

AMPAL-AMERICAN ISRAEL CORP
Form 10-Q
November 14, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2011

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
(State or Other Jurisdiction of
Incorporation or Organization)

13-0435685
(I.R.S. Employer)
Identification Number

555 Madison Avenue
New York, NY, USA
(Address of Principal Executive Offices)

10022
(Zip code)

Registrant's Telephone Number, Including Area Code (866) 447-8636

Former Name, Former Address and Former Fiscal Year, If Changed Since Last Report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input checked="" type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares outstanding of the issuer's Class A Stock, par value \$1.00 per share, its only authorized common stock, is 56,133,764 (as of October 28, 2011).

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES

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ITEM 1. FINANCIAL STATEMENTS

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS AS OF (U.S. Dollars in thousands)	September 30, 2011 (Unaudited)	December 31, 2010 (Audited)
Current assets:		
Cash and cash equivalents	\$69,201	\$33,341
Marketable securities	11,277	890
Accounts receivable (Net of allowance for doubtful amounts of \$2,504 and \$2,068, respectively)	120,998	113,837
Deposits, notes and loans receivable	9,782	14,053
Inventories	36,076	34,810
Other assets	30,385	29,283
Held for sale assets	--	412,239
Total current assets	277,719	638,453
Non-current assets:		
Investments	320,728	371,751
Fixed assets, less accumulated depreciation of \$41,704 and \$32,633, respectively	197,052	196,361
Deposits, notes and loans receivable	28,597	43,338
Deferred income taxes	27,189	41,422
Other assets	15,678	18,617
Goodwill	68,137	70,670
Intangible assets	12,478	17,063
Total Non-current assets	669,859	759,222
TOTAL ASSETS	\$947,578	\$1,397,675

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

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2011 (Unaudited)	December 31, 2010 (Audited)
LIABILITIES AND EQUITY AS OF (U.S. Dollars in thousands, except share amounts)		
LIABILITIES		
Current liabilities:		
Notes and loans payable and current maturities	\$ 138,928	\$ 195,342
Accounts payable, accrued expenses and others	90,705	102,104
Debentures – current maturities	44,894	14,749
Held for sale liabilities	1,212	292,240
Total current liabilities	275,739	604,435
Long term liabilities:		
Notes and loans payable	211,842	218,023
Notes to partners	98,739	103,274
Debentures	215,610	265,590
Deferred income taxes	13,878	13,775
Other long-term liabilities	16,814	14,030
Total long-term liabilities	556,883	614,692
Total liabilities	832,622	1,219,127
EQUITY		
Ampal's shareholders' equity:		
Class A Stock \$1.00 par value; authorized 100,000,000 and 100,000,000 shares, respectively; issued 63,277,321 and 63,277,321 shares, respectively; outstanding 56,133,764 and 56,133,764 shares, respectively	63,277	63,277
Additional paid-in capital	183,403	182,924
Accumulated deficiency	(74,647)	(32,316)
Accumulated other comprehensive income (loss)	(9,670)	103
Treasury stock, at cost	(28,763)	(28,763)
Total Ampal shareholders' equity	133,600	185,225
Noncontrolling interest	(18,644)	(6,677)
Total equity	114,956	178,548
TOTAL LIABILITIES AND EQUITY	\$ 947,578	\$ 1,397,675

