More Room Throughout Coach

# The Right Thing To Do

American Airlines

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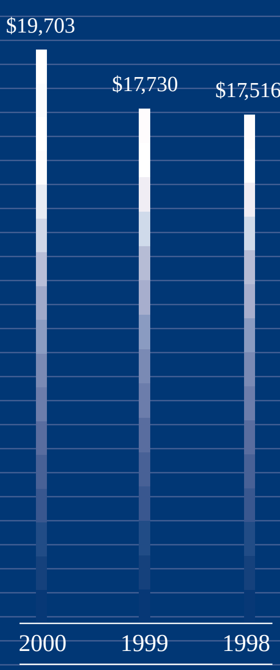
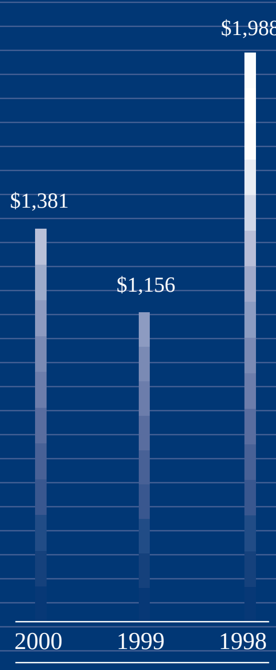
## About our Annual Report

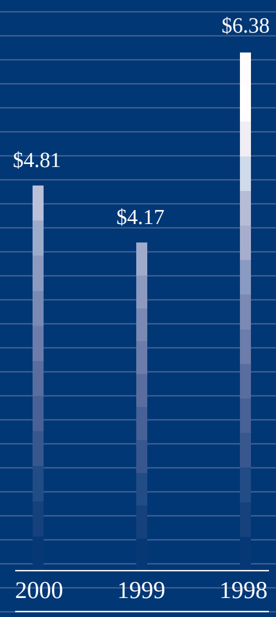
This year's AMR annual report looks a bit different, and for good reason. For the first time, we are delivering our annual report message through three different media – print, CD-ROM and the Web. The theme of this year's annual report, "The Right Thing To Do," applies very well to our More Room Throughout Coach initiative pictured on the front and back covers. We felt it also applied to the many things we did in 2000 and are continuing to do for our shareholders, customers and employees. And we considered it equally applicable to our use of different media to distribute this report. You can read more about our efforts during 2000 in the Chairman's Letter on the opposite page. You can get a multi-media view of them on the CD-ROM that accompanies the annual report. And on our Web site, http://www.amrcorp.com/ar2000/index.html, you'll find the information that we traditionally have included in the shareholder, customer and employee essays of our printed annual report.



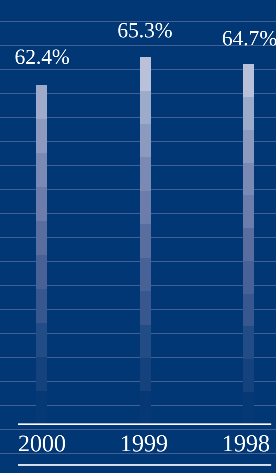

Operating Revenues
($ in millions)




Operating Income
($ in millions)




Earnings Per Share




Ratio of Debt to Capital

2000 was a year marked by much-improved financial performance and a number of strategic initiatives that position AMR well for success in the years to come. Excluding special items, the Company's net earnings for the year were $752 million – a result that compares favorably to 1999's net earnings of $543 million. Robust demand for air travel and for air cargo services, as well as product and service enhancements, prudent capacity growth and an effective fuel-hedging program all helped offset a very dramatic increase in the price of jet fuel.

Producing superior financial returns is, of course, fundamental to our goal of making AMR a very rewarding investment for our shareholders. But 2000 was a unique year for our Company, as March brought the spin-off of our 83 percent stake in Sabre Holdings Corp. (Sabre). That transaction gave individual shareholders the equivalent of a one-time $34.96 per share dividend, which means that on the day the transaction took place, AMR shareholders benefited from a $5.2 billion transfer of market value.

Creating industry-leading outcomes for our shareholders, customers and employees is the overarching goal of the Airline Leadership Plan, the strategic program we launched in 1999 that focuses the Company's activities on the six areas that we believe define success for any airline: Safety, Service, Product, Technology, Culture and Network. In 2000, we made important strides toward industry leadership in all six.

As has been the case throughout American's history, **Safety** is the foundation of everything we do. One of 2000's early highlights took place in January when our Aviation Safety Action Partnership (ASAP) program was lauded by President Clinton as a model to be implemented throughout the industry. Another important milestone was the creation of a new organization – reporting directly to the office of the Chairman – sharply focused on issues of safety, security and the environment. And within that framework, one of the very significant developments of 2000 was the reorganization of training in the Flight Department. We are investing more than $11 million annually to increase the frequency of recurrent pilot training.

As we seek new ways to improve upon our already industry-leading safety programs, it's no secret that high load factors – combined with some unusual weather and an ongoing crisis in our nation's air traffic control system – put a serious strain on our industry's ability to deliver the reliable service our customers deserve and expect. While no carrier can remedy the inadequacies of the air traffic control system – nor can we do much about the weather – we have made some important structural changes that are improving our ability to deliver industry-leading **Service**. In 2000, we completely overhauled the American Airlines and American Eagle schedules at our Chicago O'Hare and Dallas/Fort Worth connecting hubs. We also implemented a series of programs throughout our Maintenance and Engineering organization designed to increase the dependability of our fleet. These and other efforts have borne fruit, and while we – along with the rest of the industry – remain somewhat at the mercy of air traffic control, we are determined to preserve American's reputation for service leadership by running the best, most reliable operation possible.

*Donald J. Carty*
*Chairman, President and CEO*

Creating industry-leading outcomes for our shareholders, customers and employees is the overarching goal of the Airline Leadership Plan.

In the third area of airline leadership, **Product**, we made tremendous progress in 2000. We put 43 new jet aircraft into service at American and introduced 29 new regional jets at American Eagle. More dramatically, we seized industry leadership in onboard comfort with the launch and implementation of our More Room Throughout Coach program, which is enhancing the comfort, satisfaction, loyalty and disposition of virtually every American Airlines coach customer. We have also increased legroom in Business Class and introduced two major enhancements to our premium cabin – the 767 fully flat seat, and the new Flagship Suite Concept on our 777 aircraft serving Europe and Latin America. In addition to our aircraft-related product enhancements, we also improved our onboard entertainment options, continued to refresh and improve our physical infrastructure at airports all over the world, and began a partnership with America Online to create AOL/AAdvantage miles, which gives AAdvantage members a wealth of new opportunities to earn and redeem miles, online and off.

The AOL/AAdvantage program is a good example of how new technology is changing virtually every part of our business – and why technology leadership is a critically important element of our overall strategy. In 2000, we made important strides to better leverage the changes taking place in technology to produce positive results for our shareholders, customers and employees. At airports and reservations centers throughout the American Airlines system, we are in the throes of major re-engineering projects designed to give our people better, easier-to-use tools that will enable them to provide even better customer service.

From a marketing perspective, the Internet revolution is creating enormous opportunities for American. In 2000, our Web site, AA.com, was hailed by CIO magazine as one of the top 50 business Internet sites. No other airline site made the list. Kudos are nice, but what's even nicer is the ability AA.com has given us to leverage the strength of AAdvantage and offer our best customers a wide range of individualized promotions. While the business of travel distribution continues to evolve very quickly – with new online channels emerging on what seems like a daily basis – American is also exploring ways to exploit the connective power of the Internet to reduce procurement costs. In fact, we are collaborating with several other carriers to create a new business-to-business site that we think will streamline, and wring significant expense and investment from, our supply chain.

**Technology** leadership has been a hallmark of American's strategy for decades. Sustaining that leadership in an environment as fast changing as today's is tougher than ever. That's a big reason why we launched the **on-time on-line** home computer program in 2000. This program, which provides our people with discounted home computers and Internet access, is an acknowledgement that we are taking the technology challenge very seriously and that we will need the participation of the entire American team if we are going to meet it.

Technology is obviously an area of our business that has changed dramatically in recent years. But one part of our management challenge that hasn't changed is the imperative to consider the interests of our employees in every decision we make. **Culture** leadership is a strategic imperative every bit as important as the other five areas of the Airline Leadership Plan, and in 2000 American launched a number of "people initiatives" with that in mind. These include the aforementioned **on-time on-line** program, enhancements to our 401(k) program, improved flight privileges, the introduction of domestic partner benefits and a new long-term care benefit. We also reinvigorated our corporate training programs with the opening of FlagShip University, created a People Selection Center focused on more quickly identifying qualified new-hire candidates, and reaffirmed our commitment to giving our people a greater voice through 360 degree performance reviews and a company-wide employee survey.

These positive initiatives notwithstanding, as we enter 2001, we face a number of unresolved issues associated with the unions representing many of our people, and those issues inject an element of uncertainty into our 2001 forecast. Nonetheless, we are confident that we will be able to reach agreements that meet the needs of the Company and all our employees, while avoiding any disruption of the American operation.

As we scan the horizon for other matters affecting our business in 2001 and beyond, it is clear that **Network** – the sixth area of our Airline Leadership Plan – will continue to be key to American's success. In 2000, we pursued our goal of network leadership in a number of ways. First, we grew our domestic network in a very strategic manner, expanding our operations in cities like Boston, New York, Los Angeles and San Jose – cities that are very important to our prime business customers. In 2001, we will build on our success by continuing to expand our San Jose schedule with new service to both Paris and Taipei. The Taipei service is particularly notable in that it will enable us to begin the expansion of our Pacific network by linking Silicon Valley with the very important technology industries of Taiwan.

Closer to home, we're also pursuing Network Leadership through American Eagle's aggressive deployment of regional jets. In addition to strengthening and feeding our hubs – and putting hundreds of thousands of customers on American flights – these new aircraft have been effective weapons as we explore new point-to-point opportunities in markets previously considered other airlines' strongholds. At the end of 2000, the Eagle RJ fleet was 83 strong, and as we continue to grow and strengthen the Eagle fleet and network, the overall American network will get stronger as well.

In the global arena, while the past two years have been a somewhat uncertain time when it comes to airline alliances, we continue to believe that with our **one**world partners – combined with our bilateral relationships with carriers such as Swissair, Sabena, JAL and EVA of Taiwan – we have built the industry's premier set of alliances. Indeed, despite a few speed bumps along the way, the effectiveness of our alliance strategy is clear. The traffic connecting to American from our partners has grown dramatically over the past two years.

While our 2000 network progress was impressive, three transactions announced in January 2001 represent a giant leap forward for our network building efforts. First, we agreed to purchase substantially all the assets of TWA for approximately $625 million in cash and the assumption of over $3 billion of

We seized industry leadership in onboard comfort with the launch and implementation of our More Room Throughout Coach program.

TWA's obligations. Second, American will acquire certain key strategic assets from US Airways, including 14 gates, 36 slots and 86 aircraft. We will also lease the gates and slots necessary for us to share the operation of the Northeast Shuttle with United Airlines. Under the terms of this transaction, we have agreed to pay $1.2 billion in cash to United Airlines and to assume approximately $300 million in aircraft operating leases. And third, American will acquire a 49 percent stake in DC Air, a new-entrant carrier operating out of Washington Reagan Airport. DC Air – to whom we will wet lease up to 14 Fokker 100 aircraft – will participate in the AAdvantage program, and American will have a right of first refusal on the acquisition of the remaining 51 percent of the new airline. The consummation of the DC Air transaction, as well as our acquisition of assets from US Airways, is contingent on the closing of United's proposed merger with US Airways.

These three transactions mark the beginning of an exciting new chapter in American Airlines history and represent a very positive outcome for all three of our constituency groups. For our employees, these are terrific developments. We are growing the airline in a way that will bring a wealth of hiring and promotional opportunities for the people of American.

For our customers, the benefits of a much broader network are clear. Our best customers – both individuals and large corporate accounts – increasingly expect their airline of choice to take them everywhere they want to go. We are determined to create a domestic and international network that is second to none. But at the same time, we do not intend to add more capacity to the industry than the growth in demand can justify.

Culture leadership is a strategic imperative every bit as important as the other five areas of the Airline Leadership Plan.

Our shareholders will be happy to know that these transactions will enable us, in a very economical way, to dramatically grow our airline without introducing incremental industry capacity. For a commitment of just over $5 billion, we are adding more than 270 airplanes to our fleet and acquiring a wealth of other assets in critical and strategic parts of our network. There is no other series of deals we could have made that would have given us this much breadth and strength for the amount of money we have committed. Moreover, even with $5 billion committed to these transactions, AMR's balance sheet remains one of the strongest in the airline industry.

As always, the forecast for the year ahead contains a few unknowns, including the direction of both the U.S. economy and the price of jet fuel. Nonetheless, I believe AMR is in excellent shape to handle whatever 2001 has in store for us. Demand for our product – which we are working hard to improve – continues to grow. We're committed to building a premier global network. We've got the best team of employees in the business, and new technologies are enabling all of us to do our jobs better and more profitably.

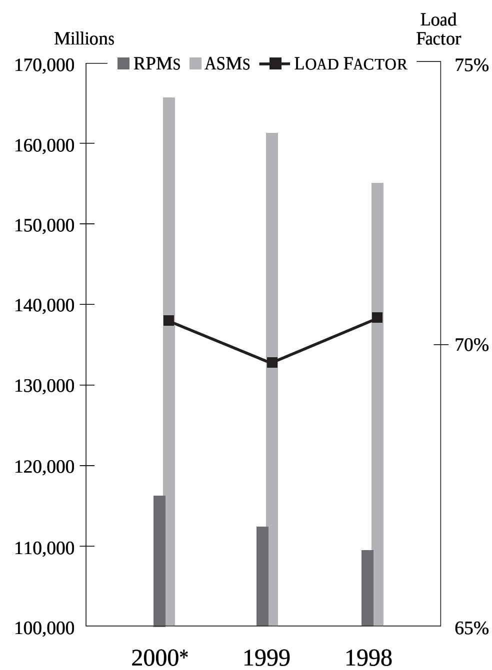
Add it all up, and I believe that we have, in American and American Eagle, a very powerful and well-positioned franchise. And you have my assurance that all of us will be working hard in 2001 – to build on our 2000 success and to create positive outcomes for our customers, employees and shareholders.

Donald J. Carty

## OPERATING AIRCRAFT FLEETS

| As of December 31, 2000 | Current Seating Capacity[1] | Owned | Capital Leased | Operating Leased | Total | Weighted Average Age (Years) |
|---|---|---|---|---|---|---|
| **American Aircraft** | | | | | | |
| Airbus A300-600R | 192/250/251 | 10 | – | 25 | 35 | 11 |
| Boeing 727-200 | 138 | 55 | 5 | – | 60 | 24 |
| Boeing 737-800 | 134 | 51 | – | – | 51 | 1 |
| Boeing 757-200 | 176 | 58 | 13 | 31 | 102 | 8 |
| Boeing 767-200 | 165 | 8 | – | – | 8 | 18 |
| Boeing 767-200 Extended Range | 158 | 9 | 13 | – | 22 | 14 |
| Boeing 767-300 Extended Range | 190/207/228 | 32 | 7 | 10 | 49 | 8 |
| Boeing 777-200 Extended Range | 230/237/252/254 | 27 | – | – | 27 | 1 |
| Fokker 100 | 56/87 | 66 | 5 | 4 | 75 | 8 |
| McDonnell Douglas MD-11 | 238 | 7 | – | – | 7 | 8 |
| McDonnell Douglas MD-80 | 112/125/127/129 | 128 | 22 | 126 | 276 | 13 |
| McDonnell Douglas MD-90 | 135 | – | – | 5 | 5 | 4 |
| Total | | 451 | 65 | 201 | 717 | 11 |
| **AMR Eagle Aircraft** | | | | | | |
| ATR 42 | 46 | 20 | – | 11 | 31 | 10 |
| Embraer 135 | 37 | 33 | – | – | 33 | 1 |
| Embraer 145 | 50 | 50 | – | – | 50 | 2 |
| Super ATR | 64/66 | 40 | – | 3 | 43 | 6 |
| Saab 340 | 34 | 22 | 57 | – | 79 | 9 |
| Saab 340B Plus | 34 | – | – | 25 | 25 | 5 |
| Total | | 165 | 57 | 39 | 261 | 6 |

[1]*American's current seating capacity includes the effect of aircraft reconfigured under the Company's More Room Throughout Coach program.*




SCHEDULED RPMS AND ASMS

* 2000 has been adjusted for the Company's More Room Throughout Coach program

AMR Corporation (AMR or the Company) was incorporated in October 1982. AMR's principal subsidiary, American Airlines, Inc. (American), was founded in 1934. AMR's operations fall almost entirely in the airline industry.

