10-Q 1 ar1q02d.txt AMR CORPORATION FIRST QUARTER 10-Q 1 UNITED STATES SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549 FORM 10-Q [X]Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the Quarterly Period Ended March 31, 2002. [ ]Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the Transition Period From to . Commission file number 1-8400. AMR Corporation (Exact name of registrant as specified in its charter) Delaware 75-1825172 (State or other (I.R.S. Employer jurisdiction Identification No.) of incorporation or organization) 4333 Amon Carter Blvd. Fort Worth, Texas 76155 (Address of principal (Zip Code) executive offices) Registrant's telephone number, (817) 963-1234 including area code Not Applicable (Former name, former address and former fiscal year , if changed since last report) Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No . Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. Common Stock, $1 par value - 155,119,293 shares as of April 16, 2002. 2 INDEX AMR CORPORATION PART I: FINANCIAL INFORMATION Item 1. Financial Statements Consolidated Statements of Operations -- Three months ended March 31, 2002 and 2001 Condensed Consolidated Balance Sheets -- March 31, 2002 and December 31, 2001 Condensed Consolidated Statements of Cash Flows -- Three months ended March 31, 2002 and 2001 Notes to Condensed Consolidated Financial Statements -- March 31, 2002 Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations Item 3. Quantitative and Qualitative Disclosures about Market Risk PART II: OTHER INFORMATION Item 1. Legal Proceedings Item 6. Exhibits and Reports on Form 8-K SIGNATURE 3 PART I: FINANCIAL INFORMATION Item 1. Financial Statements AMR CORPORATION CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited) (In millions, except per share amounts)

Three Months Ended March 31, 2002 2001

~~Revenues Passenger - American Airlines $3,484 $ 3,935 - AMR Eagle 305 354 Cargo 134 176 Other revenues 213 295 Total operating revenues 4,136 4,760 Expenses Wages, salaries and benefits 2,080 1,746 Aircraft fuel 527 707 Depreciation and amortization 341 313 Other rentals and landing fees 289 257 Maintenance, materials and repairs 266 280 Aircraft rentals 226 148 Food service 170 184 Commissions to agents 161 224 Other~~

~~operating expenses 805 905 Total operating expenses 4,865 4,764 Operating Loss (729) (4) Other Income (Expense) Interest income 18 40 Interest expense (166) (119) Interest capitalized 22 41 Miscellaneous - net (8) (15) (134) (53) Loss Before Income Taxes (863) (57) Income tax benefit (288) (14) Net Loss $ (575) $ (43) Loss Per Share Basic and Diluted $(3.71) $ (0.28)~~

The accompanying notes are an integral part of these financial statements. -1- 4 AMR CORPORATION CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited) (In millions)

March 31, December 31, 2002 2001

~~Assets Current Assets Cash $ 134 $ 120 Short-term investments 2,181 2,872 Receivables, net 1,839 1,414 Inventories, net 758 822 Deferred income taxes 793 790 Other current assets 547 522 Total current assets 6,252 6,540 Equipment and Property Flight~~

~~equipment, net 15,429 14,980 Other equipment and property, net 2,229 2,079 Purchase deposits for flight equipment 689 929 18,347 17,988 Equipment and Property Under Capital Leases Flight equipment, net 1,512 1,572 Other equipment and property, net 93 95 1,605 1,667 Goodwill and route acquisition costs 2,230 2,221 Airport operating and gate lease rights, net 487 496 Other assets 4,042 3,929 $ 32,963 $ 32,841 Liabilities and Stockholders' Equity Current Liabilities Accounts payable $ 1,462 $ 1,785 Accrued liabilities 2,284 2,192 Air traffic liability 2,930 2,763 Current maturities of long-term debt 520 556 Current obligations under capital leases 191 216 Total current liabilities 7,387 7,512 Long-term debt, less~~

~~current maturities 8,784 8,310 Obligations under capital leases, less current obligations 1,454 1,524 Deferred income taxes 1,965 1,627 Postretirement benefits 2,573 2,538 Other liabilities, deferred gains and deferred credits 5,922 5,957 Stockholders' Equity Preferred stock - - Common stock 182 182 Additional paid-in capital 2,847 2,865 Treasury stock (1,693) (1,716) Accumulated other comprehensive loss (71) (146) Retained earnings 3,613 4,188 4,878 5,373 $ 32,963 $ 32,841~~

