
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): May 9, 2005

American Real Estate Partners, L.P.

(Exact name of registrant as specified in its charter)

| | | |
|--|--------------------------|-----------------------------------|
| Delaware | 1-9516 | 13-3398766 |
| (State or other jurisdiction of incorporation) | (Commission File Number) | (IRS Employer Identification No.) |
| 100 South Bedford Road, Mt. Kisco, NY | | 10549 |
| (Address of principal executive offices) | | (Zip Code) |

Registrant's telephone number, including area code: **(914) 242-7700**

N/A

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communication pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Section 2 – Financial Information

Item 2.02 Results of Operations and Financial Condition.

Section 7 – Regulation FD

Item 7.01 Regulation FD Disclosure

The following information is furnished pursuant to Item 2.02, “Results of Operations and Financial Condition” and Item 7.01, “Regulation FD Disclosure.”

On May 9, 2005, American Real Estate Partners, L.P. (“AREP”) issued a press release setting forth AREP’s first-quarter 2005 earnings. A copy of AREP’s press release is attached as Exhibit 99.1.

Item 9.01 Financial Statements and Exhibits.

(c) Exhibits

Exhibit 99.1 Press Release dated May 9, 2005

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SIGNATURES

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

AMERICAN REAL ESTATE PARTNERS, L.P.
(Registrant)

By: American Property Investors, Inc.
General Partner

By: /s/ John P. Saldarelli
John P. Saldarelli
Vice President, Chief Financial Officer,
Secretary and Treasurer

Date: May 9, 2005

EXHIBIT INDEX

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|----------------------------------|
| 99.1 | Press Release dated May 9, 2005. |

Contact: John P. Saldarelli
Secretary and Treasurer
(914) 242-7700

FOR IMMEDIATE RELEASE

AMERICAN REAL ESTATE PARTNERS, L.P.
REPORTS FIRST QUARTER RESULTS

Mount Kisco, New York, May 9, 2005 - American Real Estate Partners, L.P. ("AREP") (NYSE:ACP) today reported the following first quarter financial results:

For the first quarter of 2005, net earnings were \$59.4 million compared to net earnings of \$63.0 million for the three months ended March 31, 2004. This decrease was primarily due to:

- Gain on sale of marketable equity and debt securities in 2004, \$28.8 million;
 - Decreased gain on sales of real estate from continuing operations, \$5.9 million; and
 - Increased interest expense, \$13.0 million;
- partially offset by:
- Increased income from discontinued operations due to gains on sale of real estate, \$9.5 million;
 - Unrealized gains on securities sold short in 2005, \$21.7 million;
 - Increased interest and other income, \$12.0 million; and
 - Other items, \$0.9 million.

CONSOLIDATED RESULTS OF EARNINGS
In thousands of dollars except per unit data

| <u>First quarter ended March 31,</u> <u>(unaudited)</u> | <u>2005</u> | <u>2004</u> <u>(Restated)</u> |
|--|-------------|----------------------------------|
| Revenues | \$ 130,623 | \$ 102,219 |
| Operating income | \$ 25,670 | \$ 24,142 |
| Other losses | (180) | (4) |
| Gain on sales and disposition of real estate | 186 | 6,047 |
| Gain on sales of marketable equity securities | — | 28,857 |
| Unrealized gains on securities sold short | 21,704 | — |
| Income tax expense | (7,650) | (6,169) |
| Income from continuing operations | 39,730 | 52,873 |
| Income from discontinued operations | 19,680 | 10,147 |
| Net earnings | \$ 59,410 | \$ 63,020 |
| Net earnings per L.P. unit: | | |
| Basic: | | |
| Income from continuing operations | \$.84 | \$ 1.03 |
| Income from discontinued operations | .42 | .22 |
| Basic earnings per L.P. unit | \$ 1.26 | \$ 1.25 |
| Weighted average units outstanding | 46,098,284 | 46,098,284 |
| Diluted: | | |
| Income from continuing operations | \$.81 | \$.93 |
| Income from discontinued operations | .39 | .19 |
| Diluted earnings per L.P. unit | \$ 1.20 | \$ 1.12 |
| Weighted average units and equivalent units outstanding | 49,857,622 | 52,499,303 |

