5. The preamble to this agreement and the appendices thereto constitute integral parts thereof.

6. It is hereby agreed that on the Deciding Date, the employee shall cease working for the Transferring Company and shall begin working for the Receiving Company and to further that purpose, on the Deciding Date, the Transferring Company shall assign and transfer to the Receiving Company, all the rights and obligations in accordance with the Employment Agreement and beginning on the Deciding Date, the Receiving Company shall take upon itself all the rights and obligations accruing to the Transferring Company in accordance with the Employment Agreement and wherever the Employment Agreement makes any reference whatsoever to the Transferring Company, such shall be considered a reference to the Receiving Company.

7. Beginning on the Deciding Date, the Receiving Company shall bear all the commitments made to the Employee in accordance with all Law and/or agreement, including the Employment Agreement.

8. The Employee hereby confirms and declares that the Employee agrees to the full assignment of the Transferring Company's rights and obligations in accordance with the Employment Agreement to the Receiving Company and that from the Deciding Date, the Receiving Company shall be the Employee's employer and such is instead of the Transferring Company and the Employee confirms that the provisions of the Employment Agreement shall continue to apply to and oblige the Employee vis-à-vis the Receiving Company, with the necessary adjustments. Furthermore, the Employee hereby declares and confirms that the Employer's agreement to transfer to employment at the Receiving Company shall not be considered any dismissal granting the Employee rights to severance payments or to any other payment.

9. The Receiving Company hereby declares and undertakes that the Transferring Company's commitments to employees concerning severance pay, holidays, further education funds, sick leave, social benefits and all other commitments referring to employment agreements with employees, shall be transferred and honored in full by the Receiving Company and that the transfer of the Employee to the Receiving Company shall not impinge upon the continuity of the Employee's rights in reference to all rights to which the Employee was entitled at the Transferring Company and that payments deposited by the Transferring Company in external Funds and/or Managers' Insurance programs and/or as reserves (provisions) shall endure for the Employee.

10. All deposits and/or provisions made, be such in external Funds, or in Managers' Insurance programs, or from the Transferring Company's sources, shall be transferred on the Deciding Date to the Receiving Company, subject to the receipt of any permit that might be required for that purpose from the Tax Authorities in accordance with Law.

11. Without any derogation from the commitments made in accordance with this agreement; each of the parties undertakes to sign any document and perform any act, the signing of which or the execution of which by that party is required for the purposes of granting validity to the provisions of this agreement and their execution.

12. This Agreement obliges that agreed by the parties concerning the matters enumerated therein and it shall not be open to amendment or change, unless in a written document signed by them.

13. All notices sent by any party whatsoever to another party, to the address given in the preamble to this agreement, shall be considered as received by the party to which it was addressed on the date on which it was sent; if sent by messenger, or if sent by facsimile and confirmation of transmission was received and if sent by mail – four business days from the date on which it was sent by registered mail.

Now, in witness thereof, the parties have signed below:

The Transferring Company	**The Employee**	**The Receiving Company**

Exhibit 10y

EMPLOYMENT AGREEMENT

Which was prepared and signed in Tel-Aviv on January 19, 1995

Between: Ampal Industries Ltd.
Of 111 Arlozerov Street, Tel-Aviv

(Hereinafter- "The company")

And between Giora Bar-Nir I.D. Number 5470135
Of 19C Hamatmid Street, Ramat-Gan

(Hereinafter – "The employee")

Whereas: The company requires a skilled employee for the position of financial controller.

And whereas The employee declares that he is equipped with the knowledge, the experience and all of the skills that are required in order to fill the position.

And Whereas: The company is interested in employing the employee and the employee is interested in being employed by the company in accordance with the provisions of this contract.

Accordingly, the parties have agreed on the terms of the arrangement between them, as follows:

General

1. The introduction to this agreement will be considered to be an integral part thereof, and the law in respect of it shall be as for the other provisions in the agreement.

