United States
Securities and Exchange Commission
Washington, D.C. 20549

Form 10-K

☑ Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2011

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 1-2691

American Airlines, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**13-1502798**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

4333 Amon Carter Blvd.
Fort Worth, Texas 76155
(Address of principal executive offices, including zip code)
(817) 963-1234
(Registrant's telephone number, including area code)

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

Title of Each Class	Name of Exchange on Which Registered
NONE	**NONE**

Securities registered pursuant to Section 12(g) of the Act:
NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
☐ Yes ☑ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
☐ Yes ☑ No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☑ Yes ☐ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "accelerated filer," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. ☐

Large Accelerated Filer	☐	Accelerated Filer	☐
Non-accelerated Filer	☑	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). ☐ Yes ☑ No

American Airlines, Inc. is a wholly-owned subsidiary of AMR Corporation, and there is no market for the registrant's common stock. As of February 9, 2011, 1,000 shares of the registrant's common stock were outstanding.

The registrant meets the conditions set forth in, and is therefore filing this form with the reduced disclosure format prescribed by, General Instructions I(1)(a) and (b) of Form 10-K.

PART I

ITEM 1. BUSINESS

Chapter 11 Proceedings

On November 29, 2011 (the Petition Date), AMR Corporation (AMR), American Airlines, Inc., AMR's principal subsidiary (American or the Company), and certain of American and AMR's direct & indirect domestic subsidiaries (collectively, the Debtors) filed voluntary petitions for relief (the Chapter 11 Cases) under Chapter 11 of the United States Bankruptcy Code (the Bankruptcy Code), in the United States Bankruptcy Court for the Southern District of New York (the Bankruptcy Court). The Chapter 11 Cases are being jointly administered under the caption "in re AMR Corporation, et al, Case No. 11-15463-SHL."

No assurance can be given as to the value, if any, that may be ascribed to the Debtors' various pre-petition liabilities and other securities. The Company cannot predict what the ultimate value of any of its securities may be and it remains too early to determine whether holders of any such securities will receive any distribution in the Debtors' reorganization.

The Company is currently operating as a "debtor in possession" under the jurisdiction of the Bankruptcy Court and the applicable provisions of the Bankruptcy Code. In general, as debtors in possession under the Bankruptcy Code, the Debtors are authorized to continue to operate as an ongoing business but may not engage in transactions outside the ordinary course of business without the prior approval of the Bankruptcy Court. The Bankruptcy Code enables the Company to continue to operate its business without interruption and the Bankruptcy Court has granted additional relief covering, among other things, obligations to (i) employees, (ii) taxing authorities, (iii) insurance providers, (iv) independent contractors for improvement projects, (v) foreign vendors, (vi) other airlines pursuant to certain interline agreements, and (vii) certain vendors deemed critical to the Debtors' operations.

The Chapter 11 petitions triggered defaults on substantially all debt obligations of the Debtors. However, under Section 362 of the Bankruptcy Code, the commencement of a Chapter 11 case automatically stays most creditor actions against the Debtors' property.

Additional information about the Company's Chapter 11 Case is available on the Internet at aa.com/restructuring. Court filings and claims information are available at amrcaseinfo.com. See also "Management's Discussion and Analysis of Financial Condition and Results of Operations – Chapter 11 Proceedings" for further information regarding the Chapter 11 Cases.

General Description

American was founded in 1934. All of American's stock is owned by AMR. At the end of 2011, American provided scheduled jet service to approximately 160 destinations throughout North America, the Caribbean, Latin America, Europe and Asia.

AMR Eagle Holding Corporation (AMR Eagle), a wholly-owned subsidiary of AMR, owns two regional airlines which do business as "American Eagle" – American Eagle Airlines, Inc. and Executive Airlines, Inc. (collectively, the American Eagle® carriers). American also contracts with an independently owned regional airline, which does business as "AmericanConnection" (the AmericanConnection® carrier).

The AMR Eagle fleet is operated to feed passenger traffic to American pursuant to a capacity purchase agreement between American and AMR Eagle under which American receives all passenger revenue from flights and pays AMR Eagle a fee for each flight. The capacity purchase agreement reflects what the Company believes are current market rates received by other regional carriers for similar flying. Amounts paid to AMR Eagle under the capacity purchase agreement are available to pay for various operating expenses of AMR Eagle, such as crew expenses, maintenance, and other aircraft related expenses. As of December 31, 2011, AMR Eagle operated approximately 1,500 daily departures, offering scheduled passenger service to over 175 destinations in North America, Mexico and the Caribbean. On a separate company basis, AMR Eagle reported $2.5 billion in revenue in 2011.

American, AMR Eagle and the AmericanConnection® airline serve more than 250 cities in approximately 50 countries with, on average, 3,400 daily flights. The combined network fleet numbers approximately 900 aircraft. American is also a founding member of oneworld® alliance, which enables member airlines to offer their customers more services and benefits than any member airline can provide individually. These services include a broader route network, opportunities to earn and redeem frequent flyer miles across the combined **one**world network and more airport lounges. Together, oneworld members serve more than 750 destinations in approximately 150 countries, with about 8,500 daily departures. American is also one of the largest scheduled air freight carriers in the world, providing a wide range of freight and mail services to shippers throughout its system onboard American's passenger fleet.

Competition

Domestic Air Transportation The domestic airline industry is fiercely competitive. Currently, any United States (U.S.) air 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. 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 in five primary domestic markets: Dallas/Fort Worth (DFW), Chicago O'Hare, Miami, New York City and Los Angeles.

The American Eagle® carriers increase the number of markets the Company serves by providing connections at American's primary markets. The AmericanConnection® carrier currently provides connecting service to American through Chicago O'Hare. American's competitors also own or have marketing agreements with regional carriers which provide similar services at their major hubs and other locations.

On most of its domestic non-stop routes, the Company faces competing service from at least one, and sometimes more than one, domestic airline including: Alaska Airlines (Alaska), Delta Air Lines (Delta), Frontier Airlines, JetBlue Airways (JetBlue), Hawaiian Airlines, Southwest Airlines (Southwest) and AirTran Airways (Air Tran), Spirit Airlines, United Airlines (United) and Continental Airlines (Continental), US Airways, Virgin America Airlines and their affiliated regional carriers. Competition is even greater between cities that require a connection, where the major airlines compete via their respective hubs. In addition, the Company faces competition on some of its connecting routes from carriers operating point-to-point service on such routes. The Company also competes with all-cargo and charter carriers and, particularly on shorter segments, ground and rail transportation. On all of its routes, pricing decisions are affected, in large part, by the need to meet competition from other airlines.

International Air Transportation In addition to its extensive domestic service, the Company provides international service to the Caribbean, Canada, Latin America, Europe and Asia. The Company's operating revenues from foreign operations (flights serving international destinations) were approximately 40 percent of the Company's total operating revenues in each of the three years 2011, 2010, and 2009. Additional information about the Company's foreign operations is included in Note 15 to the consolidated financial statements.

In providing international air transportation, the Company competes with foreign investor-owned carriers, foreign state-owned carriers and U.S. airlines that have been granted authority to provide scheduled passenger and cargo service between the U.S. and various overseas locations. In general, carriers that have the greatest ability to seamlessly connect passengers to and from markets beyond the nonstop city pair have a competitive advantage. In some cases, however, foreign governments limit U.S. air carriers' rights to carry passengers beyond designated gateway cities in foreign countries. To improve access to each other's markets, various U.S. and foreign air carriers – including American – have established marketing relationships with other airlines and rail companies. American currently has marketing relationships with Air Berlin, Air Pacific, Air Tahiti Nui, Alaska Airlines, British Airways, Cape Air, Cathay Pacific, China Eastern Airlines, Dragonair, Deutsche Bahn German Rail, EL AL, Etihad Airways, EVA Air, Finnair, GOL, Gulf Air, Hawaiian Airlines, Iberia, Japan Airlines (JAL), Jet Airways, JetStar Airways, LAN (includes LAN Airlines, LAN Argentina, LAN Ecuador and LAN Peru), Niki Airlines, Qantas Airways, Royal Jordanian, S7 Airlines, and Vietnam Airlines.

American is also a founding member of the **one**world alliance, which includes British Airways, Cathay Pacific, Finnair, LAN Airlines, Iberia, Qantas, JAL, Royal Jordanian and S7 Airlines. Air Berlin, the 5th largest airline in Europe, is scheduled to join in early 2012. Malaysia Airlines is scheduled to join in late 2012. The **one**world alliance links the networks of the member carriers to enhance customer service and smooth connections to the destinations served by the alliance, including linking the carriers' frequent flyer programs and access to the carriers' airport lounge facilities.

In July 2010, American obtained clearance from the European Commission (EC) and approval by the DOT for antitrust immunity (ATI) for its cooperation with British Airways, Iberia, Finnair and Royal Jordanian. This approval enables American, British Airways and Iberia, through a joint business agreement (JBA), to cooperate on flights between North America and most countries in Europe, and allows pooling and sharing of certain revenues and costs, expanded codesharing, enhanced frequent flyer program reciprocity, and cooperation in other areas. American began implementation of the JBA with British Airways and Iberia and expanded cooperation with Finnair and Royal Jordanian in October 2010.

