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AMR CORP
Form 8-K
January 22, 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: January 22, 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.)
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4333 Amon Carter Blvd. (Address of principal executive offices)	Fort Worth, Texas	76155 (Zip Code)
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(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 January 22, 2003 by the Company as Exhibit 99.1 which is included herein. This press release was issued to report the Company's fourth quarter and full year 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: January 22, 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, Jan. 22, 2003

Editor's Note: A live Webcast reporting fourth-quarter results will be broadcast on the Internet on Jan. 22 at 2 p.m. EST. (Windows Media player required for viewing.)

AMR REPORTS FOURTH QUARTER LOSS OF \$529 MILLION

FORT WORTH, Texas - Consistent with expectations, AMR Corporation, the parent company of American Airlines, Inc., today reported a fourth quarter net loss of \$529 million, or \$3.39 per share. This compares with last year's fourth quarter net loss of \$734 million before special items, and \$798 million -- \$5.17 per share -- after special items.

For full year 2002, AMR reported a net loss of \$2.0 billion before special items, and \$3.5 billion -- \$22.57 per share -- after

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special items. For 2001, the Company reported a net loss of \$1.4 billion before special items, and \$1.8 billion -- or \$11.43 per share -- after special items.

"Clearly, results such as the ones we reported today are unsustainable," said Don Carty, AMR's chairman and chief executive officer. "While there are many factors that impacted our results during 2002, including a sluggish economy, high fuel prices, lingering concerns over terrorism and the possibility of a war in the Middle East, the core issue for our Company remains a cost structure that is out of step with the revenue environment facing domestic

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airlines. As we've been discussing with our employees, we believe that a permanent shift has occurred in the airline revenue environment which will require us to reduce our annual costs by at least four billion dollars."

Carty continued, "The people of American have made tremendous strides to reduce our operating costs by de-peaking our Chicago and Dallas/Ft. Worth hubs, simplifying our fleet, automating customer ticketing and check-in functions, as well as a host of other programs designed to reduce our long-term structural costs. These incredibly significant efforts have resulted in a permanent annual savings of two billion dollars. Nonetheless, we still have a very big challenge in front of us to achieve our four billion cost-reduction target."

While American continues to modify its operations to be more competitive with low-fare carriers, Carty acknowledged that the future of the Company cannot be assured until ways are found to lower significantly its labor and other costs.

Carty noted that American started talks with all of its labor unions in October and that those discussions continue with both the unions and their respective financial advisors. Carty stressed that, to put the Company on a sustainable footing and for its continued survival, American must move quickly to reduce its labor costs significantly in conjunction with its broader cost-reduction program.

Citing the tremendous challenges that the people of American have overcome during its 75-year history, Carty remains optimistic that solutions can be found to the problems confronting American. However, he acknowledges that, "it remains a treacherous time for our Company."

As the Company faces its challenges, Carty said, it draws strength from its operational performance and the quality of its customer service. He noted that American's on-time dependability and the percentage of flights completed each day are at or near the top of the industry. At the same time, customer

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satisfaction ratings are among the best in years as employees on the ground and in the air continue to focus on the needs of passengers and shippers. "Our people remain our greatest asset," Carty said.

Lastly, the Company will record a significant minimum pension liability at year end, driving an approximate \$1.1 billion charge to equity. This minimum pension liability will reflect the amount that the Company's pension plans' accumulated benefit obligation at Dec. 31, 2002 exceeded the plans' assets at that date.

Looking forward, the Company said it had specific loan

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covenants related to more than \$800 million of its debt that it would seek to renegotiate in order to remain in compliance with the terms of the borrowing beyond June 30, 2003. American cannot be certain, but it believes it will be successful in obtaining a modification or waiver of these covenants on acceptable terms.

AMR will host a conference call with the financial community from 2 p.m. to 3 p.m. EST today. During this call, AMR will review details of its fourth quarter and full-year 2002 results, revenue and cost performance, balance sheet and liquidity positions, capital market financings and related contingencies, tax status, labor update (including the status of labor discussion), impacts from industry restructurings and provide an outlook for the first quarter and full-year 2003.

A live webcast of this call will be available on the AMR Web site (www.amrcorp.com) under the Investor information page. A replay of the webcast will also be available for several days following the call.

