

AMERICAN AIRLINES INC

Form 8-K

October 22, 2003

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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: October 22, 2003

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

Delaware
(State of Incorporation)

1-2691
(Commission File Number)

13-1502798
(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 7. Financial Statements and Exhibits

The following exhibits are included herein:

99.1 Press Release

Item 12. Disclosure of Results of Operations and Financial Condition

American Airlines, Inc. (American) is furnishing herewith a press release issued on October 22, 2003 by its parent company, AMR Corporation, as Exhibit 99.1 which is included herein. This press release was issued to report AMR's third quarter 2003 results.

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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.

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

Dated: October 22, 2003

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EXHIBIT INDEX

Exhibit	Description
99.1	Press Release

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Exhibit 99.1

CONTACT: Al Becker
Corporate Communications

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Fort Worth, Texas
817-967-1577
corp.comm@aa.com

FOR RELEASE: Wednesday, Oct. 22, 2003

Editor's Note: A live Webcast reporting third quarter results will be broadcast on the Internet on Oct. 22 at 1 p.m. EDT (Windows Media Player required for viewing.)

AMR CORPORATION REPORTS BREAK-EVEN RESULTS

AMR Posts Third-Quarter Operating Earnings
Of \$165 Million And Net Earnings Of \$1 Million

Excluding Special Items, AMR Reports Operating Earnings
Of \$141 Million And A Modest Net Loss Of \$23 Million

Airline Ends Quarter With \$3.3 Billion In Total Cash And
Short-Term Investments

AMR's Four-Point Turnaround Plan On Track
In Drive For Sustained Profitability At Acceptable Levels

FORT WORTH, Texas - Continuing to build financial momentum, AMR Corporation, the parent company of American Airlines, Inc., today reported operating earnings of \$165 million and net earnings of \$1 million for the third quarter. In last year's third quarter, AMR reported an operating loss of \$1.3 billion and a net loss of \$924 million, or \$5.93 per share.

Both this year's quarter and last year's third quarter included special items - both gains and losses - resulting mostly from the company's restructuring efforts. In addition, in keeping with the provisions of SFAS 109, AMR's third quarter 2003 results do not reflect a provision for federal and state income taxes.

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Conversely, AMR's third quarter 2002 results reflected a tax benefit. To provide a better comparison between the two periods, after adjusting for these special items and taxes, the company recorded a loss of \$23 million this quarter, or \$0.15 per share, versus a loss of \$741 million, or \$4.76 per share, in the third quarter of last year. (A reconciliation of all non-GAAP measures included in this earnings release is provided in the attachments).

"We are making good progress under the focus and discipline of our four-point Turnaround Plan," said Gerard Arpey, AMR's president and CEO. "Nevertheless, the third quarter is a peak season for the airline industry, and under normal circumstances, we should be doing much better at this time of year than simply breaking even. We have a lot of work to do to achieve sustained profitability at acceptable levels, but we are clearly on the right track.

"When you look at everything we have had to overcome and compare our results in the third quarter with the huge losses in the same period last year," Arpey said, "the progress is very gratifying. Our third quarter performance is unmistakable evidence that we are building critical momentum on the cost side of the business and that those improvements, coupled with other aspects of the Turnaround Plan, are beginning to produce significant financial results.

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"Most especially, AMR has been aided over the past several months by the sacrifices and hard work of our employees, who have rallied behind the Pull Together, Win Together tenet of the Turnaround Plan to help us overcome our financial crisis and take good care of our customers under some very challenging circumstances," Arpey said.

Third quarter highlights included:

- o An 8.1 percent increase in American's mainline unit revenues, reflecting record load factors in July and August.

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- o An 8.6 percent decrease in American's mainline unit costs (excluding special items), despite a 6.3 percent drop in capacity and higher fuel prices.
- o A strong Sept. 30 cash and short-term investment balance of \$3.3 billion (including \$540 million in restricted cash and short-term investments), more than double the low of \$1.6 billion last April.
- o Improved access to the capital markets, underscored by a \$300 million convertible debt transaction closed in September.
- o Cash contributions of \$173 million to the company's pension plans, bringing the year's total pension contributions to more than \$300 million.