American continued to grow its global network throughout 2011, adding more than 30 new destinations through relationships with airlines around the globe, including JAL and Qantas. In 2010, American and JAL entered into a JBA to enhance their scope of cooperation on routes between North America and Asia through adjustments to their respective networks, flight schedules, and other business activities. The carriers also received antitrust immunity (ATI) approval on these routes from the DOT and the Ministry of Land, Infrastructure, Transport, and Tourism of Japan and began implementing the JBA on April 1, 2011. The JBA provides for expanded codesharing, enhanced frequent flyer program reciprocity, and cooperation in other areas. American and JAL entered into a Revenue Sharing Agreement, effective April 1, 2011, as envisaged by the JBA. Under this agreement, American and JAL share certain revenues of their operations. In addition, American provided JAL a guarantee of certain minimum incremental revenue resulting from the successful operation of the joint business for the first three years following its implementation, subject to certain terms and conditions. The amount required to be paid by the Company under the guarantee in any one of such years may not exceed $100 million, and is reduced if capacity for one of such years is less than a defined base year period capacity. Based on current Trans-Pacific capacity, the guarantee in any one of such years may not exceed approximately $75 million. As of December 31, 2011, based on an expected probability model, American had recorded a guarantee liability that is not material. On November 10, 2011, American received formal government approval of its joint business with Qantas, which will allow the carriers to coordinate services between the United States, Australia and New Zealand.

Price Competition The airline industry is characterized by substantial and intense price competition. Fare discounting by competitors has historically had a negative effect on the Company’s financial results because the Company is generally required to match competitors’ fares, as failing to match would provide even less revenue due to customers’ price sensitivity.

There are a number of low-cost carriers (LCCs) in the domestic market and the Company competes with LCCs over a very large part of its network. Several major airlines, including the Company, have implemented efforts to lower their costs since lower cost structures enable airlines to offer lower fares. In addition, several air carriers have reorganized in recent years under Chapter 11, including United, Delta, and US Airways. These cost reduction efforts, bankruptcy reorganizations and subsequent consolidations (e.g., United/Continental; Delta/Northwest) have allowed carriers to decrease operating costs. Lower cost structures have generally resulted in fare reductions. Over the past several years, the Company has been unable to offset its substantial cost disadvantage through increases in passenger traffic, changes in the mix of traffic that improve yields and/or cost reductions. Consequently, the Company filed the Chapter 11 Cases to become a more efficient, financially stronger and more competitive airline.

Regulation

General The Airline Deregulation Act of 1978, as amended, eliminated most domestic economic regulation of passenger and freight transportation. However, DOT and the Federal Aviation Administration (FAA) still exercise certain regulatory authority over air carriers. DOT maintains jurisdiction over the approval of international codeshare agreements, international route authorities, and certain consumer protection and competition matters, such as advertising, denied boarding compensation and baggage liability.

The FAA regulates flying operations generally, including establishing standards for personnel, aircraft and certain security measures. As part of that oversight, the FAA has implemented a number of requirements that the Company has incorporated and is incorporating into its maintenance programs. The Company is progressing toward the completion of over 500 airworthiness directives, a number of which require the Company to perform significant maintenance work and to incur additional expenses. Based on its current implementation schedule, the Company expects to be in compliance with the applicable requirements within the required time periods. DOT and the Antitrust Division of the United States Department of Justice (DOJ) have 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 (NMB) certain functions with respect to disputes between airlines and labor unions relating to union representation and collective bargaining agreements (CBAs). In addition, as a result of heightened levels of concern regarding data privacy, the Company is subject to an increasing number of domestic and foreign laws regarding the privacy and security of passenger and employee data.

On December 21, 2011, the FAA issued its final rule governing pilot rest periods and work hours for all carriers certificated under Part 121 of the Federal Aviation Regulations, including American and the AMR Eagle carriers. The rule, which is effective January 14, 2014, impacts the required amount and timing of rest periods for pilots between work assignments and modifies duty and rest requirements based on the time of day, number of scheduled segments, flight types, time zones and other factors. These regulations could have a material adverse impact on the Company upon implementation.

International International air transportation is subject to extensive government regulation. The Company's operating authority in international markets is subject to aviation agreements between the U.S. and the respective countries or governmental authorities (such as the European Union), and in some cases, fares and schedules require the approval of DOT and/or the relevant foreign governments. Moreover, alliances with international carriers may be subject to the jurisdiction and regulations of various foreign agencies. Bilateral and multilateral agreements among the U.S. and various foreign governments of countries served by the Company are periodically subject to renegotiation. Changes in U.S. or foreign government aviation policies could result in the alteration or termination of such agreements, diminish the value of route authorities, or otherwise adversely affect the Company's international operations. In addition, at some foreign airports, an air carrier needs slots (landing and take-off authorizations) before the air carrier can introduce new service or increase existing service. The availability of such slots is not assured and the inability of the Company to obtain and retain needed slots could therefore inhibit its efforts to compete in certain international markets.

Security In November 2001, the Aviation and Transportation Security Act (ATSA) was enacted in the U.S. The ATSA created a new government agency, the Transportation Security Administration (TSA), which is part of the Department of Homeland Security and is responsible for aviation security. The ATSA mandates that the TSA provide for the screening of all passengers and property, including U.S. mail, cargo, carry-on and checked baggage, and other articles that will be carried aboard a passenger aircraft. The ATSA also provides for security in flight decks of aircraft and requires federal air marshals to be present on certain flights.

Effective February 1, 2002, the ATSA imposed a $2.50 per enplanement security service fee, which is being collected by the air carriers and submitted to the government to pay for these enhanced security measures. Additionally, air carriers are annually required to submit to the government an amount equal to what the air carriers paid for screening passengers and property in 2000. In recent years, the government has sought to increase both of these fees under spending proposals for the Department of Homeland Security. American and other carriers have announced their opposition to these proposals as there is no assurance that any increase in fees could be passed on to customers.

Airline Fares Airlines are permitted to establish their own domestic fares without governmental regulation. DOT maintains authority over certain international fares, rates and charges, but applies this authority on a limited basis. In addition, international fares and rates are sometimes subject to the jurisdiction of the governments of the foreign countries which the Company serves. While air carriers are required to file and adhere to international fare and rate tariffs, substantial commissions, fare overrides and discounts to travel agents, brokers and wholesalers characterize many international markets.

Airport Access Operations at four major domestic airports and certain foreign airports served by the Company are regulated by governmental entities through allocations of "slots" or similar regulatory mechanisms which limit the rights of carriers to conduct operations at those airports. Each slot represents the authorization to land at or take off from the particular airport during a specified time period.

In the U.S., the FAA currently regulates the allocation of slots, slot exemptions, operating authorizations, or similar capacity allocation mechanisms at Reagan National in Washington, D.C., LaGuardia and JFK in New York, and Newark. The Company's operations at these airports generally require the allocation of slots or analogous regulatory authorities. Similarly, the Company's operations at Tokyo's Narita Airport, London's Heathrow Airport and other international airports are regulated by local slot coordinators pursuant to the International Air Transport Association's Worldwide Scheduling Guidelines and applicable local law. The Company currently has sufficient slots or analogous authorizations to operate its existing flights, and it has generally been able to obtain the rights to expand its operations and to change its schedules. There is no assurance, however, that the Company will be able to do so in the future because, among other reasons, such allocations are subject to changes in governmental policies.

In 2006, the Wright Amendment Reform Act of 2006 (the Act) became law. The Act is based on an agreement by the cities of Dallas and Fort Worth, Texas, DFW International Airport, Southwest, and the Company to modify the Wright Amendment, which authorizes certain flight operations at Dallas Love Field within defined geographic areas. Among other things, in October 2014 the Act eliminates domestic geographic restrictions on operations while limiting the maximum number of gates at Love Field. The Company believes the Act is a pragmatic resolution of the issues related to the Wright Amendment and the use of Love Field.

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). Certain operations of the Company concerning employee safety and health matters are also subject to the oversight of the Occupational Safety and Health Administration (OSHA). 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 or stricter than federal requirements.

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 nighttime curfews. The ANCA generally requires FAA approval of local noise restrictions on aircraft. While the Company has had sufficient scheduling flexibility to accommodate local noise restrictions imposed to date, the Company's operations could be adversely affected if locally-imposed regulations become more restrictive or widespread.

Many aspects of the Company's operations are subject to increasingly stringent environmental regulations. Concerns about climate change and greenhouse gas emissions, in particular, may result in the imposition of additional legislation or regulation. For example, the EU approved measures that impose emissions limits on airlines with operations to, from or within the EU as part of an emissions trading system beginning in 2012. Such legislative or regulatory action by the U.S., state or foreign governments currently or in the future may adversely affect the Company's business and financial results. See Item 1A, Risk Factors, for additional information.

The environmental laws to which the Company is subject include those related to responsibility for potential soil and groundwater contamination. The Company is conducting investigation and remediation activities to address soil and groundwater conditions at several sites, including airports and maintenance bases. The Company anticipates that the ongoing costs of such activities will be immaterial. The Company has also been named as a potentially responsible party (PRP) at certain Superfund sites. The Company's alleged volumetric contributions at such sites are small in comparison to total contributions of all PRPs and the Company expects that any future payments of its share of costs at such sites will be immaterial.

Labor

The airline business is labor intensive. Wages, salaries and benefits represented approximately 25 percent of the Company's consolidated operating expenses for the year ended December 31, 2011. The average full-time equivalent number of people of the Company's subsidiaries for the year ended December 31, 2011 was 66,533.

