

Edgar Filing: AMR CORP - Form 8-K

AMR CORP  
Form 8-K  
July 18, 2002

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SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

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FORM 8-K

CURRENT REPORT

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

Date of earliest event  
reported: July 17, 2002

AMR CORPORATION  
(Exact name of registrant as specified in its charter)

|                          |                           |                                      |
|--------------------------|---------------------------|--------------------------------------|
| Delaware                 | 1-8400                    | 75-1825172                           |
| (State of Incorporation) | ( Commission File Number) | (IRS Employer<br>Identification No.) |

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

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

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Item 5. Other Events

AMR Corporation (the Company) is filing herewith a press release issued on July 17, 2002 by the Company as Exhibit 99.1 which is included herein. This press release was issued to report the Company's second quarter 2002 earnings.

Item 7. Financial Statements and Exhibits

The following exhibits are included herein:

99.1 Press Release

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMR CORPORATION

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

Dated: July 17, 2002

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EXHIBIT INDEX

| Exhibit | Description   |
|---------|---------------|
| 99.1    | Press Release |

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Exhibit 99.1

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

FOR RELEASE: Wednesday, July 17, 2002

Editor's Note: A Live Webcast reporting second quarter results will be broadcast on the Internet on July 17 at 2 p.m. EDT (Windows Media Player required for viewing).

### AMR REPORTS SECOND QUARTER LOSS OF \$465 MILLION BEFORE A SPECIAL ITEM

FORT WORTH, Texas - AMR Corporation, the parent company of American Airlines, Inc., today reported a second quarter net loss of \$465 million before a special item, or \$3.00 per share. This compares with a net loss of \$105 million before special items, or \$0.68 per share, in the second quarter of 2001.

"We continued to see a very weak revenue environment in the second quarter," said Don Carty, AMR's chairman and chief executive officer, "and although traffic has rebounded nicely since last fall, average fares are at 15-year lows, sharply depressing yields."

In response, the Company has taken a number of steps, including trimming capacity, sharply reducing capital spending and lowering its operating costs. These actions resulted in AMR's unit cost rising less than one percent year over year, despite 10.4 percent less capacity.

"We've made good progress on the cost side," Carty said, "and we're not done. The Company is in the midst of an exhaustive, top-to-bottom review of its business, and despite our financial challenges, our employees are doing an outstanding job of focusing on our customers and providing great service."

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One result of all this effort, Carty said, is that during the second quarter, American completed more than 99 percent of its scheduled flights, and more than 82 percent of American's flights arrived on time, as reported to the Department of Transportation.

AMR's second quarter results include a \$30 million after-tax special charge (\$0.19 per share) that stems from a provision of Congress' economic stimulus package that changes the period for carrybacks of net operating losses ("NOLs"). This change allows companies to carry back 2001 and 2002 NOLs for five years, rather than two under the previous law, allowing AMR to more quickly recover its NOLs and thereby achieve a significant cash benefit. The extended NOL carryback does, however, result in the displacement of foreign tax credits taken in prior years which are now expected to expire before they can be used. As a result, the Company recorded a charge to reflect the anticipated forfeiture of the foreign tax credits.

Including this special item, AMR reported a second quarter net loss of \$495 million, or \$3.19 per share.

Second Quarter Results  
(in millions, except  
per share amounts)

2002

2001

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|   | Amount<br>(net of<br>tax) | Loss<br>per<br>share | Amount<br>(net of<br>tax) | Loss<br>per<br>share |
|---|---------------------------|----------------------|---------------------------|----------------------|
| Net loss before<br>special items                    | (\$465)                   | (\$3.00)             | (\$105)                   | (\$0.68)             |
| Anticipated<br>forfeiture of foreign<br>tax credits | (30)                      | (0.19)               | --                        | --                   |
| Legal settlement                                    | --                        | --                   | 29                        | 0.19                 |
| Aircraft charge                                     | --                        | --                   | (430)                     | (2.79)               |
| Net loss  | (\$495)                   | (\$3.19)             | (\$507)                   | (\$3.29)             |

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Looking forward, if the revenue environment remains depressed, the Company expects to post a sizeable operating loss in the third quarter. In addition, the Company has determined that its goodwill is likely impaired as defined by the Financial Accounting Standard Board's recent Statement of Financial Accounting Standards No. 142 on accounting for "Goodwill and Other Intangible Assets." If so, AMR will record an impairment charge in the third or fourth quarter. The amount of this non-cash charge has not yet been determined, but could be up to \$1.4 billion pre-tax, the full amount of AMR's goodwill.

Editor's Note: AMR's Chief Financial Officer, Jeff Campbell, will make a presentation to analysts during a teleconference on Wednesday, July 17, from 2 p.m. to 2:45 p.m. EDT. Following the analyst call, he will hold a question and answer conference call for media from 3 p.m. to 3:45 p.m. EDT. Reporters interested in listening to Mr. Campbell's presentation or participating in the media Q&A conference call should call 817-967-1577 for details.

