

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 [Fee Required]
For fiscal year ended December 31, 1994.

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 [No Fee Required]

Commission file number 1-8400.

AMR CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

75-1825172

(State or other jurisdiction
of incorporation or organization)

(I.R.S. Employer Identification No.)

4333 Amon Carter Blvd.
Fort Worth, Texas

76155

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (817) 963-1234
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of exchange on which registered
Common stock, \$1 par value per share	New York Stock Exchange
5-1/4% Subordinated Debentures due 1998	New York Stock Exchange
6-1/8% Convertible Subordinated Quarterly Income Capital Securities due 2024	New York Stock Exchange
6-1/4% Subordinated Debentures due 1996	New York Stock Exchange
8.10% Notes due 1998	New York Stock Exchange
9.00% Debentures due 2016	

Securities registered pursuant to Section 12(g) of the Act:

NONE

(Title of Class)

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 No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of the voting stock held by non-affiliates of the registrant as of March 1, 1995, was approximately \$4,690,925,138. As of March 1, 1995, 75,966,399 shares of the registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Form 10-K incorporates by reference certain information from the Proxy Statement for the Annual Meeting of Stockholders to be held May 17, 1995.

PART I

ITEM 1. BUSINESS

AMR Corporation (AMR or the Company) was incorporated in October 1982. AMR's principal subsidiary, American Airlines, Inc. (American), was founded in 1934. For financial reporting purposes, AMR's operations fall within three major lines of business: the Air Transportation Group (ATG), The SABRE Group and the AMR Management Services Group.

AIR TRANSPORTATION GROUP

ATG consists primarily of American's Passenger and Cargo divisions and AMR Eagle, Inc., a subsidiary of AMR.

AMERICAN'S PASSENGER DIVISION is one of the largest scheduled passenger airlines in the world. At the end of 1994, American provided scheduled jet service to more than 170 destinations, primarily throughout North America, the Caribbean, Latin America, Europe and the Pacific.

AMERICAN'S CARGO DIVISION is one of the largest scheduled air freight carriers in the world. The Cargo Division provides a full range of freight and mail services to shippers throughout the airline's system. In addition, through cooperative agreements with other carriers, it has the ability to transport shipments to virtually any country in the world.

AMR EAGLE, INC. owns the four regional airlines which operate as "American Eagle" -- Flagship Airlines, Inc., Simmons Airlines, Inc., Executive Airlines, Inc., and Wings West Airlines, Inc. The American Eagle carriers provide connecting turboprop service from seven of American's high-traffic cities to smaller markets throughout the United States, the Bahamas and the Caribbean.

THE SABRE GROUP

AMR formed The SABRE Group in 1993 to capitalize on the synergies of combining its information technology businesses under common management. The SABRE Group includes SABRE Travel Information Network (STIN), SABRE Computer Services (SCS), SABRE Decision Technologies (SDT), and SABRE Interactive.

STIN markets SABRE -- one of the largest privately owned, real-time computer systems in the world -- and provides travel distribution and information services to more than 28,000 travel agencies in 74 countries on six continents.

SCS manages and maintains AMR's technology infrastructure. SCS provides planning, installation and operation of data centers, voice and data communications networks and hardware, as well as technology and architectural planning to other AMR units and external customers.

SDT provides decision support systems, application software packages, systems development and consulting services to other AMR units and to external companies in the transportation, travel and other industries worldwide.

SABRE INTERACTIVE is a unit recently formed to investigate opportunities for consumer distribution via personal computer, CD-ROM, interactive television, cable and other media.

AMR MANAGEMENT SERVICES GROUP

The AMR Management Services Group consists of six AMR subsidiaries -- AMR Services Corporation, AMR Leasing Corporation, Americas Ground Services, Inc. (AGS), AMR Investment Services, Inc., AMR Training & Consulting Group, Inc. (AMRTCG), and Airline Management Services, Inc. (AMS).

AMR SERVICES CORPORATION has several major operating divisions: Domestic and International Airline Services, AMR Combs and AMR Distribution Systems. The Airline Services divisions' main lines of business include airline ground and cargo handling, cabin service and an array of other air transportation-related services for carriers around the world. AMR Combs provides corporate aviation services through a network of 12 fixed-base operations in the United States and Mexico. It also is involved in a number of other related businesses, including parts and aircraft sales and operation of the world's largest executive charter service. AMR Distribution Systems serves the logistics marketplace and specializes in contract warehousing, trucking and multi-modal freight forwarding services.

Beginning January 1, 1995, two AMR units -- TeleService Resources (TSR) and Data Management Services (DMS) -- which have been included in The SABRE Group for financial reporting purposes in 1993 and 1994, became part of AMR Services. TSR markets and operates a hotel reservations system and provides telemarketing and call management services. DMS provides data and document management services to American and to companies in the insurance, financial services and transportation industries.

AMR LEASING CORPORATION, a financing subsidiary, leases regional aircraft to subsidiaries of AMR Eagle.

AGS provides airline ground and cabin service handling at 11 locations in eight countries in the Caribbean and Central and South America. AGS was incorporated in 1993.

AMR INVESTMENT SERVICES, INC. serves as an investment advisor to AMR and other institutional investors. It also manages the American AAdvantage Funds, which have both institutional shareholders, including pension funds and bank and trust companies, and individual shareholders. As of December 31, 1994, AMR Investment Services was responsible for management of approximately \$11.2 billion in assets, including direct management of approximately \$4.4 billion in short-term investments.

AMRTCG provides specialized training, management and consulting services to companies in the aviation and transportation industries worldwide. AMRTCG was formed in 1992.

AMS was formed in 1994 to manage the Company's service contracts with other airlines such as the agreement to provide a variety of management, technical and administrative services to Canadian Airlines International, Ltd. that the Company signed in April 1994.

In March 1995, AMR announced the results of a six-month study of the Air Transportation Group's administrative functions. The Company identified \$93 million in annual cost savings and began implementing organizational changes which are expected to yield additional cost reductions. Such organizational changes will not materially impact the Company's business segment financial reporting.

Additional information regarding business segments is included in Management's Discussion and Analysis on pages 15 through 26 and in Note 14 to the consolidated financial statements.

ROUTES AND COMPETITION

AIR TRANSPORTATION Service over almost all of the Air Transportation Group's routes is highly competitive. Currently, any carrier deemed fit by the U.S. Department of Transportation (DOT) is free to operate scheduled passenger service between any two points within the U.S. and its possessions. On most of its routes, ATG competes with at least one, and usually more than one, major domestic airline including: America West Airlines, Continental Airlines, Delta Air Lines, Northwest Airlines, Southwest Airlines, Trans World Airlines, United Airlines, and USAir. ATG also competes with national, regional, all-cargo, and charter carriers and, particularly on shorter segments, ground transportation.

Most major air carriers have developed hub-and-spoke systems and schedule patterns in an effort to maximize the revenue potential of their service. American operates six hubs: Dallas/Fort Worth, Chicago O'Hare, Miami, Nashville, Raleigh/Durham and San Juan, Puerto Rico. In January 1995, American announced schedule reductions for 1995 which will end the airline's hub operations at Raleigh/Durham. Delta Air Lines and United Airlines have large hub operations at American's Dallas/Fort Worth and Chicago O'Hare hubs, respectively.

The American Eagle carriers increase the number of markets the Air Transportation Group serves by providing connections to American at its hubs and certain other major airports. The American Eagle carriers -- Simmons Airlines, Inc., Flagship Airlines, Inc., Wings West Airlines, Inc. and Executive Airlines, Inc. -- serve smaller markets through Dallas/Fort Worth, Chicago, Miami, Nashville, San Juan, Los Angeles and New York John F. Kennedy International Airport. American's competitors also own or have marketing agreements with regional carriers which provide service at their major hubs.

In addition to its extensive domestic service, American provides service to and from cities in various other countries, primarily across North, Central and South America and Europe. In 1991, American added service to 20 cities in 15 countries in Latin America with the acquisition of route authorities from Eastern Air Lines. In 1992, American added service from several U.S. gateway cities to London's Heathrow Airport with the acquisition of Trans World Airlines' route authorities. American's operating revenues from foreign operations were approximately \$4.3 billion in 1994, \$3.9 billion in 1993 and \$3.7 billion in 1992. Additional information about the Company's foreign operations is included in Note 12 to the consolidated financial statements.

Competition in international markets is generally subject to more extensive government regulation than domestic markets. In these markets, American competes with foreign-investor owned carriers, national flag carriers and U.S. carriers that have been granted authority to provide scheduled passenger and cargo service between the U.S. and various overseas locations. American's operating authority in these markets is subject to aviation agreements between the U.S. and the respective countries, and in some cases, fares and schedules require the approval of the DOT and the relevant foreign governments. Because international air transportation is governed by bilateral or other agreements between the U.S. and the foreign country or countries involved, changes in U.S. or foreign government aviation policy could result in the alteration or termination of such agreements, diminish the value of such route authorities, or otherwise affect American's international operations. Bilateral relations between the U.S. and various foreign countries served by American are currently being renegotiated.

On all of its routes, the Air Transportation Group's pricing decisions are affected by competition from other airlines, some of which have cost structures significantly lower than American's and can therefore operate profitably at lower fare levels. American and its principal competitors use inventory and yield management systems that permit them to vary the number of discount seats offered on each flight in an effort to maximize revenues.

The Air Transportation Group believes that it has several advantages relative to its competition. Its fleet is young, efficient and quiet. It has a comprehensive domestic and international route structure, anchored by efficient hubs, which permit it to take full advantage of whatever traffic growth occurs. The Company believes American's Advantage frequent flyer program, which is the largest program in the industry, and its superior service also give it a competitive advantage.

The major domestic carriers have some advantage over foreign competitors in their ability to generate traffic from their extensive domestic route systems. In many cases, however, U.S. carriers are limited in their rights to carry passengers beyond designated gateway cities in foreign countries. Some of American's foreign competitors are owned and subsidized by foreign governments. To improve their access to each others' markets, various U.S. and foreign carriers -- including American -- have made substantial equity investments in, or established marketing relationships with, other carriers.

COMPUTER RESERVATION SYSTEMS The complexity of the various schedules and fares offered by air carriers has fostered the development of electronic distribution systems. Travel agents and other subscribers access travel information and book airline, hotel and car rental reservations and issue airline tickets using these systems. American developed the SABRE computer reservation system (CRS), which is one of the largest CRSs in the world. Competition among the CRS vendors is strong. Services similar to those offered through SABRE are offered by several air carriers and other companies in the United States and abroad.

The SABRE CRS has several advantages relative to its competition. SABRE ranks first in market share among travel agents in the U.S. The SABRE CRS is furthering its expansion into international markets and continues to be in the forefront of technological innovation in the CRS industry.

REGULATION

GENERAL The Airline Deregulation Act of 1978 (Act) and various other statutes amending the Act, eliminated most domestic economic regulation of passenger and freight transportation. However, the DOT and the Federal Aviation Administration (FAA) still exercise certain regulatory authority over air carriers under the Federal Aviation Act of 1958, as amended. The DOT maintains jurisdiction over international route authorities and certain consumer protection matters, such as advertising, denied boarding compensation, baggage liability, and computer reservations systems. The DOT issued certain rules governing the CRS industry which became effective on December 7, 1992, and expire on December 31, 1997.

The FAA regulates flying operations generally, including establishing personnel, aircraft and security standards. In addition, the FAA has implemented a number of requirements that the Air Transportation Group is incorporating into its maintenance program. These matters relate to, among other things, inspection and maintenance of aging aircraft, corrosion control, collision avoidance and windshear detection. Based on its current implementation schedule, the Air Transportation Group expects to be in compliance with the applicable requirements within the required time periods.

The U.S. Department of Justice has jurisdiction over airline antitrust matters. The U.S. Postal Service has jurisdiction over certain aspects of the transportation of mail and related services. Labor relations in the air transportation industry are regulated under the Railway Labor Act, which vests in the National Mediation Board certain regulatory powers with respect to disputes between airlines and labor unions arising under collective bargaining agreements.

FARES Airlines are permitted to establish their own domestic fares without governmental regulation, and the industry is characterized by substantial price competition. The DOT maintains authority over international fares, rates and charges. International fares and rates are also subject to the jurisdiction of the governments of the foreign countries which American serves. While air carriers are required to file and adhere to international fare and rate tariffs, many international markets are characterized by substantial commissions, overrides, and discounts to travel agents, brokers and wholesalers.

Fare discounting by competitors has historically had a negative effect on ATG's financial results because ATG is generally required to match competitors' fares to maintain passenger traffic. During recent years, a number of new low-cost airlines have entered the domestic market and several major airlines have begun to implement efforts to lower their cost structures. Further fare reductions, domestic and international, may occur in the future. If fare reductions are not offset by increases in passenger traffic or changes in the mix of traffic that improves yields, ATG's operating results will be negatively impacted.

AIRPORT ACCESS In 1968, the FAA issued a rule designating New York John F. Kennedy, New York LaGuardia, Washington National, Chicago O'Hare and Newark airports as high density traffic airports. Newark was subsequently removed from the high density airport classification. The rule adopted hourly take-off and landing slot allocations for each of these airports. In 1993, the FAA granted a permanent rule change allowing each commuter operator at O'Hare to use 50 percent of its slots for jets having not more than 110 seats. Currently, the FAA permits the purchasing, selling, leasing and trading of these slots by airlines and others, subject to certain restrictions. Certain foreign airports, including London Heathrow, a major European destination for American, also have slot allocations.

The Air Transportation Group currently has sufficient slot authorizations to operate its existing flights and has generally been able to obtain slots to expand its operations and change its schedules. There is no assurance, however, that the Air Transportation Group will be able to obtain slots for these purposes in the future, because, among other factors, slot allocations are subject to changes in government policies.

ENVIRONMENTAL MATTERS The Company is subject to various laws and government regulations concerning environmental matters and employee safety and health in the U.S. and other countries. U.S. federal laws that have a particular impact on the Company include the Airport Noise and Capacity Act of 1990 (ANCA), the Clean Air Act, the Resource Conservation and Recovery Act, the Clean Water Act, the Safe Drinking Water Act, and the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA or the Superfund Act). The Company is also subject to the oversight of the Occupational Safety and Health Administration (OSHA) concerning employee safety and health matters. The U.S. Environmental Protection Agency (EPA), OSHA, and other federal agencies have been authorized to promulgate regulations that have an impact on the Company's operations. In addition to these federal activities, various states have been delegated certain authorities under the aforementioned federal statutes. Many state and local governments have adopted environmental and employee safety and health laws and regulations, some of which are similar to federal requirements. As a part of its continuing safety, health and environmental program, the Company has maintained compliance with such requirements without any material adverse effect on its business.

For purposes of noise standards, jet aircraft are rated by categories or "stages." The ANCA requires the phase-out by December 31, 1999, of Stage II aircraft operations, subject to certain exceptions. Under final regulations issued by the FAA in 1991, air carriers are required to reduce, by modification or retirement, the number of Stage II aircraft in their fleets 25 percent by December 31, 1994; 50 percent by December 31, 1996; 75 percent by December 31, 1998, and 100 percent by December 31, 1999. Alternatively, a carrier may satisfy the regulations by operating a fleet that is at least 55 percent, 65 percent, 75 percent, and 100 percent Stage III by the dates set forth in the preceding sentence, respectively. At December 31, 1994, approximately 86 percent of American's active fleet was Stage III, the quietest and most fuel efficient rating category.

The ANCA recognizes the rights of airport operators with noise problems to implement local noise abatement programs so long as they do not interfere unreasonably with interstate or foreign commerce or the national air transportation system. Authorities in several cities have promulgated aircraft noise reduction programs, including the imposition of night-time curfews. The ANCA generally requires FAA approval of local noise restrictions on Stage III aircraft first effective after October 1990, and establishes a regulatory notice and review process for local restrictions on Stage II aircraft first proposed after October 1990. While American has had sufficient scheduling flexibility to accommodate local noise restrictions imposed to date, American's operations could be adversely affected if locally-imposed regulations become more restrictive or widespread.

American has been identified by the EPA as a potentially responsible party (PRP) with respect to the following Superfund Sites: Operating Industries, Inc., California; Cannons, New Hampshire; Byron Barrel and Drum, New York; Palmer PSC, Massachusetts; Frontier Chemical, New York and Duffy Brothers, Massachusetts. American has settled the Palmer PSC and Byron Barrel and Drum matters, and all that remains to complete these matters are administrative tasks. American has signed a partial consent decree with respect to Operating Industries, Inc. With respect to the Operating Industries, Inc., Palmer PSC, Frontier Chemical and Duffy Brothers sites, American is one of several PRPs named at each site. American's alleged waste disposal although they are Superfund sites is minor compared to the other PRPs.

American, along with most other tenants at Boston Logan International Airport, has been notified under the Massachusetts State Superfund statute of a claim for contribution by the Massachusetts Port Authority

(Massport). Massport has claimed that American is responsible for past and future remediation costs at the airport. American is vigorously defending against Massport's claim.

American, along with most other tenants at the San Francisco International Airport, has been ordered by the California Regional Water Quality Control Board to engage in various studies of potential environmental contamination at the airport and to undertake remedial measures, if necessary.

AMR Combs Memphis, an AMR Services subsidiary, has been named a PRP at an EPA Superfund Site in West Memphis, Arkansas. AMR Combs Memphis' alleged involvement in the site is minor relative to the other PRPs.

Flagship Airlines, Inc., an AMR Eagle subsidiary, has been notified of its potential liability under New York law at an inactive hazardous waste site in Poughkeepsie, New York.

AMR does not expect these matters, individually or collectively, to have a material impact on its financial condition, operating results or cash flows.

LABOR

The airline business is labor intensive. Approximately 82 percent of AMR's employees work in the Air Transportation Group. Wages, salaries and benefits represented nearly 37 percent of AMR's consolidated operating expenses for the year ended December 31, 1994. To improve its competitive position, American has undertaken various steps to reduce its unit labor costs, including workforce reductions.

The majority of American's employees are represented by labor unions and covered by collective bargaining agreements. American's relations with such labor organizations are governed by the Railway Labor Act. Under this act, the collective bargaining agreements among American and these organizations do not expire but instead become amendable as of a stated date. If either party wishes to modify the terms of any such agreement, it must notify the other party before the contract becomes amendable. After receipt of such notice, the parties must meet for direct negotiations, and if no agreement is reached, either party may request the National Mediation Board (NMB) to appoint a federal mediator. If no agreement is reached in mediation, the NMB may determine, at any time, that an impasse exists, and if an impasse is declared, the NMB proffers binding arbitration to the parties. Either party may decline to submit to arbitration. If arbitration is rejected, a 30-day "cooling-off" period commences, following which the labor organization may strike and the airline may resort to "self-help," including the imposition of its proposed amendments and the hiring of replacement workers.

American's collective bargaining agreement with the Association of Professional Flight Attendants became amendable on December 31, 1992. The NMB declared an impasse in the negotiations in September 1993, following a long period of negotiation and mediation, and the parties entered into a 30-day cooling off period, which ended without an agreement. At the end of the cooling off period, American imposed certain contract amendments as permitted by law. After the union staged a five-day strike against American in November 1993, the parties agreed to resolve the remaining issues through binding arbitration. The arbitration process is complex and will likely not be decided for several months. While the ultimate outcome is uncertain, the new contract will likely result in higher unit labor costs in 1995 than in 1994.

American's collective bargaining agreement with the Allied Pilots Association became amendable on August 31, 1994. American's collective bargaining agreement with the Transport Workers Union became amendable March 1, 1995.

A majority of the workforces at the four AMR Eagle carriers is represented by labor unions and covered by a number of different collective bargaining agreements. Certain of these agreements are currently in negotiation. In addition, a proceeding is pending before the NMB in which the issue is whether the four American Eagle carriers should be treated as a single carrier for labor relations purposes. If such a finding ultimately is made, each unionized employee classification would have all members of all four carriers represented for collective bargaining purposes as a single unit. A determination by the NMB is not likely before mid-1995. The ultimate outcome of this proceeding and its effect on costs is uncertain.

The Air Transportation Group's operations are significantly affected by the availability and price of jet fuel. American's fuel costs and consumption for the years 1990 through 1994 were:

Year	Gallons Consumed (in millions)	Total Cost (in millions)	Average Price Per Gallon (in cents)	Percent of AMR's Operating Expenses
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1990	2,397	\$ 1,899	79.2	16.4
1991	2,527	1,780	70.5	13.8
1992	2,862	1,862	65.1	12.9
1993	2,939	1,818	61.8	12.0
1994	2,741	1,556	56.7	10.3

Based upon American's 1994 fuel consumption, a one-cent rise in the average annual price-per-gallon of jet fuel would increase American's monthly fuel costs by approximately \$2.3 million, not considering the offsetting effect of American's fuel cost hedging program. AMR's fuel cost in 1994 decreased 13.9 percent over the prior year, primarily due to an 8.3 percent decrease in American's average price per gallon and a 6.7 percent decrease in gallons consumed by American.

The impact of fuel price changes on the Company's competitors is dependent upon various factors, including their hedging strategies. However, lower fuel prices may be offset by increased price competition and lower revenues for all air carriers. Conversely, there can be no assurance that American will be able to pass fuel cost increases on to its customers by increasing fares in the future.

Most of American's fuel is purchased pursuant to contracts which, by their terms, may be terminated upon short notice. While American does not anticipate a significant reduction in fuel availability, dependency on foreign imports of crude oil and the possibility of changes in government policy on jet fuel production, transportation and marketing make it impossible to predict the future availability of jet fuel. If there were major reductions in the availability of jet fuel, American's business would be adversely affected.

FREQUENT FLYER PROGRAM

American established the AAdvantage frequent flyer program (AAdvantage) to develop passenger loyalty by offering awards to travelers for their continued patronage. AAdvantage members earn mileage credits for flights on American, American Eagle and certain other participating airlines, or by utilizing services of other program participants, including hotels, car rental companies and bank credit card issuers. American sells mileage credits to the other companies participating in the program. American reserves the right to change the AAdvantage program rules, regulations, travel awards and special offers at any time. American may initiate changes impacting, for example, participant affiliations, rules for earning mileage credit, mileage levels and awards, blackout dates and limited seating for travel awards, and the features of special offers. American reserves the right to end the AAdvantage program with six months notice.

Mileage credits can be redeemed for free, discounted or upgraded travel on American, American Eagle or participating airlines, or for other travel industry awards. Once a member accrues sufficient mileage for an award, the member may request an award certificate from American. Award certificates may be redeemed up to one year after issuance. Most travel awards are subject to blackout dates and capacity controlled seating. All miles earned after July 1989 must be redeemed within three years or they expire.

American accounts for its frequent flyer obligation on an accrual basis using the incremental cost method. American's frequent flyer liability is accrued each time a member accumulates sufficient mileage in his or her account to claim the lowest level of free travel award (20,000 miles prior to February 1, 1995; 25,000 miles thereafter) and such award is expected to be used for free travel on American. American includes fuel, food, and reservations/ticketing costs, but not a contribution to overhead or profit, in the calculation of incremental cost. The cost for fuel is estimated based on total fuel consumption tracked by various categories of markets, with an

amount allocated to each passenger. Food costs are tracked by market category, with an amount allocated to each passenger. Reservation/ticketing costs are based on the total number of passengers, including those traveling on free awards, divided into American's total expense for these costs. No accrual is made for non-travel awards since the cost to American, if any, is de minimis.

At December 31, 1994 and 1993, American estimated that approximately 4.5 million and 5.4 million free travel awards, respectively, were eligible for redemption. At December 31, 1994 and 1993, American estimated that approximately 3.6 million and 4.4 million free travel awards, respectively, were expected to be redeemed for free travel on American. In making this estimate, American has excluded mileage in inactive accounts, mileage related to accounts that have not yet reached the lowest level of free travel award, mileage that is not expected to ever be redeemed for free travel, and mileage related to accounts that have reached the lowest level of free travel award but are estimated based on historical data to be redeemed for discounts and upgrades, free travel on participating airlines other than American, or services other than free travel, for which American has no obligation to pay the provider of those services. The liability for the program mileage that has reached the lowest level of free travel award and is expected to be redeemed for free travel on American and deferred revenues for mileage sold to others participating in the program was \$329 million and \$380 million, representing 6.7 percent and 8.6 percent of AMR's total current liabilities, at December 31, 1994 and 1993, respectively.

The number of free travel awards used for travel on American during the years ended December 31, 1994, 1993 and 1992, was approximately 2,198,000, 2,163,000, and 1,474,000, respectively, representing 8.5 percent, 9.5 percent and 6.0 percent of total revenue passenger miles for each period, respectively. American believes displacement of revenue passengers is insignificant given American's load factors, its ability to manage frequent flyer seat inventory, and the relatively low ratio of free award usage to revenue passenger miles.

OTHER MATTERS

SEASONALITY AND OTHER FACTORS The Air Transportation Group's results of operations for any interim period are not necessarily indicative of those for the entire year, since the air transportation business is subject to seasonal fluctuations. Higher demand for air travel has traditionally resulted in more favorable operating results for the second and third quarters of the year than for the first and fourth quarters.

The results of operations in the air transportation business have also significantly fluctuated in the past in response to general economic conditions. In addition, fare initiatives, fluctuations in fuel prices, labor strikes and other factors could impact this seasonal pattern. Unaudited quarterly financial data for the two-year period ended December 31, 1994, is included in Note 15 to the consolidated financial statements.

No material part of the business of AMR and its subsidiaries is dependent upon a single customer or very few customers. Consequently, the loss of the Company's largest few customers would not have a materially adverse effect upon AMR.

INSURANCE American carries insurance for public liability, passenger liability, property damage and all-risk coverage for damage to its aircraft, in amounts which, in the opinion of management, are adequate.

OTHER GOVERNMENT MATTERS In time of war or during an unlimited national emergency or civil defense emergency, American and other major air carriers may be required to provide airlift services to the Military Airlift Command under the Civil Reserve Air Fleet program.

FLIGHT EQUIPMENT

Owned and leased aircraft operated by AMR's subsidiaries at December 31, 1994, included:

Equipment Type	Current Seating Capacity	Owned	Capital Leased	Operating Leased	Total	Weighted Average Age (Years)
JET AIRCRAFT						
Airbus A300-600R	267	10	-	25	35	5
Boeing 727-200	150	49	22	17	88	18
Boeing 757-200	188	40	9	32	81	3
Boeing 767-200	172	8	-	-	8	12
Boeing 767-200 Extended Range	172	9	13	-	22	8
Boeing 767-300 Extended Range	215	12	3	22	37	4
Fokker 100	97	66	5	4	75	2
McDonnell Douglas DC-10-10	237/290	14	4	-	18	18
McDonnell Douglas DC-10-30	273	5	1	-	6	20
McDonnell Douglas MD-11	251/271	17	-	-	17	2
McDonnell Douglas MD-80	139	119	25	116	260	7
Total		349	82	216	647	8
REGIONAL AIRCRAFT						
ATR 42	46	28	2	16	46	5
Super ATR	64	23	-	5	28	2
Jetstream 32	19	-	-	52	52	4
Saab 340A	34	-	-	16	16	7
Saab 340B	34	29	61	10	100	2
Shorts 360	33/36	4	-	24	28	9
Total		84	63	123	270	4

For information concerning the estimated useful lives and residual values for owned aircraft, lease terms and amortization relating to aircraft under capital leases, and acquisitions of aircraft, see Notes 1, 3 and 4 to the consolidated financial statements. See Management's Discussion and Analysis for discussion of the retirement of certain aircraft from the fleet.