The majority of these people are represented by labor unions and covered by collective bargaining agreements. Relations with such labor organizations are governed by the Railway Labor Act (RLA). Under this act, the collective bargaining agreements among the Company's subsidiaries and these organizations generally 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 in the manner prescribed under the RLA and as agreed to by the parties. Under the RLA, after receipt of such notice, the parties must meet for direct negotiations, and if no agreement is reached, either party may request the NMB to appoint a federal mediator. The RLA prescribes no set timetable for the direct negotiation and mediation process. It is not unusual for those processes to last for many months, and even for several years. If no agreement is reached in mediation, the NMB in its discretion may declare at some 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 by either party, a 30-day "cooling off" period commences. During that period (or after), a Presidential Emergency Board (PEB) may be established, which examines the parties' positions and recommends a solution. The PEB process lasts for 30 days and is followed by another "cooling off" period of 30 days. At the end of a "cooling off" period, unless an agreement is reached or action is taken by Congress, the labor organization may exercise "self-help," such as a strike, and the airline may resort to its own "self-help," including the imposition of any or all of its proposed amendments and the hiring of new people to replace any striking workers.

Prior to the Chapter 11 filings on November 29, 2011, American had been in negotiations with its unions under the RLA for as long as five years. It began negotiations with the Allied Pilots Association (APA) in 2006. Also in 2006, American began negotiations with the Transport Workers Union of America, AFL-CIO (TWU) with respect only to dispatchers, and in 2007 it commenced negotiations with the TWU with respect to the six other employee groups, including Mechanics and Related and Fleet Service employees, represented by the TWU. In 2008, American commenced negotiations with the Association of Professional Flight Attendants (APFA).

With the exception of tentative agreements with the TWU covering the Maintenance Control Technicians and Ground School and Simulator Pilot Instructors that were ratified, as of the Petition Date, all of American's remaining collective bargaining agreements remained open and in mediation under the auspices of the NMB.

Likewise, prior to the Petition Date, AMR Eagle had been in negotiations with its unions under the RLA for as long as three years. In approximately February 2008, AMR Eagle began negotiations with the TWU with respect to Dispatchers, and in approximately November 2009 it commenced negotiations with the TWU with respect to Fleet Service Clerks. AMR Eagle began negotiations with the Association of Flight Attendants (AFA) in February 2010.

Prior to the Petition Date, AMR Eagle and the AFA had reached tentative agreements on some sections of the AFA agreement. As of the Petition Date, the AFA agreement remained open and in negotiations. AMR Eagle has current agreements with two TWU-represented job groups: Mechanics and Related Employees (whose agreement expires on April 27, 2012) and non-management Ground Service Instructors (whose agreement expires on April 1, 2012). Agreements with the two remaining groups represented by the TWU – Fleet Service Clerks and Dispatchers – expired in January 2008. AMR Eagle began negotiating actively with the TWU in 2008. While some tentative agreements were reached, certain issues remained open as of the Petition Date.

AMR Eagle's current collective bargaining agreement with the Air Line Pilots Association (ALPA), became effective in September 1997 and extends by its terms to 2013, with amendment rounds every four years. The most recent round resulted in an amended agreement between AMR Eagle and ALPA in 2008. Following AMR's June 2010 announcement about the possible divestiture of AMR Eagle, ALPA and AMR Eagle entered negotiations. ALPA's negotiating committee and AMR Eagle reached a tentative agreement in October 2011 contingent upon the previously announced planned divestiture of AMR Eagle from the Company. Contract language has not been drafted and the tentative agreement was not sent to ALPA membership for a vote. The Company announced that the planned divestiture of AMR Eagle was put on hold as a result of filing the Chapter 11 Cases.

The Bankruptcy Code provides a process for the modification and/or rejection of collective bargaining agreements (CBAs). In particular, Section 1113(c) of the Code permits a debtor to reject its CBAs if the debtor satisfies a number of statutorily prescribed substantive and procedural prerequisites and obtains the Bankruptcy Court's approval to reject the CBAs. The 1113(c) process requires that a debtor must make proposals to its unions to modify existing CBAs based on the most complete and reliable information available at the time the proposals are made. The proposed modifications must be necessary to permit the reorganization of the debtor and must assure that all the affected parties are treated fairly and equitably. The debtor must provide the unions with all information necessary to evaluate the proposals, and meet at reasonable times and confer in good faith with the unions in an effort to reach mutually agreeable modifications to the CBAs. If consensual agreements are not reached, the debtor may file a motion with the Bankruptcy Court requesting approval to reject the CBAs. Rejection of the CBAs is appropriate if the Court finds the debtor's proposals are necessary for its reorganization, are fair and equitable, and that the unions refused to agree to the proposals without good cause. American commenced the Section 1113(c) process with its unions on February 1, 2012. AMR Eagle intends to commence the Section 1113(c) process with its unions soon. The Company cannot currently predict the outcome of the Section 1113(c) process.

Fuel

The Company's operations and financial results are significantly affected by the availability and price of jet fuel. The Company's fuel costs and consumption for the years 2009 through 2011 were:

Year	Gallons Consumed (in millions)	Total Cost (in millions)	Average Cost Per Gallon (in dollars)	Percent of American's Operating Expenses
2009	2,499	$5,015	$2.007	23.8
2010	2,481	5,731	2.310	26.1
2011	2,445	7,434	3.009	29.6

In order to provide a measure of control over price and supply, the Company trades and ships fuel and maintains fuel storage facilities to support its flight operations. The Company also manages the price risk of fuel costs through the use of hedging contracts, primarily call options, collars (consisting of a purchased call option and a sold put option) and call spreads (consisting of a purchased call option and a sold call option). Heating oil, jet fuel and crude oil are the primary underlying commodities in the hedge portfolio. The Company does not take a view on the direction of fuel prices; instead, the Company layers in fuel hedges on a systematic basis. Depending on movements in the price of fuel, the Company's fuel hedging program can result in gains or losses on its fuel hedges.

During 2011, 2010 and 2009, the Company's fuel hedging program increased (decreased) the Company's fuel expense by approximately ($297) million, $124 million and $591 million, respectively. As of January 2012, the Company had cash flow hedges covering approximately 21 percent of its estimated 2012 fuel requirements. The consumption hedged for 2012 is capped at an average price of approximately $3.08 per gallon of jet fuel, with protection capped on 2 percent of estimated consumption, through the use of sold call options, at an average of $3.49 per gallon of jet fuel. The Company's collars represent approximately 16 percent of its estimated 2012 fuel requirements and have an average floor price of approximately $2.24 per gallon of jet fuel (both the capped and floor price exclude taxes and transportation costs). A deterioration of the Company's financial position could negatively affect the Company's ability to hedge fuel in the future. See the Risk Factors under Item 1A for additional information regarding fuel.

Additional information regarding the Company's fuel program is also included in Item 7(A) "Quantitative and Qualitative Disclosures about Market Risk," Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in Note 8 to the consolidated financial statements.

Frequent Flyer Program

American established the AAdvantage® frequent flyer program (AAdvantage) to develop passenger loyalty by offering awards to travelers for their continued patronage. The Company believes that the AAdvantage program is one of its competitive strengths. AAdvantage benefits from a growing base of approximately 69 million members with desirable demographics who have demonstrated a strong willingness to collect AAdvantage miles over other loyalty program incentives and are generally disposed to adjusting their purchasing behavior in order to earn additional AAdvantage miles. AAdvantage members earn mileage credits by flying on American, American Eagle, and the AmericanConnection® carrier or by using services of other participants in the AAdvantage program. Mileage credits can be redeemed for free, discounted or upgraded travel on American, American Eagle or other participating airlines, or for other awards. Once a member accrues sufficient mileage for an award, the member may book award travel. Most travel awards are subject to capacity controlled seating. A member's mileage credit does not expire as long as that member has any type of qualifying activity at least once every 18 months.

American sells mileage credits and related services to other participants in the AAdvantage program. There are over 1,000 program participants, including a leading credit card issuer, hotels, car rental companies and other products and services companies in the AAdvantage program. The Company believes that program participants benefit from the sustained purchasing behavior of AAdvantage members, which translates into a recurring stream of revenues for AAdvantage. Under its agreements with AAdvantage members and program participants, the Company reserves the right to change the AAdvantage program at any time without notice, and may end the program with six months notice. As of December 31, 2011, AAdvantage had approximately 69 million total members, and 591 billion outstanding award miles. During 2011, AAdvantage issued approximately 167 billion miles, of which approximately 65% were sold to program participants.

Cargo

American Airlines Cargo, a division of American, provides over 100 million pounds of weekly cargo lift capacity to major cities in the United States, Europe, Canada, Mexico, the Caribbean, Latin America and Asia. American's cargo network is one of the largest air cargo networks in the world, with facilities and interline connections available across the globe. During 2011, American Airlines Cargo accounted for approximately 3.0% of the Company's operating revenues by generating $703 million in freight and mail revenue, an increase of 4.5% versus 2010.

Other revenues

Other revenues, which approximate 10.8% of total revenues, includes revenue from the marketing services related to the sale of mileage credits in the AAdvantage program as discussed above, membership fees and related revenue from the Company's Admirals Club operations, and other miscellaneous service revenue, including administrative service charges and baggage handling fees. Other revenues have been increasing as the Company unbundles its services and charges for ancillary services.

Other Matters

Seasonality and Other Factors The Company'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 and financial results for the second and third quarters of the year than for the first and fourth quarters. Fears of terrorism or war, fare initiatives, fluctuations in fuel prices, labor actions, weather, natural disasters, outbreaks of disease, and other factors could impact this seasonal pattern. Unaudited quarterly financial data for the two-year period ended December 31, 2011 is included in Note 16 to the consolidated financial statements. In addition, the results of operations in the air transportation business have also significantly fluctuated in the past in response to general economic conditions.