Statements in this report 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," "believes," and similar expressions are intended to identify forward-looking statements. Other forward-looking statements include statements which do not relate solely to historical facts, such as, without limitation, statements which discuss the possible future effects of current known trends or uncertainties, or which indicate that the future effects of known trends or uncertainties cannot be predicted, guaranteed or assured. All forward-looking statements in this 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. Additional information concerning these and other factors is contained in the Company's Securities and Exchange Commission filings, including but not limited to the Form 10-K for the year ended December 31, 2001.

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Detailed financial information follows:

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Current AMR Corp. News Releases can be accessed via the Internet:  
Our address is <http://www.amrcorp.com>

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

|   | Three Months Ended June 30,<br>2002 | 2001      | Percent<br>Change |
|---|-------------------------------------|-----------|-------------------|
| Revenues                                |                                     |           |                   |
| Passenger - American Airlines           | \$3,747                             | \$ 4,645  | (19.3)            |
| - AMR Eagle                             | 344                                 | 409       | (15.9)            |
| Cargo                                   | 142                                 | 190       | (25.3)            |
| Other revenues                          | 246                                 | 339       | (27.4)            |
| Total operating revenues                | 4,479                               | 5,583     | (19.8)            |
| Expenses                                |                                     |           |                   |
| Wages, salaries and benefits            | 2,126                               | 2,126     | -                 |
| Aircraft fuel                           | 656                                 | 842       | (22.1)            |
| Depreciation and amortization           | 338                                 | 352       | (4.0)             |
| Other rentals and landing fees          | 306                                 | 320       | (4.4)             |
| Maintenance, materials and repairs      | 285                                 | 298       | (4.4)             |
| Aircraft rentals                        | 214                                 | 226       | (5.3)             |
| Food service                            | 180                                 | 218       | (17.4)            |
| Commissions to agents                   | 155                                 | 260       | (40.4)            |
| Special charges                         | -                                   | 685       | -                 |
| Other operating expenses                | 820                                 | 1,016     | (19.3)            |
| Total operating expenses                | 5,080                               | 6,343     | (19.9)            |
| Operating Loss                          | (601)                               | (760)     | (20.9)            |
| Other Income (Expense)                  |                                     |           |                   |
| Interest income                         | 18                                  | 24        | (25.0)            |
| Interest expense                        | (164)                               | (132)     | 24.2              |
| Interest capitalized                    | 22                                  | 38        | (42.1)            |
| Miscellaneous - net                     | 5                                   | 37        | (86.5)            |
|   | (119)                               | (33)      | *                 |
| Loss Before Income Taxes                | (720)                               | (793)     | (9.2)             |
| Income tax benefit                      | (225)                               | (286)     | (21.3)            |
| Net Loss                                | \$ (495)                            | \$ (507)  | (2.4)             |
| Loss Per Share                          |                                     |           |                   |
| Basic and Diluted                       | \$ (3.19)                           | \$ (3.29) |                   |
| Number of Shares Used in<br>Computation |                                     |           |                   |
| Basic and Diluted                       | 155                                 | 154       |                   |

\* Greater than 100%

Note 1: 2002 results include TWA whereas the 2001 amounts include  
TWA for the period April 10 through June 30, 2001.

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

|   | Six Months Ended June 30,<br>2002 | 2001      | Percent<br>Change |
|---|-----------------------------------|-----------|-------------------|
| Revenues                                |                                   |           |                   |
| Passenger - American Airlines           | \$7,231                           | \$8,580   | (15.7)            |
| - AMR Eagle                             | 649                               | 763       | (14.9)            |
| Cargo                                   | 276                               | 366       | (24.6)            |
| Other revenues                          | 459                               | 634       | (27.6)            |
| Total operating revenues                | 8,615                             | 10,343    | (16.7)            |
| Expenses                                |                                   |           |                   |
| Wages, salaries and benefits            | 4,206                             | 3,872     | 8.6               |
| Aircraft fuel                           | 1,183                             | 1,549     | (23.6)            |
| Depreciation and amortization           | 679                               | 665       | 2.1               |
| Other rentals and landing fees          | 595                               | 577       | 3.1               |
| Maintenance, materials and repairs      | 551                               | 578       | (4.7)             |
| Aircraft rentals                        | 440                               | 374       | 17.6              |
| Food service                            | 350                               | 402       | (12.9)            |
| Commissions to agents                   | 316                               | 484       | (34.7)            |
| Special charges                         | -                                 | 685       | -                 |
| Other operating expenses                | 1,625                             | 1,921     | (15.4)            |
| Total operating expenses                | 9,945                             | 11,107    | (10.5)            |
| Operating Loss                          | (1,330)                           | (764)     | 74.1              |
| Other Income (Expense)                  |                                   |           |                   |
| Interest income                         | 36                                | 64        | (43.8)            |
| Interest expense                        | (330)                             | (251)     | 31.5              |
| Interest capitalized                    | 44                                | 79        | (44.3)            |
| Miscellaneous - net                     | (3)                               | 22        | *                 |
|   | (253)                             | (86)      | *                 |
| Loss Before Income Taxes                | (1,583)                           | (850)     | 86.2              |
| Income tax benefit                      | (513)                             | (300)     | 71.0              |
| Net Loss                                | \$ (1,070)                        | \$ (550)  | 94.5              |
| Loss Per Share                          |                                   |           |                   |
| Basic and Diluted                       | \$ (6.90)                         | \$ (3.58) |                   |
| Number of Shares Used in<br>Computation |                                   |           |                   |
| Basic and Diluted                       | 155                               | 154       |                   |

\* Greater than 100%

Note 1: 2002 results include TWA whereas the 2001 amounts include TWA for the period April 10 through June 30, 2001.