2. This agreement comes to organize the terms of the arrangement between the employee and the company in all that is connected to the period of the employment of the employee by the company and which derive therefrom, including the overall framework of the work, the company's expectations, the terms of employment, the salary and the social benefits as well as the principles and the procedures in the sphere of the work.

3. Except for what is determined by law, this agreement exhausts all of the rights of the employee, and in any case where there is a discrepancy between this agreement and between a right, which derives from some other source, the provisions of this agreement shall prevail.

Loyalty and confidentiality

4. The employee is to dedicate all of his talents, his knowledge and his experience to the work in the company and to act to the best of his ability, within the context of his work for the promotion of the interests of the company and for its success.

5. During his period of employment in the company the employee will not be entitled to work, either for a salary or without receiving a salary, for any other employer whosoever, or to be connected, directly or indirectly with some other engagement or business, whatsoever, unless he has received approval from the company.

6. The employee will fill the position with devotion, responsibly, honestly and loyally and will avoid any act or omission that might harm the company or its good name or damage it in some other way.

7. During the period of employment, and in connection with the performance of his work in the company, the employee will avoid receiving any consideration or benefit in money or in something that is equivalent to money, from any party whatsoever, except for the company.

8. The employee will notify the company immediately of any matter that he or members of his family are connected to, and in connection with which there might arise concern of a conflict of interests between him and the company.

9. The employee will maintain the confidentiality of all professional or commercial information that belongs to the company, which will be handed over to him or which will come to his knowledge during the period of his employment with the company, he will not transfer it to anyone and he will not make use of it except for the purposes of the company and in accordance with its instructions.

   This duty will apply to the employee both during the period of his employment with the company and also after the termination of the employment connection with the company, for any reason whatsoever.

The overall framework and working hours

10. A. The regular working week in the company is five days long (Sunday to Thursday) and is calculated to be 40 hours long.

    B. The employee will make himself available to the company during the course of the regular working hours and even beyond them, anywhere in Israel or abroad, as may be required, and as is required by the terms of employment and by the needs of the position.

    C. Since the position of the employee belongs by its nature and is defined as a management position and/or as a position that requires a special degree of personal trust, the provisions of the Hours Of Work And Rest Law will not apply to his employment in the company. This is in accordance with what is stated in section 30(A) (5) of the Hours Of Work And Rest Law. Payment in respect of global overtime hours of some – of a full position have been taken into account in the calculation of the salary and accordingly, except for the salary as stated in section 11 below, and the other benefits that are determined in this agreement, the employee will not be entitled to remuneration for overtime hours or any other consideration.

Salary

11. A. The monthly salary that will be paid to the employee will be in the amount of NIS 11,000. Cost of living increments in accordance with the general expansion orders in the economy in respect of cost of living increments will be added to this amount.

    B. Once a year, and after the publication of the annual financial statements, the company’s management will consider the possibility of amending or updating the salary. The process of this examination will be based on an evaluation of the contribution made by the employee, his skills, and the position of the company.

Thirteenth monthly salary

12. The employee is entitled to the payment of a thirteenth monthly salary. The payment will be divided into two. The first half will be paid before the Jewish New Year and the second half will be paid before the Passover holiday.

Annual vacation

13. A. The annual vacation entitlement, which will be made available to the employee, will be one month for each year of work.

B. The timing of the vacation will be determined by the company, taking into account, so far as is possible, the employee's wishes and his needs.

C. The employee will be entitled to accumulate days of vacation leave up to the maximum number of vacation days that are due to him for three years of employment. When excess days of vacation leave are due to the employee, over and above the permitted accumulation, the employee will be entitled to redeem vacation leave.

D. On the termination of the employment, the company will pay in redemption an amount that is equivalent to the salary which would have been due to the employee for the days of vacation leave, which were not exploited during the period of employment with the company.

Holiday for festivals

14. Nothing will be deducted from the monthly salary in respect of absence from work during 10 festival days, that is to say, two days for Jewish New Year, The Day of Atonement, the Festival of Tabernacles (Succoth), the Giving of the Law (Simchat Torah), Purim, and the first and the seventh days of Passover, Pentecost (Shavuot) and Independence Day.

