

Edgar Filing: AMR CORP - Form 8-K

AMR CORP  
Form 8-K  
October 16, 2002

1

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

---

FORM 8-K

CURRENT REPORT

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

Date of earliest event  
reported: October 16, 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  
Identification No.)

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

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

2

Item 5. Other Events

AMR Corporation (the Company) is filing herewith a press release issued on October 16, 2002 by the Company as Exhibit 99.1 which is included herein. This press release was issued to report the Company's third quarter 2002 earnings.

Item 7. Financial Statements and Exhibits

The following exhibits are included herein:

99.1 Press Release

Edgar Filing: AMR CORP - Form 8-K

3

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: October 16, 2002

4

EXHIBIT INDEX

Exhibit	Description
99.1	Press Release

5

Exhibit 99.1

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

FOR RELEASE: Wednesday, Oct. 16, 2002

Editor's Note: A live Webcast reporting second quarter results will be broadcast on the Internet on Oct. 16 at 2 p.m. EDT. (Windows Media Player required for viewing.)

AMR REPORTS THIRD QUARTER LOSS OF \$475 MILLION  
BEFORE SPECIAL CHARGES

FORT WORTH, Texas - Consistent with financial community expectations, AMR Corporation, the parent company of American Airlines, Inc., today reported a third quarter net loss of \$475 million before special items, or \$3.05 per share. This compares with a net loss of \$525 million before special items, or \$3.40 per

## Edgar Filing: AMR CORP - Form 8-K

share, in the third quarter of 2001, the first period affected by the attacks of Sept. 11.

"Any way you look at them, these are terrible financial results that reflect a sluggish economy, continued weakness in the revenue environment, high fuel prices, the cost of enhanced security and the uncertainty of events in the Middle East," said Don Carty, AMR's chairman and chief executive officer. "Although we operated an excellent airline in the third quarter, we could not overcome the cumulative weight of the economic challenges, and the environment shows little sign of improving."

In the face of these challenges, Carty said, AMR during the third quarter intensified its efforts at examining every aspect of its business for added ways to reduce costs and capital spending, increase efficiency and put the company in a position to succeed long term and eventually return to profitability. "At every

- more -

6

level of this organization, people are working extremely hard to make sure that AMR is a vital competitor in this industry for many years to come," he said, "and we will not rest until this is achieved."

Adding further impetus to its efforts to reduce capital spending, American announced today that it has reached an agreement with Boeing for the deferral of a total of 34 airplanes during 2003, 2004 and 2005. Under the agreement, American will take delivery of only 11 airplanes in 2003 - nine 767-300s and two 777s - compared to the original plan of 19. No airplanes will now be delivered to American in 2004 and 2005. The airline had planned on taking 13 aircraft each year in 2004 and 2005.

With these and other adjustments to AMR's capital spending plans, the company has further reduced its capital spending plan by more than \$1.5 billion from 2003 - 2005.

American also announced today that it would supplement its near-term cost-saving efforts by temporarily storing approximately 42 aircraft starting in early 2003. By putting 28 MD-80s and 14 767-200s into short-term storage, American will save in excess of \$100 million in expenses over the next two years, largely due to reduced maintenance expenditures. Based on current projections, American anticipates that these aircraft would remain in storage until at least 2005.

"We are managing this business for the short- and long-term and are sharply focused on its success," Carty said. "The scope, variety and magnitude of our various actions and initiatives are an insight into the seriousness with which we approach our task and the determination with which we are seeking solutions."

- more -

7

The company's wide-ranging, long-term cost-reduction program was given a major boost on Aug. 13 when American unveiled an additional series of cost-saving and efficiency producing initiatives. Among the key steps announced on Aug. 13 were the de-peaking of the Dallas/Fort Worth hub and many spoke cities, the retirement of the 74-plane Fokker 100 fleet by 2005, a reduction of an estimated 7,000 jobs by March 2003, and steps to enhance the efficiency of several fleet types, including 777s and 767-300s.

