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AMR CORP
Form 8-K
July 16, 2003

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SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the

Securities Exchange Act of 1934

Date of earliest event
reported: July 16, 2003

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

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

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

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

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Item 7. Financial Statements and Exhibits

The following exhibits are included herein:

99.1 Press Release

Item 12. Disclosure of Results of Operations and Financial
Condition

AMR Corporation (the Company) is furnishing herewith a press release issued on July 16, 2003 by the Company as Exhibit 99.1 which is included herein. This press release was issued to report the Company's second quarter 2003 results.

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SIGNATURE

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

AMR CORPORATION

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

Dated: July 16, 2003

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EXHIBIT INDEX

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

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Exhibit 99.1

Contact: Corporate Communications
Fort Worth, Texas
817-967-1577
corp.comm@aa.com

FOR RELEASE: Wednesday, July 16, 2003

AMR CORPORATION REPORTS IMPROVED SECOND-QUARTER FINANCIALS AS COST
SAVINGS AND TURNAROUND PLAN BEGIN YIELDING RESULTS

Airline's Second-Quarter Net Loss Significantly Lower Than Last
Year's Quarter; Sees Modest Profit in June; Ends the Quarter with
\$2.4 Billion in Total Cash and Short-Term Investments

American to Maintain Positive Momentum on Achieving Turnaround Plan
Objectives by Realigning Mid-Continent Hub Schedules

Third Reservations Office to Close This Year as Consumers Continue
Choosing Alternative Ways to Book Flights

FORT WORTH, Texas - AMR Corporation continues making progress
in its march to profitability, including reporting improved
financial results.

For the quarter, AMR reported a net loss of \$75 million, or
\$.47 per share. Included in this amount are a handful of special
items, including a \$358 million cash payment from the
Transportation Security Administration (TSA) under the 2003
Emergency Wartime Supplemental Appropriation Act. Excluding
special items, AMR reported a net loss of \$357 million, or \$2.26
per share. While still a loss, these results represent a sizeable
improvement over the second quarter of last year and are
dramatically better than the \$1.04 billion net loss AMR recorded in
this year's first quarter.

AMR made significant progress over the course of the second
quarter. April was a difficult month for the company, with
lackluster demand due to the war in Iraq and the outbreak of SARS.
In May, however, AMR reported positive operating cash flow driven
by year-over-year improvements in unit revenue and the
implementation of its new labor

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agreements. These trends continued in June, and AMR achieved a
modest profit for the month.

"Clearly, the tremendous strides we've been able to achieve
have been the result of the unprecedented labor and nonlabor
agreements we reached in May," said Gerard Arpey, AMR's president
and CEO. "The sacrifice of our employee groups is evident in the
dramatically improved performance we've seen over the past months.
But, while we're encouraged, we must keep in mind that we're
operating in peak summer season right now, and the winter months
will be more challenging. We have a lot of work to do before we're
able to achieve sustained profitability at acceptable levels."

The company's cash position also improved during the quarter,
with a total cash and short-term investments balance on June 30 of

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\$2.4 billion (including \$550 million in restricted cash and short-term investments), an increase of \$555 million compared to the comparable balance at the end of the first quarter. Since June 30, AMR has completed a \$250 million aircraft financing, bringing the total balance to \$2.7 billion as of today.

As noted earlier, the company's second-quarter financial results included several special items -- both gains and losses -- resulting mostly from the company's restructuring efforts. In addition, in keeping with the provisions of SFAS 109, AMR's second quarter 2003 results do not reflect a benefit for federal and state income taxes. Conversely, AMR's second quarter 2002 results did reflect a tax benefit. To provide better comparability, after adjusting for these items, the company recorded a loss of \$357 million this quarter, or \$2.26 per share, versus a loss of \$720 million, or \$4.64 per share, in the second quarter of last year.