## RESULTS OF OPERATIONS

AMR's net earnings in 2000 were $813 million, or $5.43 per common share ($5.03 diluted). AMR's income from continuing operations before extraordinary loss in 2000 was $779 million, or $5.20 per common share ($4.81 diluted). The results for 2000 include the following special items: (i) a gain of $57 million ($36 million after tax) from the sale of the Company's warrants to purchase 5.5 million shares of priceline.com Incorporated (priceline) common stock, (ii) a gain of approximately $41 million ($26 million after tax) from the recovery of start-up expenses from the Canadian Airlines International Limited (Canadian) services agreement, and (iii) a charge of $56 million ($35 million after tax) for the Company's employee home computer program.

AMR's net earnings in 1999 were $985 million, or $6.46 per common share ($6.26 diluted). AMR's income from continuing operations in 1999 was $656 million, or $4.30 per common share ($4.17 diluted). A labor disagreement that disrupted operations during the first quarter of 1999 negatively impacted the Company's 1999 results by an estimated $225 million ($140 million after tax). The results for 1999 also include the following: (i) American's December 1998 acquisition of Reno Air, Inc. (Reno) and AMR Eagle's March 1999 acquisition of Business Express, Inc. (Business Express), (ii) a gain of $83 million ($64 million after tax) on the sale of AMR Services, AMR Combs and TeleService Resources, which is included in discontinued operations, (iii) a gain of approximately $213 million ($118 million after taxes and minority interest) resulting from the sale of a portion of the Company's holding in Equant N.V. (Equant), of which approximately $75 million ($47 million after tax) is included in income from continuing operations, (iv) a gain of $40 million ($25 million after tax) from the Company's sale of its investment in the cumulative mandatorily redeemable convertible preferred stock of Canadian and a $67 million tax benefit resulting from the tax loss on the Company's investment in Canadian, and (v) a charge of approximately $37 million ($25 million after tax) relating to the provision for certain litigation items.

## REVENUES

***2000 Compared to 1999*** The Company's revenues increased approximately $2.0 billion, or 11.1 percent, versus 1999. American's passenger revenues increased by 11.4 percent, or $1.7 billion. American's yield (the average amount one passenger pays to fly one mile) of 14.05 cents increased by 7.1 percent compared to 1999. For the year, domestic yields increased 7.5 percent while European, Latin American and Pacific yields increased 9.9 percent, 4.2 percent and 3.8 percent, respectively. The increase in revenues was due primarily to a strong U.S. economy, which led to strong demand for air travel both domestically and internationally, a favorable pricing climate, the impact of a domestic fuel surcharge implemented in January 2000 and increased in September 2000, a labor disruption at one of the Company's competitors which positively impacted the Company's revenues by approximately $80 to $100 million, and a schedule disruption which negatively impacted the Company's operations in 1999.

American's domestic traffic increased 2.7 percent to 78.5 billion revenue passenger miles (RPMs), while domestic capacity, as measured by available seat miles (ASMs), decreased 1.6 percent. The decrease in domestic capacity was due primarily to the Company's More Room Throughout Coach program. (The Company's More Room Throughout Coach program reconfigures American's entire fleet to increase the seat pitch from the present industry standard of 31 and 32 inches to a predominant seat pitch of 34 and 35 inches.) International traffic grew 6.8 percent to 38.1 billion RPMs on capacity growth of 3.1 percent. The increase in international traffic was led by a 12.2 percent increase in the Pacific on capacity growth of 2.5 percent, an 8.5 percent increase in Europe on capacity growth of 6.7 percent, and a 4.1 percent increase in Latin America on capacity growth of 0.4 percent. In 2000, American derived approximately 70 percent of its passenger revenues from domestic operations and approximately 30 percent from international operations.

AMR Eagle's passenger revenues increased $158 million, or 12.2 percent. AMR Eagle's traffic increased to 3.7 billion RPMs, up 10.7 percent, while capacity increased to 6.3 billion ASMs, or 10.9 percent. The increase in revenues was due primarily to growth in AMR Eagle capacity aided by a strong U.S. economy, which led to strong demand for air travel, and a favorable pricing environment.

Cargo revenues increased 12.1 percent, or $78 million, due primarily to a fuel surcharge implemented in February 2000 and increased in October 2000 and the increase in cargo capacity from the addition of 16 Boeing 777-200ER aircraft in 2000.

***1999 Compared to 1998*** The Company's revenues increased $214 million, or 1.2 percent, versus 1998. American's passenger revenues increased by 0.1 percent, or $12 million. American's yield of 13.12 cents decreased by 2.7 percent compared to 1998. For the year, domestic yields decreased 1.1 percent, while European, Pacific and Latin American yields decreased 7.2 percent, 6.0 percent and 4.5 percent, respectively. The decrease in domestic yield was due primarily to increased capacity, the labor disagreement during the first quarter of 1999, and the impact of international yield decreases on domestic yields. The decrease in international yields was due primarily to weak economies in certain parts of the world, large industry capacity additions and increased fare sale activity.

American's domestic traffic increased 2.1 percent to 76.4 billion RPMs, while domestic capacity increased 4.1 percent. The increase in domestic traffic was due primarily to the addition of Reno. International traffic grew 4.6 percent to 35.7 billion RPMs on a capacity increase of 3.1 percent. The increase in international traffic was led by a 44.2 percent increase in the Pacific on capacity growth of 44.1 percent and a 5.7 percent increase in Europe on capacity growth of 7.3 percent, partially offset by a 1.9 percent decrease in Latin America on a capacity decrease of 5.1 percent. In 1999, American derived approximately 70 percent of its passenger revenues from domestic operations and approximately 30 percent from international operations.

AMR Eagle's passenger revenues increased $173 million, or 15.4 percent. AMR Eagle's traffic increased to 3.4 billion RPMs, up 20.9 percent, while capacity increased to 5.6 billion ASMs, or 26.1 percent, due primarily to the addition of Business Express in March 1999.

### Operating Expenses

***2000 Compared to 1999*** The Company's operating expenses increased 10.5 percent, or approximately $1.7 billion. American's cost per ASM increased by 10.5 percent to 10.38 cents, partially driven by a reduction in ASMs due to the Company's More Room Throughout Coach program. Adjusting for this program, American's cost per ASM grew approximately 7.2 percent. Wages, salaries and benefits increased $663 million, or 10.8 percent, primarily due to an increase in the average number of equivalent employees and contractual wage rate and seniority increases that are built into the Company's labor contracts, an increase of approximately $93 million in the provision for profit-sharing, and a charge of approximately $56 million for the Company's employee home computer program. Aircraft fuel expense increased $799 million, or 47.1 percent, due to an increase of 42.0 percent in the Company's average price per gallon and a 3.7 percent increase in the Company's fuel consumption. The increase in fuel expense is net of gains of approximately $545 million recognized during 2000 related to the Company's fuel hedging program. Depreciation and amortization expense increased $110 million, or 10.1 percent, due primarily to the addition of new aircraft, many of which replaced older aircraft. Maintenance, materials and repairs expense increased $92 million, or 9.2 percent, due primarily to an increase in airframe and engine maintenance volumes at the Company's maintenance bases and an approximate $17 million one-time credit the Company received in 1999. Commissions to agents decreased 10.8 percent, or $125 million, despite an 11.4 percent increase in passenger revenues, due primarily to commission structure changes implemented in October 1999 and January 2000, and a decrease in the percentage of commissionable transactions.

***1999 Compared to 1998*** The Company's operating expenses increased 6.7 percent, or approximately $1 billion. American's cost per ASM increased by 1.5 percent to 9.39 cents. Wages, salaries and benefits increased $327 million, or 5.6 percent, primarily due to an increase in the average number of equivalent employees and contractual wage rate and seniority increases that are built into the Company's labor contracts, partially offset by a decrease in the provision for profit-sharing. Aircraft fuel expense increased $92 million, or 5.7 percent, due to a 5.5 percent increase in the Company's fuel consumption and a 0.2 percent increase in the Company's average price per gallon. The increase in fuel expense is net of gains of approximately $111 million recognized during 1999 related to the Company's fuel hedging program. Depreciation and amortization expense increased $52 million, or 5.0 percent, due primarily to the addition of new aircraft, partially offset by the change in depreciable lives and residual values for certain types of aircraft in 1999 (see Note 1 to the consolidated financial statements). Maintenance, materials and repairs expense increased 7.3 percent, or $68 million, due primarily to the addition of Reno and Business Express aircraft during 1999. Commissions to agents decreased 5.2 percent, or $64 million, despite a 1.2 percent increase in passenger revenues, due to the benefit from the changes in the international commission structure in late 1998 and the base commission structure in October 1999, and a decrease in the percentage of commissionable transactions. Other rentals and landing fees increased 12.3 percent, or $103 million, due primarily to higher facilities rent and landing fees across American's system and the addition of Reno and Business Express. Food service increased $65 million, or 9.6 percent, due primarily to rate increases and the addition of Reno. Aircraft rentals increased $61 million, up 10.7 percent, primarily due to the addition of Reno and Business Express aircraft. Other operating expenses increased $342 million, or 12.0 percent, due primarily to increases in outsourced services, travel and incidental costs and booking fees.

## OTHER INCOME (EXPENSE)

Other income (expense) consists of interest income and expense, interest capitalized and miscellaneous – net.

***2000 Compared to 1999*** Interest income increased $59 million, or 62.1 percent, due primarily to higher investment balances. Interest expense increased $74 million, or 18.8 percent, resulting primarily from financing new aircraft deliveries. Interest capitalized increased 28.0 percent, or $33 million, due to an increase in purchase deposits for flight equipment. Miscellaneous – net increased $38 million due primarily to a $57 million gain on the sale of the Company's warrants to purchase 5.5 million shares of priceline common stock in the second quarter of 2000 and a gain of approximately $41 million from the recovery of start-up expenses from the Canadian services agreement. During 1999, the Company recorded a gain of approximately $75 million from the sale of a portion of American's interest in Equant and a gain of approximately $40 million related to the sale of the Company's investment in the preferred stock of Canadian. These gains were partially offset by the provision for the settlement of litigation items and the write-down of certain investments held by the Company during 1999.

***1999 Compared to 1998*** Interest income decreased $38 million, or 28.6 percent, due primarily to lower investment balances throughout most of 1999. Interest expense increased $21 million, or 5.6 percent, resulting primarily from an increase in long-term debt. Interest capitalized increased 13.5 percent, or $14 million, due to an increase in purchase deposits for flight equipment throughout most of 1999. Miscellaneous – net increased $50 million due primarily to the sale of a portion of American's interest in Equant in 1999, which resulted in an approximate $75 million gain, and a gain of approximately $40 million from the sale of the Company's investment in the preferred stock of Canadian. These gains were partially offset by the provision for the settlement of litigation items and the write-down of certain investments held by the Company during 1999.

### Operating Statistics

The following table provides statistical information for American and AMR Eagle for the years ended December 31, 2000, 1999 and 1998.

| | Year Ended December 31, | | |
|---|---|---|---|
| | **2000** | 1999 | 1998 |
| **American Airlines** | | | |
| Revenue passenger miles (millions) | **116,594** | 112,067 | 108,955 |
| Available seat miles (millions) | **161,030** | 161,211 | 155,297 |
| Cargo ton miles (millions) | **2,280** | 2,068 | 1,974 |
| Passenger load factor | **72.4%** | 69.5% | 70.2% |
| Breakeven load factor | **65.9%** | 63.8% | 59.9% |
| Passenger revenue yield per passenger mile (cents) | **14.05** | 13.12 | 13.49 |
| Passenger revenue per available seat mile (cents) | **10.17** | 9.12 | 9.46 |
| Cargo revenue yield per ton mile (cents) | **31.31** | 30.70 | 32.85 |
| Operating expenses per available seat mile (cents) | **10.38** | 9.39 | 9.25 |
| Operating aircraft at year-end | **717** | 697 | 648 |
| **AMR Eagle** | | | |
| Revenue passenger miles (millions) | **3,731** | 3,371 | 2,788 |
| Available seat miles (millions) | **6,256** | 5,640 | 4,471 |
| Passenger load factor | **59.6%** | 59.8% | 62.4% |
| Operating aircraft at year-end | **261** | 268 | 209 |

### Liquidity and Capital Resources

Operating activities provided net cash of $3.1 billion in 2000, $2.3 billion in 1999 and $2.8 billion in 1998. The $878 million increase from 1999 to 2000 resulted primarily from a decrease in working capital.

Capital expenditures in 2000 totaled $3.7 billion, compared to $3.5 billion in 1999 and $2.3 billion in 1998, and included aircraft acquisitions of approximately $3.1 billion. In 2000, American took delivery of 27 Boeing 737-800s and 16 Boeing 777-200ERs. AMR Eagle took delivery of 24 Embraer 135 aircraft and five Embraer 145 aircraft. These expenditures, as well as the expansion of certain airport facilities, were funded primarily with internally generated cash and the $559 million cash dividend from Sabre Holdings Corporation, except for (i) 11 Boeing aircraft which were financed through secured mortgage agreements, and (ii) the Embraer aircraft acquisitions which were funded through secured debt agreements.

At December 31, 2000, the Company had commitments to acquire the following aircraft: 66 Boeing 737-800s, 23 Boeing 757-200s, 20 Boeing 777-200ERs, 146 Embraer regional jets and 25 Bombardier CRJ-700s. Deliveries of all aircraft extend through 2006. Future payments for all aircraft, including the estimated amounts for price escalation, will approximate $2.7 billion in 2001, $1.6 billion in 2002, $900 million in 2003 and an aggregate of approximately $1.3 billion in 2004 through 2006. In addition to these commitments for aircraft, the Company expects to spend approximately $1.0 billion in 2001 for modifications to aircraft, renovations of – and additions to – airport and off-airport facilities, and the acquisition of various other equipment and assets, of which approximately $855 million has been authorized by the Company's Board of Directors. The Company expects to fund its 2001 capital expenditures from the Company's existing cash and short-term investments, internally generated cash or new financing depending upon market conditions and the Company's evolving view of its long-term needs.

On January 10, 2001, the Company announced three transactions that are expected to substantially increase the scope of its existing network. First, the Company announced that it had agreed to purchase substantially all of the assets of Trans World Airlines, Inc. (TWA) for approximately $500 million in cash and to assume approximately $3.5 billion of TWA's obligations. The Company's agreement with TWA contemplated that TWA would file for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code and conduct an auction of its assets under the auspices of the Bankruptcy Court. During the auction, other credible offers would compete with the Company's offer. TWA filed for bankruptcy protection on January 10, 2001. In conjuction therewith, the Company also agreed to provide TWA with up to $200 million in debtor-in-possession financing to facilitate TWA's ability to maintain its operations until the completion of this transaction. The amount available under this facility was later increased to $330 million. As of March 19, 2001, approximately $289 million had been provided via the debtor-in-possession financing.

