

AMR Corporation Reports Second Quarter 2008 Loss of \$284 Million Excluding Special Items, as Record Fuel Prices Drove \$838 Million in Higher Costs Compared to a Year Ago

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Second Quarter Net Loss of \$1.4 Billion Includes \$1.2 Billion in Non-Cash Impairment Charges and Severance-Related Charges

Company Ends Second Quarter with \$5.5 Billion in Total Cash and Announces \$500 Million in Additional Financing to Further Bolster Liquidity

In Response to Fuel and Economic Challenges, AMR Plans to Reduce 2009 Capacity through Early Retirement of A300 Fleet and Expects Additional Capacity Reductions Next Year

AMR Corporation (NYSE:AMR), the parent company of American Airlines, Inc., today reported a net loss of \$1.4 billion for the second quarter of 2008, or \$5.77 per share.

The second quarter results include special charges as previously disclosed in AMR's Form 8-K filing with the Securities and Exchange Commission on July 2. These include a \$1.1 billion non-cash accounting charge to write down the value of certain aircraft and related long-lived assets to their estimated fair value and a charge of approximately \$55 million of a total \$70 million expected for severance-related costs resulting from the Company's system-wide capacity reductions in the fourth quarter of this year. The remainder of the severance-related charge is expected to be taken in the third quarter. Excluding these special charges, AMR reported a second quarter net loss of \$284 million, or \$1.13 per share.

The current quarter results compare to a net profit of \$317 million for the second quarter of 2007, or \$1.08 per diluted share.

Record jet fuel prices contributed significantly to the Company's loss in the second quarter of 2008. AMR paid \$3.19 per gallon for jet fuel in the second quarter compared to \$2.09 a gallon in the second quarter of 2007, a 53 percent increase. As a result, the Company paid \$838 million more for fuel in the second quarter of 2008 than it would have paid at prevailing prices from the prior-year period.

"Our company continues to be severely challenged by the fuel crisis that has afflicted our entire industry, and we expect these difficulties to continue for the foreseeable future," said AMR Chairman and CEO Gerard Arpey. "Clearly, our second quarter results were disappointing, but I am also pleased with our efforts as a company to take difficult yet necessary steps to manage through this uncertainty. While we believe the airline industry cannot continue, in its current form, at today's record fuel prices, we also believe our decisions and hard work by employees in recent years have better prepared us to face these challenges. We remain committed to taking action -- whether that relates to capacity reductions, revenue enhancements, fleet changes or other efforts to improve our financial foundation -- as we work to secure our long-term future."

AMR highlighted additional actions it has taken in response to the ongoing challenges of record fuel prices and a softer economy. The Company has obtained \$720 million in new financing through a number of transactions, including the sale of certain aircraft that will remain in the Company's fleet through a lease agreement, and through newly issued mortgage debt that is secured by aircraft. Of the new financing, approximately \$500 million was received in July and will be recorded in the Company's cash balance in the third quarter of 2008.

In addition, AMR has decided to retire all 34 of its A300 aircraft by the end of 2009, compared to the previous retirement schedule that extended through 2012. In 2008, AMR will retire 30 MD-80s, 10 A300s and 26 Saab turbo-prop aircraft, and will retire or remove from service 37 regional jets. The remaining A300s will be retired in 2009, which is expected to result in capacity reductions next year. As it begins to replace its MD-80 fleet, the Company continues to expect to take delivery of 70 more-fuel-efficient Boeing 737-800 aircraft in 2009 and 2010.

Given the current industry environment, AMR has decided to place on hold its planned divestiture of American Eagle, its regional affiliate, until industry conditions are more stable and favorable. AMR continues to believe that a divestiture makes sense in the long term for AMR, American, American Eagle, and their stakeholders, but AMR also believes that a divestiture is not sensible amid current conditions.

Operational Performance

AMR reported second quarter consolidated revenues of approximately \$6.2 billion, an increase of 5.1 percent year over year.

American's mainline passenger revenue per available seat mile (unit revenue) increased by 7.0 percent in the second quarter compared to the year-ago quarter. (Please refer to the reconciliation tables at the end of this press release for a calculation of the impact of the recent reclassification of AAdvantage revenue received from the sale of third-party miles from Passenger Revenue to Other Revenue.)

Mainline capacity, or total available seat miles, in the second quarter decreased by 2.2 percent compared to the same period in 2007.

American's mainline load factor -- or the percentage of total seats filled -- was 82.5 percent during the second quarter, compared to 83.6 percent in the second quarter of 2007. American's second-quarter yield, which represents average fares paid, increased 8.5 percent compared to the second quarter of 2007, its 13th consecutive quarter of year-over-year yield increases.

American's mainline cost per available seat mile (unit cost), excluding special items, increased 19.3 percent in the second quarter compared to the same period in 2007, largely due to higher fuel expense. Excluding fuel and special items, mainline unit costs in the second quarter of 2008 increased by 5.1 percent year over year.