Special holidays

15. In addition to the annual vacation leave and holiday for festivals, the employee will be entitled to special holiday on the following occasions:

Marriage	3 days of vacation leave.
Birth of a son/daughter	1 day of vacation leave.
Marriage of a son/daughter	1 day of vacation leave.
Death of a close relative	The days of the Shiva, in accordance with Jewish ritual.

Reserve army duty

16. A. The employee is to inform the company as soon as possible that he has been called to reserve army duty, and at the company's request the employee will sign on an application form for the deferral of the reserve army duty.

B. The company will pay the employee his full salary for the period of reserve military service, as if he had been working in the regular manner.

C. The employee is to hand over to the company all of the certificates that are needed for the purpose of collecting remuneration for reserve army duty from the National Insurance Institute, as well as any amount that he may receive from any party whatsoever in respect of the reserve army duty

Sick leave

17 A. The monthly salary will be paid in full even if the employee is forced to be absent from work as a result of illness for a period which shall not exceed 30 days of sick leave a year, with a right to accumulate and less sick leave days that have been exploited by him.

B. In any case of absence as the result of sickness, the employee will inform the company as soon as possible of the sickness and of his expected period of absence, and he is to produce to the company certification of the sickness on his return to work.

C. When the employment comes to an end in circumstances in which the employee retires, the company will pay for the redemption of sick leave in an amount that is equivalent to the salary that would have been due to the employee for days of sick leave that had accumulated to his credit, as detailed below:

An employee who has exploited between 36% and 65% of the total number of days of sick leave that stood to his credit during the course of the period of his employment with the company, will be entitled to redemption at the level of 3 days of salary from every 30 days of sick leave that stood to his credit on the day that he retired. If he will have exploited less than 36%, he will be entitled to redemption at the level of 4 days of salary from every 30 days of sick leave that stood to his credit on the day that he retired.

Paternity leave

18. A. The employee will be entitled to paternity leave of 12 weeks.

B. The company will pay the employee for the period of paternity leave, the difference between the paternity allowance that will be paid by the National Insurance Institute and the full salary, without any payment in respect of the refund of expenses, as if the employee had worked in a regular manner.

C. Other than what is stated in this section, all of the principles that are determined in the Employment of Women Law will apply to paternity leave.

Refund of travel and subsistence expenses

19. The company will refund to the employee subsistence expenses and other expenses that will be expended within the framework of the fulfillment of his position in accordance with periodic reports, to which appropriate documentation is to be attached, and all in accordance with the company's procedures as they may be from time to time.

Recuperation pay

20. The company will pay the employee recuperation pay for 13 days of recuperation a year in accordance with the daily rate for recuperation pay that is paid by Bank Hapoalim. The recuperation pay will be paid together with the salary of the month of -----.

Further training Fund

21. The company will make payment to a further training fund, on behalf of the employee, of its share of 7.5% of the monthly salary, as defined in section 11 above, and in parallel it will deduct at source an amount equivalent to 2.5% of the monthly salary from the salary of the employee, and all subject to the articles of the fund and to the provisions of the Income Tax Ordnance on the subject.

Manager's insurance, emoluments and loss of ability to work

22. A. The company will ensure the employee under a managers' insurance policy or under any other form of insurance as the employee may select.

B. The company will pay the insurance as aforesaid in sub-section A', each month, an amount equivalent to 13 1/3% of the salary, as defined in section 11 above, of which 5% is in respect of emoluments and 8 1/3% is in respect of severance pay, and an amount equivalent to 5% of the salary will be deducted at source from the salary in respect of emoluments every month and this will be transferred to the insurance company.

C. The management insurance policy will be owned by the company and it will be transferred into the ownership of the employee in the event that the employment relationship comes to an end.

D. In addition to the payments in accordance with sub-section B', each month the company will make a payment of 2 ½% of the salary for insurance against the loss of the ability to earn a living.