The following table presents AREP's consolidated summary balance sheet data as of March 31, 2005 and December 31, 2004, actual (\$ in millions):

| | March 31, 2005 | December 31, 2004 |
|---|-------------------|----------------------|
| Assets | | |
| Cash, investments, securities and other | \$ 1,559 | \$ 1,005 |
| Other current assets | 94 | 126 |
| | <u>1,653</u> | <u>1,131</u> |
| Non-current investments | 250 | 251 |
| Land and construction in progress | 106 | 107 |
| Real estate leased to others | 127 | 134 |
| Hotel, casino and resort properties | 335 | 339 |
| Other non current assets | 305 | 301 |
| | <u>1,123</u> | <u>1,132</u> |
| | <u>\$ 2,776</u> | <u>\$ 2,263</u> |
| Liabilities | | |
| Current liabilities | \$ 191 | \$ 204 |
| Senior notes | 1,046 | 566 |
| Other long term-term liabilities | 179 | 190 |
| | <u>1,416</u> | <u>960</u> |
| Partners Equity | 1,360 | 1,303 |
| | <u>\$ 2,776</u> | <u>\$ 2,263</u> |

The following table presents AREP's consolidated summary income statement information, actual and pro forma, for the first quarter of 2005 and the first quarter of 2004 (\$ in millions):

| | Three Months Ended March 31, | | | |
|---------------|------------------------------|----------------------|----------------|-----------------------|
| | Actual 2005 | Pro Forma(1) 2005 | Actual 2004 | Pro Forma (1) 2004 |
| Total revenue | 130.6 | 210.7 | 102.2 | 184.9 |
| EBITDA(2) | 93.4 | 124.3 | 82.8 | 114.8 |
| Net Earnings | 59.4 | 29.6 | 63.0 | 70.2 |

(1) Pro forma for the acquisitions of NEG Holding LLC, TransTexas Gas Corporation, Panaco, Inc. and GB Holdings, Inc. (The Sands Hotel and Casino in Atlantic City, New Jersey).

(2) Represents net earnings before interest expense, income tax expense (benefit), and depreciation, depletion and amortization. Net earnings include and revenue/EBITDA excludes the effect of marking to market future oil and gas derivatives which was a \$2.7 million gain in the first quarter of 2005 and a \$38.8 million loss in the first quarter of 2005. This is a non-cash transaction.

The following table reconciles net earnings to EBITDA for the first quarter of 2005 and 2004 actual and pro forma (\$ in millions):

AREP
Consolidated Summary Income Statement
Reconciliation of Net Earnings to EBITDA

| | For the Three Months Ended March 31, | | | |
|--|--------------------------------------|----------------------|----------------|----------------------|
| | Actual 2005 | Pro Forma(1) 2005 | Actual 2004 | Pro Forma(1) 2004 |
| Net earnings | \$ 59.4 | \$ 29.6 | \$ 63.0 | \$ 70.2 |
| Interest Expense | 19.2 | 23.8 | 6.2 | 11.6 |
| Depreciation, depletion and amortization | 7.2 | 29.0 | 7.4 | 27.3 |
| Income tax expense | 7.6 | 3.1 | 6.2 | 8.4 |
| Change in fair market of derivative contract | — | 38.8 | — | (2.7) |
| EBITDA | <u>\$ 93.4</u> | <u>\$ 124.3</u> | <u>\$ 82.8</u> | <u>\$ 114.8</u> |

The following table presents AREP's detailed revenues for the first quarter of 2005 and 2004, actual (\$ in millions):

| | Three Months Ended March 31, | |
|-------------------------------|------------------------------|-----------------|
| | 2005 | 2004 |
| Revenues: | | |
| Hotel and Casino | \$ 82.8 | \$ 75.0 |
| Real estate | 17.8 | 11.3 |
| Oil and gas | 13.2 | 10.5 |
| Interest, dividends and other | 17.8 | 5.7 |
| Equity in loss of GB Holdings | (1.0) | (0.3) |
| Total revenues | <u>\$ 130.6</u> | <u>\$ 102.2</u> |