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

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

NINE MONTHS ENDED SEPTEMBER 30, (U.S. Dollars in thousands, except per share amounts)	2011 (Unaudited)	2010(*) (Unaudited)
REVENUES:		
Chemical income	\$413,291	\$357,567
Real estate income	245	241
Realized gains on investments	--	866
Gain on sale of fixed assets	59	--
Realized and unrealized gains on marketable securities	297	515
Equity in earnings (loss) of affiliates	268	(156)
Interest income	2,239	581
Translation gain	12,620	--
Leisure-time income	2,265	2,240
Gain from redemption of debt and other income	6,111	2,708
Total revenues	437,395	364,562
EXPENSES:		
Chemical expense - cost of goods sold	375,392	327,163
Real estate expenses	475	506
Loss from impairment of investments	50,523	--
Interest expense	32,425	31,722
Translation loss	--	7,109
Marketing expenses	7,929	5,811
General, administrative and other	45,636	36,387
Total expenses	512,380	408,698
Loss from continuing operations before income taxes	(74,985)	(44,136)
Income tax expenses (benefit)	13,006	(1,937)
Net loss from continuing operations after tax benefits	(87,991)	(42,199)
Discontinued operations:		
Gain disposal, net of tax	28,891	--
Income from discontinued operations, net of tax	5,175	3,562
	34,066	3,562
Net loss	(53,925)	(38,637)
Less: Net loss attributable to noncontrolling interests	11,594	2,863
Net loss attributable to Ampal's shareholders	(42,331)	(35,774)
Basic and diluted EPS:		
Loss from continuing operations attributable to Ampal's shareholders	(1.36)	(0.70)
Discontinued operations attributable to Ampal's shareholders	0.61	0.06
	\$(0.75)	\$(0.64)
Shares used in EPS calculation (in thousands)	56,134	56,134

(*) Retroactively adjusted to exclude the discontinued operations (see Note 8)

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

AMPAL-AMERICAN ISRAEL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, (U.S. Dollars in thousands, except per share amounts)	2011 (Unaudited)	2010(*) (Unaudited)
REVENUES:		
Chemical income	\$ 139,120	\$ 121,243
Real estate income	71	86
Realized gains on investments	--	52
Gain on sale of fixed assets	19	2
Realized and unrealized gains on marketable securities	276	429
Equity in earnings of affiliates	89	42
Interest income	903	309
Translation gain	19,876	--
Leisure-time income	716	770
Gain from redemption of debt and other income	4,341	283
Total revenues	165,411	123,216
EXPENSES:		
Chemical expense - cost of goods sold	126,178	110,648
Real estate expenses	175	38
Loss from impairment of investments	33,600	--
Interest expense	9,766	13,998
Translation loss	--	17,721
Marketing expenses	2,575	1,872
General, administrative and other	14,781	12,503
Total expenses	187,075	156,780
Loss from continuing operations before income taxes	(21,664)	(33,564)
Income tax benefit	(1,292)	(1,438)
Net loss from continuing operations after tax benefits	(20,372)	(32,126)
Discontinued operations		
Income from discontinued operations, net of tax	--	774
	--	774
Net loss	(20,372)	(31,352)
Less: Net loss attributable to noncontrolling interests	138	5,550
Net loss attributable to Ampal's shareholders	(20,234)	(25,802)
Basic and diluted EPS:		
Loss from continuing operations attributable to Ampal's shareholders	(0.36)	(0.47)
Discontinued operations attributable to Ampal's shareholders	--	0.01
	\$ (0.36)	\$ (0.46)
Shares used in EPS calculation (in thousands)	56,134	56,134

(*) Retroactively adjusted to exclude the discontinued operations (see Note 8)

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

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

NINE MONTHS ENDED SEPTEMBER 30, (U.S. Dollars in thousands)	2011 (Unaudited)	2010(*) (Unaudited)
Cash flows from operating activities:		
Net loss for the period	\$(53,925)	\$(38,637)
Net income from discontinued operations	(34,066)	(3,562)
Loss from continuing operations	(87,991)	(42,199)
Adjustments to reconcile net loss for the period to net cash used in operating activities:		
Equity in losses (earnings) of affiliates	(268)	156
Realized and unrealized gain on investments, net	(297)	(1,381)
Depreciation and amortization expense	15,190	13,267
Loss (gain) from sale of fixed assets	(59)	12
Impairment of investment	50,523	--
Non cash stock based compensation	479	481
Translation loss (gain)	(12,620)	7,109
Decrease (increase) in other assets	12,840	(9,241)
Increase in inventories	(1,486)	(6,323)
Decrease (increase) in accounts receivable	(1,387)	4,041
Decrease in accounts payable, accrued expenses and other	(18,322)	(5,315)
Gain from repurchase of debentures	(4,677)	--
Proceeds from sale of trading securities	318	1,761
Investments made in trading securities	(12,687)	--
Dividends received from affiliates	--	928
Net cash used in operating activities	(60,444)	(36,704)
Cash flows from investing activities:		
Deposits, notes and loans receivable collected	18,618	10,500
Deposits, notes and loans receivable granted	--	(17,850)
Purchase and improvements of fixed assets	(6,704)	(4,551)
Investments made in affiliates and others	--	(30,428)
Investments made in available-for-sale shares	--	(3,737)
Proceeds from sale of available-for-sale shares	2,198	31,120
Acquisition of ADPO	--	(38,505)
Proceeds from disposal of investments in Affiliate and others	--	1,980
Increase in severance fund	(434)	--
Proceeds from sale of fixed assets	432	338
Net cash provided by (used in) investing activities	14,110	(51,133)