The auction of TWA's assets was commenced on March 5, 2001, and recessed to March 7, 2001. During the recess, the Company increased its cash bid to $625 million and agreed to leave in the TWA estate certain aircraft security deposits, advance rental payments and rental rebates that were estimated to bring approximately $117 million of value to TWA. The Company expects that the increase in the Company's bid will be more that offset, however, by the benefit to the Company of the reductions in rental rates the Company has negotiated with TWA's aircraft lessors. On March 7, 2001, TWA's board selected the Company's bid as the "highest and best" offer, and on March 12, 2001, the U.S. Bankruptcy Court, District of Delaware, entered an order approving the sale of TWA's assets to the Company. Consummation of the transaction is subject to several contingencies, including the waiver by TWA's unions of certain provisions of their collective bargaining agreements. The approval of the U.S. Department of Justice was obtained on March 16, 2001. Certain parties have filed appeals of the Bankruptcy Court's sale order, and have sought a stay of the transaction, pending the appeals. A provision of the Bankruptcy Code will permit the Company to close the transaction, despite pending appeals, unless a stay is granted. If a stay is granted, the Company would anticipate that the appeal process would be expedited. Upon the closing of the transaction, TWA will be integrated into American's operations with a continued hub operation in St. Louis. The Company expects to fund the acquisition of TWA's assets with its existing cash and short-term investments, internally generated cash or new financing depending on market conditions and the Company's evolving view of its long-term needs.

Secondly, the Company announced that it has agreed to acquire from United Airlines, Inc. (United) certain key strategic assets (slots, gates and aircraft) of US Airways, Inc. (US Airways) upon the consummation of the previously announced merger between United and US Airways. In addition to the acquisition of these assets, American will lease a number of slots and gates from United so that American may operate half of the northeast Shuttle (New York/Washington DC/Boston). United will operate the other half of the Shuttle. For these assets, American will pay approximately $1.2 billion in cash to United and assume approximately $300 million in aircraft operating leases. The consummation of these transactions is contingent upon the closing of the proposed United/US Airways merger. Also, the acquisition of aircraft is generally dependent upon a certain number of US Airways' Boeing 757 cockpit crew members transferring to American's payroll.

Finally, American has agreed to acquire a 49 percent stake in, and to enter into an exclusive marketing agreement with, DC Air LLC (DC Air). American has agreed to pay $82 million in cash for its ownership stake. American will have a right of first refusal on the acquisition of the remaining 51 percent stake in DC Air. American will also lease to DC Air a certain number of Fokker 100 aircraft with necessary crews (known in the industry as a "wet lease"). These wet leased aircraft will be used by DC Air in its operations. DC Air is the first significant new entrant at Ronald Reagan Washington National Airport (DCA) in over a decade. DC Air will acquire the assets needed to begin its DCA operations from United/US Airways upon the consummation of the merger between the two carriers. American's investment in DC Air and the other arrangements described above are contingent upon the consummation of the merger between United and US Airways.

American has $1.0 billion in credit facility agreements that expire December 15, 2005, subject to certain conditions. At American's option, interest on these agreements can be calculated on one of several different bases. For most borrowings, American would anticipate choosing a floating rate based upon the London Interbank Offered Rate (LIBOR). At December 31, 2000, no borrowings were outstanding under these agreements.

AMR (principally American Airlines) historically operates with a working capital deficit as do most other airline companies. The existence of such a deficit has not in the past impaired the Company's ability to meet its obligations as they become due and is not expected to do so in the future.

### Other Information

***Environmental Matters*** Subsidiaries of AMR have been notified of potential liability with regard to several environmental cleanup sites and certain airport locations. At sites where remedial litigation has commenced, potential liability is joint and several. AMR's alleged volumetric contributions at these sites are minimal compared to others. AMR does not expect these matters, individually or collectively, to have a material impact on its results of operations, financial position or liquidity. Additional information is included in Note 3 to the consolidated financial statements.

***New Accounting Pronouncement*** Financial Accounting Standards Board Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended (SFAS 133), was adopted by the Company on January 1, 2001. SFAS 133 requires the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. The adoption of SFAS 133 did not have a material impact on the Company's net earnings. However, the Company recorded a transition adjustment of approximately $100 million in accumulated other comprehensive income in the first quarter of 2001.

### Outlook for 2001

The Company is cautious in its outlook for 2001. On the revenue front, the primary concern is a slowing U.S. economy. American's strong revenue performance the past several years was marked by a growing U.S. economy coupled with a modest increase in industry capacity. Our revenue performance in 2001 will be dictated by how well the industry manages that relationship going forward.

Absent the TWA, United/US Airways and DC Air transactions, American's capacity in 2001 is expected to grow about three percent, slightly less than the industry average. AMR Eagle's capacity will grow about 11 percent, reflecting the delivery of 31 new regional jets (RJs). Should the demand for air travel slow more quickly than expected, both carriers have the flexibility to further accelerate the retirement of certain older aircraft to keep the Company's capacity growth in line with general economic conditions.

With the transactions, if approved, the Company expects to strengthen its position in several key domestic markets. The TWA transaction will provide American with a hub operation in St. Louis which will serve to strengthen the Company's position as an east/west carrier. In addition, these proposed transactions will allow the Company to gain additional slots and real estate at New York's Kennedy and LaGuardia airports, Washington Reagan, Boston and other major airports across the domestic system. At the same time, the Company will continue to improve the regional airline feed to American by strengthening AMR Eagle with the replacement of turboprop aircraft with RJs and the expansion of connecting service at Chicago O'Hare, DFW and key East Coast cities. The Company has reached agreements with three regional carriers feeding TWA in St. Louis. These agreements will provide for continued feed traffic from St. Louis should the TWA transaction be approved.

On the international front, the Company will continue to pursue its relationship with Swissair/Sabena, and its bilateral agreement with EVA of Taiwan – coupled with the Company's existing Asian carrier alliances – will allow the Company to strengthen its presence in several Asian markets. The Company is also working to make the **one**world alliance pay off in more significant ways, in part by strengthening its relationship with British Airways.

Pressure to reduce costs will continue, although the volatility of fuel prices makes any prediction of overall costs very difficult. Excluding fuel expense and the impact of the Company's More Room Throughout Coach program, the Company anticipates an increase in unit cost of one to two percent driven primarily by higher labor and aircraft ownership costs. On the labor front, the Company has or will have all three of its union contracts open for negotiation in 2001. The expected result is upward pressure on labor rates. Aircraft depreciation and maintenace, materials and repairs expense will also be up, reflecting 2000 and 2001 aircraft deliveries. Other expense lines will see volume-driven increases and inflationary pressures. Partially offsetting these expected increases, the Company anticipates future reductions in distribution costs due to reduced commission expense and increased penetration rates for electronic tickets. And although oil prices are largely expected to decrease in 2001 as compared to 2000 levels, the resulting benefit will be offset by lower fuel hedging gains in 2001 from the Company's fuel hedging program.

Lastly, as a result of the proposed TWA, United/US Airways and DC Air transactions, and for several other reasons, American and American Eagle have initiated an impairment review of certain fleet types in accordance with Statement of Financial Accounting Standards

No. 121, “Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of.” This review could result in an impairment charge to be taken by the Company in 2001. The size of any resulting 2001 charge is not presently known, but may be significant.

### Forward-looking Information

The preceding Letter to Shareholders, Customers and Employees and Management’s Discussion and Analysis 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 Exchange Act of 1934, as amended, which represent the Company’s expectations or beliefs concerning future events. When used in this document and in documents incorporated herein by reference, the words “expects,” “plans,” “anticipates” and similar expressions are intended to identify forward-looking statements. Forward-looking statements include, without limitation, expectations as to results of operations and financial condition, including changes in capacity, revenues and costs, expectations as to future financing needs, overall economic projections and the Company’s plans and objectives for future operations, including its ability to successfully integrate into its operations assets the Company may acquire in its previously announced transactions with TWA, United/US Airways and DC Air, and plans to develop future codesharing programs and to evaluate new alliances. All forward-looking statements in this report are based upon information available to the Company on the date of this report. 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 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: uncertainty of future collective bargaining agreements and events; economic and other conditions; commodity prices; competition in the airline industry; changing business strategy; government regulation; uncertainty in international operations; and industry consolidation. Additional information concerning these and other factors is contained in the Company’s Securities and Exchange Commission filings, including but not limited to Form 10-K for 2000, copies of which are available from the Company without charge.

### Market Risk Sensitive Instruments and Positions

The risk inherent in the Company’s market risk sensitive instruments and positions is the potential loss arising from adverse changes in the price of fuel, foreign currency exchange rates and interest rates as discussed below. The sensitivity analyses presented do not consider the effects that such adverse changes may have on overall economic activity, nor do they consider additional actions management may take to mitigate its exposure to such changes. Actual results may differ. See Note 6 to the consolidated financial statements for accounting policies and additional information. In addition, the following analyses exclude any impact of the proposed transactions discussed on pages 9 and 10.

***Aircraft Fuel*** The Company’s earnings are affected by changes in the price and availability of aircraft fuel. In order to provide a measure of control over price and supply, the Company trades and ships fuel and maintains fuel storage facilities to support its flight operations. The Company also manages the price risk of fuel costs primarily utilizing swap and option contracts. Market risk is estimated as a hypothetical 10 percent increase in the December 31, 2000 and 1999 cost per gallon of fuel. Based on projected 2001 fuel usage, such an increase would result in an increase to aircraft fuel expense of approximately $194 million in 2001, net of fuel hedge instruments outstanding at December 31, 2000. Comparatively, based on projected 2000 fuel usage, such an increase would have resulted in an increase to aircraft fuel expense of approximately $131 million in 2000, net of fuel hedge instruments outstanding at December 31, 1999. The change in market risk is due primarily to the increase in fuel prices. As of December 31, 2000, the Company had hedged approximately 40 percent of its 2001 fuel requirements, approximately 15 percent of its 2002 fuel requirements, and approximately seven percent of its 2003 fuel requirements, compared to approximately 48 percent of its 2000 fuel requirements and 10 percent of its 2001 fuel requirements hedged at December 31, 1999.

***Foreign Currency*** The Company is exposed to the effect of foreign exchange rate fluctuations on the U.S. dollar value of foreign currency-denominated operating revenues and expenses. The Company's largest exposure comes from the Canadian dollar, British pound, Japanese yen, Euro and various Latin and South American currencies. The Company uses options to hedge a portion of its anticipated foreign currency-denominated ticket sales. The result of a uniform 10 percent strengthening in the value of the U.S. dollar from December 31, 2000 and 1999 levels relative to each of the currencies in which the Company has foreign currency exposure would result in a decrease in operating income of approximately $33 million and $39 million for the years ending December 31, 2001 and 2000, respectively, net of hedge instruments outstanding at December 31, 2000 and 1999, due to the Company's foreign-denominated revenues exceeding its foreign-denominated expenses. This sensitivity analysis was prepared based upon projected 2001 and 2000 foreign currency-denominated revenues and expenses as of December 31, 2000 and 1999.

***Interest*** The Company's earnings are also affected by changes in interest rates due to the impact those changes have on its interest income from cash and short-term investments, and its interest expense from variable-rate debt instruments. The Company has variable-rate debt instruments representing approximately 29 percent and 21 percent of its total long-term debt, respectively, at December 31, 2000 and 1999, and interest rate swaps on notional amounts of approximately $158 million and $696 million, respectively, at December 31, 2000 and 1999. During 2000, the Company terminated interest rate swap agreements on notional amounts of approximately $425 million. The cost of terminating these interest rate swap agreements was not material. If interest rates average 10 percent more in 2001 than they did at December 31, 2000, the Company's interest expense would increase by approximately $11 million and interest income from cash and short-term investments would increase by approximately $15 million. In comparison, at December 31, 1999, the Company estimated that if interest rates averaged 10 percent more in 2000 than they did at December 31, 1999, the Company's interest expense would have increased by approximately $10 million and interest income from cash and short-term investments would have increased by approximately $11 million. These amounts are determined by considering the impact of the hypothetical interest rates on the Company's variable-rate long-term debt, interest rate swap agreements, and cash and short-term investment balances at December 31, 2000 and 1999.

Market risk for fixed-rate long-term debt is estimated as the potential increase in fair value resulting from a hypothetical 10 percent decrease in interest rates, and amounts to approximately $148 million and $156 million as of December 31, 2000 and 1999, respectively. The fair values of the Company's long-term debt were estimated using quoted market prices or discounted future cash flows based on the Company's incremental borrowing rates for similar types of borrowing arrangements.

***Investments*** The Company is subject to market risk related to its ownership of approximately 1.2 million depository certificates convertible, subject to certain restrictions, into the common stock of Equant, as of December 31, 2000 and 1999. The estimated fair value of these depository certificates was approximately $32 million and $136 million as of December 31, 2000 and 1999, respectively, based upon the market value of Equant common stock.

In addition, the Company holds investments in certain other entities which are subject to market risk. However, the impact of such market risk on earnings is not significant due to the immateriality of the carrying value and the geographically diverse nature of these holdings.

| (in millions, except per share amounts) | Year Ended December 31, 2000 | 1999 | 1998 |
|---|---|---|---|
| **Revenues** | | | |
| Passenger – American Airlines, Inc. | **$ 16,377** | $ 14,707 | $ 14,695 |
| – AMR Eagle | **1,452** | 1,294 | 1,121 |
| Cargo | **721** | 643 | 656 |
| Other revenues | **1,153** | 1,086 | 1,044 |
| Total operating revenues | **19,703** | 17,730 | 17,516 |
| **Expenses** | | | |
| Wages, salaries and benefits | **6,783** | 6,120 | 5,793 |
| Aircraft fuel | **2,495** | 1,696 | 1,604 |
| Depreciation and amortization | **1,202** | 1,092 | 1,040 |
| Maintenance, materials and repairs | **1,095** | 1,003 | 935 |
| Commissions to agents | **1,037** | 1,162 | 1,226 |
| Other rentals and landing fees | **999** | 942 | 839 |
| Food service | **777** | 740 | 675 |
| Aircraft rentals | **607** | 630 | 569 |
| Other operating expenses | **3,327** | 3,189 | 2,847 |
| Total operating expenses | **18,322** | 16,574 | 15,528 |
| **Operating Income** | **1,381** | 1,156 | 1,988 |
| **Other Income (Expense)** | | | |
| Interest income | **154** | 95 | 133 |
| Interest expense | **(467)** | (393) | (372) |
| Interest capitalized | **151** | 118 | 104 |
| Miscellaneous – net | **68** | 30 | (20) |
| | **(94)** | (150) | (155) |
| **Income From Continuing Operations Before Income Taxes and Extraordinary Loss** | **1,287** | 1,006 | 1,833 |
| Income tax provision | **508** | 350 | 719 |
| **Income From Continuing Operations Before Extraordinary Loss** | **779** | 656 | 1,114 |
| **Income From Discontinued Operations, Net of Applicable Income Taxes and Minority Interest** | **43** | 265 | 200 |
| **Gain on Sale of Discontinued Operations, Net of Applicable Income Taxes** | **–** | 64 | – |
| **Income Before Extraordinary Loss** | **822** | 985 | 1,314 |
| **Extraordinary Loss, Net of Applicable Income Taxes** | **(9)** | – | – |
| **Net Earnings** | **$ 813** | $ 985 | $ 1,314 |
| **Earnings Per Share:** | | | |
| **Basic** | | | |
| Income from continuing operations | **$ 5.20** | $ 4.30 | $ 6.60 |
| Discontinued operations | **0.30** | 2.16 | 1.18 |
| Extraordinary loss | **(0.07)** | – | – |
| Net earnings | **$ 5.43** | $ 6.46 | $ 7.78 |
| **Diluted** | | | |
| Income from continuing operations | **$ 4.81** | $ 4.17 | $ 6.38 |
| Discontinued operations | **0.27** | 2.09 | 1.14 |
| Extraordinary loss | **(0.05)** | – | – |
| Net earnings | **$ 5.03** | $ 6.26 | $ 7.52 |