The accompanying notes are an integral part of these financial statements. -2- 5 AMR CORPORATION CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited) (In millions)

Three Months Ended March 31, 2002 2001

~~Net Cash Provided by (Used for) Operating Activities $ (406) $ 19 Cash Flow from Investing Activities: Capital~~

~~expenditures, including purchase deposits for flight equipment (619) (847) Net decrease in short-term investments 691 758 Debtor-in-possession financing provided to Trans World Airlines, Inc. - (312) Proceeds from sale of equipment and property 13 127 Net cash provided by (used for) investing activities 85 (274) Cash Flow from Financing Activities: Payments on long-term debt and capital lease obligations (259) (291) Proceeds from: Issuance of long-term debt 592 604 Exercise of stock options 2 25 Net cash provided by financing activities 335 338 Net increase in cash 14 83 Cash at beginning of period 120 89 Cash at end of period $ 134 $ 172~~

The accompanying notes are an integral part of these financial statements. -3- 6 AMR CORPORATION NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) 1.The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, these financial statements contain all adjustments, consisting of normal recurring accruals, necessary to present fairly the financial position, results of operations and cash flows for the periods indicated. The Company's 2002 results continue to be adversely impacted by the September 11, 2001 terrorist attacks. In addition, on April 9, 2001, American Airlines, Inc. (a wholly owned subsidiary of AMR Corporation) purchased substantially all of the assets and assumed certain liabilities of Trans World Airlines, Inc. (TWA). Accordingly, the operating results of TWA are included in the accompanying condensed consolidated financial statements for the three-month period ended March 31, 2002 but not for the three- month period ended March 31, 2001. When utilized in this report, all references to American Airlines, Inc. include TWA (collectively, American). Results of operations for the periods presented herein are not necessarily indicative of results of operations for the entire year. For further information, refer to the consolidated financial statements and footnotes thereto included in the AMR Corporation (AMR or the Company) Annual Report on Form 10-K for the year ended December 31, 2001 ("2001 Form 10- K"). Certain amounts from 2001 have been reclassified to conform with the 2002 presentation. 2.Accumulated depreciation of owned equipment and property at March 31, 2002 and December 31, 2001 was $8.9 billion. Accumulated amortization of equipment and property under capital leases at March 31, 2002 and December 31, 2001 was $1.2 billion. 3.The following table provides unaudited pro forma consolidated results of operations, assuming the acquisition of TWA had occurred as of January 1, 2001 (in millions, except per share amounts): Three Months Ended March 31,2001 Operating revenues $ 5,542 Net loss (104) Loss per share $ (0.67) The unaudited pro forma consolidated results of operations have been prepared for comparative purposes only. These amounts are not indicative of the combined results that would have occurred had the transaction actually been consummated on the date indicated above and are not indicative of the consolidated results of operations which may occur in the future. 4.As discussed in the notes to the consolidated financial statements included in the Company's 2001 Form 10-K, Miami-Dade County (the County) is currently investigating and remediating various environmental conditions at the Miami International Airport (MIA) and funding the remediation costs through landing fees and various cost recovery methods. American and AMR Eagle have been named as potentially responsible parties (PRPs) for the contamination at MIA. During the second quarter of 2001, the County filed a lawsuit against 17 defendants, including American, in an attempt to recover its past and future cleanup costs (Miami-Dade County, Florida v. Advance Cargo Services, Inc., et al. in the Florida Circuit Court). In addition to the 17 defendants named in the lawsuit, 243 other agencies and companies were also named as PRPs and contributors to the contamination. American's and AMR Eagle's portion of the cleanup costs cannot be reasonably estimated due to various factors, including the unknown extent of the remedial actions that may be required, the proportion of the cost that will ultimately be recovered from the responsible parties, and uncertainties regarding the environmental agencies that will ultimately supervise the remedial activities and the nature of that supervision. -4- 7 AMR CORPORATION NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (Unaudited) In addition, the Company is subject to environmental issues at various other airport and non-airport locations. Management believes, after considering a number of factors, that the ultimate disposition of these environmental issues is not expected to materially affect the Company's consolidated financial position, results of operations or cash flows. Amounts recorded for environmental issues are based on the Company's current assessments of the ultimate outcome and, accordingly, could increase or decrease as these assessments change. 