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Note: Reconciliation of Losses Before and After Special Items

Impact of Special Items (in millions, after tax)	Fourth Quarter	
	2002	2001
	Amount	Amount
	(net of tax)	(net of tax)
Net loss before special items	(\$529)	(\$734)
Special charges:		
Aircraft charges	---	(35)
Facility exit costs	---	(34)
Employee charges	---	(10)
Other	---	(14)
Total special charges	---	(93)
Special credit: U.S. Govn't grant	---	29
Net loss after special items	(\$529)	(\$798)

Impact of Special Items (in millions, after tax)	Full Year	
	2002	2001
	Amount	Amount
	(net of tax)	(net of tax)
Net loss before special items	(\$2,018)	(\$1,407)
Special charges:		
Cum. effect of accting change	(988)	---
Aircraft charges	(416)	(777)
Foreign tax credit	(57)	---
Employee charges	(36)	(45)
Facility exit costs	(2)	(72)
Other	---	1
Total special charges	(1,499)	(893)
Special credit: U.S. Govn't grant	6	538
Net loss after special items	(\$3,511)	(\$1,762)

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Editor's note: AMR's Chief Financial Officer, Jeffrey C. Campbell, will be available to answer questions during a telephone news conference on Wednesday, Jan. 22, from 3 p.m. to 3:45 p.m. EST. Reporters interested in joining the conference 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 Dec. 31, 2001.

Detailed financial information follows:

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Current AMR Corp. news releases can be accessed via the
Internet:

The address is <http://amrcorp.com>

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

	Three Months Ended December 31,		
	2002	2001	Percent Change
Revenues			
Passenger - American Airlines	\$3,455	\$ 3,169	9.0
- AMR Eagle	341	277	23.1
Cargo	146	138	5.8
Other revenues	248	220	12.7
Total operating revenues	4,190	3,804	10.1
Expenses			
Wages, salaries and benefits	2,065	2,027	1.9
Aircraft fuel	682	563	21.1
Depreciation and amortization	347	371	(6.5)

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Other rentals and landing fees	290	297	(2.4)
Maintenance, materials and repairs	268	255	5.1
Aircraft rentals	190	225	(15.6)
Food service	159	167	(4.8)
Commissions to agents	109	144	(24.3)
Other operating expenses	759	801	(5.2)
Special charges	-	149	(100.0)
U.S. Government grant	-	(47)	(100.0)
Total operating expenses	4,869	4,952	(1.7)
Operating Loss	(679)	(1,148)	(40.9)
Other Income (Expense)			
Interest income	17	30	(43.3)
Interest expense	(184)	(165)	11.5
Interest capitalized	19	28	(32.1)
Miscellaneous - net	(1)	(15)	(93.3)
	(149)	(122)	22.1
Loss Before Income Taxes	(828)	(1,270)	(34.8)
Income tax benefit	(299)	(472)	(36.7)
Net Loss	\$ (529)	\$ (798)	(33.7)
Loss Per Share			
Basic and Diluted	\$ (3.39)	\$ (5.17)	
Number of Shares Used in Computation			
Basic and Diluted	156	154	

Note: Certain amounts have been reclassified to conform with 2002 presentation

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AMR CORPORATION
OPERATING STATISTICS
(Unaudited)

	Three Months Ended		Percent Change
	December 31, 2002	2001	
American Airlines			
Revenue passenger miles (millions)	29,471	25,423	15.9
Available seat miles (millions)	42,232	39,757	6.2
Cargo ton miles (millions)	528	445	18.7
Passenger load factor	69.8%	64.0%	5.8 pts.
Breakeven load factor (*)	87.7%	89.3%	(1.6)pts.
Passenger revenue yield per passenger mile (cents)	11.72	12.47	(6.0)
Passenger revenue per available seat mile (cents)	8.18	7.97	2.6
Cargo revenue yield per ton mile (cents)	27.49	30.80	(10.7)
Operating expenses per available seat mile (cents) (*)	10.73	11.33	(5.3)
Fuel consumption (gallons, in millions)	771	735	4.9
Fuel price per gallon (cents)	82.7	72.1	14.7

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Fuel price per gallon, excluding fuel taxes (cents)	77.1	67.2	14.7
Operating aircraft at period-end	819	881	(7.0)
AMR Eagle			
Revenue passenger miles (millions)	1,086	873	24.4
Available seat miles (millions)	1,767	1,539	14.8
Passenger load factor	61.4%	56.7%	4.7 pts.
Operating aircraft at period-end	286	276	3.6
AMR Corporation			
Average Equivalent Number of Employees			
American Airlines	93,500	97,900	
Other	12,000	11,400	
Total	105,500	109,300	

