

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934
For the Period Ended March 31, 1995.

Transition Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934
For the Transition Period From _____ to _____

Commission file number 1-2691.

American Airlines, Inc.
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Delaware (State or other jurisdiction of incorporation or organization) | 13-1502798 (I.R.S. Employer Identification No.) |
|---|---|

| | |
|--|---------------------|
| 4333 Amon Carter Blvd. Fort Worth, Texas (Address of principal executive offices) | 76155 (Zip Code) |
|--|---------------------|

Registrant's telephone number, (817) 963-1234
including area code

Not Applicable
(Former name, former address and former fiscal year , if changed
since last report)

Indicate by check mark whether the registrant (1) has filed all
reports required to be filed by Section 13 or 15(d) of the
Securities Exchange Act of 1934 during the preceding 12 months
(or for such shorter periods that the registrant was required to
file such reports), and (2) has been subject to such filing
requirements for the past 90 days. Yes No .

Applicable Only to Corporate Issuers

Indicate the number of shares outstanding of each of the
issuer's classes of common stock, as of the latest practical
date.

Common Stock, \$1 par value - 1,000 as of May 8, 1995

INDEX

AMERICAN AIRLINES , INC.

PART I: FINANCIAL INFORMATION

Item 1. Financial Information

Consolidated Statement of Operations -- the three months ended March 31, 1995 and 1994

Condensed Consolidated Balance Sheet -- March 31, 1995 and December 31, 1994

Condensed Consolidated Statement of Cash Flows -- three months ended March 31, 1995 and 1994

Notes to Condensed Consolidated Financial Statements -- March 31, 1995

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

PART II: OTHER INFORMATION

Item 1. Legal Proceedings

Item 6. Exhibits and Reports on Form 8-K

SIGNATURE

PART 1. FINANCIAL INFORMATION

AMERICAN AIRLINES, INC.
CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited) (In millions)

| | Three Months Ended March 31, | |
|-----------------------------------|---------------------------------|---------|
| | 1995 | 1994 |
| Revenues | | |
| Airline Group: | | |
| Passenger | \$3,143 | \$3,028 |
| Cargo | 156 | 154 |
| Other | 158 | 142 |
| | 3,457 | 3,324 |
| Information Services Group | 364 | 333 |
| Less: Intergroup revenues | (142) | (149) |
| Total operating revenues | 3,679 | 3,508 |
| Expenses | | |
| Wages, salaries and benefits | 1,263 | 1,241 |
| Aircraft fuel | 365 | 382 |
| Commissions to agents | 307 | 311 |
| Depreciation and amortization | 287 | 289 |
| Other rentals and landing fees | 195 | 193 |
| Food service | 158 | 161 |
| Aircraft rentals | 153 | 157 |
| Maintenance materials and repairs | 118 | 114 |
| Other operating expenses | 582 | 556 |
| Total operating expenses | 3,428 | 3,404 |
| Operating Income | 251 | 104 |
| Other Income (Expense) | | |
| Interest income | 5 | 1 |
| Interest expense | (149) | (97) |
| Interest capitalized | 4 | 6 |
| Miscellaneous - net | (11) | (9) |
| | (151) | (99) |
| Earnings Before Income Taxes | 100 | 5 |
| Income tax provision | 44 | 8 |
| Net Earnings (Loss) | \$ 56 | \$ (3) |

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

AMERICAN AIRLINES, INC.
 CONDENSED CONSOLIDATED BALANCE SHEET
 (In millions)