5.As of March 31, 2002, the Company had commitments to acquire the following aircraft: 47 Boeing 737-800s, 12 Boeing 777-200ERs, nine Boeing 767-300ERs, one Boeing 757-200, 117 Embraer regional jets and 22 Bombardier CRJ-700s. Deliveries of these aircraft are scheduled to continue through 2008. Payments for these aircraft are expected to be approximately $825 million during the remainder of 2002, $1.7 billion in 2003, $1.2 billion in 2004 and an aggregate of approximately $1.9 billion in 2005 through 2008. 6.During the three-month period ended March 31, 2002, American and AMR Eagle borrowed approximately $348 million under various debt agreements which are secured by aircraft. Effective interest rates on these agreements are based on London Interbank Offered Rate plus a spread and mature over various periods of time with a final maturity in 2018. In March 2002, the Regional Airports Improvement Corporation issued facilities sublease revenue bonds at the Los Angeles International Airport to provide reimbursement to American for certain facility construction costs. The proceeds of approximately $215 million provided to American have been recorded as long-term debt on the condensed consolidated balance sheets. These obligations bear interest at fixed rates, with an average rate of 7.88 percent, and mature over various periods of time through 2024. 7.Effective January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended (SFAS 133). SFAS 133 required the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges are adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives are either offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value is immediately recognized in earnings. The adoption of SFAS 133 did not result in a cumulative effect adjustment being recorded to net income for the change in accounting. However, the Company recorded a transition adjustment of approximately $64 million in Accumulated other comprehensive loss in the first quarter of 2001. In addition, effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). SFAS 142 requires the Company to test goodwill and indefinite-lived intangible assets (for AMR, route acquisition costs) for impairment rather than amortize them. During the first quarter of 2002, the Company completed its impairment analysis for route acquisition costs in accordance with SFAS 142. The analysis did not result in an impairment charge. The Company will complete the impairment analysis for its $1.4 billion of goodwill during the second quarter of 2002 and record an impairment adjustment at that time, if necessary. -5- 8 AMR CORPORATION NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (Unaudited) The following table provides information relating to the Company's amortized and unamortized intangible assets as of March 31, 2002 (in millions): Accumulated Cost Amortization Amortized intangible assets: Airport operating rights $ 516 $ 163 Gate lease rights 209 75 Total $ 725 $ 238 Unamortized intangible assets: Goodwill $1,401 Route acquisition costs 829 Total $2,230 Airport operating and gate lease rights are being amortized on a straight-line basis over 25 years to a zero residual value. For the three-month period ended March 31, 2002, the Company recorded amortization expense of approximately $9 million related to these intangible assets. The Company expects to record annual amortization expense of approximately $29 million in each of the next five years related to these intangible assets. The pro forma effect of SFAS 142 - assuming the Company had adopted this standard as of January 1, 2001 - is immaterial to the Company's net loss and loss per share for the three-month period ended March 31, 2001. 8.The Company includes unrealized gains and losses on available-for- sale securities, changes in minimum pension liabilities and changes in the fair value of certain derivative financial instruments that qualify for hedge accounting in comprehensive income (loss). For the three months ended March 31, 2002 and 2001, comprehensive income (loss) was $(500) million and $31 million, respectively. The difference between net loss and comprehensive loss for the three months ended March 31, 2002 is due primarily to the accounting for the Company's derivative financial instruments under SFAS 133. The difference between net loss and comprehensive income for the three months ended March 31, 2001 was due primarily to the cumulative effect of the adoption of SFAS 133 and the accounting for the Company's derivative financial instruments under SFAS 133. -6- 9 AMR CORPORATION NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (Unaudited) 9.The following table sets forth the computations of basic and diluted loss per share (in millions, except per share data): Three Months Ended March 31, 2002 2001 Numerator: Net loss - numerator for basic and diluted loss per share $(575) $ (43) Denominator: Denominator for basic and diluted loss per share- weighted-average shares 155 154 Basic and diluted loss per share $ (3.71) $ (0.28) For the three months ended March 31, 2002 and 2001, approximately 9 million and 14 million potential dilutive shares, respectively, were not added to the denominator because inclusion of such shares would be antidilutive. -7- 10 Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations RESULTS OF OPERATIONS For the Three Months Ended March 31, 2002 and 2001 Summary AMR Corporation's (AMR or the Company) net loss during the first quarter of 2002 was $575 million, or $3.71 per share, as compared to a net loss of $43 