SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

[X] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 [Fee Required] For fiscal year ended December 31, 1996.

[ ] 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
8.10% Notes due 1998	New York Stock Exchange
9.00% Debentures due 2016	New York Stock Exchange

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 X No .

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (ss. 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. [X]

The aggregate market value of the voting stock held by non-affiliates of the registrant as of March 7, 1997, was approximately $7,602,875,066. As of March 7, 1997, 91,052,396 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 21, 1997.

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 Airline Group, The SABRE Group and the Management Services Group.

AIRLINE GROUP

The Airline Group consists primarily of American's Passenger and Cargo divisions and AMR Eagle, Inc., a separate subsidiary of AMR.

AMERICAN'S PASSENGER DIVISION is one of the largest scheduled passenger airlines in the world. At the end of 1996, American provided scheduled jet service to more than 160 destinations 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. It 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" -- Executive Airlines, Inc., Flagship Airlines, Inc., Simmons Airlines, Inc. and Wings West Airlines, Inc. The American Eagle carriers provide connecting turboprop service from six of American's high-traffic cities to smaller markets throughout the United States, Canada, the Bahamas and the Caribbean.

THE SABRE GROUP

REORGANIZATION AMR formed The SABRE Group in 1993 to capitalize on the synergies of combining its information technology businesses under common management. Pursuant to a reorganization consummated on July 2, 1996 (the Reorganization), The SABRE Group Holdings, Inc. (a holding company incorporated on June 25, 1996 and a subsidiary of AMR) became the successor to the businesses of The SABRE Group which were formerly operated as divisions or subsidiaries of American or AMR. All references herein to "The SABRE Group" include The SABRE Group Holdings, Inc. and its consolidated subsidiary and, for any period prior to the Reorganization, the businesses of AMR constituting The SABRE Group. On October 17, 1996, The SABRE Group completed an initial public offering of 23,230,000 shares of its Class A common stock constituting approximately 17.8 percent of its economic interest. AMR retained all of The SABRE Group's Class B common stock, representing approximately 82.2 percent of the economic interest and 97.9 percent of the combined voting power of all classes of voting stock of The SABRE Group.

The SABRE Group is a world leader in the electronic distribution of travel through its proprietary travel reservation and information system, SABRE(R), and is the largest electronic distributor of travel in the United States. In addition, The SABRE Group is a leading provider of solutions to the airline industry and fulfills substantially all of the information technology requirements of American and AMR's other subsidiaries.

ELECTRONIC TRAVEL DISTRIBUTION SABRE and other global distribution systems are the principal means of air travel distribution in the United States and a growing means of air travel distribution internationally. Through SABRE, travel agencies, corporate travel departments and individual consumers can access information on and book reservations with airlines and other providers of travel and travel-related products and services. As of December 31, 1996, travel agencies with more than 30,000 locations in over 70 countries on six continents subscribed to SABRE, and three million individuals subscribed to Travelocity(sm) and easySABRE(sm), The SABRE Group's consumer-direct products. SABRE subscribers are able to make reservations with more than 400 airlines, more than 50 car rental companies and more than 200 hotel companies covering approximately 35,000 hotel properties worldwide.

INFORMATION TECHNOLOGY SOLUTIONS The SABRE Group is a leading provider of solutions, including software development and product sales, transactions processing and consulting, to the airline industry and employs its airline expertise to offer solutions to other industries that face similar complex operations issues, including the airport, railroad, logistics, hospitality and financial services industries. The SABRE Group also provides substantially all of the data processing, network and distributed systems needs of American and AMR's other subsidiaries.

MANAGEMENT SERVICES GROUP

The Management Services Group consists of four AMR subsidiaries -- AMR Services Corporation, Americas Ground Services, Inc. (AGS), AMR Investment Services, Inc. and Airline Management Services, Inc. (AMS).

AMR SERVICES CORPORATION has six operating divisions: AMR Airline Services, AMR Combs, AMR Distribution Systems, TeleService Resources (TSR), Data Management Services (DMS) and the AMR Training Group. The AMR Airline Services division's main lines of business include airline passenger, ramp and cargo handling, cabin service and an array of other air transportation-related services for carriers around the world. AMR Airline Services is the primary provider of service at 17 airports for American and has contracts with approximately 200 customers in 60 cities throughout North America, Europe and Asia. AMR Combs, the executive aviation services division of AMR Services, is a premier corporate aviation services network of 14 facilities in major business centers in the United States and Mexico. AMR Distribution Systems serves the logistics marketplace and specializes in logistics management, contract warehousing, trucking and multi-modal freight forwarding services. TSR provides comprehensive telemarketing and reservation services for a wide range of corporate and hospitality industry clients. As a telemarketer, TSR serves a substantial base of Fortune 500 companies with inbound and outbound call-handling capabilities. TSR's reservations group is one of the world's largest third-party, private-label reservation services companies. DMS provides data capture and document management services to American and to companies in the insurance, financial services and transportation industries. The AMR Training Group operates the American Airlines Training & Conference Center and provides a wide variety of training services to American and a number of other corporate clients.

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

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, financial advisors, corporations and banks--and individual shareholders. As of December 31, 1996, AMR Investment Services was responsible for management of approximately $16.0 billion in assets, including direct management of approximately $5.7 billion in short-term investments.

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 Limited which the Company signed in 1994.

Additional information regarding business segments is included in Management's Discussion and Analysis on pages 16 through 28 and in Note 15 to the consolidated financial statements.

COMPETITION

AIR 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 four hubs: Dallas/Fort Worth, Chicago O'Hare, Miami and San Juan, Puerto Rico. In 1995, American implemented schedule reductions which ended the airline's hub operations at Raleigh/Durham and Nashville. Delta Air Lines and United Airlines have hub operations at Dallas/Fort Worth and Chicago O'Hare, respectively.

The American Eagle carriers increase the number of markets the Airline Group serves by providing connections to American at its hubs and certain other major airports. The American Eagle carriers serve smaller markets through Dallas/Fort Worth, Chicago, Miami, 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 international service to the Caribbean, Canada, Latin America, Europe and Japan. American's operating revenues from foreign operations were approximately $4.7 billion in 1996 and 1995, and $4.3 billion in 1994. Additional information about the Company's foreign operations is included in Note 14 to the consolidated financial statements.

Service over almost all of the Airline 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 non-stop routes, the Airline Group 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 US Airways. Competition is even greater between cities that require a connection, where as many as eight airlines may compete via their respective hubs. The Airline Group also competes with national, regional, all-cargo, and charter carriers and, particularly on shorter segments, ground transportation.

On all of its routes, 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. Approximately 39 percent of American's bookings are impacted by competition from lower-cost carriers. American and its principal competitors use inventory management systems that permit them to vary the number of discount seats offered on each flight in an effort to maximize revenues, yet still be price competitive with lower-cost carriers.

Competition in many international markets is subject to extensive government regulation. In these markets, American competes with foreign investor-owned carriers, state-owned airlines 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 agreements between the U.S. and various foreign countries served by American are subject to frequent renegotiation.

The major U.S. 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. American currently has code-sharing programs with Canadian Airlines International, Qantas Airways, Singapore Airlines, South African Airways, Gulf Air, British Midland, LOT Polish Airlines, and Aspen Mountain Air/Lone Star Airlines. Furthermore, in June 1996, the Company announced its plans to create a worldwide alliance between American and British Airways Plc. Subject to regulatory approval, the two carriers will introduce extensive code sharing across each other's networks and establish full reciprocity between their frequent flyer programs. Additionally, the carriers will combine their passenger and cargo activities between the United States and Europe and will share the resulting profits on these services. In the coming years, the Company expects to develop these code-sharing programs further and to evaluate new alliances with other international carriers.

The Airline 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 AAdvantage frequent flyer program, which is the largest program in the industry, and its superior service also give it a competitive advantage.

GLOBAL DISTRIBUTION SYSTEMS The SABRE Group competes in electronic travel distribution primarily against other large and well-established global distribution systems. SABRE's principal competitors include Amadeus/System One, Galileo/Apollo and Worldspan. Each of these competitors offers many products and services similar to those of The SABRE Group.

Moreover, although certain barriers exist for any new provider of electronic commerce--barriers such as the need for significant capital investment to acquire or develop the hardware, software and network facilities necessary to operate effectively a global distribution system--The SABRE Group is faced with the threat of potential new competitors, particularly as new channels for travel distribution develop.

Competition to attract and retain travel agent subscribers is very intense. Factors affecting the competitive success of global distribution systems include depth and breadth of information, ease of use, reliability, service and incentives to travel agents and range of products available to travel providers, travel agents and consumers.

Although distribution through travel agents continues to be the primary method of travel distribution, new channels of direct distribution to businesses and consumers through computer online services, the Internet and private networks are developing. The SABRE Group faces competition in these new channels not only from its principal competitors but also from possible new entrants in the sale of travel products. The SABRE Group has positioned certain products to compete in these emerging distribution channels.

REGULATION

GENERAL The Airline Deregulation Act of 1978, as amended, 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 FAA regulates flying operations generally, including establishing personnel, aircraft and security standards. In addition, the FAA has implemented a number of requirements that the Airline 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 Airline 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.

AIRLINE 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 the Airline Group's financial results because the Airline Group 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, the Airline Group'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. 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 Airline 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. However, there is no assurance that American 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 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 65 percent, 75 percent, and 100 percent Stage III by the dates set forth in the preceding sentence, respectively. At December 31, 1996, approximately 88 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) at the Operating Industries, Inc. Superfund Site in California. American has signed a partial consent decree with respect to this site and is one of several PRPs named. American's alleged waste disposal volumes are 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.

The Miami International Airport Authority is currently remediating various environmental conditions at the Miami International Airport (Airport) and funding the remediation costs through landing fee revenues. Future costs of the remediation effort may be borne by carriers operating at the Airport, including American, through increased landing fees since certain of the PRPs are no longer in business. The future increase in landing fees may be material but cannot be reasonably estimated due to various factors, including the unknown extent of the remedial actions that may be required, the proportion of the cost that will ultimately be recovered from the responsible parties, and uncertainties regarding the environmental agencies that will ultimately supervise the remedial activities and the nature of that supervision.

American and American Eagle, along with other tenants at the Luis Munoz Marin International Airport in San Juan, Puerto Rico have been named as PRPs for environmental claims at the airport.

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 significant impact on its financial position or liquidity.

GLOBAL DISTRIBUTION SYSTEMS Regulations promulgated by the DOT govern the relationship of SABRE with airlines and travel agencies. The current form of these regulations was adopted in 1992 and will expire on December 31, 1997, unless extended.

One of the principal requirements of the regulations is that displays of airline services by global distribution systems such as SABRE must be nondiscriminatory. This means that the global distribution system may not use carrier identity in ordering the display of services or in building connecting flights. Travel agencies, however, may utilize software to override the neutral displays of such systems. In addition, global distribution systems such as SABRE are required to charge the same fees to all air carriers for the same level of service and to update information for all air carriers with the same degree of care and timeliness.

LABOR

The airline business is labor intensive. Approximately 80 percent of AMR's employees work in the Airline Group. Wages, salaries and benefits represented approximately 37 percent of AMR's consolidated operating expenses for the year ended December 31, 1996. 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.

In 1995, American reached agreements with the members of the Association of Professional Flight Attendants (APFA) and the Transport Workers Union (TWU) on their labor contracts. American's collective bargaining agreements with the APFA and the TWU become amendable on November 1, 1998 and March 1, 2001, respectively.

American's collective bargaining agreement with the Allied Pilots Association (APA) became amendable on August 31, 1994. On September 2, 1996, American and the APA reached a tentative agreement on a new labor contract. The tentative agreement was approved by the APA Board of Directors and sent out for membership ratification, but subsequently rejected by the APA membership. On January 10, 1997, the NMB proffered binding arbitration to the APA and American. American agreed to arbitration but because the APA did not also agree, the proffer was rejected and on January 15, 1997, the APA and American were notified (i) that the NMB was terminating its services and (ii) that beginning February 15, 1997, either party could resort to self-help remedies, including a strike by the members of the APA. On February 15, 1997, the APA did initiate a strike against American but immediately thereafter President Clinton intervened and appointed a Presidential Emergency Board (PEB), pursuant to his authority under the Railway Labor Act. The effect of President Clinton's actions was to stop the strike and begin a process during which the PEB reviewed the positions advocated by both parties. On March 19, 1997, before the PEB issued its recommendations, American and the APA reached a second tentative agreement on a new contract. The tentative agreement will be voted on by the APA Board of Directors in early April 1997 and if approved, will be submitted to the APA membership for ratification. If the tentative agreement is rejected by the APA, and unless the Congress takes additional action, either party will be permitted to resort to self-help remedies, which include, but are not limited to, a strike by members of the APA. The Company and the APA have agreed to a timetable under which neither party will resort to self-help remedies for a period of 30 days following either (i) the failure of the APA Board to approve the tentative agreement or (ii) the failure of the APA membership to ratify the tentative agreement. Any work stoppage by the APA members would have a material adverse impact on the company.

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. A 1995 decision by the NMB provides that the four AMR Eagle carriers are to be treated as a single carrier for the limited purpose of labor relations, which has resulted in all employees within each specific unionized job class or craft being represented by a single union for collective bargaining purposes. This decision does not affect the current collective bargaining agreements or the corporate status of the four carriers -- each continues to be a separate company with its own operating certificate.

FUEL

The Airline Group's operations are significantly affected by the availability and price of jet fuel. American's fuel costs and consumption for the years 1992 through 1996 were:

Year	Gallons Consumed (in millions)	Total Cost (in millions)	Average Price Per Gallon (in cents)	Average Price Per Gallon, Excluding Fuel Tax (in cents)	Percent of AMR's Operating Expenses
1992	2,862	$ 1,862	65.1	62.5	12.9
1993	2,939	1,818	61.8	59.1	12.0
1994	2,741	1,556	56.7	54.2	10.3
1995	2,749	1,565	56.9	53.8	9.8
1996	2,734	1,866	68.2	63.3	11.7

Based upon American's 1996 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.

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 without notice. 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 (25,000 miles) and such award is expected to be used for free travel. 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. American defers a portion of revenues from the sale of mileage credits to companies participating in the AAdvantage program and recognizes such revenues over a period approximating the period during which the mileage credits are used.

At December 31, 1996 and 1995, American estimated that approximately 5.3 million and 4.7 million free travel awards, respectively, were eligible for redemption. At December 31, 1996 and 1995, American estimated that approximately 4.5 million and 4.0 million free travel awards, respectively, were expected to be redeemed for free travel. 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, and mileage in active accounts that have reached the lowest level of free travel award but which is not expected to ever be redeemed for free travel. 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 and deferred revenues for mileage sold to others participating in the program was $469 million and $370 million, representing 8.4 percent and 8.0 percent of AMR's total current liabilities at December 31, 1996 and 1995, respectively.

The number of free travel awards used for travel on American during the years ended December 31, 1996, 1995 and 1994, was approximately 2.2 million each year, representing 8.4 percent of total revenue passenger miles at December 31, 1996 and 1995, and 8.5 percent at December 31, 1994. 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 Airline 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 actions and other factors could impact this seasonal pattern. Unaudited quarterly financial data for the two-year period ended December 31, 1996, is included in Note 16 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.

ITEM 2. PROPERTIES

FLIGHT EQUIPMENT

Owned and leased aircraft operated by AMR's subsidiaries at December 31, 1996, included:

Equipment Type	Current Seating Capacity	Owned	Capital Leased	Operating Leased	Total	Weighted-Average Age (Years)
JET AIRCRAFT						
Airbus A300-600R	192/266/267	10	-	25	35	7
Boeing 727-200	150	64	14	-	78	20
Boeing 757-200	188	50	9	31	90	5
Boeing 767-200	172	8	-	-	8	14
Boeing 767-200 Extended Range	165	9	13	-	22	11
Boeing 767-300 Extended Range	207	16	15	10	41	6
Fokker 100	97	66	5	4	75	4
McDonnell Douglas DC-10-10	237/290	11	1	-	12	19
McDonnell Douglas DC-10-30	271	4	1	-	5	22
McDonnell Douglas MD-11	238/255	16	-	-	16	4
McDonnell Douglas MD-80	139	119	25	116	260	9
Total		373	83	186	642	9
REGIONAL AIRCRAFT						
ATR 42	46	28	2	16	46	7
Super ATR	64	28	-	5	33	3
Saab 340B	34	29	61	-	90	3
Saab 340B Plus	34	-	-	25	25	1
Shorts 360	33	-	-	11	11	10
Total		85	63	57	205	4

For information concerning the estimated useful lives and residual values for owned aircraft, lease terms for leased aircraft, and amortization relating to aircraft under capital leases, see Notes 1 and 4 to the consolidated financial statements.

In April 1995, American announced an agreement to sell 12 of its McDonnell Douglas MD-11 aircraft to Federal Express Corporation (FedEx). Three aircraft were delivered in 1996 and the remaining nine aircraft will be delivered between 1997 and 1999. In addition, American has the option to sell its remaining seven MD-11 aircraft to FedEx with deliveries between 2000 and 2002.

Lease expirations for leased aircraft operated by AMR's subsidiaries and included in the preceding table as of December 31, 1996, were:

Equipment Type	1997	1998	1999	2000	2001	2002 and Thereafter
JET AIRCRAFT						
Airbus A300-600R	-	-	-	-	-	25
Boeing 727-200	-	-	2	4	8	-
Boeing 757-200	-	-	-	2	2	36
Boeing 767-200 Extended Range	-	-	-	-	-	13
Boeing 767-300 Extended Range	-	-	-	8	-	17
Fokker 100	-	-	-	-	2	7
McDonnell Douglas DC-10-10	1	-	-	-	-	-
McDonnell Douglas DC-10-30	-	1	-	-	-	-
McDonnell Douglas MD-80	-	-	-	3	9	129
	1	1	2	17	21	227
REGIONAL AIRCRAFT						
ATR 42	-	-	3	4	-	3
Super ATR	2	-	-	-	-	-
Saab 340B	-	-	-	-	-	61
Shorts 360	-	-	-	-	11	-
	2	-	3	4	11	64

The table excludes leases for 25 Saab 340B Plus aircraft, eight ATR 42 aircraft, and three Super ATR aircraft which can be canceled with six months or less notice with certain restrictions.

Substantially all of the Airline 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 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 or use 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.

ITEM 3. LEGAL PROCEEDINGS

In January 1985, American announced a new fare category, the "Ultimate SuperSaver," a discount, advance purchase fare that carried a 25 percent penalty upon cancellation. On December 30, 1985, a class action lawsuit was filed in Circuit Court, Cook County, Illinois entitled Johnson vs. American Airlines, Inc. The Johnson plaintiffs allege that the 10 percent federal excise transportation tax should be excluded from the "fare" upon which the 25 percent penalty is assessed. The case has not been certified as a class action. Summary judgment was granted in favor of American but subsequently reversed and vacated by the Illinois Appellate Court. American believes the matter is without merit and is vigorously defending the lawsuit.

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. Although the complaint originally involved numerous claims, after a January 18, 1995 preemption ruling by the U.S. Supreme Court, only the plaintiffs' breach of contract claim remains. Currently, the plaintiffs allege that in May 1988, American implemented changes that limited the number of seats available to participants traveling on certain awards and established blackout dates during which no AAdvantage seats would be available for certain awards and that these changes breached American's contracts with AAdvantage members. The case has not been certified as a class action. Although the case has been pending for numerous years, it still is in a preliminary stage. American believes the matter is without merit and is vigorously defending it. Plaintiffs seek money damages for the alleged breach and attorneys' fees.

In December 1993, American announced that the number of miles required to claim a certain travel award under American's AAdvantage frequent flyer program would be increased effective February 1, 1995. On February 1, 1995, a class action lawsuit entitled Gutterman vs. American Airlines, Inc., was filed in the Circuit Court of Cook County, Illinois. The Gutterman plaintiffs claim that this increase in mileage level violated the terms and conditions of the agreement between American and AAdvantage members. On February 9, 1995, a virtually identical class action lawsuit entitled Benway vs. American Airlines, Inc., was filed in District Court, Dallas County, Texas. After limited discovery and prior to class certification, a summary judgment dismissing the Benway case was entered by the Dallas County court in July 1995. Although American's motion to dismiss the Gutterman lawsuit was denied, American's motion for summary judgment is still pending. No class has been certified in the Gutterman lawsuit and to date only very limited discovery has been undertaken. American believes the Gutterman complaint is without merit and is vigorously defending the lawsuit.

On February 10, 1995, American capped travel agency commissions for one-way and round-trip domestic tickets at $25 and $50, respectively. Immediately thereafter, numerous travel agencies, and two travel agency trade association groups, filed class action lawsuits against American and other major air carriers (Continental, Delta, Northwest, United, USAir and TWA) that had independently imposed similar limits on travel agency commissions. The suits were transferred to the United States District Court for the District of Minnesota, and consolidated as a multi-district litigation captioned In Re: Airline Travel Agency Commission Antitrust Litigation. On September 3, 1996, American reached a tentative settlement with plaintiffs whereby American agreed, inter alia, to pay $21.3 million in exchange for a release from all claims. The court entered a final judgment approving the settlement on February 7, 1997.

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, 1996.

EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of AMR as of December 31, 1996, 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 served as President of American from 1980 to March 1995. Age 61.
Donald J. Carty	Mr. Carty was elected President of American in March 1995 and Executive Vice President 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 50.
Gerard J. Arpey	Mr. Arpey was elected Chief Financial Officer in March 1995 and Senior Vice President in April 1992. Prior to that, he served as Vice President of American since October 1989. Age 38.
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 49.
Charles D. MarLett	Mr. MarLett was elected Corporate Secretary in January 1988. He joined American as an attorney in June 1984. Age 42.

There are no family relationships among the executive officers of the Company 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 7, 1997, was 15,120.