Since the Aug. 13 announcement, American has refined and increased its estimated savings from these initiatives. In addition, even more cost-saving and revenue-enhancing initiatives have been identified. These include the EveryFare

## Edgar Filing: AMR CORP - Form 8-K

program announced last month, a consolidation of AMR's headquarters operation, and a series of other operational changes. When taken in combination with previously announced initiatives, these efforts should contribute more than \$2 billion in steady state, structural cost savings over the coming years, independent of capacity-related changes. In addition, efficiencies in the use of airplanes from de-peaking and fleet actions will allow American to forgo the equivalent of 17 "new" aircraft in the future, ultimately saving more than \$1.3 billion in capital spending.

As previously disclosed, the Aug. 13 initiatives drove several special charges, notably aircraft impairments and lease accruals and employee severance. These special charges, mostly non-cash in nature, totaled \$449 million after tax. Including these items, AMR's third quarter net loss was \$924 million (\$5.93 per share), compared to last year's third quarter net loss of \$414 million after special items (\$2.68 per share).

- more -

8

Looking forward, if the revenue environment remains depressed, the company expects to post a sizeable operating loss in the fourth quarter, most likely exceeding the third quarter loss before special items.

Editor's Note: AMR's Chief Financial Officer, Jeff Campbell, will make a presentation to analysts during a teleconference on Wednesday, Oct. 16, 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.

Detailed financial information follows:

# Edgar Filing: AMR CORP - Form 8-K

###

Current AMR Corp. news releases can be accessed via the Internet:  
The address is <http://amrcorp.com>

9

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

	Three Months Ended September 30,		Percent Change
	2002	2001	
<b>Revenues</b>			
Passenger - American Airlines	\$3,754	\$ 4,031	(6.9)
- AMR Eagle	342	338	1.2
Cargo	139	158	(12.0)
Other revenues	259	289	(10.4)
Total operating revenues	4,494	4,816	(6.7)
<b>Expenses</b>			
Wages, salaries and benefits	2,121	2,133	(0.6)
Aircraft fuel	697	776	(10.2)
Depreciation and amortization	340	368	(7.6)
Other rentals and landing fees	313	323	(3.1)
Maintenance, materials and repairs	289	332	(13.0)
Aircraft rentals	210	230	(8.7)
Food service	189	209	(9.6)
Commissions to agents	107	207	(48.3)
Special charges - net of U.S. Government grant	708	(177)	*
Other operating expenses	841	973	(13.6)
Total operating expenses	5,815	5,374	8.2
Operating Loss	(1,321)	(558)	*
<b>Other Income (Expense)</b>			
Interest income	18	16	12.5
Interest expense	(171)	(122)	40.2
Interest capitalized	23	37	(37.8)
Miscellaneous - net	2	(9)	*
	(128)	(78)	64.1
Loss Before Income Taxes	(1,449)	(636)	*
Income tax benefit	(525)	(222)	*
Net Loss	\$ (924)	\$ (414)	*
<b>Loss Per Share</b>			
Basic and Diluted	\$ (5.93)	\$ (2.68)	
<b>Number of Shares Used in Computation</b>			
Basic and Diluted	156	154	

\* Greater than 100%

10

## Edgar Filing: AMR CORP - Form 8-K

### AMR CORPORATION OPERATING STATISTICS (Unaudited)

	Three Months Ended September 30,		Percent Change
	2002	2001	
<b>American Airlines</b>			
Revenue passenger miles (millions)	33,080	33,543	(1.4)
Available seat miles (millions)	45,920	46,908	(2.1)
Cargo ton miles (millions)	498	526	(5.3)
Passenger load factor	72.0%	71.5%	0.5 pts.
Breakeven load factor (*)	87.3%	87.5%	(0.2)pts.
Passenger revenue yield per passenger mile (cents)	11.35	12.02	(5.6)
Passenger revenue per available seat mile (cents)	8.18	8.60	(4.9)
Cargo revenue yield per ton mile (cents)	27.58	29.69	(7.1)
Operating expenses per available seat mile (cents) (*)	10.38	11.04	(6.0)
Fuel consumption (gallons, in millions)	839	895	(6.3)
Fuel price per gallon (cents)	78.0	81.3	(4.1)
Fuel price per gallon, excluding fuel taxes (cents)	72.3	76.0	(4.9)
Operating aircraft at period-end	826	893	(7.5)
<b>AMR Eagle</b>			
Revenue passenger miles (millions)	1,070	962	11.2
Available seat miles (millions)	1,662	1,664	(0.1)
Passenger load factor	64.4%	57.8%	6.6 pts.
Operating aircraft at period-end	285	279	2.2
<b>AMR Corporation</b>			
Average Equivalent Number of Employees			
American Airlines	99,700	114,100	
Other	12,000	13,100	
Total	111,700	127,200	

