

Edgar Filing: AMERICAN AIRLINES INC - Form 8-K

AMERICAN AIRLINES INC
Form 8-K
July 19, 2001

1

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 earliest event
reported: July 18, 2001

American Airlines, Inc.
(Exact name of registrant as specified in its charter)

Delaware 1-2691 13-1502798
(State of Incorporation) (Commission File Number) (IRS Employer
Identification No.)

4333 Amon Carter Blvd. Fort Worth, Texas 76155
(Address of principal executive offices) (Zip Code)

(817) 963-1234
(Registrant's telephone number)

2

Item 5. Other Events

American Airlines, Inc. (American, a wholly owned subsidiary of AMR Corporation) collective bargaining agreement with the Association of Professional Flight Attendants (APFA) became amendable on November 1, 1998. In May 1999, American and the APFA reached a tentative agreement on a new labor contract. The tentative agreement was approved by the APFA Board of Directors and sent out for membership ratification, but subsequently was rejected by the APFA membership. Negotiations continued between American and the APFA with the assistance of a federal mediator. On May 23, 2001, the National Mediation Board (NMB) declared an impasse and

Edgar Filing: AMERICAN AIRLINES INC - Form 8-K

proffered binding arbitration to the APFA and American. American agreed to arbitration but because the APFA did not also agree, the proffer was rejected and on May 31, 2001, a 30-day "cooling off" period commenced. Beginning July 1, 2001, either party could resort to self-help remedies, including a strike against American by the members of the APFA. On June 25, 2001, the White House announced that it would appoint a Presidential Emergency Board (PEB) to intervene in American's negotiations with the APFA if a negotiated settlement had not been reached by July 1, 2001. However, on June 30, 2001, prior to the appointment of a PEB, American and the APFA reached a tentative agreement on a new contract. The APFA Board approved the tentative agreement on July 11, 2001, and the agreement has been submitted to the APFA membership for ratification. It is anticipated that the membership's decision will be known in September 2001. If the tentative agreement is rejected by the APFA, then unless the President then appoints a PEB, either party will be permitted to resort to self-help remedies, which include, but are not limited to, a strike by the members of the APFA. However, the Company and the APFA have agreed to a timetable under which neither party will resort to self-help remedies for a period of 30 days following the failure of the APFA membership to ratify the tentative agreement. Any work stoppage by the APFA members would have a material adverse impact on American and AMR Corporation.

In another matter, on June 26, 2001, the U.S. Department of Justice appealed the granting of American's motion for summary judgment in the U.S. government's 1999 civil lawsuit alleging predatory pricing by American. The government has requested that the 10th Circuit Court of Appeals set the following briefing schedule: the government's brief to be filed on September 28, 2001; American's response to be filed November 20, 2001; and the government's reply to be filed on December 11, 2001. American did not oppose the government's request. No date has been set for oral argument.

Also, American is filing herewith a press release issued on July 18, 2001 by its parent company, AMR Corporation, as Exhibit 99.1 which is included herein. This press release was issued to report AMR's second quarter 2001 earnings.

Item 7. Financial Statements and Exhibits

The following exhibits are included herein:

99.1 Press Release

3

SIGNATURE

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 Airlines, Inc.

Edgar Filing: AMERICAN AIRLINES INC - Form 8-K

/s/ Charles D. MarLett
Charles D. MarLett
Corporate Secretary

Dated: July 19, 2001

4

EXHIBIT INDEX

Exhibit	Description
---------	-------------

99.1	Press Release
------	---------------

5

Exhibit 99.1

Contact: Corporate Communications
Fort Worth, Texas
817-967-1577

FOR RELEASE: Wednesday, July 18, 2001

Editor's Note: A live webcast reporting second quarter results will be broadcast on the Internet today at 2 p.m. EDT. Visit www.amrcorp.com then click on "Investor Relations." Real Player or Windows Media required for viewing.

AMR POSTS \$105 MILLION SECOND QUARTER LOSS BEFORE SPECIAL ITEMS
AS ECONOMIC DOWNTURN CONTINUES

FORT WORTH, Texas - AMR Corp., the parent company of both American Airlines, Inc., and TWA Airlines LLC, today reported a second quarter net loss of \$105 million, or \$0.68 loss per share, before special items. This compares with net earnings of \$285 million, or \$1.75 per share diluted, before a special item, recorded in the second quarter of 2000. The company attributed the poor results to the continuing weakness in the U.S. economy and high fuel prices.