Termination of the employment relationship

23. The company and the employee will be entitled to terminate the employment relationship at any time, by giving advance notice of two months in advance, subject to what is stated below.

24. The company will be entitled to waive actual work on the part of the employee during the period of advance notice, in whole or in part, and solely that it shall pay the employee the consideration for the advance notice.

25. If the employment relationship has come to an end, for any reason whatsoever, the employee will hand over his position in an organized manner to any person that the company has instructed and will hand over to the company all of the documents, the information, the equipment and the material that has come into his hands or which were prepared by him in connection with his work.

26. In the event that the working relationship will come to an end in circumstances in which there is a serious breach of discipline, breach of trust and etcetera, the employee will be deprived of the right to advance notice and to severance pay.

Period of adaptation and severance pay

27. In the event of dismissal, other than for the reasons that are mentioned in section 26 above, the company will continue to pay the employee his salary for a period of adaptation of one month and this over and above the period of advance notice as detailed in section 23 above, and it will also pay the employee full severance pay in addition to the release of the managers insurance policy as aforesaid in section 22 (C) above.

28. All of the benefits and ancillary terms will be taken into account for the matter of the calculation of the consideration for advance notice and the period of adaptation, as if the employee had continued to work in the company.

General provisions

29. Every tax and other compulsory payment that is due in respect thereof, in accordance with the law, will be deducted from any payment that is due to the employee from the company in accordance with this agreement.

30. The terms of the arrangement as stated in this agreement are personal and confidential.

31. The term of validity of the provisions of this contract is from June 17, 1990.

32. A. The addresses of the parties are as noted in the introduction to this agreement, or such other address as the parties shall inform each other of.

    B. Every notice, which is sent by one party to another in accordance with the aforementioned addresses, will be considered to have reached its addressee at the end of 7 days from the day on which it was presented for delivery by registered post.

And as evidence, the parties have signed:

(Signed and Stamped -Ampal Industries (Israel) Ltd.)	/s/ Giora Bar-Nir
The company	The employee

Exhibit 11

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES

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

(Amounts in thousands, except per share data)

	Fiscal Year Ended December 31,		
	2006	2005	2004
	(U.S. Dollars in thousands)		
Weighted average number of shares outstanding:			
4% Preferred	-	116	125
6-1/2% Preferred	-	522	547
Class A	24,109	19,967	19,841
BASIC EPS			
Net (Loss) income [1]	$ (9,525)	$ (6,149)	$ (18,585)
Earnings per Class A share	$ (0.40)	$ (0.31)	$ (0.94)
Shares used in calculation	24,109	19,967	19,841
DILUTED EPS			
Net (Loss) income	$ (9,525)	$ (6,149)	$ (18,585)
Earnings per Class A share	$ (0.40)	$ (0.31)	$ (0.94)
Share used in calculation:			
Basic	24,109	19,967	19,841
4% Preferred	-	-	-
6% Preferred	-	-	-
Option	-	-	-
T o t a l	24,109	19,967	19,841

(1) After deduction of preferred stock dividends (in thousands) of $2,438, $191, and $200 for the years 2006, 2005 and 2004, respectively.

Exhibit 12

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES

SCHEDULE SETTING FORTH THE COMPUTATION OF RATIOS OF CONSOLIDATED EARNINGS TO FIXED CHARGES
(Amounts in thousands, except ratios)

	Fiscal Year Ended December 31,		
	2006	2005	2004
	(U.S. Dollars in thousands)		
Earnings:			
Income (loss) from continuing operations (including dividends from less than 50% owned affiliates) before income taxes, equity in earnings of affiliates, and minority interests	$ (1,028)	$ (8,517)	$ (33,467)
Fixed charges	5,154	5,257	4,880
Earnings (insufficient earning to cover fixed charges)	$ 4,126	$ (3,260)	$ (28,587)
Fixed charges:			
Interest	$ 5,134	$ 5,257	$ 4,880
Amortization of debentures expenses	20	--	--
Fixed charges	$ 5,154	$ 5,257	$ 4,880
Ratio of earnings (deficit) to fixed charges	0.80:1	(0.62:1)	(5.86:1)