million, or $0.28 per share for the same period in 2001. AMR's operating loss of $729 million increased $725 million compared to the same period in 2001. The Company's 2002 results continue to be adversely impacted by the September 11, 2001 terrorist attacks. In addition, on April 9, 2001, American Airlines, Inc. (a wholly owned subsidiary of AMR) purchased substantially all of the assets and assumed certain liabilities of Trans World Airlines, Inc. (TWA). Accordingly, the operating results of TWA are included in the accompanying condensed consolidated financial statements for the three-month period ended March 31, 2002 but not for the three-month period ended March 31, 2001. All references to American Airlines, Inc. include TWA (collectively, American). Although traffic has continued to increase on significantly reduced capacity since the events of September 11, 2001, the Company's first quarter 2002 revenues were down significantly year-over-year. In addition to the residual effects of September 11, the Company's revenues continue to be negatively impacted by the economic slowdown -- seen largely in business travel declines -- and an increase in fare sale activity. In total, the Company's revenues decreased $624 million, or 13.1 percent, in the first quarter of 2002 from the same period last year. American's passenger revenues decreased by 11.5 percent, or $451 million in the first three months of 2002 from the same period in 2001. American's domestic revenue per available seat mile (RASM) decreased 15.4 percent, to 8.7 cents, on a capacity increase of 9.4 percent, to 29.3 billion available seat miles (ASMs). International RASM decreased to 8.66 cents, or 10.6 percent, on a capacity decrease of 11.4 percent. The decrease in international RASM was due to a 14.1 percent decrease and 11.9 percent decrease in European and Latin American RASM, respectively, slightly offset by a 9 percent increase in Pacific RASM. The decrease in international capacity was driven by a 39.5 percent, 13.9 percent and 4 percent reduction in Pacific, European and Latin American ASMs, respectively. AMR Eagle's passenger revenues decreased 13.8 percent, or $49 million. AMR Eagle's traffic increased 6.9 percent while capacity decreased 1.3 percent, to approximately 1.6 billion ASMs. As with American, the decrease in AMR Eagle's revenues was due primarily to the continued impact of the September 11, 2001 terrorist attacks and the economic slowdown. Cargo revenues decreased $42 million, or 23.9 percent, for the same reasons as noted above. Other revenues decreased 27.8 percent, or $82 million, due primarily to decreases in contract maintenance work that American performs for other airlines, and decreases in codeshare revenue and employee travel service charges. The Company's operating expenses increased 2.1 percent, or $101 million. American's cost per ASM increased 0.4 percent to 11.30 cents. Wages, salaries and benefits increased 19.1 percent, or $334 million, primarily due to contractual wage rate and seniority increases that are built into the Company's labor contracts. In addition, the Company experienced increases in its pension and health insurance costs, the latter reflecting rapidly rising medical care and prescription drug costs. Aircraft fuel expense decreased 25.5 percent, or $180 million, due primarily to a 23.3 percent decrease in the Company's average price per gallon of fuel. Other rentals and landing fees increased 12.5 percent, or $32 million, due to higher facilities rent and landing fees across American's system. Aircraft rentals increased $78 million, or 52.7 percent, due primarily to the addition of TWA aircraft. Commissions to agents decreased 28.1 percent, or $63 million, due primarily to an 11.7 percent decrease in passenger revenues and a decrease in the percentage of commissionable transactions. Other operating expenses decreased 11 percent, or $100 million, due primarily to decreases in contract maintenance work that American performs for other airlines, and decreases in travel and incidental costs, advertising and promotion costs, and credit card fees, which were partially offset by higher insurance and security costs. -8- 11 Other income (expense), historically a net expense, increased $81 million due to the following: Interest income decreased 55 percent, or $22 million, due primarily to decreases in interest rates. Interest expense increased $47 million, or 39.5 percent, resulting primarily from the increase in the Company's long-term debt. Interest capitalized decreased $19 million, or 46.3 percent, due primarily to a decrease in purchase deposits for flight equipment. Miscellaneous-net decreased 46.7 percent, or $7 million, due to the write-down of certain investments held by the Company during the first quarter of 2001. The effective tax rate for the three months ended March 31, 2002 was impacted by a $27 million charge resulting from a provision in Congress' economic stimulus package that changes the period for carrybacks of net operating losses (NOLs). This change allows the Company to carry back 2001 and 2002 NOLs for five years, rather than two years under the existing law, allowing the Company to more quickly recover its NOLs. The extended NOL carryback did, however, result in the displacement of foreign tax credits taken in prior years. These credits are now expected to expire before being utilized by the Company, resulting in this charge.

