

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549  
FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

For the quarter ended: September 30, 1994

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: 1-2691

AMERICAN AIRLINES, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of  
incorporation or organization)

13-1502798

(IRS Employer identification No.)

4333 AMON CARTER BLVD.

FORT WORTH, TEXAS

(Address of principal executive offices)

76155

(Zip Code)

Registrant's telephone number, including area code: (817) 963-1234

(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      X      No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the  
issuer's classes of common stock, as of the latest practicable date.  
Common Stock, \$1 Par Value - 1,000 shares outstanding as of October 31, 1994

The registrant meets the conditions set forth in, and is filing  
this form with the reduced disclosure format prescribed by,  
General Instructions H(1) (a) and H(1) (b) of Form 10-Q.

AMERICAN AIRLINES, INC.

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PART I

Item 1. Consolidated Financial Statements

AMERICAN AIRLINES, INC.  
CONSOLIDATED STATEMENT OF OPERATIONS

(Unaudited) (in millions)	Three Months Ended		Nine Months Ended	
	September 30, 1994	September 30, 1993	September 30, 1994	September 30, 1993
<b>Revenues</b>				
Passenger	\$ 3,370	\$ 3,447	\$ 9,665	\$ 10,058
Cargo	162	155	479	468
Other	358	310	1,017	901
Total operating revenues	3,890	3,912	11,161	11,427
<b>Expenses</b>				
Wages, salaries and benefits	1,255	1,220	3,758	3,681
Aircraft fuel	405	450	1,160	1,392
Commissions to agents	329	386	964	1,070
Depreciation and amortization	271	283	852	828
Other rentals and landing fees	196	210	581	604
Food service	170	184	500	532
Aircraft rentals	155	161	467	479
Maintenance materials and repairs	114	129	341	416
Other operating expenses	524	563	1,590	1,686
Total operating expenses	3,419	3,586	10,213	10,688
Operating Income	471	326	948	739
<b>Other Income (Expense)</b>				
Interest income	3	2	4	4
Interest expense	(113)	(99)	(302)	(315)
Interest capitalized	5	10	16	40
Miscellaneous - net	(8)	(5)	(32)	(131)
	(113)	(92)	(314)	(402)
Earnings Before Income Taxes	358	234	634	337
Provision for income taxes	138	105	245	147
Net Earnings	\$ 220	\$ 129	\$ 389	\$ 190

See accompanying notes.

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AMERICAN AIRLINES, INC.  
CONDENSED CONSOLIDATED BALANCE SHEET

(Unaudited) (in millions)	September 30, 1994	December 31, 1993
<b>Current Assets</b>		
Cash	\$ 27	\$ 55
Short-term investments for affiliates	1,016	514

Receivables, net	999	731
Receivables from affiliates	407	223
Inventories, net	591	606
Other current assets	414	399
Total current assets	3,454	2,528
Equipment and Property		
Flight equipment, net	9,279	9,192
Purchase deposits for flight equipment	101	313
	9,380	9,505
Other equipment and property, net	1,882	1,964
	11,262	11,469
Equipment and Property under Capital Leases		
Flight equipment, net	1,390	1,188
Other equipment and property, net	176	172
	1,566	1,360
Route acquisition costs, net	1,039	1,061
Other assets, net	1,359	1,331
	\$18,680	\$17,749
Current Liabilities		
Accounts payable	\$ 890	\$ 857
Payable to affiliates	1,033	479
Accrued liabilities	1,364	1,281
Air traffic liability	1,679	1,461
Current maturities of long-term debt	45	70
Current obligations under capital leases	129	92
Total current liabilities	5,140	4,240
Long-term debt	1,545	1,453
Long-term debt due to Parent	3,011	4,045
Obligations under capital leases	1,983	1,792
Deferred income taxes	580	338
Postretirement benefits	1,161	1,085
Other liabilities, deferred gains and deferred credits	1,703	1,628
Stockholder's Equity		
Common stock	-	-
Additional paid-in capital	1,699	1,699
Retained earnings	1,858	1,469
	3,557	3,168
	\$18,680	\$17,749

See accompanying notes.