*The accompanying notes are an integral part of these financial statements.*

| (in millions) | Year Ended December 31, 2000 | 1999 | 1998 |
|---|---|---|---|
| **Cash Flow from Operating Activities:** | | | |
| Income from continuing operations after extraordinary loss | **$ 770** | $ 656 | $ 1,114 |
| Adjustments to reconcile income from continuing operations after extraordinary loss to net cash provided by operating activities: | | | |
| Depreciation | **928** | 864 | 830 |
| Amortization | **274** | 228 | 210 |
| Deferred income taxes | **461** | 183 | 268 |
| Extraordinary loss on early extinguishment of debt | **14** | – | – |
| Gain on sale of other investments, net | **(57)** | (95) | – |
| Gain on disposition of equipment and property | **–** | (15) | (19) |
| Change in assets and liabilities: | | | |
| Decrease (increase) in receivables | **(169)** | 261 | (185) |
| Increase in inventories | **(111)** | (140) | (36) |
| Increase in accounts payable and accrued liabilities | **579** | 42 | 343 |
| Increase in air traffic liability | **438** | 84 | 128 |
| Other, net | **15** | 196 | 144 |
| Net cash provided by operating activities | **3,142** | 2,264 | 2,797 |
| **Cash Flow from Investing Activities:** | | | |
| Capital expenditures, including purchase deposits on flight equipment | **(3,678)** | (3,539) | (2,342) |
| Net decrease (increase) in short-term investments | **(438)** | (253) | 348 |
| Acquisitions and other investments | **(50)** | (99) | (137) |
| Proceeds from: | | | |
| Dividend from Sabre Holdings Corporation | **559** | – | – |
| Sale of equipment and property | **238** | 79 | 262 |
| Sale of other investments | **94** | 85 | – |
| Sale of discontinued operations | **–** | 259 | – |
| Other | **–** | 18 | – |
| Net cash used for investing activities | **(3,275)** | (3,450) | (1,869) |
| **Cash Flow from Financing Activities:** | | | |
| Payments on long-term debt and capital lease obligations | **(766)** | (280) | (547) |
| Proceeds from: | | | |
| Issuance of long-term debt | **836** | 1,956 | 246 |
| Exercise of stock options | **67** | 25 | 85 |
| Short-term loan from Sabre Holdings Corporation | **–** | 300 | – |
| Sale-leaseback transactions | **–** | 54 | 270 |
| Repurchase of common stock | **–** | (871) | (945) |
| Net cash provided by (used for) financing activities | **137** | 1,184 | (891) |
| Net increase (decrease) in cash | **4** | (2) | 37 |
| Cash at beginning of year | **85** | 87 | 50 |
| Cash at end of year | **$ 89** | $ 85 | $ 87 |
| **Activities Not Affecting Cash** | | | |
| Distribution of Sabre Holdings Corporation shares to AMR shareholders | **$ 581** | $ – | $ – |
| Payment of short-term loan from Sabre Holdings Corporation | **$ –** | $ 300 | $ – |
| Capital lease obligations incurred | **$ –** | $ 54 | $ 270 |

*The accompanying notes are an integral part of these financial statements.*

| (in millions) | December 31, 2000 | 1999 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash | **$ 89** | $ 85 |
| Short-term investments | **2,144** | 1,706 |
| Receivables, less allowance for uncollectible accounts (2000 – $27; 1999 – $57) | **1,303** | 1,134 |
| Inventories, less allowance for obsolescence (2000 – $332; 1999 – $279) | **757** | 708 |
| Deferred income taxes | **695** | 612 |
| Other current assets | **191** | 179 |
| Total current assets | **5,179** | 4,424 |
| **Equipment and Property** | | |
| Flight equipment, at cost | **20,041** | 16,912 |
| Less accumulated depreciation | **6,320** | 5,589 |
| | **13,721** | 11,323 |
| Purchase deposits for flight equipment | **1,700** | 1,582 |
| Other equipment and property, at cost | **3,639** | 3,247 |
| Less accumulated depreciation | **1,968** | 1,814 |
| | **1,671** | 1,433 |
| | **17,092** | 14,338 |
| **Equipment and Property Under Capital Leases** | | |
| Flight equipment | **2,618** | 3,141 |
| Other equipment and property | **159** | 155 |
| | **2,777** | 3,296 |
| Less accumulated amortization | **1,233** | 1,347 |
| | **1,544** | 1,949 |
| **Other Assets** | | |
| Route acquisition costs and airport operating and gate lease rights, less accumulated amortization (2000 – $498; 1999 – $450) | **1,143** | 1,191 |
| Other | **1,255** | 2,472 |
| | **2,398** | 3,663 |
| **Total Assets** | **$ 26,213** | $ 24,374 |

*The accompanying notes are an integral part of these financial statements.*

| (in millions, except shares and par value) | December 31, 2000 | 1999 |
|---|---|---|
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| **Current Liabilities** | | |
| Accounts payable | **$ 1,267** | $ 1,115 |
| Accrued salaries and wages | **955** | 849 |
| Accrued liabilities | **1,276** | 1,107 |
| Air traffic liability | **2,696** | 2,258 |
| Current maturities of long-term debt | **569** | 302 |
| Current obligations under capital leases | **227** | 236 |
| Total current liabilities | **6,990** | 5,867 |
| **Long-Term Debt, Less Current Maturities** | **4,151** | 4,078 |
| **Obligations Under Capital Leases, Less Current Obligations** | **1,323** | 1,611 |
| **Other Liabilities and Credits** | | |
| Deferred income taxes | **2,385** | 1,846 |
| Deferred gains | **508** | 613 |
| Postretirement benefits | **1,706** | 1,669 |
| Other liabilities and deferred credits | **1,974** | 1,832 |
| | **6,573** | 5,960 |
| **Commitments and Contingencies** | | |
| **Stockholders' Equity** | | |
| Common stock – $1 par value; shares authorized: 750,000,000; Shares issued: 2000 and 1999 – 182,278,766 | **182** | 182 |
| Additional paid-in capital | **2,911** | 3,061 |
| Treasury shares at cost: 2000 – 30,216,218; 1999 – 34,034,110 | **(1,865)** | (2,101) |
| Accumulated other comprehensive income | **(2)** | (2) |
| Retained earnings | **5,950** | 5,718 |
| | **7,176** | 6,858 |
| **Total Liabilities and Stockholders' Equity** | **$ 26,213** | $ 24,374 |

| (in millions, except share amounts) | Common Stock | Additional Paid-in Capital | Treasury Stock | Accumulated Other Comprehensive Income | Retained Earnings | Total |
|---|---|---|---|---|---|---|
| **Balance at January 1, 1998** | **$ 182** | **$ 3,104** | **$ (485)** | **$ (4)** | **$ 3,419** | **$ 6,216** |
| Net earnings and total comprehensive income | – | – | – | – | 1,314 | 1,314 |
| Repurchase of 14,342,008 common shares | – | – | (944) | – | – | (944) |
| Issuance of 2,495,148 shares from Treasury pursuant to stock option, deferred stock and restricted stock incentive plans, net of tax benefit of $17 | – | (29) | 141 | – | – | 112 |
| **Balance at December 31, 1998** | **182** | **3,075** | **(1,288)** | **(4)** | **4,733** | **6,698** |
| Net earnings | – | – | – | – | 985 | 985 |
| Adjustment for minimum pension liability, net of tax expense of $1 | – | – | – | 3 | – | 3 |
| Unrealized loss on investments, net of tax benefit of $1 | – | – | – | (1) | – | (1) |
| Total comprehensive income | | | | | | 987 |
| Repurchase of 14,062,358 common shares | – | – | (871) | – | – | (871) |
| Issuance of 955,940 shares from Treasury pursuant to stock option, deferred stock and restricted stock incentive plans, net of tax benefit of $4 | – | (14) | 58 | – | – | 44 |
| **Balance at December 31, 1999** | **182** | **3,061** | **(2,101)** | **(2)** | **5,718** | **6,858** |
| Net earnings | – | – | – | – | 813 | 813 |
| Adjustment for minimum pension liability, net of tax expense of $3 | – | – | – | (5) | – | (5) |
| Unrealized gain on investments, net of tax expense of $2 | – | – | – | 5 | – | 5 |
| Total comprehensive income | | | | | | 813 |
| Distribution of Sabre Holdings Corporation shares to AMR shareholders | – | – | – | – | (581) | (581) |
| Issuance of 3,817,892 shares from Treasury pursuant to stock option, deferred stock and restricted stock incentive plans, net of tax benefit of $11 | – | (150) | 236 | – | – | 86 |
| **Balance at December 31, 2000** | **$ 182** | **$ 2,911** | **$(1,865)** | **$ (2)** | **$ 5,950** | **$ 7,176** |

*The accompanying notes are an integral part of these financial statements.*

## 1. SUMMARY OF ACCOUNTING POLICIES

***Basis of Presentation*** The consolidated financial statements include the accounts of AMR Corporation (AMR or the Company) and its wholly owned subsidiaries, including its principal subsidiary American Airlines, Inc. (American). All significant intercompany transactions have been eliminated. The results of operations, cash flows and net assets for Sabre Holdings Corporation (Sabre), AMR Services, AMR Combs and TeleService Resources have been reflected in the consolidated financial statements as discontinued operations. Unless specifically indicated otherwise, the information in the footnotes relates to the continuing operations of AMR. All share and per share amounts reflect the stock split on June 9, 1998, where appropriate. Certain amounts from prior years have been reclassified to conform with the 2000 presentation.

***Use of Estimates*** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

***Inventories*** Spare parts, materials and supplies relating to flight equipment are carried at average acquisition cost and are expensed when incurred in operations. Allowances for obsolescence are provided, over the estimated useful life of the related aircraft and engines, for spare parts expected to be on hand at the date aircraft are retired from service, plus allowances for spare parts currently identified as excess. These allowances are based on management estimates, which are subject to change.

***Equipment and Property*** The provision for depreciation of operating equipment and property is computed on the straight-line method applied to each unit of property, except that major rotable parts, avionics and assemblies are depreciated on a group basis.

The depreciable lives used for the principal depreciable asset classifications are:

| | Depreciable Life |
|---|---|
| Boeing 727-200 aircraft | 2003[1] |
| Other American jet aircraft | 20–30 years |
| Regional aircraft and engines | 16–20 years |
| Major rotable parts, avionics and assemblies | Life of equipment to which applicable |
| Improvements to leased flight equipment | Term of lease |
| Buildings and improvements (principally on leased land) | 10–30 years or term of lease |
| Furniture, fixtures and other equipment | 3–20 years |
| Capitalized software | 3–10 years |

[1] *Approximate final aircraft retirement date.*

Residual values for aircraft, engines, major rotable parts, avionics and assemblies are generally five to 10 percent, except when a guaranteed residual value or other agreements exist to better estimate the residual value.

Effective January 1, 1999, in order to more accurately reflect the expected useful life of its aircraft, the Company changed its estimate of the depreciable lives of certain aircraft types from 20 to 25 years and increased the residual value from five to 10 percent. It also established a 30-year life for its new Boeing 777 aircraft, first delivered in the first quarter of 1999. As a result of this change, depreciation and amortization expense was reduced by approximately $158 million and net earnings were increased by approximately $99 million, or $0.63 per common share diluted, for the year ended December 31, 1999.

Equipment and property under capital leases are amortized over the term of the leases or, in the case of certain aircraft, over their expected useful lives, and such amortization is included in depreciation and amortization. Lease terms vary but are generally 10 to 25 years for aircraft and seven to 40 years for other leased equipment and property.

***Maintenance and Repair Costs*** Maintenance and repair costs for owned and leased flight equipment are charged to operating expense as incurred, except engine overhaul costs incurred by AMR Eagle Holding Corporation (AMR Eagle) and costs incurred for maintenance and repair under power by the hour maintenance contract agreements, which are accrued on the basis of hours flown.

***Intangible Assets*** Route acquisition costs and airport operating and gate lease rights represent the purchase price attributable to route authorities, airport take-off and landing slots and airport gate leasehold rights acquired. These assets are being amortized on a straight-line basis over 40 years for route authorities, primarily 25 years for airport take-off and landing slots, and the term of the lease for airport gate leasehold rights.

***Passenger Revenues*** Passenger ticket sales are initially recorded as a component of air traffic liability. Revenue derived from ticket sales is recognized at the time service is provided. However, due to various factors, including the complex pricing structure and interline agreements throughout the industry, certain amounts are recognized in revenue using estimates regarding both the timing of the revenue recognition and the amount of revenue to be recognized. Actual results could differ from those estimates.

***Advertising Costs*** The Company expenses the costs of advertising as incurred. Advertising expense was $221 million, $206 million and $196 million for the years ended December 31, 2000, 1999 and 1998, respectively.

***Frequent Flyer Program*** The estimated incremental cost of providing free travel awards is accrued when such award levels are reached. American sells mileage credits and related services to companies participating in its frequent flyer program. The portion of the revenue related to the sale of mileage credits is deferred and recognized over a period approximating the period during which the mileage credits are used. The remaining portion of the revenue is recognized upon receipt as the related services have been provided.

***Statements of Cash Flows*** Short-term investments, without regard to remaining maturity at acquisition, are not considered as cash equivalents for purposes of the statements of cash flows.

***Stock Options*** The Company accounts for its stock-based compensation plans in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related Interpretations. Under APB 25, no compensation expense is recognized for stock option grants if the exercise price of the Company's stock option grants is at or above the fair market value of the underlying stock on the date of grant.

## 2. Investments

Short-term investments consisted of (in millions):

| | December 31, | |
|---|---|---|
| | **2000** | 1999 |
| Overnight investments and time deposits | **$ 361** | $ – |
| Corporate and bank notes | **906** | 1,173 |
| U.S. Government agency mortgages | **442** | 94 |
| Asset backed securities | **361** | 145 |
| U.S. Government agency notes | **–** | 234 |
| Other | **74** | 60 |
| | **$2,144** | $ 1,706 |

Short-term investments at December 31, 2000, by contractual maturity included (in millions):

| | |
|---|---|
| Due in one year or less | **$ 994** |
| Due between one year and three years | **1,104** |
| Due after three years | **46** |
| | **$2,144** |

All short-term investments are classified as available-for-sale and stated at fair value. Unrealized gains and losses, net of deferred taxes, are reflected as an adjustment to stockholders' equity.

During 1999, the Company entered into an agreement with priceline.com Incorporated (priceline) whereby ticket inventory provided by the Company may be sold through priceline's e-commerce system. In conjunction with this agreement, the Company received warrants to purchase approximately 5.5 million shares of priceline common stock. In the second quarter of 2000, the Company sold these warrants for proceeds of approximately $94 million, and recorded a gain of $57 million, which is included in Miscellaneous – net on the accompanying consolidated statements of operations.