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These amounts are detailed in the table below:

| Impact of Special Items and Income Taxes (in millions, except per share amounts) | Second Quarter | | | |
|--|----------------|----------|---------|----------|
| | 2003 | | 2002 | |
| | Amount | EPS | Amount | EPS |
| Net loss as reported | (\$75) | (\$0.47) | (\$495) | (\$3.19) |
| Income tax benefit | --- | --- | (225) | (1.45) |
| Loss before income taxes | (75) | (0.47) | (720) | (4.64) |
| Special charges (net): | | | | |
| Employee charges | 47 | 0.29 | --- | --- |
| Aircraft and facility costs | 29 | 0.18 | --- | --- |
| Special credits: | | | | |
| Payment from TSA | (358) | (2.26) | --- | --- |
| Loss before income taxes and special items | (\$357) | (\$2.26) | (\$720) | (\$4.64) |

Other tenets of AMR's Turnaround Plan are also gaining momentum.

"We have set a firm course with our Turnaround Plan, and are taking additional steps today to make American an even more vibrant competitor," Arpey said. "When we launched the Turnaround Plan in May, we said we were going to measure all of our future decisions by its four primary objectives. We are doing just that. And while some of these decisions are painful, they are also absolutely critical to our future."

As previously announced, American's fleet, which already has 57 fewer airplanes in revenue service than a year ago, will shrink another 57 airplanes by summer 2004. At that point, the airline's fleet will be roughly the same size it was in mid-2000.

This projected fleet size prompted, in part, a review of American's network and operational efficiency. After weeks of careful study, American has decided to reduce the size of its St. Louis hub.

"We are going to make it a smaller hub that will primarily cater to the people who live, work, or do business there," Arpey said. "Our other options were far less palatable,

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including the extreme of simply making St. Louis a spoke city with service only to our other hubs. Our current plan allows us to provide key services for the local community while strengthening our hubs at Chicago and Dallas/Fort Worth."

Arpey also acknowledged the support for the airline and genuine concern for the community shown by government officials and local business leaders during American's decision-making process, particularly St. Louis Mayor Francis Slay, County Executive Buzz Westfall and Missouri Governor Bob Holden.

Between American, American Eagle and the AmericanConnection carriers, St. Louis will offer 207 flights a day to 68 cities after the change, which is effective Nov. 1. American will maintain its pilot and flight attendant bases there. More information on American's new hub schedule in St. Louis can be found in the attached fact sheet.

The efficiency review also concluded that the airline had too much domestic Reservations capacity, even though it had closed two Reservations facilities earlier this year. Accordingly, the airline will close its St. Louis Reservations office effective Sept. 15.

Arpey said the decisions affecting St. Louis were "extremely difficult but vital to American's future." And he said he "truly regretted" the impact this would have on former TWA employees.

American will make available a variety of support services to employees impacted by the closing of the St. Louis Reservations office and to employees at American's St. Louis airport operation who may be displaced by the schedule changes.

Additionally, the airline has been looking at how it schedules maintenance work at its three major maintenance bases. That portion of the study is ongoing. American expects to announce its decision on this issue by the fall.

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Editor's Note: AMR's president and chief executive officer, Gerard Arpey, and its chief financial officer, Jeff Campbell, will make a presentation to analysts during a teleconference on Wednesday, July 16, from 2 p.m. to 2:45 p.m. EDT. Following the analyst call, they 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 the presentation or participating in the media Q&A should call 817-967-1577 for details.

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Statements in this news release contain various forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which represent the Company's expectations or beliefs concerning future events. When used in this news release, the words "expects," "plans," "anticipates," "believes," and similar expressions are intended to identify forward-looking statements. Forward-looking statements include, without limitation, the Company's expectations concerning operations and financial conditions, including changes in capacity, revenues, and costs, expectations as to future financing needs, overall economic conditions and plans and objectives for future operations, the impact on the Company of the events of Sept. 11, 2001, and its results of operations for the past two years and the sufficiency of its financial resources to absorb that impact. Other forward-looking statements include statements which do not relate solely to historical facts, such as, without limitation, statements which discuss the possible future effects of current known trends or