Insurance The Company carries insurance for public liability, passenger liability, property damage and all-risk coverage for damage to its aircraft. As a result of the terrorist attacks of September 11, 2001 (the Terrorist Attacks), aviation insurers significantly reduced the amount of insurance coverage available to commercial air carriers for liability to persons other than employees or passengers for claims resulting from acts of terrorism, war or similar events (war-risk coverage). At the same time, these insurers significantly increased the premiums for aviation insurance in general. While the price of commercial insurance has declined since the period immediately after the Terrorist Attacks, in the event commercial insurance carriers further reduce the amount of insurance coverage available to the Company, or significantly increase its cost, the Company would be adversely affected.

The U.S. government has agreed to provide commercial war-risk insurance for U.S. based airlines through September 30, 2012, covering losses to employees, passengers, third parties and aircraft. If the U.S. government were to cease providing such insurance in whole or in part, it is likely that the Company could obtain comparable coverage in the commercial market, but the Company would incur substantially higher premiums and more restrictive terms. There can be no assurance that comparable war-risk coverage will be available in the commercial market. If the Company is unable to obtain adequate war-risk coverage at commercially reasonable rates, the Company would be adversely affected.

Other Government Matters In time of war or during a national emergency or defense oriented situation, American and other air carriers can be required to provide airlift services to the Air Mobility Command under the Civil Reserve Air Fleet program. In the event the Company has to provide a substantial number of aircraft and crew to the Air Mobility Command, its operations could be adversely impacted.

Available Information The Company makes its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 available free of charge under the Investor Relations page on its website, www.aa.com, as soon as reasonably practicable after such reports are electronically filed with the Securities and Exchange Commission. In addition, the Company's code of ethics (called the Standards of Business Conduct), which applies to all employees of the Company, including the Company's Chief Executive Officer (CEO), Chief Financial Officer (CFO) and Controller, is posted under the Investor Relations page on its website, www.aa.com. The Company intends to disclose any amendments to the code of ethics, or waivers of the code of ethics on behalf of the CEO, CFO or Controller, under the Investor Relations page on the Company's website, www.aa.com. The charters for the AMR Board of Directors' standing committees (the Audit, Compensation, Diversity and Nominating/Corporate Governance Committees), as well as AMR's Board of Directors' Governance Policies (the Governance Policies), are likewise available on the Company's website, www.aa.com. Information on the Company's website is not incorporated into or otherwise made a part of this Report.

ITEM 1A. RISK FACTORS

Our ability to become profitable and our ability to continue to fund our obligations on an ongoing basis will depend on a number of risk factors, many of which are largely beyond our control.

CHAPTER 11 REORGANIZATION RISKS

We filed for reorganization under Chapter 11 of the Bankruptcy Code on November 29, 2011 and are subject to the risks and uncertainties associated with the Chapter 11 Cases.

For the duration of our Chapter 11 Cases, our operations, including our ability to execute our business plan, are subject to the risks and uncertainties associated with bankruptcy. Risks and uncertainties associated with our Chapter 11 Cases include the following:

- our creditors or other third parties may take actions or make decisions that are inconsistent with and detrimental to the plans we believe to be in the best interests of the Company; we may be unable to obtain court approval with respect to certain matters in the Chapter 11 Cases from time to time;
- the court may not agree with our objections to positions taken by other parties;
- we may not be able to confirm and consummate a Chapter 11 plan of reorganization or may be delayed in doing so;
- we may not be able to obtain and maintain normal credit terms with vendors, strategic partners and service providers;
- we may not be able to continue to invest in our products and services, which could hurt our competitiveness;
- we may not be able to enter into or maintain contracts that are critical to our operations at competitive rates and terms, if at all, including hedging strategies to assist in controlling our fuel costs;
- we may be exposed to risks associated with third parties seeking and obtaining court approval to (i) terminate or shorten our exclusivity period to propose and confirm a plan of reorganization, (ii) appoint a Chapter 11 trustee or (iii) convert the cases to Chapter 7 liquidation cases; and
- our customers may choose to travel on other air carriers.

These risks and uncertainties could affect our business and operations in various ways. For example, negative events, the positions we take in court, or publicity associated with our Chapter 11 Cases could adversely affect our sales of tickets and our relationship with our customers, as well as with vendors and our people, which in turn could adversely affect our operations and financial condition, particularly if the Chapter 11 Cases are protracted. Because of the risks and uncertainties associated with our Chapter 11 Cases, the ultimate impact of events that occur during these proceedings will have on our business, financial condition and results of operations cannot be accurately predicted or quantified. If any one or more of these risks materializes, it could affect our ability to continue as a going concern.

We have proposed a business plan that we may not be able to implement.

On February 1, 2012, we announced the principal terms of a business plan that is designed to restore the Company to industry leadership, profitability and growth. The chief components of this business plan include targets of an annual $2 billion in cost savings and $1 billion in revenue enhancement. In particular, our business plan contemplates significant reductions in both non-labor and labor costs by, among other things, reducing headcount by approximately 13,000, outsourcing a portion of American’s aircraft maintenance work (including seeking the closure of our Fort Worth Alliance Airport maintenance base) and certain airport fleet service clerk work, terminating American’s defined benefits pension plans, and discontinuing our subsidized retiree medical coverage for current employees. If we are unable to implement one or more key elements of our business plan, we may find it difficult to successfully restructure.

In order to reach the labor cost reduction target required by the business plan, changes to American’s existing union contracts are necessary. American’s proposed changes will include cost savings and changes to work rules and scope clauses. We believe these changes are critical to a successful reorganization and American. American has commenced good faith negotiations with its unions regarding these changes pursuant to the process provided for under Section 1113 of the U.S. Bankruptcy Code. If American cannot reach a consensual agreement with any of its unions that provides for changes to the union’s existing collective bargaining agreement that are necessary to achieve the required cost reductions and improved efficiencies, American will ask the Bankruptcy Court to approve its rejection of that collective bargaining agreement. We cannot predict whether the Bankruptcy Court will approve any such request for the rejection of a collective bargaining agreement.

Our business plan also contemplates a significant reduction in the number of people employed by our Company. It is possible that various state and local groups, including state and local governments, will oppose the reduction of jobs in their areas. We cannot predict what effect a public campaign to retain jobs and the related adverse publicity might have on our relations with our customers, our people, suppliers, strategic partners and other third parties, but it is possible that negative campaigns and publicity could materially and adversely affect our business and operations.

We are in the process of renegotiating numerous agreements, including those relating to aircraft financings and other indebtedness and leases, to achieve cost savings we believe are necessary to our restructuring. We may not be able to achieve consensual renegotiation of these agreements on terms sufficient to effect the cost savings required by our business plan. Also, as part of the process of renegotiating agreements, we may reject certain of those agreements in our Chapter 11 Cases. We cannot predict whether we would be able to enter into new agreements to replace any rejected agreements (some of which may be material) on acceptable terms, or at all.

Operating under Chapter 11 may restrict our ability to pursue our business strategies.

Under Chapter 11, transactions outside the ordinary course of business will be subject to the prior approval of the Bankruptcy Court, which may limit our ability to respond in a timely manner to certain events or take advantage of certain opportunities. We must obtain Bankruptcy Court approval to, among other things:

- engage in certain transactions with our vendors;
- buy or sell assets outside the ordinary course of business;
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets; and
- borrow for our operations, investments or other capital needs or to engage in other business activities that would be in our interest.

Our people face considerable uncertainty due to the Chapter 11 Cases.

As a result of the Chapter 11 Cases, our people are facing considerable uncertainty. A material erosion of our people’s commitment could have a material adverse effect on our business, particularly if the Chapter 11 Cases are protracted.

The Company’s businesses could suffer from a protracted restructuring.

The Company’s future results are dependent upon the timely and successful filing, confirmation and implementation of a plan of reorganization. If a restructuring is protracted, it could adversely affect the Company’s operating results, including its relationships with its people, vendors, strategic partners and customers. If we experience a protracted reorganization, there is a significant risk that the value of the Company’s enterprise would be substantially eroded to the detriment of all stakeholders.

Our ability to emerge from Chapter 11 and thereafter operate profitably will depend on increasing our revenue, lowering our costs, and obtaining sufficient financing or other capital to operate successfully.

It is too early in the Chapter 11 process for us to have developed our ultimate plan of reorganization. However, for our ultimate plan of reorganization to be effective, we will need to increase our revenue, lower our costs, reduce our liabilities, and obtain and/or demonstrate the sufficiency of financing and/or other capital to operate after emergence.

We currently plan to drive revenue growth by investing heavily in renewing and optimizing our fleet, building both network scale and our alliances, and investing several hundred million dollars annually in modernizing our brand, products and services. Significant capital resources will be required to achieve the envisioned revenue growth. In order to emerge from and operate successfully after the conclusion of our Chapter 11 Cases, we will need sufficient financing or other capital resources, some of which may be subject to Bankruptcy Court approval. Depending on numerous factors, many of which are out of our control, such as the state of the domestic and global economy, the credit market's view of our prospects and the airline industry in general, and the general availability of debt and equity capital at the time we conclude the Chapter 11 process, the financing and other capital that we will need may not be available to us, or may only be available on onerous terms and conditions. There is no assurance that we will be successful in obtaining financing or other needed sources of capital to successfully emerge from Chapter 11 and operate the Company. Inability to obtain sufficient financing or other capital may further delay the emergence of the Company from bankruptcy and/or limit our alternatives, which could result in our inability to continue as a going concern. Even if such financing or other capital is available, there is no guarantee that we will achieve the desired revenue growth.

