

AMR CORP
Form 8-K
December 21, 2007

UNITED STATES
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: December 21, 2007

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)

(Former name or former address, if changed since last report.)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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| | |
|------|--------|
| Item | Other |
| 8.01 | Events |

AMR Corporation is filing herewith its Eagle Eye communication to investors. This document includes (a) actual unit cost, fuel price, capacity and traffic information for October and November and (b) forecasts of unit cost, revenue performance, fuel prices and fuel hedging, capacity and traffic estimates, liquidity expectations, other income/expense estimates and share count.

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/ Kenneth W. Wimberly
Kenneth W. Wimberly
Corporate Secretary

Dated: December 21, 2007

AMR EAGLE EYE

December 21, 2007

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, the words "expects", "plans," "anticipates," "indicates," "believes," "forecast," "guidance," "outlook", "may," "will," "should" are intended to identify forward-looking statements. Similarly, statements that describe our objectives, plans or goals are 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; future financing plans and needs; overall economic conditions; plans and objectives for future operations; and the impact on the Company of its results of operations in recent 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 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. This document includes forecasts of unit cost and revenue performance, fuel prices and fuel hedging, capacity and traffic estimates, other income/expense estimates, share count, and statements regarding the Company's liquidity, each of which is a forward-looking statement. Forward-looking statements are subject to a number of factors that could cause the Company's actual results to differ materially from the Company's 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 materially weakened financial condition of the Company, resulting from its significant losses in recent years; the ability of the Company to generate additional revenues and reduce its costs; changes in economic and other conditions beyond the Company's control, and the volatile results of the Company's operations; the Company's substantial indebtedness and other obligations; the ability of the Company to satisfy existing financial or other covenants in certain of its credit agreements; continued high and volatile fuel prices and further increases in the price of fuel, and the availability of fuel; the fiercely and increasingly competitive business environment faced by the Company; industry consolidation; competition with reorganized and reorganizing carriers; low fare levels by historical standards and the Company's reduced pricing power; the Company's potential need to raise additional funds and its ability to do so on acceptable terms; changes in the Company's corporate or business strategy; government regulation of the Company's business; conflicts overseas or terrorist attacks; uncertainties with respect to the Company's international operations; outbreaks of a disease (such as SARS or avian flu) that affects travel behavior; labor costs that are higher than those of the Company's competitors; uncertainties with respect to the Company's relationships with unionized and other employee work groups; increased insurance costs and potential reductions of available insurance coverage; the Company's ability to retain key management personnel; potential failures or disruptions of the Company's computer, communications or other technology systems; changes in the price of the Company's common stock; and the ability of the Company to reach acceptable agreements with third parties. Additional information concerning these and other factors is contained in the Company's Securities and Exchange Commission filings, including but not limited to the Company's Annual Report on Form 10-K/A for the year ended December 31, 2006.

This Eagle Eye provides updated guidance for the fourth quarter and the full year 2007.

Performance Update

Costs: Unit cost forecasts are attached.

Revenue: Fourth quarter mainline passenger unit revenue is expected to increase between 3.4% and 4.4% year over year. Fourth quarter consolidated passenger unit revenue is expected to increase between 3.6% and 4.6% year over year. These estimates exclude the positive impact of the previously announced change to an 18 month expiration of AAdvantage miles, which is now effective. In total, Cargo and Other Revenue is anticipated to be about flat relative to fourth quarter 2006.

Liquidity: We expect to end the fourth quarter with a cash and short-term investment balance of approximately \$4.8 billion, including approximately \$450 million in restricted cash and short-term investments. As previously announced, AMR will pay down approximately \$900 million in debt in the fourth quarter, which consists of both scheduled payments and pre-payments.

Kenji Hashimoto
Managing Director, Investor
Relations

AMR EAGLE EYE**Fuel Forecast****Fuel Hedge Position:**

4Q07: Hedged on approximately 40% of consumption at an average cap of \$68/bbl WTI Crude

1H08: Hedged on approximately 31% of consumption at an average cap of \$76/bbl WTI Crude

AMR Fuel Price (Including Effective Hedges and Taxes) and Consumption

| | Actual | | | Forecast | |
|----------------------------|--------|-------|-------|----------|---------|
| | Oct | Nov | Dec | 4Q07 | 2007 |
| Fuel Price (dollars/gal) | 2.31 | 2.43 | 2.56 | 2.43 | 2.14 |
| Fuel Consumption (MM gals) | 264.3 | 251.6 | 264.0 | 779.9 | 3,132.2 |

Unit Cost Forecast (cents)**AMR Consolidated Cost per ASM**

| | Actual | | | Forecast | |
|---|--------|-------|-------|----------|-------|
| | Oct | Nov | Dec | 4Q07 | 2007 |
| AMR Cost per ASM 1/ | 12.31 | 12.55 | 13.06 | 12.64 | 11.99 |
| AMR Cost per ASM (ex-special items) 2/ | 12.31 | 12.55 | 12.64 | 12.50 | 11.94 |
| AMR Cost per ASM (ex-fuel and special items) 2/ | 8.35 | 8.43 | 8.23 | 8.34 | 8.29 |