The following table presents AREP's detailed revenues for the first quarter of 2005 and 2004, pro forma (\$ in millions):

| | Three Months Ended March 31, | |
|-------------------------------|------------------------------|-----------------|
| | 2005 | 2004 |
| Revenues: | | |
| Hotel and Casino | \$ 122.8 | \$ 116.0 |
| Real estate | 17.8 | 11.3 |
| Oil and gas | 52.3 | 51.8 |
| Interest, dividends and other | 17.8 | 5.7 |
| Total revenues | <u>\$ 210.7</u> | <u>\$ 184.9</u> |

Oil and Gas

After the acquisitions are completed, AREP intends to consolidate its oil and gas properties, consisting of its membership interest in NEG Holding and 100% of the equity of TransTexas and Panaco, under AREP Oil & Gas LLC, a wholly-owned subsidiary of American Real Estate Holdings Limited Partnership ("AREH").

For the first quarter of 2005, AREP's oil and gas business (pro forma for the acquisitions) had a net loss of \$17.4 million and EBITDA of \$37.9 million. For the first quarter of 2004, AREP's oil and gas businesses (pro forma for the acquisitions) had net earnings of \$19.1 million and EBITDA of \$36.5 million. The following table sets forth a reconciliation of EBITDA to net earnings (pro forma) for AREP's oil and gas business (\$ in millions):

AREP
Reconciliation of Net Loss to EBITDA (Pro Forma)
For the Quarter Ended March 31, 2005

| | NEG Holding | TransTexas | Panaco | Total |
|--|----------------|----------------|---------------|----------------|
| Net Loss | \$ (11.1) | \$ (4.1) | \$ (2.2) | \$ (17.4) |
| Interest Expense | 0.7 | 0.8 | 0.6 | 2.1 |
| Interest income and other | 0.2 | — | (0.2) | — |
| Income tax (benefit) expense | — | (2.2) | (1.2) | (3.4) |
| Depreciation, depletion and amortization | 6.5 | 7.0 | 3.2 | 16.7 |
| Accretion of asset retirement obligation | 0.2 | 0.1 | 0.8 | 1.1 |
| Change in fair market of derivative contract | 22.6 | 9.8 | 6.4 | 38.8 |
| EBITDA | <u>\$ 19.1</u> | <u>\$ 11.4</u> | <u>\$ 7.4</u> | <u>\$ 37.9</u> |

AREP
Oil and Gas
Reconciliation of Net Earnings to EBITDA (Pro Forma)
For the Quarter Ended March 31, 2004

| | NEG Holding | TransTexas | Panaco | Total |
|--|----------------|------------|--------|---------|
| Net earnings | \$ 14.1 | \$ 3.4 | \$ 1.6 | \$ 19.1 |
| Interest Expense | 0.5 | 1.0 | 0.6 | 2.1 |
| Interest income and other | (0.1) | — | (0.1) | (0.2) |
| Income tax (benefit) expense | — | 1.9 | — | 1.9 |
| Depreciation, depletion and amortization | 5.5 | 5.9 | 4.7 | 16.1 |

| | NEG Holding | TransTexas | Panaco | Total |
|--|----------------|----------------|---------------|----------------|
| Accretion of asset retirement obligation | 0.1 | 0.1 | — | 0.2 |
| Change in fair market of derivative contract | (2.7) | — | — | (2.7) |
| EBITDA | <u>\$ 17.4</u> | <u>\$ 12.3</u> | <u>\$ 6.8</u> | <u>\$ 36.5</u> |

Gaming and Entertainment

American Casino & Entertainment Properties LLC, an indirect wholly-owned subsidiary of AREH (“ACEP”), owns three Las Vegas casinos, Stratosphere Casino Hotel and Tower, Arizona Charlie’s Decatur and Arizona Charlie’s Boulder. After the acquisitions, AREH will own approximately 77.5% of GB Holdings, Inc., which indirectly owns The Sands Hotel and Casino in Atlantic City, New Jersey.