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

	1996		1995	
	High	Low	High	Low
QUARTER ENDED				
March 31	$ 92 3/4	$ 68 5/8	$ 65 3/4	$ 54 7/8
June 30	96 3/4	86 1/2	76 1/4	64
September 30	91 1/8	76 3/4	79 3/4	68 1/8
December 31	93	79 3/8	78	64 3/8

No cash dividends on common stock were declared for any period during 1996 or 1995. 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)

	1996	1995	1994	1993	1992
Total operating revenues	$ 17,753	$ 16,910	$ 16,137	$ 15,816	$ 14,396
Operating income (loss)	1,839	1,015	1,006	690	(25)
Earnings (loss) before extraordinary loss and cumulative effect of accounting changes	1,105	191	228	(96)	(475)
Earnings (loss) before cumulative effect of accounting changes	1,016	162	228	(110)	(475)
Net earnings (loss)	1,016	162	228	(110)	(935)
Earnings (loss) per common share before extraordinary loss, cumulative effect of accounting changes, and effect of preferred stock exchange:(1)					
Primary	12.64	2.48	2.26	(2.05)	(6.35)
Fully diluted	12.15	2.48	2.26	(2.05)	(6.35)
Net earnings (loss) per common share:					
Primary	11.63	2.11	4.51	(2.23)	(12.49)
Fully diluted	11.19	2.11	4.51	(2.23)	(12.49)
Total assets	20,497	19,556	19,486	19,326	18,706
Long-term debt	2,752	4,983	5,603	5,431	5,643
Obligations under capital leases, less current obligations	1,790	2,069	2,275	2,123	2,195
Obligation for postretirement benefits	1,530	1,439	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, "Employers' 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.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

AIRLINE GROUP

The Airline Group consists primarily of American's Passenger and Cargo divisions and AMR Eagle, Inc., a separate subsidiary of AMR.

AMERICAN'S PASSENGER DIVISION is one of the largest scheduled passenger airlines in the world. At the end of 1996, American provided scheduled jet service to more than 160 destinations 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. It 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"--Executive Airlines, Inc., Flagship Airlines, Inc., Simmons Airlines, Inc. and Wings West Airlines, Inc. The American Eagle carriers provide connecting turboprop service from six of American's high-traffic cities to smaller markets throughout the United States, Canada, the Bahamas and the Caribbean.

THE SABRE GROUP

The SABRE Group is a world leader in the electronic distribution of travel through its proprietary travel reservation and information system, SABRE(R), and is the largest electronic distributor of travel in the United States. In addition, The SABRE Group is a leading provider of solutions to the airline industry and fulfills substantially all of the information technology requirements of American and AMR's other subsidiaries.

ELECTRONIC TRAVEL DISTRIBUTION SABRE and other global distribution systems are the principal means of air travel distribution in the United States and a growing means of air travel distribution internationally. Through SABRE, travel agencies, corporate travel departments and individual consumers can access information on and book reservations with airlines and other providers of travel and travel-related products and services. As of December 31, 1996, travel agencies with more than 30,000 locations in over 70 countries on six continents subscribed to SABRE, and three million individuals subscribed to Travelocity(sm) and easySABRE(sm), The SABRE Group's consumer-direct products. SABRE subscribers are able to make reservations with more than 400 airlines, more than 50 car rental companies and more than 200 hotel companies covering approximately 35,000 hotel properties worldwide.

INFORMATION TECHNOLOGY SOLUTIONS The SABRE Group is a leading provider of solutions, including software development and product sales, transactions processing and consulting, to the airline industry and employs its airline expertise to offer solutions to other industries that face similar complex operations issues, including the airport, railroad, logistics, hospitality and financial services industries. The SABRE Group also provides substantially all of the data processing, network and distributed systems needs of American and AMR's other subsidiaries.

MANAGEMENT SERVICES GROUP

The Management Services Group consists of four AMR subsidiaries -- AMR Services Corporation, Americas Ground Services, Inc. (AGS), AMR Investment Services, Inc. and Airline Management Services, Inc. (AMS).

AMR SERVICES CORPORATION has six operating divisions: AMR Airline Services, AMR Combs, AMR Distribution Systems, TeleService Resources (TSR), Data Management Services (DMS) and the AMR Training Group. The AMR Airline Services division's main lines of business include airline passenger, ramp and cargo handling, cabin service and an array of other air transportation-related services for carriers around the world. AMR Airline Services is the primary provider of service at 17 airports for American and has contracts with approximately 200 customers in 60 cities throughout North America, Europe and Asia. AMR Combs, the executive aviation services division of AMR Services, is a premier corporate aviation services network of 14 facilities in major business centers in the United States and Mexico. AMR Distribution Systems serves the logistics marketplace and specializes in logistics management, contract warehousing, trucking and multi-modal freight forwarding services. TSR provides comprehensive telemarketing and reservation services for a wide range of corporate and hospitality industry clients. As a telemarketer, TSR serves a substantial base of Fortune 500 companies with inbound and outbound call-handling capabilities. TSR's reservations group is one of the world's largest third-party, private-label reservation services companies. DMS provides data capture and document management services to American and to companies in the insurance, financial services and transportation industries. The AMR Training Group operates the American Airlines Training & Conference Center and provides a wide variety of training services to American and a number of other corporate clients.

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

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, financial advisors, corporations and banks--and individual shareholders. As of December 31, 1996, AMR Investment Services was responsible for management of approximately $16.0 billion in assets, including direct management of approximately $5.7 billion in short-term investments.

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 Limited which the Company signed in 1994.

RESULTS OF OPERATIONS

SUMMARY AMR's net income in 1996 was $1.0 billion, or $11.63 per common share ($11.19 fully diluted). On October 17, 1996, The SABRE Group completed an initial public offering of 23,230,000 shares of its Class A Common Stock, representing 17.8 percent of the economic interest in The SABRE Group, for net proceeds of approximately $589 million. The Company recorded a $497 million gain in the fourth quarter of 1996 related to the initial public offering. Additionally, AMR recorded a $251 million charge ($230 million after tax) in the fourth quarter of 1996 associated with the Company's relationship with Canadian Airlines International Limited (Canadian). AMR also recorded a $26 million charge ($16 million after tax) in the fourth quarter of 1996 to write down the value of aircraft interiors the Company plans to refurbish. To reduce interest expense, the Company repurchased and/or retired prior to scheduled maturity approximately $1.1 billion in face value of long-term debt and capital lease obligations. These transactions resulted in an extraordinary loss of $136 million ($89 million after tax) in 1996. Excluding these special items, net earnings were $854 million.

AMR's net income in 1995 was $162 million ($2.11 per common share, primary and fully diluted). During the fourth quarter of 1995, AMR recorded a charge of $533 million ($334 million after tax) related to the cost of future pension and other postretirement benefits for voluntary early retirement programs offered in conjunction with renegotiated labor contracts covering members of the Transport Workers Union (TWU) and the Association of Professional Flight Attendants (APFA), as well as provisions for the write-down of certain McDonnell Douglas DC-10 aircraft and the planned retirement of certain turboprop aircraft, and other restructuring activities. In addition to the restructuring costs, the Company's 1995 earnings include a charge of $41 million ($26 million after tax) related to the loss of an aircraft operated by American. During 1995, AMR repurchased and/or retired prior to scheduled maturity $378 million in face value of long-term debt, net of sinking fund balances. In addition, $616 million in outstanding principal of certain debt and lease obligations was refinanced during 1995. These transactions resulted in an extraordinary loss of $45 million ($29 million after tax) in 1995. Excluding these special charges, net earnings were $551 million.

BUSINESS SEGMENTS In the second quarter of 1996, American and The SABRE Group completed the negotiations of a new technology services agreement pursuant to which The SABRE Group performs data processing and solutions services for American. This new agreement reflects the recent downward trend in market prices for data processing services. Additionally, the two companies completed negotiations on new agreements covering the provision of air travel and certain marketing services by American to The SABRE Group. The parties agreed to apply the financial terms of these agreements as of January 1, 1996, which is reflected in the reporting segments' financial highlights noted below.

As part of the Reorganization, $850 million of American's long-term debt owed to AMR was repaid through the transfer by American to AMR of an $850 million debenture issued by The SABRE Group to American. This will reduce the Airline Group's annual interest costs by approximately $60-70 million and increase The SABRE Group's annual interest costs by an amount dependent upon the outstanding balance of the debenture. On October 17, 1996, The SABRE Group repaid approximately $532 million of this debenture with proceeds from its initial public offering.

The following sections provide a discussion of AMR's results by reporting segment. The gain on sale of stock by subsidiary of $497 million and minority interest expense of $2 million have not been allocated to a reporting segment. Additional segment information is included in Note 15 to the consolidated financial statements.

AIRLINE GROUP
FINANCIAL HIGHLIGHTS

(dollars in millions)	Year Ended December 31,		
	1996	1995	1994
REVENUES			
Passenger - American Airlines, Inc.	$ 13,645	$ 13,134	$ 12,652
- AMR Eagle, Inc.	1,047	976	964
Cargo	682	677	666
Other	837	714	613
	16,211	15,501	14,895
OPERATING EXPENSES			
Wages, salaries and benefits	5,191	5,082	4,923
Aircraft fuel	1,936	1,623	1,614
Commissions to agents	1,252	1,293	1,335
Depreciation and amortization	1,018	1,070	1,057
Other operating expenses	5,372	5,336	5,080
Restructuring costs	--	533	272
Total operating expenses	14,769	14,937	14,281
OPERATING INCOME	1,442	564	614
OTHER INCOME (EXPENSE)	(428)	(650)	(617)
EARNINGS (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY LOSS	$ 1,014	$ (86)	$ (3)
Average number of equivalent employees	88,900	89,400	90,300
OPERATING STATISTICS			
AMERICAN AIRLINES JET AIRLINE OPERATIONS			
Revenue passenger miles (millions)	104,710	102,918	98,896
Available seat miles (millions)	152,886	155,337	152,668
Cargo ton miles (millions)	2,028	2,046	1,983
Passenger load factor	68.5%	66.3%	64.8%
Breakeven load factor excluding special charges	60.2%	59.6%	59.5%
Passenger revenue yield per passenger mile (cents)	13.03	12.76	12.79
Passenger revenue per available seat mile (cents)	8.92	8.46	8.29
Cargo revenue yield per ton mile (cents)	33.14	32.64	33.11
Operating expenses excluding special charges per available seat mile (cents)	8.91	8.57	8.52
Operating aircraft at year-end	642	635	647
AMR EAGLE, INC			
Revenue passenger miles (millions)	2,590	2,492	2,486
Available seat miles (millions)	4,431	4,488	4,379
Passenger load factor	58.5%	55.5%	56.8%
Operating aircraft at year-end	205	261	270

REVENUES

1996 COMPARED TO 1995 Airline Group revenues of $16.2 billion in 1996 were up $710 million, 4.6 percent, versus 1995. American's passenger revenues increased 3.9 percent, or $511 million. The increase in passenger revenues resulted primarily from a 2.1 percent increase in passenger yield (the average amount one passenger pays to fly one mile) from 12.76 to 13.03 cents and a 1.7 percent increase in passenger traffic. For the year, domestic yields increased 2.6 percent, Latin American yields increased 0.2 percent and European yields increased 3.1 percent, while Pacific yields decreased 10.5 percent. The decline in Pacific yields was primarily due to the foreign exchange impact of the weaker yen. In 1996, American derived 69.6 percent of its passenger revenues from domestic operations and 30.4 percent from international operations.

American's domestic traffic increased 2.3 percent to 72.9 billion revenue passenger miles (RPMs), while domestic capacity, as measured by available seat miles (ASMs), decreased 1.7 percent. International traffic grew 0.4 percent to 31.8 billion RPMs on a capacity decline of 1.2 percent. The increase in international traffic was led by a 5.0 percent increase in Latin America on capacity growth of 3.9 percent, offset by a 3.9 percent decrease in Europe on a capacity decline of 6.4 percent.

The Airline Group benefited from a number of external factors in 1996. First, a healthy U.S. economy produced strong demand for air travel. Second, industry capacity grew at a more modest rate, which led to higher industry load factors and a healthy pricing environment. And third, U.S. carriers benefited from an eight-month lapse in the application of the 10 percent excise tax on airline tickets.

The AMR Eagle carriers' passenger revenues increased by 7.3 percent or $71 million. Traffic on the AMR Eagle carriers increased 3.9 percent to 2.6 billion RPMs, while capacity decreased 1.3 percent. Passenger yield increased 3.2 percent, in part due to the significant changes made to AMR Eagle's fleet and route network to increase efficiency. These changes included closing its Nashville hub and 33 other stations, and grounding 54 aircraft, primarily 19-seat Jetstream aircraft. In the first quarter of 1995, AMR Eagle redeployed its fleet of ATR aircraft in response to the FAA's temporary restrictions on the operation of ATR aircraft in known or forecast icing conditions. The fleet disruption adversely impacted AMR Eagle's results in the first and second quarters of 1995.

Other revenues increased 17.2 percent, $123 million, primarily as a result of an increase in aircraft maintenance work and airport ground services performed by American for other airlines and increased employee travel service charges. The remaining portion of the increase is attributable to the growth in passenger traffic.

1995 COMPARED TO 1994 Airline Group revenues of $15.5 billion in 1995 were up $606 million, 4.1 percent, versus 1994. American's passenger revenues increased 3.8 percent, or $482 million. The increase in passenger revenues resulted primarily from a 4.1 percent increase in passenger traffic, partially offset by a 0.2 percent decrease in passenger yield from 12.79 to 12.76 cents. American's average stage length increased approximately 8.2 percent from 1994 to 1995, which contributed to the decrease in passenger yield since per mile fares for longer trips tend to be lower than for shorter trips. For the year, domestic yields decreased 1.1 percent and Latin American yields decreased 4.2 percent; yields increased 8.1 percent in Europe and 8.2 percent in the Pacific. In 1995, American derived 68.9 percent of its passenger revenues from domestic operations and 31.1 percent from international operations.

American's domestic traffic increased 1.7 percent to 71.2 billion RPMs, while domestic capacity, as measured by ASMs, decreased 1.3 percent. International traffic grew 9.8 percent to 31.7 billion RPMs on capacity growth of 9.6 percent. The increase in international traffic was led by a 13.4 percent increase in Latin America on capacity growth of 12.4 percent, and a 7.4 percent increase in Europe on capacity growth of 7.9 percent.

The AMR Eagle carriers' passenger revenues increased by 1.2 percent or $12 million. Traffic on the AMR Eagle carriers increased 0.2 percent to 2.5 billion RPMs, while capacity grew 2.5 percent.

The Airline Group's results were adversely affected by the disruption of American Eagle operations at the Chicago and Raleigh/Durham hubs in the first half of 1995 in response to the FAA's temporary restrictions on the operation of ATR aircraft in known or forecast icing conditions. In addition, in April 1995, a hailstorm at American's Dallas/Fort Worth hub temporarily disabled approximately 10 percent of American's fleet and approximately nine percent of AMR Eagle's fleet, forcing the carriers to temporarily reduce scheduled service.

Other revenues increased 16.5 percent, $101 million, primarily as a result of an increase in contract maintenance and airport ground services performed by American for other airlines. The remaining portion of the increase is attributable to the growth in passenger traffic.

OPERATING EXPENSES

1996 COMPARED TO 1995 Airline Group operating expenses in 1995 included restructuring costs of $533 million, related to the cost of future pension and other postretirement benefits for voluntary early retirement programs offered in conjunction with renegotiated labor contracts covering members of the TWU and the APFA, as well as provisions for the write-down of certain DC-10 aircraft and the planned retirement of certain turboprop aircraft, and other restructuring activities. Excluding the restructuring costs, the Airline Group's operating expenses increased 2.5 percent, or $365 million. American's capacity decreased 1.6 percent to 152.9 billion ASMs. As a result, Jet Airline cost per ASM, excluding restructuring costs in 1995 and the write-down of aircraft interiors in 1996, increased 4.0 percent to 8.91 cents.

Despite a 0.6 percent decrease in the average number of equivalent employees, wages, salaries and benefits expense rose 2.1 percent, or $109 million. The increase was due primarily to contractual wage rate and seniority increases that are built into the Company's labor contracts and an increase in the provision for profit sharing.

Fuel expense increased 19.3 percent, $313 million, due to a 19.9 percent increase in American's average price per gallon, including the 4.3 cents per gallon domestic fuel tax imposed on the airline industry since October 1995.

Commissions to agents decreased 3.2 percent, $41 million, due principally to a reduction in average rates paid to agents attributable primarily to the change in commission structure implemented in February 1995, partially offset by commissions on increased passenger revenues.

Other operating expenses, consisting of aircraft rentals, other rentals and landing fees, food service costs, maintenance expenses and miscellaneous operating expenses, increased 0.7 percent, or $36 million. Aircraft rentals decreased 8.2 percent, $55 million, primarily as a result of American's decision to prepay the cancelable operating leases it had on 12 of its Boeing 767-300 aircraft during June and July 1996. Following the prepayments, these aircraft have been accounted for as capital leases and the related costs included in amortization expense. Maintenance materials and repairs expense increased 8.5 percent, $54 million, primarily due to five additional aircraft check lines added at American's maintenance bases in 1996 as a result of the maturing of its fleet. Miscellaneous operating expenses (including outsourced services, data processing services, booking fees, credit card fees, crew travel expenses, advertising and communications costs) increased by 1.3 percent or $33 million, including a $26 million charge in 1996 to write down the value of aircraft interiors American plans to refurbish.

1995 COMPARED TO 1994 Airline Group operating expenses in 1995 included the restructuring costs of $533 million described above. Airline Group operating expenses in 1994 included restructuring costs 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 Airline Group's operating expenses increased 2.8 percent, or $395 million. American's capacity increased 1.7 percent to 155.3 billion ASMs. Jet Airline cost per ASM, excluding special charges, increased 0.6 percent to 8.57 cents.

Despite a 1.0 percent decrease in the average number of equivalent employees, wages, salaries and benefits expense rose 3.2 percent, $159 million. The increase was due primarily to contractual wage rate and seniority increases that are built into the Company's labor contracts and an increase in the provision for profit sharing.

Fuel expense increased 0.6 percent, $9 million, due to the October 1995 expiration of the fuel tax exemption for the airline industry. The expiration of the exemption resulted in additional fuel expense of $22 million for 1995. Absent the fuel tax, fuel expense would have decreased $13 million due primarily to lower jet fuel prices.

Commissions to agents decreased 3.1 percent, $42 million, due principally to a reduction in average rates paid to agents attributable primarily to the change in commission structure implemented in February 1995, partially offset by commissions on increased passenger revenues.

Other operating expenses, consisting of aircraft rentals, other rentals and landing fees, food service costs, maintenance expenses and miscellaneous operating expenses, increased 5.0 percent, or $256 million. Maintenance materials and repairs expense increased 11.7 percent, $66 million, primarily due to reduced expense in 1994 as a result of warranty recoveries as well as certain engine and airframe service checks that became due for the first time in 1995. Miscellaneous operating expenses (including data processing services, booking fees, crew travel expenses, credit card fees, advertising and communications costs) increased by 7.4 percent or $176 million, primarily due to costs associated with increased contract maintenance work that American performed for other airlines. In addition, the Airline Group recognized approximately $19 million in foreign currency exchange losses attributable to unfavorable exchange rates, primarily in Latin America.

OTHER INCOME (EXPENSE)
Other income (expense) consists of interest income and expense, interest capitalized and miscellaneous-net.

1996 COMPARED TO 1995 Interest expense, net of amounts capitalized, decreased 25.2 percent, $171 million, due primarily to scheduled debt repayments and the repurchase and/or retirement prior to scheduled maturity of approximately $1.1 billion in face value of long-term debt and capital lease obligations. Also, the Company's convertible debentures were converted into common stock of AMR in May 1996, resulting in an $834 million decrease in long-term debt and a $43 million reduction in interest expense from 1995 to 1996. Interest income increased $29 million, or 39.2 percent, due primarily to higher investment balances.

Miscellaneous-net for 1996 includes a $21 million provision for a cash payment representing American's share of a multi-carrier travel agency class action litigation settlement. Miscellaneous - net for 1995 includes a $41 million charge related to the loss of an aircraft operated by American.

1995 COMPARED TO 1994 Interest expense, net of amounts capitalized, increased 11.9 percent, $72 million, due primarily to the issuance of $1.02 billion of convertible debentures in exchange for 2.04 million preferred shares in late 1994, and the effect of rising short-term interest rates on floating rate debt and interest rate swap agreements, partially offset by reductions due to the repurchase and retirement of debt. Interest income increased $22 million due to higher average rates and higher investment balances.

Miscellaneous - net for 1995 includes a $41 million charge related to the loss of an aircraft operated by American. Miscellaneous - net for 1994 includes a $25 million charge related to the loss of two regional aircraft operated by subsidiaries of AMR Eagle.

THE SABRE GROUP
FINANCIAL HIGHLIGHTS

(dollars in millions)	Year Ended December 31, 1996	1995	1994
REVENUES	$ 1,622	$ 1,529	$ 1,407
OPERATING EXPENSES	1,295	1,149	1,057
OPERATING INCOME	327	380	350
OTHER INCOME (EXPENSE)	(21)	(10)	(26)
EARNINGS BEFORE INCOME TAXES	$ 306	$ 370	$ 324
Average number of equivalent employees	7,900	7,300	7,000

REVENUES

1996 COMPARED TO 1995 Revenues for The SABRE Group increased 6.1 percent, $93 million, primarily due to an increase in booking volumes partially attributable to international expansion in Europe and Latin America, an overall increase in the price per booking charged to associates and a migration of associates to higher participation levels within SABRE. This increase was partially offset by a reduction in revenues due to the application of the financial terms of the technology services agreement signed with American in 1996.

1995 COMPARED TO 1994 Revenues for The SABRE Group increased 8.7 percent, $122 million, primarily due to an overall increase in the price per booking charged to associates, a migration of associates to higher participation levels within SABRE and an increase in booking volumes primarily attributable to international expansion in Europe and Latin America. Revenues from information technology solutions provided to Canadian, under the services agreement between AMR and Canadian which began producing revenues in November 1994, increased $36 million due to the impact of a full year of services provided. This increase was partially offset by a decrease in such services provided to American primarily due to a change in the pricing structure implemented in 1995.

OPERATING EXPENSES

1996 COMPARED TO 1995 Operating expenses increased 12.7 percent, $146 million, due primarily to increases in salaries and benefits and subscriber incentive expenses. Salaries and benefits increased due to an increase of approximately eight percent in the average number of equivalent employees necessary to support The SABRE Group's revenue growth and annual salary increases. Subscriber incentive expenses increased in order to maintain and grow The SABRE Group's customer base. Additionally, the new agreements with American covering air travel and certain marketing services and other changes resulting from the Reorganization increased operating expenses in 1996.

