

Translation from Hebrew

Ampal-American Israel Corporation

Debentures' Holders Meeting

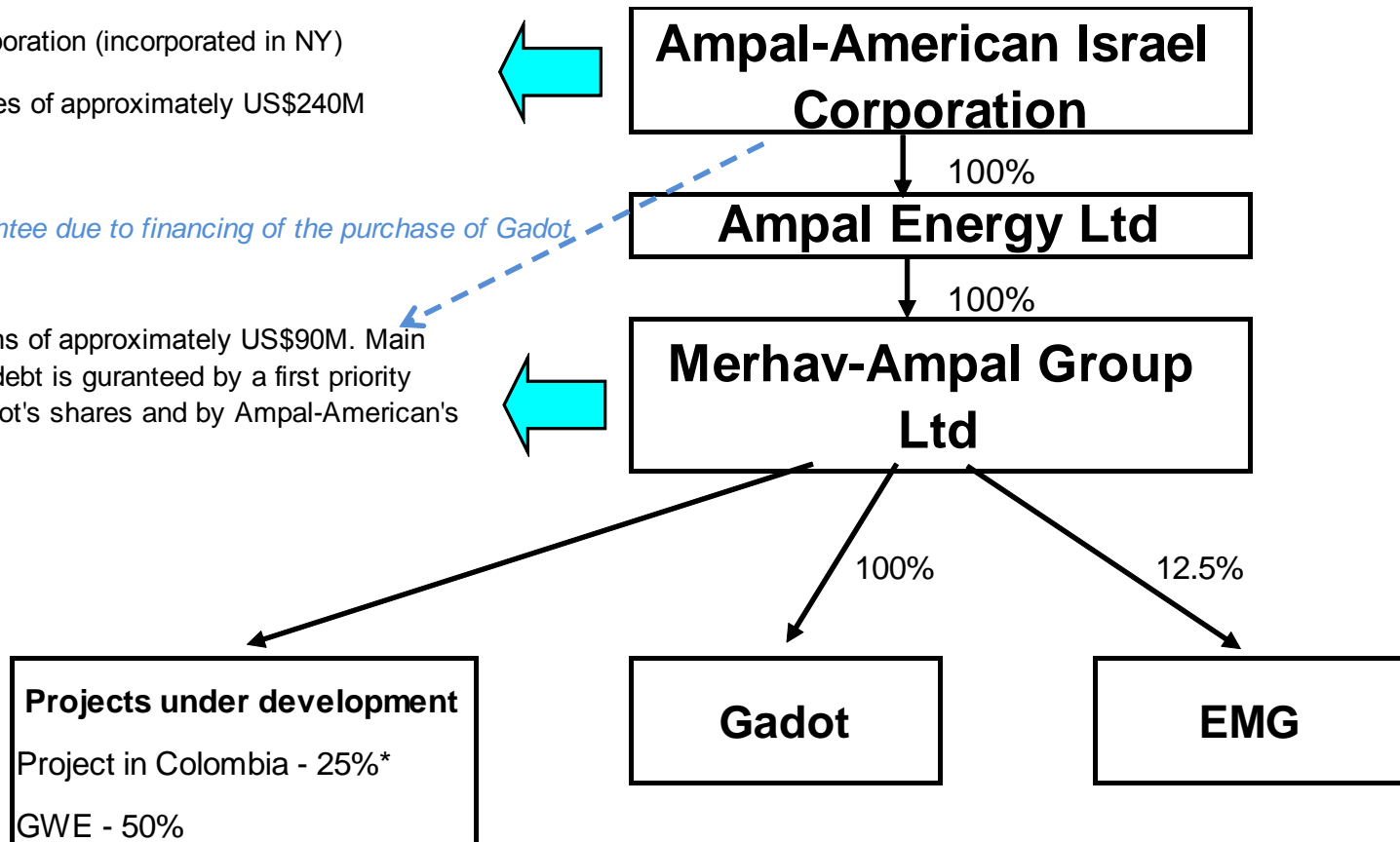
January 2012

Current Status – Major issues

- ◆ U.S. Corporation (incorporated in NY)
- ◆ Debentures of approximately US\$240M

Guarantee due to financing of the purchase of Gadot.

- ◆ Bank loans of approximately US\$90M. Main part of the debt is guaranteed by a first priority lien on Gadot's shares and by Ampal-American's guarantee
- ◆ Cash



* Conversion of a loan which is subject to several Condition Precedents

Business Developments - 2011

- On January 2011 the sale of O12 Smile to Partner was completed for a consideration of approximately NIS 1.5 billion.
- After an internal re-organization and the completion of purchases of synergetic business into Gadot, Gadot has prepared for an IPO in Europe.
- EMG received an indicative international rating from S&P, for the international securitization of EMG, at a sum of approximately US\$1billion, with the assistance of Goldman Sachs.