Lease expirations for leased aircraft operated by AMR's subsidiaries and included in the preceding table as of December 31, 1994, were:

Equipment Type	1995	1996	1997	1998	1999	2000 and Thereafter
JET AIRCRAFT						
Airbus A300-600R	-	-	-	-	-	25
Boeing 727-200	25	-	-	-	2	12
Boeing 757-200	-	-	-	-	-	41
Boeing 767-200 Extended Range	-	-	-	-	-	13
Boeing 767-300 Extended Range	-	-	-	-	-	10
Fokker 100	-	-	-	-	-	9
McDonnell Douglas DC-10-10	-	3	1	-	-	-
McDonnell Douglas DC-10-30	-	-	-	1	-	-
McDonnell Douglas MD-80	-	-	-	-	-	141
	-----	-----	-----	-----	-----	-----
	25	3	1	1	2	251
	=====	=====	=====	=====	=====	=====
REGIONAL AIRCRAFT						
ATR 42	-	-	-	-	6	12
Super ATR	-	-	2	-	-	3
Jetstream 32	8	21	23	-	-	-
Saab 340B	-	-	-	-	-	61
Shorts 360	7	-	-	-	-	17
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	15	21	25	-	6	93
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The table excludes leases for 15 Boeing 767-300 Extended Range aircraft which can be canceled with 30 days' notice during the first 10 years of the lease term. At the end of that term in 1998, the leases can be renewed for periods ranging from 10 to 12 years. The table also excludes leases for 16 Saab 340A aircraft and 10 Saab 340B aircraft which can be canceled with 90 days' notice within certain restrictions. In addition, the leases for 8 ATR aircraft included in the table will become cancelable in future years.

Substantially all of the Air Transportation Group's aircraft leases include an option to purchase the aircraft or to extend the lease term, or both, with the purchase price or renewal rental to be based essentially on the market value of the aircraft at the end of the term of the lease or at a predetermined fixed rate.

GROUND PROPERTIES

American leases, or has built as leasehold improvements on leased property, most of its airport and terminal facilities; certain corporate office, maintenance and training facilities in Fort Worth, Texas; its principal overhaul and maintenance base and computer facility at Tulsa International Airport, Tulsa, Oklahoma; its regional reservation offices; and local ticket and administration offices throughout the system. American has entered into agreements with the Tulsa Municipal Airport Trust; the Alliance Airport Authority, Fort Worth, Texas; and the Dallas/Fort Worth, Chicago O'Hare, Raleigh/Durham, Nashville, San Juan, New York, and Los Angeles airport authorities to provide funds for constructing, improving and modifying facilities and acquiring equipment which are or will be leased to American. American also utilizes public airports for its flight operations under lease arrangements with the municipalities or governmental agencies owning or controlling them and leases certain other ground equipment for use at its facilities.

For information concerning the estimated lives and residual values for owned ground properties, lease terms and amortization relating to ground properties under capital leases, and acquisitions of ground properties, see Notes 1, 3 and 4 to the consolidated financial statements.

American has been sued in two class action cases that have been consolidated in the Circuit Court of Cook County, Illinois, in connection with certain changes made to American's AAdvantage frequent flyer program in May, 1988. (Wolens, et al v. American Airlines, Inc., No. 88 CH 7554, and Tucker v. American Airlines, Inc., No. 89 CH 199.) In both cases, the plaintiffs seek to represent all persons who joined the AAdvantage program before May 1988. The complaints allege that, on that date, American implemented changes that limited the number of seats available to participants traveling on certain awards and established holiday blackout dates during which no AAdvantage seats would be available for certain awards. The plaintiffs allege that these changes breached American's contracts with AAdvantage members and were in violation of the Illinois Consumer Fraud and Deceptive Business Practice Act (Consumer Fraud Act). Plaintiffs seek money damages of an unspecified sum, punitive damages, costs, attorneys fees and an injunction preventing the Company from making any future changes that would reduce the value of AAdvantage benefits. American moved to dismiss both complaints, asserting that the claims are preempted by the Federal Aviation Act and barred by the Commerce Clause of the U.S. Constitution.

The trial court denied American's preemption motions, but certified its decision for interlocutory appeal. In December 1990, the Illinois Appellate Court held that plaintiffs' claims for an injunction are preempted by the Federal Aviation Act, but that plaintiffs' claims for money damages could proceed. On March 12, 1992, the Illinois Supreme Court affirmed the decision of the Appellate Court. American sought a writ of certiorari from the U.S. Supreme Court; and on October 5, 1992, that Court vacated the decision of the Illinois Supreme Court and remanded the cases for reconsideration in light of the U.S. Supreme Court's decision in *Morales v. TWA, et al*, which interpreted the preemption provisions of the Federal Aviation Act very broadly. On December 16, 1993, the Illinois Supreme Court rendered its decision on remand, holding that plaintiffs' claims seeking an injunction were preempted, but that identical claims for compensatory and punitive damages were not preempted. On February 8, 1994, American filed petition for a writ of certiorari in the U.S. Supreme Court. The Illinois Supreme Court granted American's motion to stay the state court proceeding pending disposition of American's petition in the U.S. Supreme Court. The matter was argued before the U.S. Supreme Court on November 1, 1994, and on January 18, 1995, the U.S. Supreme Court issued its opinion ending a portion of the suit against American. The U.S. Supreme Court held that a) plaintiffs' claim for violation of the Illinois Consumer Fraud Act was preempted by federal law -- entirely ending that part of the case and eliminating plaintiffs' claim for punitive damages; and b) certain breach of contract claims would not be preempted by federal law. The Court did not determine, however, whether the contract claims asserted by the plaintiffs in *Wolens* were preempted, and therefore remanded the case to the state court for further proceedings. In the event that the plaintiffs' breach of contract claim is eventually permitted to proceed in the state court, American intends to vigorously defend the case.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the Company's security holders during the last quarter of its fiscal year ended December 31, 1994.

EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of AMR as of December 31, 1994, were:

Robert L. Crandall	Mr. Crandall was elected Chairman and Chief Executive Officer of AMR and American in March 1985. He has been President of AMR since its formation in 1982 and President of American since 1980. Age 59.
Robert W. Baker	Mr. Baker was elected Executive Vice President in September 1989. He had been Senior Vice President since July 1987. Prior to that, he had served in various senior management positions at American since April 1985. He was elected Vice President of American in October 1977. Age 50.
Donald J. Carty	Mr. Carty was elected Executive Vice President and Chief Financial Officer of AMR in October 1989. Except for two years' service as President of Canadian Pacific Air between March 1985 and March 1987, he has been with the Company in various finance and planning positions since 1978. Age 48.
Gerard J. Arpey	Mr. Arpey was elected Senior Vice President in April 1992. Prior to that, he served as Vice President of American since October 1989. Age 36.
Michael J. Durham	Mr. Durham was elected Senior Vice President and Treasurer of AMR and Senior Vice President - Finance and Chief Financial Officer of American in October 1989. Prior to that, he served as Vice President and Treasurer of American since January 1989, and, prior to that, Vice President - Corporate Planning and Finance of American since September 1985. Age 44.
Michael W. Gunn	Mr. Gunn was elected Senior Vice President in May 1991 and Senior Vice President - Marketing of American in November 1986. From October 1985 to November 1986 he was Senior Vice President - Passenger Marketing of American. From July 1982 to October 1985, he was Vice President - Passenger Sales and Advertising. Age 49.
Max D. Hopper	Mr. Hopper was elected Chairman of The SABRE Group in April 1993 and Senior Vice President of AMR in May 1986. He was elected Senior Vice President - Information Systems of American in November 1985. Age 60. Mr. Hopper retired in January 1995.
Anne H. McNamara	Mrs. McNamara was elected Senior Vice President and General Counsel in June 1988. She had served as Vice President - Personnel Resources of American from January 1988 through May 1988. She was elected Corporate Secretary of AMR in 1982 and American in 1979 and held those positions through 1987. Age 47.
Kathleen M. Misunas	Mrs. Misunas was elected Senior Vice President of AMR and American and President and Chief Executive Officer of The SABRE Group in April 1993. Prior to that, she served as President of SABRE Travel Information Network and Vice President of American since July 1988. Age 44. Mrs. Misunas resigned in March 1995.
Charles D. MarLett	Mr. MarLett was elected Corporate Secretary in January 1988. He joined American as an attorney in June 1984. Age 40.

There is no family relationship (blood, marriage or adoption, not more remote than first cousin) between any of the officers named above.

There have been no events under any bankruptcy act, no criminal proceedings, and no judgments or injunctions material to the evaluation of the ability and integrity of any director or executive officer during the past five years.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The Company's common stock is traded on the New York Stock Exchange (symbol AMR).

The approximate number of record holders of the Company's common stock at March 1, 1995, was 17,160.

The range of closing market prices for AMR's common stock on the New York Stock Exchange was:

QUARTER ENDED	1994		1993	
	High	Low	High	Low
March 31	\$ 71 3/4	\$ 56 1/2	\$ 69 5/8	\$ 55 5/8
June 30	60 3/4	52 1/4	72 5/8	60 1/2
September 30	62 7/8	50 3/4	67 5/8	59 5/8
December 31	55 1/4	48 1/8	71 3/4	63 7/8

No cash dividends on common stock were declared for any period during 1994 or 1993. Payment of dividends is subject to the restrictions described in Note 5 to the consolidated financial statements.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

(in millions, except per share amounts)

	1994	1993	1992	1991	1990
Total operating revenues	\$16,137	\$15,816	\$14,396	\$12,887	\$11,720
Operating income (loss)	1,006	690	(25)	5	124
Earnings (loss) before extraordinary loss and cumulative effect of accounting changes	228	(96)	(475)	(240)	(40)
Earnings (loss) before cumulative effect of accounting changes	228	(110)	(475)	(240)	(40)
Net earnings (loss)	228	(110)	(935)	(240)	(40)
Primary and fully diluted earnings (loss) per common share before extraordinary loss, cumulative effect of accounting changes, and effect of preferred stock exchange(1)	2.26	(2.05)	(6.35)	(3.54)	(0.64)
Primary and fully diluted net earnings (loss) per common share	4.51	(2.23)	(12.49)	(3.54)	(0.64)

Total assets	19,486	19,326	18,706	16,208	13,354
Long-term debt	5,603	5,431	5,643	3,951	1,674
Obligations under capital leases	2,275	2,123	2,195	1,928	1,598
Obligation for postretirement benefits	1,254	1,090	1,006	-	-

(1) Information on the adjustment to the earnings per share computation for the twelve months ended December 31, 1994, for the effect of the preferred stock exchange is included in Note 5 to the consolidated financial statements.

No dividends were declared on common shares during any of the periods above.

Effective January 1, 1992, AMR adopted Statements of Financial Accounting Standards No. 106, "Employer's Accounting for Postretirement Benefits Other Than Pensions," and No. 109, "Accounting for Income Taxes."

Information on the comparability of results is included in Management's Discussion and Analysis and the notes to the consolidated financial statements.

RESULTS OF OPERATIONS

SUMMARY AMR's net income in 1994 was \$228 million (\$2.26 per common share, primary and fully diluted, after preferred dividends but before an adjustment to additional paid-in capital for an exchange of debentures for preferred stock). During the fourth quarter of 1994, AMR recorded a charge of \$278 million (\$174 million after tax) related to the cost of future pension and other postretirement benefits for agent and management/support staff voluntary early retirement programs, severance and other restructuring activities. Before the special charge, net earnings were \$402 million. In addition to the restructuring charge, the Company's fourth quarter earnings include a charge of \$25 million (\$16 million after tax) related to the loss of two regional aircraft operated by subsidiaries of AMR Eagle. The Company's fourth quarter results were also adversely affected by the disruption of American Eagle operations at the Chicago and Raleigh/Durham hubs.

AMR's net loss in 1993 was \$110 million (\$2.23 per common share, primary and fully diluted). The 1993 results reflect the negative impact of a five-day strike in November by the union representing American's flight attendants. The results for 1993 also include a \$125 million charge (\$79 million after tax) for the retirement of certain DC-10 aircraft, a positive \$115 million adjustment to revenues (\$67 million net of related commission expense and taxes) for a change in estimate related to certain earned passenger revenues, and a \$71 million provision (\$46 million after tax) for losses associated with a reservations system project and resolution of related litigation. The Company's 1994 operating income was \$1.0 billion compared with \$690 million in 1993.

In light of the changing competitive environment toward lower costs and lower fares, in 1993 the Company began implementing a new strategic framework, known as the Transition Plan. The Plan has three parts, each intended to improve the Company's results. First, make the core airline business bigger and stronger where economically justified. Second, and conversely, shrink the airline where it cannot compete profitably. Third, reallocate resources and effort to AMR's growing information and management services businesses which are more profitable than the airline.

The Company's improved results reflect progress on each of these three tenets, as well as strong economies in most of the markets it serves, stringent cost controls and relatively low fuel prices.

In the low fare environment that has existed in recent years, the Company's efforts to increase unit revenues have focused on garnering a larger share of premium fare traffic. American has added flights at its major hubs; increased service between major business markets such as Dallas/Fort Worth, Chicago and New York; added more first class seating on narrowbody aircraft; expanded its successful transcontinental three-class service; and continued to increase international service.

During the same period, American has continued to downsize, primarily in domestic markets. Ninety-one older, less efficient jet aircraft have been removed from service since the Transition Plan was introduced in 1993. American Eagle has expanded its regional service as American has reduced short-haul jet service. American has trimmed service to about 30 cities and on over 100 routes. American and American Eagle closed their San Jose, California, hub operations in 1993. American Eagle service at Raleigh/Durham was eliminated at the end of 1994, and American announced an end to its hub operation there by the summer of 1995. From the end of 1993 to the end of 1994, the Air Transportation Group's average equivalent workforce declined by 3,800. In 1995, the Company plans further workforce reductions as it restructures airport and reservations agent activities and continues to reduce management and administrative staffing.

Meanwhile, the Company's non-airline businesses continued their strong performances. Domestic fare activity and international expansion generated increased booking fees for The SABRE Group. In total, The SABRE Group's revenues were up 13 percent from 1993 and its operating margin was nearly 24 percent.

BUSINESS SEGMENTS The following sections provide a discussion of AMR's results by reporting segment. A description of the businesses in each reporting segment is included on pages 1 and 2. Additional segment information is included in Note 14 to the consolidated financial statements.

AIR TRANSPORTATION GROUP
FINANCIAL HIGHLIGHTS
(dollars in millions)

	Year Ended December 31,		
	1994	1993	1992
REVENUES			
Passenger			
- American Airlines, Inc.	\$ 12,826	\$ 12,900	\$ 11,895
- AMR Eagle, Inc.	790	711	495
Cargo	657	643	581
Other	622	531	503
	14,895	14,785	13,474
EXPENSES			
Wages, salaries and benefits	4,923	4,837	4,592
Aircraft fuel	1,614	1,875	1,908
Commissions to agents	1,335	1,448	1,301
Depreciation and amortization	1,021	1,005	838
Other operating expenses	5,144	5,246	5,145
Restructuring costs	272	-	-
Total operating expenses	14,309	14,411	13,784
OPERATING INCOME (LOSS)	586	374	(310)
OTHER INCOME (EXPENSE)	(593)	(688)	(477)
INCOME (LOSS) BEFORE INCOME TAXES, EXTRAORDINARY LOSS AND CUMULATIVE EFFECT OF ACCOUNTING CHANGES	\$ (7)	\$ (314)	\$ (787)
Average number of equivalent employees	90,300	94,100	92,500
OPERATING STATISTICS			
AMERICAN AIRLINES, INC.			
Passenger Division			
Revenue passenger miles (millions)	98,896	97,160	97,425
Available seat miles (millions)	152,668	160,890	152,996
Passenger revenue yield per passenger mile (cents)	12.97	13.28	12.21
Passenger revenue per available seat mile (cents)	8.40	8.02	7.77
Operating expenses excluding restructuring costs per available seat mile (cents)	8.34	8.25	8.42
Passenger load factor	64.8%	60.4%	63.7%
Breakeven load factor excluding restructuring costs	61.5%	60.5%	67.1%
Operating aircraft at year-end	647	667	672
Cargo Division			
Cargo ton miles (millions)	1,983	1,826	1,490
Revenue yield per ton mile (cents)	33.11	34.86	38.70
AMR EAGLE, INC.			
Revenue passenger miles (millions)	2,486	2,125	1,440
Available seat miles (millions)	4,379	3,821	2,698
Passenger load factor	56.8%	55.6%	53.4%
Operating aircraft at year-end	270	275	277

1994 COMPARED TO 1993 Air Transportation Group revenues of \$14.9 billion in 1994 were up \$110 million, 0.7 percent, versus 1993. American's passenger revenues decreased 0.6 percent, \$74 million. The decline in passenger revenues resulted primarily from a 2.3 percent decrease in passenger yield (the average amount one passenger pays to fly one mile) from 13.28 to 12.97 cents, partially offset by a 1.8 percent increase in passenger traffic. Yields were driven lower by competitive fare discounting and the greater presence of low-fare competitors in certain domestic markets. In addition, from 1993 to 1994, American's average stage length increased approximately 6.4 percent, contributing to the decline in passenger yields since fares on longer trips tend to be lower than shorter trips on a per mile basis. For the year, domestic yield decreased 4.0 percent, while yield increased 2.6 percent in Latin America and 4.5 percent in Europe. In 1994, American derived 71.5 percent of its passenger revenues from domestic operations and 28.5 percent from international operations.

American's domestic traffic increased 0.4 percent, to 70.0 billion revenue passenger miles (RPMs), while domestic capacity decreased 6.0 percent. International traffic grew 5.2 percent, to 28.9 billion RPMs on a capacity reduction of 2.7 percent. The increase in international traffic was led by a 9.7 percent increase in Latin America on capacity growth of 1.1 percent, and a 1.6 percent increase in Europe on a capacity reduction of 6.9 percent. Traffic suffered in 1993 from American's inability to carry passengers during the flight attendants' strike in November 1993 and the adverse effect of the strike on passenger demand in the following month. Traffic in 1994 reflects the negative impact of the FAA's ban on flying ATR aircraft in known or forecasted icing conditions which was in effect from December 9, 1994 through January 11, 1995. The restrictions resulted in the temporary suspension of American Eagle ATR service at Chicago and the Company's decision to end American Eagle service at Raleigh/Durham.

Despite the effect of the ATR restrictions, the AMR Eagle carriers' passenger revenues increased 11.1 percent, \$79 million. Traffic on the AMR Eagle carriers increased 17.0 percent, to 2.5 billion RPMs, while capacity grew 14.6 percent. Passenger yield decreased 5.0 percent, in part due to the carriers' increased stage length as they entered longer haul markets.

Cargo revenues increased 2.2 percent, \$14 million, driven by an 8.6 percent increase in American's domestic and international cargo volumes, partially offset by decreasing yields brought about by strong price competition resulting from excess industry capacity.

Other revenues, consisting of fees for excess baggage and other passenger services, tour marketing, contract maintenance and miscellaneous other revenues, increased 17.1 percent, \$91 million, primarily as a result of increased passenger traffic, additional contract maintenance work and leasing of excess aircraft.

1993 COMPARED TO 1992 Air Transportation Group revenues of \$14.8 billion in 1993 were up \$1.3 billion, 9.7 percent, versus 1992. American's passenger revenues rose 8.4 percent, \$1.0 billion, primarily as a result of an 8.8 percent increase in passenger yield, offset by a 0.3 percent decline in passenger traffic.

American's passenger yield in 1993 increased to 13.28 cents, primarily as a result of a very weak comparison base of 1992, when revenues were negatively impacted by competitors' drastic discounting of domestic fares. For the year, domestic yield increased 13.5 percent. International yield was mixed, increasing 13.9 percent in the Pacific, unchanged in Latin America, and declining 10.1 percent in Europe. In 1993, American derived 73.8 percent of its passenger revenues from domestic operations and 26.2 percent from international operations.

Although American's system capacity, as measured by available seat miles (ASMs), increased 5.2 percent, its traffic, as measured by RPMs, decreased 0.3 percent. The drastic fare discounting drove traffic up to record levels in 1992. Traffic suffered in 1993 from American's inability to carry passengers during the flight attendants' union strike in November and the adverse effect of the strike on passenger demand during the month of December. American's domestic traffic decreased 3.5 percent, to 69.7 billion RPMs, while domestic capacity grew 2.9 percent. International traffic grew 9.1 percent, to 27.5 billion RPMs on capacity growth of 12.1 percent. The increase in international traffic was led by a 14.7 percent increase in Latin America on capacity growth of 17.5 percent, and a 7.4 percent increase in Europe on capacity growth of 10.8 percent.

Passenger revenues for the AMR Eagle carriers increased 43.6 percent, \$216 million, primarily due to the opening and expansion of regional operations at Dallas/Fort Worth with assets acquired from Metroflight, Inc. Traffic on the AMR Eagle carriers increased 47.6 percent to 2.1 billion RPMs, while capacity grew 41.6 percent to 3.8 billion ASMs. Passenger yield decreased 2.7 percent.

Cargo revenues increased 10.7 percent, \$62 million, driven by a 22.5 percent increase in American's domestic and international cargo volumes, partially offset by decreasing yields brought about by strong price competition resulting from excess industry capacity.

Other revenues, consisting of service fees, liquor revenues, duty-free sales, tour marketing and miscellaneous other revenues, increased 5.6 percent, \$28 million, primarily as a result of increased traffic.

EXPENSES

1994 COMPARED TO 1993 Air Transportation Group operating expenses in 1994 included restructuring charges of \$272 million, primarily resulting from the cost of future pension and other postretirement benefits related to agent and management voluntary early retirement programs. Excluding the restructuring costs, the Air Transportation Group's operating expenses decreased 2.6 percent, \$374 million. American's capacity decreased 5.1 percent, due primarily to the retirement of 41 older aircraft, partially offset by the addition of 22 new aircraft. Because capacity decreased more rapidly than expenses, American's Passenger Division cost per ASM, excluding restructuring costs, increased by 1.1 percent, to 8.34 cents.

Despite a 4.0 percent decrease in the average number of equivalent employees, wages, salaries and benefits expense rose 1.8 percent, \$86 million. The increase was due primarily to contractual and other wage and salary adjustments for existing employees, variable compensation under the Company's various profit sharing plans, and rising pension and other postretirement benefits costs.

Aircraft fuel expense decreased 13.9 percent, \$261 million, due to an 8.4 percent decrease in American's average price per gallon and a 6.8 percent decrease in gallons consumed by American. American's average price per gallon decreased from \$0.62 per gallon in 1993 to \$0.57 per gallon in 1994. American consumed an average of 228 million gallons of jet fuel each month. A one-cent increase in fuel prices costs approximately \$2.3 million per month, not considering the offsetting effect of the Company's fuel price hedging program.

Commissions to agents decreased 7.8 percent, \$113 million, due to a lower percentage of passenger revenues subject to commissions and a change in classification of certain international commissions.

New aircraft acquisitions and other capital spending increased depreciation and amortization 1.6 percent, \$16 million. Capital spending in 1994 included acquisition of 17 owned jet aircraft, five capital-leased jet aircraft and 16 owned turboprop aircraft and other capital equipment. This increase was partially offset by the retirement of 22 owned and capital-leased aircraft from the fleet.

Other operating expenses, consisting of aircraft rentals, other rentals and landing fees, food service costs, maintenance expenses and miscellaneous operating expenses, decreased 1.9 percent, \$102 million. Aircraft rentals decreased 1.8 percent, \$14 million, primarily due to the expiration of operating leases during 1994 on 19 Boeing 727, 19 Jetstream 32, and five Shorts 360 aircraft, partially offset by the addition of 14 Super ATR and three Saab 340 aircraft on operating leases to subsidiaries of AMR Eagle from AMR Leasing. Other rentals and landing fees decreased 1.5 percent, \$12 million, due primarily to reduced landing fees expense resulting from American's capacity reductions, partially offset by higher fee rates charged by airports. Food service cost decreased 4.2 percent, \$29 million, due to a 1.8 percent decline in passengers boarded and aggressive cost reduction strategies, including changes in meal scheduling policies, renegotiation of contracts and increased use of vendor-prepared products. Maintenance materials and repairs expense decreased 13.7 percent, \$90 million. American's maintenance costs were lower as a result of retiring older aircraft from the fleet, increased warranty recoveries, and operational efficiencies gained by reducing the number of maintenance locations and other initiatives. Offsetting the decrease for American, growth of the American Eagle operations generated an increase in its maintenance materials and repairs costs. Miscellaneous operating expenses (including data processing services, booking fees, crew travel expenses, credit card fees, advertising and communications costs) increased 1.8 percent, \$43 million, primarily due to increased booking fees.

1993 COMPARED TO 1992 Air Transportation Group operating expenses increased 4.5 percent, \$627 million. American's capacity increased 5.2 percent, to 160.9 billion ASMs, due primarily to the addition of new aircraft. American's Passenger Division cost per ASM decreased 2.0 percent, to 8.25 cents.

Wages, salaries and benefits rose 5.3 percent, \$245 million, due to wage and salary adjustments for existing employees, rising healthcare costs and a 1.7 percent increase in the average number of equivalent employees. In addition, during the fourth quarter, the Air Transportation Group recorded a \$13 million severance provision in conjunction with layoffs and voluntary terminations of management/specialist and operations personnel.

Aircraft fuel expense decreased 1.7 percent, \$33 million, due to a 4.9 percent decrease in American's average price per gallon, partially offset by a 2.7 percent increase in gallons consumed by American. American's average price per gallon decreased from \$0.65 per gallon in 1992 to \$0.62 per gallon in 1993.

Commissions to agents increased 11.3 percent, \$147 million, due principally to increased passenger revenues and increased incentives for travel agents.

Depreciation and amortization increased 19.9 percent, \$167 million, primarily due to the addition of 44 owned jet aircraft, 24 owned turboprop aircraft and other capital equipment.

Other operating expenses, consisting of aircraft rentals, other rentals and landing fees, food service costs, maintenance expenses and miscellaneous operating expenses, increased 2.0 percent, \$101 million. Aircraft rentals increased 8.8 percent, \$65 million, primarily due to the full-year impact of 1992 operating-leased aircraft additions and the addition of operating-leased aircraft during 1993. Other rentals and landing fees increased 4.4 percent, \$33 million, due primarily to increased rentals resulting from additions, improvements and renovations to facilities owned by airport authorities and leased to American. Food service cost increased 0.6 percent, \$4 million, reflecting the 9.1 percent increase in international traffic, where food costs are greater, offset by the 3.5 percent decrease in domestic traffic. Maintenance materials and repairs expense decreased 3.5 percent, \$24 million, due principally to the retirement of older aircraft and increased operational efficiencies. Miscellaneous operating expenses (including crew travel expenses, booking fees, purchased services, communications charges, credit card fees and advertising) increased 1.0 percent, \$23 million, primarily due to the increase in capacity.

OTHER INCOME (EXPENSE)

Other Income (Expense) consists of interest income and expense, interest capitalized and miscellaneous - net.

1994 COMPARED TO 1993 Interest expense, net of interest income, decreased 3.5 percent, \$20 million. Interest expense was lower due to repurchases and retirement of long-term debt and savings generated by interest rate swap transactions, offset in part by the effect of rising interest rates on floating rate obligations. Interest income increased due to a higher average investment balances and higher interest rates. Interest capitalized decreased 58.5 percent, \$30 million, primarily as a result of the decrease in the average balance during the year of purchase deposits for flight equipment.

Miscellaneous - net for 1994 includes a \$25 million charge related to the loss of two regional aircraft operated by subsidiaries of AMR Eagle. Miscellaneous - net for 1993 includes a \$125 million charge related to the retirement of certain DC-10 aircraft.