For the first quarter of 2005, AREP’s gaming and entertainment businesses (pro forma for the acquisition of securities of GB Holdings) had net income of \$6.0 million and EBITDA of \$27.7 million. For the first quarter of 2004, AREP’s gaming and entertainment businesses (pro forma for the acquisition) had net earnings of \$3.0 million and EBITDA of \$25.3 million. The following tables set forth a reconciliation for EBITDA to net income (pro forma) for AREP’s gaming and entertainment businesses (\$ in millions):

AREP
Gaming and Entertainment
Reconciliation of Net Income (Loss) to EBITDA (Pro Forma)
For the Quarter Ended March 31, 2005

| | GB Holdings | ACEP | Total |
|---------------------------------------|----------------|----------------|----------------|
| Net income (loss) | \$ (4.1) | \$ 10.1 | \$ 6.0 |
| Interest expense | 2.5 | 4.5 | 7.0 |
| Interest income and other | (0.1) | (0.1) | (0.2) |
| Provision for income taxes | 0.2 | 5.3 | 5.5 |
| Depreciation and amortization expense | 4.0 | 5.4 | 9.4 |
| EBITDA | <u>\$ 2.5</u> | <u>\$ 25.2</u> | <u>\$ 27.7</u> |

AREP
Gaming and Entertainment
Reconciliation of Net Income (Loss) to EBITDA (Pro Forma)
For the Quarter Ended March 31, 2004

| | GB Holdings | ACEP | Total |
|---------------------------|-------------|--------|--------|
| Net income (loss) | \$ (3.2) | \$ 6.2 | \$ 3.0 |
| Interest expense | 3.2 | 4.4 | 7.6 |
| Interest income and other | 0.6 | (0.3) | 0.3 |

| | <u>GB Holdings</u> | <u>ACEP</u> | <u>Total</u> |
|---------------------------------------|--------------------|----------------|----------------|
| Provision for income taxes | 0.3 | 4.6 | 4.9 |
| Depreciation and amortization expense | 3.6 | 5.9 | 9.5 |
| EBITDA | <u>\$ 4.5</u> | <u>\$ 20.8</u> | <u>\$ 25.3</u> |

Real Estate

During the three months ended March 31, 2005, AREP sold four rental real estate properties and a golf resort for approximately \$51.9 million which were encumbered by mortgage debt of approximately \$10.7 million which was repaid from the sales proceeds. The carrying value of the properties was approximately \$33.0 million, representing a gain on sale of approximately \$18.9 million.

Investments

AREP sold short certain equity securities. Such liability is recorded at market value at the balance sheet date and gains and losses are reflected in the statement of earnings. In the three months ended March 31, 2005, AREP recorded unrealized gains on securities sold short of approximately \$21.7 million. Based on market value at May 1, 2005, such liability had increased and assuming no change in value at June 30, 2005, AREP would record losses on securities sold short of approximately \$27.7 million and \$6.0 million in the three and six months ended June 30, 2005, respectively.

Conference Call Information: AREP will hold a conference call to discuss financial and operational results on Tuesday, May 10, 2005 at 9:30 a.m., Eastern Time. The webcast will be broadcast live and may be joined by visiting AREP's website at <http://www.areplp.com>. It will also be archived and made available at <http://www.areplp.com> under the Investor Relations Section. For those wishing to monitor only the audio portion of the webcast, a dial-in number, (800) 720-7524, has been established. There is no access code.

American Real Estate Partners, L.P., a master limited partnership, is a diversified holding company engaged in a variety of businesses. AREP's businesses currently include rental real estate; real estate development; hotel and resort operations; hotel and casino operations; oil and gas exploration and production; and investments in equity and debt securities.

This release contains certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, many of which are beyond our ability to control or predict. Forward-looking statements may be identified by words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "will," or words of similar meaning and include, but are not limited to, statements about the expected future business and financial performance of AREP and its subsidiaries. Among these risks and uncertainties are changes in general economic conditions, the extent, duration and strength of any economic recovery, the extent of any tenant bankruptcies and insolvencies, our ability to maintain tenant occupancy at current levels, our ability to obtain, at reasonable costs, adequate insurance coverage, risks related to our hotel and casino operations, including the effect of regulation,

substantial competition, rising operating costs and economic downturns, competition for investment properties, risks related to our oil and gas operations, including costs of drilling, completing and operating wells and the effects of regulation, and other risks and uncertainties detailed from time to time in our filings with the SEC. We undertake no obligation to publicly update or review any forward-looking information, whether as a result of new information, future developments or otherwise.