"During the second quarter, we experienced a significant reduction in demand for business travel that severely eroded our revenue," said Don Carty, AMR's chairman and chief executive officer. "And despite our fuel hedging program, fuel prices remained high, which put further pressure on earnings."

Carty also said that if current conditions persist, the company anticipates a loss for the third quarter and full year 2001.

Carty noted that AMR has taken steps to trim capacity in response to the decline in business travel. Last month, AMR announced that it will retire 22 aircraft, including TWA's entire fleet of 19 DC-9s. These aircraft, originally scheduled to leave the fleet over the next three years, will now be retired by the first quarter of 2002.

"Keeping capacity in line with demand is one of the most important actions we can take in response to these adverse economic

Edgar Filing: AMERICAN AIRLINES INC - Form 8-K

conditions," Carty said. "We have also instituted rigorous cost controls, including a management hiring freeze, and have deferred a number of capital spending projects. All of these measures are being taken to maintain our financial strength so that we will be well positioned once the economy does recover."

- more -

6
AMR Second Quarter Results
July 18, 2001
Page 2

Carty noted that AMR achieved several strategic successes in recent weeks, including reaching tentative agreements with its mechanics and flight attendants, and ratification of an agreement with its pilots regarding the process for integrating TWA assets into American. Carty said these agreements underscore the company's desire to work cooperatively with all of its employee groups to create the world's greatest airline.

Carty also noted that the TWA integration project has achieved numerous milestones and continues to move forward briskly.

During the second quarter, the company recorded two special items. First, the company recorded a \$29 million after tax gain from the settlement of a legal matter. Second, the company recorded a \$430 million after tax charge for the writedown of certain aircraft values in accordance with SFAS 121, "Accounting for the Impairment of Long-Lived Assets."

Including these items, AMR recorded a loss of \$507 million, or \$3.29 per share, for the second quarter.

Second Quarter Results (in millions, except per share amounts)	2001		2000	
	Amount (net of tax)	Earnings per share	Amount (net of tax)	Diluted earnings per share
Net income (loss) before special items	(\$105)	(\$0.68)	\$285	\$1.75
Legal settlement	29	0.19	--	--
Aircraft charge	(430)	(2.79)	--	--
Sale of priceline.com stock	--	--	36	0.21
Net income (loss)	(\$507)	(\$3.29)	\$321	\$1.96

-- more --

7
AMR Second Quarter Results
July 18, 2001
Page 3

Editor's Note: AMR's Chief Financial Officer, Tom Horton, will

Edgar Filing: AMERICAN AIRLINES INC - Form 8-K

make a presentation to analysts during a teleconference on Wednesday, July 18, from 2 p.m. to 2:45 p.m. EDT. Following the analyst call, he will hold a question and answer conference call for media from 3 p.m. to 3:45 p.m. Reporters interested in listening to Mr. Horton's presentation or participating in the media Q & A conference call should call 817-967-1577 for details.

Statements in this news release contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Act of 1934, as amended, which represent the Company's expectations or beliefs concerning future events. When used in this release, the words "expects," "anticipates," and similar expressions are intended to identify forward-looking statements. All forward-looking statements in this release are based upon information available to the Company on the date of this release. The company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Forward-looking statements are subject to a number of factors that could cause actual results to differ materially from our expectations. Additional information concerning these and other factors is contained in the Company's Securities and Exchange Commission filings, including but not limited to the Form 10-K for the year ended Dec. 31, 2000.

Detailed financial information follows.

8

AMR CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share amounts)
(Unaudited)

	Three Months Ended June 30, 2001 (1)	2000	Percent Change
Revenues			
Passenger - American Airlines	\$3,974	\$4,191	(5.2)
- TWA LLC	671	-	-
- AMR Eagle	409	368	11.1
Cargo	190	180	5.6
Other revenues	339	272	24.6
Total operating revenues	5,583	5,011	11.4
Expenses			
Wages, salaries and benefits	2,126	1,674	27.0
Aircraft fuel	842	567	48.5
Depreciation and amortization	352	294	19.7
Maintenance, materials and repairs	298	272	9.6
Other rentals and landing fees	320	256	25.0
Commissions to agents	260	273	(4.8)
Food service	218	198	10.1
Aircraft rentals	226	151	49.7
Asset impairment charge	685	-	-
Other operating expenses	1,016	809	25.6
Total operating expenses	6,343	4,494	41.1
Operating Income (Loss)	(760)	517	*