1993 COMPARED TO 1992 Interest expense, net of interest income, increased 10.1 percent, \$53 million, as a result of additional external financings, offset in part by interest savings generated from declining interest rates, interest rate swap transactions and repurchases and retirement of long-term debt. In addition, interest capitalized decreased 48.0 percent, \$47 million, as a result of the decrease in the average balance during the year of purchase deposits for flight equipment and the decline in interest rates.

Miscellaneous - net for 1993 includes a \$125 million charge related to the retirement of certain DC-10 aircraft. Included in Miscellaneous - net for 1992 is a \$14 million provision for a cash payment representing American's share of a multi-carrier antitrust settlement and an \$11 million charge associated with the retirement of an aircraft fleet of one of the AMR Eagle carriers.

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THE SABRE GROUP
FINANCIAL HIGHLIGHTS
(dollars in millions)

	Year Ended December 31,		
	1994	1993	1992
REVENUES	\$1,542	\$1,370	\$1,271
EXPENSES			
Wages, salaries and benefits	488	435	387
Depreciation and amortization	183	175	170
Rentals	59	51	56
Other operating expenses	439	441	402
Restructuring costs	6	-	-
Total operating expenses	1,175	1,102	1,015
OPERATING INCOME	367	268	256
OTHER INCOME (EXPENSE)	(25)	(84)	(173)
INCOME BEFORE INCOME TAXES, EXTRAORDINARY LOSS AND CUMULATIVE EFFECT OF ACCOUNTING CHANGES	\$ 342	\$ 184	\$ 83
Average number of equivalent employees	12,300	11,100	10,700

REVENUES

1994 COMPARED TO 1993 Revenues for The SABRE Group increased 12.6 percent, \$172 million. Booking fee revenues increased due to growth in booking volumes, increased average fees per booking collected from participating vendors and the introduction of premium-priced products. Other revenues rose as a result of increased license fee revenues and systems development sales.

1993 COMPARED TO 1992 Revenues for The SABRE Group increased 7.8 percent, \$99 million, primarily due to increased booking fees resulting from growth in booking volumes and average fees collected from participating vendors.

EXPENSES

1994 COMPARED TO 1993 Wages, salaries and benefits increased 12.2 percent, \$53 million, due primarily increased incentive compensation and a 10.8 percent increase in the average number of equivalent employees. Depreciation and amortization increased 4.6 percent, \$8 million, as a result of acquiring new computer equipment. Rentals increased 15.7 percent, \$8 million, due to additional leased data processing equipment and facilities costs. The SABRE Group's 1994 operating expenses also include \$6 million in costs associated with restructuring activities.

1993 COMPARED TO 1992 Wages, salaries and benefits increased 12.4 percent, \$48 million, due to wage and salary increases, a 3.8 percent increase in the average number of equivalent employees and a \$12 million severance provision for workforce reductions associated with the formation of SABRE Decision Technologies. Other operating expenses increased 9.7 percent, \$39 million, due to higher incentive payments to travel agents, outsourcing services related to product line expansion and costs associated with international expansion.

OTHER INCOME (EXPENSE)

Other Income (Expense) for 1993 and 1992 includes provisions of \$71 million and \$165 million, respectively, for losses associated with a reservations system project and resolution of related litigation.

AMR MANAGEMENT SERVICES GROUP
 FINANCIAL HIGHLIGHTS
 (dollars in millions)

	Year Ended December 31,		
	1994	1993	1992
REVENUES	\$ 535	\$ 452	\$ 336
EXPENSES			
Wages, salaries and benefits	163	109	88
Aircraft rentals	58	82	44
Depreciation and amortization	49	43	33
Other operating expenses	212	170	142
Total operating expenses	482	404	307
OPERATING INCOME	53	48	29
OTHER INCOME (EXPENSE)	(18)	(31)	(22)
INCOME (LOSS) BEFORE INCOME TAXES, EXTRAORDINARY LOSS AND CUMULATIVE EFFECT OF ACCOUNTING CHANGES	\$ 35	\$ 17	\$ 7
Average number of equivalent employees	7,200	5,800	4,200

REVENUES

1994 COMPARED TO 1993 Revenues for the AMR Management Services Group increased 18.4 percent, \$83 million. AMR Services' revenues increased 17.3 percent, \$49 million, primarily as a result of strong domestic fuel and deicing service sales, the acquisition of an additional domestic fixed-base operator in November 1993 and the expansion of international operations. AMR Leasing's revenues decreased 12.9 percent, \$18 million, due to the expiration of operating leases on 19 Jetstream 32 aircraft, partially offset by the addition of 13 Super ATR aircraft in AMR Leasing's regional aircraft fleet. Revenues of the AMR Training and Consulting Group, which began operations in the first quarter of 1993, increased \$29 million. Revenues of Americas Ground Services, which began operations in the second quarter of 1993, increased \$17 million.

1993 COMPARED TO 1992 Revenues for the AMR Management Services Group increased 34.5 percent, \$116 million. AMR Services' revenues increased 15.2 percent, \$37 million, primarily as a result of strong domestic fuel and deicing sales, expansion of European operations and the acquisition of an additional domestic fixed-base operator in November. AMR Leasing's revenues increased 73.2 percent, \$59 million, with additional turboprop aircraft under rental to subsidiaries of AMR Eagle. In addition, Americas Ground Services ended 1993, its first year, with more than \$10 million in revenues.

EXPENSES

1994 COMPARED TO 1993 Wages, salaries and benefits increased 49.5 percent, \$54 million, due primarily to an increase in the average number of equivalent employees and wage and salary adjustments for existing employees. Aircraft rentals decreased 29.3 percent, \$24 million, and depreciation and amortization increased 14.0 percent, \$6 million, with the decline in operating leased aircraft and the increase in owned aircraft in AMR Leasing's turboprop fleet, respectively. Other operating expenses increased 24.7 percent, \$42 million, due primarily to the expansion of AMR Services, AMR Training & Consulting Group and Americas Ground Services.

1993 COMPARED TO 1992 Wages, salaries and benefits increased 23.9 percent, \$21 million, due primarily to a 37.5 percent increase in the average number of equivalent employees. Aircraft rentals increased 86.4 percent, \$38 million, and depreciation and amortization increased 30.3 percent, \$10 million, with additional operating-leased and owned aircraft in AMR Leasing's turboprop fleet. Other operating expenses increased 19.7 percent, \$28 million, due primarily to the expansion of AMR Services and Americas Ground Services' first year of operations.

INFLATION

Adjustment of historical cost data to reflect the impact of general inflation and specific price changes would worsen AMR's operating results, principally because of the increased depreciation and amortization resulting from the replacement, at current cost, of equipment and property with assets that have the same service potential. However, because AMR's monetary liabilities exceed monetary assets, the worsened operating results would be partially offset by the gain from the decline in purchasing power of the net amounts owed.

LIQUIDITY AND CAPITAL RESOURCES

Operating activities provided net cash of \$1.7 billion in 1994, \$1.4 billion in 1993 and \$843 million in 1992. Capital expenditures in 1994 totaled \$1.3 billion, compared to \$2.1 billion in 1993 and \$3.3 billion in 1992. In 1994, the Company took delivery of 17 owned jet aircraft - three Boeing 757-200s, one Boeing 767-300ER and 13 Fokker 100s. The Company also took delivery of 17 turboprop aircraft - 14 Super ATRs and three Saab 340Bs.

CAPITAL COMMITMENTS

FIRM DELIVERIES At December 31, 1994, AMR had 19 aircraft on order, aggregating approximately \$650 million, for delivery in 1995 and 1996. The Company had firm orders for ten Boeing 757-200s, four Boeing 767-300ERs and five Super ATRs.

In 1995, the Company is scheduled to take delivery of ten jet aircraft -- six Boeing 757-200s and four Boeing 767-300ERs -- as well as five Super ATR turboprop aircraft. Total expenditures for 1995 for aircraft acquisitions and related equipment will be approximately \$500 million.

OTHER The Company also has authorized capital expenditures in 1995 of approximately \$225 million for aircraft modifications, computer equipment, renovations of, and additions to, airport and office facilities and various other equipment and assets.

AMR intends to finance its capital asset acquisitions through the use of internally generated funds. At March 1, 1995, no borrowings were outstanding under American's credit facilities and approximately \$1.16 billion was available under the facilities.

AMR continually reviews its need for additional aircraft and ground properties and makes investments based on return-on-investment analyses and both short-term and long-term profitability forecasts. AMR has several ways to adjust its plans, including terminating certain operating leases, scaling back or canceling planned facility expansions and delaying other planned expenditures.

AIRCRAFT OPTIONS In addition to aircraft on firm order at December 31, 1994, American has 97 jet aircraft available on option - nine Boeing 757-200s, three Boeing 767-300ERs, ten McDonnell Douglas MD-11s and 75 Fokker 100s. The Company also has 94 turboprop aircraft available on option - 54 Super ATRs, 30 Saab 2000s and 10 ATR 42s.

OTHER INFORMATION

WORKING CAPITAL AMR (principally American Airlines) historically operates with a working capital deficit as do most other airline companies. The existence of such a deficit has not in the past impaired the Company's ability to meet its obligations as they become due and is not expected to do so in the future.

DEFERRED TAX ASSETS As of December 31, 1994, the Company had deferred tax assets aggregating approximately \$2.5 billion, including approximately \$348 million of alternative minimum tax credit carryforwards. The Company believes substantially all the deferred tax assets will be realized through reversal of existing taxable temporary differences.

ENVIRONMENTAL MATTERS Subsidiaries of AMR have been notified of potential liability with regard to several environmental cleanup sites. At sites where remedial litigation has commenced, potential liability is joint and several. AMR's alleged volumetric contributions at the sites are minimal. AMR does not expect these actions, individually or collectively, to have a material impact on its financial condition, operating results or cash flows.

DISCOUNT RATE Due to the increase in interest rates during 1994, the discount rate used to determine the Company's pension obligations as of December 31, 1994 and the related expense for 1995 has been increased. The Company expects the decrease in 1995 pension expense as a result of the change in the discount rate will be more than offset by the impact of depreciation in the market value of pension plan assets experienced during 1994.

LITIGATION SETTLEMENT During 1994, the U.S. District Court for the Northern District of Georgia approved the settlement of various class action claims against American and certain other carriers. Under the terms of the settlement agreement, the carriers paid a total of approximately \$50 million in cash and jointly issued approximately \$408 million in face amount of certificates for discounts of approximately 10 percent on future air travel on any of the carriers. A liability has not been established for the certificate portion of the settlement since American expects that, in the aggregate, future revenues received upon redemption of the certificates will exceed the related cost of providing the air travel. American anticipates that the share of the certificates redeemed on American may represent, but is not limited to, American's 26 percent market share among the carriers. The ultimate impact of the settlement on American's revenues, operating margins or earnings is not reasonably estimable since both the portion of certificates to be redeemed on American and the stimulative or depressive effect of the certificate redemption on revenues is not known.

During 1994, AMR continued the course of change initiated in 1993. Following a comprehensive review of the competitive realities of its businesses, in 1993 the Company determined it would have to change significantly to generate sufficient earnings. The Company recognized that the fundamental problems of the airline -- increasing competition from low-cost, low-fare carriers, its inability to reduce labor costs to competitive levels and the changing values of its customers -- demanded new solutions. As an initial response to that need, in 1993 the Company created and began implementing a new strategic framework known as the Transition Plan. The plan has three parts, each intended to improve the Company's results. First, make the core airline business bigger and stronger where economically justified. Second, and conversely, shrink the airline where it cannot compete profitably. Third, encourage the growth of the information and management services businesses, which are more profitable than the airline.

The Transition Plan recognizes the unfavorable and uncertain economics which have characterized the core airline business in recent years, acknowledges the airline cost problem and seeks to maximize the contribution of the Company's more profitable businesses. Over the long term, the Company will continue its best efforts to reduce airline costs and to restore the airline operations to profitability. Based upon the success or failure of those efforts, the Company will make ongoing determinations as to the appropriate level of its investment in its airline operations, which may result, if the airline cannot be run profitably, in the disposition or termination, over the long term, of a substantial part or all of the airline operations.

AIR TRANSPORTATION GROUP Despite the challenges faced by American, the airline has many basic strengths. These include a hub-and-spoke route network that allows it to efficiently serve thousands of domestic and international markets; a modern, quiet, fuel-efficient fleet; the AAdvantage frequent flyer program; and leading-edge computer technology, including the industry's premier yield management system.

These strengths and American's continued focus on premium-fare traffic have helped to lessen the impact of an adverse pricing environment. While competitive pressures have continued to weaken passenger yields, robust economic conditions and careful revenue management have led to increases in American's passenger revenue per ASM. During 1995, American will add to the number of flights at its most successful hub operations at Dallas/Fort Worth and Miami, as well as in certain transcontinental and international markets.

As restructuring programs announced in late 1994 are phased in, American will make substantial progress in reducing certain labor costs. Changes in the way American operates its airports and reservations offices, including outsourcing small station operations and some reservations activities and in the way it pays hourly non-management employees such as ticket agents and reservations agents, are expected to save about \$35 million in 1995 and about \$130 million annually when steady state is achieved in four to five years.

In addition, in March 1995 the Company announced the results of a six-month study of the Air Transportation Group's administrative functions. The Company expects to implement changes based on the results of the study which will result in cost savings of approximately \$38 million in 1995. Once the changes are fully implemented in 1996, they are expected to reduce annual administrative costs by approximately \$93 million. Also as a result of the study, the Company announced certain organizational changes which are expected to yield additional cost savings.

Despite ongoing efforts, the airline has yet to make significant progress in reducing its contractual labor costs. American is currently in various stages of discussion with all three of its major unions. The ultimate outcome of these discussions cannot be estimated at this time.

First, the Company's contract with the Association of Professional Flight Attendants (APFA) became amendable in December 1992. Following a lengthy negotiation and mediation process, the APFA staged a five-day strike against the Company in November 1993. The strike ended when both parties agreed to binding arbitration. The arbitration process began last October, and the arbitrators' decision is expected sometime during late summer. While the outcome cannot be predicted, the new contract will likely result in higher unit labor costs in 1995 than in 1994.

Second, American has been in negotiations since last July with the Allied Pilots Association (APA) which represents its 9,100 pilots. The contract with the APA became amendable August 31, 1994. In exchange for substantial productivity improvements, American has offered both job and income protection. To date, little progress has been made, and it is not clear when -- or if -- American will be successful in achieving the needed changes.

Finally, American's contract with the Transport Workers Union (TWU), which represents its ramp service workers and mechanics, became amendable March 1, 1995. The Company and the TWU opened formal negotiations in February. American is discussing both enhanced job security and early-retirement programs in exchange for a fundamentally revised agreement that will give it the right to outsource certain functions, use more part-time employees and implement other efficiency improvements.

Faced with the prospect of continuing to bear uncompetitive labor costs, American has continued to downsize, primarily in domestic markets. Since the initial phases of the Transition Plan were implemented in 1993, American has cut jet service to about 30 cities and on over 100 routes. Approximately 90 older, less efficient jet aircraft have been removed from the fleet, and, as a result, approximately 5,000 positions at the airline have been eliminated. In 1995, American plans to remove another 23 Boeing 727 and three McDonnell Douglas DC-10 aircraft from the fleet. American will add six Boeing 757 and four Boeing 767 aircraft to the fleet, as the last delivery from the large jet orders of the 1980s approaches. These changes will reduce the number of jet aircraft in the fleet to 633 at the end of 1995, down from 647 at December 31, 1994 and 667 at December 31, 1993.

As the fleet continues to shrink, American will continue to reallocate assets to its most profitable markets and to refine its operations. Despite continued fleet reductions, American's system wide capacity is planned to increase slightly, primarily due to increased aircraft utilization. This capacity increase follows a 5.1 percent decline in 1994. Domestic ASMs are expected to fall 1.1 percent, while international ASMs will increase 5.4 percent.

The American Eagle carriers' results in early 1995 will continue to be affected by the FAA's temporary restrictions on the operation of ATR aircraft. In December 1994, the American Eagle carriers ceased operations at Raleigh/Durham and redeployed their fleets to move the ATR aircraft to the south, and Saab aircraft to the north, to lessen the impact of the restrictions on their operations. As the aircraft are returned to their original locations, the carriers expect operations to improve during the second quarter and return to normal by the third quarter.

In January 1995, American announced a substantial reduction at Raleigh/Durham that will end its hub operations there by summer. At the same time, the Company announced an agreement to sublease 12 gates to Midway Airlines, which joined the AAdvantage frequent flyer program as a full participant. As a result, American will eliminate a substantial amount of overhead while maintaining a marketing presence in the North/South traffic flow. Midway's service at Raleigh/Durham will complement American's service in markets between the Northeast and Florida. American also announced a significant reduction in flights at the Nashville hub for 1995.

In February 1995, American changed its travel agent commission structure for domestic tickets by introducing a maximum commission payment of \$50 per round-trip ticket and \$25 per one-way ticket. The change is effective for tickets issued on or after February 27. The commission cap applies to all tickets issued by U.S. travel agents for travel within the continental United States, Alaska, Hawaii, Puerto Rico and the U.S. Virgin Islands. The change in commission structure is expected to result in lower commissions expense in 1995.

American's revenue plan for 1995 reflects continued emphasis on producing premium yields by attracting more full fare passengers than its competitors. As a part of that plan, American will expand service at its most successful hubs, increase frequencies in key long-haul business markets and add service in certain international markets.

In 1995, though the Air Transportation Group will continue its rigorous program of cost control, it expects unit costs, excluding fuel and the impact of the change in the commission structure, to rise modestly over 1994's unit costs, excluding the restructuring costs. The increase in unit labor costs due to contractual wage and benefit increases will be partially offset by the savings generated by the implementation of other labor cost reduction initiatives.

American will continue to pursue other sources of revenue, including building AAdvantage program participation and joint marketing programs, leasing excess aircraft, and pursuing contracts to provide maintenance, training and other services. The Company will also seek to increase airline cargo revenues in 1995.

In August 1993, the Omnibus Budget Reconciliation Act was signed into law, imposing a new 4.3 cents per gallon tax on commercial aviation jet fuel for use in domestic operations. The new tax will become effective October 1, 1995, and is scheduled to continue until October 1, 1998. American estimates the resulting annual increase in fuel taxes will be approximately \$90 million.

Since the Company cannot currently generate sufficient returns to justify investment in new aircraft, capital expenditures will continue to fall. For 1995, the Company plans capital spending of approximately \$1 billion, and by 1996 planned capital spending for The SABRE Group will be approximately equal to planned spending for the airline, each at about \$300 million. As a result of the decreased capital spending, the Company expects to generate positive cash flow in 1995.

The Company began a program in the second half of 1993 to reduce interest expense and intends to continue the program in 1995. This may involve the retirement or refinancing of debt as well as the repurchase, in the open market or otherwise, of a significant amount of debt in excess of scheduled 1995 repayments. The total amount of debt retired, refinanced or repurchased will depend on market conditions, the Company's cash position and other considerations.

THE SABRE GROUP During 1994, The SABRE Group implemented a new business strategy that will narrow its focus and capitalize on its strengths in travel and transportation information systems and decision support.

Following STIN's expansion in Europe, Latin America and Mexico and the introduction of SABRE into India in 1994, The SABRE Group will focus on continued international growth of the SABRE computer reservations system in 1995. In addition, SDT will continue to develop and market an expanding array of information systems products and services to a growing list of customers throughout the world.

The SABRE Group was instrumental in successfully implementing the Company's long-term services agreement with Canadian Airlines International. That agreement is expected to generate average revenues for the Company of more than \$100 million a year in each of the next 20 years, beginning in 1995. The majority of the revenues relate to services provided by The SABRE Group.

AMR MANAGEMENT SERVICES GROUP AMR Management Services Group's dramatic revenue growth over the past several years will slow, reflecting the impact of discontinued businesses at AMR Services and fewer regional aircraft additions at AMR Leasing, partially offset by the addition of revenues from Airline Management Services and stronger revenues for AMR Training & Consulting Group.

Effective January 1, 1995, two business units which have been included in The SABRE Group for financial reporting purposes in 1993 and 1994 -- TeleService Resources and Data Management Services -- became part of the AMR Management Services Group.

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
AMR Corporation

We have audited the accompanying consolidated balance sheets of AMR Corporation as of December 31, 1994 and 1993, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1994. Our audits also included the financial statement schedules listed in the index at Item 14(a). These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of AMR Corporation at December 31, 1994 and 1993, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1994, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As discussed in Notes 7 and 10 to the consolidated financial statements, effective January 1, 1992, the Company changed its method of accounting for income taxes and postretirement benefits other than pensions.

ERNST & YOUNG LLP

2121 San Jacinto
Dallas, Texas 75201
February 13, 1995

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

	Year Ended December 31,		
	1994	1993	1992
REVENUES			
Air Transportation Group:			
Passenger			
- American Airlines, Inc.	\$12,826	\$12,900	\$11,895
- AMR Eagle, Inc.	790	711	495
Cargo	657	643	581
Other	622	531	503
	14,895	14,785	13,474
The SABRE Group	1,542	1,370	1,271
AMR Management Services Group	535	452	336
Less: Intergroup revenues	(835)	(791)	(685)
Total operating revenues	16,137	15,816	14,396
EXPENSES			
Wages, salaries and benefits	5,574	5,381	5,067
Aircraft fuel	1,614	1,875	1,908
Commissions to agents	1,335	1,448	1,301
Depreciation and amortization	1,253	1,223	1,041
Other rentals and landing fees	853	851	820
Aircraft rentals	695	743	698
Food service	670	700	695
Maintenance materials and repairs	577	664	688
Other operating expenses	2,282	2,241	2,203
Restructuring costs	278	-	-
Total operating expenses	15,131	15,126	14,421
OPERATING INCOME (LOSS)	1,006	690	(25)
OTHER INCOME (EXPENSE)			
Interest income	46	60	99
Interest expense	(637)	(668)	(651)
Interest capitalized	22	51	101
Miscellaneous - net	(67)	(246)	(221)
	(636)	(803)	(672)
EARNINGS (LOSS) BEFORE INCOME TAXES, EXTRAORDINARY LOSS AND CUMULATIVE EFFECT OF ACCOUNTING CHANGES	370	(113)	(697)
Income tax provision (benefit)	142	(17)	(222)
EARNINGS (LOSS) BEFORE EXTRAORDINARY LOSS AND CUMULATIVE EFFECT OF ACCOUNTING CHANGES	228	(96)	(475)
EXTRAORDINARY LOSS, NET OF TAX BENEFIT	-	(14)	-
CUMULATIVE EFFECT OF ACCOUNTING CHANGES:			
Postretirement benefits other than pensions, net of tax benefit	-	-	(595)
Income taxes	-	-	135
NET EARNINGS (LOSS)	\$ 228	\$ (110)	\$ (935)

Continued on next page.

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

	Year Ended December 31,		
	1994	1993	1992
NET EARNINGS (LOSS)	\$ 228	\$ (110)	\$ (935)
Preferred stock dividends	(56)	(60)	-
	172	(170)	(935)
Increase in additional paid-in capital from preferred stock exchange	171	-	-
EARNINGS (LOSS) APPLICABLE TO COMMON SHARES	\$ 343	\$ (170)	\$ (935)
EARNINGS (LOSS) PER COMMON SHARE (PRIMARY AND FULLY DILUTED):			
Before effect of preferred stock exchange, extraordinary loss, and cumulative effect of accounting changes	\$ 2.26	\$ (2.05)	\$ (6.35)
Effect of preferred stock exchange	2.25	-	-
Extraordinary loss	-	(0.18)	-
Cumulative effect of accounting changes	-	-	(6.14)
Net earnings (loss)	\$ 4.51	\$ (2.23)	\$ (12.49)

The accompanying notes are an integral part of these financial statements.

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 AMR CORPORATION
 CONSOLIDATED BALANCE SHEET
 (in millions)

	December 31,	
	1994	1993
ASSETS		
CURRENT ASSETS		
Cash	\$ 23	\$ 63
Short-term investments	754	523
Receivables, less allowance for uncollectible accounts (1994 - \$26; 1993 - \$33)	1,206	910
Inventories, less allowance for obsolescence (1994 - \$179; 1993 - \$168)	678	688
Deferred income taxes	325	363
Other current assets	132	143
Total current assets	3,118	2,690
EQUIPMENT AND PROPERTY		
Flight equipment, at cost	13,323	12,841
Less accumulated depreciation	3,435	3,058
	9,888	9,783
Purchase deposits for flight equipment	116	350
	10,004	10,133
Other equipment and property, at cost	4,046	3,984
Less accumulated depreciation	2,030	1,856
	2,016	2,128
	12,020	12,261
EQUIPMENT AND PROPERTY UNDER CAPITAL LEASES		
Flight equipment	2,508	2,229
Other equipment and property	268	247
	2,776	2,476
Less accumulated amortization	898	760
	1,878	1,716
OTHER ASSETS		
Route acquisition costs, less accumulated amortization (1994 - \$124; 1993 - \$95)	1,032	1,061
Airport operating and gate lease rights, less accumulated amortization (1994 - \$86; 1993 - \$67)	382	401
Prepaid pension cost	99	398
Other	957	799
	2,470	2,659
TOTAL ASSETS	\$ 19,486	\$ 19,326

The accompanying notes are an integral part of these financial statements.

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 AMR CORPORATION
 CONSOLIDATED BALANCE SHEET
 (in millions, except shares and par value)

	December 31,	
	1994	1993
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 920	\$ 921
Accrued salaries and wages	619	507
Accrued liabilities	1,184	1,219
Air traffic liability	1,473	1,460
Current maturities of long-term debt	590	200
Current obligations under capital leases	128	110
Total current liabilities	4,914	4,417
LONG-TERM DEBT, LESS CURRENT MATURITIES	5,603	5,431
OBLIGATIONS UNDER CAPITAL LEASES, LESS CURRENT OBLIGATIONS	2,275	2,123
OTHER LIABILITIES AND CREDITS		
Deferred income taxes	279	310
Deferred gains	733	786
Postretirement benefits	1,254	1,090
Other liabilities and deferred credits	1,048	893
	3,314	3,079
COMMITMENTS, LEASES AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Convertible preferred stock: 20,000,000 shares authorized, shares issued and outstanding: 1994 - 159,000; 1993 - 2,200,000	78	1,081
Common stock - \$1 par value; shares authorized: 150,000,000; shares issued and outstanding: 1994 - 75,900,000; 1993 - 75,800,000	76	76
Additional paid-in capital	2,212	2,035
Minimum pension liability adjustment	(199)	-
Retained earnings	1,213	1,084
	3,380	4,276
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$19,486	\$19,326

The accompanying notes are an integral part of these financial statements.