1995 COMPARED TO 1994 Operating expenses increased 8.7 percent, $92 million, due primarily to increases in salaries and benefits, travel service costs from American and subscriber incentive expenses. Salaries and benefits increased due to an increase of approximately four percent in the average number of equivalent employees and annual salary increases. Travel service costs increased due to an increase in the number of employees and an increase in the negotiated rates with American. Subscriber incentive expenses increased in order to maintain and grow The SABRE Group's customer base.

OTHER INCOME (EXPENSE)

1996 COMPARED TO 1995 Other income (expense) increased $11 million due primarily to interest expense incurred on the $850 million subordinated debenture payable to AMR issued in conjunction with the Reorganization, partially offset by increased interest income.

1995 COMPARED TO 1994 Other income (expense) decreased $16 million due primarily to a reduction in interest expense resulting from lower balances due to affiliates.

MANAGEMENT SERVICES GROUP
FINANCIAL HIGHLIGHTS

(dollars in millions)	Year Ended December 31,		
	1996	1995	1994
REVENUES	$ 620	$ 572	$ 548
OPERATING EXPENSES	550	501	506
OPERATING INCOME	70	71	42
OTHER INCOME (EXPENSE)			
Canadian Airlines charges	(251)	--	--
Miscellaneous - net	(1)	(2)	7
	(252)	(2)	7
EARNINGS (LOSS) BEFORE INCOME TAXES	$ (182)	$ 69	$ 49
Average number of equivalent employees	14,500	13,300	12,500

REVENUES
1996 COMPARED TO 1995 Revenues for the Management Services Group increased 8.4 percent, or $48 million. This increase is due principally to AMR Services Corporation, which experienced higher revenue as a result of increased airline passenger, ramp and cargo handling services provided by its AMR Airline Services division and increased telemarketing services provided by its TeleService Resources division. This increase was partially offset by a $12 million reduction in fees for services provided to Canadian. In the fourth quarter of 1996, AMR conceptually agreed to reduce its fees as part of Canadian's restructuring program.

1995 COMPARED TO 1994 Revenues for the Management Services Group increased 4.4 percent, or $24 million. Revenues for Airline Management Services, which was formed in 1994 to manage the Company's service contracts with other airlines including Canadian, increased $25 million.

OPERATING EXPENSES
1996 COMPARED TO 1995 Operating expenses increased 9.8 percent, or $49 million, due to a $27 million increase in wages, salaries and benefits resulting from an increase in the average number of equivalent employees and a $22 million increase in other operating expenses commensurate with the increase in revenues.

1995 COMPARED TO 1994 Operating expenses decreased 1.0 percent, or $5 million, due to a $14 million increase in wages, salaries and benefits resulting from an increase in the average number of equivalent employees and a $19 million decrease in other operating expenses, due primarily to the effect of the sale of AMR Combs' Learjet Service Centers offset by increased expenses due to the business growth of AMR Services' other lines of business.

OTHER INCOME (EXPENSE)
Other income (expense) for 1996 includes a $251 million charge associated with the Company's relationship with Canadian. This charge includes $192 million related to the write-off of AMR's investment in the cumulative mandatorily redeemable convertible preferred stock of Canadian and $59 million related to the write-off of certain deferred costs relating to AMR's agreement to provide a variety of management, technical and administrative services to Canadian.

LIQUIDITY AND CAPITAL RESOURCES

Operating activities provided net cash of $2.7 billion in 1996, $2.2 billion in 1995 and $1.6 billion in 1994. The $536 million increase from 1995 to 1996 resulted primarily from increased net earnings and an increase in the air traffic liability due to higher revenues and fare sale activity in late 1996 compared to 1995. The $571 million increase from 1994 to 1995 resulted from an increase in net income before non-cash restructuring costs and provisions for losses of approximately $205 million combined with the timing of cash payments near year-end.

Capital expenditures in 1996 totaled $547 million, compared to $928 million in 1995 and $1.1 billion in 1994, and included the acquisition of four Boeing 757-200 aircraft by American. Additionally, during June and July 1996, American made prepayments totaling $565 million on the cancelable operating leases it had on 12 of its Boeing 767-300 aircraft. These expenditures, as well as the expansion of certain airport facilities, were funded primarily with internally generated cash.

As a result of its initial public offering, The SABRE Group received net proceeds of approximately $589 million.

In May 1996, the Company's convertible debentures were converted into common stock of AMR, which resulted in an $834 million decrease in long-term debt and an $817 million increase in stockholders' equity (net of conversion fees and issuance costs). Also during 1996, the Company repurchased and/or retired prior to scheduled maturity approximately $1.1 billion in face value of long-term debt and capital lease obligations. Collectively, these improvements to the balance sheet will result in interest savings of approximately $160 million in 1997.

American has a $1.0 billion credit facility agreement which expires December 19, 2001 (the original agreement). At American's option, interest on the original agreement can be calculated on one of several different bases. For most borrowings, American would anticipate choosing a floating rate based upon the London Interbank Offered Rate (LIBOR). In February 1997, American negotiated an additional $1.0 billion credit facility agreement, which will expire December 31, 1997 (the new agreement). Any borrowings under the new agreement will be secured by aircraft owned by American. To the extent that the value of such aircraft exceeds any claims due under the new agreement, the excess value will secure borrowings under the original agreement. At March 24, 1997, no borrowings were outstanding under either agreement.

CAPITAL COMMITMENTS

FIRM DELIVERIES At March 24, 1997, AMR had no firm orders for jet aircraft or turboprop aircraft.

AIRCRAFT OPTIONS At December 31, 1996, AMR had 52 turboprop aircraft available on option-42 Super ATRs and 10 ATR 42s. No jet aircraft options were outstanding at December 31, 1996.

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, 1996, the Company had deferred tax assets aggregating approximately $2.8 billion, including approximately $680 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 and certain airport locations. At sites where remedial litigation has commenced, potential liability is joint and several. AMR's alleged volumetric contributions at these sites are minimal. AMR does not expect these matters, individually or collectively, to have a significant impact on its financial position or liquidity. Additional information is included in Note 3 to the consolidated financial statements.

OUTLOOK FOR 1997

AMR's strong financial performance in 1996 reflects a strong economy as well as the Company's efforts to strengthen the American network and hub performance, rationalize AMR Eagle's fleet and schedule, and reduce costs wherever possible while maintaining the airline's revenue premium versus the industry.

AIRLINE GROUP Assuming that a reasonable settlement can be worked out with the Allied Pilots Association (APA), the Company expects 1997 to be another satisfactory year for American. A strong U.S. economy, healthy demand for air travel, and modest industry capacity growth allow the Company to remain cautiously optimistic--subject to the ongoing negotiations with the APA--about 1997 revenues. Although the outcome of the FAA financing debate remains uncertain, the year-end lapse of the ticket tax had a positive effect on first quarter 1997 unit revenues--as it did for eight months of 1996. The tax was reimposed beginning March 7, 1997 through September 30, 1997. It is unclear at this time whether the tax will be extended beyond September 1997.

The Company expects 1997 to be a year of relative schedule stability for both American and AMR Eagle. American's focus will be to sustain its strength at Dallas/Fort Worth and Miami, and increase market share at Chicago. Total system capacity is expected to increase slightly. While American does not plan to add or drop a significant number of routes in 1997, the Company does expect to improve dependability at the airline and has been refining the schedule -- adjusting block times, lengthening connecting times, and resequencing flights-- in an effort to accomplish that goal.

Pressure to reduce costs will continue, although the volatility of fuel prices makes any prediction of overall costs very difficult. Excluding fuel, the Company anticipates an increase in unit costs of about two to three percent, driven by increased maintenance costs as American's fleet continues to mature, higher labor costs associated with the normal seniority increases in the union contracts, and various other inflationary pressures.

In June 1996, the Company announced its plans to create a worldwide alliance between American and British Airways Plc. Subject to regulatory approval, the two carriers will introduce extensive code sharing across each other's networks and establish full reciprocity between their frequent flyer programs. Additionally, the carriers will combine their passenger and cargo activities between the United States and Europe and will share the resulting profits on these services.

In November 1996, the Company announced an aircraft acquisition arrangement with Boeing, including firm orders for 103 aircraft and "purchase rights" for 527 additional jets. This arrangement would allow the airline to move gradually toward a very high level of fleet commonality, and provide for modest capacity growth in future years. The Company made its arrangement with Boeing contingent on ratification of the tentative agreement with the APA reached in September 1996. Since this did not occur, the future of this aircraft order is uncertain.

THE SABRE GROUP The SABRE Group expects continued profitable growth in 1997. Though it is still in the very early days of its existence separate from American, The SABRE Group expects that separation will enable it to increase the scope of its technology solutions business to include more airlines and other travel providers.

In 1997, The SABRE Group will use its strong cash flow to make the investments necessary to sustain SABRE's position as the most successful travel distribution system -- and to sustain industry leadership in the increasingly important direct-to-consumer channels.

MANAGEMENT SERVICES GROUP The Management Services Group comprises several businesses whose activities are various and diverse. While most of the businesses expect profitable growth in 1997, combined Management Services Group results will be adversely affected by the Company's agreement -- subject to certain conditions -- to reduce fees charged to Canadian Airlines for management services as part of Canadian's financial restructuring. As a result, combined Management Services Group operating results will likely be lower in 1997.

BALANCE SHEET OUTLOOK Absent any aircraft expenditures in 1997, AMR's capital spending is expected to total approximately $800 million in 1997. Given stable earnings and modest capital spending, the Company expects to generate surplus cash again in 1997. The magnitude of surplus cash will be dependent on the amount of earnings and the disposition of the suspended Boeing aircraft order. The Company will continue to evaluate uses for its surplus cash, which could include the retirement or refinancing of debt and other fixed obligations, as well as the repurchase in the open market of equity. The total amount and type of debt and/or equity retired, refinanced and repurchased will depend on market conditions, AMR's cash position and other considerations during the year.

FORWARD-LOOKING INFORMATION

The preceding discussions under Business and Management's Discussion and Analysis of Financial Condition and Results of Operations contain various forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which represent the Company's expectations or beliefs concerning future events. When used in this document and in documents incorporated herein by reference, the words "expects," "plans," "anticipates," and similar expressions are intended to identify forward-looking statements. Forward-looking statements include, without limitation, projections relating to results of operations and financial conditions and the Company's plans and objectives for future operations, including plans to develop future code-sharing programs and to evaluate new alliances. All forward-looking statements in this report are based upon information available to the Company on the date of this report. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. Forward-looking statements are subject to a number of factors that could cause actual results to differ materially from our expectations. The following factors, in addition to other possible factors not listed, could cause the Company's actual results to differ materially from those expressed in forward-looking statements:

UNCERTAINTY OF FUTURE COLLECTIVE BARGAINING AGREEMENTS The Company's operations could be adversely affected by failure of the Company to reach agreement with any labor union representing the Company's employees or by an agreement with a labor union representing the Company's employees that contains terms which prevent the Company from competing effectively with other airlines. Specifically, as discussed above, if the tentative agreement is rejected by the APA and unless the Congress takes additional action, either party will be permitted to resort to self-help remedies, which include, but are not limited to, a strike by members of the APA. The Company and the APA have agreed to a timetable under which neither party will resort to self-help remedies for a period of 30 days following either (i) the failure of the APA Board to approve the tentative agreement or (ii) the failure of the APA membership to ratify the tentative agreement.

ECONOMIC AND OTHER CONDITIONS The airline industry is affected by changes in national, regional and local economic conditions, inflation, war (or the threat thereof), consumer preferences and spending patterns, demographic trends, consumer perceptions of airline safety, costs of safety and security measures and weather.

COMMODITY PRICES Due to the competitive nature of the airline industry, in the event of any increase in the price of jet fuel, there can be no assurance that the Airline Group would be able to pass on increased fuel prices to its customers by increasing fares.

COMPETITION IN THE AIRLINE INDUSTRY Service over almost all of the Airline Group's routes is highly competitive. On most of its non-stop routes, the Airline Group competes with at least one, and usually more than one, major domestic airline, as well as lower-cost carriers. The Airline Group also competes with national, regional, all-cargo and charter carriers and, particularly on shorter segments, ground transportation. Pricing decisions are affected by competition from other airlines. Fare discounting by competitors has historically had a negative effect on the Airline Group's financial results because American is generally required to match competitors' fares to maintain passenger traffic. No assurance can be give that any future fare reduction would be offset by increases in passenger traffic or changes in the mix of traffic that improves yields.

COMPETITION IN ELECTRONIC TRAVEL DISTRIBUTION The markets in which the Company's electronic travel distribution business competes are highly competitive. The SABRE Group competes primarily against other large and well-established global distribution systems and is always faced with the potential of new competitors, particularly as new channels for distribution develop. Increased competition could cause The SABRE Group to reduce prices, to increase spending on marketing or product development or otherwise to take actions that might adversely affect its operating earnings.

CHANGING BUSINESS STRATEGY Although it has no current plan to do so, the Company may change its business strategy in the future and may not pursue some of the goals stated herein.

GOVERNMENT REGULATION Future results of the Company's operations may vary based upon any actions which the governmental agencies with jurisdiction over the Company's operations may take, including the granting and timing of certain governmental approvals needed for code sharing and other arrangements with other airlines and the adoption of more restrictive locally-imposed noise restrictions.

UNCERTAINTY IN INTERNATIONAL OPERATIONS The Company's current international activities and prospects could be adversely affected by factors such as reversals or delays in the opening of foreign markets, exchange controls, currency and political risks, taxation and changes in international government regulation of the Company's operations.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS

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, 1996 and 1995, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1996. Our audits also included the financial statement schedule listed in the Index at Item 14(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule 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, 1996 and 1995, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 11 to the consolidated financial statements, effective January 1, 1995, the Company changed its method of accounting for the impairment of long-lived assets.

ERNST & YOUNG LLP

2121 San Jacinto
Dallas, Texas 75201
January 14, 1997, except for the first
paragraph of Note 3, for which
the date is March 24, 1997

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

	Year Ended December 31,		
	1996	1995	1994
REVENUES			
Airline Group:			
Passenger - American Airlines, Inc.	$ 13,645	$ 13,134	$ 12,652
- AMR Eagle, Inc.	1,047	976	964
Cargo	682	677	666
Other	837	714	613
	16,211	15,501	14,895
The SABRE Group	1,622	1,529	1,407
Management Services Group	620	572	548
Less: Intergroup revenues	(700)	(692)	(713)
Total operating revenues	17,753	16,910	16,137
EXPENSES			
Wages, salaries and benefits	5,961	5,779	5,550
Aircraft fuel	1,936	1,623	1,614
Commissions to agents	1,252	1,293	1,335
Depreciation and amortization	1,204	1,259	1,250
Other rentals and landing fees	895	878	852
Maintenance materials and repairs	697	641	577
Food service	672	682	670
Aircraft rentals	616	671	695
Other operating expenses	2,681	2,536	2,310
Restructuring costs	--	533	278
Total operating expenses	15,914	15,895	15,131
OPERATING INCOME	1,839	1,015	1,006
OTHER INCOME (EXPENSE)			
Interest income	80	63	46
Interest expense	(499)	(670)	(615)
Gain on sale of stock by subsidiary	497	--	--
Miscellaneous - net	(284)	(55)	(67)
	(206)	(662)	(636)
EARNINGS BEFORE INCOME TAXES AND EXTRAORDINARY LOSS	1,633	353	370
Income tax provision	528	162	142
EARNINGS BEFORE EXTRAORDINARY LOSS	1,105	191	228
EXTRAORDINARY LOSS, NET OF TAX BENEFIT	(89)	(29)	--
NET EARNINGS	$ 1,016	$ 162	$ 228

Continued on next page.

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

	Year Ended December 31,		
	1996	1995	1994
NET EARNINGS	$ 1,016	$ 162	$ 228
Preferred stock dividends	--	--	(56)
Increase in additional paid-in capital from preferred stock exchange	--	--	171
EARNINGS APPLICABLE TO COMMON SHARES	$ 1,016	$ 162	$ 343
EARNINGS (LOSS) PER COMMON SHARE:			
PRIMARY			
Before effect of preferred stock exchange and extraordinary loss	$ 12.64	$2.48	$ 2.26
Effect of preferred stock exchange	--	--	2.25
Extraordinary loss	(1.01)	(0.37)	--
Net earnings	$ 11.63	$2.11	$ 4.51
FULLY DILUTED			
Before effect of preferred stock exchange and extraordinary loss	$ 12.15	$2.48	$ 2.26
Effect of preferred stock exchange	--	--	2.25
Extraordinary loss	(0.96)	(0.37)	--
Net earnings	$ 11.19	$2.11	$ 4.51

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

AMR CORPORATION
CONSOLIDATED BALANCE SHEET
(in millions)

	December 31, 1996	December 31, 1995
ASSETS		
CURRENT ASSETS		
Cash	$ 68	$ 82
Short-term investments	1,743	819
Receivables, less allowance for uncollectible accounts (1996-$17; 1995-$18)	1,382	1,153
Inventories, less allowance for obsolescence (1996-$213; 1995-$250)	633	589
Deferred income taxes	404	357
Other current assets	240	137
Total current assets	4,470	3,137
EQUIPMENT AND PROPERTY		
Flight equipment, at cost	13,223	13,396
Less accumulated depreciation	3,972	3,544
	9,251	9,852
Other equipment and property, at cost	3,982	4,204
Less accumulated depreciation	2,100	2,240
	1,882	1,964
	11,133	11,816
EQUIPMENT AND PROPERTY UNDER CAPITAL LEASES		
Flight equipment	2,882	2,368
Other equipment and property	261	256
	3,143	2,624
Less accumulated amortization	971	875
	2,172	1,749
OTHER ASSETS		
Route acquisition costs, less accumulated amortization (1996 - $182; 1995 - $153)	974	1,003
Airport operating and gate lease rights, less accumulated amortization(1996 - $123; 1995 - $104)	345	364
Prepaid pension cost	446	268
Other	957	1,219
	2,722	2,854
TOTAL ASSETS	$20,497	$19,556

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

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

	December 31, 1996	December 31, 1995
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 1,068	$ 817
Accrued salaries and wages	823	694
Accrued liabilities	1,232	1,305
Air traffic liability	1,889	1,466
Current maturities of long-term debt	424	228
Current obligations under capital leases	130	122
Total current liabilities	5,566	4,632
LONG-TERM DEBT, LESS CURRENT MATURITIES	2,752	4,983
OBLIGATIONS UNDER CAPITAL LEASES, LESS CURRENT OBLIGATIONS	1,790	2,069
OTHER LIABILITIES AND CREDITS		
Deferred income taxes	743	446
Deferred gains	647	696
Postretirement benefits	1,530	1,439
Other liabilities and deferred credits	1,801	1,571
	4,721	4,152
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Convertible preferred stock: 20,000,000 shares authorized; shares issued and outstanding: 1995 - 159,000	--	78
Common stock - $1 par value; shares authorized: 150,000,000; shares issued and outstanding: 1996 - 91,000,000; 1995 - 76,400,000	91	76
Additional paid-in capital	3,166	2,239
Other	(23)	(91)
Retained earnings	2,434	1,418
	5,668	3,720
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 20,497	$ 19,556

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

AMR CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
(in millions)

	Year Ended December 31,		
	1996	1995	1994
CASH FLOW FROM OPERATING ACTIVITIES:			
Net earnings	$ 1,016	$ 162	$ 228
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	1,204	1,259	1,250
Deferred income taxes	218	50	145
Gain on sale of stock by subsidiary	(497)	--	--
Provision for restructuring costs	--	533	278
Provisions for losses	251	41	25
Extraordinary loss	136	45	--
Change in assets and liabilities:			
Increase in receivables	(225)	(109)	(135)
Increase in inventories	(66)	(11)	(19)
Increase (decrease) in accounts payable and accrued liabilities	261	441	(216)
Increase (decrease) in air traffic liability	423	(7)	13
Other, net	(5)	(224)	40
Net cash provided by operating activities	2,716	2,180	1,609
CASH FLOW FROM INVESTING ACTIVITIES:			
Capital expenditures	(547)	(928)	(1,114)
Net increase in short-term investments	(924)	(65)	(239)
Investment in Canadian Airlines International Limited	--	--	(177)
Proceeds from sale of equipment and property	257	68	67
Net cash used for investing activities	(1,214)	(925)	(1,463)
CASH FLOW FROM FINANCING ACTIVITIES:			
Proceeds from:			
Sale of stock by subsidiary	589	--	--
Issuance of long-term debt	--	184	146
Sale-leaseback transactions	--	--	280
Payments on long-term debt and capital lease obligations	(2,130)	(1,401)	(549)
Payment of preferred stock dividends	--	--	(66)
Other, net	25	21	3
Net cash used for financing activities	(1,516)	(1,196)	(186)
Net increase (decrease) in cash	(14)	59	(40)
Cash at beginning of year	82	23	63
Cash at end of year	$ 68	$ 82	$ 23

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	Other	Retained Earnings	Total
Balance at January 1, 1994	$ 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 ($30.00 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)
Unrealized loss on investments, net of tax benefit of $18	-	-	-	(43)	-	(43)
Balance at December 31, 1994	78	76	2,212	(242)	1,256	3,380
Net earnings	-	-	-	-	162	162
Issuance of 507,826 shares pursuant to stock option, deferred stock and restricted stock incentive plans	-	-	27	-	-	27
Adjustment for minimum pension liability, net of tax benefit of $120	-	-	-	198	-	198
Unrealized loss on investments, net of tax benefit of $28	-	-	-	(47)	-	(47)
Balance at December 31, 1995	78	76	2,239	(91)	1,418	3,720
Net earnings	-	-	-	-	1,016	1,016
Issuance of 13,926,774 shares upon conversion of convertible subordinated debentures and preferred stock, net of conversion fees and issuance costs	(78)	14	881	-	-	817
Issuance of 701,828 shares pursuant to stock option, deferred stock and restricted stock incentive plans	-	1	46	-	-	47
Adjustment for minimum pension liability, net of tax benefit of $13	-	-	-	(21)	-	(21)
Reversal of unrealized loss on investment in Canadian Airlines International Limited	-	-	-	91	-	91
Unrealized loss on investments, net of tax benefit of $1	-	-	-	(2)	-	(2)
Balance at December 31, 1996	$ -	$ 91	$ 3,166	$ (23)	$ 2,434	$ 5,668

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

---

1. SUMMARY OF ACCOUNTING POLICIES

BASIS OF CONSOLIDATION The consolidated financial statements include the accounts of AMR Corporation (AMR or the Company), its wholly-owned subsidiaries, including its principal subsidiary American Airlines, Inc. (American), and its majority-owned subsidiaries, including The SABRE Group Holdings, Inc. (The SABRE Group). All significant intercompany transactions have been eliminated. Certain amounts from prior years have been reclassified to conform with the 1996 presentation.