At December 31, 1998, the Company owned approximately 3.1 million depository certificates convertible, subject to certain restrictions, into the common stock of Equant N.V. (Equant), which completed an initial public offering in July 1998. Approximately 1.7 million of the certificates were held by the Company on behalf of Sabre. During 1999, the Company acquired approximately 400,000 Equant depository certificates from other airlines. In addition, based upon a reallocation between the owners of the certificates in July 1999, the Company received an additional 2.6 million certificates, of which approximately 2.2 million certificates were held for the benefit of Sabre. In connection with two secondary offerings by Equant in February and December 1999, the Company sold approximately 2.7 million depository certificates for a net gain of approximately $118 million, after taxes and minority interest. Of this amount, approximately $75 million is included in Miscellaneous – net and approximately $71 million, net of taxes and minority interest, related to depository certificates held by the Company on behalf of Sabre, is included in income from discontinued operations on the accompanying consolidated statements of operations.

As of December 31, 2000 and 1999, the Company holds approximately 1.2 million depository certificates with an estimated market value of approximately $32 million and $136 million, respectively. The carrying value of the Company's investment in the depository certificates as of December 31, 2000 and 1999, was approximately $20 million, and is included in other assets on the accompanying consolidated balance sheets.

In December 1999, the Company entered into an agreement to sell its investment in the cumulative mandatorily redeemable convertible preferred stock of Canadian Airlines International Limited (Canadian) for approximately $40 million, resulting in a gain of $40 million, which is included in Miscellaneous – net on the accompanying consolidated statements of operations. In addition, the Company recognized a tax benefit of $67 million resulting from the tax loss on the investment, representing the reversal of a deferred tax valuation allowance since it is more likely than not that the tax benefit will be realized. The valuation allowance was established in 1996 when the investment was written-off because, at that time, it was not more likely than not that the tax benefit of the write-off would be realized. During 2000, the Company recorded a gain of approximately $41 million from the recovery of start-up expenses (previously written-off) from the Canadian services agreement entered into during 1995, which is included in Miscellaneous – net on the accompanying consolidated statements of operations.

### 3. Commitments and Contingencies

At December 31, 2000, the Company had commitments to acquire the following aircraft: 66 Boeing 737-800s, 23 Boeing 757-200s, 20 Boeing 777-200ERs, 146 Embraer regional jets and 25 Bombardier CRJ-700s. Deliveries of all aircraft extend through 2006. Future payments for all aircraft, including the estimated amounts for price escalation, will approximate $2.7 billion in 2001, $1.6 billion in 2002, $900 million in 2003 and an aggregate of approximately $1.3 billion in 2004 through 2006. In addition to these commitments for aircraft, the Company's Board of Directors has authorized expenditures of approximately $2.8 billion over the next five years for modifications to aircraft, renovations of – and additions to – airport and off-airport facilities, and the acquisition of various other equipment and assets. AMR expects to spend approximately $855 million of this authorized amount in 2001.

The Miami International Airport Authority is currently remediating various environmental conditions at the Miami International Airport (the Airport) and funding the remediation costs through landing fee revenues and other cost recovery methods. Future costs of the remediation effort may be borne by carriers operating at the Airport, including American, through increased landing fees and/or other charges since certain of the potentially responsible parties are no longer in business. The future increase in landing fees and/or other charges may be material but cannot be reasonably estimated due to various factors, including the unknown extent of the remedial actions that may be required, the proportion of the cost that will ultimately be recovered from the responsible parties, and uncertainties regarding the environmental agencies that will ultimately supervise the remedial activities and the nature of that supervision. In addition, the Company is subject to environmental issues at various other airport and non-airport locations. Management believes, after considering a number of factors, that the ultimate disposition of these environmental issues is not expected to materially affect the Company's consolidated financial position, results of operations or cash flows. Amounts recorded for environmental issues are based on the Company's current assessments of the ultimate outcome and, accordingly, could increase or decrease as these assessments change.

The Company has agreed to sell its McDonnell Douglas MD-11 aircraft to FedEx Corporation (FedEx). No significant gain or loss is expected to be recognized as a result of this transaction. As of December 31, 2000, the carrying value of the remaining aircraft American has committed to sell was approximately $462 million.

AMR and American have included event risk covenants in approximately $2.2 billion of indebtedness. These covenants permit the holders of such indebtedness to receive a higher rate of return (between 75 and 650 basis points above the stated rate) if a designated event, as defined, should occur and the credit rating of such indebtedness is downgraded below certain levels within a certain period of time following the event.

Special facility revenue bonds have been issued by certain municipalities, primarily to purchase equipment and improve airport facilities that are leased by American. In certain cases, the bond issue proceeds were loaned to American and are included in long-term debt. Certain bonds have rates that are periodically reset and are remarketed by various agents. In certain circumstances, American may be required to purchase up to $544 million of the special facility revenue bonds prior to scheduled maturity, in which case American has the right to resell the bonds or to use the bonds to offset its lease or debt obligations. American may borrow the purchase price of these bonds under standby letter of credit agreements. At American's option, certain letters of credit are secured by funds held by bond trustees and by approximately $540 million of short-term investments.

## 4. Leases

AMR's subsidiaries lease various types of equipment and property, including aircraft, and airport and off-airport facilities. The future minimum lease payments required under capital leases, together with the present value of such payments, and future minimum lease payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2000, were (in millions):

| Year Ending December 31, | Capital Leases | Operating Leases |
|---|---|---|
| 2001 | $ 320 | $ 984 |
| 2002 | 276 | 921 |
| 2003 | 195 | 931 |
| 2004 | 246 | 913 |
| 2005 | 178 | 900 |
| 2006 and subsequent | 867 | 11,306 |
| | 2,082[1] | $ 15,955[2] |
| Less amount representing interest | 532 | |
| Present value of net minimum lease payments | $ 1,550 | |

[1] *Includes $191 million guaranteed by AMR relating to special facility revenue bonds issued by municipalities.*

[2] *Includes $6.4 billion guaranteed by AMR relating to special facility revenue bonds issued by municipalities.*

At December 31, 2000, the Company had 201 jet aircraft and 39 turboprop aircraft under operating leases, and 65 jet aircraft and 57 turboprop aircraft under capital leases. The aircraft leases can generally be renewed at rates based on fair market value at the end of the lease term for one to five years. Most aircraft leases have purchase options at or near the end of the lease term at fair market value, but generally not to exceed a stated percentage of the defined lessor's cost of the aircraft or at a predetermined fixed amount.

During 1996, American made prepayments on the cancelable operating leases it had on 12 of its Boeing 767-300 aircraft. Upon the expiration of the amended leases, American can purchase the aircraft for a nominal amount. As a result, the aircraft were recorded as flight equipment under capital leases. During 2000 and 1999, the Company exercised its option to purchase six and two of the Boeing 767-300 aircraft for a nominal fee, respectively. As such, these aircraft were reclassified from flight equipment under capital leases to owned flight equipment.

Rent expense, excluding landing fees, was $1.3 billion for 2000 and 1999, and $1.1 billion for 1998.

## 5. Indebtedness

Long-term debt (excluding amounts maturing within one year) consisted of (in millions):

| | December 31, | |
|---|---|---|
| | **2000** | 1999 |
| Secured variable and fixed rate indebtedness due through 2016 (effective rates from 6.71%–9.597% at December 31, 2000) | **$3,209** | $ 2,556 |
| 7.875%–10.62% notes due through 2039 | **345** | 812 |
| 9.0%–10.20% debentures due through 2021 | **332** | 437 |
| 6.0%–7.10% bonds due through 2031 | **176** | 176 |
| Unsecured variable rate indebtedness due through 2024 (3.55% at December 31, 2000) | **86** | 86 |
| Other | **3** | 11 |
| Long-term debt, less current maturities | **$4,151** | $ 4,078 |

Maturities of long-term debt (including sinking fund requirements) for the next five years are: 2001 – $569 million; 2002 – $201 million; 2003 – $169 million; 2004 – $228 million; 2005 – $482 million.

During the third quarter of 2000, the Company repurchased prior to scheduled maturity approximately $167 million in face value of long-term debt. Cash from operations provided the funding for the repurchases. These transactions resulted in an extraordinary loss of $14 million ($9 million after-tax).

American has $1.0 billion in credit facility agreements that expire December 15, 2005, subject to certain conditions. At American's option, interest on these agreements can be calculated on one of several different bases. For most borrowings, American would anticipate choosing a floating rate based upon the London Interbank Offered Rate (LIBOR). At December 31, 2000, no borrowings were outstanding under these agreements.

Certain debt is secured by aircraft, engines, equipment and other assets having a net book value of approximately $3.4 billion. In addition, certain of American's debt and credit facility agreements contain restrictive covenants, including a minimum net worth requirement, which could limit American's ability to pay dividends. At December 31, 2000, under the most restrictive provisions of those debt and credit facility agreements, approximately $1.5 billion of the retained earnings of American was available for payment of dividends to AMR.

Cash payments for interest, net of capitalized interest, were $301 million, $237 million and $277 million for 2000, 1999 and 1998, respectively.

## 6. Financial Instruments and Risk Management

As part of the Company's risk management program, AMR uses a variety of financial instruments, including interest rate swaps, fuel swap and option contracts, and currency exchange agreements. The Company does not hold or issue derivative financial instruments for trading purposes.

***Notional Amounts and Credit Exposures of Derivatives*** The notional amounts of derivative financial instruments summarized in the tables which follow do not represent amounts exchanged between the parties and, therefore, are not a measure of the Company's exposure resulting from its use of derivatives. The amounts exchanged are calculated based on the notional amounts and other terms of the instruments, which relate to interest rates, exchange rates or other indices.

The Company is exposed to credit losses in the event of non-performance by counterparties to these financial instruments, but it does not expect any of the counterparties to fail to meet its obligations. The credit exposure related to these financial instruments is represented by the fair value of contracts with a positive fair value at the reporting date, reduced by the effects of master netting agreements. To manage credit risks, the Company selects counterparties based on credit ratings, limits its exposure to a single counterparty under defined guidelines, and monitors the market position of the program and its relative market position with each counterparty. The Company also maintains industry-standard security agreements with the majority of its counterparties which may require the Company or the counterparty to post collateral if the value of these instruments falls below certain mark-to-market thresholds. As of December 31, 2000, no collateral was required under these agreements, and the Company does not expect to post collateral in the near future.

***Interest Rate Risk Management*** American utilizes interest rate swap contracts to effectively convert a portion of its fixed-rate obligations to floating-rate obligations. These agreements involve the exchange of amounts based on a floating interest rate for amounts based on fixed interest rates over the life of the agreement without an exchange of the notional amount upon which the payments are based. The differential to be paid or received as interest rates change is accrued and recognized as an adjustment of interest expense related to the obligation. The related amount payable to or receivable from counterparties is included in current liabilities or assets. The fair values of the swap agreements are not recognized in the financial statements. Gains and losses on terminations of interest rate swap agreements are deferred as an adjustment to the carrying amount of the outstanding obligation and amortized as an adjustment to interest expense related to the obligation over the remaining term of the original contract life of the terminated swap agreement. In the event of the early extinguishment of a designated obligation, any realized or unrealized gain or loss from the swap would be recognized in income coincident with the extinguishment.

During 2000, the Company terminated interest rate swap agreements on notional amounts of approximately $425 million which had effectively converted a portion of its fixed-rate obligations to floating-rate obligations. The cost of terminating these interest rate swap agreements was not material.

The following table indicates the notional amounts and fair values of the Company's interest rate swap agreements (in millions):

| | December 31, 2000 | | 1999 | |
|---|---|---|---|---|
| | **Notional Amount** | **Fair Value** | Notional Amount | Fair Value |
| Interest rate swap agreements | **$ 158** | **$ 4** | $ 696 | $ (9) |

The fair values represent the amount the Company would receive or pay if the agreements were terminated at December 31, 2000 and 1999, respectively.

At December 31, 2000, the weighted-average remaining life of the interest rate swap agreements in effect was 9.7 years. The weighted-average floating rates and fixed rates on the contracts outstanding were:

| | December 31, 2000 | 1999 |
|---|---|---|
| Average floating rate | **6.798%** | 5.855% |
| Average fixed rate | **6.631%** | 6.593% |

Floating rates are based primarily on LIBOR and may change significantly, affecting future cash flows.

***Fuel Price Risk Management*** American enters into fuel swap and option contracts to protect against increases in jet fuel prices. Under the fuel swap agreements, American receives or makes payments based on the difference between a fixed price and a variable price for certain fuel commodities. Under the fuel option agreements, American pays a premium to cap prices at a fixed level. The changes in market value of such agreements have a high correlation to the price changes of the fuel being hedged. Effective gains or losses on fuel hedging agreements are recognized as a component of fuel expense when the underlying fuel being hedged is used. Any premiums paid to enter into option contracts are recorded as assets. Gains and losses on fuel hedging agreements would be recognized immediately should the changes in the market value of the agreements cease to have a high correlation to the price changes of the fuel being hedged. At December 31, 2000, American had fuel hedging agreements with broker-dealers on approximately 2.3 billion gallons of fuel products, which represented approximately 40 percent of its expected 2001 fuel needs, approximately 15 percent of its expected 2002 fuel needs, and approximately seven percent of its expected 2003 fuel needs. The fair value of the Company's fuel hedging agreements at December 31, 2000, representing the amount the Company would receive to terminate the agreements, totaled $223 million. At December 31, 1999, American had fuel hedging agreements with broker-dealers on approximately 2.0 billion gallons of fuel products, which represents approximately 48 percent of its expected 2000 fuel needs and approximately 10 percent of its expected 2001 fuel needs. The fair value of the Company's fuel hedging agreements at December 31, 1999, representing the amount the Company would receive to terminate the agreements, totaled $232 million.

***Foreign Exchange Risk Management*** To hedge against the risk of future exchange rate fluctuations on a portion of American's foreign cash flows, the Company enters into various currency put option agreements on a number of foreign currencies. The option contracts are denominated in the same foreign currency in which the projected foreign cash flows are expected to occur. These contracts are designated and effective as hedges of probable quarterly foreign cash flows for various periods through December 31, 2001, which otherwise would expose the Company to foreign currency risk. Realized gains on the currency put option agreements are recognized as a component of passenger revenues. At December 31, 2000 and 1999, the notional amount related to these options totaled approximately $456 million and $445 million, respectively, and the fair value, representing the amount AMR would receive to terminate the agreements, totaled approximately $20 million and $14 million, respectively.

The Company has entered into Japanese yen currency exchange agreements to effectively convert certain yen-based lease obligations into dollar-based obligations. Changes in the value of the agreements due to exchange rate fluctuations are offset by changes in the value of the yen-denominated lease obligations translated at the current exchange rate. Discounts or premiums are accreted or amortized as an adjustment to interest expense over the lives of the underlying lease obligations. The related amounts due to or from counterparties are included in other liabilities or other assets. The net fair values of the Company's yen currency exchange agreements, representing the amount the Company would pay or receive to terminate the agreements, were (in millions):

| | December 31, | | | |
|---|---|---|---|---|
| | **2000** | | 1999 | |
| | **Notional Amount** | **Fair Value** | Notional Amount | Fair Value |
| Japanese yen | **31.0 billion** | **$ (5)** | 33.6 billion | $ 41 |

The exchange rates on the Japanese yen agreements range from 66.5 to 113.5 yen per U.S. dollar.

***Fair Values of Financial Instruments*** The fair values of the Company's long-term debt were estimated using quoted market prices where available. For long-term debt not actively traded, fair values were estimated using discounted cash flow analyses, based on the Company's current incremental borrowing rates for similar types of borrowing arrangements.