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 AMR CORPORATION
 CONSOLIDATED STATEMENT OF CASH FLOWS
 (in millions)

	Year Ended December 31,		
	1994	1993	1992
CASH FLOW FROM OPERATING ACTIVITIES:			
Net earnings (loss)	\$ 228	\$ (110)	\$ (935)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Depreciation and amortization	1,253	1,223	1,041
Deferred income taxes	145	(30)	(101)
Provision for restructuring costs	278	-	-
Provisions for losses	25	196	165
Cumulative effect of accounting changes	-	-	460
Change in assets and liabilities:			
Decrease (increase) in receivables	(135)	37	(144)
Increase in inventories	(19)	(27)	(85)
Increase (decrease) in accounts payable and accrued liabilities	(216)	34	(17)
Increase (decrease) in air traffic liability	13	(64)	366
Other, net	37	118	93
Net cash provided by operating activities	1,609	1,377	843
CASH FLOW FROM INVESTING ACTIVITIES:			
Capital expenditures	(1,114)	(2,080)	(3,299)
Net decrease (increase) in short-term investments	(239)	290	342
Investment in Canadian Airlines International, Ltd.	(177)	-	-
Other, net	67	36	3
Net cash used for investing activities	(1,463)	(1,754)	(2,954)
CASH FLOW FROM FINANCING ACTIVITIES:			
Proceeds from:			
Issuance of long-term debt	146	730	1,787
Sale-leaseback transactions	280	-	610
Issuance of convertible preferred stock	-	1,081	-
Issuance of common stock	-	-	454
Net short-term borrowings (repayments) with maturities of 90 days or less	-	(351)	18
Other short-term borrowings	200	-	104
Payments on other short-term borrowings	(200)	(29)	(153)
Payments on long-term debt and capital lease obligations	(549)	(1,069)	(779)
Payment of preferred stock dividends	(66)	(49)	-
Other, net	3	82	21
Net cash provided by (used for) financing activities	(186)	395	2,062
Net increase (decrease) in cash	(40)	18	(49)
Cash at beginning of year	63	45	94
Cash at end of year	\$ 23	\$ 63	\$ 45

The accompanying notes are an integral part of these financial statements.

AMR CORPORATION
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(in millions, except shares and per share amounts)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Minimum Pension Liability Adjustment	Retained Earnings	Total
Balance at January 1, 1992	\$ -	\$ 68	\$ 1,545	\$ -	\$ 2,181	\$ 3,794
Net loss	-	-	-	-	(935)	(935)
Sale of 6,500,000 shares	-	6	448	-	-	454
Issuance of 556,952 shares pursuant to stock option, deferred stock and restricted stock incentive plans	-	1	24	-	-	25
Other	-	-	1	-	10	11
Balance at December 31, 1992	-	75	2,018	-	1,256	3,349
Net loss	-	-	-	-	(110)	(110)
Sale of 2,200,000 shares	1,081	-	-	-	-	1,081
Preferred stock dividends (\$27.27 per share)	-	-	-	-	(60)	(60)
Issuance of 339,506 shares pursuant to stock option, deferred stock and restricted stock incentive plans	-	1	17	-	-	18
Other	-	-	-	-	(2)	(2)
Balance at December 31, 1993	1,081	76	2,035	-	1,084	4,276
Net earnings	-	-	-	-	228	228
Exchange of convertible debentures for 2,041,000 preferred shares	(1,003)	-	171	-	-	(832)
Preferred stock dividends (\$27.27 per share)	-	-	-	-	(56)	(56)
Issuance of 127,694 shares pursuant to stock option, deferred stock and restricted stock incentive plans	-	-	6	-	-	6
Adjustment for minimum pension liability, net of tax benefit of \$120	-	-	-	(199)	-	(199)
Other	-	-	-	-	(43)	(43)
Balance at December 31, 1994	\$ 78	\$ 76	\$ 2,212	\$ (199)	\$ 1,213	\$ 3,380

The accompanying notes are an integral part of these financial statements.

1. SUMMARY OF ACCOUNTING POLICIES

BASIS OF CONSOLIDATION The consolidated financial statements include the accounts of AMR Corporation (AMR or the Company) and its wholly-owned subsidiaries. All significant intercompany transactions have been eliminated. Certain amounts from prior years have been reclassified to conform with the 1994 presentation.

INVENTORIES Spare parts, materials and supplies relating to flight equipment are carried at average cost and are expensed when used in operations. Allowances for obsolescence are provided, over the estimated useful life of the related aircraft and engines, for spare parts expected to be on hand at the date aircraft are retired from service.

EQUIPMENT AND PROPERTY The provision for depreciation of operating equipment and property is computed on the straight-line method applied to each unit of property, except that spare assemblies are depreciated on a group basis. The depreciable lives and residual values used for the principal depreciable asset classifications are:

	Depreciable Life	Residual Value
	-----	-----
Boeing 727-200	21 years(1)	5%
DC-10-10 and DC-10-30	December 31, 1999(2)	5%
Other jet aircraft	20 years	5%
Regional aircraft and engines	15-17 years	10%
Major rotatable parts, avionics and assemblies	Life of equipment to which applicable	10%
Improvements to leased flight equipment	Term of lease	None
Buildings and improvements (principally on leased land)	10-30 years or term of lease	None
Other equipment	3-20 years	None

- (1) In 1991, American changed the estimated useful lives of its Boeing 727-200 aircraft and engines from a common retirement date of December 31, 1994, to projected retirement dates by aircraft, which results in an average depreciable life of approximately 21 years.
- (2) Approximate common retirement date.

Equipment and property under capital leases are amortized over the term of the leases and such amortization is included in depreciation and amortization. Lease terms vary but are generally 10 to 20 years for aircraft and 7 to 40 years for other leased equipment and property.

MAINTENANCE AND REPAIR COSTS Maintenance and repair costs for owned and leased flight equipment are charged to operating expense as incurred, except engine overhaul costs incurred by AMR's regional carriers, which are accrued on the basis of hours flown.

INTANGIBLE ASSETS The Company continually evaluates intangible assets to determine whether current events and circumstances warrant adjustment of the carrying values or amortization periods.

Route acquisition costs and airport operating and gate lease rights represent the purchase price attributable to route authorities, airport take-off and landing slots and airport gate leasehold rights acquired and are being amortized on a straight-line basis over 10 to 40 years.

PASSENGER REVENUES Passenger ticket sales are initially recorded as a current liability. Revenue derived from the sale is recognized at the time transportation is provided.

FREQUENT FLYER PROGRAM The estimated incremental cost of providing free travel awards is accrued when such award levels are reached. American sells mileage credits to participating companies in its frequent flyer program. The portion of such revenues that relates to transportation is deferred and recognized over a period approximating the time transportation is provided.

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES AMR and its eligible subsidiaries file a consolidated federal income tax return. Deferred income taxes reflect the net tax effects of temporary differences between the financial reporting carrying amounts of assets and liabilities and the income tax amounts.

DEFERRED GAINS Gains on the sale and leaseback of equipment and property are deferred and amortized over the terms of the related leases as a reduction of rent expense.

DERIVATIVE FINANCIAL INSTRUMENTS Market value gains or losses on foreign currency exchange agreements are recognized and offset against foreign exchange gains or losses on the related existing assets or liabilities. Gains and losses on fuel swap agreements are recognized as a component of fuel expense when the underlying fuel being hedged is used. Net settlements under interest rate swap agreements are reflected in interest expense on the accrual basis.

STATEMENT OF CASH FLOWS Short-term investments, without regard to remaining maturity at acquisition, are not considered as cash equivalents for purposes of the statement of cash flows.

EARNINGS (LOSS) PER COMMON SHARE Earnings (loss) per share computations are based upon the earnings (loss) applicable to common shares and the average number of shares of common stock outstanding and dilutive common stock equivalents (stock options, warrants and deferred stock) outstanding. The convertible subordinated debentures and the convertible preferred stock are not common stock equivalents. The number of shares used in the computations of primary and fully diluted earnings (loss) per common share for the years ended December 31, 1994, 1993 and 1992, was 76.2 million, 76.0 million and 74.9 million, respectively.

Information on the adjustment to the earnings per share computation for the year ended December 31, 1994, for the effect of the preferred stock exchange is included in Note 5.

2. SHORT-TERM INVESTMENTS

Short-term investments consisted of (in millions):

	December 31,	
	1994	1993
	-----	-----
Overnight investments and time deposits	\$ 324	\$ -
Corporate notes	246	222
Federal and municipal government securities	35	150
Other debt securities	149	151
	-----	-----
	\$ 754	\$ 523
	=====	=====

Short-term investments at December 31, 1994, by contractual maturity included (in millions):

Due in one year or less	\$ 498
Due after one year through three years	121
Due after three years	135

	\$ 754
	=====

All short-term investments were classified as available-for-sale and stated at fair value.

3. COMMITMENTS AND CONTINGENCIES

The Company has on order 14 jet aircraft -- ten Boeing 757-200s and four Boeing 767-300ERS -- scheduled for delivery in 1995 and 1996, and five Super ATR turboprop aircraft scheduled for delivery in 1995. Deposits of \$116 million have been made toward the purchase of these aircraft. Future payments, including estimated amounts for price escalation through anticipated delivery dates for these aircraft and related equipment, will be approximately \$500 million in 1995 and \$150 million in 1996, a portion of which is payable in foreign currencies.

In addition to these commitments for aircraft, the Company has authorized expenditures of approximately \$350 million for aircraft modifications, renovations of, and additions to, airport and office facilities and various other equipment and assets. AMR expects to spend approximately \$225 million of this amount in 1995.

AMR and American have included an event risk covenant in approximately \$383 million of debentures and approximately \$2.9 billion of lease agreements. The covenant permits the holders of such instruments to receive a higher rate of return (between 50 and 700 basis points above the stated rate) if a designated event, as defined, should occur and the credit rating of the debentures or the debt obligations underlying the lease agreements is downgraded below certain levels.

In July 1991, American entered into a five-year agreement whereby American transfers, on a continuing basis and with recourse to the receivables, an undivided interest in a designated pool of receivables. Undivided interests in new receivables are transferred daily as collections reduce previously transferred receivables. At December 31, 1994 and 1993, receivables are presented net of approximately \$112 million and \$300 million, respectively, of such transferred receivables. American maintains an allowance for uncollectible receivables based upon expected collectibility of all receivables, including the receivables transferred.

Special facility revenue bonds have been issued by certain municipalities, primarily to purchase equipment and improve airport facilities which are leased by American. In certain cases, the bond issue proceeds were loaned to American and are included in long-term debt. Certain bonds have rates that are periodically reset and are remarketed by various agents. In certain circumstances, American may be required to purchase up to \$413 million of the special facility revenue bonds prior to maturity, in which case American has the right to resell the bonds or to use the bonds to offset its lease or debt obligations. American may borrow the purchase price of these bonds under standby letter-of-credit agreements. At American's option, these letters of credit are secured by funds held by bond trustees and by approximately \$421 million of short-term investments.

4. LEASES

AMR's subsidiaries lease various types of equipment and property, including aircraft, passenger terminals, equipment and various other facilities. The future minimum lease payments required under capital leases, together with the present value of net minimum lease payments, and future minimum lease payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 1994, were (in millions):

Year Ending December 31,	Capital Leases	Operating Leases
	-----	-----
1995	\$ 273	\$ 946
1996	300	924
1997	280	920
1998	276	931
1999	270	912
2000 and subsequent	2,440	15,378
	-----	-----
	3,839 (1)	\$ 20,011 (2)
		=====
Less amount representing interest	1,436	

Present value of net minimum lease payments	\$ 2,403	
	=====	

- (1) Future minimum payments required under capital leases include \$390 million and \$216 million guaranteed by AMR and American, respectively, relating to special facility revenue bonds issued by municipalities.
- (2) Future minimum payments required under operating leases include \$6.3 billion guaranteed by AMR relating to special facility revenue bonds issued by municipalities.

At December 31, 1994, the Company had 216 jet aircraft and 123 turboprop aircraft under operating leases, and 82 jet aircraft and 63 turboprop aircraft under capital leases.

The aircraft leases can generally be renewed at rates based on fair market value at the end of the lease term for one to five years. Most aircraft leases have purchase options at or near the end of the lease term at fair market value, but generally not to exceed a stated percentage of the defined lessor's cost of the aircraft. Of the aircraft American has under operating leases, 15 Boeing 767-300ERs are cancelable upon 30 days' notice during the initial 10-year lease term. At the end of that term in 1998, the leases can be renewed for periods ranging from 10 to 12 years.

Rent expense, excluding landing fees, was \$1.3 billion for 1994, 1993 and 1992.

5. INDEBTEDNESS

Long-term debt (excluding amounts maturing within one year) consisted of (in millions):

	December 31,	
	1994	1993
6.075% - 10.70% notes due through 2025	\$ 2,531	\$ 2,846
8.625% - 10.20% debentures due through 2021 (net of unamortized discount of \$10)	1,188	1,308
6.125% convertible subordinated debentures due 2024 (net of unamortized discount of \$189 at December 31, 1994)	832	-
Variable rate indebtedness due through 2024 (3.622% - 6.9375% at December 31, 1994)	681	891
7.10% - 9.25% bonds due through 2031	280	280
Other	91	106
Long-term debt, less current maturities	\$ 5,603	\$ 5,431

Maturities of long-term debt (including sinking fund requirements) for the next five years are: 1995 - \$590 million; 1996 - \$231 million; 1997 - \$399 million; 1998 - \$436 million; 1999 - \$65 million.

Certain debt is secured by aircraft, engines, equipment and other assets having a net book value of approximately \$1.6 billion.

In November 1994, AMR issued \$1.02 billion in par value of convertible subordinated debentures in exchange for 2.04 million shares of its outstanding convertible preferred stock with a carrying value of \$1.0 billion. Each \$1,000 debenture is convertible into common stock of AMR at a conversion price of \$79 per share, equivalent to 12.658 shares per \$1,000 debenture. As a result of the exchange, the Company recorded a \$171 million non-cash increase in additional paid-in capital, representing the difference in the fair value of the new debentures and the carrying value of the preferred shares exchanged. While this amount did not impact net earnings for the year ended December 31, 1994, it is included in the computation of earnings per share.

During 1993, AMR repurchased and retired prior to maturity its zero coupon subordinated convertible notes due 2006 and certain other long-term debt with a total carrying value of \$802 million. The repurchases and retirements resulted in an extraordinary loss of \$21 million (\$14 million after tax). Additional borrowings and cash from operations provided the funding for the repurchases and retirements.

American has a \$410 million short-term credit facility agreement which expires in 1995 and a \$750 million credit facility expiring in 1997. American also had a \$335 million multiple option facility which American terminated in January 1995. Interest on these agreements is calculated at floating rates based upon the London Interbank Offered Rate (LIBOR). At February 13, 1995, no borrowings were outstanding and approximately \$1.16 billion was available under these facilities.

American's debt and credit facility agreements contain certain restrictive covenants, including a cash flow coverage test, a minimum net worth requirement and limitations on indebtedness and the declaration of dividends on shares of its capital stock. Certain of these restrictions could affect AMR's ability to pay dividends. At December 31, 1994, under the most restrictive provisions of those agreements, approximately \$629 million of American's retained earnings were available for payment of cash dividends to AMR.

Certain of AMR's debt agreements contain restrictive covenants, including a limitation on the declaration of dividends on shares of capital stock. At December 31, 1994, under the terms of such agreements, all of AMR's retained earnings were available for payment of dividends.

6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As part of the Company's risk management program, AMR uses a variety of financial instruments, including interest rate swaps, fuel swaps and currency exchange agreements. The Company does not hold or issue derivative financial instruments for trading purposes.

NOTIONAL AMOUNTS AND CREDIT EXPOSURES OF DERIVATIVES

The notional amounts of derivative financial instruments summarized in the tables which follow do not represent amounts exchanged between the parties and, therefore, are not a measure of the Company's exposure resulting from its use of derivatives. The amounts exchanged are calculated based on the notional amounts and other terms of the instruments, which relate to interest rates, exchange rates or other indices.

The Company is exposed to credit losses in the event of nonperformance by counterparties to these financial instruments, but it does not expect any of the counterparties to fail to meet its obligations. The credit exposure related to these financial instruments is represented by the fair value of contracts with a positive fair value at the reporting date, reduced by the effects of master netting agreements. To manage credit risks, the Company selects counterparties based on credit ratings, limits its exposure to a single counterparty under defined guidelines, and monitors the market position of the program and its relative market position with each counterparty. The Company also maintains industry-standard security agreements with the majority of its counterparties which may require the Company or the counterparty to post collateral in certain situations. As of December 31, 1994, no collateral was required under these agreements.

INTEREST RATE RISK MANAGEMENT

American enters into interest rate swap contracts to effectively convert a portion of its fixed-rate obligations to floating-rate obligations. Under the contracts, American agrees with other parties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated on a notional principal amount. Because American's operating results tend to be better in economic cycles with relatively high interest rates and its capital investments tend to be financed with long-term fixed-rate instruments, interest rate swaps in which American pays the floating rate and receives the fixed rate are used to reduce the impact of economic cycles on American's net income.

The following table indicates the notional amounts and fair values of the Company's interest rate swap agreements (in millions):

	December 31,			
	1994		1993	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Interest rate swap agreements	\$ 1,980	\$ (174)	\$ 1,405	\$ (6)

The fair values represent the amount the Company would have to pay to terminate the agreements at December 31, 1994 and 1993, respectively. The rise in interest rates during 1994 resulted in a decrease in the market value of the Company's fixed-rate debt obligations in excess of the decrease in the value of the interest rate swap agreements.

At December 31, 1994, the weighted average remaining life of the interest rate swap agreements in effect was 4.6 years. The weighted average floating rates and fixed rates on the contracts outstanding were:

	December 31,	
	1994	1993
Average floating rate	5.720%	3.415%
Average fixed rate	5.207%	4.985%

6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Floating rates are based primarily on LIBOR and may change significantly, affecting future cash flows. The net impact of the interest rate swap program on interest expense was a decrease of \$14 million and \$6 million in 1994 and 1993, respectively. The impact on the Company's weighted-average borrowing rate for the periods presented is immaterial.

FUEL PRICE RISK MANAGEMENT

American enters into fuel swap contracts to protect against increases in jet fuel prices. Under the agreements, American receives or makes payments based on the difference between a fixed price and a variable price for certain fuel commodities. At December 31, 1994, American had agreements with broker-dealers to exchange payments on approximately 378 million gallons of fuel products which represents approximately 14 percent of its expected 1995 fuel needs. The Company does not expect the fuel price hedging program to have a material effect on liquidity. The fair value of the Company's fuel swap agreements at December 31, 1994, representing the amount the Company would receive to terminate the agreements, was immaterial.

FOREIGN EXCHANGE RISK MANAGEMENT

To hedge against the risk of future currency exchange rate fluctuations on certain debt and lease obligations and related interest payable in foreign currencies, the Company has entered into various foreign currency exchange agreements. Changes in the value of the agreements due to exchange rate fluctuations are offset by changes in the value of the foreign currency denominated debt and lease obligations translated at the current rate. The net fair values of the Company's currency exchange agreements, representing the amount AMR would receive to terminate the agreements, were:

	December 31,			
	1994		1993	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Swiss Francs	195 million	\$ 54	285 million	\$ 34
Japanese Yen	25.6 billion	41	20.3 billion	18

The Swiss Franc agreement carries an exchange rate of 1.63 Francs per U.S. dollar. The exchange rates on the Japanese Yen agreements range from 66.50 to 137.26 Yen per U.S. dollar.

At the present time, the Company has no significant unhedged exposure to foreign currency denominated assets and liabilities.

6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair values of the Company's long-term debt were estimated using quoted market prices, where available. For long-term debt not actively traded, fair values were estimated using discounted cash flow analyses, based on the Company's current incremental borrowing rates for similar types of borrowing arrangements. The carrying amounts and fair values of the Company's long-term debt, including current maturities, were (in millions):

	December 31,			
	1994		1993	
	Carrying Value	Fair Value	Carrying Value	Fair Value
6.075% - 10.70% notes	\$2,778	\$2,692	\$2,982	\$3,263
8.625% - 10.20% debentures	1,188	1,117	1,308	1,443
6.125% convertible subordinated debentures	832	826	-	-
Variable rate indebtedness	1,005	1,005	907	907
7.10% - 9.25% bonds	280	342	280	331
Other	110	95	154	145
	\$6,193	\$6,077	\$5,631	\$6,089

7. INCOME TAXES

The significant components of the income tax provision (benefit) were (in millions):

	Year Ended December 31,		
	1994	1993	1992
Current	\$ (3)	\$ 13	\$(121)
Deferred	217	268	239
Benefit of operating loss carryforwards	(72)	(298)	(340)
	\$ 142	\$ (17)	\$(222)

The income tax provision (benefit) includes a federal income tax provision of \$108 million for the year ended December 31, 1994, and a federal income tax benefit of \$30 million and \$219 million for the years ended December 31, 1993 and 1992, respectively.

In addition, a deferred tax benefit of \$120 million was recognized for the adjustment to the minimum pension liability in the year ended December 31, 1994.

Effective January 1, 1992, AMR adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," (FAS 109), changing its method of accounting for income taxes. As permitted under the new rules, prior years' financial statements have not been restated to reflect the change in accounting method. The cumulative effect of adopting FAS 109 decreased the net loss for the year ended December 31, 1992, by \$135 million, or \$1.81 per share.

A deferred tax benefit of \$322 million was recognized in the year ended December 31, 1992, upon adoption of Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions," (FAS 106).

7. INCOME TAXES (CONTINUED)

The income tax provision (benefit) differed from amounts computed at the statutory federal income tax rate as follows (in millions):

	Year Ended December 31,		
	1994	1993	1992
Statutory income tax provision (benefit)	\$130	\$ (40)	\$(237)
Meal expense	21	9	8
Rate difference on net operating loss carryback	(16)	-	-
State income tax provision (benefit), net	15	4	(7)
Amortization	7	4	16
Valuation allowance	3	(2)	17
Effect of rate change on deferred taxes	-	6	-
Foreign tax credit carryforwards	-	2	(17)
Other, net	(18)	-	(2)
Income tax provision (benefit)	<u>\$142</u>	<u>\$ (17)</u>	<u>\$(222)</u>

The components of AMR's deferred tax assets and liabilities were (in millions):

	December 31,	
	1994	1993
Deferred tax assets:		
Postretirement benefits other than pensions	\$ 439	\$ 381
Gains from lease transactions	269	292
Alternative minimum tax credit carryforwards	348	267
Operating loss carryforwards	719	647
Other	687	680
Valuation allowance	(18)	(15)
Total deferred tax assets	<u>2,444</u>	<u>2,252</u>
Deferred tax liabilities:		
Accelerated depreciation and amortization	(2,191)	(1,834)
Pensions	(5)	(140)
Other	(202)	(225)
Total deferred tax liabilities	<u>(2,398)</u>	<u>(2,199)</u>
Net deferred tax asset	<u>\$ 46</u>	<u>\$ 53</u>

At December 31, 1994, AMR had available for federal income tax purposes approximately \$348 million of alternative minimum tax credit carryforwards available for an indefinite period, and approximately \$2.1 billion of net operating loss carryforwards for regular tax purposes which expire as follows: 2007 - \$970 million, 2008 - \$838 million, and 2009 - \$247 million.

8. PREFERRED STOCK AND COMMON STOCK RIGHTS

In 1993, AMR issued 2.2 million shares of 6% Series A cumulative convertible preferred stock, resulting in net proceeds of approximately \$1.1 billion. At the holder's option, each preferred share is convertible into 6.3492 shares of common stock at any time. At the Company's option after February 1, 1996, the preferred shares are redeemable at specified redemption prices. In 1994, AMR exchanged \$1.02 billion in face value of newly issued 6.125% convertible subordinated debentures due 2024 for 2.04 million of the preferred shares. See Note 5 for a more detailed description of the debentures.

Each outstanding share of common stock has one preferred stock purchase right which entitles stockholders to purchase 1/100th of a share of an authorized series of preferred stock. Generally, the rights will not be exercisable until a party either acquires beneficial ownership of 10 percent of AMR's common stock or makes a tender offer for at least 30 percent of its common stock. The rights, which expire in 1996, do not have voting rights and may be redeemed by AMR at \$0.05 per right at any time prior to the time that 10 percent or more of AMR's shares have been accumulated by a single acquirer or group. If AMR is acquired in a merger or business combination, each right has an exercise price of \$200 and can be used to purchase the common stock of the surviving company having a market value of twice the exercise price of each right. As a result, the Board has reserved 1,000,000 shares of preferred stock for possible conversion of these rights.

9. STOCK AWARDS AND OPTIONS

Under the 1988 Long Term Incentive Plan, as amended in 1994, (1988 Plan), officers and key employees of AMR and its subsidiaries may be granted stock options, stock appreciation rights, restricted stock, deferred stock, stock purchase rights and/or other stock-based awards. The total number of common shares authorized for distribution under the 1988 Plan is 7,200,000 shares. In the event that additional shares of the Company's common stock are issued, 7.65% of such newly issued shares will be allocated to the 1988 Plan, provided that the maximum number of shares which may be allocated to the 1988 Plan may not exceed the total number of authorized shares as of December 31, 1987. The 1988 Plan will terminate no later than May 18, 1998. Options granted are exercisable at the market value of the stock upon grant, generally becoming exercisable in equal annual installments over one to five years following the date of grant and expiring 10 years from the date of grant. Stock appreciation rights may be granted in tandem with options awarded. At December 31, 1994, 527,600 stock appreciation rights were outstanding.

Stock option activity was:

	Year Ended December 31,		
	1994	1993	1992
Outstanding at January 1	2,107,950	1,991,100	2,217,975
Granted	409,400	448,500	140,500
Exercised (1)	(41,600)	(208,910)	(281,435)
Canceled (2)	(71,740)	(122,740)	(85,940)
Outstanding at December 31	2,404,010	2,107,950	1,991,100

(1) At prices ranging from \$39.6875 to \$64.1875 in 1994, \$39.6875 to \$65.75 in 1993, and \$27.6875 to \$68.25 in 1992.

(2) Includes 21,000 and 20,000 options canceled upon exercise of stock appreciation rights for 1993 and 1992, respectively.

The aggregate purchase price of outstanding options, number of exercisable options outstanding and stock awards available for grant were:

	Year Ended December 31,		
	1994	1993	1992
Aggregate purchase price (in millions)	\$ 144	\$ 127	\$ 115
Exercisable options outstanding	1,282,790	963,450	806,020
Stock awards available for grant	3,239,948	1,229,781	1,933,294

9. STOCK AWARDS AND OPTIONS (CONTINUED)

Shares of deferred stock are awarded at no cost to officers and key employees under the 1988 Plan's Career Equity Program and will be issued upon the individual's retirement from AMR or, in certain circumstances, will vest on a pro rata basis. Deferred stock activity was:

	Year Ended December 31,		
	1994	1993	1992
Outstanding at January 1	1,510,860	1,526,053	1,676,350
Granted	88,800	144,300	143,000
Issued	(56,625)	(84,321)	(239,217)
Canceled	(46,232)	(75,172)	(54,080)
Outstanding at December 31	1,496,803	1,510,860	1,526,053

AMR has a restricted stock incentive plan, under which officers and key employees were awarded shares of its common stock at no cost. At December 31, 1993, all 250,000 shares authorized for issuance in connection with the plan had been granted. Vesting of the shares occurs generally over a five-year period.

A new performance share plan was implemented in 1993 under the terms of which shares of deferred stock are awarded at no cost to officers and key employees under the 1988 Plan. The shares vest over a three-year performance period based upon AMR's ratio of operating cash flow to adjusted total assets. Performance share activity was:

	Year Ended December 31,	
	1994	1993
Outstanding at January 1	246,650	-
Granted	271,800	246,650
Issued	-	-
Canceled	(10,120)	-
Outstanding at December 31	508,330	246,650

At December 31, 1994, 21.6 million shares of AMR's common stock were reserved for the issuance of stock upon the conversion of convertible preferred stock and convertible subordinated debentures, the exercise of options, and the issuance of restricted stock and deferred stock.

10. RETIREMENT BENEFITS

Substantially all employees of American and employees of certain other subsidiaries are eligible to participate in pension plans. The defined benefit plans provide benefits for participating employees based on years of service and average compensation for a specified period of time before retirement. Airline pilots and flight engineers also participate in defined contribution plans for which Company contributions are determined as a percentage of participant compensation.