| | March 31, 1995 (Unaudited) | December 31, 1994 (Note) |
|---|-------------------------------------|-----------------------------------|
| Assets | | |
| Current Assets | | |
| Cash | \$ 55 | \$ 13 |
| Short-term investments of affiliates | 474 | 744 |
| Receivables, net | 1,136 | 877 |
| Receivables from affiliates | 304 | 493 |
| Inventories, net | 532 | 590 |
| Other current assets | 425 | 385 |
| Total current assets | 2,926 | 3,102 |
| Equipment and Property | | |
| Flight equipment, net | 9,380 | 9,132 |
| Purchase deposits for flight equipment | 46 | 105 |
| | 9,426 | 9,237 |
| Other equipment and property, net | 1,865 | 1,866 |
| | 11,291 | 11,103 |
| Equipment and Property Under Capital Leases | | |
| Flight equipment, net | 1,353 | 1,370 |
| Other equipment and property, net | 169 | 172 |
| | 1,522 | 1,542 |
| Route acquisition costs, net | 1,025 | 1,032 |
| Other assets, net | 1,086 | 1,037 |
| | \$ 17,850 | \$ 17,816 |

Note: The balance sheet at December 31, 1994 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

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

5
 AMERICAN AIRLINES, INC.
 CONDENSED CONSOLIDATED BALANCE SHEET
 (In millions)

| | March 31, 1995 (Unaudited) | December 31, 1994 (Note) |
|---|-------------------------------------|-----------------------------------|
| Liabilities and Stockholder's Equity | | |
| Current Liabilities | | |
| Accounts payable | \$ 840 | \$ 831 |
| Payables to affiliates | 722 | 759 |
| Accrued liabilities | 1,432 | 1,434 |
| Air traffic liability | 1,577 | 1,473 |
| Current maturities of long-term debt | 51 | 49 |
| Current obligations under capital leases | 142 | 110 |
| Total current liabilities | 4,764 | 4,656 |
| Long-term debt, less current maturities | 1,495 | 1,518 |
| Long-term debt due to Parent | 3,023 | 3,196 |
| Obligations under capital leases, less current obligations | 1,942 | 1,964 |
| Deferred income taxes | 313 | 268 |
| Other liabilities, deferred gains, deferred credits and postretirement benefits | 3,023 | 2,981 |
| Stockholder's Equity | | |
| Common stock | - | - |
| Additional paid-in capital | 1,699 | 1,699 |
| Minimum pension liability adjustment | (199) | (199) |
| Retained earnings | 1,790 | 1,733 |
| | 3,290 | 3,233 |
| | \$ 17,850 | \$ 17,816 |

Note: The balance sheet at December 31, 1994 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

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

6
 AMERICAN AIRLINES, INC.
 CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
 (Unaudited) (In millions)

| | Three Months Ended | |
|--|--------------------|--------|
| | March 31, | |
| | 1995 | 1994 |
| Net Cash Provided by Operating Activities | \$ 650 | \$ 199 |
| Cash Flow from Investing Activities: | | |
| Capital expenditures | (440) | (283) |
| Net decrease (increase) in short-term investments | 270 | (146) |
| Funds transferred from (to) affiliates for investment, net | (270) | 146 |
| Other | 57 | 3 |
| Net cash used for investing activities | (383) | (280) |
| Cash Flow from Financing Activities: | | |
| Proceeds from issuance of long-term debt | - | 72 |
| Net short-term borrowings with maturities of 90 days or less | - | 200 |
| Other short-term borrowings | - | 200 |
| Payments on long-term debt and capital lease obligations | (52) | (43) |
| Funds transferred to affiliates, net | (173) | (335) |
| Net cash (used for) provided by financing activities | (225) | 94 |
| Net increase in cash | 42 | 13 |
| Cash at beginning of period | 13 | 55 |
| Cash at end of period | \$ 55 | \$ 68 |
| Cash Payments (Refunds) For: | | |
| Interest (net of amounts capitalized) | \$ 135 | \$ 99 |
| Income taxes | 17 | 1 |
| Financing Activities not Affecting Cash: | | |
| Capital lease obligations incurred | \$ - | \$ 72 |