(*) Excludes the impact of special charges and U.S. Government grant

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

	Twelve Months Ended		Percent Change
	2002	December 31, 2001	
Revenues			
Passenger - American Airlines	\$14,440	\$ 15,780	(8.5)
- AMR Eagle	1,332	1,378	(3.3)
Cargo	561	662	(15.3)
Other revenues	966	1,143	(15.5)
Total operating revenues	17,299	18,963	(8.8)
Expenses			
Wages, salaries and benefits	8,392	8,032	4.5
Aircraft fuel	2,562	2,888	(11.3)
Depreciation and amortization	1,366	1,404	(2.7)
Other rentals and landing fees	1,198	1,197	0.1
Maintenance, materials and repairs	1,108	1,165	(4.9)
Aircraft rentals	840	829	1.3
Food service	698	778	(10.3)
Commissions to agents	532	835	(36.3)
Other operating expenses	3,225	3,695	(12.7)
Special charges	718	1,466	(51.0)
U.S. Government grant	(10)	(856)	(98.8)
Total operating expenses	20,629	21,433	(3.8)
Operating Loss	(3,330)	(2,470)	34.8
Other Income (Expense)			
Interest income	71	110	(35.5)
Interest expense	(685)	(538)	27.3
Interest capitalized	86	144	(40.3)
Miscellaneous - net	(2)	(2)	-

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	(530)	(286)	85.3
Loss Before Income Taxes and Cumulative Effect of Accounting Change	(3,860)	(2,756)	40.1
Income tax benefit	(1,337)	(994)	34.5
Loss Before Cumulative Effect of Accounting Change	(2,523)	(1,762)	43.2
Cumulative Effect of Accounting Change, Net of Tax Benefit	(988)	-	-
Net Loss	\$ (3,511)	\$ (1,762)	99.3

Continued on next page

Note: Certain amounts have been reclassified to conform with 2002 presentation
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AMR CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS (CONTINUED)
(in millions, except per share amounts)
(Unaudited)

	Twelve Months Ended December 31,	
	2002	2001
Basic and Diluted Loss Per Share Before Cumulative Effect of Accounting Change	\$ (16.22)	\$ (11.43)
Cumulative Effect of Accounting Change	(6.35)	-
Net Loss	\$ (22.57)	\$ (11.43)
Number of Shares Used in Computation Basic and Diluted	156	154

Note 1: 2002 results include TWA whereas the 2001 amounts include
TWA for the period
April 10, 2001 through December 31, 2001

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AMR CORPORATION
OPERATING STATISTICS
(Unaudited)

	Twelve Months Ended December 31,		Percent Change
	2002	2001	
American Airlines (*)			
Revenue passenger miles (millions)	121,747	120,606	0.9
Available seat miles (millions)	172,200	174,688	(1.4)
Cargo ton miles (millions)	2,007	2,130	(5.8)
Passenger load factor	70.7%	69.0%	1.7 pts.
Breakeven load factor (**)	87.2%	79.2%	8.0 pts.
Passenger revenue yield per passenger mile (cents)	11.86	13.08	(9.3)
Passenger revenue per available seat mile (cents)	8.39	9.04	(7.2)

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Cargo revenue yield per ton mile (cents)	27.73	30.80	(10.0)
Operating expenses per available seat mile (cents) (**)	10.78	11.07	(2.6)
Fuel consumption (gallons, in millions)	3,163	3,294	(4.0)
Fuel price per gallon (cents)	76.0	81.3	(6.5)
Fuel price per gallon, excluding fuel taxes (cents)	70.4	76.0	(7.4)
Operating aircraft at period-end	819	881	(7.0)
AMR Eagle			
Revenue passenger miles (millions)	4,134	3,725	11.0
Available seat miles (millions)	6,592	6,471	1.9
Passenger load factor	62.7%	57.6%	5.1 pts.
Operating aircraft at period-end	286	276	3.6

(*) 2002 results include TWA whereas the 2001 amounts include TWA for the period April 10, 2001 through December 31, 2001

(**) Excludes the impact of special charges and U.S. Government grant