Total costs for all pension plans were (in millions):

	Year Ended December 31,		
	1994	1993	1992
Defined benefit plans:			
Service cost - benefits earned during the period	\$ 204	\$ 167	\$ 152
Interest cost on projected benefit obligation	292	285	268
Loss (return) on assets	232	(638)	(229)
Net amortization and deferral	(541)	356	(52)
Net periodic pension cost for defined benefit plans	187	170	139
Defined contribution plans	119	118	108
Early retirement programs(1)	154	-	-
Total	\$ 460	\$ 288	\$ 247

- (1) In late 1994, AMR offered early retirement programs to select groups of employees as part of its restructuring efforts. In accordance with FAS 88, AMR recognized additional pension expense of \$154 million associated with these programs. Of this amount, \$120 million was for special termination benefits and \$34 million was for the actuarial loss resulting from the early retirements.

10. RETIREMENT BENEFITS (CONTINUED)

The funded status and actuarial present value of benefit obligations of the defined benefit plans were (in millions):

	December 31,			
	1994		1993	
	Plans with Assets in Excess of Accumulated Benefit Obligation	Plans with Accumulated Benefit Obligation in Excess of Assets	Plans with Assets in Excess of Accumulated Benefit Obligation	Plans with Accumulated Benefit Obligation in Excess of Assets
Vested benefit obligation	\$1,063	\$2,118	\$3,100	\$ 42
	=====	=====	=====	=====
Accumulated benefit obligation	\$1,113	\$2,175	\$3,239	\$ 44
Effect of projected future salary increases	251	308	703	18
	-----	-----	-----	-----
Projected benefit obligation	1,364	2,483	3,942	62
	-----	-----	-----	-----
Plan assets at fair value	1,161	2,144	3,542	8
Plan assets less than projected benefit obligation	(203)	(339)	(400)	(54)
Unrecognized net loss	223	719	946	22
Unrecognized prior service cost (benefit)	47	(46)	(42)	7
Unrecognized transition asset	(14)	(44)	(69)	(1)
Adjustment to record minimum pension liability	-	(329)	-	(11)
	-----	-----	-----	-----
Prepaid (accrued) pension cost(1)	\$ 53	\$ (39)	\$ 435	\$ (37)
	=====	=====	=====	=====

(1) AMR's funding policy is to make contributions equal to, or in excess of, the minimum funding requirements of the Employee Retirement Income Security Act of 1974.

Plan assets consist primarily of government and corporate debt securities, marketable equity securities, and money market and mutual fund shares, of which approximately \$141 million and \$99 million of plan assets at December 31, 1994 and 1993, respectively, were invested in shares of mutual funds managed by a subsidiary of AMR.

The projected benefit obligation was calculated using weighted average discount rates of 8.75%, 7.50% and 9.00% at December 31, 1994, 1993 and 1992, respectively; rates of increase for compensation of 4.40% at December 31, 1994 and 1993, and 4.90% at December 31, 1992; and the 1983 Group Annuity Mortality Table. The weighted average expected long-term rate of return on assets was 9.50% in 1994, 10.50% in 1993 and 11.25% in 1992. The vested benefit obligation and plan assets at fair value at December 31, 1994, for plans whose benefits are guaranteed by the Pension Benefit Guaranty Corporation were \$3.2 billion and \$3.3 billion, respectively.

10. RETIREMENT BENEFITS (CONTINUED)

In addition to pension benefits, other postretirement benefits, including certain health care and life insurance benefits, are also provided to retired employees. The amount of health care benefits is limited to lifetime maximums as outlined in the plan. Substantially all employees of American and employees of certain other subsidiaries may become eligible for these benefits if they satisfy eligibility requirements during their working lives.

Certain employee groups make contributions toward funding a portion of their retiree health care benefits during their working lives. AMR funds benefits as incurred and began, effective January 1993, to match employee prefunding.

Effective January 1, 1992, AMR adopted FAS 106, changing the method of accounting for these benefits. Prior to 1992, other postretirement benefit expense was recognized by expensing health care claims incurred and annual life insurance premiums. The cumulative effect of adopting FAS 106 as of January 1, 1992, was a charge of \$917 million (\$595 million after tax, or \$7.95 per share).

Net other postretirement benefit cost was (in millions):

	Year Ended December 31,		
	1994	1993	1992
Service cost - benefits earned during the period	\$ 62	\$ 47	\$ 43
Interest cost on accumulated other postretirement benefit obligation	87	87	83
Return on assets	(1)	-	-
Net amortization and deferral	(4)	(4)	-
Net other postretirement benefit cost	<u>\$144</u>	<u>\$130</u>	<u>\$126</u>

In addition to net other postretirement benefit cost, in late 1994, AMR offered early retirement programs to select groups of employees as part of its restructuring efforts. In accordance with FAS 106, AMR recognized additional other postretirement benefit expense of \$71 million associated with these programs. Of this amount, \$43 million was for special termination benefits and \$28 million was for the net actuarial loss resulting from the early retirements.

The funded status of the plan, reconciled to the accrued other postretirement benefit cost recognized in AMR's balance sheet, was (in millions):

	December 31,	
	1994	1993
Retirees	\$ 542	\$ 381
Fully eligible active plan participants	207	306
Other active plan participants	429	522
Accumulated other postretirement benefit obligation	1,178	1,209
Plan assets at fair value	14	7
Accumulated other postretirement benefit obligation in excess of plan assets	1,164	1,202
Unrecognized net loss	-	(207)
Unrecognized prior service benefit	90	95
Accrued other postretirement benefit cost	<u>\$1,254</u>	<u>\$1,090</u>

10. RETIREMENT BENEFITS (CONTINUED)

Plan assets consist primarily of shares of a mutual fund managed by a subsidiary of AMR.

For 1994, future benefit costs were estimated assuming per capita cost of covered medical benefits would increase at a nine percent annual rate, decreasing gradually to a 4 percent annual growth rate in 2000 and thereafter. A one percent increase in this annual trend rate would have increased the accumulated other postretirement benefit obligation at December 31, 1994, by approximately \$100 million and 1994 other postretirement benefit cost by approximately \$19 million. In 1993, future benefit costs were estimated assuming per capita cost of covered medical benefits would increase at an 11 percent annual rate, decreasing gradually to a 4 percent annual growth rate in 2000 and thereafter. The weighted average discount rate used in estimating the accumulated other postretirement benefit obligation was 8.75% and 7.50% at December 31, 1994 and 1993, respectively.

11. RESTRUCTURING COSTS

In 1994, the Company recorded \$278 million for restructuring costs which included (in millions):

Special termination benefits:	
Pension	\$ 120
Other postretirement benefits	43
Actuarial losses:	
Pension	34
Other postretirement benefits	28

Total cost of early retirement programs	225
Severance	28
Other	25

	\$ 278
	=====

Approximately 1,700 agents and 600 management employees elected early retirement under programs offered to select groups of employees and will leave the Company's workforce during 1995. Cash payments associated with the early retirement programs will be expended as required for funding the appropriate pension and other postretirement benefit plans in future years.

The \$28 million severance provision is for additional workforce reductions affecting approximately 2,300 agent and management personnel as a result of scheduled service reductions and improved administrative efficiencies. Cash outlays for severance payments are expected to occur substantially during 1995.

The remaining \$25 million included in the restructuring costs represents provisions for excess leased facilities and other restructuring activities. Cash outlays of approximately \$18 million are expected to occur over the remaining lease terms.

12. REVENUE AND OTHER EXPENSE ITEMS

During 1994, the Company changed its estimate of the usage patterns of miles awarded by participating companies in American's AAdvantage frequent flyer program. The positive impact of the change in estimate on passenger revenues for 1994 was \$59 million. Passenger revenues for 1993 include a \$115 million positive adjustment resulting from a change in estimate relating to certain earned passenger revenues.

Miscellaneous - net in 1994 includes a \$25 million charge related to the loss of two regional aircraft operated by subsidiaries of AMR Eagle, Inc. Miscellaneous - net in 1993 and 1992 includes provisions of \$71 million and \$165 million, respectively, for losses associated with a reservations system project and resolution of related litigation. Also included in 1993 is a \$125 million charge related to the retirement of certain McDonnell Douglas DC-10 aircraft. Also included in Miscellaneous - net for 1992 are charges aggregating \$25 million for a cash payment representing American's share of a multi-carrier antitrust settlement and the retirement of certain regional aircraft.

13. FOREIGN OPERATIONS

American conducts operations in various foreign countries. American's operating revenues from foreign operations were (in millions):

	Year Ended December 31,		
	1994	1993	1992
Latin America	\$ 2,134	\$ 1,888	\$ 1,644
Europe	1,839	1,659	1,692
Pacific	347	362	343
Foreign operating revenues	\$ 4,320	\$ 3,909	\$ 3,679

14. SEGMENT INFORMATION

AMR's operations fall within three industry segments: the Air Transportation Group, The SABRE Group, and the AMR Management Services Group. For a description of each of these groups, refer to Business on pages 1 and 2.

The following table presents selected financial data by industry segment (in millions):

	December 31,		
	1994	1993	1992
Air Transportation Group:			
Total revenues	\$14,895	\$14,785	\$13,474
Intergroup revenues	-	-	-
Operating income (loss)	586	374	(310)
Depreciation and amortization expense	1,021	1,005	838
Capital expenditures, including route acquisition costs	717	1,721	3,112
Identifiable assets	17,466	17,566	17,269
The SABRE Group:			
Total revenues	1,542	1,370	1,271
Intergroup revenues	637	583	563
Operating income	367	268	256
Depreciation and amortization expense	183	175	170
Capital expenditures	172	179	142
Identifiable assets	585	549	534
AMR Management Services Group:			
Total revenues	535	452	336
Intergroup revenues	198	208	122
Operating income	53	48	29
Depreciation and amortization expense	49	43	33
Capital expenditures	225	180	81
Identifiable assets	1,063	775	584

Identifiable assets are gross assets used by a business segment, including an allocated portion of assets used jointly by more than one business segment. General corporate and other assets not allocated to business segments were \$372 million, \$436 million and \$319 million at December 31, 1994, 1993 and 1992, respectively, and consist primarily of income tax assets.

15. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental disclosures of cash flow information and non-cash activities
(in millions):

	Year Ended December 31,		
	1994	1993	1992
Cash payments (refunds) for:			
Interest (net of interest capitalized)	\$ 609	\$584	\$458
Income taxes	(21)	(32)	(7)
Financing activities not affecting cash:			
Exchange of convertible debentures for preferred stock	\$1,003	\$ -	\$ -
Capital lease obligations incurred	280	21	418
Installment promissory notes issued for assets	-	-	162

16. QUARTERLY FINANCIAL DATA (UNAUDITED)

Unaudited summarized financial data by quarter for 1994 and 1993 (in millions, except per share amounts):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1994				
Operating revenues	\$3,808	\$4,101	\$4,233	\$3,995
Operating income (loss)	159	401	489	(43)
Net earnings (loss)	(7)	153	205	(123)
Earnings (loss) per common share(1):				
Primary				
Before effect of preferred stock exchange	(0.30)	1.77	2.47	(1.70)
Net earnings (loss)	(0.30)	1.77	2.47	0.55
Fully diluted				
Before effect of preferred stock exchange	(0.30)	1.68	2.27	(1.70)
Net earnings (loss)	(0.30)	1.68	2.27	0.55
1993				
Operating revenues	\$3,814	\$4,212	\$4,199	\$3,591
Operating income (loss)	116	364	372	(162)
Earnings (loss) before extraordinary loss	(22)	47	125	(246)
Net earnings (loss)	(22)	47	118	(253)
Earnings (loss) per common share:				
Primary				
Before extraordinary loss	(0.43)	0.39	1.43	(3.47)
Net earnings (loss)	(0.43)	0.39	1.33	(3.55)
Fully diluted				
Before extraordinary loss	(0.43)	0.39	1.34	(3.47)
Net earnings (loss)	(0.43)	0.39	1.26	(3.55)

(1) Information on the adjustment to the earnings per share computation for the three months ended December 31, 1994, for the effect of the preferred stock exchange is included in Note 5.

16. QUARTERLY FINANCIAL DATA (UNAUDITED) (CONTINUED)

Results for the fourth quarter of 1994 include \$278 million in restructuring costs, primarily representing the cost of early retirement programs and severance for Air Transportation Group employees. Results for the fourth quarter of 1994 also include a \$25 million charge related to the loss of two regional aircraft operated by subsidiaries of AMR Eagle, Inc. During the second quarter of 1994, the Company changed its estimate of the usage patterns of miles awarded by participating companies in American's AAdvantage frequent flyer program. The positive impact of the change in estimate on revenues for the second, third and fourth quarters of 1994 was \$35 million, \$14 million, and \$10 million, as compared to the same quarters in 1993.

Results for the second quarter of 1993 include a \$115 million positive adjustment resulting from a change in estimate relating to certain earned passenger revenues. Results for the second quarter of 1993 also include a \$125 million charge related to the retirement of certain McDonnell Douglas DC-10 aircraft. Results for the fourth quarter of 1993 reflect the adverse impact of a five-day strike by American's flight attendants and also include a \$71 million charge for losses associated with a reservations system project and resolution of related litigation as well as a \$25 million charge for the cost of severance of certain employees.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Incorporated herein by reference from the Company's definitive proxy statement for the annual meeting of stockholders on May 17, 1995. Information concerning the executive officers is included in Part I of this report on pages 12 and 13.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated herein by reference from the Company's definitive proxy statement for the annual meeting of stockholders on May 17, 1995.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Incorporated herein by reference from the Company's definitive proxy statement for the annual meeting of stockholders on May 17, 1995.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Incorporated herein by reference from the Company's definitive proxy statement for the annual meeting of stockholders on May 17, 1995.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

- (a) (1) The financial statements listed in the accompanying index to financial statements and schedules are filed as part of this report.
- (2) The schedules listed in the accompanying index to financial statements and schedules are filed as part of this report.
- (3) Exhibits required to be filed by Item 601 of Regulation S-K. (Where the amount of securities authorized to be issued under any of AMR's long-term debt agreements does not exceed ten percent of AMR's assets, pursuant to paragraph (b)(4) of Item 601 of Regulation S-K, in lieu of filing such as an exhibit, AMR hereby agrees to furnish to the Commission upon request a copy of any agreement with respect to such long-term debt.)

EXHIBIT

- 3(a) Composite of the Certificate of Incorporation of AMR, incorporated by reference to Exhibit 3(a) to AMR's report on Form 10-K for the year ended December 31, 1982, file number 1-8400.
- 3(b) Amended Bylaws of AMR, incorporated by reference to Exhibit 3(b) to AMR's report on Form 10-K for the year ended December 31, 1990, file number 1-8400.

- 10(a) Purchase Agreement, dated as of February 12, 1979, between American and the Boeing Company, relating to the purchase of Boeing Model 767-323 aircraft, incorporated by reference to Exhibit 10(b)(3) to American's Registration Statement No. 2-76709.
- 10(b) Description of American's Split Dollar Insurance Program, dated December 28, 1977, incorporated by reference to Exhibit 10(c)(1) to American's Registration Statement No. 2-76709.
- 10(c) American's 1992 Incentive Compensation Plan.
- 10(d) 1979 American Airlines (AMR) Stock Option Plan, as amended, incorporated by reference to Exhibit 10(d) to American's report on Form 10-K for the year ended December 31, 1982, file number 1-8400.
- 10(e) 1979 American Airlines (AMR) Stock Option Plan, as amended, incorporated by reference to Exhibit 10(e) to American's report on Form 10-K for the year ended December 31, 1982, file number 1-8400.
- 10(f) Form of Stock Option Agreement for Corporate Officers under the 1979 American Airlines (AMR) Stock Option Plan, incorporated by reference to Exhibit 10(c)(5) to American's Registration Statement No. 2-76709.
- 10(g) Form of Stock Option Agreement under the 1974 and 1979 American Airlines (AMR) Stock Option Plans, incorporated by reference to Exhibit 10(c)(6) to American's Registration Statement No. 2-76709.
- 10(h) Deferred Compensation Agreement, dated April 14, 1973, as amended March 1, 1975, between American and Robert L. Crandall, incorporated by reference to Exhibit 10(c)(7) to American's Registration Statement No. 2-76709.
- 10(i) Deferred Compensation Agreement, dated October 18, 1972, as amended March 1, 1975, between American and Gene E. Overbeck, incorporated by reference to Exhibit 10(c)(9) to American's Registration Statement No. 2-76709.
- 10(j) Deferred Compensation Agreement, dated June 3, 1970, between American and Francis H. Burr, incorporated by reference to Exhibit 11(d) to American's Registration Statement No. 2-39380.
- 10(k) Description of informal arrangement relating to deferral of payment of directors' fees, incorporated by reference to Exhibit 10(c)(11) to American's Registration Statement No. 2-76709.
- 10(l) Purchase Agreement, dated as of February 29, 1984, between American and the McDonnell Douglas Corporation, relative to the purchase of McDonnell Douglas Super 80 aircraft, incorporated by reference to Exhibit 10(l) to AMR's report on Form 10-K for the year ended December 31, 1983, file number 1-8400.
- 10(m) Purchase Agreement, dated as of June 27, 1983, between American and the McDonnell Douglas Corporation, relative to the purchase of McDonnell Douglas Super 80 aircraft, incorporated by reference to Exhibit 4(a)(8) to American's Registration Statement No. 2-84905.

- 10(n) AMR Corporation Restricted Stock Incentive Plan, adopted May 15, 1985, incorporated by reference to Exhibit 10(n) to AMR's report on Form 10-K for the year ended December 31, 1985, file number 1-8400.
- 10(o) AMR Corporation Preferred Stock Purchase Rights Agreement, adopted February 13, 1986, incorporated by reference to Exhibit 10(o) to AMR's report on Form 10-K for the year ended December 31, 1985, file number 1-8400.
- 10(p) Form of Executive's Termination Benefits Agreement incorporated by reference to Exhibit 10(p) to AMR's report on Form 10-K for the year ended December 31, 1985, file number 1-8400.
- 10(q) Amendment, dated June 4, 1986, to Purchase Agreement in Exhibit 10(l) above, incorporated by reference to Exhibit 10(q) to AMR's report on Form 10-K for the year ended December 31, 1986, file number 1-8400.
- 10(r) Acquisition Agreement, dated as of March 1, 1987, between American and Airbus Industrie relative to the lease of Airbus A300-600R aircraft, incorporated by reference to Exhibit 10(r) to AMR's report on Form 10-K for the year ended December 31, 1986, file number 1-8400.
- 10(s) Acquisition Agreement, dated as of March 1, 1987, between American and the Boeing Company relative to the lease of Boeing 767-323ER aircraft, incorporated by reference to Exhibit 10(s) to AMR's report on Form 10-K for the year ended December 31, 1986, file number 1-8400.
- 10(t) AMR Corporation 1988 Long-Term Incentive Plan, incorporated by reference to Exhibit 10(t) to AMR's report on Form 10-K for the year ended December 31, 1988, file number 1-8400.
- 10(u) Acquisition Agreement, dated as of July 21, 1988, between American and the Boeing Company relative to the purchase of Boeing Model 757-223 aircraft, incorporated by reference to Exhibit 10(u) to AMR's report on Form 10-K for the year ended December 31, 1988, file number 1-8400.
- 10(v) Acquisition Agreement, dated as of February 4, 1989, among American and Delta Airlines, Inc. and others relative to operation of a computerized reservations system incorporated by reference to Exhibit 10(v) to AMR's report on Form 10-K for the year ended December 31, 1988, file number 1-8400.
- 10(w) Purchase Agreement, dated as of May 5, 1989, between American and the Boeing Company relative to the purchase of Boeing 757-223 aircraft, incorporated by reference to Exhibit 10(w) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(x) Purchase Agreement, dated as of June 9, 1989, between American and Fokker Aircraft U. S. A., Inc. relative to the purchase of Fokker 100 aircraft, incorporated by reference to Exhibit 10(x) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.

- 10(y) Agreement for Sale and Purchase, dated as of June 12, 1989, between AMR Leasing Corporation and SAAB Aircraft of America, Inc. relative to the purchase of Saab 340B aircraft, incorporated by reference to Exhibit 10(y) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(z) Purchase Agreement, dated as of June 23, 1989, between American and the Boeing Company relative to the purchase of Boeing 767-323ER aircraft, incorporated by reference to Exhibit 10(z) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(aa) Lease Agreement, dated as of June 29, 1989, between AMR Leasing Corporation and British Aerospace, Inc. relative to the lease of Jetstream Model 3201 aircraft, incorporated by reference to Exhibit 10(aa) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(bb) Purchase Agreement, dated as of August 3, 1989, between American and the McDonnell Douglas Corporation relative to the purchase of MD-11 aircraft, incorporated by reference to Exhibit 10(bb) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(cc) Amendment, dated as of August 3, 1989, to the Purchase Agreement in Exhibit 10(l) above, incorporated by reference to Exhibit 10(cc) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(dd) Amendment, dated as of August 11, 1989, to AMR's Preferred Stock Purchase Rights Agreement in Exhibit 10(o) above, incorporated by reference to Exhibit 10(dd) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(ee) Purchase Agreement, dated as of October 25, 1989, between American and AVSA, S. A. R. L. relative to the purchase of Airbus A300-600R aircraft, incorporated by reference to Exhibit 10(ee) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(ff) Amendment, dated as of November 16, 1989, to Employment Agreement among AMR, American Airlines and Robert L. Crandall, incorporated by reference to Exhibit 10(ff) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(gg) Directors Stock Equivalent Purchase Plan, incorporated by reference to Exhibit 10(gg) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(hh) Deferred Compensation Agreement, dated as of January 31, 1990, between AMR and Edward A. Brennan, incorporated by reference to Exhibit 10(hh) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(ii) Deferred Compensation Agreement, dated as of January 31, 1990, between AMR and Thomas S. Carroll, incorporated by reference to Exhibit 10(ii) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.

- 10(jj) Deferred Compensation Agreement, dated as of January 31, 1990, between AMR and Antonio Luis Ferre, incorporated by reference to Exhibit 10(jj) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(kk) Deferred Compensation Agreement, dated as of January 31, 1990, between AMR and John D. Leitch, incorporated by reference to Exhibit 10(kk) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(ll) Deferred Compensation Agreement, dated as of January 31, 1990, between AMR and Charles H. Pistor, Jr., incorporated by reference to Exhibit 10(ll) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(mm) Deferred Compensation Agreement, dated as of January 31, 1990, between AMR and Edward O. Vetter, incorporated by reference to Exhibit 10(mm) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(nn) Amendment, dated as of February 1, 1990, to the Deferred Compensation Agreement, dated December 19, 1984, between AMR and Charles H. Pistor, Jr., incorporated by reference to Exhibit 10(nn) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(oo) Management Severance Allowance, dated as of February 23, 1990, for levels 1-4 employees of American Airlines, Inc., incorporated by reference to Exhibit 10(oo) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(pp) Management Severance Allowance, dated as of February 23, 1990, for level 5 and above employees of American Airlines, Inc., incorporated by reference to Exhibit 10(pp) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(qq) Purchase Agreement, dated as of October 25, 1990, between AMR Leasing Corporation and Avions de Transport Regional relative to the purchase of ATR 42 and Super ATR aircraft, incorporated by reference to Exhibit 10(qq) to AMR's report on Form 10-K for the year ended December 31, 1990, file number 1-8400.
- 10(rr) Form of Stock Option Agreement for Corporate Officers under the AMR 1988 Long-Term Incentive Plan, incorporated by reference to Exhibit 10(rr) to AMR's report on Form 10-K for the year ended December 31, 1990, file number 1-8400.
- 10(ss) Form of Career Equity Program Deferred Stock Award Agreement under the AMR 1988 Long-Term Incentive Plan, incorporated by reference to Exhibit 10(ss) to AMR's report on Form 10-K for the year ended December 31, 1990, file number 1-8400.
- 10(tt) Amendment, dated as of December 3, 1990, to Employment Agreement among AMR, American Airlines and Robert L. Crandall incorporated by reference to Exhibit 10(tt) to AMR's report on Form 10-K for the year ended December 31, 1990, file number 1-8400.
- 10(uu) Amendment, dated as of May 1, 1992, to Employment Agreement among AMR, American Airlines and Robert L. Crandall incorporated by reference to Exhibit 10(uu) to AMR's report on Form 10-Q for the period ended June 30, 1992, file number 1-8400.
- 10(vv) Irrevocable Executive Trust Agreement, dated as of May 1, 1992, between AMR and Wachovia Bank of North Carolina N.A.

- 10(ww) Deferred Compensation Agreement, dated as of December 23, 1992, between AMR and Howard P. Allen.
- 10(xx) Deferred Compensation Agreement, dated as of February 5, 1993, between AMR and Charles T. Fisher, III.
- 10(yy) Deferred Compensation Agreement, dated as of February 10, 1993, between AMR and Edward O. Vetter.
- 10(zz) Deferred Compensation Agreement, dated as of March 8, 1993, between AMR and John D. Leitch.
- 10(aaa) Amendment No. 2 to the Rights Agreement, dated as of February 13, 1986, between AMR Corporation and First Chicago Trust Company of New York.
- 10(bbb) Form of Guaranty to Career Equity Program under the AMR 1988 Long-Term Incentive Plan.
- 10(ccc) Amendment, dated as of July 26, 1993, to Career Equity Program Deferred Stock Award Agreements.
- 10(ddd) Second Amendment, dated as of July 26, 1993, to Career Equity Program Deferred Stock Award Agreements.
- 10(eee) Deferred Compensation Agreement, dated as of February 10, 1994, between AMR and Charles T. Fisher, III.
- 10(fff) Deferred Compensation Agreement, dated as of February 11, 1994, between AMR and Howard P. Allen.
- 10(ggg) American Airlines, Inc. 1995 Incentive Compensation Plan for Officers and Key Employees.
- 10(hhh) American Airlines , Inc. 1995 Employee Profit Sharing Plan.
- 10(iii) Amendment to AMR's 1988 Long-term Incentive Plan dated May 18, 1994, incorporated by reference to Exhibit A AMR's definitive proxy statement with respect to the annual meeting of stockholders held on May 18, 1994.
- 10(jjj) Directors Stock Incentive Plan dated May 18, 1994, incorporated by reference to Exhibit B AMR's definitive proxy statement with respect to the annual meeting of stockholders held on May 18, 1994.
- 10(kkk) Performance Share Program for the years 1993 to 1995 under the 1988 Long-term Incentive Program.
- 10(lll) Performance Share Program for the years 1994 to 1996 under the 1988 Long-term Incentive Program.

- 10(mmm) American Airlines, Inc. Supplemental Executive Retirement Program dated November 16, 1994.
- 10(nnn) Current form of Career Equity Program Agreement.
- 11(a) Computation of primary loss per share for the years ended December 31, 1994, 1993 and 1992.
- 11(b) Computation of loss per share assuming full dilution for the years ended December 31, 1994, 1993 and 1992.

- 19 The 1974 and 1979 American Airlines (AMR) Stock Option plans as amended March 16, 1983, incorporated by reference to Exhibit 19 to AMR's report on Form 10-K for the year ended December 31, 1983, file number 1-8400. Refer to Exhibits 10(d) and 10(e).
- 22 Significant subsidiaries of the registrant.
- 23 Consent of Independent Auditors appears on page 62 hereof.
- 27 Financial Data Schedule

(b) Reports on Form 8-K:

None.

AMR CORPORATION
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[ITEM 14(A)]

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All other schedules are omitted since the required information is included in the financial statements or notes thereto, or since the required information is either not present or not present in sufficient amounts.

