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AMERICAN AIRLINES INC
Form 8-K
July 19, 2001

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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)

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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

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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

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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.

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

Dated: July 19, 2001

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EXHIBIT INDEX

| Exhibit | Description |
|---------|-------------|
|---------|-------------|

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

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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

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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."

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AMR Second Quarter Results
July 18, 2001
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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 |

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AMR Second Quarter Results
July 18, 2001
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Editor's Note: AMR's Chief Financial Officer, Tom Horton, will

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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.

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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 | * |

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| | | | |
|--------------------------------------|-----------|---------|--------|
| 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.

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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 |

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| | | | |
|--------------------------------------|-----------|---------|--------|
| 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.

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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 (**)

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| | |
|--|-------|
| 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.

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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 |

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| | | | |
|--|----------|--------|--------|
| 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.

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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 |

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(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.

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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.

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