USE OF ESTIMATES The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

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, as well as allowances for spare parts currently identified as excess. These allowances are based on management estimates, which are subject to change.

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 (Stage II)	December 31, 1999[1]	None
Boeing 727-200 (to be converted to Stage III)	December 31, 2005[1]	None
DC-10-10/DC-10-30	December 31, 2002[2]	None
Other jet aircraft	20 years	5%
Regional aircraft and engines	15-17 years	10%
Major rotable parts, avionics and assemblies	Life of equipment to which applicable	0-10%
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 1996, American changed the estimated useful lives of its Boeing 727-200 aircraft and engines from an average depreciable life of 21 years to an approximate common retirement date of December 31, 1999 for those aircraft which will not be converted to Stage III noise standards and December 31, 2005 for those which will be converted to Stage III. The impact of this change was not material.

(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 25 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.

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

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. These assets are being amortized on a straight-line basis over 40 years for route authorities, 25 years for airport take-off and landing slots, and the term of the lease for airport gate leasehold rights.

PASSENGER REVENUES Passenger ticket sales are initially recorded as a component of air traffic liability. Revenue derived from ticket sales is recognized at the time transportation is provided. However, due to various factors, including the complex pricing structure and interline agreements throughout the industry, certain amounts are recognized in revenue using estimates regarding both the timing of the revenue recognition and the amount of revenue to be recognized. Actual results could differ from those estimates.

THE SABRE GROUP REVENUES The SABRE Group provides electronic travel distribution services and information technology solutions. As compensation for electronic travel distribution services provided, The SABRE Group collects fees from airline, car rental and hotel vendors. Revenue for airline reservations is recognized at the time of the booking of the reservation, net of estimated future cancellations. Revenue for car rental and hotel bookings is recognized at the time the reservation is used by the customer. Fees billed on service contracts are recognized as revenue in the month earned.

Revenue from data processing services is recognized in the period earned. Revenue from software license fees for standard software products is recognized when the software is delivered, provided no significant future vendor obligations exist and collection is probable. The SABRE Group recognizes revenue on long-term software development and consulting contracts under the percentage of completion method of accounting. Losses, if any, on long-term contracts are recognized when the current estimate of total contract costs indicates a loss on a contract is probable. Fixed fees for software maintenance are recognized ratably over the life of the contract.

ADVERTISING COSTS The Company expenses the costs of advertising as incurred. Advertising expense was $205 million, $192 million and $201 million for the years ended December 31, 1996, 1995 and 1994, respectively.

FREQUENT FLYER PROGRAM The estimated incremental cost of providing free travel awards is accrued when such award levels are reached. American sells mileage credits and related services to companies participating in its frequent flyer program. The portion of the revenue related to the sale of mileage credits is deferred and recognized over a period approximating the period during which the mileage credits are used.

During 1994, the Company changed its estimate of the usage patterns of mileage credits sold to companies participating in American's AAdvantage frequent flyer program. The positive impact of the change in estimate on passenger revenues for 1994 was $59 million.

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.

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.

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

EARNINGS (LOSS) PER COMMON SHARE Earnings (loss) per share computations are based upon the earnings 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 were not common stock equivalents during the periods they were outstanding. The number of shares used in the computations of primary earnings per common share for the years ended December 31, 1996, 1995 and 1994, was 87.4 million, 76.8 million and 76.2 million, respectively. The number of shares used in the computations of fully diluted earnings per common share for the years ended December 31, 1996, 1995 and 1994, was 92.1 million, 76.8 million and 76.2 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.

STOCK OPTIONS The Company accounts for its stock-based compensation plans in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related Interpretations. Under APB 25, no compensation expense is recognized for stock option grants if the exercise price of the Company's stock option grants is at or above the fair market value of the underlying stock on the date of grant.

2. INVESTMENTS

Short-term investments consisted of (in millions):

	December 31, 1996	December 31, 1995
Overnight investments and time deposits	$ 81	$ 136
Corporate notes	1,302	457
Other debt securities	360	226
	$1,743	$ 819

Short-term investments at December 31, 1996, by contractual maturity included (in millions):

Due in one year or less	$1,150
Due after one year through three years	449
Due after three years	144
	$1,743

All short-term investments are classified as available-for-sale and stated at fair value. Net unrealized gains and losses, net of deferred taxes, are reflected as an adjustment to stockholders' equity.

3. COMMITMENTS AND CONTINGENCIES

American's collective bargaining agreement with the Allied Pilots Association (APA) became amendable on August 31, 1994. On September 2, 1996, American and the APA reached a tentative agreement on a new labor contract. The tentative agreement was approved by the APA Board of Directors and sent out for membership ratification, but subsequently rejected by the APA membership. On January 10, 1997, the National Mediation Board (NMB) proffered binding arbitration to the APA and American. American agreed to arbitration but because the APA did not also agree, the proffer was rejected and on January 15, 1997, the APA and American were notified (i) that the NMB was terminating its services and (ii) that beginning February 15, 1997, either party could resort to self-help remedies, including a strike by the members of the APA. On February 15, 1997, the APA did initiate a strike against American but immediately thereafter President Clinton intervened and appointed a Presidential Emergency Board (PEB), pursuant to his authority under the Railway Labor Act. The effect of President Clinton's actions was to stop the strike and begin a process during which the PEB reviewed the positions advocated by both parties. On March 19, 1997, before the PEB issued its recommendations, American and the APA reached a second tentative agreement on a new contract. The tentative agreement will be voted on by the APA Board of Directors in early April 1997 and if approved, will be submitted to the APA membership for ratification. If the tentative agreement is rejected by the APA, and unless the Congress takes additional action, either party will be permitted to resort to self-help remedies, which include, but are not limited to, a strike by members of the APA. The Company and the APA have agreed to a timetable under which neither party will resort to self-help remedies for a period of 30 days following either (i) the failure of the APA Board to approve the tentative agreement or (ii) the failure of the APA membership to ratify the tentative agreement. Any work stoppage by the APA members would have a material adverse impact on the company.

In November 1996, the Company announced an aircraft acquisition arrangement with Boeing, including firm orders for 103 aircraft and "purchase rights" for 527 additional jets. This arrangement would allow the airline to move gradually toward a very high level of fleet commonality, and provide for modest capacity growth in future years. The Company made its arrangement with Boeing contingent on ratification of the tentative agreement with the APA reached in September 1996. Since this did not occur, the future of this aircraft order is uncertain.

The Miami International Airport Authority is currently remediating various environmental conditions at the Miami International Airport (Airport) and funding the remediation costs through landing fee revenues. Future costs of the remediation effort may be borne by carriers operating at the Airport, including American, through increased landing fees since certain of the potentially responsible parties are no longer in business. The future increase in landing fees may be material but cannot be reasonably estimated due to various factors, including the unknown extent of the remedial actions that may be required, the proportion of the cost that will ultimately be recovered from the responsible parties, and uncertainties regarding the environmental agencies that will ultimately supervise the remedial activities and the nature of that supervision. The ultimate resolution is not, however, expected to have a significant impact on the financial position or the liquidity of AMR.

The Company has authorized expenditures of approximately $350 million for modifications to aircraft, renovations of, and additions to, airport and office facilities, and the acquisition of various other equipment and assets. AMR expects to spend approximately $200 million of this amount in 1997.

In April 1995, American announced an agreement to sell 12 of its McDonnell Douglas MD-11 aircraft to Federal Express Corporation (FedEx), with delivery of the aircraft between 1996 and 1999. No gain or loss is expected to be recognized as a result of this transaction. Three aircraft had been delivered as of December 31, 1996. The carrying value of the nine remaining aircraft American has committed to sell was approximately $600 million as of December 31, 1996. In addition, American has the option to sell its remaining seven MD-11 aircraft to FedEx with deliveries between 2000 and 2002.

AMR and American have included an event risk covenant in approximately $3.1 billion of debt and 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.

3. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 $437 million of the special facility revenue bonds prior to scheduled 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 $439 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, 1996, were (in millions):

Year Ending December 31,	Capital Leases	Operating Leases
1997	$ 260	$ 992
1998	255	987
1999	250	974
2000	315	924
2001	297	919
2002 and subsequent	1,479	14,122
	2,856(1)	$18,918(2)
Less amount representing interest	936	
Present value of net minimum lease payments	$ 1,920	

(1) Future minimum payments required under capital leases include $202 million guaranteed by AMR relating to special facility revenue bonds issued by municipalities.

(2) Future minimum payments required under operating leases include $6.4 billion guaranteed by AMR relating to special facility revenue bonds issued by municipalities.

At December 31, 1996, the Company had 186 jet aircraft and 81 turboprop aircraft under operating leases, and 83 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.

In 1994, the Company entered into capital leases aggregating $280 million. During 1996, American made prepayments totaling $565 million on the cancelable operating leases it had on 12 of its Boeing 767-300 aircraft. Upon the expiration of the amended leases, American can purchase the aircraft for a nominal amount. As a result, the aircraft are recorded as flight equipment under capital leases.

Rent expense, excluding landing fees, was $1.2 billion for 1996 and $1.3 billion for 1995 and 1994.

5. INDEBTEDNESS

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

	December 31, 1996	December 31, 1995
6.25% - 10.70% notes due through 2021	$1,859	$2,368
8.625% - 10.20% debentures due through 2021 (net of unamortized discount of $5 at December 31, 1996)	506	972
6.125% convertible subordinated debentures due 2024	--	834
Variable rate indebtedness due through 2024 (3.55% - 6.824% at December 31, 1996)	162	475
6.0% - 9.25% bonds due through 2031	176	275
Other	49	59
Long-term debt, less current maturities	$2,752	$4,983

Maturities of long-term debt (including sinking fund requirements) for the next five years are: 1997-$424 million; 1998-$401 million; 1999-$36 million; 2000-$232 million; 2001-$439 million.

Certain debt is secured by aircraft, engines, equipment and other assets having a net book value of approximately $826 million.

In November 1994, AMR issued $1.02 billion in face 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 was 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. In May 1996, the Company's convertible debentures were converted into common stock of AMR, which resulted in an $834 million decrease in long-term debt and an $817 million increase in stockholders' equity (net of conversion fees and issuance costs).

During 1996, AMR repurchased and/or retired prior to scheduled maturity approximately $1.1 billion in face value of long-term debt and capital lease obligations. Cash from operations provided the funding for the repurchases and retirements. These transactions resulted in an extraordinary loss of $136 million ($89 million after tax) in 1996.

During 1995, AMR repurchased and/or retired prior to scheduled maturity $378 million in face value of long-term debt, net of sinking fund balances. Cash from operations provided the funding for the repurchases and retirements. In addition, $616 million in outstanding principal of certain debt and lease obligations was refinanced during 1995. These transactions resulted in an extraordinary loss of $45 million ($29 million after tax) in 1995.

American has a $1.0 billion credit facility agreement which expires December 19, 2001. At American's option, interest on the agreement can be calculated on one of several different bases. For most borrowings, American would anticipate choosing a floating rate based upon the London Interbank Offered Rate (LIBOR). At December 31, 1996, no borrowings were outstanding under the agreement.

5. INDEBTEDNESS (CONTINUED)

Certain of American's debt and credit facility agreements contain certain restrictive covenants, including a cash flow coverage test and a minimum net worth requirement. Certain of these restrictions could affect AMR's ability to pay dividends. At December 31, 1996, under the most restrictive provisions of those agreements, approximately $1.5 billion of American's retained earnings were available for payment of dividends to AMR.

Cash payments for interest were $515 million, $685 million and $609 million for 1996, 1995 and 1994, respectively.

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 non-performance 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 if the value of these instruments falls below certain mark-to-market thresholds. As of December 31, 1996, no collateral was required under these agreements, and the Company does not expect to post collateral in the near future.

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. These agreements involve the exchange of amounts based on a floating interest rate for amounts based on fixed interest rates over the life of the agreement without an exchange of the notional amount upon which the payments are based. The differential to be paid or received as interest rates change is accrued and recognized as an adjustment of interest expense related to the obligation. The related amount payable to or receivable from counterparties is included in current liabilities or assets. The fair values of the swap agreements are not recognized in the financial statements. Gains and losses on terminations of interest rate swap agreements are deferred as an adjustment to the carrying amount of the outstanding obligation and amortized as an adjustment to interest expense related to the obligation over the remaining term of the original contract life of the terminated swap agreement. In the event of the early extinguishment of a designated obligation, any realized or unrealized gain or loss from the swap would be recognized in income coincident with the extinguishment. 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.

6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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

	December 31,			
	1996		1995	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Interest rate swap agreements	$ 1,480	$ (9)	$ 1,980	$ 12

The fair values represent the amount the Company would pay or receive to terminate the agreements at December 31, 1996 and 1995, respectively.

At December 31, 1996, the weighted-average remaining life of the interest rate swap agreements in effect was 2.9 years. The weighted-average floating rates and fixed rates on the contracts outstanding were:

	December 31,	
	1996	1995
Average floating rate	5.728%	5.786%
Average fixed rate	5.627%	5.304%

Floating rates are based primarily on LIBOR and may change significantly, affecting future cash flows.

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. Gains and losses on fuel swap agreements are recognized as a component of fuel expense when the underlying fuel being hedged is used. At December 31, 1996, American had agreements with broker-dealers to exchange payments on approximately 405 million gallons of fuel products, which represents approximately 12 percent of its expected 1997 fuel needs and approximately three percent of its expected 1998 fuel needs. The fair value of the Company's fuel swap agreements at December 31, 1996, representing the amount the Company would receive to terminate the agreements, totaled $31 million.

6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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 exchange rate. Discounts or premiums are accreted or amortized as an adjustment to interest expense over the lives of the underlying debt or lease obligations. The related amounts due to or from counterparties are included in other liabilities or other assets. The net fair values of the Company's currency exchange agreements, representing the amount AMR and American would receive to terminate the agreements, were:

	December 31,			
	1996		1995	
	Notional Amount	Fair Value (in millions)	Notional Amount	Fair Value (in millions)
Swiss francs	-	$ -	195 million	$ 80
Japanese yen	24.7 billion	14	25.0 billion	28

The exchange rates on the Japanese yen agreements range from 66.50 to 125.59 yen per U.S. dollar.

To hedge against the risk of future exchange rate fluctuations on a portion of American's foreign cash flows, the Company enters into various currency put option agreements on a number of foreign currencies. The option contracts are denominated in the same foreign currency in which the projected foreign cash flows are expected to occur. These contracts are designated and effective as hedges of probable quarterly foreign cash flows for various periods through September 30, 1999, which otherwise would expose the Company to foreign currency risk. Realized gains on the currency put option agreements are recognized as a component of passenger revenues. At December 31, 1996, the notional amount related to these options totaled approximately $629 million and the fair value, representing the amount AMR would receive to terminate the agreements, totaled approximately $20 million.

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 estimated fair values of the Company's long-term debt, including current maturities, were (in millions):

	December 31,			
	1996		1995	
	Carrying Value	Fair Value	Carrying Value	Fair Value
6.25% - 10.70% notes	$2,214	$2,406	$2,454	$2,750
8.625% - 10.20% debentures	564	648	973	1,135
6.125% convertible subordinated debentures	--	--	834	1,036
Variable rate indebtedness	165	165	601	601
6.0% - 9.25% bonds	176	180	275	341
Other	57	58	74	80
	$3,176	$3,457	$5,211	$5,943

6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

All other financial instruments are either carried at fair value or their carrying value approximates fair value.

7. INCOME TAXES

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

	Year Ended December 31, 1996	1995	1994
Current	$ 310	$ 112	$ (3)
Deferred	218	50	217
Benefit of operating loss carryforwards	--	--	(72)
	$ 528	$ 162	$ 142

The income tax provision includes a federal income tax provision of $463 million, $133 million and $108 million for the years ended December 31, 1996, 1995 and 1994, respectively.

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

	Year Ended December 31, 1996	1995	1994
Statutory income tax provision	$ 572	$ 125	$ 130
Gain on sale of stock by subsidiary	(174)	--	--
Change in valuation allowance	60	--	--
State income tax provision, net	36	11	15
Meal expense	18	22	21
Rate difference on net operating loss carryback	--	--	(16)
Other, net	16	4	(8)
Income tax provision	$ 528	$ 162	$ 142

The change in valuation allowance in 1996 relates to the deferred tax asset resulting from the write-off of AMR's investment in Canadian Airlines International Limited (see Note 13) and expiring foreign tax credits.

7. INCOME TAXES (CONTINUED)

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

	December 31, 1996	December 31, 1995
Deferred tax assets:		
Alternative minimum tax credit carryforwards	$ 680	$ 443
Postretirement benefits other than pensions	550	504
Operating loss carryforwards	345	718
Gains from lease transactions	248	253
Rent expense	231	120
Frequent flyer obligation	172	130
Other	603	530
Valuation allowance	(72)	(12)
Total deferred tax assets	2,757	2,686
Deferred tax liabilities:		
Accelerated depreciation and amortization	(2,679)	(2,443)
Pensions	(144)	(65)
Other	(273)	(267)
Total deferred tax liabilities	(3,096)	(2,775)
Net deferred tax liability	$ (339)	$ (89)

At December 31, 1996, AMR had available for federal income tax purposes approximately $680 million of alternative minimum tax credit carryforwards available for an indefinite period, and approximately $943 million of net operating loss carryforwards for regular tax purposes which expire as follows: 2008 - $575 million; 2009 - $364 million; and 2010 - $4 million.

Cash payments (refunds) for income taxes were $194 million, $(36) million and $(21) million for 1996, 1995 and 1994, respectively.

8. PREFERRED STOCK

In 1993, AMR issued 2.2 million shares of 6% Series A cumulative convertible preferred stock. At the holder's option, each preferred share was convertible into 6.3492 shares of common stock at any time. 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. In 1996, AMR called for redemption all of its then outstanding preferred stock (approximately 159,000 shares) and subsequently issued 1.0 million shares of common stock upon the conversion of the preferred shares.

9. STOCK AWARDS AND OPTIONS

Under the 1988 Long Term Incentive Plan (1988 Plan), as amended in 1994, 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 percent of such newly issued shares will be allocated to the 1988 Plan. The 1988 Plan will terminate no later than May 18, 1998. Options are awarded with an exercise price equal to the fair market value of the stock on date of grant, becoming exercisable in equal annual installments over 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. As of January 1, 1996, all outstanding stock appreciation rights were canceled, while the underlying stock options remain in effect.

The Company accounts for its stock-based compensation plans in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and related Interpretations. In 1996, the total charge for stock compensation expense included in wages, salaries and benefits expense was $49 million. No compensation expense was recognized for stock option grants since the exercise price of the Company's stock option grants was the fair market value of the underlying stock on the date of grant.

The Company has adopted the pro forma disclosure features of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (FAS 123). As required by FAS 123, pro forma information regarding net income and earnings per share has been determined as if the Company and The SABRE Group had accounted for its employee stock options and awards granted subsequent to December 31, 1994 using the fair value method prescribed by FAS 123. The pro forma effect of FAS 123 is immaterial to 1996 and 1995 net earnings and earnings per share. Because FAS 123 is applicable only to options and stock-based awards granted subsequent to December 31, 1994, its pro forma effect will not be fully reflected until 1999.

Stock option activity was:

	Year Ended December 31,			
	1996		1995	1994
	Options	Weighted-Average Exercise Price	Options	Options
Outstanding at January 1	2,322,780	$ 62.85	2,404,010	2,107,950
Granted	392,475	78.43	440,600	409,400
Exercised(1)	(580,800)	59.41	(390,510)	(41,600)
Canceled(2)	(302,660)	62.97	(131,320)	(71,740)
Outstanding at December 31	1,831,795	$ 67.19	2,322,780	2,404,010

(1) At prices ranging from $40.9375 to $78.0625 in 1996; $39.6875 to $66.75 in 1995; and $39.6875 to $64.1875 in 1994.

(2) Includes 235,950 options canceled upon conversion to The SABRE Group stock options for 1996 and 20,500 options canceled upon exercise of stock appreciation rights for 1995.

Stock options outstanding at December 31, 1996 had a weighted-average remaining contractual life of 6.9 years, and exercise prices ranging from $40.9375 to $94.4375 (approximately 97 percent of options outstanding at December 31, 1996 had exercise prices ranging from $52.25 to $79.56).

9. STOCK AWARDS AND OPTIONS (CONTINUED)

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

	December 31, 1996	December 31, 1995	December 31, 1994
Aggregate purchase price (in millions)	$ 123	$ 146	$ 144
Exercisable options outstanding	807,510	1,195,580	1,282,790
Stock awards available for grant	2,355,793	2,549,116	3,239,948

The weighted-average exercise price of exercisable options outstanding at December 31, 1996 was $62.63.

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, 1996	1995	1994
Outstanding at January 1	1,424,058	1,496,803	1,510,860
Granted	102,650	120,300	88,800
Issued	(54,724)	(116,016)	(56,625)
Canceled(1)	(274,653)	(77,029)	(46,232)
Outstanding at December 31	1,197,331	1,424,058	1,496,803

(1) Includes 210,400 shares canceled upon conversion to The SABRE Group stock options and awards for 1996.

The weighted-average grant date fair value of career equity awards granted during 1996 was $79.27.

A 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 assets. Performance share activity was:

	Year Ended December 31, 1996	1995	1994
Outstanding at January 1	824,411	508,330	246,650
Granted	382,307	340,991	271,800
Issued	(68,504)	--	--
Awards settled in cash	(178,088)	--	--
Canceled(1)	(120,396)	(24,910)	(10,120)
Outstanding at December 31	839,730	824,411	508,330

1 Includes 90,551 shares canceled upon conversion to The SABRE Group stock awards for 1996.

The weighted-average grant date fair value of performance share awards granted during 1996 was $78.81.

There were 6.2 million shares of AMR's common stock at December 31, 1996 reserved for the issuance of stock upon the exercise of options and the issuance of stock awards.

9. STOCK AWARDS AND OPTIONS (CONTINUED)

The SABRE Group has established the 1996 Long Term Incentive Plan (1996 Plan), whereby its officers and other key employees may be granted stock options and other stock-based awards. Initially, 13 million shares of The SABRE Group's Class A Common Stock were authorized to be issued under the 1996 Plan. At December 31, 1996, approximately three million shares of The SABRE Group's Class A Common Stock were outstanding under the 1996 Plan.