American Mainline Cost per ASM

| | Actual | | | Forecast | |
|--|--------|-------|-------|----------|-------|
| | Oct | Nov | Dec | 4Q07 | 2007 |
| AA Cost per ASM 1/ | 11.70 | 11.96 | 12.45 | 12.03 | 11.39 |
| AA Cost per ASM (ex-special items) 2/ | 11.70 | 11.96 | 12.00 | 11.88 | 11.33 |
| AA Cost per ASM (ex-fuel and special items) 2/ | 7.85 | 7.96 | 7.72 | 7.84 | 7.78 |

Note: The increase in ex-fuel CASM versus prior guidance is due to lower capacity driven by weather, salary costs for dependability initiatives, materials and repairs and an accrual for broad-based variable compensation. ^{3/} There can be no assurance that the Company's CASM forecasts will approximate actual results.

1/ Full year data includes a previously disclosed special item in 3Q07 related to an adjustment for expense from prior periods of \$30M. In addition, December 2007 and 4Q07 include a \$64M special item related to the writedown of 24 MD-80 aircraft currently in storage.

2/ The Company believes that unit costs excluding fuel and/or special items is a useful measurement to investors in monitoring the Company's ongoing cost performance.

3/ Whether any broad-based variable compensation will be paid, and the amount of any such payment, has not been determined.

AMR EAGLE EYE**Capacity and Traffic Forecast (millions)****AA Mainline Operations**

| | Actual | | | Forecast | |
|---------------|--------|--------|--------|----------|---------|
| | Oct | Nov | Dec | 4Q07 | 2007 |
| ASMs | 14,310 | 13,729 | 14,226 | 42,264 | 169,874 |
| Domestic | 9,251 | 8,920 | 9,003 | 27,174 | 108,515 |
| International | 5,059 | 4,809 | 5,223 | 15,090 | 61,358 |
| Traffic | 11,527 | 11,151 | 11,194 | 33,872 | 138,406 |

Regional Affiliate Operations

| | Actual | | | Forecast | |
|---------|--------|-------|-------|----------|--------|
| | Oct | Nov | Dec | 4Q07 | 2007 |
| ASMs | 1,143 | 1,105 | 1,094 | 3,342 | 13,437 |
| Traffic | 840 | 798 | 749 | 2,387 | 9,855 |

Below the Line Income/Expense

Total Other Income (Expense) is estimated at \$(140) million in the fourth quarter of 2007. This excludes the special item impact due to the gain on sale of ARINC, which was \$140 million.

Share Count (millions)

| | 4Q 2007 | |
|---------------------|---------|---------|
| | Basic | Diluted |
| Earnings | | |
| Over \$67 million | 249 | 299 |
| \$51 – \$66 million | 249 | 284 |
| \$0 – \$50 million | 249 | 267 |
| Loss | 249 | 249 |

| | FY 2007 | |
|-----------------------|---------|---------|
| | Basic | Diluted |
| Earnings | | |
| Over \$266 million | 245 | 299 |
| \$199 - \$265 million | 245 | 284 |
| \$0 - \$198 million | 245 | 267 |
| Loss | 245 | 245 |

Reconciliation to GAAP:

| | Actual | | | Forecast | |
|--------------|--------|-------|-------|----------|-------|
| | Oct | Nov | Dec | 4Q07 | 2007 |
| Cents | | | | | |
| AMR CASM | 12.31 | 12.55 | 13.06 | 12.64 | 11.99 |

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| | | | | | |
|---|-------|-------|-------|-------|-------|
| Less Special Items CASM | - | - | 0.42 | 0.14 | 0.05 |
| AMR CASM Excluding Special Items | 12.31 | 12.55 | 12.64 | 12.50 | 11.94 |
| Less Fuel CASM | 3.96 | 4.12 | 4.41 | 4.16 | 3.65 |
| AMR CASM Excluding Fuel and Special Items | 8.35 | 8.43 | 8.23 | 8.34 | 8.29 |

| | Actual | | | Forecast | |
|--|--------|-------|-------|----------|-------|
| | Oct | Nov | Dec | 4Q07 | 2007 |
| Cents | | | | | |
| AA CASM | 11.70 | 11.96 | 12.45 | 12.03 | 11.39 |
| Less Special Items CASM | - | - | 0.45 | 0.15 | 0.06 |
| AA CASM Excluding Special Items | 11.70 | 11.96 | 12.00 | 11.88 | 11.33 |
| Less Fuel CASM | 3.85 | 4.00 | 4.28 | 4.04 | 3.55 |
| AA CASM Excluding Fuel and Special Items | 7.85 | 7.96 | 7.72 | 7.84 | 7.78 |