Business Developments – 2011 - EMG

- At the end of January 2011 The “Arab Spring” has began in the area, and the revolution in Egypt began.
- In February the first terror attack on the Egyptian gas pipeline occurred, and gas supply to EMG was interrupted for the first time.
- Since February 2011 there have been 11 terror attacks on the Egyptian gas pipeline in the Sinai. In most cases, the interruption included gas supplied to Jordan, Syria and industrial Gas consumers in the Sinai.
- Ampal is working intensively in the international arena for the return of regular gas supply and for the securing of the Sinai gas transport system. Indeed, gas supply has resumed after the terror attacks and the Egyptian government has substantially reinforced the security of the system.

Business Developments – 2011 - EMG

- Ampal continues to estimate, even in light of the Egyptian revolution, that gas supply to Israel is a strategic and economic asset valuable to Egypt and that therefore it is expected to continue after the regime replacement.
- Nonetheless, Ampal began, immediately after the first terror attack, to act, together with EMG's international shareholders (the Thai energy corporation – PTT and the American businessman Mr. Sam Zell), in two parallel levels – political-commercial and legal.
- Status as of November 2011:
 - Gas was supplied in considerable quantities;
 - The terror group which was allegedly responsible for the terror attacks was captured in the Sinai;
 - Gilad Shalit was released from captivity with the intervention of the Egyptian government;
 - Relative peace in the Egyptian streets.

Business Developments – 2011 - EMG

- In light of the above, until said date Ampal's management believed that EMG's business is relatively stable.
- At the end of November 2011, two consecutive terror attacks occurred in the Egyptian pipeline (although the terror group allegedly responsible have already been captured).
- At the beginning of December 2011 preliminary results of the Egyptian parliament elections have been published, according to which, Islamic groups have received higher percentages of the votes than expected. This trend continued in the results of the second round of elections.

Business Developments – 2011 - EMG

- Until said date Ampal assessed that it would not receive dividends from EMG during 2011 and 2012, and estimated that it will not have cash flow problems due to that fact, but in light of the above developments, Ampal changed its assessment and it seems that dividends from EMG during 2013 are highly doubtful and Ampal's ability to refinance its debt has decreased, in light of the current uncertainties.
- In addition to the efforts made to return EMG to its normal course of business, there are ongoing legal proceedings between EMG and its gas supplier, and also between EMG's shareholders and the Egyptian government (claims under Bilateral Investment Treaties – BIT). The Bilateral claims are expected to take two years and require considerable financial and managerial resources.

Claim Vs. Egypt – BIT

- A Bilateral Investment Treaty is a treaty between two countries which gives foreign investors from one country diverse protections of their investments in the other country.
- A BIT claim is submitted to international arbitration and its judgment can be effectively enforced against the country's assets in many countries worldwide.
- Ampal acts in order to submit BIT claims in accordance with the US-Egypt BIT and the Poland-Egypt BIT, through Freshfields Law Firm which is a leading international law firm in the field of international arbitrations in general, and in BIT claims in particular.

Claim Vs. Egypt – BIT

- The arbitration judgment gives the claimant full restitution for economic loss due to the breach of the BIT, and its target is to give monetary compensation which will bring the claimant to its economic status prior to the breach.
- In light of Freshfields' long experience, in the arbitration process, a judgment should not take more than two years.
- It should be noted that Egypt in past cases, has paid its judgments, with no need for an enforcement procedures.
- Freshfields estimates that Ampal's chances of success in the BIT claim for compensation of its damages are reasonable.

Business Developments – 2011 - Gadot

- During the last year Ampal has taken measures for the partial realization of its holdings of Gadot, and Gadot has taken measures for obtaining a new investor and for its IPO.
- It should be noted that Gadot's business development and part of its financial management is handled and backed up by Ampal's officers.
- In the current market situation, both Gadot's operational market (mainly Europe) and the financial markets, it is not profitable and not likely to complete such moves at this time.

Business Developments – 2011 - Gadot

- We believe that the right time to introduce an investor to Gadot will be when the situation in Europe stabilizes, which will provide Ampal with substantial cash flow.
- When the financial market will stabilize, we will be able to renew the procedures for Gadot's IPO.

Conclusions

- In light of the developments described above, Ampal should get ready for a period of at least two years in which Ampal's main use of its cash will be designated for the strengthening and securing its current assets.
- During the next two years there will be a need for a special managerial effort of Ampal's management, and an allocation of financial resources for handling EMG's situation at two levels: Political-Commercial and Legal, and for the strengthening of Gadot.