The carrying amounts and estimated fair values of the Company's long-term debt, including current maturities, were (in millions):

| | December 31, | | | |
|---|---|---|---|---|
| | **2000** | | 1999 | |
| | **Carrying Value** | **Fair Value** | Carrying Value | Fair Value |
| Secured variable and fixed rate indebtedness | **$ 3,366** | **$ 3,455** | $ 2,651 | $ 2,613 |
| 7.875%–10.62% notes | **749** | **759** | 1,014 | 1,024 |
| 9.0%–10.20% debentures | **332** | **358** | 437 | 469 |
| 6.0%–7.10% bonds | **176** | **179** | 176 | 174 |
| Unsecured variable rate indebtedness | **86** | **86** | 86 | 86 |
| Other | **11** | **11** | 16 | 16 |
| | **$ 4,720** | **$ 4,848** | $ 4,380 | $ 4,382 |

All other financial instruments, except for the investment in Equant, are either carried at fair value or their carrying value approximates fair value.

Financial Accounting Standards Board Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended (SFAS 133), was adopted by the Company on January 1, 2001. SFAS 133 requires the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. The adoption of SFAS 133 did not have a material impact on the Company's net earnings. However, the Company recorded a transition adjustment of approximately $100 million in accumulated other comprehensive income in the first quarter of 2001.

## 7. Income Taxes

The significant components of the income tax provision were (in millions):

| | Year Ended December 31, | | |
|---|---|---|---|
| | **2000** | 1999 | 1998 |
| Current | **$ 47** | $ 167 | $ 451 |
| Deferred | **461** | 183 | 268 |
| | **$ 508** | $ 350 | $ 719 |

The income tax provision includes a federal income tax provision of $454 million, $290 million and $628 million and a state income tax provision of $47 million, $49 million and $78 million for the years ended December 31, 2000, 1999 and 1998, respectively.

The income tax provision differed from amounts computed at the statutory federal income tax rate as follows (in millions):

| | Year Ended December 31, | | |
|---|---|---|---|
| | **2000** | 1999 | 1998 |
| Statutory income tax provision | **$ 450** | $ 352 | $ 641 |
| State income tax provision, net of federal benefit | **30** | 32 | 51 |
| Meal expense | **19** | 19 | 18 |
| Change in valuation allowance | **–** | (67) | (4) |
| Other, net | **9** | 14 | 13 |
| Income tax provision | **$ 508** | $ 350 | $ 719 |

The change in valuation allowance in 1999 relates to the realization of a tax loss on the sale of the Company's investment in Canadian (see Note 2). The change in valuation allowance in 1998 relates to the utilization of foreign tax credits.

The components of AMR's deferred tax assets and liabilities were (in millions):

| | December 31, | |
|---|---|---|
| | **2000** | 1999 |
| Deferred tax assets: | | |
| Postretirement benefits other than pensions | **$ 632** | $ 614 |
| Rent expense | **522** | 449 |
| Frequent flyer obligation | **362** | 307 |
| Gains from lease transactions | **225** | 238 |
| Alternative minimum tax credit carryforwards | **184** | 289 |
| Other | **541** | 520 |
| Total deferred tax assets | **2,466** | 2,417 |
| Deferred tax liabilities: | | |
| Accelerated depreciation and amortization | **(3,822)** | (3,381) |
| Pensions | **(89)** | (50) |
| Other | **(245)** | (220) |
| Total deferred tax liabilities | **(4,156)** | (3,651) |
| Net deferred tax liability | **$(1,690)** | $(1,234) |

At December 31, 2000, AMR had available for federal income tax purposes approximately $184 million of alternative minimum tax credit carryforwards which are available for an indefinite period.

Cash payments for income taxes were $49 million, $71 million and $408 million for 2000, 1999 and 1998, respectively.

## 8. Common and Preferred Stock

On June 9, 1998, a two-for-one stock split in the form of a stock dividend was effective for shareholders of record on May 26, 1998. All prior period share and earnings per share amounts reflect the stock split. The Company has 20 million shares of preferred stock (without par value) authorized at December 31, 2000 and 1999.

## 9. Stock Awards and Options

Under the 1998 Long Term Incentive Plan, as amended, officers and key employees of AMR and its subsidiaries may be granted stock options, stock appreciation rights, restricted stock, deferred stock, stock purchase rights, other stock-based awards and/or performance-related awards, including cash bonuses. The total number of common shares authorized for distribution under the 1998 Long Term Incentive Plan is 23,700,000 shares. The 1998 Long Term Incentive Plan, the successor to the 1988 Long Term Incentive Plan, which expired May 18, 1998, will terminate no later than May 21, 2008. Options granted under the 1988 and 1998 Long Term Incentive Plans (collectively, the Plans) are awarded with an exercise price equal to the fair market value of the stock on date of grant, become exercisable in equal annual installments over five years following the date of grant and expire 10 years from the date of grant. Stock appreciation rights may be granted in tandem with options awarded.

As a result of the Sabre spin-off in March 2000, AMR's stock price was adjusted from $60$\frac{9}{16}$ to $25$\frac{9}{16}$ by the New York Stock Exchange. Accordingly, all outstanding stock options and other stock-based awards, including the related exercise prices, were adjusted to preserve the intrinsic value of the stock options and awards. See Note 12 for information regarding the Sabre spin-off.

In 2000, 1999 and 1998, the total charge for stock compensation expense included in wages, salaries and benefits expense was $52 million, $53 million and $52 million, respectively. No compensation expense was recognized for stock option grants under the Plans since the exercise price was the fair market value of the underlying stock on the date of grant.

Stock option activity was:

| | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | **2000** | | 1999 | | 1998 | |
| | **Options** | **Weighted Average Exercise Price** | Options | Weighted Average Exercise Price | Options | Weighted Average Exercise Price |
| Outstanding at January 1 | **5,219,634** | **$ 52.06** | 4,147,124 | $ 46.60 | 3,506,774 | $ 38.77 |
| Sabre adjustment | **7,150,899** | **–** | – | – | – | – |
| Granted | **6,003,111** | **30.21** | 1,539,585 | 63.19 | 1,216,720 | 63.01 |
| Exercised | **(1,557,034)** | **32.85** | (258,875) | 68.17 | (470,810) | 31.82 |
| Canceled | **(247,703)** | **23.38** | (208,200) | 49.96 | (105,560) | 42.34 |
| Outstanding at December 31 | **16,568,907** | **$ 25.42** | 5,219,634 | $ 52.06 | 4,147,124 | $ 46.60 |
| Exercisable options outstanding at December 31 | **5,334,444** | **$ 19.79** | 2,012,889 | $ 40.63 | 1,586,974 | $ 36.49 |

The following table summarizes information about the stock options outstanding at December 31, 2000:

| Range of Exercise Prices | Number of Options Outstanding | Weighted Average Remaining Life (years) | Weighted Average Exercise Price | Number of Options Exercisable | Weighted Average Exercise Price |
|---|---|---|---|---|---|
| Under $20 | 3,073,130 | 4.21 | $ 14.93 | 2,769,990 | $ 14.75 |
| $20–$30 | 8,113,906 | 8.26 | 24.71 | 1,992,625 | 23.62 |
| Over $30 | 5,381,871 | 9.14 | 32.48 | 571,829 | 30.83 |
| | 16,568,907 | 7.79 | $ 25.42 | 5,334,444 | $ 19.79 |

In May 1997, in conjunction with the labor agreement reached between American and members of the Allied Pilots Association (APA), the Company established the Pilots Stock Option Plan (The Pilot Plan). The Pilot Plan granted members of the APA the option to purchase 11.5 million shares of AMR stock at $41.69 per share, $5 less than the average fair market value of the stock on the date of grant, May 5, 1997. These shares were exercisable immediately. In conjunction with the Sabre spin-off, the exercise price was adjusted to $17.59 per share. Pilot Plan option activity was:

| | Year Ended December 31, | | |
|---|---|---|---|
| | **2000** | 1999 | 1998 |
| Outstanding at January 1 | **5,420,028** | 5,791,381 | 7,438,220 |
| Sabre adjustment | **7,421,048** | – | – |
| Exercised | **(1,850,886)** | (371,353) | (1,646,839) |
| Outstanding at December 31 | **10,990,190** | 5,420,028 | 5,791,381 |

The weighted-average grant date fair value of all stock option awards granted during 2000, 1999 and 1998 was $16.54, $23.17 and $21.15, respectively.

Shares of deferred stock are awarded at no cost to officers and key employees under the Plans' Career Equity Program and will be issued upon the individual's retirement from AMR or, in certain circumstances, will vest on a pro rata basis. Deferred stock activity was:

| | Year Ended December 31, | | |
|---|---|---|---|
| | **2000** | 1999 | 1998 |
| Outstanding at January 1 | **2,310,680** | 2,401,532 | 2,457,190 |
| Sabre adjustment | **3,165,632** | – | – |
| Granted | **–** | 146,200 | 185,812 |
| Issued | **(479,177)** | (122,042) | (190,911) |
| Canceled | **(40,638)** | (115,010) | (50,559) |
| Outstanding at December 31 | **4,956,497** | 2,310,680 | 2,401,532 |

The weighted-average grant date fair value of career equity awards granted during 1999 and 1998 was $63.54 and $57.77, respectively.

A performance share plan was implemented in 1993 under the terms of which shares of deferred stock are awarded at no cost to officers and key employees under the Plans. The fair value of the performance shares granted is equal to the market price of the Company's stock at the date of grant. The shares vest over a three-year performance period based upon certain specified financial measures of AMR. Performance share activity was:

| | Year Ended December 31, | | |
|---|---|---|---|
| | **2000** | 1999 | 1998 |
| Outstanding at January 1 | **1,215,644** | 1,565,616 | 1,737,274 |
| Sabre adjustment | **1,665,432** | – | – |
| Granted | **1,277,539** | 509,822 | 644,680 |
| Issued | **(399,517)** | (208,265) | (205,458) |
| Awards settled in cash | **(1,200,177)** | (513,370) | (522,234) |
| Canceled | **(51,166)** | (138,159) | (88,646) |
| Outstanding at December 31 | **2,507,755** | 1,215,644 | 1,565,616 |

The weighted-average grant date fair value of performance share awards granted during 2000, 1999 and 1998 was $32.93, $62.95 and $62.06, respectively.

The Company has adopted the pro forma disclosure features of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS 123). As required by SFAS 123, pro forma information regarding income from continuing operations before extraordinary loss and earnings per share from continuing operations before extraordinary loss has been determined as if the Company had accounted for its employee stock options and awards granted subsequent to December 31, 1994 using the fair value method prescribed by SFAS 123. The fair value for the stock options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 2000, 1999 and 1998: risk-free interest rates ranging from 5.01% to 6.15%; dividend yields of 0%; expected stock volatility ranging from 29.9% to 43.5%; and expected life of the options of 4.5 years for the Plans and 1.5 years for The Pilot Plan.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options. In addition, because SFAS 123 is applicable only to options and stock-based awards granted subsequent to December 31, 1994, its pro forma effect is not fully reflected in years prior to 1999.

The following table shows the Company's pro forma income from continuing operations before extraordinary loss and earnings per share from continuing operations before extraordinary loss assuming the Company had accounted for its employee stock options using the fair value method (in millions, except per share amounts):

| | Year Ended December 31, | | |
|---|---|---|---|
| | **2000** | 1999 | 1998 |
| Income from continuing operations before extraordinary loss: | | | |
| As reported | **$ 779** | $ 656 | $ 1,114 |
| Pro forma | **772** | 651 | 1,114 |
| Basic earnings per share from continuing operations before extraordinary loss: | | | |
| As reported | **$ 5.20** | $ 4.30 | $ 6.60 |
| Pro forma | **5.15** | 4.27 | 6.60 |
| Diluted earnings per share from continuing operations before extraordinary loss: | | | |
| As reported | **$ 4.81** | $ 4.17 | $ 6.38 |
| Pro forma | **4.77** | 4.14 | 6.38 |

## 10. Retirement Benefits

All regular employees of the Company are eligible to participate in pension plans. The defined benefit plans provide benefits for participating employees based on years of service and average compensation for a specified period of time before retirement. Airline pilots and flight engineers also participate in defined contribution plans for which Company contributions are determined as a percentage of participant compensation.

In addition to pension benefits, other postretirement benefits, including certain health care and life insurance benefits, are also provided to retired employees. The amount of health care benefits is limited to lifetime maximums as outlined in the plan. Substantially all employees of American and employees of certain other subsidiaries may become eligible for these benefits if they satisfy eligibility requirements during their working lives.

Certain employee groups make contributions toward funding a portion of their retiree health care benefits during their working lives. AMR funds benefits as incurred and makes contributions to match employee prefunding.

The following table provides a reconciliation of the changes in the plans' benefit obligations and fair value of assets for the years ended December 31, 2000 and 1999, and a statement of funded status as of December 31, 2000 and 1999 (in millions):

| | Pension Benefits | | Other Benefits | |
|---|---|---|---|---|
| | **2000** | 1999 | **2000** | 1999 |
| **Reconciliation of benefit obligation** | | | | |
| Obligation at January 1 | **$ 5,628** | $ 6,117 | **$ 1,306** | $ 1,526 |
| Service cost | **213** | 236 | **43** | 56 |
| Interest cost | **467** | 433 | **108** | 108 |
| Actuarial loss (gain) | **499** | (849) | **328** | (311) |
| Plan amendments | **–** | 75 | **–** | – |
| Benefit payments | **(373)** | (388) | **(77)** | (70) |
| Curtailments/Special termination benefits | **–** | 4 | **–** | (3) |
| Obligation at December 31 | **$ 6,434** | $ 5,628 | **$ 1,708** | $ 1,306 |
| **Reconciliation of fair value of plan assets** | | | | |
| Fair value of plan assets at January 1 | **$ 5,282** | $ 5,564 | **$ 72** | $ 62 |
| Actual return on plan assets | **735** | 7 | **5** | 1 |
| Employer contributions | **85** | 100 | **88** | 79 |
| Benefit payments | **(373)** | (388) | **(77)** | (70) |
| Transfers | **2** | (1) | **–** | – |
| Fair value of plan assets at December 31 | **$ 5,731** | $ 5,282 | **$ 88** | $ 72 |
| **Funded status** | | | | |
| Accumulated benefit obligation (ABO) | **$ 5,306** | $ 4,700 | **$ 1,708** | $ 1,306 |
| Projected benefit obligation (PBO) | **6,434** | 5,628 | **–** | – |
| Fair value of assets | **5,731** | 5,282 | **88** | 72 |
| Funded status at December 31 | **(703)** | (346) | **(1,620)** | (1,234) |
| Unrecognized loss (gain) | **523** | 288 | **(51)** | (395) |
| Unrecognized prior service cost | **129** | 139 | **(35)** | (40) |
| Unrecognized transition asset | **(6)** | (7) | **–** | – |
| Prepaid (accrued) benefit cost | **$ (57)** | $ 74 | **$(1,706)** | $(1,669) |

At December 31, 2000 and 1999, plan assets of approximately $88 million and $71 million, respectively, were invested in shares of mutual funds managed by a subsidiary of AMR.