Balance Sheet Update

AMR ended the second quarter with \$5.5 billion in cash and short-term investments, including a restricted balance of \$434 million. The second quarter 2008 cash balance includes \$220 million received through financings involving aircraft mortgage and sale-leaseback transactions. As referred to above, the \$500 million in additional aircraft financing was received after the second quarter ended and, as a result, will be applied to AMR's third quarter 2008 cash balance. AMR continues to expect the previously announced sale of American Beacon Advisors, Inc., valued at \$480 million in total consideration, to be completed in the third quarter of 2008. At the end of the second quarter of 2007 AMR had \$6.4 billion in cash and short-term investments, including a restricted balance of \$470 million.

AMR's Total Debt, which it defines as the aggregate of its long-term debt, capital lease obligations, the principal amount of airport facility tax-exempt bonds, and the present value of aircraft operating lease obligations, was \$15.2 billion at the end of the second quarter of 2008, compared to \$17.3 billion at the end of the second quarter of 2007. AMR's Net Debt, which it defines as Total Debt less unrestricted cash and short-term investments, was \$10.1 billion at the end of the second quarter of 2008, compared to \$11.4 billion at the end of the second quarter of 2007.

As of July 15, AMR had contributed \$78 million to its employees' defined benefit pension plans in 2008. AMR has contributed more than \$2 billion to its employee defined benefit pension plans since the beginning of 2002.

Second Quarter and Other Recent Highlights

-- AMR announced that it recently signed a new multi-year contract with Citibank, its valued AAdvantage program partner. The Company said it expects to see some of the benefits of this new agreement immediately with the full benefits being phased in by 2010.

-- American Airlines Cargo Division (AA Cargo) received the "Customer Excellence and Innovation" award from Descartes Systems Group, a global logistics solutions provider. American was recognized for its excellence and innovation in the implementation of the company's electronic cargo booking system.

-- American began a new chapter in its more than 80-year history by launching its first flight from the United States to Russia. American became the first U.S. air carrier to fly directly out of Chicago O'Hare International Airport to Moscow's Domodedovo International Airport (DME).

-- American took another significant step to enhance the overall travel experience for customers by adding thousands of additional hotel properties to AA.com. The additions make AA.com a compelling resource for booking hotel stays.

Guidance

Mainline and Consolidated Capacity

Following its capacity reduction announcement in May, AMR expects its full-year mainline capacity to decrease by 3.4 percent in 2008 compared to 2007 with a 5.7 percent reduction in domestic capacity and a 0.7 percent increase in international capacity compared to 2007 levels. On a consolidated basis, AMR expects full-year capacity to decrease by 3.7 percent in 2008 compared to 2007.

AMR expects mainline capacity in the third quarter of 2008 to decrease by 2.7 percent year over year. It expects consolidated capacity to decrease by 3.0 percent in the third quarter of 2008 compared to the prior-year period.

As disclosed on May 21, AMR expects system-wide capacity to decline by 7 percent to 8 percent in the fourth quarter of 2008 compared to fourth quarter 2007 levels with fourth quarter mainline domestic capacity expected to decline by 11 percent to 12 percent and fourth quarter regional affiliate capacity expected to decline by 10 percent to 11 percent compared to the same period in 2007.

Beyond the expected 2009 capacity reductions resulting from the retirement of the A300s, given current fuel price and economic trends, the Company expects to make additional capacity reductions in 2009.

Fuel Expense and Hedging

While the cost of jet fuel remains very volatile, AMR is planning for an average system price of \$3.81 per gallon in the third quarter of 2008 and \$3.42 a gallon for all of 2008. AMR has 35 percent of its anticipated third quarter 2008 fuel consumption capped at an average crude equivalent of \$95 per barrel (jet fuel equivalent of \$2.92 per gallon), with 34 percent of its anticipated full-year consumption capped at an average crude equivalent of \$82 per barrel (jet fuel equivalent of \$2.60 per gallon). Consolidated consumption for the third quarter is expected to be 772 million gallons of jet fuel.

Mainline and Consolidated Unit Costs (excluding special items)

For the third quarter of 2008, mainline unit costs are expected to increase 26.1 percent compared to the third quarter of 2007, while third quarter consolidated unit costs are expected to increase 25.7 percent compared to the third quarter of 2007.

In the third quarter of 2008, mainline unit costs excluding fuel are expected to increase 3.6 percent year over year while consolidated unit costs excluding fuel are expected to increase 3.9 percent from the third quarter of 2007.

Full-year mainline unit costs are expected to increase 21.5 percent in 2008 compared to 2007, while full-year consolidated unit costs are expected to increase 21.2 percent in 2008 compared to 2007.

AMR expects mainline unit costs excluding fuel to be 4.1 percent higher in 2008 versus 2007, while 2008 consolidated unit costs excluding fuel are expected to increase 4.6 percent year over year.

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