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## AMR CORPORATION OPERATING STATISTICS (Unaudited)

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|   | Three Months Ended June 30, Percent |         |           |
|---|-------------------------------------|---------|-----------|
|   | 2002                                | 2001    | Change    |
| American Airlines (*)                                   |                                     |         |           |
| Revenue passenger miles (millions)                      | 31,379                              | 35,188  | (10.8)    |
| Available seat miles (millions)                         | 43,958                              | 49,044  | (10.4)    |
| Cargo ton miles (millions)                              | 518                                 | 610     | (15.1)    |
| Passenger load factor                                   | 71.4%                               | 71.7%   | (0.3)pts. |
| Breakeven load factor (**)                              | 86.4%                               | 74.0%   | 12.4 pts. |
| Passenger revenue yield per passenger mile (cents)      | 11.94                               | 13.20   | (9.5)     |
| Passenger revenue per available seat mile (cents)       | 8.52                                | 9.47    | (10.0)    |
| Cargo revenue yield per ton mile (cents)                | 27.21                               | 30.89   | (11.9)    |
| Operating expenses per available seat mile (cents) (**) | 10.78                               | 10.73   | 0.5       |
| Fuel consumption (gallons, in millions)                 | 808                                 | 922     | (12.4)    |
| Fuel price per gallon (cents)                           | 75.5                                | 83.3    | (9.4)     |
| Fuel price per gallon, excluding fuel taxes (cents)     | 70.0                                | 78.0    | (10.3)    |
| Operating aircraft at period-end                        | 828                                 | 904     | (8.4)     |
| AMR Eagle   |                                     |         |           |
| Revenue passenger miles (millions)                      | 1,059                               | 1,030   | 2.8       |
| Available seat miles (millions)                         | 1,596                               | 1,680   | (5.0)     |
| Passenger load factor                                   | 66.4%                               | 61.3%   | 5.1 pts.  |
| Operating aircraft at period-end                        | 281                                 | 271     | 3.7       |
| AMR Corporation   |                                     |         |           |
| Average Equivalent Number of Employees                  |                                     |         |           |
| American Airlines                                       | 100,100                             | 115,200 |           |
| Other   | 11,800                              | 13,100  |           |
| Total   | 111,900                             | 128,300 |           |

(\*)2002 results include TWA whereas the 2001 amounts include TWA for the period April 10 through June 30, 2001.

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

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## AMR CORPORATION OPERATING STATISTICS (Unaudited)

|  | Six Months Ended June 30, |        | Percent   |
|--|---------------------------|--------|-----------|
|  | 2002                      | 2001   | Change    |
| American Airlines (*)                              |                           |        |           |
| Revenue passenger miles (millions)                 | 59,197                    | 61,640 | (4.0)     |
| Available seat miles (millions)                    | 84,047                    | 88,021 | (4.5)     |
| Cargo ton miles (millions)                         | 981                       | 1,159  | (15.4)    |
| Passenger load factor                              | 70.4%                     | 70.0%  | 0.4 pts.  |
| Breakeven load factor (**)                         | 86.9%                     | 71.3%  | 15.6 pts. |
| Passenger revenue yield per passenger mile (cents) | 12.22                     | 13.92  | (12.2)    |
| Passenger revenue per available seat mile (cents)  | 8.60                      | 9.75   | (11.8)    |

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|  |       |       |          |
|--|-------|-------|----------|
| Cargo revenue yield per ton<br>mile (cents)                | 27.93 | 31.27 | (10.7)   |
| Operating expenses per available<br>seat mile (cents) (**) | 11.03 | 10.97 | 0.5      |
| Fuel consumption (gallons,<br>in millions)                 | 1,553 | 1,664 | (6.7)    |
| Fuel price per gallon (cents)                              | 71.5  | 85.2  | (16.1)   |
| Fuel price per gallon, excluding fuel<br>taxes (cents)     | 66.0  | 79.8  | (17.3)   |
| Operating aircraft at period-end                           | 828   | 904   | (8.4)    |
| AMR Eagle  |       |       |          |
| Revenue passenger miles (millions)                         | 1,978 | 1,890 | 4.7      |
| Available seat miles (millions)                            | 3,163 | 3,268 | (3.2)    |
| Passenger load factor                                      | 62.5% | 57.8% | 4.7 pts. |
| Operating aircraft at period-end                           | 281   | 271   | 3.7      |

(\*) 2002 results include TWA whereas the 2001 amounts include TWA for the period April 10 through June 30, 2001.

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