Our current cost structure is heavily driven by labor costs, pension obligations and existing levels of indebtedness. Our business plan contemplates that we will significantly reduce our overall headcount to achieve a meaningful portion of the necessary cost reductions. American also intends to terminate its defined benefit plans and we plan to discontinue subsidized retiree medical coverage for current employees. Furthermore, our business plan contemplates extracting savings by restructuring, renegotiating, and/or rejecting a substantial portion of our debt, lease and other obligations. Nevertheless, following our emergence from Chapter 11, we expect to have significant debt, lease and other obligations. We also expect to make substantial capital expenditures, including those related to aircraft acquisitions, during and following the Chapter 11 process. In general, any of these proposed actions taken during Chapter 11 will be subject to Bankruptcy Court approval, and our ability to take these actions is not entirely within our control. There is no guarantee that we will be able to successfully achieve the desired cost savings or meet our planned continuing obligations. Failure to implement substantial cost savings upon emergence could materially hamper our ability to operate profitably after emergence, and could result in our inability to continue as a going concern.

Third parties may propose competing Chapter 11 plans of reorganization and we may receive unsolicited offers for the Company or our assets.

Chapter 11 gives us the exclusive right to file a plan of reorganization during the first 120 days after filing. That period can be extended for cause up to a total of 18 months from the Petition Date with approval of the Bankruptcy Court. While we intend to conclude our Chapter 11 Cases during this so-called "exclusivity period", there can be no assurance that we will be able to do so. After the expiration of the exclusivity period, third parties can file one or more Chapter 11 plans for the Debtors. An alternative plan of reorganization could contemplate the Company continuing as a going concern, the Company being broken up, the Company or its assets being acquired by a third party, the Company being merged with a competitor, or some other proposal. We may not believe that such an alternative plan of reorganization is in our stakeholders' best interests or fully values the benefits to be achieved by our reorganization. If we cannot successfully obtain approval of our plan of reorganization during the exclusivity period, we may have limited ability to prevent an alternative plan of reorganization from being approved by the Bankruptcy Court.

Companies in Chapter 11 are often the target of unsolicited merger and acquisition offers, and there is no guarantee that we will emerge from Chapter 11 as a standalone company. An unsolicited proposal or alternative plan of reorganization could potentially delay our emergence from Chapter 11 and expose us to a number of other risks, including potential limitations on our ability to execute our business plan and strategic initiatives; difficulties in hiring, retaining and motivating key personnel; negative reactions among our people, vendors, strategic partners and service providers; a failure to provide stakeholders full value for the benefits that could be achieved by the Company post-emergence on a stand-alone basis; and unease and uncertainty among our customer base. In addition, any potential transaction proposed during Chapter 11, even if we decided such transaction was in our best interest, would be expressly subject to Bankruptcy Code requirements and Bankruptcy Court approval.

We may be subject to claims that will not be discharged in the Chapter 11 Cases.

The Bankruptcy Code provides that the confirmation of a plan of reorganization discharges a debtor from substantially all debts arising prior to confirmation. With few exceptions, all claims that arose prior to the filing of our Chapter 11 Cases (i) will be subject to compromise and/or treatment under the plan of reorganization or (ii) will be discharged in accordance with the Bankruptcy Code and the terms of the plan of reorganization. However, there can be no assurance that the aggregate amount of such claims that are not subject to treatment under the plan of reorganization or that are not discharged will not be material.

LIQUIDITY RISKS

We may not have sufficient cash to maintain our operations during Chapter 11 and fund our emergence from the Chapter 11 Cases.

We entered Chapter 11 with approximately $4.1 billion in unrestricted cash and cash equivalents. We plan to finance certain aircraft scheduled to be delivered to us during Chapter 11 for which we have not previously arranged financing, but we do not currently expect to require any debtor-in-possession financing. However, because of our weakened financial condition, we will continue to have heightened exposure to, and less ability to withstand, the operating risks that are customary in the industry, such as volatile fuel costs, global events leading to reduced demand for air travel, the potential obligation to post reserves under credit card processing agreements, the potential obligation to post cash collateral on fuel hedging contracts, severe weather that results in significant flight cancellations or reduced travel demand, and competitors' reduction of ticket pricing. Any of these factors could result in the need for substantial additional funding. If we determine that debtor-in-possession financing is useful or necessary to continue operations, we may find that it is very difficult and expensive, or impossible, to obtain, as sources for such financing are limited and we have a very limited quantity of assets which could be used as collateral for such financings.

A number of other factors, including our Chapter 11 filing, our financial results in recent years, our substantial indebtedness, the competitive revenue environment we face, recent historically high fuel prices, and the financial difficulties experienced in the airline industry, adversely affect the availability and terms of funding that might be available to us during, and upon emergence from, our Chapter 11 Cases. In addition, the global economic downturn resulted in greater volatility, less liquidity, widening of credit spreads, and substantially more limited availability of funding. As a result of these and other factors, there can be no assurances that we will be able to source capital at acceptable rates and on acceptable terms, if at all, to fund our current operations and our exit from Chapter 11. An inability to obtain necessary additional funding on acceptable terms would have a material adverse impact on us and on our ability to sustain our operations, both currently and upon emergence from Chapter 11.

As a result of significant losses in recent years, our financial condition has been materially weakened.

We incurred significant losses in recent years, which have materially weakened our financial condition. We lost $892 million in 2005, $821 million in 2004, $1.3 billion in 2003, $3.5 billion in 2002 and $1.6 billion in 2001. Although we earned a profit of $356 million in 2007 and $164 million in 2006, we lost $2.5 billion in 2008 (which included a $1.0 billion impairment charge), and we lost $1.5 billion in 2009 and $469 million in 2010. In addition, we lost a total of $2.0 billion in 2011 (including $725 million in non-cash charges). Because of our weakened financial condition**,** even though we are operating under the protections of Chapter 11, we are vulnerable both to the impact of unexpected events and to deterioration of the operating environment (such as a significant increase in jet fuel prices, a significant decrease in travel demand, or significant increase in competition).

Our indebtedness and other obligations are substantial and could adversely affect our ongoing business and liquidity.

We have, and we expect that after emergence from Chapter 11 we will continue to have, significant amounts of indebtedness and other obligations, including obligations to make future payments on aircraft equipment and property leases and obligations under aircraft purchase agreements, as well as a significant proportion of debt to equity capital. Although we are seeking to substantially reduce our debt and lease obligations in Chapter 11, we cannot predict to what extent these efforts will be successful. We expect to incur substantial additional debt (including secured debt) and lease obligations in the future. We also currently have substantial pension funding obligations and we cannot predict whether or to what extent our pension funding obligations will be reduced during the proceedings in Chapter 11. Our substantial indebtedness and other obligations could have important consequences. For example, they could:

- limit our ability to obtain additional funding for working capital, capital expenditures, acquisitions, investments and general corporate purposes, and adversely affect the terms on which such funding can be obtained;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness and other obligations, thereby reducing the funds available for other purposes;
- make us more vulnerable to economic downturns and catastrophic external events; and
- limit our ability to withstand competitive pressures and reduce our flexibility in responding to changing business and economic conditions.

We could be required to maintain reserves under our credit card processing agreements, which could materially adversely impact our liquidity.

American has agreements with a number of credit card companies and processors to accept credit cards for the sale of air travel and other services. Under certain of these agreements, the related credit card processor may hold back a reserve from American's credit card receivables following the occurrence of certain events, including the failure of American to maintain certain levels of liquidity (as specified in each agreement).

Under such agreements, the amount of the reserve that may be required generally is based on the processor's exposure to the Company under the applicable agreement and, in the case a reserve is required because of American's failure to maintain a certain level of liquidity, the amount of such liquidity. As of February 1, 2012, the Company was not required to maintain any reserve under such agreements. If circumstances were to occur that would allow the credit card processor to require the Company to maintain a reserve, the Company's liquidity would be negatively impacted.

BUSINESS RISKS

The severe global economic downturn resulted in very weak demand for air travel, which has had and could continue to have a significant negative impact on us.

Although demand for air travel has improved from the severe downturn a couple of years ago, demand for air travel may weaken if the global economy does not continue to recover. We have been adjusting our capacity in response to trends in demand. No assurance can be given that capacity adjustments or other steps we may take in response to changes in demand will be successful. Capacity reductions or other steps might result in special charges in the future. Further, other carriers may make capacity adjustments which may reduce the expected benefits of any steps we may take to respond to changes in demand. Industry-wide capacity may increase to the extent the economy continues to recover from the global recession. If industry capacity increases, and if consumer demand does not continue to pace those increases, we, and the airline industry as a whole, could be negatively impacted.

Our initiatives to generate additional revenues and to reduce our costs may not be adequate or successful.

As we seek to improve our financial condition, we must continue to take steps to generate additional revenues and to achieve a competitive cost structure during the Chapter 11 Cases. As described above, our business plan contains numerous initiatives to reduce our costs and increase our revenues. The adequacy and ultimate success of our initiatives to generate additional revenues and/or reduce our costs cannot be assured. Moreover, whether our initiatives will be adequate or successful depends in large measure on factors beyond our control. For example, any of the following could negatively impact the success of our initiatives: the positions that may be taken by our unions and contract counterparties and others with concerns about our business plan, such as the PBGC and governmental and community leaders; whether the Creditors' Committee will support our business plan; whether we are able to persuade the Bankruptcy Court to rule in our favor on the numerous matters that will be required to successfully emerge from the Chapter 11 Cases; and, in general, the overall industry environment, including customer demand, yield and industry capacity growth, actions of our competitors and fuel prices. It will be very difficult for us to continue to fund our obligations on an ongoing basis, and to return to profitability, if the overall industry revenue environment does not continue to improve or if fuel prices were to increase and persist for an extended period at high levels.

We may be adversely affected by increases in fuel prices, and we would be adversely affected by disruptions in the supply of fuel.