OPERATING STATISTICS

Three Months Ended March 31, 2002 2001

~~American Airlines (*)~~

~~Revenue passenger miles (millions) 27,817 26,452 Available seat miles (millions) 40,089 38,977 Cargo ton miles (millions) 463 549 Passenger load factor 69.4% 67.9% Breakeven load factor 87.4% 68.2% Passenger revenue yield per passenger mile (cents) 12.52 14.88 Passenger revenue per available seat mile (cents) 8.69 10.10 Cargo revenue yield per ton mile (cents) 28.74 31.68 Operating expenses per available seat mile (cents) 11.30 11.26 Fuel consumption (gallons, in millions) 745 743 Fuel price per gallon (cents) 67.2 87.6 Fuel price per gallon, excluding fuel taxes (cents) 61.7 82.0 Operating aircraft at period-end 852 719 AMR Eagle Revenue passenger miles (millions) 919 860 Available seat~~

~~miles (millions)~~
~~1,567 1,588~~
~~Passenger~~
~~load factor~~
~~58.6% 54.2%~~
~~Operating~~
~~aircraft at~~
~~period-end~~
~~283 267~~
(*) 2002 statistics include the operating results of TWA whereas the 2001 amounts do not. -9- 12 Operating aircraft at March 31, 2002, included:

~~American Airlines Aircraft AMR Eagle Aircraft Airbus A300-600R 34 ATR 42 29 Boeing 717-200 (1) 11 Bombardier CRJ-700 3 Boeing 727-200 (2) 15 Embraer 135 40 Boeing 737-800 77 Embraer 140 22 Boeing 757-200 150 Embraer 145 56 Boeing 767-200 8 Super ATR 42 Boeing 767-200 Extended Range 21 Saab 340B 66 Boeing 767-300 Extended Range 58 Saab 340B Plus 25 Boeing 777-200 Extended Range 42 Total 283 Fokker 100 74 McDonnell Douglas MD-80 362 Total 852~~

1 The Boeing 717-200 fleet will be removed from service by June 2002. 2 The Boeing 727-200 fleet will be removed from service by May 2002. The average aircraft age for American's aircraft is 9.9 years and 6.6 years for AMR Eagle aircraft. In addition, the following owned and leased aircraft were not operated by the Company as of March 31, 2002: 19 owned Boeing 727-200s, 15 operating leased McDonnell Douglas DC-9s, 19 operating leased Boeing 717-200s, nine owned McDonnell Douglas DC-10-10s, four operating leased McDonnell Douglas MD-80s, three owned McDonnell Douglas MD-11s, two owned McDonnell Douglas DC-10-30s, and four owned, six capital leased and two operating leased Saab 340Bs. LIQUIDITY AND CAPITAL RESOURCES Net cash used for operating activities in the three-month period ended March 31, 2002 was $406 million, an increase of $425 million over the same period in 2001, due primarily to an increase in the Company's net loss. Capital expenditures for the