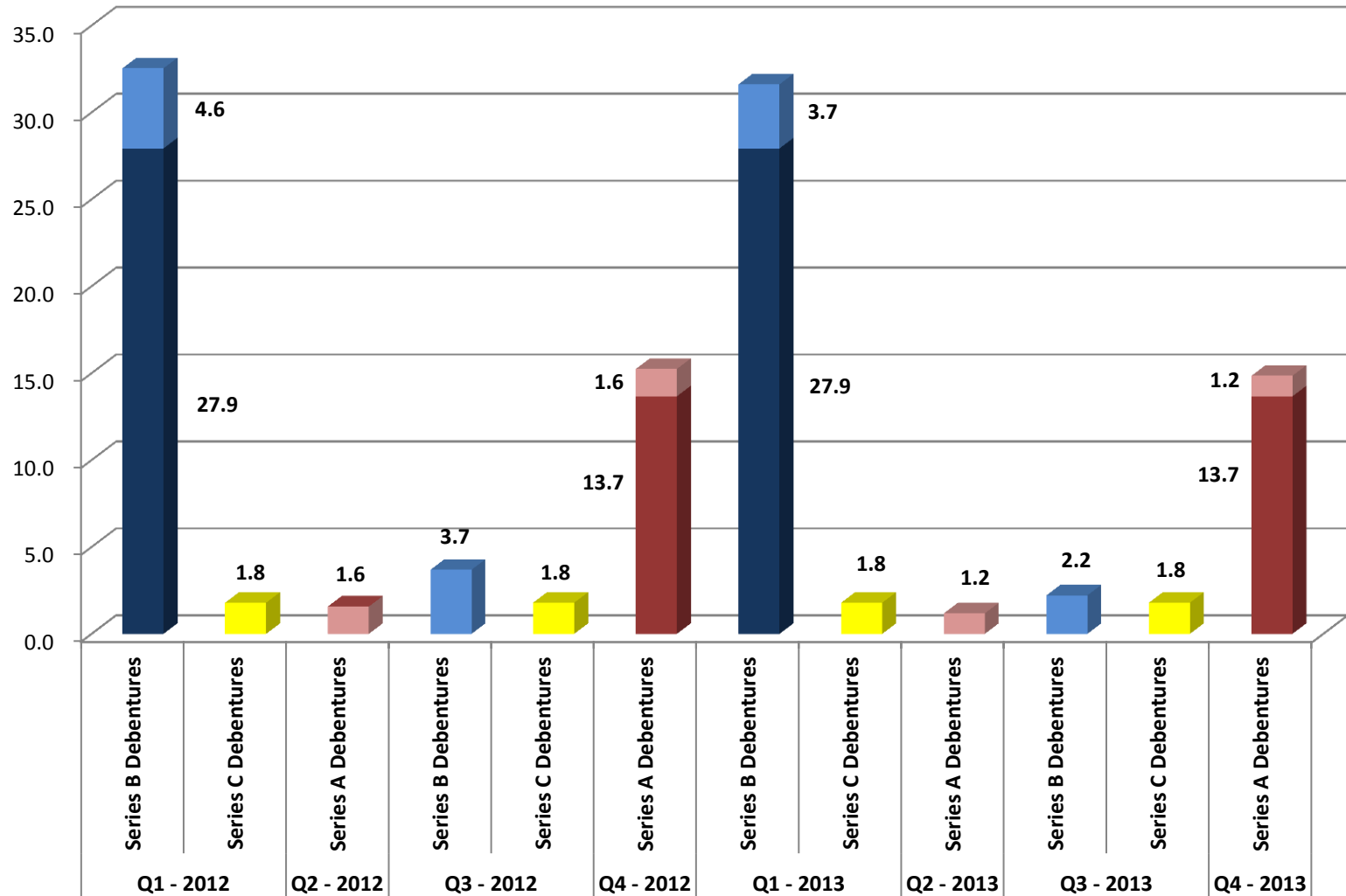
2014 – EMG Outlook

- Our estimate is that, after partial operations of EMG in the upcoming months, EMG will return to its normal course of business, and that as a result, during 2014 at the latest, Ampal should receive dividends of over US\$20 million per year.
- EMG's return to its normal course of business will allow Ampal and EMG to perform financial activities which will result in an increase of Ampal's cash.
- Even if contrary to Ampal's estimates, EMG does not return to its normal course of business, Ampal believes that the BIT claims and EMG's claim will reach their successful conclusions by 2014 which will result in an increase of Ampal's cash with substantial monetary compensation due to the loss of its investment in EMG.