One of the biggest challenges facing AMR, Arpey said, is an uncertain revenue environment. There was an encouraging year-over-year increase in quarterly yield, the first such increase since the first quarter of 2001. American's third quarter yield was 11.63 cents, up 2.5 percent from a yield of 11.35 cents in the same period a year ago. But overall, the revenue environment is disappointing, Arpey said, and is negating much of the progress being made in lowering AMR's costs. This, he said, makes all the more important the cost principles of AMR's Turnaround Plan, aimed at lowering the company's costs so it can compete effectively in an industry marked by ever-expanding low-cost competition.

Still, Arpey said, AMR remains confident as it continues to implement initiatives throughout this year and in 2004 that should have a positive effect on the company's financial performance. For example:

- o In 2004, American will benefit for the entire year from the revenue and cost improvements associated with the realignment of its mid-continent hubs at Chicago, Dallas/Fort Worth and St. Louis.
- o American has just begun adding back coach seats on its Boeing 757 and Airbus A300 fleets, both of which will be assigned to predominantly leisure markets. These steps, and the reconfiguration of its Boeing 767-300s and 737-800s, should increase American's passenger revenue in 2004.

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- o The recent launch of American's codeshare service with British Airways and the addition of SWISS International to the oneworld alliance will expand American's network and revenue opportunities in the fourth quarter and beyond.

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- o American today announced an understanding with Kansas City and the state of Missouri that retains portions of AA's Kansas City maintenance base and completes plans for the more efficient allocation of work among the airline's three maintenance bases, giving the company \$100 million in incentives from the base communities and on-going operating efficiencies.
- o American's position is enhanced by the focused efforts of its employees as they pull together and win together, sharing in the value they help create through the 38 million employee stock options issued earlier this year.
- o Continued implementation of AMR's \$2 billion in strategic initiatives. These include completing the simplification of AMR's fleet from 14 to 6 aircraft types when the last F-100 is retired in September, and rolling out more self-service alternatives for customers at airports and on-line.
- o A recent partnership with American Express to issue a co-branded American Express Business ExtrAA Corporate Card that offers rebates and rewards, at the corporate level, for air travel spending on American.
- o Continued emphasis on customer service was recognized at the 10th Annual World Travel Awards, where American was named North America's Leading Airline for the sixth straight year and also won for World's Leading Economy Class and World's Leading Airline Internet Site.

"These and other steps will give us added financial impetus in 2004 that we will use to build on the momentum we are gathering this year," Arpey said. "We have begun a recovery process that should be helped substantially in 2004 by many of the initiatives now underway."

THE TURNAROUND PLAN - A ROAD MAP FOR AMERICAN'S FUTURE

Lower Costs to Compete

Fly Smart - Give Customers What They Value

Pull Together, Win Together

Build a Financial Foundation for Our Future

- more -

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Editor's Note: AMR's president and chief executive officer, Gerard Arpey, and its chief financial officer, Jeff Campbell, will make a presentation to analysts during a teleconference on Wednesday, Oct. 22, from 1p.m. to 1:45 p.m. EDT. Following the analyst call, they will hold a question and answer conference call for media from 2 p.m. to 2:45 p.m. EDT. Reporters interested in listening to the presentation or participating in the media Q&A should call 817-967-1577 for details.

Statements in this news release contain various forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended, which represent the Company's expectations or beliefs concerning future events. When used in this news release, the words "expects," "plans," "anticipates," "believes," and similar expressions are intended to identify forward-looking statements. Forward-looking statements include, without limitation, the Company's expectations concerning operations and financial conditions, including changes in capacity, revenues, and

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costs, expectations as to future financing needs, overall economic conditions and plans and objectives for future operations, the impact on the Company of the events of September 11, 2001 and of its results of operations for the past two years and the sufficiency of its financial resources to absorb that impact. Other forward-looking statements include statements which do not relate solely to historical facts, such as, without limitation, statements which discuss the possible future effects of current known trends or uncertainties, or which indicate that the future effects of known trends or uncertainties cannot be predicted, guaranteed or assured. 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 statement, whether as a result of new information, future events or otherwise. Forward-looking statements are subject to a number of risk factors that could cause actual results to differ materially from our expectations. The following factors, in addition to other possible factors not listed, could cause the Company's actual results to differ materially from those expressed in forward-looking statements: the uncertain financial and business environment the Company faces; the struggling economy; high fuel prices and the availability of fuel; the residual effects of the war in Iraq; conflicts in the Middle East; historically low fare levels and the general competitive environment; the ability of the Company to implement its restructuring program and the effect of the program on operational performance and service levels; uncertainties with respect to the Company's international operations; changes in its business strategy; actions by U.S. or foreign government agencies; the possible occurrence of additional terrorist attacks; another outbreak of SARS; the inability of the Company to satisfy existing liquidity requirements or other covenants in certain of its credit agreements; and the availability of future financing. 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, 2002, and the Form 10-Q for the quarters ended March 31, 2003 and June 30, 2003.