The following tables provide the components of net periodic benefit cost for the years ended December 31, 2000, 1999 and 1998 (in millions):

| | Pension Benefits | | |
|---|---|---|---|
| | **2000** | 1999 | 1998 |
| **Components of net periodic benefit cost** | | | |
| Defined benefit plans: | | | |
| Service cost | **$ 213** | $ 236 | $ 213 |
| Interest cost | **467** | 433 | 418 |
| Expected return on assets | **(490)** | (514) | (478) |
| Amortization of: | | | |
| Transition asset | **(1)** | (4) | (11) |
| Prior service cost | **10** | 5 | 4 |
| Unrecognized net loss | **17** | 21 | 22 |
| Settlement loss | **–** | – | 6 |
| Net periodic benefit cost for defined benefit plans | **216** | 177 | 174 |
| Defined contribution plans | **174** | 155 | 158 |
| Total | **$ 390** | $ 332 | $ 332 |

| | Other Benefits | | |
|---|---|---|---|
| | **2000** | 1999 | 1998 |
| **Components of net periodic benefit cost** | | | |
| Service cost | **$ 43** | $ 56 | $ 52 |
| Interest cost | **108** | 108 | 99 |
| Expected return on assets | **(7)** | (6) | (5) |
| Amortization of: | | | |
| Prior service cost | **(5)** | (5) | (5) |
| Unrecognized net gain | **(14)** | – | (2) |
| Net periodic benefit cost | **$ 125** | $ 153 | $ 139 |

The following table provides the amounts recognized in the consolidated balance sheets as of December 31, 2000 and 1999 (in millions):

| | Pension Benefits | | Other Benefits | |
|---|---|---|---|---|
| | **2000** | 1999 | **2000** | 1999 |
| Prepaid benefit cost | **$ 107** | $ 244 | **$ –** | $ – |
| Accrued benefit liability | **(225)** | (170) | **(1,706)** | (1,669) |
| Additional minimum liability | **(21)** | (15) | **–** | – |
| Intangible asset | **72** | 13 | **–** | – |
| Accumulated other comprehensive income | **10** | 2 | **–** | – |
| Net amount recognized | **$ (57)** | $ 74 | **$(1,706)** | $(1,669) |

The following assumptions were used by the Company in the measurement of the benefit obligation as of December 31:

| | Pension Benefits | | Other Benefits | |
|---|---|---|---|---|
| | **2000** | 1999 | **2000** | 1999 |
| **Weighted-average assumptions** | | | | |
| Discount rate | **7.75%** | 8.25% | **7.75%** | 8.25% |
| Salary scale | **4.26** | 4.26 | **–** | – |
| Expected return on plan assets | **9.50** | 9.50 | **9.50** | 9.50 |

The assumed health care cost trend rate was changed to seven percent, effective December 31, 2000, decreasing gradually to an ultimate rate of four percent by 2004. The previously assumed health care cost trend rate was five percent in 1999, decreasing gradually to an ultimate rate of four percent by 2001.

A one percentage point change in the assumed health care cost trend rates would have the following effects (in millions):

| | One percent increase | One percent decrease |
|---|---|---|
| Impact on 2000 service and interest cost | $ 20 | $ (19) |
| Impact on postretirement benefit obligation as of December 31, 2000 | $ 137 | $(131) |

Effective January 1, 2001, American established a defined contribution plan for non-contract employees in which the Company will contribute a match up to 5.5 percent on employee contributions of pensionable earnings to the Company's existing 401(k) plan. During 2000, American provided a one-time election for current non-contract employees to remain in the defined benefit plan or discontinue accruing future credited service in the defined benefit plan as of January 1, 2001 and begin participation in the defined contribution plan.

### 11. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share (in millions, except per share amounts):

| | Year Ended December 31, | | |
|---|---|---|---|
| | **2000** | 1999 | 1998 |
| **Numerator:** | | | |
| Numerator for earnings per share – income from continuing operations before extraordinary loss | **$ 779** | $ 656 | $ 1,114 |
| **Denominator:** | | | |
| Denominator for basic earnings per share – weighted-average shares | **150** | 152 | 169 |
| Effect of dilutive securities: | | | |
| Employee options and shares | **27** | 12 | 13 |
| Assumed treasury shares purchased | **(15)** | (7) | (7) |
| Dilutive potential common shares | **12** | 5 | 6 |
| Denominator for diluted earnings per share – adjusted weighted-average shares | **162** | 157 | 175 |
| Basic earnings per share from continuing operations before extraordinary loss | **$ 5.20** | $ 4.30 | $ 6.60 |
| Diluted earnings per share from continuing operations before extraordinary loss | **$ 4.81** | $ 4.17 | $ 6.38 |

### 12. Discontinued Operations

During the first quarter of 1999, the Company sold AMR Services, AMR Combs and TeleService Resources. As a result of these sales, the Company recorded a gain of approximately $64 million, net of income taxes of approximately $19 million.

On February 7, 2000, the Company declared its intent to distribute AMR's entire ownership interest in Sabre as a dividend on all outstanding shares of its common stock. To effect the dividend, AMR exchanged all of its 107,374,000 shares of Sabre's Class B common stock for an equal number of shares of Sabre's Class A common stock. Effective after the close of business on March 15, 2000, AMR distributed 0.722652 shares of Sabre Class A common stock for each share of AMR stock owned by AMR's shareholders. The record date for the dividend of Sabre stock was the close of business on March 1, 2000. In addition, on February 18, 2000, Sabre paid a special one-time cash dividend of $675 million to shareholders of record of Sabre common stock at the close of business on February 15, 2000. Based upon its approximate 83 percent interest in Sabre, AMR received approximately $559 million of this dividend. The dividend of AMR's entire ownership interest in Sabre's common stock resulted in a reduction to AMR's retained earnings in March of 2000 equal to the carrying value of the Company's investment in Sabre on March 15, 2000, which approximated $581 million. The fair market value of AMR's investment in Sabre on March 15, 2000, based upon the quoted market closing price of Sabre Class A common stock on the New York Stock Exchange, was approximately $5.2 billion. In addition, effective March 15, 2000, the Company reduced the exercise price and increased the number of employee stock options and awards by approximately 19 million to offset the dilution to the holders, which occurred as a result of the spin-off. These changes were made to keep the holders in the same economic position as before the spin-off. This dilution adjustment was determined in accordance with Emerging Issues Task Force Consensus No. 90-9, "Changes to Fixed Employee Stock Option Plans as a Result of Equity Restructuring", and had no impact on earnings.

The results of operations for Sabre, AMR Services, AMR Combs and TeleService Resources have been reflected in the consolidated statements of operations as discontinued operations. Summarized financial information of the discontinued operations is as follows (in millions):

| | Year Ended December 31, | | |
|---|---|---|---|
| | **2000** | 1999 | 1998 |
| **Sabre** | | | |
| Revenues | **$ 542** | $ 2,435 | $ 2,306 |
| Minority interest | **10** | 57 | 40 |
| Income taxes | **36** | 196 | 140 |
| Net income | **43** | 265 | 192 |
| **AMR Services, AMR Combs and TeleService Resources** | | | |
| Revenues | **$ –** | $ 97 | $ 513 |
| Income taxes | **–** | – | 7 |
| Net income | **–** | – | 8 |

The historical assets and liabilities of Sabre, AMR Services, AMR Combs and TeleService Resources at December 31, 1999, which have been reflected on a net basis in other assets on the consolidated balance sheets, are summarized as follows (in millions):

| | |
|---|---|
| Current assets | $ 976 |
| Total assets | 1,951 |
| Current liabilities | 525 |
| Total liabilities, including minority interest | 912 |
| Net assets of discontinued operations | 1,039 |

### 13. Segment Reporting

Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information", as amended (SFAS 131), requires that a public company report annual and interim financial and descriptive information about its reportable operating segments. Operating segments, as defined, are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

The Company has two primary operating segments, consisting primarily of American and AMR Eagle, which represent one reportable segment. American is one of the largest scheduled passenger airlines in the world. At the end of 2000, American provided scheduled jet service to more than 169 destinations throughout North America, the Caribbean, Latin America, Europe and the Pacific. American is also one of the largest scheduled air freight carriers in the world, providing a full range of freight and mail services to shippers throughout its system. AMR Eagle owns two regional airlines which do business as "American Eagle" – American Eagle Airlines, Inc. and Executive Airlines, Inc. The American Eagle carriers provide connecting service from eight of American's high-traffic cities to smaller markets throughout the United States, Canada, the Bahamas and the Caribbean.

Revenues from other segments are below the quantitative threshold for determining reportable segments and consist primarily of revenues from AMR Investment Services, Inc., Americas Ground Services and Airline Management Services. The difference between the financial information of the Company's one reportable segment and the financial information included in the consolidated statements of operations and balance sheets as a result of these entities is not material.

The Company's operating revenues by geographic region are summarized below (in millions):

| | Year Ended December 31, | | |
|---|---|---|---|
| | **2000** | 1999 | 1998 |
| Domestic | **$13,881** | $ 12,563 | $ 12,262 |
| Latin America | **2,907** | 2,697 | 2,830 |
| Europe | **2,338** | 1,984 | 2,039 |
| Pacific | **577** | 486 | 385 |
| Total consolidated revenues | **$19,703** | $ 17,730 | $ 17,516 |

The Company attributes operating revenues by geographic region based upon the origin and destination of each flight segment. The Company's tangible assets consist primarily of flight equipment which is mobile across geographic markets and, therefore, has not been allocated.

## 14. Quarterly Financial Data (Unaudited)

Unaudited summarized financial data by quarter for 2000 and 1999 (in millions, except per share amounts):

| | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|---|---|---|---|---|
| **2000** | | | | |
| Operating revenues | **$ 4,577** | **$ 5,011** | **$ 5,256** | **$ 4,859** |
| Operating income | **212** | **517** | **572** | **80** |
| Income from continuing operations before extraordinary loss | **89** | **321** | **322** | **47** |
| Net earnings | **132** | **321** | **313** | **47** |
| Earnings per share: | | | | |
| Basic | | | | |
| From continuing operations before extraordinary loss | **0.60** | **2.15** | **2.14** | **0.31** |
| Net earnings | **0.89** | **2.15** | **2.08** | **0.31** |
| Diluted | | | | |
| From continuing operations before extraordinary loss | **0.57** | **1.96** | **1.96** | **0.29** |
| Net earnings | **0.86** | **1.96** | **1.91** | **0.29** |
| **1999** | | | | |
| Operating revenues | $ 4,007 | $ 4,541 | $ 4,695 | $ 4,487 |
| Operating income | 46 | 414 | 426 | 270 |
| Income from continuing operations | 17 | 216 | 213 | 210 |
| Net earnings | 158 | 268 | 279 | 280 |
| Earnings per share: | | | | |
| Basic | | | | |
| From continuing operations | 0.11 | 1.41 | 1.42 | 1.42 |
| Net earnings | 0.99 | 1.76 | 1.86 | 1.89 |
| Diluted | | | | |
| From continuing operations | 0.11 | 1.36 | 1.38 | 1.37 |
| Net earnings | 0.96 | 1.70 | 1.76 | 1.84 |

During the second quarter of 2000, the Company recorded an after-tax gain of approximately $36 million from the sale of the Company's warrants to purchase 5.5 million shares of priceline common stock (see Note 2). During the third quarter of 2000, the Company recorded a $9 million after-tax extraordinary loss on the repurchase prior to scheduled maturity of long-term debt (see Note 5). Results for the fourth quarter of 2000 include an after-tax gain of approximately $26 million for the recovery of start-up expenses related to the Canadian services agreement (see Note 2) and an after-tax charge of approximately $35 million for the Company's employee home computer program.

During the first quarter of 1999, the Company recorded an after-tax gain of approximately $64 million from the sale of AMR Services, AMR Combs and TeleService Resources, and a $37 million after-tax gain from the sale of a portion of the Company's holdings in Equant, of which approximately $18 million is recorded in income from discontinued operations (see Note 2). Results for the fourth quarter of 1999 include the following: (i) a $25 million after-tax gain related to the Company's sale of its investment in the preferred stock of Canadian and a $67 million tax benefit resulting from the tax loss on the Company's investment in Canadian (see Note 2), (ii) an after-tax gain of approximately $81 million related to the sale of a portion of the Company's holdings in Equant, of which approximately $53 million is recorded in income from discontinued operations (see Note 2), (iii) a $28 million after-tax increase in passenger revenue resulting from a change in estimate related to certain passenger revenues earned during the first nine months of 1999, and (iv) a $25 million after-tax provision for certain litigation settlements.

### 15. Subsequent Events

On January 10, 2001, the Company announced three transactions that are expected to substantially increase the scope of its existing network. First, the Company has announced that it had agreed to purchase substantially all of the assets of Trans World Airlines, Inc. (TWA) for approximately $500 million in cash and to assume approximately $3.5 billion of TWA's obligations. The Company's agreement with TWA contemplated that TWA would file for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code and conduct an auction of its assets under the auspices of the Bankruptcy Court. During the auction, other credible offers would compete with the Company's offer. TWA filed for bankruptcy protection on January 10, 2001. In conjunction therewith, the Company also agreed to provide TWA with up to $200 million in debtor-in-possession financing to facilitate TWA's ability to maintain its operations until the completion of this transaction. The amount available under this facility was later increased to $330 million. As of March 19, 2001, approximately $289 million had been provided via the debtor-in-possession financing.

The auction of TWA's assets was commenced on March 5, 2001, and recessed to March 7, 2001. During the recess, the Company increased its cash bid to $625 million and agreed to leave in the TWA estate certain aircraft security deposits, advance rental payments and rental rebates that were estimated to bring approximately $117 million of value to TWA. On March 7, 2001, TWA's board selected the Company's bid as the "highest and best" offer, and on March 12, 2001, the U.S. Bankruptcy Court, District of Delaware, entered an order approving the sale of TWA's assets to the Company. Consummation of the transaction is subject to several contingencies, including the waiver by TWA's unions of certain provisions of their collective bargaining agreements. The approval of the U.S. Department of Justice was obtained on March 16, 2001. Certain parties have filed appeals of the Bankruptcy Court's sale order, and have sought a stay of the transaction, pending the appeals. A provision of the Bankruptcy Code will permit the Company to close the transaction, despite pending appeals, unless a stay is granted. If a stay is granted, the Company would anticipate that the appeal process would be expedited. Upon the closing of the transaction, TWA will be integrated into American's operations with a continued hub operation in St. Louis.

Secondly, the Company announced that it has agreed to acquire from United Airlines, Inc. (United) certain key strategic assets (slots, gates and aircraft) of US Airways, Inc. (US Airways) upon the consummation of the previously announced merger between United and US Airways. In addition to the acquisition of these assets, American will lease a number of slots and gates from United so that American may operate half of the northeast Shuttle (New York/Washington DC/Boston). United will operate the other half of the Shuttle. For these assets, American will pay approximately $1.2 billion in cash to United and assume approximately $300 million in aircraft operating leases. The consummation of these transactions is contingent upon the closing of the proposed United/US Airways merger. Also, the acquisition of aircraft is generally dependent upon a certain number of US Airways' Boeing 757 cockpit crew members transferring to American's payroll.

Finally, American has agreed to acquire a 49 percent stake in, and to enter into an exclusive marketing agreement with, DC Air LLC (DC Air). American has agreed to pay $82 million in cash for its ownership stake. American will have a right of first refusal on the acquisition of the remaining 51 percent stake in DC Air. American will also lease to DC Air a certain number of Fokker 100 aircraft with necessary crews (known in the industry as a "wet lease"). These wet leased aircraft will be used by DC Air in its operations. DC Air is the first significant new entrant at Ronald Reagan Washington National Airport (DCA) in over a decade. DC Air will acquire the assets needed to begin its DCA operations from United/US Airways upon the consummation of the merger between the two carriers. American's investment in DC Air and the other arrangements described above are contingent upon the consummation of the merger between United and US Airways.

As a result of the above transactions, and for several other reasons, American and American Eagle have initiated an impairment review of certain fleet types in accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." This review could result in an impairment charge to be taken by the Company in 2001. The size of any resulting 2001 charge is not presently known, but may be significant.