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

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

NINE MONTHS ENDED SEPTEMBER 30, (U.S. Dollars in thousands)	2011 (Unaudited)	2010(*) (Unaudited)
Cash flows from financing activities:		
Proceeds from notes issued and loans received	\$ 8,712	\$ 124,631
Notes and loans payable repaid	(66,473)	(2,322)
Debentures repaid	(13,565)	(2,256)
Debentures issued	--	45,009
Acquisition of noncontrolling interests	--	(839)
Dividends paid to noncontrolling interests	(354)	(1,372)
Net cash provided by (used in) financing activities	(71,680)	162,851
Effect of exchange rate changes on cash and cash equivalents	(6,064)	3,609
Cash flows from discontinued operations:		
Cash provided by (used in) operating activities of discontinued operations	(18,124)	36,393
Cash provided by (used in) investing activities of discontinued operations	174,085	(341,534)
Cash provided by (used in) financing activities of discontinued operations	(3,973)	208,849
Effect of exchange rate changes on cash and cash equivalents of discontinued operations	(901)	566
Net cash provided by (used in) discontinued operations	151,087	(95,726)
Net increase (decrease) in cash and cash equivalents	27,009	(17,103)
Cash and cash equivalents at beginning of period (which includes \$8,851 from discontinued operations in 2011)	42,192	71,484
Cash and cash equivalents at end of period	\$ 69,201	\$ 54,381
Less cash and cash equivalents of discontinued operations at end of the period	--	1,601
Cash and cash equivalents of continuing operations at end of the period	69,201	52,780

(*) Retroactively adjusted to exclude the discontinued operations (see Note 8)

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

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

(U.S. Dollars in thousands)

Unaudited

Equity attributable to Ampal-American Israel Corporation
shareholders

Class A Stock

	Number of shares*	Amount	Additional paid-in capital	Accumulated deficiency	Accumulated other comprehensive income (loss)	Treasury stock	Non-controlling interests	Total equity
BALANCE AT JANUARY 1, 2011	63,277	63,277	182,924	(32,316)	103	(28,763)	(6,677)	178,548
CHANGES DURING THE NINE MONTHS ENDED SEPTEMBER 30, 2011:								
Net loss for the period				(42,331)			(11,594)	(53,925)
Unrealized loss from marketable securities					(5)			(5)
Foreign currency translation adjustments					(9,768)		(19)	(9,787)
Total comprehensive income (loss)								(63,717)
Dividend paid to noncontrolling interests							(354)	(354)
Share-based compensation expense			479					479
BALANCE AT SEPTEMBER 30, 2011	63,277	63,277	183,403	(74,647)	(9,670)	(28,763)	(18,644)	114,956

* In thousands

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

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

(U.S. Dollars in thousands)

Unaudited

Equity attributable to Ampal-American Israel Corporation shareholders
Class A Stock

	Number of shares*	Amount	Additional paid-in capital	Accumulated deficiency	Accumulated other comprehensive income (loss)	Treasury stock	Non-controlling Interests	Total equity
BALANCE AT JANUARY 1, 2010	63,277	63,277	184,287	12,426	(14,598)	(28,763)	(75)	216,554
CHANGES DURING THE NINE MONTHS ENDED SEPTEMBER 30, 2010:								
Net loss for the period				(35,774)			(2,863)	(38,637)
Unrealized loss from marketable securities					(11)			(11)
Foreign currency translation adjustments					7,706		(458)	7,248
Total comprehensive loss								(31,400)
Acquisition of noncontrolling interests			(368)					(368)
Dividends paid			(1,372)					(1,372)