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

AMERICAN AIRLINES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, these financial statements contain all adjustments, consisting of normal recurring accruals, necessary to present fairly the financial position, results of operations and cash flows for the periods indicated. For further information, refer to the consolidated financial statements and footnotes thereto included in the American Airlines, Inc. annual report on Form 10-K for the year ended December 31, 1994.
2. Certain amounts from 1994 have been reclassified to conform with the 1995 presentation.
3. In July 1991, American entered into a five-year agreement whereby American transfers, on a continuing basis and with recourse to the receivables, an undivided interest in a designated pool of receivables. Undivided interests in new receivables are transferred daily as collections reduce previously transferred receivables. At December 31, 1994, receivables are presented net of approximately \$112 million of such transferred receivables. At March 31, 1995, no receivables were transferred under the terms of the agreement.
4. Accumulated depreciation of owned equipment and property at March 31, 1995 and December 31, 1994, was \$5.3 billion and \$5.2 billion, respectively. Accumulated amortization of equipment and property under capital leases at March 31, 1995 and December 31, 1994, was \$861 million and \$823 million, respectively.
5. 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. In addition, American has the option to sell its remaining seven MD-11 aircraft to FedEx with deliveries between 2000 and 2002. At the same time the two companies signed a separate six-year maintenance contract under the terms of which American will perform work on FedEx's aircraft fleet.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

Results of Operations

American recorded net earnings for the three months ended March 31, 1995, of \$56 million. This compares to a net loss of \$3 million for first quarter 1994. American's operating income was \$251 million for first quarter 1995 compared with \$104 million for first quarter 1994.

The Airline Group's (formerly the Air Transportation Group) revenues increased \$133 million or 4.0 percent. American's passenger revenues increased by 3.8 percent, \$115 million. American's yield (the average amount one passenger pays to fly one mile) of 13.19 cents decreased by 2.5 percent compared to the same period in 1994. Domestic yields decreased 4.7 percent from first quarter 1994. International yields increased 3.2 percent over first quarter 1994, due principally to a 13.0 percent increase in Europe, partially offset by a 3.7 percent decrease in Latin America.

American's traffic or revenue passenger miles (RPMs) increased 6.5 percent to 23.8 billion miles for the quarter ended March 31, 1995. American's capacity or available seat miles (ASMs) increased 1.9 percent to 37.4 billion miles in the first quarter of 1995 primarily as a result of increases in jet stage length and aircraft productivity. Jet stage length increased 5.0 percent and aircraft productivity, as measured by miles flown per aircraft per day, increased 8.2 percent compared with first quarter 1994. Year over year for the first quarter 1995, American's domestic traffic increased 5.8 percent on capacity decreases of 0.4 percent and international traffic grew 8.2 percent on capacity increases of 8.0 percent. The change in international traffic was driven by a 12.8 percent increase in traffic to Latin America on capacity growth of 10.6 percent, and a 4.3 percent increase in traffic to Europe on a capacity increase of 5.8 percent.

Other Airline Group revenues increased 11.3 percent, \$16 million, primarily due to contract maintenance work performed by American for other airlines.

Information Services Group revenues increased 9.3 percent, \$31 million, primarily due to increased booking fee volume, which was positively impacted by international expansion in Europe, Latin America and India, and increased sales of premium priced products.

American's operating expenses increased 0.7 percent, \$24 million. Passenger Division cost per ASM decreased by 1.6 percent to 8.52 cents. Wages, salaries and benefits rose 1.8 percent, \$22 million, due primarily to salary adjustments for existing employees, partially offset by a 3.0 percent reduction in the average number of equivalent employees. Aircraft fuel expense decreased 4.5 percent, \$17 million, due to a 5.0 percent decrease in American's average price per gallon, partially offset by an 0.5 percent increase in gallons consumed by American. Commissions to agents decreased 1.3 percent, \$4 million, due principally to a lower percentage of revenue subject to agent commissions combined with a reduction in average rates paid to agents.

Other Income (Expense) increased 52.5 percent or \$52 million. Interest expense (net of amounts capitalized) increased \$52 million due primarily to the effect of rising interest rates on floating rate debt and interest rate swap transactions and a change in the terms of the subordinated note agreement with AMR. Effective September 30, 1994, the subordinated promissory note bears interest based on the weighted average rate on AMR's long-term debt and preferred stock. Prior to September 30, 1994, interest on the subordinated note was based on the London Interbank Offered Rate (LIBOR).