Detailed financial information follows:

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

	Three Months Ended 2003	September 30, 2002	Percent Change
Revenues			
Passenger - American Airlines	\$3,805	\$ 3,754	1.4
- Regional Affiliates **	399	366	9.0
Cargo	135	139	(2.9)
Other revenues	266	265	0.4
Total operating revenues	4,605	4,524	1.8

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Expenses			
Wages, salaries and benefits	1,693	2,121	(20.2)
Aircraft fuel	701	697	0.6
Depreciation and amortization	345	340	1.5
Other rentals and landing fees	302	313	(3.5)
Commissions, booking fees and credit card expense	281	268	4.9
Maintenance, materials and repairs	223	289	(22.8)
Aircraft rentals	165	210	(21.4)
Food service	160	189	(15.3)
Other operating expenses	594	710	(16.3)
Special charges (credits)	(24)	718	*
U.S. government grant	-	(10)	*
Total operating expenses	4,440	5,845	(24.0)
Operating Income (Loss)	165	(1,321)	*
Other Income (Expense)			
Interest income	20	18	11.1
Interest expense	(198)	(171)	15.8
Interest capitalized	17	23	(26.1)
Miscellaneous - net	(3)	2	*
	(164)	(128)	28.1
Income (Loss) Before Income Taxes	1	(1,449)	*
Income tax benefit	-	(525)	*
Net Earnings (Loss)	\$ 1	\$ (924)	*

Continued on next page

* Greater than 100%

** Regional Affiliates includes capacity purchase agreements with American Eagle Airlines, Inc., Executive Airlines, Inc., Trans States Airlines, Inc. and Chautauqua Airlines, Inc.

Note: Certain amounts have been reclassified to conform with the 2003 presentation.

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

	Three Months Ended September 30,	
	2003	2002
Basic and Diluted Earnings (Loss) Per Share	\$ 0.00	\$ (5.93)
Number of Shares Used in Computation		
Basic	159	156
Diluted	181	156

Impact of Special Items and Income Taxes (in millions,	Three Months Ended September 30,	
	2003	2002

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except per share amounts)	Amount	EPS	Amount	EPS
Net earnings (loss) as reported	\$ 1	\$ 0.00	\$ (924)	\$(5.93)
Income tax benefit	-		(525)	
Income (loss) before income taxes	1		(1,449)	
Special charges (credits):				
Employee charges	4		57	
Aircraft and facility costs	40		661	
Gain on restructuring	(68)		-	
U.S. government grant	-		(10)	
Loss before income taxes and special items	\$ (23)	\$ (0.15)	\$ (741)	\$(4.76)

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AMR CORPORATION
OPERATING STATISTICS
(Unaudited)

	Three Months Ended		Percent
	September 30,	September 30,	Change
	2003	2002	
American Airlines, Inc. Mainline Jet Operations			
Revenue passenger miles (millions)	32,718	33,080	(1.1)
Available seat miles (millions)	43,021	45,920	(6.3)
Cargo ton miles (millions)	485	498	(2.6)
Passenger load factor	76.0%	72.0%	4.0 pts.
Passenger revenue yield per passenger mile (cents)	11.63	11.35	2.5
Passenger revenue per available seat mile (cents)	8.84	8.18	8.1
Cargo revenue yield per ton mile (cents)	27.86	27.58	1.0
Operating expenses per available seat mile, excluding Regional Affiliates (cents) (1)	9.43	11.70	(19.4)
Operating expenses per available seat mile, excluding Special charges (credits), U.S. government grant and Regional Affiliates (cents) (1) (2)	9.49	10.38	(8.6)
Fuel consumption (gallons, in millions)	772	839	(8.0)
Fuel price per gallon (cents)	85.0	78.0	9.0
Operating aircraft at period-end	799	826	(3.3)
Regional Affiliates			
Revenue passenger miles (millions)	1,463	1,176	24.4
Available seat miles (millions)	2,190	1,817	20.5
Passenger load factor	66.8%	64.7%	2.1 pts.
AMR Corporation			
Average Equivalent Number of Employees			
American Airlines	81,300	99,700	
Other	11,500	12,000	
Total	92,800	111,700	