Exhibit 21

List of Subsidiaries

Ampal Financial Services Ltd., an Israeli company
Ampal Development (Israel) Ltd., an Israeli company
Nir Ltd., an Israeli company (in voluntary liquidation)
Ampal Realty Corporation, a New York corporation
Ampal Communications, Inc., a Delaware corporation
Ampal Enterprises Ltd, an Israeli Company.
Ampal Holdings (1991) Ltd., an Israeli company
Ampal Industries, Inc., a Delaware corporation
Ampal Industries (Israel) Ltd. an Israeli company (in voluntary liquidation)
Ampal International Ventures (2000) Ltd., an Israeli company
Ampal (Israel) Ltd., an Israeli company
Ampal Properties Ltd., an Israeli company
Ampal Protected Housing Holdings (1966) Ltd., an Israeli company
Ampal Protected Housing (1994) Ltd., an Israeli company
Ampal Protected Housing (1998) Ltd., an Israeli company
Am-Hal Ltd., an Israeli company
AD 120 Managements - Hod Hasharon (1966) Ltd., an Israeli company
AD 120 Ramat Hachayal (Management) Ltd., an Israeli company
AD 120 Ramat Hachayal Limited Partnership, an Israeli limited partnership
AD 120 Hod Hasharon Limited Partnership, an Israeli limited partnership
Ampal Communication LP, an Israeli limited partnership
Ampal Communication Holdings Ltd., an Israeli company
Ampal Energy Ltd., an Israeli company
Merhav-Ampal Energy Ltd., an Israeli company
Ampal Fuels Ltd.
Country Club Kfar Saba Limited, an Israeli company

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Forms S-8, (File No. 333-61895, File No. 333-55970) and Forms S-3, (File No. 333-140968 , File No. 333-140969 and , File No. 333-140974) of Ampal – American Israel Corporation of our report dated March 30, 2007 relating to the financial statements, which appears in this Form 10-K.

/S/ Kesselman & Kesselman
A member of PricewaterhouseCoopers International Limited

Tel-Aviv, Israel
March 30, 2007

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Forms S-8, (File No. 333-61895, File No. 333-55970) and Forms S-3,(File No. 333-140968 , File No. 333-140969 and , File No. 333-140974) of our report dated February 6, 2007 relating to the financial statements of BAY HEART Ltd which appears in this Form 10-K of Ampal – American Israel Corporation .

Brightman Almagor & Co.
Certified Public Accountants
Member firm of Deloitte Touche Tohmatsu
Haifa, Israel, March 29, 2007

Exhibit 23.3

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement on Forms S-8, (File No. 333-61895 and File No. 333-55970) and Forms S-3,(File No. 333-140968 , File No. 333-140969 and , File No. 333-140974) of our report dated March 5, 2007 relating to the financial statements of Carmel Container Systems Ltd., which appears in this Form 10-K for the year ended December 31, 2006, of Ampal – American Israel Corporation.

Kost Forer Gabbay & Kasierer
Member of Ernst & Young Global

Haifa ,Israel
March 29, 2007

Exhibit 23.4

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Forms S-8, (File No. 333-61895, File No. 333-55970) and Forms S-3, (File No. 333-140968, File No. 333-140969 and, File No.333-140974) of our report dated 06.03.2006 relating to the financial statements of C.D.PACKAGING SYSTEMS LTD. which appears in this Form 10-K of Ampal – American Israel Corporation.

KESSELMAN & KESSELMAN CPAs (ISR)
A member of PricewaterhouseCoopers International Limited

HAIFA, Israel
March 29 , 2007

Exhibit 23.5

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8, (File No. 333-61895, File No. 333-55970) and Forms S-3, (File No. 333-140968, File No. 333-1406969 and File No. 333-140974) of our report dated March 22, 2007 relating to the financial statements of Coral World International, Ltd. which appears in this Form 10-K of Ampal-American Israel Corporation.