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities in the three month period ended March 31, 1995, was \$650 million compared to \$199

million in 1994. Capital expenditures for the first quarter of 1995 were \$440 million and included the acquisition of three Boeing 757-200 and four 767-300 aircraft by American. These capital expenditures, as well as expansion of certain airport facilities, were financed with internally generated cash.

Item 1. Legal Proceedings

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

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

PART II

Item 6. Exhibits and Reports on Form 8-K

The following exhibits are included herein:

10(ee) Amendment, dated as April 18, 1995 to Employment Agreement among AMR, American Airlines and Robert L. Crandall.

The Company did not file any reports on Form 8-K during the three months ended March 31, 1995.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AMERICAN AIRLINES, INC.

Date: May 12, 1995

BY:
Gerard J. Arpey
Senior Vice President and Chief
Financial Officer

AMENDMENT FIVE TO EMPLOYMENT AGREEMENT

This Amendment Five to Employment Agreement dated this ____ day of April 1995, by and among AMR Corporation ("AMR"), a Delaware Corporation, American Airlines, Inc. ("American"), a Delaware Corporation, each of which has its principal office at 4333 Amon Carter Boulevard, Fort Worth, Texas, 76155 and Robert L. Crandall, who currently resides at 5243 Park Lane, Dallas, Texas 75220-2145 (the "Executive").

WHEREAS, AMR, American and the Executive have entered into an Employment Agreement effective as of January 1, 1988, as amended, (the "Agreement"); and

WHEREAS, AMR, American and the Executive have determined that it is beneficial to the interests of each to amend the Agreement.

NOW THEREFORE, in consideration of the promises and the mutual covenants and conditions set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, AMR, American and the Executive hereby agree as follows:

1. Paragraph 1 of the Agreement is deleted in its entirety and in its place is substituted the following:

"The Company hereby employs the Executive, and Executive hereby accepts such employment by the Company, in the positions and with the duties and responsibilities set forth in Section 2 and upon such other terms and conditions as are hereinafter states, for the period commencing on January 1, 1988, and except as otherwise provided herein, ending on the earlier to occur of (i) December 31, 1998, or (ii) the termination of Executive's employment."

2. a) Paragraphs 3.d (iii) and 3.d (iv) are renumbered 3.d (iv) and 3.d (v), respectively, and a new paragraph, to be numbered 3.d (iii), is added to the Agreement, to read as follows:

"(iii) Executive shall receive additional years of credited service under the terms of the Company's tax qualified and supplemental pension plans (including any successors thereto) in accordance with the following table:

Age at Retirement

60 61 62 63

Additional Years
of Credited Service: 2 4 7 10"

b) Paragraphs 4(a)(v) and 4(b)(v) are amended by deleting the phrases "actual period of employment with the Company" and substituting therefor "years of credited service (including such additional years of credited service as provided pursuant to paragraph 3(d)(iii)), under the Company's tax qualified and supplemental pension plans (including any successors thereto)".

IN WITNESS WHEREOF, the undersigned have executed this Amendment to Employment Agreement as of the date first written above.

AMERICAN AIRLINES, INC.

AMR CORPORATION

by Anne H. McNamara, its
Senior Vice President and
General Counsel

by Anne H. McNamara, its
Senior Vice President and
General Counsel

EXECUTIVE

Robert L. Crandall

5
1,000,000

| QTR-1 | |
|-------------|-------------|
| DEC-31-1995 | MAR-31-1995 |
| | 55 |
| | 474 |
| | 1,452 |
| | 12 |
| | 532 |
| 2,926 | 18,958 |
| 6,145 | |
| 17,850 | |
| 4,764 | 0 |
| | 1,699 |
| 0 | 0 |
| | 1,591 |
| 17,850 | 0 |
| 3,679 | 0 |
| | 0 |
| | 3,428 |
| | 0 |
| | 0 |
| 149 | |
| | 100 |
| | 44 |
| 56 | |
| | 0 |
| | 0 |
| | 0 |
| | 56 |
| | 0 |
| | 0 |