first three months of 2002 were $619 million, and included the acquisition of six Boeing 757-200s, two Boeing 777-200ERs, seven Embraer 140s and two Bombardier CRJ-700 aircraft. These capital expenditures were financed primarily through secured mortgage and debt agreements. As of March 31, 2002, the Company had commitments to acquire the following aircraft: 47 Boeing 737-800s, 12 Boeing 777-200ERs, nine Boeing 767-300ERs, one Boeing 757-200, 117 Embraer regional jets and 22 Bombardier CRJ-700s. Deliveries of these aircraft are scheduled to continue through 2008. Payments for these aircraft are expected to be approximately $825 million during the remainder of 2002, $1.7 billion in 2003, $1.2 billion in 2004 and an aggregate of approximately $1.9 billion in 2005 through 2008. OTHER INFORMATION In addition to the Company's approximately $2.3 billion in cash and short-term investments as of March 31, 2002, the Company has available a variety of future financing sources, including, but not limited to: (i) the receipt of the remainder of the U.S. Government grant authorized by the Air Transportation Safety and System Stabilization Act (the Act), which is estimated to be in excess of $100 million, (ii) additional secured aircraft debt, (iii) the availability of the Company's $1 billion credit facility, (iv) sale-leaseback transactions of owned property, including aircraft and real estate, (v) the recovery of past federal income taxes paid as a result of a provision in the recently passed economic stimulus package regarding NOL carrybacks (in April 2002, the Company received approximately $393 million related to the utilization of its remaining 2001 NOL), (vi) tax-exempt borrowings for airport facilities, (vii) securitization of future operating receipts, (viii) unsecured borrowings, and (ix) borrowings backed by federal loan guarantees as provided under the Act. No assurance can be given that any of these financing sources will be available on terms acceptable to the Company. However, the Company believes it will meet its current financing needs. -10- 13 As a result of the September 11, 2001 events, aviation insurers have significantly reduced the maximum amount of insurance coverage available to commercial air carriers for liability to persons other than employees or passengers for claims resulting from acts of terrorism, war or similar events (war-risk coverage). At the same time, they significantly increased the premiums for such coverage as well as for aviation insurance in general. Pursuant to authority granted in the Act, the Government has supplemented the commercial war- risk insurance until May 19, 2002 with a third party liability policy to cover losses to persons other than employees or passengers for renewable 60-day periods. In the event the insurance carriers reduce further the amount of insurance coverage available or the Government fails to renew war-risk insurance, the Company's operations and/or financial position, results of operations or cash flows would be adversely impacted. As discussed in the Company's 2001 Form 10-K, a provision in the current Allied Pilots Association contract further limits the number of ASMs and block hours flown by American's regional carrier partners when American pilots are on furlough. As AMR Eagle continues to accept previously ordered regional jets, this will cause the ASM cap to be reached sometime in the first half of 2002, necessitating actions to comply with that cap. American is working with its regional partners to ensure that it is in compliance with this provision. Actions currently being taken and considered by AMR Eagle to reduce its capacity are discussed in the Company's 2001 Form 10-K. In addition, American is removing its code from flights of the American Connection carriers, which are independent carriers that provide feed to American's St. Louis hub. American believes that the combination of all these actions will enable it to comply with the ASM cap through 2002 and for sometime beyond. OUTLOOK Capacity for American is expected to be down approximately 11 percent in the second quarter of 2002 compared to last year's second quarter levels. AMR Eagle's second quarter capacity will be down about three percent from last year's levels. For the second quarter of 2002, the Company expects traffic to be lower by approximately 11 percent as compared to last year's second quarter levels. Pressure to reduce costs will continue, although the Company will continue to see higher wages, salaries and benefit costs, higher security costs and insurance premiums, and greater interest expense. Although the Company expects to see an increase in fuel prices as compared to the first quarter of 2002, fuel prices are expected to remain lower in the second quarter of 2002 as compared to last year's second quarter prices. Further, the Company expects to see