Edgar Filing: AMERICAN AIRLINES INC - Form 8-K

Other Income (Expense)			
Interest income	24	34	(29.4)
Interest expense	(132)	(115)	14.8
Interest capitalized	38	36	5.6
Miscellaneous - net	37	50	(26.0)
	(33)	5	*
Income (Loss) Before Income Taxes	(793)	522	*
Income tax provision (benefit)	(286)	201	*
Net Earnings (Loss)	\$ (507)	\$ 321	*
Earnings (Loss) Per Share			
Basic	\$ (3.29)	\$ 2.15	
Diluted	\$ (3.29)	\$ 1.96	
Number of Shares Used in Computation			
Basic	154	150	
Diluted	154	164	

(1) Includes the results of TWA LLC for the period April 10, 2001 through June 30, 2001.

* Greater than 100%

Note: Certain amounts have been reclassified to conform with 2001 presentation.

9

AMR CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share amounts)
(Unaudited)

EXCLUDES THE RESULTS OF TWA LLC

	Three Months Ended June 30, 2001	2000	Percent Change
Revenues			
Passenger - American Airlines	\$3,974	\$4,191	(5.2)
- AMR Eagle	409	368	11.1
Cargo	174	180	(3.3)
Other revenues	281	272	3.3
Total operating revenues	4,838	5,011	(3.5)
Expenses			
Wages, salaries and benefits	1,840	1,674	9.9
Aircraft fuel	721	567	27.2
Depreciation and amortization	327	294	11.2
Maintenance, materials and repairs	282	272	3.7
Other rentals and landing fees	274	256	7.0
Commissions to agents	229	273	(16.1)
Food service	200	198	1.0
Aircraft rentals	144	151	(4.6)
Asset impairment charge	685	-	-
Other operating expenses	884	809	9.3
Total operating expenses	5,586	4,494	24.3

Edgar Filing: AMERICAN AIRLINES INC - Form 8-K

Operating Income (Loss)	(748)	517	*
Other Income (Expense)			
Interest income	23	34	(32.4)
Interest expense	(123)	(115)	7.0
Interest capitalized	38	36	5.6
Miscellaneous - net	37	50	(26.0)
	(25)	5	*
Income (Loss) Before Income Taxes	(773)	522	*
Income tax provision (benefit)	(279)	201	*
Net Earnings (Loss)	\$ (494)	\$ 321	*
Earnings (Loss) Per Share			
Basic	\$ (3.20)	\$ 2.15	
Diluted	\$ (3.20)	\$ 1.96	
Number of Shares Used in Computation			
Basic	154	150	
Diluted	154	164	

* Greater than 100%

Note: Certain amounts have been reclassified to conform with 2001 presentation.

10

AMR CORPORATION
OPERATING STATISTICS
(Unaudited)

	Three Months Ended June 30,		Percent Change
	2001	2000	
American Airlines			
Revenue passenger miles (millions)	29,506	30,449	(3.1)
Available seat miles (millions)	41,016	40,095	2.3
Cargo ton miles (millions)	574	571	0.5
Passenger load factor	71.9%	75.9%	(4.0) pts.
Breakeven load factor (*)	74.2%	65.6%	8.6 pts.
Passenger revenue yield per passenger mile (cents)	13.47	13.76	(2.1)
Passenger revenue per available seat mile (cents)	9.69	10.45	(7.3)
Cargo revenue yield per ton mile (cents)	30.01	31.04	(3.3)
Operating expenses per available seat mile (cents) (*)	10.98	10.32	6.4
Fuel consumption (gallons, in millions)	784	759	3.3
Fuel price per gallon (cents)	86.8	71.0	22.3
Fuel price per gallon, excluding fuel taxes (cents)	81.3	65.9	23.4
Operating aircraft at period-end	725	712	1.8

TWA LLC (**)

Edgar Filing: AMERICAN AIRLINES INC - Form 8-K

Revenue passenger miles (millions)	5,682
Available seat miles (millions)	8,028
Passenger load factor	70.8%
Passenger revenue yield per passenger mile (cents)	11.81
Passenger revenue per available seat mile (cents)	8.36
Operating expenses per available seat mile (cents)	9.43
Operating aircraft at period-end	180

AMR Eagle

Revenue passenger miles (millions)	1,030	961	7.2
Available seat miles (millions)	1,680	1,546	8.7
Passenger load factor	61.3%	62.2%	(0.9) pts.
Operating aircraft at period-end	271	272	(0.4)

AMR Corporation

Average Equivalent Number of Employees

American Airlines	96,000	93,100
TWA LLC	19,200	-
Other	13,100	12,800
Total	128,300	105,900

(*) Excludes the second quarter 2001 asset impairment charge.