Our results are very significantly affected by the cost, price volatility and the availability of jet fuel, which are in turn affected by a number of factors beyond our control. Due to the competitive nature of the airline industry, we may not be able to pass on increased fuel prices to customers by increasing fares. Although we had some success in raising fares and imposing fuel surcharges in reaction to high fuel prices, these fare increases and surcharges did not keep pace with the extraordinary increases in the price of fuel that occurred in 2007 and 2008. Although fuel prices have abated considerably from the record high prices recorded in July 2008, they remain high and extremely volatile. Furthermore, reduced demand or increased fare competition, or both, and resulting lower revenues may offset any potential benefit of any reductions in fuel prices.

Dependence on foreign imports of crude oil, limited refining capacity 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 are additional outbreaks of hostilities or other conflicts in oil producing areas or elsewhere, or a reduction in refining capacity (due to natural disasters or weather events, for example), or governmental limits on the production or sale of jet fuel (including as a consequence of increased environmental regulation), there could be a reduction in the supply of jet fuel and significant increases in the cost of jet fuel. Major reductions in the availability of jet fuel or significant increases in its cost would have a material adverse impact on us.

We have a large number of older aircraft in our fleet, and these aircraft are not as fuel efficient as more recent models of aircraft. We believe it is imperative that we continue to execute our fleet renewal plans. Our assumption of our contracts for new, more efficient aircraft with Boeing and Airbus is subject to Bankruptcy Court approval and cannot be assured. The Bankruptcy Court has approved certain procedures to allow us to continue to take delivery of new Boeing 737 and Boeing 777 aircraft through 2012, subject to objection by the official committee of unsecured creditors for our Chapter 11 Cases and subject to certain limitations.

Our aviation fuel purchase contracts generally do not provide meaningful price protection. While we seek to manage the risk of fuel price increases by using derivative contracts, there can be no assurance that, at any given time, we will have derivatives in place to provide any particular level of protection against increased fuel costs. In addition, our Chapter 11 Cases may negatively affect our ability to enter into derivative contracts. Moreover, we may be required to post material amounts of cash collateral based on the size and market value of the contracts, and if such contracts close when fuel prices are below the applicable levels, we would be required to make payments to close such contracts; these payments would be treated as additional fuel expense.

We could be materially adversely affected if we are unable to resolve favorably our pending litigation with certain GDSs and business discussions with certain on-line travel agents.

We are currently involved in litigation with certain GDSs and in business discussions with certain on-line travel agents. An adverse outcome in any of these matters could have a material adverse effect on our level of bookings, business and results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - GDS Discussion." Agreements with the GDSs operated by Sabre, Travelport and Amadeus have been extended beyond 2011. We could be adversely affected if we are unable to renegotiate acceptable new contractual terms for our participation in these systems.

Our business is affected by many changing economic and other conditions beyond our control, and our results of operations tend to be volatile and fluctuate due to seasonality.

Our business and our results of operations are affected by many changing economic and other conditions beyond our control, including, among others:

- actual or potential changes in international, national, regional and local economic, business and financial conditions, including recession, inflation, higher interest rates, wars, terrorist attacks or political instability;
- changes in consumer preferences, perceptions, spending patterns or demographic trends;
- changes in the competitive environment due to industry consolidation, changes in airline alliance affiliations and other factors;
- actual or potential disruptions to the air traffic control systems;
- increases in costs of safety, security and environmental measures;
- outbreaks of diseases that affect travel behavior; and
- weather and natural disasters.

Thus, our results from operations tend to be volatile and subject to rapid and unexpected change. In addition, due to generally greater demand for air travel during the summer, our revenues in the second and third quarters of the year tend to be stronger than revenues in the first and fourth quarters of the year.

The airline industry is fiercely competitive and may undergo further consolidation or changes in industry alliances, and we are subject to increasing competition.

Service over almost all of our routes is highly competitive. We face vigorous, and, in some cases, increasing, competition from major domestic airlines, national, regional, all-cargo and charter carriers, foreign air carriers, low-cost carriers and, particularly on shorter segments, ground and rail transportation. We also face significant competition from marketing/operational alliances formed by our competitors. Competition with foreign air carriers and with such marketing/operational alliances has been increasing in recent years in part due to the adoption of liberalized open skies aviation agreements between the United States and an increasing number of countries around the world. Moreover, the percentage of routes on which we compete with carriers having substantially lower operating costs than ours has grown significantly over time, and we now compete with low-cost carriers over a very large part of our network. Our ability to compete effectively depends in part on our ability to achieve a competitive cost structure during Chapter 11. If we cannot do so, then our business, financial condition and operating results would be adversely affected.

Certain airline alliances have been, or may in the future be, granted immunity from antitrust regulations by governmental authorities for specific areas of cooperation, such as joint pricing decisions. To the extent alliances formed by our competitors can undertake activities that are not available to us, our ability to effectively compete may be hindered.

Pricing decisions are significantly affected by competition from other airlines. Fare discounting by competitors historically has had a negative effect on our financial results because we must generally match competitors' fares, since failing to match would result in even less revenue. We have faced increased competition from carriers with simplified fare structures. Any fare reduction or fare simplification initiative may not be offset by increases in customer traffic, reduction in cost or changes in the mix of traffic that would improve yields. Moreover, decisions by our competitors that increase or reduce overall industry capacity, or capacity dedicated to a particular domestic or foreign region, market or route, can have a material impact on related fare levels.

There have been numerous mergers and acquisitions within the airline industry and numerous changes in industry alliances. Southwest Airlines acquired AirTran in May 2011, and the recent mergers of United with Continental and Delta with Northwest have resulted in the formation of larger competitors than ourselves with more extensive networks than ours. We are seeking to address these competitive challenges with our market and alliance strategies; however there can be no assurances as to the level of success of these strategies.

In the future, there may be additional mergers and acquisitions, and changes in airline alliances, including those in which we may participate and those that may be undertaken by others. Any airline industry consolidation or changes in airline alliances, including oneworld, could substantially alter the competitive landscape and result in changes in our corporate or business strategy. We regularly assess and explore the potential for consolidation in our industry and changes in airline alliances, our strategic position and ways to enhance our competitiveness, including the possibilities for our participation in merger activity. Consolidation involving other participants in our industry could result in the formation of one or more airlines with greater financial resources, more extensive networks, and/or lower cost structures than exist currently, which could have a material adverse effect on our competitive position and adversely affect our business and results of operations. For similar reasons, changes in airline alliances could have a similar impact on us.

We recently implemented a joint business agreement and related marketing arrangements with British Airways and Iberia, and antitrust-immunized cooperation with British Airways, Iberia, Finnair and Royal Jordanian. In addition, American recently implemented an antitrust-immunized joint business agreement with the Japan Airlines Group, and our JBA with Qantas recently received government approval. No assurances can be given as to any arrangements that may ultimately be implemented or any benefits that we may derive from such arrangements.

We compete with reorganized carriers, which results in competitive disadvantages for us.

We must compete with air carriers that have reorganized under the protection of Chapter 11 of the Bankruptcy Code in recent years, including United, Delta and US Airways. It is possible that other significant competitors may seek to reorganize, or reorganize again, in or out of Chapter 11.

Successful reorganizations by other carriers present us with competitors with significantly lower operating costs and stronger financial positions derived from renegotiated labor, supply, and financing contracts. If we are not able to obtain a competitive cost structure through the use of Chapter 11 it would have a material adverse impact on us.

Fares are at low levels and our reduced pricing power adversely affects our ability to achieve adequate pricing.

Our customer yield (on an inflation-adjusted basis) remains low and reflects a decline in our pricing power. Our reduced pricing power is the product of several factors including: greater cost sensitivity on the part of travelers; pricing transparency resulting from the use of the internet; greater competition from low-cost carriers and from carriers that have reorganized in recent years under the protection of Chapter 11; other carriers being better hedged against rising fuel costs and able to better absorb high jet fuel prices; and the economy. This pricing environment could persist indefinitely.

Our corporate or business strategy may change.

In light of the rapid changes in the airline industry, we evaluate our assets on an ongoing basis with a view to maximizing their value and determining which are core to our operations. We will evaluate our corporate and business strategies during the Chapter 11 process. Our corporate and business strategies are influenced by factors beyond our control, including changes in the competitive landscape we face and more recently the commencement of the Chapter 11 Cases, and are, therefore, subject to change.

Our business is subject to extensive government regulation, which can result in increases in our costs, disruptions to our operations, limits on our operating flexibility, reductions in the demand for air travel, and competitive disadvantages. In particular, existing and possible future environmental regulations may adversely affect our business and financial results.

Airlines are subject to extensive domestic and international regulatory requirements. Many of these requirements result in significant costs. For example, the FAA from time to time issues directives and other regulations relating to the maintenance and operation of aircraft.

On December 21, 2011, the FAA issued its final rule governing pilot rest periods and work hours for all carriers certificated under Part 121 of the Federal Aviation Regulations, including American and the AMR Eagle carriers. The rule, which is effective January 14, 2014, impacts the required amount and timing of rest periods for pilots between work assignments and modifies duty and rest requirements based on the time of day, number of scheduled segments, flight types, time zones and other factors. These regulations could have a material adverse impact on the Company and the industry upon implementation.

In addition, as a result of heightened levels of concern regarding data privacy, we are subject to an increasing number of domestic and foreign laws regarding the privacy and security of passenger and employee data.

Compliance with regulatory requirements drives significant expenditures and has in the past, and may in the future, cause disruptions to our operations. In addition, the ability of U.S. carriers to operate international routes is subject to change because the applicable arrangements between the U.S. and foreign governments may be amended from time to time (such as through the adoption of an open skies policy), or because appropriate slots or facilities are not made available. Any such change could adversely impact the value of our international route authorities and related assets.