a benefit in commission expense due to the domestic base commission changes implemented in March 2002. In total however, American's unit costs for the second quarter of 2002 are expected to be two to three percent higher than last year's second quarter. Given this higher unit cost, coupled with the revenue pressures seen in the first quarter and expected to continue into the second quarter, the Company expects to incur a loss in the second quarter (although the Company does not expect this loss to be of the same magnitude as the Company's first quarter loss), and will likely incur a loss for 2002. FORWARD-LOOKING INFORMATION 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. Item 3. Quantitative and Qualitative Disclosures about Market Risk There have been no material changes in market risk from the information provided in Item 7A. Quantitative and Qualitative Disclosures About Market Risk of the Company's 2001 Form 10-K. -11- 14 PART II: OTHER INFORMATION Item 1. Legal Proceedings On July 26, 1999, a class action lawsuit was filed, and in November 1999 an amended complaint was filed, against AMR Corporation, American Airlines, Inc., AMR Eagle Holding Corporation, Airlines Reporting Corporation, and the Sabre Group Holdings, Inc. in the United States District Court for the Central District of California, Western Division (Westways World Travel, Inc. v. AMR Corp., et al.). The lawsuit alleges that requiring travel agencies to pay debit memos to American for violations of American's fare rules (by customers of the agencies) (1) breaches the Agent Reporting Agreement between American and AMR Eagle and the plaintiffs, (2) constitutes unjust enrichment, and (3) violates the Racketeer Influenced and Corrupt Organizations Act of 1970 (RICO). The as yet uncertified class includes all travel agencies who have been or will be required to pay monies to American for debit memos for fare rules violations from July 26, 1995 to the present. The plaintiffs seek to enjoin American from enforcing the pricing rules in question and to recover the amounts paid for debit memos, plus treble damages, attorneys' fees, and costs. The Company intends to vigorously defend the lawsuit. Although the Company believes that the litigation is without merit, an adverse court decision could impose restrictions on the Company's relationships with travel agencies which restrictions could have an adverse impact on the Company. On May 13, 1999, the United States (through the Antitrust Division of the Department of Justice) sued AMR Corporation, American Airlines, Inc., and AMR Eagle Holding Corporation in federal court in Wichita, Kansas. The lawsuit alleges that American unlawfully monopolized or attempted to monopolize airline passenger service to and from Dallas/Fort Worth International Airport (DFW) by increasing service when new competitors began flying to DFW, and by matching these new competitors' fares. The Department of Justice seeks to enjoin American from engaging in the alleged improper conduct and to impose restraints on American to remedy the alleged effects of its past conduct. On April 27, 2001, the U.S. District Court for the District of Kansas granted American's motion for summary judgment. On June 26, 2001, the U.S. Department of Justice appealed the granting of American's motion for summary judgment. The parties have submitted briefs to the 10th Circuit Court of Appeals. No date has been set for oral argument. The Company intends to defend the lawsuit vigorously. A final adverse court decision imposing restrictions on the Company's ability to respond to competitors would have an adverse impact on the Company. Between May 14, 1999 and June 7, 1999, seven class action lawsuits were filed against AMR Corporation, American Airlines, Inc., and AMR Eagle Holding Corporation in the United States District Court in Wichita, Kansas seeking treble damages under federal and state antitrust laws, as well as injunctive relief and attorneys' fees (King v. AMR Corp., et al.; Smith v. AMR Corp., et al.; Team Electric v. AMR Corp., et al.; Warren v. AMR Corp., et al.; Whittier v. AMR Corp., et al.; Wright v. AMR Corp., et al.; and Youngdahl v. AMR Corp., et al.). Collectively, these lawsuits allege that American unlawfully monopolized or attempted to monopolize airline passenger service to and from DFW by increasing service when new competitors began flying to DFW, and by matching these new competitors' fares. Two of the suits (Smith and Wright) also allege that American unlawfully monopolized or attempted to monopolize airline passenger service to and from DFW by offering discounted fares to corporate purchasers, by offering a frequent flyer program, by imposing certain conditions on the use and availability of certain fares, and by offering override commissions to travel agents. The suits propose to certify several classes