(1) The Company believes that excluding costs related to Regional Affiliates provides a measure which is more comparable to American's historical operating expenses per ASM. Following is a reconciliation of total operating expenses to operating expenses excluding Regional Affiliates.

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- (2) The Company believes that excluding Special charges (credits) and U.S. government grant receipts provides a measure that is more representative of ongoing costs and therefore more comparable to American's historical operating expenses per ASM. Following is a reconciliation of total operating expenses to operating expenses excluding Special charges (credits), U.S. government grant and Regional Affiliates.

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AMR CORPORATION
OPERATING STATISTICS (CONTINUED)
(Unaudited)

American Airlines, Inc. Mainline Jet Operations (in millions, except as noted)	Three Months Ended September 30,	
	2003	2002
Total operating expenses (GAAP)	\$ 4,500	\$ 5,409
Less: Operating expenses incurred related to Regional Affiliates	441	33
Operating expenses excluding expenses incurred related to Regional Affiliates	\$ 4,059	\$ 5,376
American mainline jet operations available seat miles	43,021	45,920
Operating expenses per available seat mile, excluding Regional Affiliates (cents)	9.43	11.70
Operating expenses excluding expenses incurred related to Regional Affiliates	\$ 4,059	\$ 5,376
Less: Special charges (credits) and U.S. government grant	(24)	615
Operating expenses, excluding Special charges (credits), U.S. government grant and expenses incurred related to Regional Affiliates	\$ 4,083	\$ 4,761
American mainline jet operations available seat miles	43,021	45,920
Operating expenses per available seat mile, excluding Special charges (credits), U.S. government grant and Regional Affiliates (cents)	9.49	10.38

Note: Certain amounts have been reclassified to conform with the 2003 presentation. American Airlines, Inc. 2003 operating expenses include expenses incurred related to capacity purchase agreements with Regional Affiliates - American Eagle Airlines Inc., Executive Airlines, Inc., Trans States Airlines, Inc. and Chautauqua Airlines, Inc. whereas 2002 operating expenses include expenses incurred related to a capacity purchase agreement with Regional Affiliate - Chautauqua Airlines, Inc.

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

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	Nine Months Ended September 30,		Percent
	2003	2002	Change
Revenues			
Passenger - American Airlines	\$10,743	\$10,985	(2.2)
- Regional Affiliates **	1,112	1,064	4.5
Cargo	409	415	(1.4)
Other revenues	785	731	7.4
Total operating revenues	13,049	13,195	(1.1)
Expenses			
Wages, salaries and benefits	5,660	6,327	(10.5)
Aircraft fuel	2,077	1,880	10.5
Depreciation and amortization	1,027	1,019	0.8
Other rentals and landing fees	891	908	(1.9)
Commissions, booking fees and credit card expense	796	912	(12.7)
Maintenance, materials and repairs	641	840	(23.7)
Aircraft rentals	532	650	(18.2)
Food service	460	539	(14.7)
Other operating expenses	1,863	2,063	(9.7)
Special charges	77	718	(89.3)
U.S. government grant	(358)	(10)	*
Total operating expenses	13,666	15,846	(13.8)
Operating Loss	(617)	(2,651)	(76.7)
Other Income (Expense)			
Interest income	41	54	(24.1)
Interest expense	(580)	(501)	15.8
Interest capitalized	54	67	(19.4)
Miscellaneous - net	(15)	(1)	*
	(500)	(381)	31.2
Loss Before Income Taxes and Cumulative Effect of Accounting Change			
Accounting Change	(1,117)	(3,032)	(63.2)
Income tax benefit	-	(1,038)	*
Loss Before Cumulative Effect of Accounting Change			
of Accounting Change	(1,117)	(1,994)	(44.0)
Cumulative Effect of Accounting Change, Net of Tax Benefit			
Change, Net of Tax Benefit	-	(988)	*
Net Loss	\$ (1,117)	\$ (2,982)	(62.5)

Continued on next page

* Greater than 100%

** Regional Affiliates includes the capacity purchase agreements with American Eagle Airlines, Inc., Executive Airlines, Inc., Trans States Airlines, Inc. and Chautauqua Airlines, Inc.