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AMERICAN AIRLINES, INC.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)	(in millions)	Nine Months Ended September 30,	
		1994	1993
Net Cash Provided by Operating Activities		\$ 1,568	\$ 1,305
Cash Flow from Investing Activities:			
Capital expenditures		(585)	(1,584)
Net increase in short-term investments for affiliates		(502)	(324)
Funds transferred from affiliates for investment, net		502	324
Other, net		12	(3)
Net cash used for investing activities		(573)	(1,587)
Cash Flow from Financing Activities:			
Proceeds from issuance of long-term debt		130	294
Net short-term borrowings (repayments) on instruments with maturities of 90 days or less		-	(350)
Other short-term borrowings		200	-
Payments on other short-term borrowings		(200)	(29)
Payments on long-term debt and capital lease obligations		(121)	(160)
Funds transferred (to) from affiliates, net		(1,034)	606
Other, net		2	2
Net cash (used) provided by financing activities		(1,023)	363

Net (decrease) increase in cash	(28)	81
Cash at beginning of period	55	45
Cash at end of period	\$ 27	\$ 126
Cash Payments (Refunds) For:		
Interest (net of amounts capitalized)	\$ 164	\$ 167
Interest on intercompany note to Parent	111	105
Income taxes	26	(10)
Financing Activities Not Affecting Cash:		
Capital lease obligations incurred	\$ 280	\$ -

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See accompanying notes.

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AMERICAN AIRLINES, INC.

Notes to Financial Statements

1. American Airlines, Inc. (American) is a wholly-owned subsidiary of AMR Corporation (AMR). In the opinion of management, these financial statements contain all adjustments necessary to present fairly the financial position, results of operations and cash flows for the periods indicated. Such adjustments are of a normal recurring nature except as disclosed. These financial statements and related notes should be read in conjunction with the financial statements and notes contained in American's Annual Report on Form 10-K for the year ended December 31, 1993.
2. Passenger revenues for the nine months ended September 30, 1994, include a \$49 million favorable adjustment (\$29 million after tax) produced by a change in the Company's estimate of the usage patterns of miles sold to participating companies in American's AAdvantage frequent flyer program. Passenger Revenues for the nine months ended September 30, 1993, reflect a \$115 million favorable adjustment (\$67 million net of related commission expense and taxes) resulting from a change in estimate relating to certain earned passenger revenues.
3. Included in Miscellaneous - net for the nine months ended September 30, 1993, is a \$125 million charge (\$79 million after tax) related to the retirement of 31 DC-10 aircraft. The charge represents the Company's best estimate of the expected loss based upon the anticipated method of disposition. However, should the ultimate method of disposition differ, the actual loss could be different than the amount estimated.
4. Accumulated depreciation of owned equipment and property at September 30, 1994 and December 31, 1993, was \$5.1 billion and \$4.7 billion, respectively. Accumulated amortization of equipment and property under capital leases at September 30, 1994 and December 31, 1993, was \$793 million and \$707 million, respectively.

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Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

RESULTS OF OPERATIONS

American's results for the nine months ended September 30, 1994, reflected the improved performance of the Company's Passenger and SABRE Travel Information Network (STIN) divisions. The Company's plan to maximize Passenger division revenue per available seat mile (ASM) by reducing capacity and optimizing the deployment of flight assets resulted in a 1.1 percent reduction in passenger traffic on a 6.3 percent decline in ASMs. As a result, passenger load factor increased 3.4 points and revenue per ASM improved by 2.7 percent. Average stage length increased approximately 6.3 percent, contributing to a decline in Passenger division yield since fares on longer trips tend to be lower on a per ASM basis. In addition, yields continued to be hampered by competitive fare actions and the impact of low fare carriers in certain domestic markets. STIN's improved performance resulted from increased booking volumes and an increase in the average fee per booking.

Operating costs decreased 4.4 percent, driven primarily by the

impact of reduced capacity and a decline in fuel prices.

The results for the nine months ended September 30, 1994, include a \$49 million favorable adjustment (\$29 million after tax) to passenger revenues produced by a change in the Company's estimate of the usage patterns of miles sold to participating companies in American's AAdvantage frequent flyer program.

The results for the nine months ended September 30, 1993, included a \$125 million charge (\$79 million after tax) for the retirement of 31 McDonnell Douglas DC10 aircraft and a positive \$115 million adjustment (\$67 million net of related commission expense and taxes) to passenger revenues for a change in estimate related to certain earned passenger revenues.

For the Nine Months Ended September 30, 1994 and 1993

American recorded net earnings of \$389 million for the nine months ended September 30, 1994. For the same period in 1993, American recorded net earnings of \$190 million. Operating income was \$948 million in the 1994 nine months compared to \$739 million in the 1993 nine months.

Passenger revenues decreased 3.9 percent, \$393 million, in the first nine months of 1994. Passenger revenue yield per passenger mile decreased 2.8 percent to 13.09 cents in 1994. Domestic yields dropped 4.2 percent while international yields increased 1.1 percent. Revenue passenger miles decreased 1.1 percent while available seat miles (ASMs) fell 6.3 percent, resulting in an improvement of 3.4 points in the passenger load factor. As a result, passenger revenue per available seat mile increased by 2.7 percent.