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,		
	1996	1995	1994
Defined benefit plans:			
Service cost - benefits earned during the period	$ 204	$ 165	$ 204
Interest cost on projected benefit obligation	375	323	292
Loss (return) on assets	(91)	(1,288)	232
Net amortization and deferral	(322)	1,008	(541)
Net periodic pension cost for defined benefit plans	166	208	187
Defined contribution plans	132	124	119
Total	$ 298	$ 332	$ 306

In addition to the pension costs shown above, in late 1995 and 1994, AMR offered early retirement programs to select groups of employees as part of its restructuring efforts. In accordance with Statement of Financial Accounting Standards No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits," AMR recognized additional pension expense of $220 million and $154 million associated with these programs in 1995 and 1994, respectively, which was included in restructuring costs. Of these amounts, $118 million and $120 million were for special termination benefits and $102 million and $34 million were for the actuarial losses resulting from the early retirements for 1995 and 1994, respectively.

10. RETIREMENT BENEFITS (CONTINUED)

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

	December 31, 1996		December 31, 1995	
	Plans with Assets in Excess of Accumulated Benefit Obligation	Plans with Accumulated Benefit Obligation Excess of Assets	Plans with Assets in Excess of Accumulated Benefit Obligation	Plans with Accumulated Benefit Obligation Excess of Assets
Vested benefit obligation	$ 2,729	$ 1,435	$ 4,145	$ 42
Accumulated benefit obligation	$ 2,882	$ 1,510	$ 4,279	$ 46
Effect of projected future salary increases	650	202	728	20
Projected benefit obligation	3,532	1,712	5,007	66
Plan assets at fair value	3,154	1,463	4,545	6
Plan assets less than projected benefit obligation	(378)	(249)	(462)	(60)
Unrecognized net loss	729	237	703	19
Unrecognized prior service cost	37	29	14	9
Unrecognized transition asset	(32)	--	(45)	(1)
Adjustment to record minimum pension liability	--	(69)	--	(12)
Prepaid (accrued) pension cost(1)	$ 356	$ (52)	$ 210	$ (45)

(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 domestic and foreign government and corporate debt securities, marketable equity securities, and money market and mutual fund shares, of which approximately $71 million and $119 million of plan assets at December 31, 1996 and 1995, 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 7.75% and 7.25% at December 31, 1996 and 1995, respectively; rates of increase for compensation of 4.20% at December 31, 1996 and 1995; and the 1983 Group Annuity Mortality Table. The weighted-average expected long-term rate of return on assets was 9.50% in 1996, 1995 and 1994. The vested benefit obligation and plan assets at fair value at December 31, 1996, for plans whose benefits are guaranteed by the Pension Benefit Guaranty Corporation were $4.1 billion and $4.6 billion, respectively.

10. RETIREMENT BENEFITS (CONTINUED)

AMR intends to spin off the portion of its defined benefit pension plan applicable to employees of The SABRE Group to the Legacy Pension Plan (LPP), a defined benefit plan established by The SABRE Group effective January 1, 1997. The net obligation attributable to The SABRE Group employees participating in AMR's plan was approximately $40 million at December 31, 1996. The SABRE Group also established The SABRE Group Retirement Plan (SGRP), a defined contribution plan. Commencing January 1, 1997, employees of The SABRE Group who were under the age of 40 as of December 31, 1996 will participate in the SGRP. Employees of The SABRE Group who were age 40 or over as of December 31, 1996 will have the option of participating in either the SGRP or the LPP.

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 makes contributions to match employee prefunding.

Net other postretirement benefit cost was (in millions):

	Year Ended December 31,		
	1996	1995	1994
Service cost - benefits earned during the period	$ 58	$ 48	$ 62
Interest cost on accumulated other postretirement benefit obligation	102	101	87
Return on assets	(3)	(2)	(1)
Net amortization and deferral	(5)	(6)	(4)
Net other postretirement benefit cost	$ 152	$ 141	$ 144

In addition to net other postretirement benefit cost, in late 1995 and 1994, AMR offered early retirement programs to select groups of employees as part of its restructuring efforts. In accordance with Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions," AMR recognized additional other postretirement benefit expense of $93 million and $71 million associated with these programs in 1995 and 1994, respectively. Of these amounts, $26 million and $43 million were for special termination benefits and $67 million and $28 million were for the net actuarial losses resulting from the early retirements for 1995 and 1994, respectively.

10. RETIREMENT BENEFITS (CONTINUED)

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, 1996	December 31, 1995
Retirees	$ 593	$ 705
Fully eligible active plan participants	128	176
Other active plan participants	492	554
Accumulated other postretirement benefit obligation	1,213	1,435
Plan assets at fair value	39	28
Accumulated other postretirement benefit obligation in excess of plan assets	1,174	1,407
Unrecognized net gain (loss)	300	(29)
Unrecognized prior service benefit	56	61
Accrued other postretirement benefit cost	$ 1,530	$ 1,439

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

For 1996 and 1995, future benefit costs were estimated assuming per capita cost of covered medical benefits would increase at a six and eight percent annual rate, respectively, decreasing gradually to a four percent annual growth rate in 1999 and thereafter. A one percent increase in this annual trend rate would have increased the accumulated other postretirement benefit obligation at December 31, 1996, by approximately $129 million and 1996 other postretirement benefit cost by approximately $23 million. The weighted-average discount rate used in estimating the accumulated other postretirement benefit obligation was 7.75% and 7.25% at December 31, 1996 and 1995, respectively.

11. RESTRUCTURING COSTS

In 1995 and 1994, the Company recorded $533 million and $278 million, respectively, for restructuring costs which included (in millions):

	Year Ended December 31, 1995	Year Ended December 31, 1994
Special termination benefits:		
Pension	$118	$120
Other postretirement benefits	26	43
Other termination benefits	19	--
Actuarial losses:		
Pension	102	34
Other postretirement benefits	67	28
Total cost of early retirement programs	332	225
Provisions for aircraft impairment and retirement	193	--
Severance	--	28
Other	8	25
	$533	$278

11. RESTRUCTURING COSTS (CONTINUED)

In 1995, approximately 2,100 mechanics and fleet service clerks and 300 flight attendants elected early retirement under programs offered in conjunction with renegotiated union labor contracts, and the majority of these employees left the Company's workforce during 1996. The Company recorded restructuring costs of $332 million in 1995 related to these early retirement programs. A large portion of the funding for the programs was done in 1995. The remaining cash payments associated with these programs will be expended as required for funding the appropriate pension and other postretirement benefit plans in future years.

The aircraft portion of the 1995 restructuring costs includes a $145 million provision related to the write-down of certain McDonnell Douglas DC-10 aircraft. Effective January 1, 1995, AMR adopted Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," which requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. In 1995, the Company evaluated its fleet operating plan with respect to the DC-10-10 fleet and, as a result, believes that the estimated future cash flows expected to be generated by these aircraft will not be sufficient to recover their net book value. Management estimated the undiscounted future cash flows utilizing models used by the Company in making fleet and scheduling decisions. As a result of this analysis, the Company determined that a write-down of the DC-10-10 aircraft to the net present value of their estimated discounted future cash flows was warranted, which resulted in a $112 million charge. In addition, the Company recorded a $33 million charge to reflect a diminution in the estimated market value of certain DC-10 aircraft previously grounded by the Company. No cash costs have been incurred or are expected as a result of these DC-10 write-downs.

Also included in the aircraft restructuring costs is a $48 million charge related to the planned early retirement in 1996 of certain turboprop aircraft operated by AMR's regional carriers. The charge relates primarily to future lease commitments on these aircraft past the dates they will be removed from service and write-down of related inventory to its estimated fair value. Cash payments on the leases in 1996 totaled approximately $8 million, and additional payments will occur over the remaining lease terms.

In 1994, approximately 1,700 agents and 600 management employees elected early retirement under programs offered to select groups of employees and left the Company's workforce during 1995. The Company recorded restructuring costs of $225 million in 1994 related to these early retirement programs. A large portion of the funding for these programs was done in 1994. The remaining cash payments associated with these programs will be expended as required for funding the appropriate pension and other postretirement benefit plans in future years.

The $28 million severance provision recorded in 1994 was 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 in 1996 and 1995 totaled approximately $6 million and $22 million, respectively.

The remaining $25 million included in the 1994 restructuring costs represents provisions for excess leased facilities and other restructuring activities. Cash outlays are estimated to be approximately $18 million, of which approximately $3 million occurred in both 1996 and 1995.

12. GAIN ON SALE OF STOCK BY SUBSIDIARY

Pursuant to a reorganization consummated on July 2, 1996 (the Reorganization), The SABRE Group Holdings, Inc. (a holding company incorporated on June 25, 1996) became the successor to the businesses of The SABRE Group which were formerly operated as divisions or subsidiaries of American or AMR. During October 1996, The SABRE Group Holdings, Inc. completed an initial public offering of 23,230,000 shares of its Class A Common Stock, representing 17.8 percent of its economic interest, at $27 per share for net proceeds of approximately $589 million. This transaction resulted in a reduction of the Company's economic interest in The SABRE Group from 100 percent to 82.2 percent. In accordance with the Company's policy of recognizing gains or losses on the sale of a subsidiary's stock based on the difference between the offering price and the Company's carrying amount of such stock, the Company recorded a $497 million gain. The issuance of stock by The SABRE Group Holdings, Inc. was not subject to federal income taxes. In accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," no income tax expense was recognized on the gain.

13. OTHER INCOME (EXPENSE) - MISCELLANEOUS

Other income (expense) - miscellaneous, net included the following (in millions):

	Year Ended December 31,		
	1996	1995	1994
Canadian Airlines charges	$(251)	$--	$--
Loss of aircraft	--	(41)	(25)
Litigation settlement	(21)	--	--
Minority interest	(2)	--	--
Other, net	(10)	(14)	(42)
	$(284)	$ (55)	$ (67)

During the fourth quarter of 1996, the Company determined that the decline in the value of its investment in the cumulative mandatorily redeemable convertible preferred stock of Canadian Airlines International Limited (Canadian) was not temporary and, in accordance with Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities," recorded a $192 million charge to write down the investment to its estimated fair value. At December 31, 1995, the investment was recorded at its estimated fair value of $55 million, with the unrealized loss on the investment of $137 million, net of deferred taxes, recorded directly as a reduction in stockholders' equity. Additionally, the Company recorded a charge of $59 million in the fourth quarter of 1996 to write off certain deferred costs relating to the Company's agreement to provide a variety of services to Canadian.

The charges for loss of aircraft relate to the loss of an aircraft operated by American in 1995 and the loss of two regional aircraft operated by subsidiaries of AMR Eagle, Inc. in 1994. The litigation settlement represents American's share of a 1996 multi-carrier travel agency class action litigation settlement.

14. FOREIGN OPERATIONS

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

	Year Ended December 31,		
	1996	1995	1994
Latin America	$2,438	$2,316	$2,134
Europe	1,967	2,059	1,839
Pacific	336	373	347
Foreign operating revenues	$4,741	$4,748	$4,320

15. SEGMENT INFORMATION

AMR's operations fall within three industry segments: the Airline Group, The SABRE Group, and the Management Services Group. For a description of each of these groups, refer to Management's Discussion and Analysis on pages 16 and 17.

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

	December 31,		
	1996	1995	1994
Airline Group:			
Total revenues	$16,211	$15,501	$14,895
Intergroup revenues	41	--	--
Operating income	1,442	564	614
Depreciation and amortization expense	1,018	1,070	1,057
Restructuring costs	--	533	272
Capital expenditures	336	747	934
Identifiable assets	18,560	18,290	18,154
The SABRE Group:			
Total revenues	1,622	1,529	1,407
Intergroup revenues	500	548	590
Operating income	327	380	350
Depreciation and amortization expense	165	172	175
Restructuring costs	--	--	6
Capital expenditures	186	165	169
Identifiable assets	1,246	596	586
Management Services Group:			
Total revenues	620	572	548
Intergroup revenues	159	144	123
Operating income	70	71	42
Depreciation and amortization expense	21	17	18
Capital expenditures	25	16	11
Identifiable assets	287	313	374

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 $404 million, $357 million and $372 million at December 31, 1996, 1995 and 1994, respectively, and consist primarily of income tax assets.

In the second quarter of 1996, American and The SABRE Group completed the negotiations of a new technology services agreement pursuant to which The SABRE Group performs data processing and solutions services for American. This new agreement reflects the recent downward trend in market prices for data processing services. Additionally, the two companies completed negotiations on new agreements covering the provision of air travel and certain marketing services by American to The SABRE Group. The parties agreed to apply the financial terms of these agreements as of January 1, 1996, which is reflected in the selected segment financial data in the above table. Excluding the effects of the new agreements and the Reorganization, operating income for 1996 would have approximated $1.38 billion for the Airline Group and $392 million for The SABRE Group.

16. QUARTERLY FINANCIAL DATA (UNAUDITED)

Unaudited summarized financial data by quarter for 1996 and 1995 (in millions, except per share amounts):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1996				
Operating revenues	$ 4,308	$ 4,550	$ 4,562	$ 4,333
Operating income	401	586	588	264
Earnings before extraordinary loss	157	293	282	373
Net earnings	157	293	282	284
Earnings per common share:				
Primary				
Before extraordinary loss	2.02	3.35	3.06	4.05
Net earnings	2.02	3.35	3.06	3.08
Fully diluted				
Before extraordinary loss	1.84	3.20	3.06	4.05
Net earnings	1.84	3.20	3.06	3.08
1995				
Operating revenues	$ 3,970	$4,307	$4,445	$ 4,188
Operating income (loss)	252	482	521	(240)
Earnings (loss) before extraordinary loss	37	191	233	(270)
Net earnings (loss)	37	178	229	(282)
Earnings (loss) per common share:				
Primary				
Before extraordinary loss	0.48	2.48	3.01	(3.54)
Net earnings (loss)	0.48	2.31	2.96	(3.69)
Fully diluted				
Before extraordinary loss	0.48	2.23	2.68	(3.54)
Net earnings (loss)	0.48	2.08	2.64	(3.69)

Results for the third quarter of 1996 include a $21 million provision for American's share of a multi-carrier travel agency class action litigation settlement. Results for the fourth quarter of 1996 include a $497 million gain recorded by the Company related to the initial public offering of The SABRE Group (See Note 12), a $251 million charge related to the write-off of the Company's investment in Canadian and certain deferred costs relating to the Company's agreement to provide a variety of services to Canadian (See Note 13) and a $26 million charge to write down the value of aircraft interiors the Company plans to refurbish.

Results for the fourth quarter of 1995 include $533 million in restructuring costs, primarily representing the cost of early retirement programs for certain Airline Group employees, provisions for the write-down of certain DC-10 aircraft and the planned retirement of certain turboprop aircraft. Results for the fourth quarter of 1995 also include a $41 million charge related to the loss of an aircraft operated by American.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

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 21, 1997. Information concerning the executive officers is included in Part I of this report on page 13.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated herein by reference from the Company's definitive proxy statement for the annual meeting of stockholders on May 21, 1997.

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 21, 1997.

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 21, 1997.

PART IV

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

(a) (1) The following financial statements and Independent Auditor's Report are filed as part of this report:

(2) The following financial statement schedule is filed as part of this report:

		Page
Schedule II	Valuation and Qualifying Accounts and Reserves	64

Schedules not included have been omitted because they are not applicable or because the required information is included in the consolidated financial statements or notes thereto.

(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 10 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	
3.1	Restated Certificate of Incorporation of AMR, incorporated by reference to AMR's Registration Statement on Form S-4, file number 33-55191.
3.2	Amended Bylaws of AMR, incorporated by reference to Exhibit 10(ppp) to AMR's report on Form 10-Q for the period ended June 30, 1995.
10.1	Employment Agreement among AMR, American Airlines and Robert L. Crandall, dated January 1, 1988, incorporated by reference to Exhibit 10(t) to AMR's report on Form 10-Q for the period ended March 31, 1988; amendments thereto incorporated by reference to Exhibit 10(ff) to AMR's report on Form 10-K for the year ended December 31, 1989, Exhibit 10(tt) to AMR's report on Form 10-K for the year ended December 31, 1990, Exhibit 10(uu) to AMR's report on Form 10-Q for the period ended June 30, 1992, and Exhibit 10(ooo) to AMR's report on Form 10-Q for the period ended March 31, 1995.
10.2	Irrevocable Executive Trust Agreement, dated as of May 1, 1992, between AMR and Wachovia Bank of North Carolina N.A., incorporated by reference to Exhibit 10(vv) to AMR's report on Form 10-K for the year ended December 31, 1992.
10.3	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.
10.4	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.
10.5	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.
10.6	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.
10.7	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.
10.8	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.
10.9	Directors Stock Incentive Plan dated May 18, 1994, as amended.

10.10	Deferred Compensation Agreement, dated as of December 27, 1995, between AMR and Howard P. Allen, incorporated by reference to Exhibit 10(sss) to AMR's report on Form 10-K for the year ended December 31, 1995.
10.11	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.
10.12	Deferred Compensation Agreement, dated as of February 7, 1996, between AMR and Armando M. Codina, incorporated by reference to Exhibit 10(ttt) to AMR's report on Form 10-K for the year ended December 31, 1995.
10.13	Deferred Compensation Agreement, dated as of February 10, 1997, between AMR and Armando M. Codina.
10.14	Deferred Compensation Agreement, dated as of February 9, 1996, between AMR and Charles T. Fisher, III, incorporated by reference to Exhibit 10(uuu) to AMR's report on Form 10-K for the year ended December 31, 1995.
10.15	Deferred Compensation Agreement, dated as of January 30, 1997, between AMR and Charles T. Fisher, III.
10.16	Deferred Compensation Agreement, dated as of February 23, 1996, between AMR and Charles H. Pistor, Jr., incorporated by reference to Exhibit 10(vvv) to AMR's report on Form 10-K for the year ended December 31, 1995.
10.17	Deferred Compensation Agreement, dated as of January 30, 1997, between AMR and Charles H. Pistor, Jr.
10.18	Description of American's Split Dollar Insurance Program, dated December 28, 1997, incorporated by reference to Exhibit 10(c)(1) to American's Registration Statement No. 2-76709.
10.19	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.
10.20	Amendment to AMR's 1988 Long-term Incentive Plan dated May 18, 1994, incorporated by reference to Exhibit A to AMR's definitive proxy statement with respect to the annual meeting of stockholders held on May 18, 1994.
10.21	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.
10.22	Current form of Career Equity Program Agreement, incorporated by reference to Exhibit 10(nnn) to AMR's report on Form 10-K for the year ended December 31, 1994.
10.23	Form of Guaranty to Career Equity Program under the AMR 1988 Long-Term Incentive Plan, incorporated by reference to Exhibit 10(ccc) to AMR's report on Form 10-K for the year ended December 31, 1993.
10.24	Performance Share Program for the years 1994 to 1996 under the 1988 Long-term Incentive Program, incorporated by reference to Exhibit 10(lll) to AMR's report on Form 10-K for the year ended December 31, 1994.

10.25 Performance Share Program for the years 1995 to 1997 under the 1988 Long-term Incentive Program, incorporated by reference to Exhibit 10(ooo) to AMR's report on Form 10-K for the year ended December 31, 1995.

10.26 Performance Share Program for the years 1996 to 1998 under the 1988 Long-term Incentive Program.

10.27 Performance Share Program for the years 1997 to 1999 under the 1988 Long-term Incentive Program.

10.28 American Airlines, Inc. Supplemental Executive Retirement Program, as amended January 1997.

10.29 American Airlines, Inc. 1996 Employee Profit Sharing Plan.

10.30 American Airlines, Inc. 1997 Employee Profit Sharing Plan.

10.31 American Airlines, Inc. 1996 Incentive Compensation Plan for Officers and Key Employees, incorporated by reference to Exhibit 10(qqq) to AMR's report on Form 10-K for the year ended December 31, 1995.

10.32 American Airlines, Inc. 1997 Incentive Compensation Plan for Officers and Key Employees.

10.33 Aircraft Sales Agreement by and between American Airlines, Inc. and Federal Express Corporation, dated April 7, 1995, incorporated by reference to Exhibit 10(rrr) to AMR's report on Form 10-K for the year ended December 31, 1995. Confidential treatment was granted as to a portion of this document.

10.34 The SABRE Group, Inc. Long-Term Incentive Plan, incorporated by reference to Exhibit 10.25 to The SABRE Group Holdings, Inc.'s Registration Statement on Form S-1, file number 333-09747.

10.35 The SABRE Group, Inc. Directors' Stock Incentive Plan, incorporated by reference to Exhibit 10.26 to The SABRE Group Holdings, Inc.'s Registration Statement on Form S-1, file number 333-09747.

10.36 Form of Executive Termination Benefits Agreement for The Sabre Group, Inc., incorporated by reference to Exhibit 10.27 to The SABRE Group Holdings, Inc.'s Registration Statement on Form S-1, file number 333-09747.

11.1 Computation of primary earnings per share for the years ended December 31, 1996, 1995 and 1994 appears on page 65 hereof.

11.2 Computation of fully diluted earnings per share for the years ended December 31, 1996, 1995 and 1994 appears on page 66 hereof.

21 Significant subsidiaries of the registrant as of December 31, 1996 appears on page 67 hereof.

23 Consent of Independent Auditors appears on page 70 hereof.

27 Financial Data Schedule.

(b) Reports on Form 8-K:

Form 8-K dated January 15, 1997 to report a press release issued regarding AMR's fourth quarter 1996 earnings.

Form 8-K dated January 21, 1997 to report events regarding labor negotiations with the Allied Pilots Association.

Form 8-K dated February 6, 1997 to report American's drawing under an existing credit facility agreement and negotiation of an additional credit facility agreement.

Form 8-K dated March 3, 1997 to report events regarding labor negotiations with the Allied Pilots Association.