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in Registration Statements (Form S-8 No. 2-68366), (Form S-8 No. 33-27866), (Form S-3 No. 33-42027), (Form S-3 No. 33-46325), (Form S-3 No. 33-52121), and (Form S-4 No. 33-55191) of AMR Corporation, and in the related Prospectuses, of our report dated February 13, 1995, with respect to the consolidated financial statements and schedules of AMR Corporation included in this Annual Report (Form 10-K) for the year ended December 31, 1994.

ERNST & YOUNG LLP

Dallas, Texas
March 22, 1995

AMR CORPORATION
 SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
 (DEDUCTED FROM ASSET TO WHICH APPLICABLE)
 YEAR ENDED DECEMBER 31, 1994
 (IN MILLIONS)

	BALANCE AT BEGINNING OF YEAR -----	CHARGED TO				NET WRITE-OFF -----	SALES, RETIREMENTS AND TRANSFERS -----	BALANCE AT END OF YEAR -----
		OTHER OPERATING EXPENSES -----	DEPREC. AND AMORT. -----	MISC. -NET -----				
Allowance for uncollectible accounts	\$ 33	\$ 20	\$ -	\$ -	\$ (27)	\$ -	\$ 26	
Allowance for obsolescence of inventories	168	-	29	-	-	(18)	179	
Reserve for anticipated loss on fleet retirement	57	-	-	4	(32)	-	29	
Reserve for anticipated loss on reservation project	158	-	-	-	(153)	-	5	

AMR CORPORATION
 SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
 (DEDUCTED FROM ASSET TO WHICH APPLICABLE)
 YEAR ENDED DECEMBER 31, 1993
 (IN MILLIONS)

	BALANCE AT BEGINNING OF YEAR -----	CHARGED TO				NET WRITE-OFF -----	SALES, RETIREMENTS AND TRANSFERS -----	BALANCE AT END OF YEAR -----
		OTHER OPERATING EXPENSES -----	DEPREC. AND AMORT. -----	MISC. -NET -----				
Allowance for uncollectible accounts	\$ 32	\$ 22	\$ -	\$ -	\$ (21)	\$ -	\$ 33	
Allowance for obsolescence of inventories	133	-	11	-	-	24	168	
Reserve for anticipated loss on fleet retirement	26	-	-	125	(82)	(12) (a)	57	
Reserve for anticipated loss on reservation project	132	-	-	71	(45)	-	158	

(a) Transfer to Allowance for obsolescence of inventories.

AMR CORPORATION
 SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
 (DEDUCTED FROM ASSET TO WHICH APPLICABLE)
 YEAR ENDED DECEMBER 31, 1992
 (IN MILLIONS)

	BALANCE AT BEGINNING OF YEAR -----	CHARGED TO				NET WRITE-OFF -----	SALES, RETIREMENTS AND TRANSFERS -----	BALANCE AT END OF YEAR -----
		OTHER OPERATING EXPENSES -----	DEPREC. AND AMORT. -----	MISC. -NET -----				
Allowance for uncollectible accounts	\$ 31	\$ 22	\$ -	\$ -	\$ (21)	\$ -	\$ 32	
Allowance for obsolescence of inventories	120	-	19	-	(6)	-	133	
Reserve for anticipated loss on fleet retirement	48	-	-	5	(27)	-	26	
Reserve for anticipated loss on reservation project	-	-	-	165	(33)	-	132	

PART I - EXHIBIT 11 (A) AMR CORPORATION
 COMPUTATION OF PRIMARY EARNINGS (LOSS) PER SHARE
 (IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	Year Ended December 31,		
	1994	1993	1992
NET EARNINGS (LOSS)	\$ 228	\$ (110)	\$ (935)
Preferred stock dividends	(56)	(60)	-
	172	(170)	(935)
Increase in additional paid-in capital from preferred stock exchange	171	-	-
EARNINGS (LOSS) APPLICABLE TO COMMON SHARES	\$ 343	\$ (170)	\$ (935)
SHARES, AS ADJUSTED:			
Average number of shares outstanding	76	76	75
Add shares issued upon assumed exercise of dilutive options, stock appreciation rights and warrants and shares assumed issued for deferred stock granted	-	1	-
Less assumed treasury shares repurchased	-	(1)	-
SHARES, AS ADJUSTED	76	76	75
Primary earnings (loss) per share	\$4.51	\$ (2.23)	\$(12.49)

AMR CORPORATION
 COMPUTATION OF EARNINGS (LOSS) PER SHARE
 ASSUMING FULL DILUTION
 (IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	Year Ended December 31,		
	1994	1993	1992
	-----	-----	-----
NET EARNINGS (LOSS)	\$ 228	\$ (110)	\$ (935)
Preferred stock dividends	(56)	(60)	-
	-----	-----	-----
	172	(170)	(935)
Increase in additional paid-in capital from preferred stock exchange	171	-	-
	-----	-----	-----
EARNINGS (LOSS) APPLICABLE TO COMMON SHARES	\$ 343	\$ (170)	\$ (935)
	=====	=====	=====
SHARES, AS ADJUSTED:			
Average number of shares outstanding	76	76	75
Add shares issued upon assumed exercise of dilutive options, stock appreciation rights and warrants and shares assumed issued for deferred stock granted	-	1	-
Less assumed treasury shares repurchased	-	(1)	-
	-----	-----	-----
SHARES, AS ADJUSTED	76	76	75
	=====	=====	=====
Earnings (loss) per share assuming full dilution	\$4.51	\$(2.23)	\$(12.49)
	=====	=====	=====

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMR CORPORATION

/s/ Robert L. Crandall
Robert L. Crandall
Chairman, President and Chief Executive Officer

(Principal Executive Officer)

/s/ Donald J. Carty
Donald J. Carty

Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: March 15, 1995

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates noted:

Directors:

/s/ Howard P. Allen
Howard P. Allen

/s/ Dee J. Kelly
Dee J. Kelly

/s/ Edward A. Brennan
Edward A. Brennan

/s/ William Lyon
William Lyon

/s/ David L. Boren
David L. Boren

/s/ Ann D. McLaughlin
Ann D. McLaughlin

/s/ Armando M. Codina
Armando M. Codina

/s/ Charles H. Pistor, Jr.
Charles H. Pistor, Jr.

/s/ Christopher F. Edley
Christopher F. Edley

/s/ Joe M. Rodgers
Joe M. Rodgers

/s/ Charles T. Fisher, III
Charles T. Fisher, III

/s/ Maurice Segall
Maurice Segall

/s/ Earl G. Graves
Earl G. Graves

/s/ Eugene F. Williams, Jr.
Eugene F. Williams, Jr.

Date: March 15, 1995

INDEX TO EXHIBITS

EXHIBIT -----	DESCRIPTION -----
10(a)	Purchase Agreement, dated as of February 12, 1979, between American and the Boeing Company, relating to the purchase of Boeing Model 767-323 aircraft, incorporated by reference to Exhibit 10(b)(3) to American's Registration Statement No. 2-76709.
10(b)	Description of American's Split Dollar Insurance Program, dated December 28, 1977, incorporated by reference to Exhibit 10(c)(1) to American's Registration Statement No. 2-76709.
10(c)	American's 1992 Incentive Compensation Plan.
10(d)	1979 American Airlines (AMR) Stock Option Plan, as amended, incorporated by reference to Exhibit 10(d) to American's report on Form 10-K for the year ended December 31, 1982, file number 1-8400.
10(e)	1979 American Airlines (AMR) Stock Option Plan, as amended, incorporated by reference to Exhibit 10(e) to American's report on Form 10-K for the year ended December 31, 1982, file number 1-8400.
10(f)	Form of Stock Option Agreement for Corporate Officers under the 1979 American Airlines (AMR) Stock Option Plan, incorporated by reference to Exhibit 10(c)(5) to American's Registration Statement No. 2-76709.
10(g)	Form of Stock Option Agreement under the 1974 and 1979 American Airlines (AMR) Stock Option Plans, incorporated by reference to Exhibit 10(c)(6) to American's Registration Statement No. 2-76709.
10(h)	Deferred Compensation Agreement, dated April 14, 1973, as amended March 1, 1975, between American and Robert L. Crandall, incorporated by reference to Exhibit 10(c)(7) to American's Registration Statement No. 2-76709.
10(i)	Deferred Compensation Agreement, dated October 18, 1972, as amended March 1, 1975, between American and Gene E. Overbeck, incorporated by reference to Exhibit 10(c)(9) to American's Registration Statement No. 2-76709.
10(j)	Deferred Compensation Agreement, dated June 3, 1970, between American and Francis H. Burr, incorporated by reference to Exhibit 11(d) to American's Registration Statement No. 2-39380.
10(k)	Description of informal arrangement relating to deferral of payment of directors' fees, incorporated by reference to Exhibit 10(c)(11) to American's Registration Statement No. 2-76709.
10(l)	Purchase Agreement, dated as of February 29, 1984, between American and the McDonnell Douglas Corporation, relative to the purchase of McDonnell Douglas Super 80 aircraft, incorporated by reference to Exhibit 10(l) to AMR's report on Form 10-K for the year ended December 31, 1983, file number 1-8400.
10(m)	Purchase Agreement, dated as of June 27, 1983, between American and the McDonnell Douglas Corporation, relative to the purchase of McDonnell Douglas Super 80 aircraft, incorporated by reference to Exhibit 4(a)(8) to American's Registration Statement No. 2-84905.

INDEX TO EXHIBITS (CONTINUED)

- 10(n) AMR Corporation Restricted Stock Incentive Plan, adopted May 15, 1985, incorporated by reference to Exhibit 10(n) to AMR's report on Form 10-K for the year ended December 31, 1985, file number 1-8400.
- 10(o) AMR Corporation Preferred Stock Purchase Rights Agreement, adopted February 13, 1986, incorporated by reference to Exhibit 10(o) to AMR's report on Form 10-K for the year ended December 31, 1985, file number 1-8400.
- 10(p) Form of Executive's Termination Benefits Agreement incorporated by reference to Exhibit 10(p) to AMR's report on Form 10-K for the year ended December 31, 1985, file number 1-8400.
- 10(q) Amendment, dated June 4, 1986, to Purchase Agreement in Exhibit 10(l) above, incorporated by reference to Exhibit 10(q) to AMR's report on Form 10-K for the year ended December 31, 1986, file number 1-8400.
- 10(r) Acquisition Agreement, dated as of March 1, 1987, between American and Airbus Industrie relative to the lease of Airbus A300-600R aircraft, incorporated by reference to Exhibit 10(r) to AMR's report on Form 10-K for the year ended December 31, 1986, file number 1-8400.
- 10(s) Acquisition Agreement, dated as of March 1, 1987, between American and the Boeing Company relative to the lease of Boeing 767-323ER aircraft, incorporated by reference to Exhibit 10(s) to AMR's report on Form 10-K for the year ended December 31, 1986, file number 1-8400.
- 10(t) AMR Corporation 1988 Long-Term Incentive Plan, incorporated by reference to Exhibit 10(t) to AMR's report on Form 10-K for the year ended December 31, 1988, file number 1-8400.
- 10(u) Acquisition Agreement, dated as of July 21, 1988, between American and the Boeing Company relative to the purchase of Boeing Model 757-223 aircraft, incorporated by reference to Exhibit 10(u) to AMR's report on Form 10-K for the year ended December 31, 1988, file number 1-8400.
- 10(v) Acquisition Agreement, dated as of February 4, 1989, among American and Delta Airlines, Inc. and others relative to operation of a computerized reservations system incorporated by reference to Exhibit 10(v) to AMR's report on Form 10-K for the year ended December 31, 1988, file number 1-8400.
- 10(w) Purchase Agreement, dated as of May 5, 1989, between American and the Boeing Company relative to the purchase of Boeing 757-223 aircraft, incorporated by reference to Exhibit 10(w) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(x) Purchase Agreement, dated as of June 9, 1989, between American and Fokker Aircraft U. S. A., Inc. relative to the purchase of Fokker 100 aircraft, incorporated by reference to Exhibit 10(x) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.

INDEX TO EXHIBITS (CONTINUED)

- 10(y) Agreement for Sale and Purchase, dated as of June 12, 1989, between AMR Leasing Corporation and SAAB Aircraft of America, Inc. relative to the purchase of Saab 340B aircraft, incorporated by reference to Exhibit 10(y) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(z) Purchase Agreement, dated as of June 23, 1989, between American and the Boeing Company relative to the purchase of Boeing 767-323ER aircraft, incorporated by reference to Exhibit 10(z) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(aa) Lease Agreement, dated as of June 29, 1989, between AMR Leasing Corporation and British Aerospace, Inc. relative to the lease of Jetstream Model 3201 aircraft, incorporated by reference to Exhibit 10(aa) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(bb) Purchase Agreement, dated as of August 3, 1989, between American and the McDonnell Douglas Corporation relative to the purchase of MD-11 aircraft, incorporated by reference to Exhibit 10(bb) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(cc) Amendment, dated as of August 3, 1989, to the Purchase Agreement in Exhibit 10(l) above, incorporated by reference to Exhibit 10(cc) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(dd) Amendment, dated as of August 11, 1989, to AMR's Preferred Stock Purchase Rights Agreement in Exhibit 10(o) above, incorporated by reference to Exhibit 10(dd) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(ee) Purchase Agreement, dated as of October 25, 1989, between American and AVSA, S. A. R. L. relative to the purchase of Airbus A300-600R aircraft, incorporated by reference to Exhibit 10(ee) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(ff) Amendment, dated as of November 16, 1989, to Employment Agreement among AMR, American Airlines and Robert L. Crandall, incorporated by reference to Exhibit 10(ff) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(gg) Directors Stock Equivalent Purchase Plan, incorporated by reference to Exhibit 10(gg) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(hh) Deferred Compensation Agreement, dated as of January 31, 1990, between AMR and Edward A. Brennan, incorporated by reference to Exhibit 10(hh) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(ii) Deferred Compensation Agreement, dated as of January 31, 1990, between AMR and Thomas S. Carroll, incorporated by reference to Exhibit 10(ii) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.

INDEX TO EXHIBITS (CONTINUED)

- 10(jj) Deferred Compensation Agreement, dated as of January 31, 1990, between AMR and Antonio Luis Ferre, incorporated by reference to Exhibit 10(jj) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(kk) Deferred Compensation Agreement, dated as of January 31, 1990, between AMR and John D. Leitch, incorporated by reference to Exhibit 10(kk) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(ll) Deferred Compensation Agreement, dated as of January 31, 1990, between AMR and Charles H. Pistor, Jr., incorporated by reference to Exhibit 10(ll) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(mm) Deferred Compensation Agreement, dated as of January 31, 1990, between AMR and Edward O. Vetter, incorporated by reference to Exhibit 10(mm) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(nn) Amendment, dated as of February 1, 1990, to the Deferred Compensation Agreement, dated December 19, 1984, between AMR and Charles H. Pistor, Jr., incorporated by reference to Exhibit 10(nn) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(oo) Management Severance Allowance, dated as of February 23, 1990, for levels 1-4 employees of American Airlines, Inc., incorporated by reference to Exhibit 10(oo) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(pp) Management Severance Allowance, dated as of February 23, 1990, for level 5 and above employees of American Airlines, Inc., incorporated by reference to Exhibit 10(pp) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(qq) Purchase Agreement, dated as of October 25, 1990, between AMR Leasing Corporation and Avions de Transport Regional relative to the purchase of ATR 42 and Super ATR aircraft, incorporated by reference to Exhibit 10(qq) to AMR's report on Form 10-K for the year ended December 31, 1990, file number 1-8400.
- 10(rr) Form of Stock Option Agreement for Corporate Officers under the AMR 1988 Long-Term Incentive Plan, incorporated by reference to Exhibit 10(rr) to AMR's report on Form 10-K for the year ended December 31, 1990, file number 1-8400.
- 10(ss) Form of Career Equity Program Deferred Stock Award Agreement under the AMR 1988 Long-Term Incentive Plan, incorporated by reference to Exhibit 10(ss) to AMR's report on Form 10-K for the year ended December 31, 1990, file number 1-8400.
- 10(tt) Amendment, dated as of December 3, 1990, to Employment Agreement among AMR, American Airlines and Robert L. Crandall incorporated by reference to Exhibit 10(tt) to AMR's report on Form 10-K for the year ended December 31, 1990, file number 1-8400.
- 10(uu) Amendment, dated as of May 1, 1992, to Employment Agreement among AMR, American Airlines and Robert L. Crandall incorporated by reference to Exhibit 10(uu) to AMR's report on Form 10-Q for the period ended June 30, 1992, file number 1-8400.
- 10(vv) Irrevocable Executive Trust Agreement, dated as of May 1, 1992, between AMR and Wachovia Bank of North Carolina N.A.

INDEX TO EXHIBITS (CONTINUED)

- 10(ww) Deferred Compensation Agreement, dated as of December 23, 1992, between AMR and Howard P. Allen.
- 10(xx) Deferred Compensation Agreement, dated as of February 5, 1993, between AMR and Charles T. Fisher, III.
- 10(yy) Deferred Compensation Agreement, dated as of February 10, 1993, between AMR and Edward O. Vetter.
- 10(zz) Deferred Compensation Agreement, dated as of March 8, 1993, between AMR and John D. Leitch.
- 10(aaa) Amendment No. 2 to the Rights Agreement, dated as of February 13, 1986, between AMR Corporation and First Chicago Trust Company of New York.
- 10(bbb) Form of Guaranty to Career Equity Program under the AMR 1988 Long-Term Incentive Plan.
- 10(ccc) Amendment, dated as of July 26, 1993, to Career Equity Program Deferred Stock Award Agreements.
- 10(ddd) Second Amendment, dated as of July 26, 1993, to Career Equity Program Deferred Stock Award Agreements.
- 10(eee) Deferred Compensation Agreement, dated as of February 10, 1994, between AMR and Charles T. Fisher, III.
- 10(fff) Deferred Compensation Agreement, dated as of February 11, 1994, between AMR and Howard P. Allen.
- 10(ggg) American Airlines, Inc. 1995 Incentive Compensation Plan for Officers and Key Employees.
- 10(hhh) American Airlines , Inc. 1995 Employee Profit Sharing Plan.
- 10(iii) Amendment to AMR's 1988 Long-term Incentive Plan dated May 18, 1994, incorporated by reference to Exhibit A AMR's definitive proxy statement with respect to the annual meeting of stockholders held on May 18, 1994.
- 10(jjj) Directors Stock Incentive Plan dated May 18, 1994, incorporated by reference to Exhibit B AMR's definitive proxy statement with respect to the annual meeting of stockholders held on May 18, 1994.
- 10(kkk) Performance Share Program for the years 1993 to 1995 under the 1988 Long-term Incentive Program.
- 10(lll) Performance Share Program for the years 1994 to 1996 under the 1988 Long-term Incentive Program.

INDEX TO EXHIBITS (CONTINUED)

10(mmm)	American Airlines, Inc. Supplemental Executive Retirement Program dated November 16, 1994.
10(nnn)	Current form of Career Equity Program Agreement.
11(a)	Computation of primary loss per share for the years ended December 31, 1994, 1993 and 1992.
11(b)	Computation of loss per share assuming full dilution for the years ended December 31, 1994, 1993 and 1992.
19	The 1974 and 1979 American Airlines (AMR) Stock Option plans as amended March 16, 1983, incorporated by reference to Exhibit 19 to AMR's report on Form 10-K for the year ended December 31, 1983, file number 1-8400. Refer to Exhibits 10(d) and 10(e).
22	Significant subsidiaries of the registrant.
23	Consent of Independent Auditors appears on page 62 hereof.
27	Financial Data Schedule

(b) Reports on Form 8-K:

None.

GUARANTY TO
CAREER EQUITY PROGRAM

* * * * *

This Guaranty (the "Guaranty") to the Career Equity Program (the "Program") is made this 26th day of July 1993.

* * *

WHEREAS, AMR Corporation (the "Corporation") and _____ (the "Employee"), employee number _____, have previously entered into deferred stock agreements pursuant to the Career Equity Program (collectively referenced the "Agreements");

WHEREAS, pursuant to the Agreements shares of deferred stock have been awarded to the Employee (such shares of deferred stock to be collectively referenced the "Award");

WHEREAS, the Award will vest in accordance with the terms of the Agreements; and

WHEREAS, the Corporation and the Employee wish to agree upon a guaranty relating to the value of the Award upon the Employee's Retirement from a Subsidiary or Affiliate of the Corporation.

NOW, THEREFORE, in exchange for good and valuable consideration the sufficiency of which is hereby agreed, the Corporation and Employee agree as follows.

* * *

Section 1. For purposes of this Guaranty, the following terms will have the meanings set forth below.

Award FMV means the number of shares of Stock which vest upon the Employee's Retirement multiplied by the Fair Market Value of the Corporation's common stock, \$1.00 par value per share, on the date such shares of Stock vest.

Final Average Salary means the average annual salary used for purposes of computing the Employee's benefit under the qualified pension plan of the applicable Subsidiary or Affiliate.

Guaranty Amount means the Final Average Salary multiplied by 3.5, provided the Employee has been granted, in the aggregate, a number of shares of stock pursuant to the Agreements (the "Award Number") which is at least equal to the target number (the "Target Number") as may be established by the Board or any committee thereof. Should the Employee's Award Number be less

than the Target Number the Guaranty Amount will be the Employee's Final Average Salary multiplied by 3.5 and further multiplied by a fraction where the numerator is the Award Number and the denominator is the Target Number.

*

Section 2. In the event the Award vests in accordance with Section 2 of the Agreements, the Employee will be entitled to a supplemental payment in cash (subject to any applicable effective deferral), if, and to the extent that, on the date of the vesting of the Award, the Award FMV is less than Guaranty Amount. The supplemental payment, if any, will be equal to the difference between the Guaranty Amount and the Award FMV. Provided, however, that if the Employee elects an Early Retirement from a Subsidiary or Affiliate of the Corporation, the amount of the supplemental payment (as computed pursuant to this Section 2) will be multiplied the factor corresponding to the Employee's age at Early Retirement, as follows:

Age ---	Factor -----
55	.85
56	.88
57	.91
58	.94
59	.97

*

Section 3. This Guaranty will only be applicable in the event of the Employee's Retirement from a Subsidiary or Affiliate of the Corporation. This Guaranty will not be applicable, and is not intended to apply, in the event the Employee's employment with a Subsidiary or Affiliate of the Corporation is terminated for Cause, not for Cause, by reason of death, Disability or any other reason whatsoever.

*

Section 4. This Guaranty (a) shall be binding upon and inure to the benefit of any successor of the Corporation, (b) shall be governed by the laws of the State of Texas and any applicable laws of the United States, and (c) may not be amended without the written consent of both the Corporation and the Employee. No contract or right of employment shall be implied by this Guaranty.

*

Section 5. Capitalized terms not otherwise defined herein shall have the meanings set forth for such terms in the Corporation's 1988 Long Term Incentive Plan.

* * *

EMPLOYEE

AMR CORPORATION

By: _____
Charles D. Marlett
Corporate Secretary

AMENDMENT TO
CAREER EQUITY PROGRAM
DEFERRED STOCK AWARD AGREEMENTS

* * * * *

This Amendment (the "Amendment") to the Career Equity Program Deferred Stock Award Agreements dated prior to the date hereof (collectively referenced the "Agreements") is made this 26th day of July 1993.

* * *

WHEREAS, AMR Corporation (the "Corporation") and _____ (the "Employee"), employee number _____, have previously entered into the Agreements;

WHEREAS, the Corporation and the Employee wish to amend such Agreements by this Amendment;

NOW THEREFORE, in exchange for good and valuable consideration the sufficiency of which is hereby agreed, the Agreements are hereby amended as follows.

* * *

Section 1. Section 2 of the Agreements is hereby amended by adding the following paragraph thereto:

"Notwithstanding anything to the contrary contained herein and for the purposes of this Grant, in order to be eligible for the benefits hereunder associated with Early Retirement, the recipient must be entitled to receive early retirement pension benefits under the then existing policies of the Corporation, Subsidiary or Affiliate, as applicable."

*

Section 2. Paragraph 3 of Schedule A of the Agreements is hereby deleted in its entirety and in its place is substituted the following:

"3. Performance Return Payments shall be calculated based on a five-year rolling average return of investment of AMR Corporation (the "ROI"), as measured by American Airlines' Incentive Compensation Plan, except that such measurement shall include subsidiaries and accruals for the Profit Sharing Plan and the Incentive Compensation Plan. The ROI for Performance Return Payments shall be calculated on or before May 1 of each calendar year.

* * *

IN WITNESS HEREOF, the Employee and the Corporation have caused this Amendment to be executed as of the date first written above.

* * * * *

EMPLOYEE

AMR CORPORATION

C. D. MarLett
Corporate Secretary

Exhibit 10(ddd)

SECOND AMENDMENT TO
CAREER EQUITY PROGRAM
DEFERRED STOCK AWARD AGREEMENTS

* * * * *

This Amendment (the "Amendment") to the Career Equity Program Deferred Stock Award Agreements dated prior to the date hereof (collectively referenced, as amended, the "Agreements") is made this 26th day of July 1993.

* * *

WHEREAS, AMR Corporation (the "Corporation") and _____ (the "Employee"), employee number _____, have previously entered into the Agreements;

WHEREAS, the Corporation and the Employee wish to further amend such Agreements by this Amendment;

NOW, THEREFORE, in exchange for good and valuable consideration the sufficiency of which is hereby agreed, the Agreements are hereby amended as follows.

* * *

1. Section 2 of the Agreements is hereby amended by adding the following paragraph thereto:

"Notwithstanding anything to the contrary contained herein and for the purposes of this Grant, in order to be eligible for the benefits hereunder associated with Early Retirement, the recipient must be entitled to receive early retirement pension benefits under the then existing policies of the Corporation, Subsidiary or Affiliate, as applicable."

*

2. A new Section 13 is hereby added to the Agreements, such new Section 13 to read as follows:

"13. Payment of Performance Return Payments and Dividend Equivalents; Voting Rights.

(a) Performance Return Payments. Subject to the terms and conditions set forth in the attached Schedule A, Performance Return Payments (as defined in such Schedule A) shall be paid annually on or about the date as may be designated from time to time by the Board or any committee thereof (the "Payment Date") on all or a specified portion of the shares of Deferred Stock covered by this Award, as set forth in such Schedule A, based on: (i) the greater of (y) a deemed investment rate equal to the Corporation's Rolling Average ROI as defined and determined in accordance with

the terms and conditions set forth in such Schedule A or (z) 6%; and (ii) the value of the Stock as determined by the Board, or any committee thereof, pursuant to Schedule A.

In addition, the Employee shall be entitled, subject to the consent of the Board, to elect to defer receipt of such Performance Return Payments in accordance with the American Airlines, Inc. 1987 Executive Deferral Plan or its successor plan.

(b) Dividend Equivalents. The Employee shall also be entitled to payment of an amount equal to (i) the amount of any dividend declared per share on the Corporation's Stock after the Grant Date and prior to issuance to, or forfeiture by, the Employee of the shares of Deferred Stock covered by this Award, multiplied by (ii) the number of unissued and unforfeited shares of Deferred Stock covered by this Award, provided (y) that the amount of any such dividend equivalents shall be offset by the amount of any Performance Return Payments paid under this Award within the preceding 11 months and (z) that, unless the Board otherwise decides prior to the dividend payment date, such dividend equivalent payment shall be automatically deferred and treated as additional shares of Deferred Stock, subject to the same terms and conditions that apply to the related shares of Deferred Stock with respect to which such dividend equivalents were initially payable.