(\*) Excludes the impact of Special charges - net of U.S. Government grant

11

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

	Nine Months Ended September 30,		Percent Change
	2002	2001	
<b>Revenues</b>			
Passenger - American Airlines	\$10,985	\$ 12,611	(12.9)
- AMR Eagle	991	1,101	(10.0)
Cargo	415	524	(20.8)

Edgar Filing: AMR CORP - Form 8-K

Other revenues	718	923	(22.2)
Total operating revenues	13,109	15,159	(13.5)
Expenses			
Wages, salaries and benefits	6,327	6,005	5.4
Aircraft fuel	1,880	2,325	(19.1)
Depreciation and amortization	1,019	1,033	(1.4)
Other rentals and landing fees	908	900	0.9
Maintenance, materials and repairs	840	910	(7.7)
Aircraft rentals	650	604	7.6
Food service	539	611	(11.8)
Commissions to agents	423	691	(38.8)
Special charges - net of			
U.S. Government grant	708	508	39.4
Other operating expenses	2,466	2,894	(14.8)
Total operating expenses	15,760	16,481	(4.4)
Operating Loss	(2,651)	(1,322)	*
Other Income (Expense)			
Interest income	54	80	(32.5)
Interest expense	(501)	(373)	34.3
Interest capitalized	67	116	(42.2)
Miscellaneous - net	(1)	13	*
	(381)	(164)	*
Loss Before Income Taxes and			
Cumulative Effect of			
Accounting Change	(3,032)	(1,486)	*
Income tax benefit	(1,038)	(522)	98.9
Loss Before Cumulative			
Effect of Accounting Change			
Cumulative Effect of Accounting	(1,994)	(964)	*
Change, Net of Tax Benefit	(988)	-	*
Net Loss	\$ (2,982)	\$ (964)	*

Continued on next page

12

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

Nine Months Ended  
September 30,  
2002                      2001

Basic and Diluted Loss Per Share		
Before Cumulative Effect of		
Accounting Change	\$ (12.83)	\$ (6.26)
Cumulative Effect of Accounting Change	(6.36)	-
Net Loss	\$ (19.19)	\$ (6.26)

Number of Shares Used in

## Edgar Filing: AMR CORP - Form 8-K

Computation  
 Basic and Diluted 155 154

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

\* Greater than 100%  
 13

### AMR CORPORATION OPERATING STATISTICS (Unaudited)

	Nine Months Ended		
	September 30,		Percent
	2002	2001	Change
<b>American Airlines (*)</b>			
Revenue passenger miles (millions)	92,276	95,182	(3.1)
Available seat miles (millions)	129,968	134,930	(3.7)
Cargo ton miles (millions)	1,478	1,685	(12.3)
Passenger load factor	71.0%	70.5%	0.5 pts.
Breakeven load factor (**)	87.1%	76.5%	10.6 pts.
Passenger revenue yield per passenger mile (cents)	11.90	13.25	(10.2)
Passenger revenue per available seat mile (cents)	8.45	9.34	(9.5)
Cargo revenue yield per ton mile (cents)	27.82	30.77	(9.6)
Operating expenses per available seat mile (cents) (**)	10.80	10.99	(1.7)
Fuel consumption (gallons, in millions)	2,392	2,559	(6.5)
Fuel price per gallon (cents)	73.8	83.8	(11.9)
Fuel price per gallon, excluding fuel taxes (cents)	68.2	78.3	(12.9)
Operating aircraft at period-end	826	893	(7.5)
<b>AMR Eagle</b>			
Revenue passenger miles (millions)	3,048	2,851	6.9
Available seat miles (millions)	4,825	4,931	(2.1)
Passenger load factor	63.2%	57.8%	5.4 pts.
Operating aircraft at period-end	285	279	2.2

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

(\*\*) Excludes the impact of Special charges - net of U.S. Government grant