Note: Certain amounts have been reclassified to conform with the 2003 presentation.

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(in millions, except per share amounts)
(Unaudited)

	Nine Months Ended 2003	September 30, 2002
Basic and Diluted Loss Per Share		
Before Cumulative Effect of Accounting Change	\$ (7.08)	\$(12.83)
Cumulative Effect of Accounting Change	-	(6.36)
Net Loss	\$ (7.08)	\$(19.19)
Number of Shares Used in Computation		
Basic and Diluted	158	155

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AMR CORPORATION OPERATING STATISTICS (Unaudited)

	Nine Months Ended		
	September 30, 2003	2002	Percent Change
American Airlines, Inc. Mainline Jet Operations			
Revenue passenger miles (millions)	90,736	92,276	(1.7)
Available seat miles (millions)	123,861	129,968	(4.7)
Cargo ton miles (millions)	1,468	1,478	(0.7)
Passenger load factor	73.3%	71.0%	2.3 pts.
Passenger revenue yield per passenger mile (cents)	11.84	11.90	(0.5)
Passenger revenue per available seat mile (cents)	8.67	8.45	2.6
Cargo revenue yield per ton mile (cents)	27.86	27.82	0.1
Operating expenses per available seat mile, excluding Regional Affiliates (cents) (1)	10.12	11.27	(10.2)
Operating expenses per available seat mile, excluding Special charges, U.S. government grant and Regional Affiliates (cents) (1) (2)	10.31	10.80	(4.5)
Fuel consumption (gallons, in millions)	2,224	2,392	(7.0)
Fuel price per gallon (cents)	87.3	73.8	18.3
Regional Affiliates			
Revenue passenger miles (millions)	4,017	3,375	19.0
Available seat miles (millions)	6,286	5,301	18.6
Passenger load factor	63.9%	63.7%	0.2 pts.

(1) The Company believes that excluding costs related to Regional Affiliates provides a measure which is more comparable to American's historical operating expenses per ASM. Following is a reconciliation of total operating expenses to operating expenses excluding Regional Affiliates.

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- (2) The Company believes that excluding Special charges and U.S. government grant receipts provides a measure that is more representative of ongoing costs and therefore more comparable to American's historical operating expenses per ASM. Following is a reconciliation of total operating expenses to operating expenses excluding Special charges, U.S. government grant and Regional Affiliates.

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AMR CORPORATION
OPERATING STATISTICS (CONTINUED)
(Unaudited)

American Airlines, Inc. Mainline Jet Operations (in millions, except as noted)	Nine Months Ended September 30,	
	2003	2002
Total operating expenses (GAAP)	\$ 13,843	\$ 14,736
Less: Operating expenses incurred related to Regional Affiliates	1,306	92
Operating expenses excluding expenses incurred related to Regional Affiliates	\$ 12,537	\$ 14,644
American mainline jet operations available seat miles	123,861	129,968
Operating expenses per available seat mile, excluding Regional Affiliates (cents)	10.12	11.27
Operating expenses excluding expenses incurred related to Regional Affiliates	\$12,537	\$ 14,644
Less: Special charges and U.S. government grant	(238)	615
Operating expenses, excluding Special charges, U.S. government grant and expenses incurred related to Regional Affiliates	\$12,775	\$ 14,029
American mainline jet operations available seat miles	123,861	129,968
Operating expenses per available seat mile, excluding Special charges, U.S. government grant and Regional Affiliates (cents)	10.31	10.80

Note: Certain amounts have been reclassified to conform with the 2003 presentation. American Airlines, Inc. 2003 operating expenses include expenses incurred related to capacity purchase agreements with Regional Affiliates - American Eagle Airlines Inc., Executive Airlines, Inc., Trans States Airlines, Inc. and Chautauqua Airlines, Inc. whereas 2002 operating expenses include expenses incurred related to a capacity purchase agreement with Regional Affiliate - Chautauqua Airlines, Inc.