Moreover, additional laws, regulations, taxes and airport rates and charges have been enacted from time to time that have significantly increased the costs of airline operations, reduced the demand for air travel or restricted the way we can conduct our business. For example, the Aviation and Transportation Security Act, which became law in 2001, mandated the federalization of certain airport security procedures and resulted in the imposition of additional security requirements on airlines.

The results of our operations, demand for air travel, and the manner in which we conduct our business each may be affected by changes in law and future actions taken by governmental agencies, including:

- changes in law which affect the services that can be offered by airlines in particular markets and at particular airports, or the types of fees that can be charged to passengers;
- the granting and timing of certain governmental approvals (including foreign government approvals) needed for codesharing alliances and other arrangements with other airlines;
- restrictions on competitive practices (for example court orders, or agency regulations or orders, that would curtail an airline’s ability to respond to a competitor);
- the adoption of new passenger security standards or regulations that impact customer service standards (for example, a “passenger bill of rights”);
- restrictions on airport operations, such as restrictions on the use of takeoff and landing slots at airports or the auction or reallocation of slot rights currently or previously held by us; and
- the adoption of more restrictive locally imposed noise restrictions.

In addition, the U.S. air traffic control (ATC) system, which is operated by the FAA, is not successfully managing the growing demand for U.S. air travel. Air traffic controllers rely on outdated technologies that routinely overwhelm the system and compel airlines to fly inefficient, indirect routes. Long-term funding for the FAA expired on September 30, 2007. Reauthorization of legislation that funds the FAA, which includes proposals regarding upgrades to the ATC system, is under consideration in Congress. It is uncertain when such legislation will become law. In the meantime, FAA funding continues under temporary periodic extensions. The current extension expires on February 17, 2012. To date there have been 23 short-term extensions.

Many aspects of our operations are subject to increasingly stringent environmental regulations. Concerns about climate change and greenhouse gas emissions, in particular, may result in the imposition of additional legislation or regulation. The EU has adopted a directive under which each EU member state is required to extend the existing EU emissions trading scheme (ETS) to aviation. This will require us to annually submit emission allowances in order to operate flights to and from EU member states in January 2012 and thereafter, including flights between the U.S. and EU member states. In December 2009, the ATA, joined by American, Continental and United, filed a legal action in the United Kingdom (UK) challenging the implementation of the EU ETS as applied to aviation. The case was subsequently referred to the Court of Justice of the European Union, which in December 2011 upheld the validity of the EU ETS as applied to aviation. The case has been returned to the UK court for final disposition. We believe that non-EU governments are continuing to consider formal challenges to the EU ETS as applied to aviation. However, unless interim relief is granted, we will be required to continue to comply with the EU ETS during the pendency of any such challenges. Although the cost of compliance with the EU ETS is difficult to predict given the uncertainty of a number of variables, such as the number and price of emission allowances we may be required to purchase, such costs could be significant.

Other legislative or regulatory actions addressing climate change and emissions from aviation that may be taken in the future by the U.S., state or foreign governments or through international treaties may adversely affect our business and financial results. The United Nations' International Civil Aviation Organization (ICAO) for example, has adopted a resolution identifying certain fuel efficiency goals and emission trading system principles for international aviation, which may provide a basis for such future legislative or regulatory action. Climate change legislation was previously introduced in Congress; such legislation could be re-introduced in the future by Congress and state legislatures, and could contain provisions affecting the aviation industry. In addition, the U.S. Environmental Protection Agency could seek to regulate greenhouse gas emissions from aircraft. It is currently unknown how climate change legislation or regulation, if enacted, would specifically apply to the aviation industry. However, the impact on us of any climate change legislation or regulation is likely to be adverse and related costs of compliance could be significant. Such legislation or regulation could result in, among other things, increased fuel costs, carbon taxes or fees, the imposition of requirements to purchase emission offsets or credits, increased aircraft and equipment costs, and restrictions on the growth of airline operations. We continue to evaluate ongoing climate change developments at the international, federal and state levels and assess the potential associated impacts on our business and operations.

We could be adversely affected by conflicts overseas or terrorist attacks.

Actual or threatened U.S. military involvement in overseas operations has, on occasion, had an adverse impact on our business, financial position (including access to capital markets) and results of operations, and on the airline industry in general. The continuing conflict in Afghanistan, or other conflicts or events in the Middle East or elsewhere, may result in similar adverse impacts.

The Terrorist Attacks had a material adverse impact on us. The occurrence of another terrorist attack (whether domestic or international and whether against us or another entity) could again have a material adverse impact on us.

Our international operations are subject to economic and political instability and could be adversely affected by numerous events, circumstances or government actions beyond our control.

Our current international activities and prospects could be adversely affected by our Chapter 11 proceedings, as well as factors such as reversals or delays in the opening of foreign markets, exchange controls, currency and political risks (including changes in exchange rates and currency devaluations), environmental regulation, increases in taxes and fees and changes in international government regulation of our operations, including the inability to obtain or retain needed route authorities and/or slots.

For example, the open skies air services agreement between the U.S. and the EU which took effect in March 2008 provides airlines from the U.S. and EU member states open access to each other's markets, with freedom of pricing and unlimited rights to fly beyond the U.S. and to any airport in the EU including London's Heathrow Airport. The agreement has resulted in American facing increased competition in these markets, including Heathrow Airport. In addition, an open skies air services agreement between the U.S. and Japan that provides airlines from the U.S. and Japan open access to each other's markets took effect in November 2010.

We could be adversely affected by an outbreak of a disease that affects travel behavior.

In the second quarter of 2009, there was an outbreak of the H1N1 virus which had an adverse impact throughout our network but primarily on our operations to and from Mexico. In 2003, there was an outbreak of Severe Acute Respiratory Syndrome (SARS), which had an adverse impact primarily on our Asia operations. In addition, in the past there have been concerns about outbreaks or potential outbreaks of other diseases, such as avian flu. Any outbreak of a disease (including an additional outbreak of the H1N1 virus) that affects travel behavior could have a material adverse impact on us. In addition, outbreaks of disease could result in quarantines of our personnel or an inability to access facilities or our aircraft, which could adversely affect our operations.

Our labor costs are higher than those of our competitors.

Wages, salaries and benefits constitute a significant percentage of our total operating expenses. In 2011, they constituted approximately 25 percent of our total operating expenses. All of the major hub-and-spoke carriers with which American competes have achieved significant labor cost savings through or outside of Chapter 11 proceedings. We believe American's labor costs are higher than those of its primary competitors. These higher labor costs adversely affect our ability to achieve and sustain profitability, since we are competing with other airlines with lower labor costs. We are working to address these costs through the Chapter 11 process, but it cannot be predicted how long this labor cost disadvantage will exist. Our ability to compete effectively depends in part on our ability to achieve a competitive labor cost structure during the Chapter 11 proceedings. A failure to successfully reduce our labor costs during the Chapter 11 proceedings could severely hamper our ability to emerge from Chapter 11 and our ability to operate successfully post-emergence, and could result in our inability to reorganize at all.

We could be adversely affected if we are unable to have satisfactory relations with any unionized or other labor work group.

Our business is labor intensive. To the extent that we are unable to have satisfactory relations with any labor work group (unionized or independent), our operations and our ability to execute our strategic plans could be adversely affected. In addition, any disruption by a labor work group (e.g., sick-out, slowdown, full or partial strike, or other job action) may materially adversely affect our operations and impair our financial performance.

The majority of our people are represented by labor unions and covered by collective bargaining agreements. Relations with such labor organizations are governed by the Railway Labor Act (RLA). Under this act, the collective bargaining agreements among the Company's subsidiaries and these organizations generally 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 in the manner prescribed under the RLA and as agreed to by the parties. Under the RLA, after receipt of such notice, the parties must meet for direct negotiations, and if no agreement is reached, either party may request the NMB to appoint a federal mediator. The RLA prescribes no set timetable for the direct negotiation and mediation process. It is not unusual for those processes to last for many months, and even for several years. If no agreement is reached in mediation, the NMB in its discretion may declare at some 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 by either party, a 30-day "cooling off" period commences. During that period (or after), a Presidential Emergency Board (PEB) may be established, which examines the parties' positions and recommends a solution. The PEB process lasts for 30 days and is followed by another "cooling off" period of 30 days. At the end of a "cooling off" period, unless an agreement is reached or action is taken by Congress, the labor organization may exercise "self-help," such as a strike, and the airline may resort to its own "self-help," including the imposition of any or all of its proposed amendments and the hiring of new people to replace any striking workers.

In accordance with the requirements of Section 1113 of the Bankruptcy Code, American has begun the process of negotiating with each of its unionized groups for changes to their respective collective bargaining agreements based on proposals which provide the necessary modifications to permit us to reorganize successfully, as contemplated by our business plan. If American cannot reach agreement with the representatives of the people covered by a particular collective bargaining agreement, Section 1113 permits American to reject the collective bargaining agreement in accordance with the provisions of that section. The Bankruptcy Court has the authority to approve American's request for rejection of a collective bargaining agreement if the court determines that all of the requirements of Section 1113 have been met and the balance of the equities clearly favors rejection of the agreement.

Higher than normal number of pilot retirements could adversely affect our operations and financial results.

We experienced a higher than normal number of pilot retirements in the fall of 2011. We have reduced capacity and taken other steps in an effort to reduce the impact of these retirements. If pilot retirements were to exceed normal levels in the future, it may adversely affect our operations and financial results.

Increases in insurance costs or reductions in coverage could have an adverse impact on us.