(c) Voting and Other Rights. The Employee shall have no ownership rights, including voting rights, with respect to the shares of Deferred Stock covered by this Award unless and until shares of stock are actually issued to the Employee."

*

3. A new Schedule A is hereby added to the Agreements. Such new Schedule A will be identical to the Schedule A attached hereto.

* * *

IN WITNESS HEREOF, the Employee and the Corporation have caused this Second Amendment to be executed as of the date first written above.

* * * * *

EMPLOYEE

AMR CORPORATION

C. D. MarLett
Corporate Secretary

Schedule A
Performance Return Payments

1. Performance Return Payments may be paid on a percentage of the shares covered by the Award, such percentage to be established, from time to time, by the Chairman of the Corporation.
2. The price of those shares, if any, subject to Performance Return Payments, will be as determined by the Board, or any committee thereof, and will approximate the then existing price of the Stock on the New York Stock Exchange.
3. The three-year rolling average return of investment of AMR Corporation (the "ROI"), as referenced in Section 13 of the Agreement, will be equal to that determined in accordance American Airlines' Incentive Compensation Plan, except that such determination shall include subsidiaries and accruals for the Profit Sharing Plan and the Incentive Compensation Plan. This ROI shall be calculated on or before March 31 of each calendar year.
4. In the event of an Employee's termination of employment with the Corporation (and any Subsidiary or Affiliate thereof) for reasons of death, Disability, or Retirement, Performance Return Payments, if any, which are paid on or around the first occurrence of the Payment Date after the date of death, Disability, or Retirement, shall be paid to the Employee (or, in the event of the Employee's death, the Employee's designated beneficiary for purposes of the Award, or in the absence of an effective beneficiary designation, the Employee's estate) at the rate of 8 1/3% for each full or partial month of employment since the Payment Date of the preceding year. Notwithstanding the foregoing, however, no Performance Return Payments shall be made to an Employee if the Employee's employment with the Corporation (and any Subsidiary or Affiliate thereof) is terminated for Cause.

February 10, 1994

Mr. Charles T. Fisher, III
 Tower 100
 Suite 2412
 Renaissance Center
 Detroit, Michigan 48243

Dear Chick:

This will confirm the following agreement relating to the deferral of, and payment of, your directors' fees:

1. All directors' fees and retainers payable to you in connection with your service on the boards of directors (including committees of such boards) of AMR Corporation ("AMR") and American Airlines, Inc. for the period beginning on and after January 1, 1994, and ending upon December 31, 1994, shall be paid to you on a deferred basis as set forth below.

2. Interest shall be accrued on the amounts to be paid on a deferred basis pursuant to paragraph 1 above, from the date such fees would otherwise have been paid to the date actually paid, at the prime rate which The Chase Manhattan Bank (National Association) from time to time charges in New York for 90-day loans to responsible commercial borrowers, such interest to be compounded monthly.

3. The total amount to be paid on a deferred basis plus the aggregate amount of interest accrued thereon and to accrue on the portion unpaid from time to time shall be paid to you in four installments as follows:

a) on January 1, 1999, 25% of the deferred fees and 25% of the interest accrued through December 31 of the immediately preceding year;

b) on January 1, 2000, 25% of the deferred fees and 25% of the interest accrued through December 31 of the immediately preceding year;

c) on January 1, 2001, 25% of the deferred fees and 25% of the interest accrued through December 31 of the immediately preceding year; and

d) on January 1, 2002, 25% of the deferred fees and all interest accrued and remaining to be paid on such payment date.

4. AMR's obligation to make payments pursuant to paragraph 3 hereof shall not be released or modified by reason of your death: In the event of your death prior to your retirement from the Board of AMR, the amount deferred and all interest accrued thereon shall be made to Charles T. Fisher, III, trustee, under the Charles T. Fisher, III Revocable Living Trust, dated March 24, 1988, as amended.

If the foregoing is satisfactory to you, please indicate by signing and returning the enclosed copy of this letter.

Very truly yours,

/S/ Charles D. Marlett
Charles D. Marlett
Corporate Secretary

Accepted and agreed:

/S/ Charles T. Fisher, III
Charles T. Fisher, III

February 11, 1994

Mr. Howard P. Allen
 Chairman of the Executive Committee
 Southern California Edison Company
 P. O. Box 800
 Rosemead, California 91770

Dear Howard:

This will confirm the following agreement relating to the deferral of, and payment of, your directors' fees:

1. All directors' fees and retainers payable to you in connection with your service on the boards of directors (including committees of such boards) of AMR Corporation ("AMR") and American Airlines, Inc. for the period beginning on and after January 1, 1994, and ending upon December 31, 1994, shall be paid to you on a deferred basis as set forth below.

2. Interest shall be accrued on the amounts to be paid on a deferred basis pursuant to paragraph 1 above, from the date such fees would otherwise have been paid to the date actually paid, at the prime rate which The Chase Manhattan Bank (National Association) from time to time charges in New York for 90-day loans to responsible commercial borrowers, such interest to be compounded monthly.

3. The total amount to be paid on a deferred basis plus the aggregate amount of interest accrued thereon and to accrue on the portion unpaid from time to time shall be paid to you in three installments as follows:

a) on the first business day of the first July immediately following your retirement, 33 1/3% of the deferred fees and 33 1/3 % of the interest accrued through June 30 of that year;

b) on the first business day of the second July following your retirement, 33 1/3% of the deferred fees and 33 1/3% of the interest accrued through June 30 of that year; and

c) on the first business day of the third July following your retirement, 33 1/3 % of the deferred fees and 33 1/3 % of the interest accrued through the payment date.

4. AMR's obligation to make payments pursuant to paragraph 3 hereof shall not be released or modified by reason of your death: In the event of your death prior to your retirement from the Board of AMR, the amount deferred and all interest accrued thereon shall be made to Howard P. Allen and Dixie M. Allen, trustees under the Allen Family Trust dated August 7, 1986, as amended.

If the foregoing is satisfactory to you, please indicate by signing and returning the enclosed copy of this letter.

Very truly yours,

/S/ Charles D. MarLett
 Charles D. MarLett
 Corporate Secretary

Accepted and agreed:

/S/ Howard P. Allen
Howard P. Allen

AMERICAN AIRLINES, INC.

1995 INCENTIVE COMPENSATION PLAN
FOR OFFICERS AND KEY EMPLOYEES

Purpose

The purpose of the 1995 American Airlines Incentive Compensation Plan ("Plan") for Officers and Key Employees is to provide greater incentive to officers and key employees of American Airlines, Inc. ("American"), to achieve the highest level of individual performance, and to meet or exceed specified goals which will contribute to the success of American.

Definitions

"Fund" is defined as the incentive compensation fund, if any, accumulated in accordance with this Plan.

"Qualified Earnings" is defined as an employee's pensionable earnings less such income items as moving expenses and related benefits, disability payments, incentive or profit sharing awards paid in the Plan year and other awards and allowances.

"Return on Investment" or "ROI" is defined as Plan Earnings divided by Adjusted Investment, stated as a percentage.

"Plan Earnings" is defined as AMR Corporation's ("AMR") pretax income plus AMR's interest expense, plus any accruals for American's profit sharing and incentive compensation plans, plus aircraft rental expense, less Calculated Amortization for Operating Leases and less pretax income and interest expense attributable to AMR subsidiaries other than American. For purposes of such calculation, the AMR Incentive Compensation Committee ("Committee") may include or exclude from Plan Earnings special or non-recurring gains or losses at its discretion.

"Adjusted Investment" is defined as AMR's Debt (as hereinafter defined) plus the present value of operating lease rental payments, plus AMR stockholders' equity, less stockholder's equity attributable to AMR subsidiaries other than American. "AMR's Debt" is defined as notes payable plus the current and non-current portions of both long-term debt and capital leases, less any long-term debt and capital leases relating to AMR subsidiaries other than American.

"Calculated Amortization for Operating Leases" is defined as the present value, at inception, of operating lease rental payments, amortized over the life of the lease, using the effective interest method.

"Affiliate" is defined as a subsidiary of AMR or any entity that is designated by the Board as a participating employer under the Plan, provided that AMR directly or indirectly owns at least 20% of the combined voting power of all classes of stock of such entity.

"Set Aside ROI" is defined as 8.0% for a relative rank among the Comparison Airlines of first through fourth and 9.0% for fifth.

"Set Aside" is defined as the Adjusted Investment (currently \$16.4 billion) multiplied by the Set Aside ROI.

Eligibility for Participation

In order to be eligible to participate in the Plan, an individual must be an officer or key employee of American who has been employed by an AMR company for at least three consecutive months during the Plan year. The three months service requirement may be waived by the Committee in cases of mandatory retirement prior to completing three months of service. During a Plan year, individuals with less than twelve months eligibility in the Plan may be eligible to participate in the Plan on a pro rata basis, at the discretion of the Committee. In addition, the Committee, in its discretion, may permit participation by officers and key employees of Affiliates who have been so employed by the Affiliate for at least three consecutive months during the Plan year.

Notwithstanding the foregoing, however, an officer or key employee will not be eligible to participate in the Plan if such officer or key employee is, at the same time, eligible to participate in a commission, incentive, profit sharing or other bonus compensation program sponsored by American or an Affiliate, unless the Committee otherwise decides.

In general, this Plan includes all American employees Level 5 and above, Level 4 General Managers, and Pilot management Levels 6 - 8 (in lieu of their participation in the Pilot variable compensation program). Currently, this plan covers approximately 1,100 employees. The Committee reserves the right to include or exclude any employee from the Plan at its discretion.

In order to receive an award under the Plan, an individual must satisfy the aforementioned eligibility requirements and must be an employee of American or an Affiliate at the time an award under the Plan is paid. If at the time awards are paid under the Plan, an individual has retired from American or an Affiliate (including accepting the 1994 Voluntary Early Retirement Program), is disabled, or has died, the award which the individual otherwise would have received under the Plan but for such retirement, disability, or death may be paid to the individual, or his/her estate in the event of death, at the discretion of the

Committee. Employees who have been terminated before the plan payout date (including layoff) will not be eligible for awards.

The Incentive Compensation Fund

- (a) As ROI exceeds the Set Aside ROI, a percentage of Plan Earnings in excess of the Set Aside will be allocated to the Fund.
- (b) Target ROI varies from 10.0% - 14.0% depending upon ROI rank among the Comparison Airlines. At target ROI, the fund will accumulate to a size that would enable target percentages of Qualified Earnings payouts for all covered employees.
- (c) If ROI at the appropriate competitive rank equals or exceeds the Set Aside ROI specified for such rank, the Fund will accumulate at the fund accumulation rate. If ROI at such competitive rank exceeds the target ROI set forth below with respect to such rank, the Fund will continue to accumulate, but at the incremental accumulation rate specified below:

American's Competitive Rank ----	ROI ---	Fund Accumulation Rate(1) -----	Incremental Accumulation Rate(2) -----	Comparison Airlines -----
Set Aside/Target				
1	8.0 -10.0%	4.82%	2.59%	Delta
2	8.0 -11.0	3.21	2.08	United
3	8.0 -12.0	2.41	1.74	USAir
4	8.0 -13.0	1.93	1.45	Southwest
5	9.0 -14.0	1.93	1.17	

- (d) The fund accumulation and incremental accumulation rates (set forth above) may be modified by the Committee in the event the targeted headcount and salary numbers for the Plan year differ from actual headcount and salary numbers for the Plan year. In the event a modification is made by the Committee to such accumulation rates, the amount of the Fund may be changed, on a retroactive basis if necessary, as determined by the Committee in its discretion.

Allocation of Individual Awards

Individual awards under the Plan will be determined by the Committee (except as otherwise provided herein) based upon each participant's performance.

- (1) Stated as a percentage of Plan Earning in excess of the Set Aside.
- (2) Stated as a percentage of Plan earnings in excess of that level of Plan Earnings at the target ROI percentage.

Unless the Committee otherwise decides, an award made under the Plan, in combination with any other award made under an incentive, commission, profit sharing or other bonus compensation program sponsored by American or an Affiliate may not, in the aggregate, exceed 100% of the participant's base salary. At the discretion of the Committee the Fund may not be fully distributed. In addition, the aggregate of all awards paid hereunder will not exceed the lesser of 2.1 times the target fund (subject to year end adjustment based on actual participant headcount and salaries) or 50% of total base salaries of all participants.

Administration

The Committee shall have authority to administer and interpret the Plan, establish administrative rules, approve eligible participants, and take any other action necessary for the proper operation of the Plan. In computing the Return on Investment of the Comparison Airlines, the Committee may include or exclude special or non-recurring items. Notwithstanding anything to the contrary contained herein, no awards will be made under the Plan unless awards are also made under the 1995 American Airlines Employees Profit Sharing Plan and the variable compensation program for members of the Allied Pilots Association (implemented in 1991). Awards to officers who serve on the Committee will be determined by the Chairman and approved by the Compensation/Nominating Committee of the Board of Directors. The Chairman's award shall be determined by the Compensation/Nominating Committee of the Board of Directors. The amount, if any, of the Fund shall be computed by the General Auditor of American based on a certification of ROI by American's independent auditors. A summary of awards under the Plan shall be provided to the Board of Directors at the first regular meeting following determination of the awards.

Method of Payment

The Committee will determine the method of payment of awards. Awards shall be paid as soon as practicable after audited financial statements for the year 1995 are available. Individuals, except retirees, may elect to defer their awards into a 401(k) plan established by American or AMR or into a deferred compensation program, if any, administered by American or AMR.

General

Neither this Plan nor any action taken hereunder shall be construed as giving any employee or participant the right to be retained in the employ of American or an Affiliate.

Nothing in the Plan shall be deemed to give any employee any right, contractually or otherwise, to participate in the Plan or in any benefits hereunder, other than the right to receive payment of such incentive compensation as may have been expressly awarded by the Committee.

In consideration of the employee's privilege to participate in the Plan, the employee agrees (i) not to disclose any trade secrets of, or other confidential/restricted information of, American, to any unauthorized party and, (ii) not to make any unauthorized use of such trade secrets or confidential or restricted information during his or her employment with American or after such employment is terminated, and (iii) not to solicit any current employees of American or any subsidiaries of AMR Corporation to join the employee at his or her new place of employment after his or her employment with American is terminated.

The Board of Directors may amend, suspend, or terminate the plan at any time.

1995 AA INCENTIVE COMPENSATION PLAN
SUPPLEMENTAL INFORMATION

CONFIDENTIAL : DO NOT DISTRIBUTE

Target Award levels:

Level -----	% of Qualified Earnings -----
4 GM	10.0%
5	10.0%
6	15.0%
7	25.0%
8	30.0%
Vice President	35.0%
Senior Vice President	55.0%
Executive Vice President	60.0%
President	100.0%

Plan vs. Target

Since the performance measurement for this plan is investment market based rather than plan (budget) based, target payouts are not necessarily reached when the Company achieves planned performance. The following table shows the expected difference between plan and target payouts for 1995.

	Plan ----	Target -----
Rank	2	1 - 5
ROI	9.68%	10.0% - 14.0%
Fund Size* (millions) * estimated	\$8.9	\$15.9

AMERICAN AIRLINES, INC.

1995 EMPLOYEE PROFIT SHARING PLAN

Purpose

The purpose of the 1995 American Airlines Employee Profit Sharing Plan ("Plan") is to provide participating employees with a sense of commitment to, and direct financial interest in, the success of American Airlines, Inc. ("American").

Definitions

"Fund" is defined as the profit sharing fund, if any, accumulated in accordance with this plan.

"Qualified Earnings" is defined as an employee's pensionable earnings less such income items as moving expenses and related benefits, disability payments, incentive or profit sharing awards paid in the Plan year and other awards and allowances.

"Return on Investment" or "ROI" is defined as Plan Earnings divided by Adjusted Investment, stated as a percentage.

"Plan Earnings" is defined as AMR Corporation's ("AMR") pretax income plus AMR's interest expense, plus any accruals for American's profit sharing and incentive compensation plans, plus aircraft rental expense, less Calculated Amortization for Operating Leases and less pretax income and interest expense attributable to AMR subsidiaries other than American. For purposes of such calculation, the AMR Incentive Compensation Committee ("Committee") may include or exclude from Plan Earnings special or non-recurring gains or losses at its discretion.

"Adjusted Investment" is defined as AMR's Debt (as hereinafter defined) plus the present value of operating lease rental payments, plus AMR stockholders' equity, less stockholder's equity attributable to AMR subsidiaries other than American. "AMR's Debt" is defined as notes payable plus the current and non-current portions of both long-term debt and capital leases, less any long-term debt and capital leases relating to AMR subsidiaries other than American.

"Calculated Amortization for Operating Leases" is defined as the present value, at inception, of operating lease rental payments, amortized over the life of the lease, using the effective interest method.

"Affiliate" is defined as a subsidiary of AMR or any entity that is designated by the Board as a participating employer under the Plan, provided that AMR directly or indirectly owns at least 20% of the combined voting power of all classes of stock of such entity.

"Set Aside" is defined as the Adjusted Investment (currently \$16.4 billion) multiplied by 8%.

Eligibility for Participation

All full-time and part-time employees of American who worked during the Plan year are eligible to participate in the Plan after completing six consecutive months of service with any AMR companies. This six months is included in their eligible time worked under the Plan.

Notwithstanding the foregoing, however, an employee will not be eligible to participate in the Plan if such employee is, at the same time, eligible to participate in :

- i) the 1995 American Airlines Incentive Compensation Plan for Officers and Key Employees,
- ii) the variable compensation program for members of the Allied Pilots Association (as implemented in 1991),
- iii) any incentive compensation, profit sharing, or other bonus plan implemented in 1995 for employees of any division of American, or
- iv) any incentive compensation, profit sharing, or other bonus plan sponsored by an Affiliate.

In general, this Plan includes all American employees Level 4 and below, who are not covered by the plans described above. Currently, this Plan covers approximately 71,000 employees.

Profit Sharing awards will be determined on a proportionate basis for participation in more than one plan. Employees who transfer from/to Affiliates or any other plan described above, and have been employed with any AMR companies for at least six consecutive months, will receive awards from each plan on a proportionate basis.

In order to receive an award under the Plan, an individual must satisfy the aforementioned eligibility requirements and must be an employee of American or an Affiliate at the time an award under the Plan is paid. If at the time awards are paid under the Plan, an individual has retired from American or an Affiliate (including accepting the 1994 Voluntary Early Retirement Program), has been terminated without cause (i.e. layoff), is disabled, or has died, the award which

the individual otherwise would have received under the Plan but for such retirement, termination, disability, or death may be paid to the individual, or his/her estate in the event of death, at the discretion of the Committee.

The Profit Sharing Fund

Performance will be measured by ROI and the fund will accumulated based on that performance. When ROI is above 8.0%, the Profit Sharing Plan will accumulate a percentage of Plan Earnings in excess of Set Aside (defined as "Incremental Plan Earnings") according to the rates shown below. However, once an ROI of 8.0% is achieved, the fund will be established at a minimum of \$5 million to prevent minimal payments for full-time employees.

ROI -----	Rate of Fund accumulation as a % of Incremental Plan Earnings -----
8.0 - 11.0%	7% of Incr. Plan Earnings
11.0 - 13.0%	17% of Incr. Plan Earnings
13.0 - 18.0%	23% of Incr. Plan Earnings
above 18.0%	30% of Incr. Plan Earnings

The size of the Fund will be determined according to the above stated rates and is not related to the number of employees covered.

Award Distribution

Domestic For domestic employees, individual awards under the Plan will be based on:

- 1) the amount of the Profit Sharing Fund,
- 2) the employee's hours worked during the Plan year,
- 3) the employee's total years of service, and
- 4) the employee's Qualified Earnings during the plan year.

These factors are explained in a following paragraph.

International A portion of the Fund will be allocated for international employees based on their proportion of factors 2, 3, and 4 in the paragraph above. This portion of the Fund will be set aside for distribution at the discretion of the appropriate Senior Vice President.

Award Determination for Domestic Employees

Individual domestic awards will be computed as follows:

- (a) Each eligible participant will receive an award equal to the product of 50 percent (50%) of the domestic Fund multiplied by the eligible participant's Hours Worked Percentage (as hereinafter defined). "Hours Worked Percentage" is defined as that percentage where the denominator is the sum of all hours worked during 1995 by eligible participants hereunder and the numerator is the actual number of hours worked during 1995 by each eligible participant.
- (b) Each eligible participant will receive an award equal to the product of 25 percent (25%) of the domestic Fund multiplied by the eligible participant's Years Worked Percentage (as hereinafter defined). "Years Worked Percentage" is defined as that percentage where the denominator is the sum of all years worked by eligible participants hereunder on behalf of American and the numerator is the number of years worked on behalf of American by each eligible participant.
- (c) Each eligible participant will receive an award equal to the product of 25 percent (25%) of the domestic Fund multiplied by the eligible participant's Qualified Earnings Percentage (as hereinafter defined). "Qualified Earnings Percentage" is defined as that percentage where the denominator is the sum of all 1994 Qualified Earnings of eligible participants hereunder and the numerator is the Qualified Earnings of each eligible participant.
- (d) Each individual award will be determined by adding the results of the computations of subparagraphs (a), (b) and (c) above.
- (e) Notwithstanding the foregoing, at the discretion of the Committee, the Fund may not be fully distributed. In addition, and unless the Committee otherwise decides, an award made under the Plan, in combination with any other incentive, commission, profit sharing or other bonus award(s) made under another plan of an Affiliate, may not, in the aggregate, exceed 100% of the recipient's base salary, without the approval of the Committee.

Administration

The Plan will be administered by a Committee comprised of officers of American appointed by the Chairman of AMR. The Committee will have authority to

administer and interpret the Plan, establish administrative rules, determine eligibility and take any other action necessary for the proper and efficient operation of the Plan. The amount, if any, of the Fund shall be computed by the General Auditor of American based on a certification of ROI by American's independent auditors. A summary of awards under the Plan shall be provided to the Board of Directors at the first regular meeting following determination of the awards.

Method of Payment

The Committee shall determine the method of payment of awards. Awards shall be paid as soon as practicable after audited financial statements for the year 1995 are available. Individuals, except retirees, may elect to defer their awards into the 401(k) plan established by American.

General

Neither this Plan nor any action taken thereunder shall be construed as giving to any employee or participant the right to be retained in the employ of American or any Affiliate.

Nothing in the Plan shall be deemed to give any employee any right, contractually or otherwise, to participate in the Plan or in any benefits thereunder, other than the right to receive payment of such award as may have been expressly determined by the Committee.

In consideration of the employee's privilege to participate in the Plan, the employee agrees (i) not to disclose any trade secrets of, or other confidential/restricted information of, American, to any unauthorized party and, (ii) not to make any unauthorized use of such trade secrets or confidential or restricted information during his or her employment with American or after such employment is terminated, and (iii) not to solicit any current employees of American or any subsidiaries of AMR Corporation to join the employee at his or her new place of employment after his or her employment with American is terminated.

The Committee may amend, suspend, or terminate the Plan at any time.

1995 AA PROFIT SHARING PLAN
SUPPLEMENTAL INFORMATION

Plan vs. Target

Since the performance measurement for this Plan is investment market based rather than plan (budget) based, target payouts are not necessarily reached when the Company achieves planned performance. The following table shows the expected difference between plan and target payouts.

	Plan ----	Target -----
ROI	9.68%	13.67%
% of Salary	0.84%	5.0%
Fund Size* (millions)	\$18.7	\$111.4
* estimated		

PERFORMANCE SHARE PROGRAM
DEFERRED STOCK AWARD AGREEMENT

This AGREEMENT made as of the ____ day of _____ by and between AMR Corporation, a Delaware corporation (the "Corporation"), and _____ (the "Employee"), employee number _____.

WHEREAS, the stockholders of the Corporation approved the 1988 Long Term Incentive Plan (the "1988 Plan") at the Corporation's annual meeting held on May 18, 1988; and

WHEREAS, pursuant to the Performance Share Program (the "Program") adopted by the Board of Directors of the Corporation (the "Board"), the Board has determined to make a Program grant to the Employee of Deferred Stock (subject to the terms of the 1988 Plan and this Agreement), as an inducement for the Employee to remain an employee of the Corporation (or a Subsidiary or Affiliate thereof), and to retain and motivate such Employee during such employment.

NOW, THEREFORE, the Corporation and the Employee hereby agree as follows:

1. Grant of Award. The Employee is hereby granted as of _____, (the "Grant Date") a Deferred Stock Award (the "Award"), subject to the terms and conditions hereinafter set forth, with respect to ____ shares of Common Stock, \$1.00 par value, of the Corporation ("Stock"). The shares of Stock covered by the Award shall vest in accordance with Section 2.

2. Vesting. (a) The Award will vest, if at all, in accordance with Schedule A, attached hereto and made a part of this Agreement.

(b) In the event of the termination of Employee's employment with the Corporation (or a Subsidiary or Affiliate thereof) prior to the end of three year measurement period set forth in Schedule A (the "Measurement Period") due to the Employee's death, Disability, Retirement or termination not for Cause (each an "Early Termination") the Award will vest, if at all, on a prorata basis and will be paid to the Employee (or, in the event of the Employee's death, the Employee's designated beneficiary for purposes of the Award, or in the absence of an effective beneficiary designation, the Employee's estate) within 90 days following the end of the Measurement Period. The prorata share will be a percentage where the denominator is 36 and the numerator is the number of months from January 1, 1994 through the

month of the Early Termination, inclusive.

(c) In the event of the termination of Employee's employment with the Corporation (or any Subsidiary or Affiliate thereof) for Cause, or if the Employee terminates his employment with the Corporation (or any Subsidiary or Affiliate thereof) the Award shall be forfeited in their entirety.

(d) In the event of a Change in Control or Potential Change in Control of the Corporation, the Award shall vest in accordance with the 1988 Plan.

3. Elective Deferrals. At any time at least 12 months prior to the end of the Measurement Period, the Employee may elect in writing, subject to Board approval, to voluntarily defer the receipt of the Stock for a specified additional period beyond the end of the Measurement Period (the "Elective Deferral Period"). Any Stock deferred pursuant to this Section 3 shall be issued to the Employee within 60 days after the end of the Elective Deferral Period. In the event of the death of the Employee during the Elective Deferral Period, the Stock so deferred shall be issued to the Employee's designated Beneficiary (or to the Employee's estate, in the absence of an effective beneficiary designation) within 60 days after the Corporation receives written notification of death.

4. Transfer Restrictions. This Award is non-transferable otherwise than by will or by the laws of descent and distribution, and may not otherwise be assigned, pledged or hypothecated and shall not be subject to execution, attachment or similar process. Upon any attempt by the Employee (or the Employee's successor in interest after the Employee's death) to effect any such disposition, or upon the levy of any such process, the Award may immediately become null and void, at the discretion of the Board.

5. Miscellaneous. This Agreement (a) shall be binding upon and inure to the benefit of any successor of the Corporation, (b) shall be governed by the laws of the State of Texas and any applicable laws of the United States, and (c) may not be amended without the written consent of both the Corporation and the Employee. No contract or right of employment shall be implied by this Agreement. If this Award is assumed or a new award is substituted therefore in any corporate reorganization, employment by such assuming or substituting corporation or by a parent corporation or subsidiary or affiliate thereof shall be considered for all purposes of this Award to be employment by the Corporation.

6. Securities Law Requirements. The Corporation shall not be required to issue Stock pursuant to this Award unless and until (a) such shares have been duly listed upon each stock

exchange on which the Corporation's Stock is then registered; and (b) a registration statement under the Securities Act of 1933 with respect to such shares is then effective.