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uncertainties, or which indicate that the future effects of known trends or uncertainties cannot be predicted, guaranteed or assured. All forward-looking statements in this release are based upon information available to the Company on the date of this release. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. Forward-looking statements are subject to a number of risk factors that could cause actual results to differ materially from our expectations. The following factors, in addition to other possible factors not listed, could cause the Company's actual results to differ materially from those expressed in forward-looking statements: the uncertain financial and business environment the Company faces, the struggling economy, high fuel prices and the availability of fuel, the residual effects of the war in Iraq, conflicts in the Middle East, the residual effects of the SARS outbreak, historically low fare levels, the competitive environment, uncertainties with respect to the Company's international operations, changes in its business strategy, actions by U.S. or foreign government agencies, the possible occurrence of additional terrorist attacks, the inability of the Company to satisfy existing liquidity requirements or other covenants in certain of its credit agreements and the availability of future financing. Additional information concerning these and other factors is contained in the Company's Securities and Exchange Commission filings, including but not limited to the Form 10-K for the year ended Dec. 31, 2002, and the Form 10-Q for the quarter ended March 31, 2003

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

Lower Costs to Compete

Fly Smart - Give Customers What They Value

Pull Together, Win Together

Build a Financial Foundation for Our Future

Detailed financial information follows:

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

| | Three Months Ended June 30, 2003 | 2002 | Percent Change |
|-------------------------------|-------------------------------------|---------|-------------------|
| Revenues | | | |
| Passenger - American Airlines | \$3,544 | \$3,747 | (5.4) |
| - Regional Affiliates ** | 387 | 372 | 4.0 |
| Cargo | 140 | 142 | (1.4) |
| Other revenues | 253 | 247 | 2.4 |
| Total operating revenues | 4,324 | 4,508 | (4.1) |

Expenses

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| | | | |
|--|---------|----------|--------|
| Wages, salaries and benefits | 1,869 | 2,126 | (12.1) |
| Aircraft fuel | 647 | 656 | (1.4) |
| Depreciation and amortization | 344 | 338 | 1.8 |
| Other rentals and landing fees | 298 | 306 | (2.6) |
| Commissions, booking fees and credit card expense | 260 | 311 | (16.4) |
| Maintenance, materials and repairs | 187 | 285 | (34.4) |
| Aircraft rentals | 177 | 214 | (17.3) |
| Food service | 151 | 180 | (16.1) |
| Other operating expenses | 586 | 693 | (15.4) |
| Special charges | 76 | - | * |
| U.S. government grant | (358) | - | * |
| Total operating expenses | 4,237 | 5,109 | (17.1) |
| Operating Income (Loss) | 87 | (601) | * |
| Other Income (Expense) | | | |
| Interest income | 8 | 18 | (55.6) |
| Interest expense | (190) | (164) | 15.9 |
| Interest capitalized | 18 | 22 | (18.2) |
| Miscellaneous - net | 2 | 5 | (60.0) |
| | (162) | (119) | 36.1 |
| Loss Before Income Taxes | (75) | (720) | (89.6) |
| Income tax benefit | - | (225) | * |
| Net Loss | \$ (75) | \$ (495) | (84.8) |

Continued on next page

* Greater than 100%

** Regional Affiliates include the fixed fee per block hour agreements with American Eagle Airlines, Inc., Executive Airlines, Inc., Trans States Airlines, Inc. and Chautauqua Airlines, Inc.

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

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

| | Three Months Ended June 30, | |
|--------------------------------------|-----------------------------|-----------|
| | 2003 | 2002 |
| Basic and Diluted Loss Per Share | \$ (.47) | \$ (3.19) |
| Number of Shares Used in Computation | | |
| Basic and Diluted | 158 | 155 |

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AMR CORPORATION
OPERATING STATISTICS
(Unaudited)