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/ Gerard J. Arpey
- ---
Gerard J. Arpey
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: March 19, 1997

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/ David L. Boren David L. Boren	/s/ Dee J. Kelly Dee J. Kelly
/s/ Edward A. Brennan Edward A. Brennan	/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

Date: March 19, 1997

AMR CORPORATION
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
(DEDUCTED FROM ASSET TO WHICH APPLICABLE)
(IN MILLIONS)

	BALANCE AT BEGINNING OF YEAR	CHARGED TO OTHER OPERATING EXPENSES	CHARGED TO DEPREC. AND AMORT.	CHARGED TO RESTRUCT COSTS	NET WRITE-OFF	SALES, RETIRE-MENTS AND TRANSFERS	BALANCE AT END OF YEAR
YEAR ENDED DECEMBER 31, 1996							
Allowance for uncollectible accounts	$ 18	$ 20	$ -	$ -	$(21)	$ -	$ 17
Allowance for obsolescence of inventories	250	-	23	-	-	(60)	213
YEAR ENDED DECEMBER 31, 1995							
Allowance for uncollectible accounts	26	17	-	-	(25)	-	18
Allowance for obsolescence of inventories	179	-	38	18	-	15	250
YEAR ENDED DECEMBER 31, 1994							
Allowance for uncollectible accounts	33	20	-	-	(27)	-	26
Allowance for obsolescence of inventories	168	-	29	-	-	(18)	179

Exhibit Index

10.9	Directors Stock Incentive Plan dated May 18, 1994, as amended.
10.13	Deferred Compensation Agreement, dated as of February 10, 1997, between AMR and Armando M. Codina.
10.15	Deferred Compensation Agreement, dated as of January 30, 1997, between AMR and Charles T. Fisher, III.
10.17	Deferred Compensation Agreement, dated as of January 30, 1997, between AMR and Charles H. Pistor, Jr.
10.26	Performance Share Program for the years 1996 to 1998 under the 1988 Long-term Incentive Program.
10.27	Performance Share Program for the years 1997 to 1999 under the 1988 Long-term Incentive Program.
10.28	American Airlines, Inc. Supplemental Executive Retirement Program, as amended January 1997.
10.29	American Airlines, Inc. 1996 Employee Profit Sharing Plan.
10.30	American Airlines, Inc. 1997 Employee Profit Sharing Plan.
10.32	American Airlines, Inc. 1997 Incentive Compensation Plan for Officers and Key Employees.
11.1	Computation of primary earnings per share for the years ended December 31, 1996, 1995 and 1994 appears on page 65 hereof.
11.2	Computation of fully diluted earnings per share for the years ended December 31, 1996, 1995 and 1994 appears on page 66 hereof.
21	Significant subsidiaries of the registrant as of December 31, 1996 appears on page 67 hereof.
23	Consent of Independent Auditors appears on page 70 hereof.
27	Financial Data Schedule.

EXHIBIT 10.9

EXHIBIT A

AMR CORPORATION

1994 DIRECTORS STOCK INCENTIVE PLAN, AS AMENDED

1. PURPOSES

The purposes of this AMR Corporation 1994 Directors Stock Incentive Plan, as amended, (the "Plan") are to enable AMR Corporation (the "Company") to attract, retain and motivate the best qualified directors and to enhance a long-term mutuality of interest between the directors and stockholders of the Company by providing the directors with a direct economic interest in the Common Stock of the Company.

2. DEFINITIONS

Unless the context requires otherwise, the following words as used in the Plan shall have the meanings ascribed to each below, it being understood that masculine, feminine and neuter pronouns are used interchangeably, and that each comprehends the others.

(a) "AMR Total Compensation" shall mean the nominal amount of cash paid to each Eligible Director for services as a member of the Board (including, without limitation, fees paid for service on committees or for attendance at meetings) for the last completed fiscal year of the Company, plus the value of each equity award made to each Eligible Director for such fiscal year, with each equity award valued in the same manner described below with respect to similar type awards for purposes of determining Annual Equity Compensation; provided, that, for purposes of determining AMR Total Compensation, the annual award of Deferred Shares made pursuant to Section 8 hereof shall be disregarded.

(b) "Annual Equity Compensation" shall mean, with respect to each of the companies in the Comparator Group, the sum of the values of each equity award made to a majority of the independent directors of such company determined in accordance with the following guidelines:

(i) any stock option shall be valued using the Black-Scholes method of option valuation based on the following assumptions: (A) the risk free rate of return shall be equal to the one year Treasury bill rate reported in The Wall Street Journal on the last business day immediately preceding the date as of which the determination is being made; (B) the term of the option shall be its stated term, regardless of any potential limitations on, or conditions to the availability, of such term; (C) the stock price of the underlying stock shall be the closing price of a share of stock (or, if applicable, the average of the closing bid and asked prices) on the exchange or national securities quotation system on which such shares principally trade on the last day immediately preceding the date as of which such equity award was made; (D) the stock price volatility of each company's stock shall be determined based on the twelve month period ended on the immediately preceding June 30; and (E) the exercise price shall be that stated in the option award and without regard to any possible adjustment thereto;

(ii) any award of shares of stock or deferred shares of stock, or any cash award to be valued by reference to shares of stock, shall be valued based on the closing price of a share of such stock (or, if applicable, the average of the closing bid and asked prices) on the exchange or national securities quotation system on which such shares principally trade on the last day immediately preceding the date as of which such equity award was made, minus the amount, if any, required to be paid to receive such award (or payment thereon);

(iii) the value of any such award shall be determined without regard to any restrictions related thereto, including, without limitation, any restriction requiring the continued performance of services;

(iv) if any award is made to a majority of all independent directors, but less frequently than annually (a "Nonrecurring Award"), each independent director shall be deemed to receive annually an award equal to the value of the Nonrecurring Award, determined in the manner described herein, divided by (x) the vesting period, if any, applicable to such award or (y) if no vesting period is stated or required, five years; and

(v) if an equity award is made to some but not all independent directors based on the fact that the directors receiving such equity award were not eligible to participate in a retirement plan or program for independent directors, such award shall be disregarded.

(c) "Award" shall mean any Share awarded under the Plan.

(d) "Board" shall mean the Board of Directors of the Company.

(e) "Change in Control" shall mean the occurrence of any of the following:

(i) When any "person" as defined in Section 3(a)(9) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and as used in Sections 13(d) and 14(d) thereof, including a "group" as defined in Section 13(d) of the Exchange Act but excluding the Company and any subsidiary and any employee benefit plan sponsored or maintained by the Company or any subsidiary (including any trustee of such plan acting as trustee), directly or indirectly, becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of securities of the Company representing 20 percent or more of the combined voting power of the Company's then outstanding securities or

(ii) When during any period of 24 consecutive months during the existence of the Plan, the individuals who, at the beginning of such period, constitute the Board (the "Incumbent Directors") cease for any reason other than death to constitute at least a majority thereof, provided, however, that a director who was not a director at the beginning of such 24-month period shall be deemed to have satisfied such 24-month requirement (and be an Incumbent Director) if such director was elected by, or on the recommendation of, or with the approval of, at least two-thirds of the directors who then qualified as Incumbent Directors either actually (because there were directors at the beginning of such 24-month period) or by prior operation of this paragraph; or

(iii) The occurrence of a transaction requiring stockholder approval for the acquisition of the Company by an entity other than the Company or a subsidiary through purchase of assets, or by merger, or otherwise.

(f) "Comparator Group" shall mean that group of 10 companies whose equity is registered under Section 12(g) of the Exchange Act that are ranked (i) immediately above the Company on the Fortune 500 list of companies (in terms of revenue) and (ii) immediately below the Company on such list (for a total of 20 companies), provided, that, if any such company provides an equity award based on a security that is not traded on an established securities market or that is otherwise not susceptible of being accurately valued using the principles set forth in Annual Equity Compensation, then such company shall be replaced in the Comparator Group by the next company in the applicable ranking on the Fortune 500 list.

(g) "Consultant" shall mean an independent executive compensation consulting firm chosen by the Directors to perform the examination set forth in Section 7.

(h) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(i) "Common Stock" shall mean the common stock of the Company, par value $1.00, any common stock into which such common stock may be changed, and any common stock resulting from any reclassification of such common stock.

(j) "Deferred Share" shall mean a contractual right to receive one Share at the time and subject to the conditions set forth in Sections 6 and 8.

(k) "Disability" means disability as determined under procedures established by the Board for purposes of the Plan.

(l) "Eligible Director" shall mean a director of the Company who is not an officer or employee of the Company or any of its subsidiaries.

(m) "Fair Market Value" as of any given date shall mean the mean between the highest and lowest quoted selling prices, regular way, of a Share on the New York Stock Exchange on such date or, if no Shares are sold on such date, on the last preceding business day on which any such sale was reported.

(n) "New Director" shall mean an Eligible Director who is first elected to the Board after May 15, 1996.

(o) "Share" shall mean a share of Common Stock.

3. EFFECTIVE DATE

Provided this Plan is approved by the Company's stockholders at the 1994 annual meeting of stockholders, the effective date of the Plan shall be May 18, 1994.

4. ADMINISTRATION

(a) Powers of the Board. This Plan shall be administered by the Board. The Board may delegate its powers and functions hereunder to a duly appointed committee of the Board. The Board shall have full authority to interpret this Plan; to establish, amend and rescind rules for carrying out this Plan; to administer this Plan; and to make all other determinations and to take such steps in connection with this Plan as the Board, in its discretion, deems necessary or desirable for administering this Plan.

(b) Disinterested Status. Notwithstanding the foregoing, neither the Board, any committee thereof nor any person designated pursuant to (c) below may take any action which would cause any Eligible Director to cease to be a "disinterested person" for purposes of Rule 16b-3 promulgated under the

Exchange Act as then in effect or any successor provisions ("Rule 16b-3"), with regard to this Plan or any other stock option or other equity plan of the Company. In particular, neither the Board, any committee thereof nor any person designated pursuant to (c) below shall have any discretion as to:

(i) the selection of Eligible Directors as eligible to receive awards pursuant to the Plan; or

(ii) the number of Shares awarded pursuant to Sections 6 and 8.

(c) Delegation. The Board may designate the Corporate Secretary of the Company, other officers or employees of the Company or competent professional advisors to assist the Board in the administration of this Plan, and may grant authority to such persons to execute agreements or other documents on its behalf.

(d) Agents and Indemnification. The Board may employ such legal counsel, consultants and agents as it may deem desirable for the administration of this Plan, and may rely upon any opinion received from any such counsel or consultant or agent. No member or former member of the Board or any committee thereof or any person designated pursuant to paragraph (c) above shall be liable for any action or determination made in good faith with respect to this Plan. To the maximum extent permitted by applicable law and the Company's Certificate of Incorporation and Bylaws, each member or former member of the Board or any committee thereof or any person designated pursuant to (c) above shall be indemnified and held harmless by the Company against any cost or expense (including counsel fees) or liability (including any sum paid in settlement of a claim with the approval of the Company) arising from any act, or omission to act, in connection with this Plan unless arising from such person's own fraud or bad faith. Such indemnification shall be in addition to any rights of indemnification the person may have as a director, officer or employee or under the Company's Certificate of Incorporation or Bylaws. Expenses incurred by the Board in the engagement of any such counsel, consultant or agent shall be paid by the Company.

5. SHARES; ADJUSTMENT UPON CERTAIN EVENTS

(a) Shares Available. Shares to be delivered under this Plan shall be made available, at the discretion of the Board, either from authorized but unissued Shares or from issued Shares reacquired by the Company. The aggregate number of Shares that may be issued under this Plan shall not exceed 100,000 Shares, except as provided in this Section.

(b) No Limit on Corporate Action. The existence of this Plan and the Deferred Shares granted hereunder shall not affect in any way the right or power of the Board or the stockholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, any merger or consolidation of the Company, any issue of bonds, debentures, preferred or prior preference stocks ahead of or affecting Common Stock, the dissolution or liquidation of the Company or any sale or transfer of all or part of its assets or business, or any other corporate act or proceeding.

(c) Recapitalization and Similar Events. The Deferred Shares awarded under Sections 6 and 8 relate to Shares of Common Stock as presently constituted, but if and whenever the Company shall effect a subdivision, reorganization, recapitalization or consolidation of Shares or the payment of a stock dividend on Shares without receipt of consideration, the number and kind of Deferred Shares to be awarded under

Sections 6 and 8 and the aggregate number and kind of shares of capital stock issuable under the Plan shall be proportionately adjusted.

(d) No Adjustment If Value Received. Except as hereinbefore expressly provided, the issuance by the Company of shares of stock of any class of securities convertible into shares of stock of any class, for cash, property, labor or services, upon direct sale, upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or other securities, and in any case whether or not for fair value, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number of Deferred Shares to be awarded to a Participant pursuant to Sections 6 and 8.

6. DEFERRED SHARE AWARDS - ANNUAL

(a) Awards to Eligible Directors. On the first business day after each annual meeting of stockholders of the Company occurring during the term of the Plan, each Eligible Director shall receive an award of 300 Deferred Shares.

(b) Service Requirement. If any Eligible Director ceases to be a director of the Company for any reason other than death or Disability prior to the date which is six months after the date of any grant of Deferred Shares under Section 6(a), such Eligible Director shall forfeit any and all of his rights and interests in such Deferred Shares to the Company and shall not be entitled to receive any compensation therefor. In the event that an Eligible Director shall cease to be a director due to his death or Disability prior to completing at least six months service as a director, the beneficiary or beneficiaries of such Eligible Director shall be entitled to receive without any restriction any Shares issuable in respect of any Deferred Shares awarded to such Eligible Director at the time indicated under Section 9. After completing six months of service as a director following a grant of Shares under Section 6(a), an Eligible Director's rights and interests in such Deferred Shares shall be nonforfeitable.

7. ADJUSTMENT TO ANNUAL AWARDS

(a) On or about July 1, 1998, and each second July 1 thereafter, the Consultant will examine the compensation of the independent members of the boards of directors at each of the companies within the Comparator Group for the last completed fiscal year of such company reported in such company's most recent proxy statement or annual report in accordance with the following guidelines:

(i) the Annual Equity Compensation Value, if any, for each independent director at each company within the Comparator Group will be determined by the Consultant;

(ii) annual cash compensation, if any, for each independent director at each company within the Comparator Group will be valued at nominal value, regardless of whether such cash compensation is paid or deferred (the "Cash Compensation");

(iii) Annual Equity Compensation Value and the Cash Compensation for each company within the Comparator Group will be summed to determine the total annual compensation for each independent director at each company (excluding any non-cash and non-equity benefits or perquisites made available to each such director) within the Comparator Group (the "Total Compensation");

(iv) the Consultant will determine the arithmetic average of Total Compensation for the Comparator Group and will determine, further, the value of 85% of such average (the "Threshold Compensation");

(v) if AMR total compensation for each Eligible Director is less than the Threshold Compensation, the number of Shares referenced in Section 6(a) shall be increased, effective as of the next following annual meeting of shareholders, in increments of 50, until AMR Total Compensation for each Eligible Director (as increased pursuant to this Section 7(a)(v) and as valued in accordance with Section 7(a)(i)) is equal to, or greater than, Threshold Compensation.

(b) The results of the Consultant's examination will be reported to the Board no later than the first occurrence of October 31 following the examination.

8. DEFERRED SHARE AWARDS - NEW DIRECTORS

(a) Awards to New Directors. On the first business day after each annual meeting of stockholders of the Company occurring during the term of the Plan, each New Director shall receive an award of 150 Deferred Shares.

(b) Service Requirement. If any New Director ceases to be a director of the Company for any reason other than death, Disability or retirement at or after age 70 prior to the date which is two years after the date of any grant of Deferred Shares under Section 8(a), such New Director shall forfeit any and all of his rights and interests in such Deferred Shares to the Company and shall not be entitled to receive any compensation therefor. In the event that a New Director shall cease to be a director due to his death, Disability or retirement at or after age 70 prior to completing at least two years of service as a director, the New Director or the beneficiary or beneficiaries of such New Director, shall be entitled to receive without any restriction any Shares issuable in respect of any Deferred Shares awarded to such New Director at the time indicated under Section 9. After completing two years of service as a director following a grant of Shares under Section 8(a), a New Director's rights and interests in such Deferred Shares shall be nonforfeitable.

9. DISTRIBUTION; CHANGE IN CONTROL - DEFERRAL

(a) An Eligible Director who ceases to be a member of the Board (or, in the case of a deceased Eligible Director, the beneficiary or beneficiaries of the Eligible Director) shall receive one Share for each of the Eligible Director's Deferred Shares which had become nonforfeitable on or before the date the Eligible Director ceased to be a member of the Board. Upon receipt of the Shares, the Eligible Director shall forfeit all rights to the underlying Deferred Shares and the number of Shares eligible for distribution under Section 5(a) of the Plan shall be reduced only by the number of Shares so distributed. Any Shares to be issued under the first sentence of this Section 9(a) shall be transferred to the Eligible Director (or, in the case of a deceased Eligible Director, the beneficiary or beneficiaries of the Eligible Director) six months and one day after the last acquisition of beneficial ownership by the Eligible Director. The Board may decide to distribute cash in lieu of Shares to the Eligible Director. In such an event, the cash amount shall be equal to the Fair Market Value of the Shares on the distribution date. In the event that any Award would result in the issuance of a fractional Share, the Company shall pay the Eligible Director (or the Eligible Director's beneficiary or beneficiaries) a cash amount equal to the Fair Market Value of such fractional share on the payment date in lieu of issuing any fractional Share. If any award of Deferred Shares under Sections 6(a) or 8(a) is forfeited or is otherwise terminated prior to distribution in the form of

Shares, such Deferred Shares shall again be available for distribution in connection with future awards under the Plan.

(b) Notwithstanding anything else contained in the Plan to the contrary, in the event of a Change in Control the Company shall immediately distribute to each Eligible Director (or, in the case of a deceased Eligible Director, the beneficiary or beneficiaries of the Eligible Director) one Share for each of the Eligible Director's Deferred Shares which were granted at least six months before the date on which the Change of Control occurred.

(c) An Eligible Director may, at any time prior to the cessation of such Eligible Director's service on the Board, elect in writing to voluntarily defer receipt of any distribution under Section 9(a) for an additional period specified in such election (the "Elective Deferral Period"); provided, however, that any election received by the Company within one year of the date on which such cessation of service occurs shall be void and without effect e.g. if the Eligible Director ceases service on the Board on May 15, 1998, an election received by the Company after May 14, 1997, shall have no effect.) Any distribution deferred pursuant to this Section 9(c) shall be made to the Eligible Director (or in the case of a deceased Eligible Director, the beneficiary or beneficiaries of the Eligible Director) within 30 days after the end of the elective Deferral Period.

10. NONTRANSFERABILITY OF AWARDS

No Award shall be transferable by the Eligible Director otherwise than by will or under the applicable laws of descent and distribution prior to the time the related Shares are issued under Section 9. During the period prior to the transfer of any Shares in respect of an Award pursuant to Section 9, such Award shall not be sold, assigned, negotiated, pledged or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to execution, attachment or similar process. Upon any attempt to sell, assign, negotiate, pledge or hypothecate any Award, or in the event of any levy upon any Award by reason of any attachment or similar process, in either case contrary to the provisions hereof, such Award shall immediately become null and void.

11. RIGHTS AS A STOCKHOLDER

An Eligible Director shall have no rights as a stockholder with respect to any Deferred Shares until he shall have become the holder of record of the related Share(s), pursuant to Section 9. At the time any dividends or other distributions are paid on or made with respect to a Share, each Eligible Director shall be credited with that number of additional Deferred Shares as is equal to the quotient of (i) the dollar amount of any such dividend or distribution with respect to the Eligible Director's vested Deferred Shares (or, in the case of any distribution made in property, the value of such property as reported to shareholders for Federal income tax purposes) divided by (ii) the Fair Market Value on the date such dividend or distribution is declared. Any such additional Deferred Shares shall become nonforfeitable and payable as provided under Section 9 as though granted on the same day as the Deferred Shares to which they relate.

12. DETERMINATIONS

Each determination, interpretation or other action made or taken pursuant to the provisions of this Plan by the Board shall be final and binding for all purposes and upon all persons, including, without limitation, the Company, the directors, officers and other employees of the Company, the Eligible Director and their respective heirs, executors, administrators, personal representatives and other successors in interest.

13. TERMINATION, AMENDMENT AND MODIFICATION

(a) Termination and Amendment. This Plan shall terminate at the close of business on May 19, 2004, unless sooner terminated by action of the stockholders of the Company, or by resolution adopted by the Board, and no Awards shall be granted under this Plan thereafter. The Board at any time or from time to time may further amend this Plan to effect (i) amendments necessary or desirable in order that this Plan and the Awards shall conform to all applicable laws and regulations and (ii) any other amendments deemed appropriate. Notwithstanding the foregoing, (y) the provisions of the Plan relating to the award of Deferred Shares may not be amended more than once every six months other than to comport with changes in the Code and the rules thereunder and (z) the Board may not effect any amendment that would require the approval of the stockholders of the Company under Rule 16b-3 (or its successor provision) or the listing requirements of the New York Stock Exchange (if applicable to the Company at the time such amendment is adopted or will be effective) unless such approval is obtained.

(b) No Effect on Excising Rights. Except as required by law, no termination, amendment or modification of this Plan may, without the consent of an Eligible Director or the permitted transferee of an Award, alter or impair the rights and obligations arising under any then outstanding Award.

14. NON-EXCLUSIVITY

Neither the adoption of this Plan by the Board nor the submission of this Plan to the stockholders of the Company for approval shall be construed as creating any limitations on the power of the Board to adopt such other compensatory arrangements as it may, in its discretion, deem desirable.

15. GENERAL PROVISIONS

(a) No Right to Serve as a Director. This Plan shall not impose any obligations on the Company to retain any Eligible Director as a director nor shall it impose any obligation on the part of any Eligible Director to remain as a director of the Company.

(b) No Right to Particular Assets. Nothing contained in this Plan and no action taken pursuant to this Plan shall create or be construed to create a trust of any kind or any fiduciary relationship between the Company and any Eligible Director, the executor, administrator or other personal representative or designated beneficiary of such Eligible Director, or any other persons. Any reserves that may be established by the Company in connection with this Plan shall continue to be part of the general funds of the Company, and no 'individual or entity other than the Company shall have any interest in such funds until paid to an Eligible Director. To the extent that any Eligible Director or his executor, administrator, or other personal representative, as the case may be, acquires a right to receive any payment from the Company pursuant to this Plan, such right shall be no greater than the right of an unsecured general creditor of the Company.

(c) Listing of Shares and Related Matters. If at any time the Board shall determine in its discretion that the listing, registration or qualification of the Shares covered by this Plan upon any national securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body is necessary of desirable as a condition of, or in connection with, the delivery of Shares under this plan, no Shares will be delivered unless and until such listing, registration, qualification, consent or approval shall have been effected or obtained, or otherwise provided for, free of any conditions not acceptable to the Board.