The Board may require the Employee to furnish to the Corporation, prior to the issuance of the Stock in connection with this Award, an agreement, in such form as the Board may from time to time deem appropriate, in which the Employee represents that the shares acquired by him under the Award are being acquired for investment and not with a view to the sale or distribution thereof.

7. Incorporation of 1988 Plan Provisions. This Agreement is made pursuant to the 1988 Plan and is subject to all of the terms and provisions of the 1988 Plan as if the same were fully set forth herein. Capitalized terms not otherwise defined herein shall have the meanings set forth for such terms in the 1988 Plan.

EMPLOYEE

AMR CORPORATION

By: _____
Charles D. Marlett
Corporate Secretary

Schedule A

The Award hereunder is granted contingent upon the Corporation's attainment of predetermined cash flow objectives (the "Objectives") over a three year period beginning January 1, 1993 and ending December 31, 1995 (the "Measurement Period"). The Objectives will be determined by the Corporation's cumulative operating cash flow to net assets over the Measurement Period, as determined by the General Auditor of American Airlines, Inc. and as verified by the Corporation's independent public accountants. The amount, if any, of the Award to be paid following the Measurement Period will be dependent upon the actual Objective for the Measurement Period and the Corporation's standing with respect to the Objective relative to four competitors (United, Delta, Southwest and USAir, or such substitute as may be designated by the Board or any committee thereof).

AMR Relative Standing Comparative Airlines -----	Percent of Award Earned -----			
1st	75%	100%	125%	150%
2nd	50%	75%	100%	125%
3rd	25%	50%	75%	100%
4th	0%	25%	50%	75%
5th	0%	0%	0%	0%
Objective Attained -----	0- 4.75%	4.75%- 6.25%	6.25%- 7.75%	less than 7.75%

PERFORMANCE SHARE PROGRAM
DEFERRED STOCK AWARD AGREEMENT

This AGREEMENT made as of the ____ day of _____ by and between AMR Corporation, a Delaware corporation (the "Corporation"), and _____ (the "Employee"), employee number _____.

WHEREAS, the stockholders of the Corporation approved the 1988 Long Term Incentive Plan (the "1988 Plan") at the Corporation's annual meeting held on May 18, 1988; and

WHEREAS, pursuant to the Performance Share Program (the "Program") adopted by the Board of Directors of the Corporation (the "Board"), the Board has determined to make a Program grant to the Employee of Deferred Stock (subject to the terms of the 1988 Plan and this Agreement), as an inducement for the Employee to remain an employee of the Corporation (or a Subsidiary or Affiliate thereof), and to retain and motivate such Employee during such employment.

NOW, THEREFORE, the Corporation and the Employee hereby agree as follows:

1. Grant of Award. The Employee is hereby granted as of _____, (the "Grant Date") a Deferred Stock Award (the "Award"), subject to the terms and conditions hereinafter set forth, with respect to ____ shares of Common Stock, \$1.00 par value, of the Corporation ("Stock"). The shares of Stock covered by the Award shall vest in accordance with Section 2.

2. Vesting. (a) The Award will vest, if at all, in accordance with Schedule A, attached hereto and made a part of this Agreement.

(b) In the event of the termination of Employee's employment with the Corporation (or a Subsidiary or Affiliate thereof) prior to the end of three year measurement period set forth in Schedule A (the "Measurement Period") due to the Employee's death, Disability, Retirement or termination not for Cause (each an "Early Termination") the Award will vest, if at all, on a prorata basis and will be paid to the Employee (or, in the event of the Employee's death, the Employee's designated beneficiary for purposes of the Award, or in the absence of an effective beneficiary designation, the Employee's estate) within 90 days following the end of the Measurement Period. The prorata share will be a percentage where the denominator is 36 and the numerator is the number of months from January 1, 1994 through the

month of the Early Termination, inclusive.

(c) In the event of the termination of Employee's employment with the Corporation (or any Subsidiary or Affiliate thereof) for Cause, or if the Employee terminates his employment with the Corporation (or any Subsidiary or Affiliate thereof) the Award shall be forfeited in their entirety.

(d) In the event of a Change in Control or Potential Change in Control of the Corporation, the Award shall vest in accordance with the 1988 Plan.

3. Elective Deferrals. At any time at least 12 months prior to the end of the Measurement Period, the Employee may elect in writing, subject to Board approval, to voluntarily defer the receipt of the Stock for a specified additional period beyond the end of the Measurement Period (the "Elective Deferral Period"). Any Stock deferred pursuant to this Section 3 shall be issued to the Employee within 60 days after the end of the Elective Deferral Period. In the event of the death of the Employee during the Elective Deferral Period, the Stock so deferred shall be issued to the Employee's designated Beneficiary (or to the Employee's estate, in the absence of an effective beneficiary designation) within 60 days after the Corporation receives written notification of death.

4. Transfer Restrictions. This Award is non-transferable otherwise than by will or by the laws of descent and distribution, and may not otherwise be assigned, pledged or hypothecated and shall not be subject to execution, attachment or similar process. Upon any attempt by the Employee (or the Employee's successor in interest after the Employee's death) to effect any such disposition, or upon the levy of any such process, the Award may immediately become null and void, at the discretion of the Board.

5. Miscellaneous. This Agreement (a) shall be binding upon and inure to the benefit of any successor of the Corporation, (b) shall be governed by the laws of the State of Texas and any applicable laws of the United States, and (c) may not be amended without the written consent of both the Corporation and the Employee. No contract or right of employment shall be implied by this Agreement. If this Award is assumed or a new award is substituted therefore in any corporate reorganization, employment by such assuming or substituting corporation or by a parent corporation or subsidiary or affiliate thereof shall be considered for all purposes of this Award to be employment by the Corporation.

6. Securities Law Requirements. The Corporation shall not be required to issue Stock pursuant to this Award unless and until (a) such shares have been duly listed upon each stock

exchange on which the Corporation's Stock is then registered; and (b) a registration statement under the Securities Act of 1933 with respect to such shares is then effective.

The Board may require the Employee to furnish to the Corporation, prior to the issuance of the Stock in connection with this Award, an agreement, in such form as the Board may from time to time deem appropriate, in which the Employee represents that the shares acquired by him under the Award are being acquired for investment and not with a view to the sale or distribution thereof.

7. Incorporation of 1988 Plan Provisions. This Agreement is made pursuant to the 1988 Plan and is subject to all of the terms and provisions of the 1988 Plan as if the same were fully set forth herein. Capitalized terms not otherwise defined herein shall have the meanings set forth for such terms in the 1988 Plan.

EMPLOYEE

AMR CORPORATION

By: _____
Charles D. MarLett
Corporate Secretary

Schedule A

The Award hereunder is granted contingent upon the Corporation's attainment of predetermined cash flow objectives (the "Objectives") over a three year period beginning January 1, 1994 and ending December 31, 1996 (the "Measurement Period"). The Objectives will be determined by the Corporation's cumulative operating cash flow to net assets over the Measurement Period, as determined by the General Auditor of American Airlines, Inc. and as verified by the Corporation's independent public accountants. The amount, if any, of the Award to be paid following the Measurement Period will be dependent upon the actual Objective for the Measurement Period and the Corporation's standing with respect to the Objective relative to four competitors (United, Delta, Southwest and USAir, or such substitute as may be designated by the Board or any committee thereof).

AMR Relative Standing Comparative Airlines -----	Percent of Award Earned -----				
1st	75%	100%	125%	150%	175%
2nd	50%	75%	100%	125%	150%
3rd	25%	50%	75%	100%	125%
4th	0%	25%	50%	75%	100%
5th	0%	0%	0%	0%	0%
Objective Attained -----	0- 5.25%	5.25%- 6.75%	6.75%- 8.25%	8.25% 9.25%	+9.25%

Revised November 1994

AMERICAN AIRLINES, INC.
SUPPLEMENTAL EXECUTIVE RETIREMENT PROGRAM
EFFECTIVE JANUARY 1, 1985

Revised November 1994

SUPPLEMENTAL EXECUTIVE RETIREMENT PROGRAM OF
AMERICAN AIRLINES, INC.

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SUPPLEMENTAL EXECUTIVE RETIREMENT PROGRAM OF
AMERICAN AIRLINES, INC.

PURPOSE

This Plan provides supplemental pension benefits to the elected officers of American Airlines, Inc. The supplemental benefits consist of amounts in excess of the maximum pension benefits payable under a Participant's Base Plan and a retirement benefit based on a Participant's Incentive Compensation and Performance Returns.

ARTICLE I

DEFINITIONS

- 1.1 Act - The Employee Retirement Income Security Act of 1974, as amended, and any successor thereto.
- 1.2 Average Incentive Compensation - An amount calculated as follows:
- (a) The sum of a Participant's five highest annual Incentive Compensation awards (or the sum of all awards if a Participant has fewer than five such awards) paid to a participant during the time period beginning on or after January 1, 1985, and ending the earlier of: i) the Participant's actual retirement under the Base Plan, ii) the Participant's death, or iii) the Participant's retirement. If an individual earns less than a full year of Credited Service as a Participant in any year in which Incentive Compensation is paid, that portion of the Incentive Compensation taken into account will be prorated based on the number of months in which the individual earns any Credited Service while a Participant.
 - (b) Divide the sum determined in (a), above, by 5.
- 1.3 Average Performance Returns - An amount calculated as follows:
- (a) The sum of a Participant's five highest annual Performance Return awards (or the sum of all awards if a Participant has fewer than five such awards) paid in the ten calendar years preceding the first to occur of: i) the Participant's actual retirement under the Base Plan, ii) the Participant's death, or iii) the Participant's retirement.
 - (b) Divide the sum determined in (a), above, by 5.
- 1.4 Base Plan - The Retirement Benefit Plan(s) of the Company which qualify under Section 401 of the Code (or its successor provision) and under which a Participant is eligible to receive benefits.

SUPPLEMENTAL EXECUTIVE RETIREMENT PROGRAM OF
AMERICAN AIRLINES, INC.

- 1.5 Base Plan Benefit - The annual benefit which a Participant or beneficiary is entitled to receive from the Base Plan upon retirement, disability, death or termination of employment, subject to Base Plan provisions which limit such benefit to the maximum amount permitted by the Code.
- 1.6 Code - The Internal Revenue Code of 1986, as amended.
- 1.7 Committee - The administrative committee appointed to manage and administer the Plan.
- 1.8 Company - American Airlines, Inc. and any subsidiary thereof or of AMR Corporation ("AMR") which is designated for inclusion in the Plan as determined by the Board of Directors of AMR.
- 1.9 Credited Service - Credited Service as defined and determined under the Participant's Base Plan.
- 1.10 Excess Retirement Benefit - The amount by which the Participant's Total Benefit exceeds the corresponding Base Plan Benefit, if any.
- 1.11 Incentive Compensation - Compensation paid to a participant on or after January 1, 1985, in accordance with one of the incentive compensation plans adopted by the Board of Directors of the Company, whether paid currently or deferred. For purposes of this definition, long-term, multi-year incentive compensation plans are not included.
- 1.12 Participant - An elected officer of American Airlines, Inc. (or designated officers of another Company) who is a participant in a Base Plan.
- 1.13 Performance Returns - Compensation paid to a Participant, on a specified portion of career equity shares granted to a Participant, as determined by the Board of Directors of the Company.
- 1.14 Plan - The Supplemental Executive Retirement Program of American Airlines, Inc.
- 1.15 Supplemental Incentive Compensation Retirement Benefit - The amount determined by multiplying the Average Incentive Compensation by 2% for each year of Credited Service.
- 1.16 Supplemental Performance Return Retirement Benefit - The amount determined by multiplying the Average Performance Return by 2% for each year of Credited Service.

SUPPLEMENTAL EXECUTIVE RETIREMENT PROGRAM OF
AMERICAN AIRLINES, INC.

- 1.17 Total Benefit - The annual amount of a Participant's or a beneficiary's benefit under the Base Plan computed without regard to Base Plan provisions which limit the benefit to the maximum amount permitted by the Code.

ARTICLE II

BENEFITS

- 2.1 The Plan will pay a Participant an annual retirement benefit equal to the sum of a Participant's Excess Retirement Benefit, Supplemental Incentive Compensation Retirement Benefit, and Supplemental Performance Return Retirement Benefit.
- 2.2 The benefit under Section 2.1 of this Plan will be reduced by a Social Security offset amount, if any, determined in accordance with the applicable provisions of the Base Plan.
- 2.3 If no benefit is payable under the Base Plan, then no benefit will be payable under this Plan.

ARTICLE III

PAYMENT OF BENEFITS

- 3.1 Except as provided in Sections 3.3 and 3.4, benefits hereunder shall be payable at the same time and in the same manner hereunder as under the Base Plan. Any designation of beneficiary or contingent annuitant or revocation in effect under the Base Plan shall be in effect under this Plan.
- 3.2 All rules of the Base Plan consistent with this Plan will apply, including but not limited to, Social Security offset provisions, early retirement reductions, optional forms of benefit, pre-retirement surviving spouse's annuity, and spousal consent requirements.
- 3.3 Except as provided in Section 3.4, all benefits under this Plan will be paid in monthly installments only, unless the Committee in its sole discretion directs payment in another form. The Participant may elect any of the standard equity forms provided under the Base Plan.

SUPPLEMENTAL EXECUTIVE RETIREMENT PROGRAM OF
AMERICAN AIRLINES, INC.

- 3.4 In lieu of monthly payments pursuant to Section 3.3, a Participant may elect to claim a lump-sum, one-time payment equal to the present value of the Benefits to be paid pursuant to Article II of this Agreement (the "Lump-Sum Payment"). Such claim shall i) be in writing, ii) be in a form as prescribed by the Company, iii) be addressed to the Company's Vice President Personnel Resources, and iv) be made by a Participant at least one year (or such lesser period as the Committee may permit) before he or she commences payments or one year before age 65, whichever is the first to occur. In addition to the foregoing, the Participant must execute a general release; submit to a physical examination to provide medical evidence of normal life expectancy satisfactory to the Company; and provide consent of spouse, if married. If the Participant's claim is denied, the Participant or the Participant's spouse will receive a written notice. Any appeal of a denied claim under this Section 3.4 will be processed in accordance with the appeal procedures of the Base Plan. In calculating the Lump-Sum Payment, the interest rate shall be equal to that rate of interest then being earned on bonds rated Moody's AAA Corporate Bond Rate for the third month preceding the Participant's retirement date plus 100 basis points. Upon acceptance of the lump-sum claim, the Lump-Sum Payment will be paid to the Participant within 30 days of the Participant's first receipt of benefits under the Base Plan.

ARTICLE IV

AMENDMENT AND TERMINATION

- 4.1 The Board of Directors of the Company, or such person or persons, including the Committee, as may be designated in writing, may amend or terminate the Plan at any time.
- 4.2 No such amendment or termination pursuant to Section 4.1 shall adversely affect a benefit payable under this Plan with respect to a Participant's employment by the Company prior to the date of such amendment or termination unless such benefit is or becomes payable under a successor plan or practice adopted by the Board of Directors or its designee.
- 4.3 Notwithstanding Sections 4.1 and 4.2 of the Plan, no changes or amendments (including termination) to the Plan will be permitted after a Change in Control or Potential Change in Control (each as defined in the 1988 Long Term Incentive Plan (or its successor plan) of AMR).

SUPPLEMENTAL EXECUTIVE RETIREMENT PROGRAM OF
AMERICAN AIRLINES, INC.

ARTICLE V

GENERAL CONDITIONS

- 5.1 The right to receive benefits under the Plan may not be anticipated, alienated, sold, transferred, assigned, pledged, encumbered or subjected to any charge or legal process, and if any attempt is made to do so or a person eligible for any benefit becomes bankrupt, the interest under the Plan of the person affected may be terminated by the Committee and the Committee may in its sole discretion cause the same to be held or applied for the benefit of one or more of the dependents of such person.
- 5.2 All questions pertaining to the construction, validity and effect of the Plan shall be determined in accordance with the laws of the United States and the State of Texas.

ARTICLE VI

FUNDING

The Company will pay the entire cost of the Plan. It is the intent of the Company to pay benefits as they become payable from its general assets.

ARTICLE VII

TRUST

- 7.1 To assist in the payment of benefits following a Change in Control or Potential Change in Control (each as defined in the 1988 Long-Term Incentive Plan (or its successors) of AMR) with respect to AMR, the Board of Directors of the Company or its General Counsel or its Corporate Secretary may establish a trust.
- 7.2 The trust which may be established pursuant to Section 7.1 will be: i) with a nationally recognized banking institution with experience in serving as a trustee for such matters, ii) pursuant to such documentation as recommended by outside counsel to the Company, and iii) funded so as to enable the trust to pay the benefits contemplated under the Plan as may be determined by the Company's independent compensation consultant. In addition, the Company's Board of Directors, its General Counsel or its Corporate Secretary, may take those additional actions deemed reasonably necessary to accomplish the stated purpose of Section 7.1.

CAREER EQUITY PROGRAM
DEFERRED STOCK AWARD AGREEMENT

This AGREEMENT made as of the ____ day of _____, by and between AMR Corporation, a Delaware corporation (the "Corporation"), to _____ (the "Employee"), employee number _____.

WHEREAS, the stockholders of the Corporation approved the 1988 Long Term Incentive Plan (the "1988 Plan") at the Corporation's annual meeting held on May 18, 1988; and

WHEREAS, pursuant to the Career Equity Program adopted by the Board of Directors of the Corporation (the "Board"), the Board has determined to make a Career Equity Program grant to the Employee of Deferred Stock (subject to the terms of the 1988 Plan and this Agreement), as an inducement for the Employee to remain an employee of the Corporation, and to retain and motivate such Employee during his employment with the Corporation.

NOW, THEREFORE, the Corporation and the Employee hereby agree as follows:

1. Grant of Award. The Employee is hereby granted as of _____ (the "Grant Date") a Deferred Stock Award (the "Award"), subject to the terms and conditions hereinafter set forth, with respect to _____ shares of Common Stock, \$1.00 par value, of the Corporation ("Stock"). The shares of Stock covered by the Award shall vest in accordance with Sections 2, 3, 4, 5, and 6 hereof.

2. Vesting - Normal Retirement or Early Retirement. In the event of the termination of Employee's employment with the Corporation (or any Subsidiary or Affiliate thereof) on or after the Grant Date due to Normal Retirement (which is defined as retirement from employment with the Corporation, or any Subsidiary or Affiliate thereof, at or after age 60), the shares of Stock covered by the Award shall become fully vested.

In the event of the termination of the Employee's employment with the Corporation (or any Subsidiary or Affiliate thereof) on or after the Grant Date due to Early Retirement (which is defined as an early retirement from employment with the Corporation, or any Subsidiary or Affiliate thereof, at or after age 55 but before age 60), the shares of stock covered by the Award shall vest in accordance with the following schedule:

Age ---	Percentage of Award Vested -----
55	85%
56	88%
57	91%
58	94%
59	97%

Share certificates for the number of shares covered by a vested Award (whether in full or partial) shall be issued and delivered to the Employee on or about the date of Retirement.

Notwithstanding anything to the contrary contained herein and for the purposes of this Grant, in order to be eligible for the benefits hereunder associated with Early Retirement, the recipient must be entitled to receive early retirement pension benefits under the then existing policies of the Corporation, Subsidiary or Affiliate, as applicable.

3. Vesting - Death or Disability. In the event of the termination of Employee's employment with the Corporation (or any Subsidiary or Affiliate thereof) on or after the Grant Date due to the Employee's death or Disability, the shares of Stock covered by the Award shall vest at a rate of 20% for each full year of employment with the Corporation (or any Subsidiary or Affiliate thereof) after the Grant Date (with pro rata vesting for each full month of employment in partial years). In such case, share certificates for the number of shares so vested shall be issued and delivered to the Employee (or, in the event of the Employee's death, the Employee's designated beneficiary for purposes of the Award, or in the absence of an effective beneficiary designation, the Employee's estate) within 60 days after the Employee's death or Disability.

4. Vesting - Termination Not for Cause. If the Employee's employment with the Corporation (or any Subsidiary or Affiliate thereof) is terminated on or after the Grant Date by the Corporation (or any Subsidiary or Affiliate thereof) other than for Cause, the shares of Stock covered by the Award shall vest at a rate of 10% for each full year of employment with the Corporation (or any Subsidiary or Affiliate thereof) after the Grant Date (with pro rata vesting for each full month of employment in partial years). In such case, share certificates for the number of shares so vested shall be issued and delivered to the Employee in five equal annual installments with the first installment being made one year after the date of such termination; provided, however, that in the event of such termination, vesting of the shares under the Award as provided herein may be predicated upon the Employee agreeing to such terms and conditions as required by the Corporation, including, but not limited to, non-competition and non-disclosure agreements.

5. Vesting - Termination for Cause; Other. In the event that the Employee's employment with the Corporation (or any Subsidiary or Affiliate thereof) is terminated for Cause, or if the Employee terminates his employment with the Corporation, or any Subsidiary or Affiliate thereof, (other than for reasons of Retirement or Disability), all shares of Stock covered by the Award shall be forfeited.

6. Vesting - Change in Control; Potential Change in Control. In the event of a Change in Control or Potential Change in Control of the Corporation, shares under the Award shall vest in accordance with the 1988 Plan.

7. Elective Deferrals. At any time at least 12 months prior to the date of the Employee's Retirement, the Employee may elect in writing, subject to Board approval, to voluntarily defer the receipt of the shares of Stock covered by the Award for a specified additional period beyond the date of the Employee's termination of employment (the "Elective Deferral Period"). Any shares deferred pursuant to this Section 7 shall be issued to the Employee within 60 days after the end of the Elective Deferral Period. In the event of the death of the Employee during the Elective Deferral Period, the shares so deferred shall be issued to the Employee's designated Beneficiary (or to the Employee's estate, in the absence of an effective beneficiary designation) within 60 days after the Board receives written notification of death.

8. Transfer Restrictions. This Award is non-transferable otherwise than by will or by the laws of descent and distribution, and may not otherwise be assigned, pledged or hypothecated and shall not be subject to execution, attachment or similar process. Upon any attempt by the Employee (or the Employee's successor in interest after the Employee's death) to effect any such disposition, or upon the levy of any such process, the Award shall immediately become null and void, at the discretion of the Board.

9. Miscellaneous. This Agreement (a) shall be binding upon and inure to the benefit of any successor of the Corporation, (b) shall be governed by the laws of the State of Texas and any applicable laws of the United States, and (c) may not be amended without the written consent of both the Corporation and the Employee. No contract or right of employment shall be implied by this Agreement. If this Award is assumed or a new award is substituted therefore in any corporate reorganization, employment by such assuming or substituting corporation or by a parent corporation or subsidiary or affiliate thereof shall be considered for all purposes of this Award to be employment by the Corporation.

10. Securities Law Requirements. The Corporation shall not be required to issue shares pursuant to this Award unless and until (a) such shares have been duly listed upon each stock exchange on which the Corporation's Stock is then registered; and (b) a registration statement under the Securities Act of 1933 with respect to such shares is then effective.

The Board may require the Employee to furnish to the Corporation, prior to the issuance of any shares of Stock in connection with this Award, an agreement, in such form as the Board may from time to time deem appropriate, in which the Employee represents that the shares acquired by him under the Award are being acquired for investment and not with a view to the sale or distribution thereof.

11. Incorporation of 1988 Plan Provisions. This Agreement is made pursuant to the 1988 Plan and is subject to all of the terms and provisions of the 1988 Plan as if the same were fully set forth herein. Capitalized terms not otherwise defined herein shall have the meanings set forth for such terms in the 1988 Plan.

12. Participation in Long-Term Incentive Plans. If at the time of i) Employee's Retirement from the Corporation (or any Subsidiary or Affiliate thereof) or ii), the termination of Employee's employment with the Corporation (or any Subsidiary or Affiliate thereof) for reasons other than for cause, the Employee has received payment(s) under the terms of a long-term incentive plan(s) adopted by any Subsidiary or Affiliate of the Corporation, the Employee agrees that in lieu of the shares of Stock that have vested pursuant to this award, the Employee will receive shares of stock having a fair market value as of the vesting date equal to the positive difference, if any, between the fair market value (as of the vesting date) of the shares of Stock that have vested hereunder and the aggregate nominal value of the payment(s) made under such long-term incentive plan(s).

13. Payment of Performance Return Payments and Dividend Equivalents; Voting Rights.

(a) Performance Return Payments. Subject to the terms and conditions set forth in the attached Schedule A, Performance Return Payments (as defined in such Schedule A) shall be paid annually on or about the date as may be designated from time to time by the Board or any committee thereof (the "Payment Date") on all or a specified portion of the shares of Deferred Stock covered by this Award, as set forth in such Schedule A, based on: (i) the greater of (y) a deemed investment rate equal to the Corporation's Rolling Average ROI as defined and determined in accordance with the terms and conditions set forth in such Schedule A or (z) 6%; and (ii) the value of the Stock as determined by the Board, or any committee thereof, pursuant to Schedule A.

In addition, the Employee shall be entitled, subject to the consent of the Board, to elect to defer receipt of such Performance Return Payments in accordance with the American Airlines, Inc. 1987 Executive Deferral Plan or its successor plan.

(b) Dividend Equivalents. The Employee shall also be entitled to payment of an amount equal to (i) the amount of any dividend declared per share on the Corporation's Stock after the Grant Date and prior to issuance to, or forfeiture by, the Employee of the shares of Deferred Stock covered by this Award, multiplied by (ii) the number of unissued and unforfeited shares of Deferred Stock covered by this Award, provided (y) that the amount of any such dividend equivalents shall be offset by the amount of any Performance Return Payments paid under this Award within the preceding 11 months and (z) that, unless the Board otherwise decides prior to the dividend payment date, such dividend equivalent payment shall be automatically deferred and treated as additional shares of Deferred Stock, subject to the same terms and conditions that apply to the related shares of Deferred Stock with respect to which such dividend equivalents were initially payable.

(c) Voting and Other Rights. The Employee shall have no ownership rights, including voting rights, with respect to the shares of Deferred Stock covered by this Award unless and until shares of stock are actually issued to the Employee."

* * *

EMPLOYEE

AMR CORPORATION

C. D. MarLett
Corporate Secretary

Schedule A
Performance Return Payments

1. Performance Return Payments may be paid on a percentage of the shares covered by the Award, such percentage to be established, from time to time, by the Chairman of the Corporation.
2. The price of those shares, if any, subject to Performance Return Payments, will be as determined by the Board, or any committee thereof, and will approximate the then existing price of the Stock on the New York Stock Exchange.
3. The three-year rolling average return of investment of AMR Corporation (the "ROI"), as referenced in Section 13 of the Agreement, will be equal to that determined in accordance American Airlines' Incentive Compensation Plan, except that such determination shall include subsidiaries and accruals for the Profit Sharing Plan and the Incentive Compensation Plan. This ROI shall be calculated on or before March 31 of each calendar year.
4. In the event of an Employee's termination of employment with the Corporation (and any Subsidiary or Affiliate thereof) for reasons of death, Disability, or Retirement, Performance Return Payments, if any, which are paid on or around the first occurrence of the Payment Date after the date of death, Disability, or Retirement, shall be paid to the Employee (or, in the event of the Employee's death, the Employee's designated beneficiary for purposes of the Award, or in the absence of an effective beneficiary designation, the Employee's estate) at the rate of 8 1/3% for each full or partial month of employment since the Payment Date of the preceding year. Notwithstanding the foregoing, however, no Performance Return Payments shall be made to an Employee if the Employee's employment with the Corporation (and any Subsidiary or Affiliate thereof) is terminated for Cause.

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YEAR
DEC-31-1994
JAN-01-1994
DEC-31-1994
23
754
1,232
26
678
3,118
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