The decrease in ASMs is the result of retiring 56 aircraft (23 McDonnell Douglas DC-10 and 33 Boeing 727 aircraft) and leasing two McDonnell Douglas MD-11 aircraft, partially offset by the addition of 27 new aircraft (17 Fokker F100, seven Boeing 757, and three Boeing 767 aircraft) since September 30, 1993.

For the first nine months of 1994 compared to the same period in 1993, domestic traffic decreased 2.6 percent on capacity reductions of 7.1 percent and international traffic grew 2.7 percent on a capacity reduction of 4.3 percent. The change in international traffic was driven by a 7.4 percent growth in Latin America with capacity decrease of 0.1 percent, offset by a 1.1 percent decrease in traffic to Europe primarily driven by a capacity reduction of 9.0 percent.

Cargo revenues increased 2.4 percent, \$11 million, reflecting an 8.5 percent increase in cargo ton miles offset by a 6.0 percent decrease in revenue yield per ton mile. Growth in cargo ton miles is primarily attributable to our Europe and Latin America markets, combined with steady increases in postal volumes.

Other revenues increased 12.9 percent, \$116 million primarily as a result of the improved performance of STIN and increased revenues from aircraft rental and maintenance contracts.

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RESULTS OF OPERATIONS (CONTINUED)

Capacity or available passenger seat miles (ASMs) decreased 6.3 percent to 114.4 billion miles in the first nine months of 1994. Operating expenses decreased 4.4 percent, \$475 million from the nine months ended September 30, 1993, to the same period in 1994. Passenger division cost per ASM increased 1.5 percent to 8.36 cents. Wages, salaries and benefits rose 2.1 percent, \$77 million, resulting from salary adjustments for existing employees offset by headcount reductions. Aircraft fuel expense decreased 16.7 percent, \$232 million, due to an 8.4 percent decrease in gallons consumed and an 8.9 percent decrease in American's average price per gallon. Commissions to agents decreased 9.9 percent, \$106 million, due principally to decreased passenger revenues and a reduction in the percentage of revenues subject to commissions. Additions of new aircraft and the acquisitions of other capital equipment raised depreciation and amortization 2.9 percent, \$24 million. Maintenance materials and repairs costs decreased 18.0 percent, \$75 million reflecting the retirement of older jet aircraft and increased operational efficiencies as well as a more vigorous maintenance

warranty recovery effort. Other operating expenses decreased 5.7 percent, \$96 million primarily due to the decrease in capacity.

Interest expense decreased 4.1 percent, \$13 million due primarily to a decrease in rates on external debt and a decrease in the outstanding balance of intercompany debt due to parent partially offset by an increase in rates on variable rate debt. Included in Miscellaneous - net for the nine months ended September 30, 1993, is a charge of \$125 million related to the retirement of 31 McDonnell Douglas DC10 aircraft.

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PART II

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits filed with this report:

Part I - Exhibit 12: Computation of ratio of earnings to fixed charges for the nine months ended September 30, 1994 and 1993

(b) Reports on Form 8-K:

None

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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 thereunto duly authorized.

AMERICAN AIRLINES, INC.

BY: /s/ Michael J. Durham  
Michael J. Durham  
Senior Vice President and  
Chief Financial Officer

DATE: November 3, 1994

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PART I -

EXHIBIT 12

AMERICAN AIRLINES, INC.

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

Nine Months Ended  
September 30,  
1994 1993  
(in millions of dollars)

Earnings:

Earnings before income taxes	\$	634	\$	337
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Add: Total fixed charges (per below)	740	764
Less: Interest capitalized	16	40
Total earnings	\$ 1,358	\$ 1,061
Fixed charges:		
Interest	\$ 302	\$ 315
Portion of rental expense representative of the interest factor	435	446
Amortization of debt expense	3	3
Total fixed charges	\$ 740	\$ 764
Ratio of earnings to fixed charges	1.84	1.39

QTR-3	9-MOS		OTHER	
	DEC-31-1994 SEP-30-1994	DEC-31-1994 SEP-30-1994	DEC-31-1994 SEP-30-1994	DEC-31-1994 SEP-30-1994
		0	0	27
	0		0	1016
	0		0	1414
	0		0	8
	0		0	592
	0	0	0	3454
	0	0	0	18747
	0		0	5919
	0		0	18680
0		0	0	5140
	0	0	0	0
	0	0	0	1699
	0		0	0
	0		0	1858
0		0	18680	0
	3890	0	0	0
		0	0	0
	3419		11161	0
	0			0
	0		10213	0
	113		0	0
	358		302	0
	138		634	0
220			245	0
	0		389	0
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	220		389	0
	0		0	0
	0		0	0