(d) Notices. Each Eligible Director shall be responsible for furnishing the Board with the current and proper address for the mailing of notices and delivery of agreements and Shares. Any notices required or permitted to be given shall be deemed given if directed to the person to whom addressed at such address and mailed by regular United States mail, first-class and prepaid. If any item mailed to such address is returned as undeliverable to the addressee, mailing will be suspended until the Eligible Director furnishes the proper address.

(e) Severability of Provisions. If any provision of this Plan shall be held invalid or unenforceable, such invalidity or non-enforceability shall not affect any other provisions hereof, and this Plan shall be construed and enforced as if such provision had not been included.

(f) Incapacity. Any benefit payable to or for the benefit of an incompetent person or other person incapable of receipting therefor shall be deemed paid when paid to such person's guardian or to the party providing or reasonably appearing to provide for the care of such person, and such payment shall fully discharge the Board, the Company and other parties with respect thereto.

(g) Headings and Captions. The headings and captions herein are provided for reference and convenience only, shall not be considered part of this Plan, and shall not be employed in the construction of this Plan.

(h) Controlling Law. This Plan shall be construed and enforced according to the laws of the State of Texas.

EXHIBIT 10.13

February 10, 1997

Mr. Armando M. Codina
Chairman
Codina Group, Inc.
Two Alhambra Plaza, PH2
Coral Gables, FL 33134

Dear Armando:

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 and American Airlines, Inc. for the period beginning on and after January 1, 1997 and ending on the earlier of December 31, 2006, or your retirement from such boards (the "deferral termination date") shall be paid to you on a deferred basis as set forth below.

2. Directors' fees shall be converted to Stock Equivalent Units in accordance with the Directors' Stock Equivalent Purchase Plan, a copy of which is attached hereto as Exhibit A.

3. Upon the deferral termination date, the Stock Equivalent Units shall be converted to cash and paid to you by multiplying the number of stock equivalent units as of the deferral termination date by the arithmetic mean of the high and low of AMR stock ("fair market value") during the calendar month immediately preceding the deferral termination 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 such event, the number of stock equivalent units as of your date of death shall be multiplied by the fair market value of AMR stock during the calendar month immediately preceding your death, and the product paid to Margarita Codina.

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

Very truly yours,

Charles D. MarLett
Corporate Secretary

Accepted and agreed:

Armando M. Codina

EXHIBIT 10.15

January 30, 1997

Mr. Charles T. Fisher, III
Renaissance Center
Tower 100
Suite 2412
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, 1997, and ending upon December 31, 1997, 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, 2002, 25% of the deferred fees and 25% of the interest accrued through December 31 of the immediately preceding year;

b) on January 1, 2003, 25% of the deferred fees and 25% of the interest accrued through December 31 of the immediately preceding year;

c) on January 1, 2004, 25% of the deferred fees and 25% of the interest accrued through December 31 of the immediately preceding year; and

d) on January 1, 2005, 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 c/o NBD Bank, Detroit, Michigan.

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

Very truly yours,

Charles D. MarLett
Corporate Secretary

Accepted and agreed:

Charles T. Fisher, III

- -------------------------------
Date

EXHIBIT 10.17

January 30, 1997

Mr. Charles H. Pistor, Jr.
4200 Belclaire
Dallas, Texas 75205

Dear Charlie:

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, 1997, and ending upon December 31, 1997, 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, 2000, 25% of the deferred fees and 25% of the interest accrued through December 31 of the immediately preceding year;

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

c) on January 1, 2002, 25% of the deferred fees and 25% of the interest accrued through December 31 of the immediately preceding year; and

d) on January 1, 2003, 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 Regina Pistor.

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

Very truly yours,

Charles D. MarLett
Corporate Secretary

Accepted and agreed:

Charles H. Pistor, Jr.

____
Date

EXHIBIT 10.26

1996-1998 PERFORMANCE SHARE PROGRAM
DEFERRED STOCK AWARD AGREEMENT

This AGREEMENT made as of October 3, 1996, 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 l988 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:

l. Grant of Award. The Employee is hereby granted as of October 3, 1996, (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, $l.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) as soon as practicable after 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, 1996 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) prior to the distribution of any Award hereunder, the Award shall be forfeited in its 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 l988 Plan.

(e) If prior to the distribution of any Award hereunder, the Employee becomes an employee of a Subsidiary that is not wholly owned, directly or indirectly, by the Corporation, then the Award shall be forfeited in its entirety.

3. Payment in Cash. Upon a determination by the Board, an Award may be paid in cash or other consideration in accordance with a formula as adopted by the Board.

4. 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.

5. 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.

6. 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.

7. 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.

8. Incorporation of l988 Plan Provisions. This Agreement is made pursuant to the l988 Plan and is subject to all of the terms and provisions of the l988 Plan as if the same were fully set forth herein. Capitalized terms not otherwise defined herein (inclusive of Schedule A) shall have the meanings set forth for such terms in the l988 Plan.

IN WITNESS HEREOF, the Employee and the Corporation have executed this Performance Share Grant as of the day and year first above written.

EMPLOYEE	AMR CORPORATION
	By:
----------------------	----------------------
	Charles D. MarLett
	Corporate Secretary

SCHEDULE A

AMR CORPORATION

1996 - 1998 PERFORMANCE SHARE PLAN FOR OFFICERS AND KEY EMPLOYEES

Purpose

The purpose of the 1996 - 1998 AMR Corporation Performance Share Plan ("Plan") for Officers and Key Employees is to provide greater incentive to officers and key employees of AMR Corporation ("AMR" or "the Corporation"), to achieve the highest level of individual performance, and to meet or exceed specified goals which will contribute to the success of the Corporation.

Definitions

Unless otherwise indicated in the 1988 Long Term Incentive Plan as amended or the applicable award agreement between the Corporation and the Employee relating to the performance shares, the following definitions will control:

"Adjusted Earnings/(Loss)" is defined as the sum of the Corporation's Consolidated earnings/(loss) applicable to common shares, preferred dividends, and American Airlines Inc. ("American") aircraft rental expense - net of the Related Tax Impact, less: Calculated Interest on Operating Leases - net of the Related Tax Impact, and Calculated Amortization of Operating Leases - net of the Related Tax Impact.

"Net Cash Flow" is defined as the sum of Adjusted Earnings/(Loss), the Corporation's depreciation and amortization expense, Calculated Interest on Operating Leases - net of the Related Tax Impact, Calculated Amortization of Operating Leases, and any accounting adjustments or extraordinary or unusual items (net of the Related Tax Impact) or other non-cash items which may be added or deducted at the discretion of the AMR Incentive Compensation Committee ("Committee") and approved by the AMR Board of Directors.

"Plan Average Net Cash Flow" is defined as the sum of the Net Cash Flow amounts for all of the fiscal years in the measurement period divided by three.

"Adjusted Gross Assets" is defined as the Corporation's consolidated total assets plus the Capitalized Value of Operating Leases plus Accumulated Depreciation on Equipment and Property plus Accumulated Amortization on Equipment and Property under Capital Leases, minus cash and short-term investments.

"Capitalized Value of Operating Leases" is defined as the initial present value of the lease payments required under American's aircraft operating leases over the initial stated lease term, calculated using a discount rate of Prime plus one percent.

"Prime" is defined as the base rate on Corporate Loans posted by at least 75% of the 30 largest U.S. banks which is published daily in the Wall Street Journal.

"Calculated Interest on Operating Leases" is defined as the interest expense imputed in American's operating leases and is determined by applying the interest rate used in determining the Capitalized Value of Operating Leases to the average obligation balance of such leases (calculated as the remaining obligation balance at the end of the fiscal year plus the remaining obligation balance at the end of the prior fiscal year, divided by two).

"Calculated Amortization of Operating Leases" is defined as the amortization expense associated with Capitalized Value of Operating Leases and is determined by the straight line method of amortization over the lease term.

"Related Tax Impact" of an adjustment made in determining Adjusted Earnings/(Loss) or Net Cash Flow is defined as the amount of that adjustment multiplied by the Corporation's estimated marginal tax rate for the relevant year, as determined by the Tax Department.

"Measurement Period" is defined as the three year period beginning January 1, 1996 and ending December 31, 1998.

"Average Adjusted Gross Assets" is Adjusted Gross Assets as of December 31 of a given year during the measurement period, plus Adjusted Gross Assets as of December 31 of the prior fiscal year, divided by two.

"Plan Average Adjusted Gross Assets" is the sum of Average Adjusted Gross Assets for each of the years during the measurement period divided by three.

"Cash Flow Return on Gross Assets" is defined as Plan Average Net Cash Flow divided by Plan Average Adjusted Gross Assets.

"Comparison Airlines" shall consist of UAL Corp., Delta Airlines Inc., Southwest Airlines Inc., and USAir Group.

Unless otherwise indicated, the sources for all of the financial data specified above are the applicable Annual Reports on Form 10-K filed by the Corporation.

Accumulation of Shares

The number of shares under the Plan to be distributed to individual participants is based on the applicable award agreement between the Corporation and the Employee and is determined by (i) the Corporation's Cash Flow Return on Gross Assets ("CFROGA"), and (ii) the Corporation's relative rank among the Comparison Airlines with regard to Cash Flow Return on Gross Assets. The accumulation of shares is specified below:

GRANTED SHARES - PERCENT OF TARGET

	AMR'S CFROGA				
AMR's Ranking	Less than 5.70%	Greater than or = 5.70% and less than 6.80%	Greater than or = 6.80% and less than 7.90%	Greater than or = 7.90% and less than 8.60%	Greater than or = 8.60%
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%

Administration

The Compensation/Nominating Committee of the Corporation 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 Cash Flow Return on Assets of the Comparison Airlines, the Committee may include or exclude special or non-recurring items. The amount, if any, of the fund shall be computed by the General Auditor of American based on a certification of CFROGA 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. The Committee may determine to pay a cash equivalent in lieu of the stock award.

7 General

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

In consideration of the employee's privilege to participate in the Plan, the employee agrees not to disclose any trade secrets of, or other confidential/restricted information during his or her employment with the Corporation or any of its Affiliates or after such employment is terminated.

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

EXHIBIT 10.27

AMR CORPORATION

1997 - 1999 PERFORMANCE SHARE PLAN FOR OFFICERS AND KEY EMPLOYEES

Purpose

The purpose of the 1997 - 1999 AMR Corporation Performance Share Plan ("Plan") for Officers and Key Employees is to provide greater incentive to officers and key employees of AMR Corporation ("AMR" or "the Corporation"), to achieve the highest level of individual performance, and to meet or exceed specified goals which will contribute to the success of the Corporation.

Definitions

Unless otherwise indicated in the 1988 Long Term Incentive Plan as amended or the applicable award agreement between the Corporation and the Employee relating to the performance shares, the following definitions will control:

"AMR" is defined as AMR Corporation.

"Committee" is defined as the Compensation/Nominating Committee of the AMR Board of Directors.

"Adjusted Earnings/(Loss)" is defined as the sum of the Corporation's Consolidated earnings/(loss) applicable to common shares, preferred dividends, and American Airlines Inc. ("American") aircraft rental expense - net of the Related Tax Impact, less: Calculated Interest on Operating Leases - net of the Related Tax Impact, and Calculated Amortization of Operating Leases - net of the Related Tax Impact.

"Net Cash Flow" is defined as the sum of Adjusted Earnings/(Loss), the Corporation's depreciation and amortization expense, Calculated Interest on Operating Leases - net of the Related Tax Impact, Calculated Amortization of Operating Leases, and any accounting adjustments or extraordinary or unusual items (net of the Related Tax Impact) or other non-cash items which may be added or deducted at the discretion of the AMR Incentive Compensation Committee and approved by the AMR Board of Directors.

"Plan Average Net Cash Flow" is defined as the sum of the Net Cash Flow amounts for all of the fiscal years in the measurement period divided by three.

"Adjusted Gross Assets" is defined as the Corporation's consolidated total assets plus the Capitalized Value of Operating Leases plus Accumulated Depreciation on Equipment and Property plus Accumulated Amortization on Equipment and Property under Capital Leases, minus cash and short-term investments.

"Capitalized Value of Operating Leases" is defined as the initial present value of the lease payments required under American's aircraft operating leases over the initial stated lease term, calculated using a discount rate of Prime plus one percent.

"Prime" is defined as the base rate on Corporate Loans posted by at least 75% of the 30 largest U.S. banks which is published daily in the Wall Street Journal.

"Calculated Interest on Operating Leases" is defined as the interest expense imputed in American's operating leases and is determined by applying the interest rate used in determining the Capitalized Value of Operating Leases to the average obligation balance of such leases (calculated as the remaining obligation balance at the end of the fiscal year plus the remaining obligation balance at the end of the prior fiscal year, divided by two).

"Calculated Amortization of Operating Leases" is defined as the amortization expense associated with Capitalized Value of Operating Leases and is determined by the straight line method of amortization over the lease term.

"Related Tax Impact" of an adjustment made in determining Adjusted Earnings/(Loss) or Net Cash Flow is defined as the amount of that adjustment multiplied by the Corporation's estimated marginal tax rate for the relevant year, as determined by the Tax Department.

"Measurement Period" is defined as the three year period beginning January 1, 1997 and ending December 31, 1999.

"Average Adjusted Gross Assets" is Adjusted Gross Assets as of December 31 of a given year during the measurement period, plus Adjusted Gross Assets as of December 31 of the prior fiscal year, divided by two.

"Plan Average Adjusted Gross Assets" is the sum of Average Adjusted Gross Assets for each of the years during the measurement period divided by three.

"Cash Flow Return on Gross Assets" is defined as Plan Average Net Cash Flow divided by Plan Average Adjusted Gross Assets.

"Comparison Airlines" shall consist of Delta Air Lines Inc., Southwest Airlines Inc., UAL Corp., and USAir Group.

Unless otherwise indicated, the sources for all of the financial data specified above are the applicable Annual Reports on Form 10-K filed by the Corporation.

Accumulation of Shares

The number of shares under the Plan to be distributed to individual participants is based on the applicable award agreement between the Corporation and the Employee and is determined by (i) the Corporation's Cash Flow Return on Gross Assets ("CFROGA"), and (ii) the Corporation's relative rank among the Comparison Airlines with regard to Cash Flow Return on Gross Assets. The accumulation of shares is specified below:

GRANTED SHARES - PERCENT OF TARGET

	AMR'S CFROGA				
AMR's Ranking	Less than 5.70%	Greater than or = 5.70% and less than 6.80%	Greater than or = 6.80% and less than 7.90%	Greater than or = 7.90% and less than 8.60%	Greater than or = 8.60%
1st	75%	100%	125%	150%	175%
2nd	50%	75%	100%	125%	150%
3rd	25%	50%	75%	100%	125%
4th	0%	0%	50%	75%	100%
5th	0%	0%	0%	0%	0%

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 Cash Flow Return on Gross Assets of the Comparison Airlines, the Committee may include or exclude special or non-recurring items. The amount, if any, of the fund shall be computed by the General Auditor of American based on a certification of CFROGA 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. The Committee may determine to pay a cash equivalent in lieu of the stock award.

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 an award as may have been expressly awarded by the Committee.

In the event of any act of God, war, natural disaster, aircraft grounding, revocation of operating certificate, terrorism, strike, lockout, labor dispute, work stoppage, fire, epidemic or quarantine restriction, act of government, critical materials shortage, or any other act beyond the control of the Company, whether similar or dissimilar, (each a "Force Majeure Event"), which Force Majeure Event affects the Company or its Subsidiaries or its Affiliate, the Board of Directors of the Company, at its sole discretion, may (i) terminate or (ii) suspend, delay, defer (for such period of time as the Board may deem necessary), or substitute any awards due currently or in the future under the Plan, including, but not limited to, any awards that have accrued to the benefit of participants but have not yet been paid.

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.

EXHIBIT 10.28

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

Amended January 1997

SUPPLEMENTAL EXECUTIVE RETIREMENT PROGRAM OF
AMERICAN AIRLINES, INC.

TABLE OF CONTENTS

SUPPLEMENTAL EXECUTIVE RETIREMENT PROGRAM OF AMERICAN AIRLINES, INC.

PURPOSE

This Plan provides supplemental pension benefits to the elected officers of American Airlines, Inc. and other key employees (as designated by the Chairman 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.

SUPPLEMENTAL EXECUTIVE RETIREMENT PROGRAM OF
AMERICAN AIRLINES, INC.

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.

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 or an individual who has been designated as being a Participant in a writing signed by the Chairman of the Company.

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.

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.

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, 3.4, 3.5 and 5.3, 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.

SUPPLEMENTAL EXECUTIVE RETIREMENT PROGRAM OF
AMERICAN AIRLINES, INC.

3.3 Except as provided in Sections 3.4 and 3.5, 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.

3.4 In lieu of monthly payments pursuant to 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 Human Resources, or successor, 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.

3.5 Upon 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) with respect to AMR, a Participant will receive a lump-sum, one-time payment equal to the present value of the remaining Benefits to be paid pursuant to Article II of this Agreement (the "Change in Control Payment"), unless the Participant elects to continue to receive monthly payments pursuant to Section 3.3. Such an election shall i) be in writing, ii) be in a form as prescribed by the Company, iii) be addressed to the Company's Vice President Human Resources, or successor, and iv) be made by the Participant within 30 days following the Change in Control or the Potential Change in Control. Prior to receiving the Change in Control Payment, the Participant may be required to execute a general release and to provide consent of spouse, if married. In calculating the Change in Control 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 Change in Control or Potential Change in Control plus 100 basis points. The Change in Control Payment will be paid to the

Participant within 60 days following the Change in Control or the Potential Change in Control.

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).

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.

5.3 In the event of any act of God, war, natural disaster, aircraft grounding, revocation of operating certificate, terrorism, strike, lockout, labor dispute, work stoppage, fire, epidemic or quarantine restriction, act of government, critical materials shortage, or any other act, whether similar or dissimilar, beyond the control of the Company (each, a "Force Majeure Event"), which Force Majeure Event affects the Company or its Subsidiaries or its

Affiliates, the Board of Directors of the Company, at its sole discretion, may suspend, delay, defer or substitute (for such period of time as the Board of Directors of the Company may deem necessary) any payments due currently or in the future under the Plan, including, but not limited to, any payments that have accrued to the benefit of Participant but have not yet been paid.

5.4 This non-qualified plan shall be a plan that is unfunded and maintained by Company to provide deferred compensation to a select group of management or highly-compensated employees (a "top-hat" plan) as defined in sections 201(2), 301(a)(3), and 401(a)(1) of the Act.

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 successor plan) 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.

SUPPLEMENTAL EXECUTIVE RETIREMENT PROGRAM (SERP)
LUMP-SUM PAYMENT
EXAMPLE CALCULATION

		OFFICER AGE 60
AGE		60
GENDER		MALE
RETIREMENT DATE		May-94
ANNUAL SERP BENEFIT	(1)	$53,000
MOODY'S AAA + 1%	(2)	8.08%
PAYMENT TIME	(3)	IMMEDIATE
LUMP-SUM FACTOR	(4)	9.5720
ANNUAL SERP BENEFIT		$53,000
LUMP-SUM FACTOR	X	9.5720
LUMP-SUM PAYMENT (Annual SERP Benefit x Lump-Sum Factor)		$507,316

Notes:

(1) The Annual SERP Benefit is calculated using current SERP policy and a Single Life Annuity. Single Life Annuity yields the greatest benefit as there is no survivor benefit for a spouse.

(2) The interest rate is the average Moody's AAA rate for the third month prior to retirement plus 1% (average February rate for May retirement). The Pilot Plan utilizes 120% of the PBGC for the second month prior to retirement. PBGC is a beginning of the month rate. (March 1 rate for May retirement).

(3) Assumed immediate distribution of the Lump-Sum Payment.

(4) The Lump-Sum Factor is based on four variables: gender and age of officer, interest rate and mortality table. Lump-Sum Tables (one male/one female) are created each month based on the 1983 Group Annuity Mortality Table and the applicable Moody's interest rate The Lump-Sum Tables are a list of ages and present value factors.

EXHIBIT 10.29

AMERICAN AIRLINES, INC.

1996 EMPLOYEE PROFIT SHARING PLAN

Purpose

The purpose of the 1996 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 and does not include income items such as moving expenses and related benefits, disability payments, company paid insurance, D-3 imputed income, 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 stockholders equity attributable to AMR subsidiaries other than American. "AMR's Debt" is defined as notes payable plus the current and noncurrent 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.

ROI calculation for 1996

The SABRE Group became a separate legal entity on July 1, 1996. Therefore, the ROI for 1996 will be calculated as a simple average of the annualized ROI for the first six months of 1996 and the annualized ROI for the second six months of 1996, as defined below.

For the purpose of ROI calculation for the first six months, Plan Earnings will include SABRE earnings. ROI for the first six months will be computed by multiplying the Plan Earnings for the first six months by two and then dividing by the average Adjusted Investment for the first six months.

For the purpose of ROI calculation for the second six months, Plan Earnings will exclude SABRE earnings. ROI for the second six months will be computed by multiplying the Plan Earnings for the second six months by two and then dividing by the average Adjusted Investment for the second six months.

Eligibility for Participation

In order to be eligible for a profit sharing award, the individual must:

- Have worked during the plan year as a regular full-time or part-time employee at American in a participating workgroup (flight attendant, reservations, coordinator/planner, airport agent, support staff, management levels 04 and below)

- Must have completed six months of service as a regular employee at American or an Affiliate during his/her tenure. If the six months service requirement is fulfilled during the plan year, eligible earnings from the time worked at American during those six months will be included in the award calculation.

- Must be actively employed at American or an AMR company at the time awards are paid. If at the time awards are paid under the Plan, an individual has retired from American or an Affiliate, has been laid off, is disabled or has died, the award which the individual otherwise would have received under the Plan but for such retirement, lay-off, disability or death may be paid to the individual or his/her estate in the event of death, at the discretion of the Committee.

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 1996 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) the TWU Profit Sharing Plan for members of the Transport Workers Union (as implemented in 1995 and revised in 1996)
- iv) any incentive compensation, profit sharing, or other bonus plan for employees of any division of American, or
- v) any incentive compensation, profit sharing, or other bonus plan sponsored by an Affiliate.

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 satisfy aforementioned eligibility requirements, will receive awards from each plan on a proportionate basis.