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| | Three Months Ended June 30, 2003 | 2002 | Percent Change |
|---|----------------------------------|---------|----------------|
| American Airlines, Inc. Mainline Jet Operations | | | |
| Revenue passenger miles (millions) | 30,180 | 31,379 | (3.8) |
| Available seat miles (millions) | 40,566 | 43,958 | (7.7) |
| Cargo ton miles (millions) | 493 | 518 | (4.8) |
| Passenger load factor | 74.4% | 71.4% | 3.0 pts. |
| Passenger revenue yield per passenger mile (cents) | 11.74 | 11.94 | (1.7) |
| Passenger revenue per available seat mile (cents) | 8.74 | 8.52 | 2.6 |
| Cargo revenue yield per ton mile (cents) | 28.34 | 27.21 | 4.2 |
| Operating expenses per available seat mile, excluding Special charges, U.S. government grant, and Regional Affiliates (cents) (1) (2) | 10.18 | 10.78 | (5.6) |
| Operating expenses per available seat mile (cents) (3) | 10.68 | 10.85 | (1.6) |
| Fuel consumption (gallons, in millions) | 727 | 808 | (10.0) |
| Fuel price per gallon (cents) | 83.0 | 75.5 | 9.9 |
| Operating aircraft at period-end | 812 | 828 | (1.9) |
| Regional Affiliates | | | |
| Revenue passenger miles (millions) | 1,389 | 1,177 | 18.0 |
| Available seat miles (millions) | 2,110 | 1,757 | 20.1 |
| Passenger load factor | 65.8% | 67.0% | (1.2) pts. |
| AMR Corporation | | | |
| Average Equivalent Number of Employees | | | |
| American Airlines | 86,800 | 100,100 | |
| Other | 11,500 | 11,800 | |
| Total | 98,300 | 111,900 | |

* Greater than 100%

- (1) Excludes \$441 million, or 1.09 cents per available seat mile (ASM), and \$32 million, or .07 cents per ASM, of expenses incurred related to Regional Affiliates in 2003 and 2002, respectively. Calculated using American mainline jet operations ASMs. Therefore both the numerator and the denominator exclude Regional Affiliates. The Company believes that excluding costs related to Regional Affiliates provides a measure which is more comparable to American's historical operating expenses per ASM.
- (2) Excludes the receipt of government reimbursement of security fees of \$(315) million and Special charges of \$76 million, or a total of (.59) cents per ASM, in 2003. The Company believes that excluding the reimbursement of security fees and Special charges provides a measure that is more representative of ongoing costs and therefore more comparable to American's historical operating expense per ASM.
- (3) Calculated using mainline jet operations ASMs.

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

American Airlines, Inc. 2003 operating expenses include expenses incurred related to fixed fee per block hour agreements with Regional Affiliates - American Eagle Airlines

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Inc., Executive Airlines, Inc., Trans States Airlines, Inc. and Chautauqua Airlines, Inc. whereas 2002 operating expenses include expenses incurred related to fixed fee per block hour agreements with Regional Affiliate - Chautauqua Airlines, Inc.

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

| | Six Months Ended June 30, 2003 | 2002 | Percent Change |
|---|-----------------------------------|-----------|-------------------|
| Revenues | | | |
| Passenger - American Airlines | \$6,938 | \$7,231 | (4.1) |
| - Regional Affiliates ** | 713 | 698 | 2.1 |
| Cargo | 274 | 276 | (0.7) |
| Other revenues | 519 | 466 | 11.4 |
| Total operating revenues | 8,444 | 8,671 | (2.6) |
| Expenses | | | |
| Wages, salaries and benefits | 3,967 | 4,206 | (5.7) |
| Aircraft fuel | 1,376 | 1,183 | 16.3 |
| Depreciation and amortization | 682 | 679 | 0.4 |
| Other rentals and landing fees | 589 | 595 | (1.0) |
| Commissions, booking fees and credit card expense | 515 | 631 | (18.4) |
| Maintenance, materials and repairs | 418 | 551 | (24.1) |
| Aircraft rentals | 367 | 440 | (16.6) |
| Food service | 300 | 350 | (14.3) |
| Other operating expenses | 1,269 | 1,366 | (7.1) |
| Special charges | 101 | - | - |
| U.S. Government grant | (358) | - | - |
| Total operating expenses | 9,226 | 10,001 | (7.7) |
| Operating Loss | (782) | (1,330) | (41.2) |
| Other Income (Expense) | | | |
| Interest income | 21 | 36 | (41.7) |
| Interest expense | (382) | (330) | 15.8 |
| Interest capitalized | 37 | 44 | (15.9) |
| Miscellaneous - net | (12) | (3) | * |
| | (336) | (253) | 32.8 |
| Loss Before Income Taxes and Cumulative Effect of | | | |
| Accounting Change | (1,118) | (1,583) | (29.4) |
| Income tax benefit | - | (513) | * |
| Loss Before Cumulative Effect of Accounting Change | (1,118) | (1,070) | 4.5 |
| Cumulative Effect of Accounting Change, Net of Tax Benefit | - | (988) | * |
| Net Loss | \$(1,118) | \$(2,058) | (45.7) |

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* Greater than 100%

** Regional Affiliates include the fixed fee per block

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hour agreements with American Eagle Airlines, Inc.,
Executive Airlines, Inc., Trans States Airlines, Inc.
and Chautauqua Airlines, Inc.