Fahn Kanne & Co. CPAs (ISR)

Tel-Aviv, Israel
March 29, 2007

Exhibit 23.6

Tel – Aviv, 29 March , 2007

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Forms S-8, (File No. 333-61895, File No. 333-55970) and Forms S-3,(File No. 333-140968 , File No. 333-140969 and , File No. 333-140974) of our report dated February 24, 2005 relating to the financial statements of Epsilon Investment House LTD. which appears in this Form 10-K of Ampal – American Israel Corporation.

Kost Forer Gabbay & Kasierer
A member of Ernst & Young Global

Exhibit 23.7

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Forms S-8, (File No. 333-61895, File No. 333-55970) and Forms S-3, (File No. 333- 140968, File No. 333-140969 and, File No. 333-140974) of our report dated February 25, 2007, relating to the financial statements of Hod Hasharon Sport Center Limited which appears in this Form 10-K of Ampal – American Israel Corporation.

KPMG Somekh Chaikin — Tel Aviv

29 March , 2007

Exhibit 23.8

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Forms S-8, (File No. 333-61895, File No. 333-55970) and Forms S-3, (File No. 333- 140968, File No. 333-140969 and, File No. 333-140974) of our report dated February 25, 2007, relating to the financial statements of Hod Hasharon Sport Center (1992) Limited Partnership which appears in this Form 10-K of Ampal – American Israel Corporation.

KPMG Somekh Chaikin – Tel Aviv

29 March , 2007

Exhibit 23.9

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Forms S-8, (File No. 333-61895, File No. 333-55970) and Forms S-3,(File No. 333-140968 , File No. 333-140969 and , File No. 333-140974) of our report dated March 29, 2007 relating to the financial statements of Ophir Holdings Ltd's 2006 Annual report to shareholders, which appears in this Form 10-K of Ampal – American Israel Corporation.

Kesselman & Kesselman CPAs (ISR) A member of Pricewaterhouse Coopers International Limited

Tel-Aviv, Israel
29 March , 2007

Exhibit 23.10

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Forms S-8, (File No. 333-61895, File No. 333-55970) and Forms S-3,(File No. 333-140968 , File No. 333-140969 and , File No. 333-140974) of our report dated March 27, 2006 relating to the financial statements of Ophirtech Ltd's 2005 Annual report to shareholders, which appears in this Form 10-K of Ampal – American Israel Corporation.

Kesselman & Kesselman CPAs (ISR) A member of Pricewaterhouse Coopers International Limited

Tel-Aviv, Israel
29 March , 2007

Exhibit 23.11

Tel – Aviv, 29 March, 2007

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Forms S-8, (File No. 333-61895, File No. 333-55970) and Forms S-3,(File No. 333-140968 , File No. 333-140969 and , File No. 333-140974) of our report dated February 24, 2005 relating to the financial statements of Renaissance Investment Company LTD. which appears in this Form 10-K of Ampal – American Israel Corporation.

Kost Forer Gabbay & Kasierer
A member of Ernst & Young Global

Exhibit 31.1

CERTIFICATION

I, Yosef A. Maiman, certify that:

1. I have reviewed this annual report on Form 10-K of Ampal – American Israel Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 30, 2007

By: /s/ Yosef A. Maiman
_____
Yosef A. Maiman
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Irit Eluz, certify that:

1. I have reviewed this annual report on Form 10-K of Ampal – American Israel Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 30, 2007

By: /s/ Irit Eluz
_____

Irit Eluz
CFO and Senior Vice President – Finance
and Treasurer

Exhibit 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Ampal-American Israel Corporation (the "Company") on Form 10-K for the period ending December 31, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned executive officers of the Company certifies, to the best of such executive officer's knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Yosef A. Maiman
_____
Yosef A. Maiman
President and CEO
Ampal-American Israel Corporation
March 30, 2007

By: /s/ Irit Eluz
_____
Irit Eluz
CFO and Senior Vice President-Finance and Treasurer
Ampal-American Israel Corporation
March 30, 2007

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.