# Report of Independent Auditors

The Board of Directors and Stockholders
AMR Corporation

We have audited the accompanying consolidated balance sheets of AMR Corporation as of December 31, 2000 and 1999, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of AMR Corporation at December 31, 2000 and 1999, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

2121 San Jacinto
Dallas, Texas 75201
January 16, 2001, except for
Note 15, for which the
date is March 19, 2001.

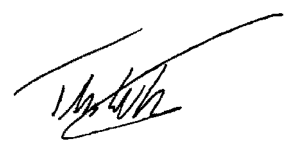
The management of AMR Corporation is responsible for the integrity and objectivity of the Company's financial statements and related information. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States and reflect certain estimates and judgments of management as to matters set forth therein.

AMR maintains a system of internal controls designed to provide reasonable assurance, at reasonable cost, that its financial records can be relied upon in the preparation of financial statements and that its assets are safeguarded against loss or unauthorized use. An important element of the Company's control systems is the ongoing program to promote control consciousness throughout the organization. Management's commitment to the program is evidenced by organizational arrangements that provide for divisions of responsibility, effective communication of policies and procedures, selection of competent financial managers and development and maintenance of financial planning and reporting systems.

Management continually monitors the system for compliance. AMR maintains a strong internal auditing program that independently assesses the effectiveness of the internal controls and recommends possible improvements. Ernst & Young, independent auditors, is engaged to audit the Company's financial statements. Ernst & Young obtains and maintains an understanding of the internal control structure and conducts such tests and other auditing procedures considered necessary in the circumstances to render the opinion on the financial statements contained in their report.

The Audit Committee of the Board of Directors, composed entirely of independent directors, meets regularly with the independent auditors, management and internal auditors to review their work and confirm that they are properly discharging their responsibilities. In addition, the independent auditors and the internal auditors meet periodically with the Audit Committee, without the presence of management, to discuss the results of their work and other relevant matters.

Donald J. Carty
Chairman, President and
Chief Executive Officer



Thomas W. Horton
Senior Vice President and
Chief Financial Officer

| (in millions, except share and per share amounts) | **2000** | 1999 | 1998* |
|---|---|---|---|
| Total operating revenues | **$ 19,703** | 17,730 | 17,516 |
| Total operating expenses | **$ 18,322** | 16,574 | 15,528 |
| Operating income (loss) | **$ 1,381** | 1,156 | 1,988 |
| Earnings (loss) from continuing operations before extraordinary loss and cumulative effect of accounting changes | **$ 779** | 656 | 1,114 |
| Net earnings (loss) | **$ 813** | 985 | 1,314 |
| Earnings (loss) per common share from continuing operations before extraordinary loss and cumulative effect of accounting changes:[2] | | | |
| Basic | **$ 5.20** | 4.30 | 6.60 |
| Diluted | **$ 4.81** | 4.17 | 6.38 |
| Net earnings (loss) per common share:[2] | | | |
| Basic | **$ 5.43** | 6.46 | 7.78 |
| Diluted | **$ 5.03** | 6.26 | 7.52 |
| Total assets | **$ 26,213** | 24,374 | 21,455 |
| Long-term debt, less current maturities | **$ 4,151** | 4,078 | 2,436 |
| Obligations under capital leases, less current obligations | **$ 1,323** | 1,611 | 1,764 |
| Convertible preferred stock, common stock and other stockholders' equity[1] | **$ 7,176** | 6,858 | 6,698 |
| Common shares outstanding at year-end (in thousands)[2] | **152,100** | 148,250 | 161,300 |
| Book value per common share[2] | **$ 47.18** | 46.26 | 41.53 |
| Preferred shares outstanding at year-end: | | | |
| Convertible preferred stock | **–** | – | – |

* *The results for 1998 and 1997 have been restated for discontinued operations.*

[1] *No dividends have been paid on common stock for any period presented.*
[2] *All share and earnings per share amounts prior to 1998 have been restated to give effect to the stock split on June 9, 1998.*

| 1997* | 1996 | 1995 | 1994 | 1993 | 1992 | 1991 | 1990 |
|---|---|---|---|---|---|---|---|
| 16,957 | 17,364 | 16,910 | 16,137 | 15,816 | 14,396 | 12,887 | 11,720 |
| 15,362 | 15,557 | 15,895 | 15,131 | 15,126 | 14,421 | 12,882 | 11,596 |
| 1,595 | 1,807 | 1,015 | 1,006 | 690 | (25) | 5 | 124 |
| | | | | | | | |
| 809 | 1,083 | 191 | 228 | (96) | (475) | (240) | (40) |
| 985 | 1,016 | 162 | 228 | (110) | (935) | (240) | (40) |
| | | | | | | | |
| | | | | | | | |
| 4.54 | 6.29 | 1.25 | 2.26 | (1.02) | (3.17) | (1.77) | (0.32) |
| 4.43 | 5.95 | 1.24 | 2.25 | (1.02) | (3.17) | (1.77) | (0.32) |
| | | | | | | | |
| 5.52 | 5.90 | 1.06 | 2.26 | (1.12) | (6.24) | (1.77) | (0.32) |
| 5.39 | 5.59 | 1.05 | 2.25 | (1.12) | (6.24) | (1.77) | (0.32) |
| 20,287 | 20,451 | 19,556 | 19,486 | 19,326 | 18,706 | 16,208 | 13,354 |
| 2,248 | 2,737 | 4,983 | 5,603 | 5,431 | 5,643 | 3,951 | 1,674 |
| 1,629 | 1,790 | 2,069 | 2,275 | 2,123 | 2,195 | 1,928 | 1,598 |
| 6,216 | 5,668 | 3,720 | 3,380 | 4,276 | 3,349 | 3,794 | 3,727 |
| 173,200 | 182,000 | 152,800 | 151,800 | 151,536 | 150,812 | 136,726 | 124,622 |
| 35.89 | 31.14 | 23.83 | 21.75 | 21.08 | 22.20 | 27.75 | 29.91 |
| | | | | | | | |
| – | – | 159,000 | 159,000 | 2,200,000 | – | – | – |

## Board of Directors

**David L. Boren**
President
University of Oklahoma
(Educational Institution)
Norman, Oklahoma
Elected in 1994

**Edward A. Brennan**
Retired Chairman, President
and Chief Executive Officer
Sears, Roebuck and Co.
(Merchandising)
Chicago, Illinois
Elected in 1987

**Donald J. Carty**
Chairman, President and
Chief Executive Officer
AMR Corporation/
American Airlines, Inc.
(Air Transportation)
Fort Worth, Texas
Elected in 1998

**Armando M. Codina**
Chairman and Chief Executive Officer
Codina Group, Inc.
(Real Estate Investments,
Development and Construction,
Property Management
and Brokerage Services)
Coral Gables, Florida
Elected in 1995

**Earl G. Graves**
Chairman and Chief Executive Officer
Earl G. Graves, Limited
(Communications and Publishing)
Publisher and Chief Executive Officer
Black Enterprise Magazine
General Partner Black
Enterprise/Greenwich Street
Corporate Growth Partners, L.P.
New York, New York
Elected in 1995

**Ann McLaughlin Korologos**
Chairman Emeritus
The Aspen Institute
(Educational and Public Policy
Organization)
Aspen, Colorado
Elected in 1990

**Michael A. Miles**
Special Limited Partner
Forstmann Little & Co.
(Investment Banking)
Lake Forest, Illinois
Elected in 2000

**Charles H. Pistor, Jr.**
Retired Vice Chair
Southern Methodist University
(Educational Institution)
Dallas, Texas
Elected in 1982

**Philip J. Purcell**
Chairman and Chief Executive Officer
Morgan Stanley Dean Witter & Co.
(Financial Services)
New York, New York
Elected in 2000

**Joe M. Rodgers**
Chairman
The JMR Group
(Investment Company)
Nashville, Tennessee
Elected in 1989

**Judith Rodin**
President
University of Pennsylvania
(Educational Institution)
Philadelphia, Pennsylvania
Elected in 1997

## Board Committees

### Executive Committee
Donald J. Carty, Chairman
David L. Boren
Earl G. Graves
Michael A. Miles
Philip J. Purcell

### Audit Committee
Ann McLaughlin Korologos, Chairman
Armando M. Codina
Charles H. Pistor, Jr.
Joe M. Rodgers
Judith Rodin

### Compensation/Nominating Committee
Edward A. Brennan, Chairman
Armando M. Codina
Michael A. Miles
Charles H. Pistor, Jr.
Joe M. Rodgers
Judith Rodin

### Governance Committee
Edward A. Brennan, Chairman
David L. Boren
Earl G. Graves
Ann McLaughlin Korologos
Philip J. Purcell

There is an Executive Committee of American Airlines Board of Directors which is identical to the AMR Executive Committee.

## American Airlines, Inc.

**Donald J. Carty***
Chairman, President and Chief Executive Officer

**Robert W. Baker***
Vice Chairman

**Gerard J. Arpey***
Executive Vice President – Operations

**Daniel P. Garton***
Executive Vice President – Customer Service

**Michael W. Gunn***
Executive Vice President – Marketing and Planning

**Peter J. Dolara**
Senior Vice President – Miami, Caribbean and Latin America

**Monte E. Ford**
Senior Vice President – Information Technology and Chief Information Officer

**Thomas W. Horton***
Senior Vice President – Finance and Chief Financial Officer

**Dan P. Huffman**
Senior Vice President – Maintenance and Engineering

**Henry C. Joyner**
Senior Vice President – Planning

**Anne H. McNamara***
Senior Vice President and General Counsel

**Susan M. Oliver**
Senior Vice President – Human Resources

**William K. Ris, Jr.**
Senior Vice President – Government Affairs

**Timothy J. Ahern**
Vice President – Safety, Security and Environmental

**Jane G. Allen**
Vice President – Flight Service

**A. Jaynne Allison**
Vice President – Human Resources

**Walter J. Aue**
Vice President – Capacity Planning

**James A. Beer**
Vice President – Corporate Development and Treasurer

**David R. Brooks**
President – American Airlines Cargo Division

**Jeffrey J. Brundage**
Vice President – Employee Relations

**David L. Campbell**
Vice President – Alliance Base Maintenance

**Jeffrey C. Campbell**
Vice President – Europe

**John A. Carpenter**
Vice President – Corporate Affairs

**William Culhane**
Vice President – Maintenance and Engineering Negotiations

**Lauri L. Curtis**
Vice President – Reservations/Travel Centers/ Ticket Delivery Service

**C. David Cush**
Vice President – International Planning and Alliances

**Thomas R. Del Valle**
Vice President – Customer Service

**Bernard J. DeSena**
Vice President – Chicago

**Timothy J. Doke**
Vice President – Corporate Communications

**Bella D. Goren**
Vice President – Customer Service Planning

**William T. Greene**
Vice President – Finance and Planning for Maintenance and Engineering

**Gregory F. Hall**
Vice President – Line Maintenance

**Douglas G. Herring**
Vice President and Controller

**Gary F. Kennedy**
Vice President – Corporate Real Estate

**Craig S. Kreeger**
Vice President and General Sales Manager

**Robert P. Kudwa**
Vice President – Flight

**Dennis LeBright**
Vice President – Miami

**John R. MacLean**
Vice President – Purchasing

**Charles D. MarLett***
Corporate Secretary

**Scott D. Nason**
Vice President – Research and Analysis

**Robert E. Olson**
Vice President – Revenue Management

**Randy H. Phillips**
Vice President – Engineering and Quality Assurance

**Ralph L. Richardi**
Vice President – Operations Planning and Performance

**Carmine J. Romano**
Vice President – Tulsa Base Maintenance

**John R. Samuel**
Vice President – e-Business

**Peggy E. Sterling**
Vice President – Dallas/Fort Worth

**Arthur J. Torno**
Vice President – Caribbean and Latin America Operations

## American Eagle Airlines, Inc.

**Peter M. Bowler**
President

**Thomas F. Bacon**
Senior Vice President – Marketing and Planning

**Robert W. Reding**
Chief Operations Officer

**Carolyn E. Wright**
Senior Vice President – Customer Service

## AAdvantage Marketing Programs Division

**Bruce T. Chemel**
President

## AMR Investment Services, Inc.

**William F. Quinn**
President

* Also AMR Corporation Officers

## Stock Exchanges

The AMR Corporation Trading Symbol is AMR. The common stock of AMR Corporation is listed for trading on the New York Stock Exchange. The common stock is also traded unlisted on the Pacific Stock Exchange.

## Form 10-K

A copy of the AMR Corporation Annual Report to the Securities and Exchange Commission for 2000 (Form 10-K) will be furnished without charge upon written request to:

**Corporate Secretary**
AMR Corporation
Mail Drop 5675
P.O. Box 619616
Dallas/Fort Worth Airport, TX 75261-9616

## Common Stock

**Transfer Agent & Registrar**
First Chicago Trust Co., A Division of Equiserve
P.O. Box 2500
Jersey City, NJ 07303-2500
(201) 324-1225

## Medium Term Notes

**Trustees**
The Bank of New York
101 Barclay Street
New York, NY 10286

Citibank, N.A.
111 Wall Street
New York, NY 10043

**Paying Agents**
Chase Manhattan Bank
Corporate Trust Securities Window
Room 234 – North Building
55 Water Street
New York, NY 10041

Citibank, N.A.
111 Wall Street
New York, NY 10043

## 9%, 9.88% and 10.20% Debentures

**Trustee & Paying Agent**
The Bank of New York
101 Barclay Street
New York, NY 10286

## 9½% Notes and 9¾%, 9.8% and 10% Debentures and 7.875% Public Income NotES

**Trustee & Paying Agent**
Citibank, N.A.
111 Wall Street
New York, NY 10043

## 9% Debentures

**Trustee & Paying Agent**
U.S. Bank Trust, N.A.
100 Wall Street, Suite 1600
New York, NY 10005

## Principal Offices

AMR Corporation
Mail Drop 5675
P.O. Box 619616
Dallas/Fort Worth Airport, TX 75261-9616
(817) 963-1234

## Market Price and Dividends

| | Common Stock* | |
| --- | --- | --- |
| | High | Low |
| 2000** | | |
| 1st Quarter | $ 67 3/8 | $ 30 |
| 2nd Quarter | 37 7/8 | 26 7/16 |
| 3rd Quarter | 34 11/16 | 26 1/8 |
| 4th Quarter | 39 3/16 | 27 15/16 |
| 1999 | | |
| 1st Quarter | $ 71 7/16 | $ 53 3/16 |
| 2nd Quarter | 74 5/16 | 60 9/16 |
| 3rd Quarter | 72 3/4 | 52 13/16 |
| 4th Quarter | 68 1/2 | 53 9/16 |

* *No dividends were paid during the periods.*

** *Effective after the close of business on March 15, 2000, AMR distributed 0.722652 shares of Sabre Holdings Corporation (Sabre) Class A common stock for each share of AMR stock owned by AMR's shareholders. As a result of the dividend, AMR's stock price was adjusted from $60 9/16 to $25 9/16 by the New York Stock Exchange after the market close on March 15, 2000 to exclude the value of Sabre. The pre-March 15, 2000 stock prices in the above table have not been adjusted to give effect to this distribution.*

Shareholders can also visit AMR's Internet site on the World Wide Web at www.amrcorp.com to receive financial and other company information, or to request a printed copy of financial materials.

Additionally, shareholders in the United States, Canada and most of the Caribbean can call (800) AMR-6177 to hear the most recent quarterly results or request a printed copy of financial materials. Shareholders residing in other areas should call (402) 573-9855.

2001 quarterly results will be released on the following dates with the shareholder information line and Web site updated shortly thereafter:

| | |
| --- | --- |
| First Quarter: | April 18, 2001 |
| Second Quarter: | July 18, 2001 |
| Third Quarter: | October 17, 2001 |
| Fourth Quarter: | January 16, 2002 |

P.O. Box 619616, Dallas/Fort Worth, Texas 75261-9616
The American Airlines Internet address is www.aa.com
The AMR Internet address is www.amrcorp.com