2014 – Gadot Outlook

- It is estimated that during 2013 the financial situation in Europe will stabilize, and the uncertainties will decrease.
- The mergers and acquisitions which took place during 2010-2011 will mature, bring economic value and will substantially improve Gadot's business and financial results.
- Ampal's management estimates that in 2013 Gadot will undertake an IPO after a preliminary stage of introducing an investor.
- These actions should permit Ampal's cash to increase from a combined realization of approximately 20%-25% of Gadot's shares.

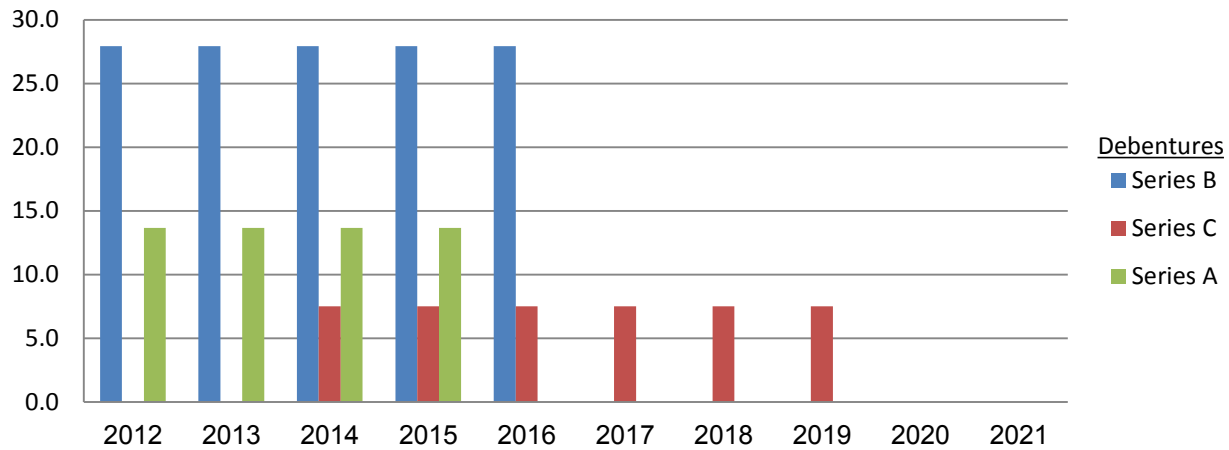
Principal and Interest (in US\$ Million) Payment Schedule for 2012-2013, As Of Today



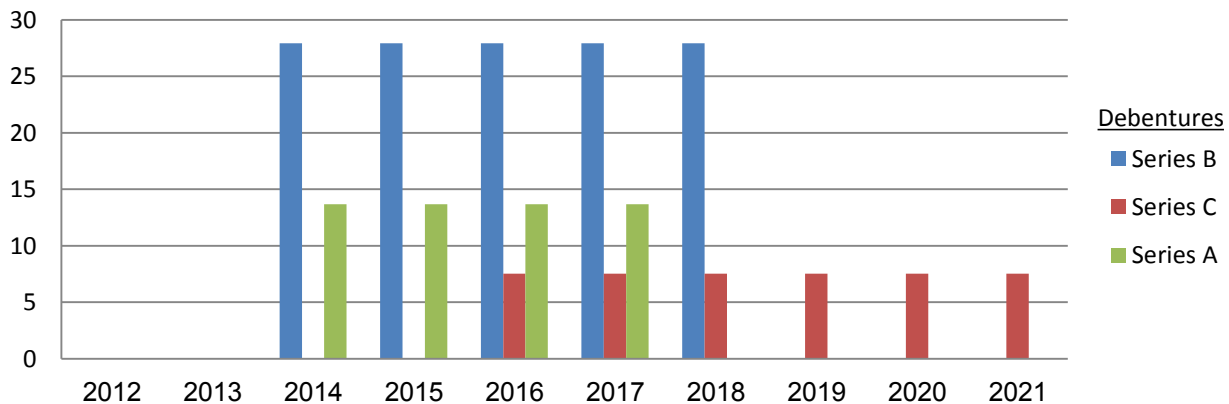
Ampal's Request of the Debentures' Holders

- Appointment of one delegation for all of the Debentures Series which will discuss the need for a two-year postponement of principal payments to all of the Debentures Series (after which the payment schedule will return to its original terms).
- The postponement **will not include a “trimming” (reduction)** of the debt owed.
- Interest payments will be made on time.
- If the circumstances will improve and allow it, Ampal will return to the original payment schedule.

Pricipal Payments - Current Situation (M\$)



Principal Payments - in the assumption of postponement (M\$)



Financial Debt Payments During 2012-2013, assuming two-year postponement of Principal Payments

- Estimated cash balance at January 1st, 2012 – approximately US\$60 million.
- Expected interest payments for debentures' holders during 2012-2013 – approximately US\$32 million.
- Expected payments for banks during 2012-2013 – approximately US\$20 million.

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