The Profit Sharing Fund Accumulation

Performance will be measured by ROI and the fund will accumulate based on that performance. The profit sharing fund is established at 1% of Qualified Earnings when ROI is equal to 7.2%. The fund will accumulate on a straight-line basis at the rate of 0.583% of qualified earnings for each additional point of ROI.

The profit sharing fund will not exceed an amount equal to 8% of qualified earnings at levels of ROI above 19.2%.

Minimum Payout Guarantee for 1996

All regular employees on payroll on or before July 1, 1996 are eligible for the greater of: a) the percentage of Qualified Earnings that the Plan would distribute, or b) 2% of Qualified Earnings.

Award Distribution

For domestic employees, individual awards will be distributed based on an employee's Qualified Earnings for the Plan year multiplied by the appropriate percentage of Qualified Earnings based upon the ROI achieved for the Plan year. The percent of Qualified Earnings used for fund accumulation and award distribution will be the same.

A portion of the Fund will be allocated for international employees based on eligible international employees' Qualified Earnings as a percentage of eligible employees' total Qualified Earnings. This portion of the Fund will be set aside for distribution at the discretion of the appropriate Senior Vice President, subject only to the Committee's approval.

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 1996 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 (1) 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.

EXHIBIT 10.30

AMERICAN AIRLINES, INC.

1997 EMPLOYEE PROFIT SHARING PLAN

Purpose

The purpose of the 1997 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

"AMR" is defined as AMR Corporation.

"American" is defined as AMR Corporation less AMR subsidiaries other than American Airlines, Inc.

"Committee" is defined as the AMR Incentive Compensation Committee.

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

"Qualified Earnings" is defined as base pay, overtime, holiday pay, skill premiums, longevity pay, sick pay, vacation pay, shift differential, market rate differential, overrides and license premiums and does not include such things as travel and incidental expenses, moving expenses, relocation allowance (COLA), payouts from any retirement plan, disability payments, Workers Compensation payments, imputed income from D-3 service charges or Company provided life insurance, nor does it include any special monetary awards or allowances such as IdeAAs in Action payments, lump sum payments, or incentive compensation or profit sharing payments.

"Plan Earnings" is defined as the sum of American's pre-tax income, interest expense, aircraft rental expense, and any accruals for American's Pilot Variable Compensation Plan, TWU Profit Sharing Plan, Employee Profit Sharing Plan, and Incentive Compensation Plan, less Calculated Amortization of Operating Leases and any accounting adjustments or extraordinary or unusual items which may be added or deducted at the discretion of the Committee and approved by the Board of Directors.

"Adjusted Investment" is defined as the sum of American's notes payable, current maturities of long term debt and capital leases, long term debt, capital leases, present value of operating leases, and stockholders' equity, and any extraordinary or unusual items which may be added or deducted at the discretion of the Committee and the Board of Directors.

"Present Value of Operating Leases" is defined as the present value of the lease payments required under American's aircraft operating leases over the remaining lease term, calculated using a discount rate of Prime plus one percent. Amounts for 3/31/97, 6/30/97, and 9/30/97 are computed by determining the difference between the Present Value of Operating Leases as of 12/13/97 and 12/31/96 and allocating that difference evenly over the four quarters of 1997.

"Capitalized Value of Operating Leases" is defined as the initial present value of the lease payments required under American's aircraft operating leases over the initial stated lease term, calculated using a discount rate of Prime plus one percent.

"Calculated Amortization of Operating Leases" is defined as the amortization expense associated with the Capitalized Value of Operating Leases and is determined by the straight line method over the lease term.

"Prime" is defined as the base rate on Corporate Loans posted by at least 75% of the 30 largest U.S. banks which is published daily in the Wall Street Journal.

"Average Adjusted Investment" is defined as the sum of Adjusted Investment as of 12/31/96, 3/31/97, 6/30/97, and 9/30/97, divided by four.

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

"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.

Eligibility for Participation

In order to be eligible for a profit sharing award, the individual must:

- Have worked during the plan year as a regular full-time or part-time employee at American in a participating workgroup (flight attendant, reservations, coordinator/planner, airport agent, support staff, management levels 04 and below).

- Must have completed six consecutive months of service as a regular employee at American or an Affiliate during his/her tenure. If the six months service requirement is fulfilled during the plan year, eligible earnings from the time worked at American during those six months will be included in the award calculation.

- Must be actively employed at American or an Affiliate at the time awards are paid under the Plan, an individual has retired from

American or an Affiliate, has been laid off, is disabled or has died, the award which the individual otherwise would have received under the Plan but for such retirement, lay-off, disability or death may be paid to the individual or his/her estate in the event of death, at the discretion of the Committee.

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 1997 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) the TWU Profit Sharing Plan for members of the Transport Workers Union (as implemented in 1995 and revised in 1996),

iv) any incentive compensation, profit sharing, commission or other bonus plan for employees of any division of American, or

v) any incentive compensation, profit sharing, commission or other bonus plan sponsored by an Affiliate.

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 satisfy aforementioned eligibility requirements, will receive awards from each plan on a proportionate basis.

The Profit Sharing Fund Accumulation

Performance will be measured by ROI and the Fund will accumulate based on that performance. The Fund is established at 1% of Qualified Earnings when ROI is equal to 6.4%. The fund will accumulate on a straight-line basis at the rate of 0.583% of qualified earnings for each additional point of ROI.

The profit sharing fund will not exceed an amount equal to 8% of Qualified Earnings at levels of ROI above 18.4%.

Minimum Payout Guarantee for 1997

All regular employees on payroll on or before July 1, 1996 and who are otherwise eligible to receive a profit sharing award are eligible for an award hereunder equal to the greater of: a) the percentage of Qualified Earnings that the Plan would distribute in accordance with the foregoing formula, or b) 2% of Qualified Earnings.

Award Distribution

For domestic employees, individual awards will be distributed based on an employee's Qualified Earnings for the Plan year multiplied by the appropriate percentage of Qualified Earnings based upon the ROI achieved for the Plan year. The percent of Qualified Earnings used for fund accumulation and award distribution will be the same.

A portion of the Fund will be allocated for international employees based on eligible international employees' Qualified Earnings as a percentage of eligible employees' total Qualified Earnings. This portion of the Fund will be set aside for distribution at the discretion of the appropriate Senior Vice President, subject only to the Committee's approval.

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 1997 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 the event of any act of God, war, natural disaster, aircraft grounding, revocation of operating certificate, terrorism, strike, lockout, labor dispute, work stoppage, fire, epidemic or quarantine restriction, act of government, critical materials shortage, or any other act beyond the control of the Company, whether similar or dissimilar, (each a "Force Majeure Event"), which Force Majeure Event affects the Company or its Subsidiaries or its Affiliates, the Board of Directors of the Company, at its sole discretion, may (i) terminate or (ii) suspend, delay, defer (for such period of time as the Board may deem necessary), or substitute any payments due currently or in the future under the Plan, including, but not limited to, any payments that have accrued to the benefit of participants but have not yet been paid.

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.

EXHIBIT 10.32

AMERICAN AIRLINES, INC.

1997 INCENTIVE COMPENSATION PLAN FOR OFFICERS AND KEY EMPLOYEES

Purpose

The purpose of the 1997 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

"AMR" is defined as AMR Corporation.

"American" is defined as AMR Corporation less AMR subsidiaries other than American Airlines, Inc.

"Committee" is defined as the Compensation/Nominating Committee of the AMR Board of Directors.

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

"Qualified Earnings" is defined as base pay, overtime, holiday pay, skill premiums, longevity pay, sick pay, vacation pay, shift differential, market rate differential, overrides and license premiums and does not include such things as travel and incidental expenses, moving expenses, relocation allowance (COLA), payouts from any retirement plan, disability payments, Workers Compensation payments, imputed income from D-3 service charges or Company provided life insurance, nor does it include any special monetary awards or allowances such as IdeAAs in Action payments, lump sum payments, or incentive compensation or profit sharing payments.

"Target Award" is defined as the award (stated as a percentage of Qualified Earnings) for an eligible participant when Target CFROGA is achieved: subject, however, to adjustment by the Committee or senior management, as the case may be, based upon the participant's individual performance.

"Adjusted Earnings/(Loss)" is defined as the sum of American's net earnings/(loss), aircraft rental expense - net of the Related Tax Impact, and Net Interest Expense -

net of the Related Tax Impact, less: Calculated Amortization on Operating Leases - net of the Related Tax Impact.

"Net Interest Expense" is defined as interest expense less interest income.

"Calculated Amortization on Operating Leases" is defined as the amortization expense associated with Capitalized Value of Operating Leases and is determined by the straight line method of amortization over the lease term.

"Net Cash Flow" is defined as the sum of Adjusted Earnings/(Loss), depreciation and amortization expense, Calculated Amortization on Operating Leases, and any accounting adjustments or extraordinary or unusual items (net of the Related Tax Impact) or other non-cash items which may be added or deducted at the discretion of the AMR Incentive Compensation Committee and approved by the AMR Board of Directors.

"Adjusted Gross Assets" is defined as the sum of American's total assets, the Capitalized Value of Operating Leases, Accumulated Depreciation on Equipment and Property, and Accumulated Amortization on Equipment and Property under Capital Leases, less cash and short-term investments, and other assets which may be added or deducted at the discretion of the AMR Incentive Compensation Committee and approved by the AMR Board of Directors.

"Capitalized Value of Operating Leases" is defined as the initial present value of the lease payments required under American's aircraft operating leases over the initial stated lease term, calculated using a discount rate of Prime plus one percent.

"Prime" is defined as the base rate on Corporate Loans posted by at least 75% of the 30 largest U.S. banks which is published daily in the Wall Street Journal.

"Related Tax Impact" of an adjustment made in determining Adjusted Net Earnings/(Loss) or Net Cash Flow is defined as the amount of that adjustment multiplied by American's estimated marginal tax rate.

"Average Adjusted Gross Assets" is defined as the sum of Adjusted Gross Assets as of 12/31/96, 3/31/97, 6/30/97, and 9/30/97, divided by four.

"Cash Flow Return on Gross Assets" or "CFROGA" is defined as Net Cash Flow divided by Average Adjusted Gross Assets, stated as a percentage.

"Comparison Airlines" shall consist of UAL Corp., Delta Air Lines, Inc., Southwest Airlines, Inc., and USAir Group.

"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.

"Threshold CFROGA" is defined as 6.7%.

Eligibility for Participation

In order to be eligible to participate in the Plan, an individual must be an officer or key employee (as designated by American's Chairman and CEO) of American. Additionally, the individual must have been employed by American or an Affiliate as an officer or key employee for at least three consecutive months during the Plan year. The three months service requirement may be waived 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 forgoing, 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 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, 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.

The Incentive Compensation Fund

a) As CFROGA exceeds the Threshold CFROGA, the Fund will begin to accumulate.

b) Target CFROGA will vary from 7.4% - 7.8% depending upon CFROGA rank among the Comparison Airlines. At target CFROGA, the Fund will accumulate to a size that will allow Target Awards for all eligible participants.

c) Maximum Payout CFROGA will vary from 9.0% to 10.2% depending on CFROGA rank among the comparison airlines. At Maximum Payout the CFROGA, Fund will accumulate to a size that will allow 210% of

Target Awards for all eligible participants.

d) Once Threshold CFROGA has been attained, the Fund will accumulate on a linear basis such that at Target CFROGA, the Fund size equals 100% of Target Awards. Following the attainment of Target CFROGA, the Fund will accumulate on a linear basis such that maximum awards are funded at Maximum Payout CFROGA.

American's Competitive Rank	--CFROGA-- Threshold	Target	Max Payout	Comparison Airlines
1	6.7%	7.4%	9.0%	Delta
2	6.7%	7.5%	9.3%	UAL
3	6.7%	7.6%	9.6%	USAir
4	6.7%	7.7%	9.9%	Southwest
5	6.7%	7.8%	10.2%	

Allocation of Individual Awards

Individual awards for officers of American under the Plan will be determined by the Committee based upon each participant's performance. Individual awards for key employees of American will be determined by the senior management of American based upon each participant's performance. Unless the Committee or senior management, as the case may be, decides otherwise, 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 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 Cash Flow Return on Gross Assets 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 1997 American Airlines Employee Profit Sharing Plan, the 1997 Pilot Variable Compensation Plan for members of the Allied Pilots Association, and the 1997 TWU Profit Sharing Plan for members of the Transport Workers Union. The amount, if any, of the Fund shall be computed by the General Auditor of American based on a certification of CFROGA 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 1997 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 the event of any act of God, war, natural disaster, aircraft grounding, revocation of operating certificate, terrorism, strike, lockout, labor dispute, work stoppage, fire, epidemic or quarantine restriction, act of government, critical materials shortage, or any other act beyond the control of the Company, whether similar or dissimilar, (each a "Force Majeure Event"), which Force Majeure Event affects the Company or its Subsidiaries or its Affiliates, the Board of Directors of the Company, at its sole discretion, may (i) terminate or (ii) suspend, delay, defer (for such period of time as the Board may deem necessary), or substitute any payments due currently or in the future under the Plan, including, but not limited to, any payments that have accrued to the benefit of participants but have not yet been paid.

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.

EXHIBIT 11.1

AMR CORPORATION
COMPUTATION OF PRIMARY EARNINGS PER SHARE
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	Year Ended December 31,		
	1996	1995	1994
NET EARNINGS	$ 1,016	$ 162	$ 228
Preferred stock dividends	--	--	(56)
Increase in additional paid-in capital from preferred stock exchange	--	--	171
EARNINGS APPLICABLE TO COMMON SHARES	$ 1,016	$ 162	$ 343
Average number of shares outstanding	86	76	76
Add shares issued upon assumed exercise of dilutive options, stock appreciation rights and warrants and shares assumed issued for deferred stock granted	3	3	--
Less assumed treasury shares repurchased	(2)	(2)	--
TOTAL PRIMARY SHARES	87	77	76
PRIMARY EARNINGS PER SHARE	$ 11.63	$ 2.11	$ 4.51

EXHIBIT 11.2

AMR CORPORATION
COMPUTATION OF FULLY DILUTED EARNINGS PER SHARE
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	Year Ended December 31, 1996	1995	1994
NET EARNINGS	$ 1,016	$ 162	$ 228
Preferred stock dividends	--	--	(56)
Increase in additional paid-in capital from preferred stock exchange	--	--	171
EARNINGS APPLICABLE TO COMMON SHARES	1,016	162	343
Adjustments:			
Add interest upon assumed conversion of convertible subordinated debentures, net of tax	14(a)	--	--
Add dividends upon assumed conversion of convertible preferred stock	1(a)	--	--
EARNINGS, AS ADJUSTED	$ 1,031	$ 162	$ 343
Average number of shares outstanding	86	76	76
Add shares issued upon:			
Assumed conversion of convertible subordinated debentures	4	--	--
Assumed conversion of convertible preferred stock	1	--	--
Assumed exercise of dilutive options, stock appreciation rights and warrants and shares assumed issued for deferred stock granted	3	3	--
Less assumed treasury shares repurchased	(2)	(2)	--
TOTAL FULLY DILUTED SHARES	92	77	76
FULLY DILUTED EARNINGS PER SHARE	$ 11.19	$ 2.11	$ 4.51

(a) Through date of actual conversion.

EXHIBIT 21

AMR CORPORATION

SUBSIDIARIES OF THE REGISTRANT
AS OF DECEMBER 31, 1996

Subsidiary companies of the Registrant are listed below. With respect to the companies named, all voting securities are owned directly or indirectly by the Registrant, except where otherwise indicated

NAME OF SUBSIDIARY	STATE OR SOVEREIGN POWER OF INCORPORATION
Subsidiaries included in the Registrant's consolidated financial statements	
	Delaware
AMR Aircraft Sales & Leasing Company	Texas
AMR/American Airlines Foundation	Delaware
AMR Commuter Finance, Inc.	Delaware
AMR Eagle, Inc.	Delaware
AMR Eagle Maintenance Services Group, Inc.	Delaware
AMR Eagle Regional Aircraft Maintenance Center, Inc.	Panama
Aero Perlas (20%)	Delaware
Eagle Aviation Leasing, Inc.	Delaware
Eagle Aviation Services, Inc.	Delaware
Executive Airlines, Inc.	Delaware
Flagship Airlines, Inc.	Delaware
Inventory Support, Inc.	Michigan
Simmons Airlines, Inc.	California
Wings West Airlines, Inc.	Delaware
AMR Financial Services, Inc.	Bermuda
AMR Foreign Sales Corporation, Ltd.	Delaware
AMR Holding Company, Inc.	Delaware
AMR Investment Services, Inc.	Delaware
AMR Leasing Corporation	Delaware
AMR Services Holding Corporation	Delaware
AMR Services Corporation	Delaware
AMR Combs, Inc.	Delaware
AMR Combs BJS, Inc.	Delaware
Jet Solutions LLC	Delaware
Aircraft Deicing Services Funding, Inc.	Delaware
Aircraft Deicing Services, Inc.	Alabama
AMR Combs-Birmingham, Inc.	Delaware
AMR Combs-Grand Rapids, Inc.	Poland
AMR Polskie Uslugi Lotniskowe	Delaware
AMR Runway Technologies, Inc.	Mexico
AMR Services & Logistics Co. of Mexico	United Kingdom
AMR Services (UK) Ltd.	United Kingdom
AMR Two Flags Aviation Services Limited	Germany
AMR Services Deutschland GmbH	Delaware
AMR Services Security Service Corporation	Delaware
AMRS Finance Company	France
AMRS France Holding, S. A.	France
Societe de Fret et de Services	Spain
Sociedad de Handling Servicios S. A.	Florida
Miami International Airport Cargo Facilities & Services, Inc.	Delaware
Caribbean Data Services, Ltd.	Delaware
Teleservice Resources, Inc.	Delaware
TSR Government Services, Inc.	

EXHIBIT 21
(Continued)

NAME OF SUBSIDIARY	STATE OR SOVEREIGN POWER OF INCORPORATION
AMR Training & Consulting Group, Inc.	Delaware
Airline Management Services Holding, Inc.	Nevada
Airline Management Services, Inc.	Delaware
Aurora Airline Investments, Inc.	Delaware
American Airlines, Inc.	Delaware
AMR Ventures III, Inc.	Delaware
Admirals Club, Inc.	Massachusetts
American Airlines Australian Tours, Inc.	Delaware
American Airlines Deutschland Holding GmbH	Germany
American Airlines Fuel Corporation	Delaware
American Airlines Holding Company, Inc.	Delaware
Americas Marketing Network, Inc.	Delaware
DFW Terminal Corporation	Texas
International Ground Services, S. A. de C. V.	Mexico
Wingate Travel S. A. (49%)	France
ATC Loisiers S. A.	France
Africa Travel Services	Angola
Wingate Japan KK	Japan
Wingate Travel Hong Kong Ltd.	Hong Kong
American Holidays Limited	United Kingdom
Americas Ground Services, Inc.	Delaware
Aerodespachos Colombia S. A.	Columbia
AEROSAN (50%)	Chili
Caribbean Dispatch Services Ltd.	St. Lucia
Dispatch Services DS	Venezuela
DSA	Dominican Republic
Panama Dispatch	Panama
Peru Dispatch Company	Peru
Avion Assurance Ltd.	Bermuda
Cargo Services, Inc.	Delaware
The C. R. Smith Aviation Museum Foundation (non-profit)	Delaware

EXHIBIT 21
(Continued)

NAME OF SUBSIDIARY	STATE OR SOVEREIGN POWER OF INCORPORATION
The SABRE Group Holdings, Inc. (82.2% economic interest)	Delaware
The SABRE Group, Inc.	Delaware
Axess International Network, Inc. (25%)	Japan
ENCOMPASS Holding, Inc.	Delaware
Prize Ltd. (50%)	Latvia
SABRE Decision Technologies International, Inc.	Delaware
SABRE Decision Technologies Pty Ltd.	Australia
SABRE Decision Technologies Licensing, Inc.	Delaware
SABRE International Holdings, Inc.	Delaware
SABRE International, Inc.	Delaware
SABRE Belgium (99% owned by SABRE International, Inc.)	Belgium
SABRE Computer-Reservierungssytem GmbH	Austria
SABRE Danmark ApS	Denmark
SABRE Deutschland Marketing GmbH	Germany
SABRE Deutschland Services GmbH	Germany
SABRE Espana Marketing, S. A.	Spain
SABRE Europe Management Services Ltd. (99%)	United Kingdom
SABRE France Sarl	France
SABRE Hellas SA	Greece
SABRE Ireland Ltd.	Ireland
SABRE Italia S.r.l. (99%)	Italy
SABRE Marketing Nederland BV	Netherlands
SABRE Norge AS	Norway
SABRE Portugal Servicios LDA (99%)	Portugal
SABRE Servicios Colombia LTDA (99%)	Colombia
SABRE Suomi Oy	Finland
SABRE Sverige AB	Sweden
SABRE UK Marketing Ltd. (99%)	United Kingdom
STIN Luxembourg S.A. (99%)	Luxembourg
SST Finance, Inc.	Delaware
SST Holding, Inc.	Delaware
SABRE Sociedad Technologica S. A. (50%)	Mexico
SABRE Services Administration	Mexico
TSGL, Inc.	Delaware
TSGL Holding, Inc.	Delaware
TSGL-SCS, Inc.	Delaware
Ticketnet Corporation	Canada
148548 Canada, Inc.	Canada

EXHIBIT 23

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in Registration Statements (Form S-8 No. 2-68366, Form S-8 No. 33-60725, Form S-8 No. 33-60727, Form S-8 No. 333-13751, Form S-8 No. 333-19325, Form S-3 No. 33-42027, Form S-3 No. 33-46325, and Form S-3 No. 33-52121) of AMR Corporation, and in the related Prospectuses, of our report dated January 14, 1997 (except for the first paragraph of Note 3, for which the date is March 24, 1997), with respect to the consolidated financial statements and schedule of AMR Corporation included in this Annual Report (Form 10-K) for the year ended December 31, 1996.

ERNST & YOUNG LLP

Dallas, Texas
March 24, 1997

5
0000006201
AMR CORPORATION
1,000,000

YEAR
DEC-31-1996
JAN-01-1996
DEC-31-1996
68
1,743
1,399
17
633
4,470
20,348
7,043
20,497
5,566
4,542
0
0
3,257
2,411
20,497
0
17,753
0
15,914
0
0
499
1,633
528
1,105
0
89
0
1,016
11.63
11.19