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

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| AMR CORPORATION | | |
|---|---------------------------|------------|
| CONSOLIDATED STATEMENTS OF OPERATIONS (CONTINUED) | | |
| (in millions, except per share amounts) | | |
| (Unaudited) | | |
| | Six Months Ended June 30, | |
| | 2003 | 2002 |
| Basic and Diluted Loss Per Share | | |
| Before Cumulative Effect of | | |
| Accounting Change | \$ (7.11) | \$ (6.90) |
| Cumulative Effect of | | |
| Accounting Change | - | (6.37) |
| Net Loss | \$ (7.11) | \$ (13.27) |
| Number of Shares Used in Computation | | |
| Basic and Diluted | 157 | 155 |

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| AMR CORPORATION | | | |
|---|---------------------------|--------|----------------|
| OPERATING STATISTICS | | | |
| (Unaudited) | | | |
| | Six Months Ended June 30, | | |
| | 2003 | 2002 | Percent Change |
| American Airlines, Inc. Mainline Jet Operations | | | |
| Revenue passenger miles (millions) | 58,019 | 59,197 | (2.0) |
| Available seat miles (millions) | 80,840 | 84,047 | (3.8) |
| Cargo ton miles (millions) | 983 | 981 | 0.2 |
| Passenger load factor | 71.8% | 70.4% | 1.4 pts. |
| Passenger revenue yield per | | | |
| passenger mile (cents) | 11.96 | 12.22 | (2.1) |
| Passenger revenue per available | | | |
| seat mile (cents) | 8.58 | 8.60 | (0.2) |
| Cargo revenue yield per ton mile (cents) | 27.86 | 27.93 | (0.3) |
| Operating expenses per available seat | | | |
| mile, excluding Special charges, U.S. | | | |
| government grant, and Regional | | | |
| Affiliates (cents) (1) (2) | 10.78 | 11.03 | (2.3) |
| Operating expenses per available | | | |
| seat mile (cents) (3) | 11.56 | 11.10 | 4.1 |
| Fuel consumption (gallons, in millions) | 1,453 | 1,553 | (6.4) |
| Fuel price per gallon (cents) | 88.5 | 71.5 | 23.8 |
| Regional Affiliates | | | |
| Revenue passenger miles (millions) | 2,554 | 2,199 | 16.1 |
| Available seat miles (millions) | 4,096 | 3,485 | 17.5 |
| Passenger load factor | 62.3% | 63.1% | (0.8) pts. |

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* Greater than 100%

- (1) Excludes \$865 million, or 1.07 cents per available seat mile (ASM), and \$59 million, or .07 cents per ASM, of expenses incurred related to Regional Affiliates in 2003 and 2002, respectively. Calculated using American mainline jet operations ASMs. Therefore both the numerator and the denominator exclude Regional Affiliates. The Company believes that excluding costs related to Regional Affiliates provides a measure which is more comparable to American's historical operating expenses per ASM.
- (2) Excludes the receipt of government reimbursement of security fees of \$(315) million and Special charges of \$76 million, or a total of (.29) cents per ASM, in 2003. The Company believes that excluding the reimbursement of security fees and Special charges provides a measure that is more representative of ongoing costs and therefore more comparable to American's historical operating expense per ASM.
- (3) Calculated using mainline jet operations ASMs.

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

American Airlines, Inc. 2003 operating expenses include expenses incurred related to fixed fee per block hour agreements with Regional Affiliates - American Eagle Airlines Inc., Executive Airlines, Inc., Trans States Airlines, Inc. and Chautauqua Airlines, Inc. whereas 2002 operating expenses include expenses incurred related to fixed fee per block hour agreements with Regional Affiliate - Chautauqua Airlines, Inc.