of consumers, the broadest of which is all persons who purchased tickets for air travel on American into or out of DFW from 1995 to the present. On November 10, 1999, the District Court stayed all of these actions pending developments in the case brought by the Department of Justice. As a result, to date no class has been certified. The Company intends to defend these lawsuits vigorously. One or more final adverse court decisions imposing restrictions on the Company's ability to respond to competitors or awarding substantial money damages would have an adverse impact on the Company. On January 30, 2002, the named plaintiff in Hall v. United Airlines, et al., No. 7:00 CV 123-BR(1), pending in the United States District Court for the Eastern District of North Carolina, filed an amended complaint alleging that between 1997 and the present, American and the other defendant airlines conspired to reduce commissions paid to U.S.- based travel agents in violation of Section 1 of the Sherman Act. The named plaintiff seeks to certify a nationwide class of travel agents, but no class has yet been certified. American is vigorously defending the lawsuit. A final adverse court decision awarding substantial money damages would have an adverse impact on the Company. -12- 15 Item 1. Legal Proceedings (Continued) Miami-Dade County (the County) is currently investigating and remediating various environmental conditions at the Miami International Airport (MIA) and funding the remediation costs through landing fees and various cost recovery methods. American Airlines, Inc. and AMR Eagle have been named as potentially responsible parties (PRPs) for the contamination at MIA. During the second quarter of 2001, the County filed a lawsuit against 17 defendants, including American Airlines, Inc., in an attempt to recover its past and future cleanup costs (Miami-Dade County, Florida v. Advance Cargo Services, Inc., et al. in the Florida Circuit Court). In addition to the 17 defendants named in the lawsuit, 243 other agencies and companies were also named as PRPs and contributors to the contamination. American's and AMR Eagle's portion of the cleanup costs cannot be reasonably estimated due to various factors, including the unknown extent of the remedial actions that may be required, the proportion of the cost that will ultimately be recovered from the responsible parties, and uncertainties regarding the environmental agencies that will ultimately supervise the remedial activities and the nature of that supervision. The Company is vigorously defending the lawsuit. -13- 16 PART II Item 6. Exhibits and Reports on Form 8-K The following exhibits are included herein: 12 Computation of ratio of earnings to fixed charges for the three months ended March 31, 2002 and 2001. Form 8-Ks filed under Item 5 - Other Events On January 16, 2002, AMR filed a report on Form 8-K relating to a press release issued by AMR to announce AMR's fourth quarter and full year 2001 earnings and an agreement with Boeing for the retirement of the Company's 717 fleet. Form 8-Ks furnished under Item 9 - Regulation FD Disclosure On January 7, 2002, AMR furnished a report on Form 8-K to announce AMR's intent to host a conference call on January 16, 2002 with the financial community relating to its fourth quarter and full year 2001 earnings. On January 25, 2002, AMR furnished a report on Form 8-K to provide an updated fleet plan for AMR. In addition, AMR provided information regarding presentations by AMR's senior management at upcoming transportation conferences. On February 22, 2002, AMR furnished a report on Form 8-K to provide certain data regarding its unit costs, capacity, traffic and fuel for the first quarter of 2002. On March 22, 2002, AMR furnished a report on Form 8-K to provide certain data regarding its unit costs, fuel, capacity and traffic for February through May 2002. Additionally, AMR provided information on the recently passed economic stimulus package which contained a provision regarding net operating loss carryback that was favorable to AMR. -14- 17 Signature Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this amended report to be signed on its behalf by the undersigned thereunto duly authorized. AMR CORPORATION Date: April 18, 2002 BY: /s/ Thomas W. Horton Thomas W. Horton Senior Vice President and Chief Financial Officer -15- 18 Exhibit 12 AMR CORPORATION Computation of Ratio of Earnings to Fixed Charges (in millions)

Three Months Ended March 31, 2002 2001

~~Earnings (loss): Loss before income taxes $ (863) $ (57) Add: Total fixed charges (per below) 440 332 Less: Interest capitalized 22 41 Total earnings (loss) $ (445) $ 234 Fixed charges: Interest $ 160 $ 114 Portion of rental expense representative of the interest factor 272 212 Amortization of debt expense 8 6 Total fixed charges $ 440 $ 332 Coverage deficiency $ 885 $ 98~~