(**) For the period April 10, 2001 through June 30, 2001.

11

AMR CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share amounts)
(Unaudited)

	Six Months Ended June 30, 2001 (1)	2000	Percent Change
Revenues			
Passenger - American Airlines	\$7,909	\$7,965	(0.7)
- TWA LLC	671	-	-
- AMR Eagle	763	706	8.1
Cargo	366	347	5.5
Other revenues	634	570	11.2
Total operating revenues	10,343	9,588	7.9
Expenses			
Wages, salaries and benefits	3,872	3,291	17.7
Aircraft fuel	1,549	1,120	38.3
Depreciation and amortization	665	582	14.3
Maintenance, materials and repairs	578	543	6.4
Other rentals and landing fees	577	493	17.0
Commissions to agents	484	530	(8.7)
Food service	402	383	5.0
Aircraft rentals	374	304	23.0

Edgar Filing: AMERICAN AIRLINES INC - Form 8-K

Asset impairment charge	685	-	-
Other operating expenses	1,921	1,613	19.1
Total operating expenses	11,107	8,859	25.4
Operating Income (Loss)	(764)	729	*
Other Income (Expense)			
Interest income	64	66	(3.0)
Interest expense	(251)	(234)	7.3
Interest capitalized	79	74	6.8
Miscellaneous - net	22	44	(50.0)
	(86)	(50)	72.0
Income (Loss) From Continuing			
Operations Before Income Taxes	(850)	679	*
Income tax provision (benefit)	(300)	269	*
Income (Loss) From Continuing			
Operations	(550)	410	*
Income From Discontinued			
Operations (net of applicable			
income taxes and minority interest)	-	43	-
Net Earnings (Loss)	\$ (550)	\$ 453	*

Continued on next page.

12

AMR CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS (CONTINUED)
(in millions, except per share amounts)
(Unaudited)

Six Months Ended June 30,
2001 (1) 2000

Earnings (Loss) Per Share

Basic

Income (Loss) from Continuing		
Operations	\$ (3.58)	\$ 2.75
Discontinued Operations	-	0.29
Net Earnings (Loss)	\$ (3.58)	\$ 3.04

Diluted

Income (Loss) from Continuing		
Operations	\$ (3.58)	\$ 2.58
Discontinued Operations	-	0.27
Net Earnings (Loss)	\$ (3.58)	\$ 2.85

Number of Shares Used in
Computation

Basic	154	149
Diluted	154	159

Edgar Filing: AMERICAN AIRLINES INC - Form 8-K

(1) Includes the results of TWA LLC for the period April 10, 2001 through June 30, 2001.

* Greater than 100%

Note: Certain amounts have been reclassified to conform with 2001 presentation.

13

AMR CORPORATION
OPERATING STATISTICS
(Unaudited)

	Six Months Ended 2001	June 30, 2000	Percent Change
American Airlines (*)			
Revenue passenger miles (millions)	55,958	57,471	(2.6)
Available seat miles (millions)	79,993	80,115	(0.2)
Cargo ton miles (millions)	1,123	1,117	0.5
Passenger load factor	70.0%	71.7%	(1.7) pts.
Breakeven load factor (**)	71.2%	64.6%	6.6 pts.
Passenger revenue yield per passenger mile (cents)	14.13	13.86	1.9
Passenger revenue per available seat mile (cents)	9.89	9.94	(0.5)
Cargo revenue yield per ton mile (cents)	30.83	30.69	0.5
Operating expenses per available seat mile (cents) (**)	11.12	10.18	9.2
Fuel consumption (gallons, in millions)	1,527	1,489	2.6
Fuel price per gallon (cents)	88.5	71.6	23.6
Fuel price per gallon, excluding fuel taxes (cents)	83.0	66.3	25.2
Operating aircraft at period-end	725	712	1.8
AMR Eagle			
Revenue passenger miles (millions)	1,890	1,822	3.7
Available seat miles (millions)	3,268	3,060	6.8
Passenger load factor	57.8%	59.6%	(1.8) pts.
Operating aircraft at period-end	271	272	(0.4)

(*) Does not include the operating results of TWA LLC.

(**) Excludes the second quarter 2001 asset impairment charge.

###