We carry insurance for public liability, passenger liability, property damage and all-risk coverage for damage to our aircraft. As a result of the Terrorist Attacks, aviation insurers significantly reduced the amount of insurance coverage available to commercial air carriers for liability to persons other than employees or passengers for claims resulting from acts of terrorism, war or similar events (war-risk coverage). At the same time, these insurers significantly increased the premiums for aviation insurance in general. While the price of commercial insurance has declined since the period immediately after the Terrorist Attacks, in the event commercial insurance carriers further reduce the amount of insurance coverage available to us, or significantly increase its cost, we would be adversely affected.

The U.S. government has agreed to provide commercial war-risk insurance for U.S. based airlines through September 30, 2012, covering losses to employees, passengers, third parties and aircraft. If the U.S. government were to cease providing such insurance in whole or in part, it is likely that we could obtain comparable coverage in the commercial market, but we could incur substantially higher premiums and more restrictive terms, if such coverage is available at all. If we are unable to obtain adequate war-risk coverage at commercially reasonable rates, we would be adversely affected.

We may be unable to retain key management personnel.

We are dependent on the experience and industry knowledge of our key management people, and there can be no assurance that we will be able to retain them. Inability to retain our key management people, or attract and retain additional qualified management people, could have a negative impact on us.

We are increasingly dependent on technology and could be adversely affected by a failure or disruption of our computer, communications or other technology systems.

We are heavily and increasingly dependent on technology to operate our business, reduce our costs and enhance customer service. The computer and communications systems on which we rely could be disrupted due to various events, some of which are beyond our control, including natural disasters, power failures, terrorist attacks, equipment failures, system implementation failures, software failures and computer viruses and hackers. We have taken certain steps to help reduce the risk of some (but not all) of these potential disruptions. There can be no assurance, however, that the measures we have taken are adequate to prevent or remedy disruptions or failures of these systems. Any substantial or repeated failure of these systems could impact our operations and customer service, result in the loss of important data, loss of revenues, and increased costs, and generally harm our business. Moreover, a failure of certain of our vital systems could limit our ability to operate our flights for an extended period of time, which would have a material adverse impact on our operations and our business. In addition, we will need to continue to make significant investments in technology to pursue initiatives to reduce costs and enhance customer service. If we are unable to make these investments, our business could be negatively impacted.

We are at risk of losses and adverse publicity which might result from an accident involving any of our aircraft.

If one of our aircraft were to be involved in an accident, we could be exposed to significant tort liability. The insurance we carry to cover damages arising from any future accidents may be inadequate. In the event that our insurance is not adequate, we may be forced to bear substantial losses from an accident. In addition, any accident involving an aircraft operated by us could adversely affect the public's perception of us.

Interruptions or disruptions in service at one or more of our primary market airports could have an adverse impact on us.

Our business is heavily dependent on our operations at our primary market airports in Dallas/Fort Worth, Chicago, Miami, New York City and Los Angeles. Each of these operations includes flights that gather and distribute traffic from markets in the geographic region around the primary market to other major cities. A significant interruption or disruption in service at one or more of our primary markets could adversely impact our operations.

The airline industry is heavily taxed.

The airline industry is subject to extensive government fees and taxation that negatively impact our revenue. The U.S. airline industry is one of the most heavily taxed of all industries. These fees and taxes have grown significantly in the past decade for domestic flights and various U.S. fees and taxes also are assessed on international flights. In addition, the governments of foreign countries in which we operate impose on U.S. airlines, including us, various fees and taxes, and these assessments have been increasing in number and amount in recent years. Under new Department of Transportation regulations that take effect on January 24, 2012, all government taxes and fees must be included in the fares we quote or advertise to our customers. Due to the competitive revenue environment, many increases in these fees and taxes have been absorbed by the airline industry rather than being passed on to the customer. Further increases in fees and taxes may reduce demand for air travel, and thus our revenues.

ITEM 1B. UNRESOLVED STAFF COMMENTS

The Company had no unresolved Securities and Exchange Commission staff comments at December 31, 2011.

ITEM 2. PROPERTIES

Flight Equipment – Operating

Owned and leased aircraft operated by the Company and Regional Affiliates at December 31, 2011 included:

Equipment Type	Average Seating Capacity	Owned	Capital Leased	Operating Leased	Total	Average Age (Years)
American Airlines Aircraft						
Boeing 737-800	157	88	-	79	167	6
Boeing 757-200	188	81	9	31	121	17
Boeing 767-200 Extended Range	168	4	10	1	15	25
Boeing 767-300 Extended Range	225	45	2	11	58	18
Boeing 777-200 Extended Range	247	44	3	-	47	11
McDonnell Douglas MD-80	140	83	36	81	200	20
Total		345	60	203	608	15
Regional Affiliates Aircraft						
Bombardier CRJ-700	63/65	47	-	-	47	5
Embraer RJ-135	37	39	-	-	39	12
Embraer RJ-140	44	59	-	-	59	10
Embraer RJ-145	50	118	-	-	118	10
Super ATR	64/66	-	-	36	36	18
Total		263	-	36	299	11

Almost all of the Company’s owned aircraft are encumbered by liens granted in connection with financing transactions entered into by the Company.

Of the operating aircraft listed above, 18 owned Embraer RJ-135 were in temporary storage as of December 31, 2011.

Flight Equipment – Non-Operating

Owned and leased aircraft not operated by the Company at December 31, 2011 included:

Equipment Type	Owned	Capital Leased	Operating Leased	Total
American Airlines Aircraft				
Airbus A300-600R	1	-	-	1
Fokker 100	-	-	4	4
Boeing 737-800	1	-	-	1
Boeing 757-200	3	-	-	3
McDonnell Douglas MD-80	33	12	11	56
Total	38	12	15	65
Regional Affiliates Aircraft				
Saab 340B	41	-	-	41
Super ATR	-	-	3	3
Total	41	-	3	44

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 2 and 6 to the consolidated financial statements.

Flight Equipment – Leased

Lease expirations for the aircraft included in the table of capital and operating leased flight equipment operated by the Company as of December 31, 2011 are:

Equipment Type	2012	2013	2014	2015	2016	2017 and Thereafter
American Airlines Aircraft						
Boeing 737-800	-	8	1	-	-	70
Boeing 757-200	-	-	10	25	5	-
Boeing 767-200 Extended Range	-	9	2	-	-	-
Boeing 767-300 Extended Range	-	3	-	1	6	3
Boeing 777-200 Extended Range	-	-	-	-	-	3
McDonnell Douglas MD-80	9	19	15	14	10	50
	9	39	28	40	21	126
Regional Affiliates Aircraft						
Super ATR	-	10	12	14	-	-
	-	10	12	14	-	-

American leases all 39 Super ATR aircraft from a third party and in turn, subleases those aircraft to AMR Eagle for operation.

Substantially all of the Company'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 amount.

All aircraft, including those operated by AMR Eagle, are owned or leased by American as of December 31, 2011. See Note 17 to the consolidated financial statements further information on the transfer of aircraft from AMR Eagle to American during 2011.

In accordance with Section 1110 of the Bankruptcy Code, the Company is currently negotiating with creditors and lessors to restructure certain of its existing financings to reduce its debt burden and optimize its fleet. As of December 31, 2011, the Company had rejected 24 aircraft leases relating to 20 MD-80 aircraft and four Fokker 100 aircraft. In addition, since December 31, 2011, the Company has rejected an additional 9 aircraft leases and mortgages relating to one MD-80 aircraft, seven Boeing 757-200 aircraft, and one Airbus A300-600R aircraft. In addition, the Company filed a motion with the Bankruptcy Court to modify the leases of the Super ATR aircraft. As of February 15, 2012, 21 of the aircraft had been returned to the lessor as allowed under the modified agreement. The remaining 18 aircraft will be returned to the lessor during 2012 and 2013. In January 2012, American entered into agreements under Section 1110(a) of the Bankruptcy Code to retain 350 aircraft, including Boeing 737-800, Boeing 757-200, Boeing 767-300ER, Boeing 777-200ER, Bombardier CRJ-700, and McDonnell Douglas MD-80 aircraft on the terms provided in the related financing documents.

Ground Properties

The Company leases or has built as leasehold improvements on leased property, including most of its airport and terminal facilities in the U.S. and overseas, its training facilities in Fort Worth, Texas, its principal overhaul and maintenance bases at Tulsa International Airport (Tulsa, Oklahoma) and Alliance Airport (Fort Worth, Texas), its regional reservation offices, and local ticket and administration offices throughout the system. The Company announced on February 1, 2012 that it will seek to close its operations at Alliance Airport in connection with its restructuring efforts. The Company owns its headquarters building in Fort Worth, Texas. American has entered into agreements with the Tulsa Municipal Airport Trust; the Alliance Airport Authority, Fort Worth, Texas; the New York City Industrial Development Agency; and the Dallas/Fort Worth, Chicago O'Hare, Newark, San Juan, and Los Angeles airport authorities to provide funds for the cost of constructing, improving and modifying facilities and acquiring equipment which are or will be leased to the Company. The Company also uses 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 2 and 6 to the consolidated financial statements.

In accordance with the Bankruptcy Code, as of December 31, 2011, the Company had rejected two ground leases of an immaterial amount.

ITEM 3. LEGAL PROCEEDINGS

As previously discussed, on November 29, 2011 the debtors filed voluntary petitions for relief under the Bankruptcy Code. Each of the Debtors continues to operate its business and manage its property as a debtor-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code. As a result of the current Chapter 11 filings, attempts to prosecute, collect, secure or enforce remedies with respect to pre-petition claims against the Debtors are subject to the automatic stay provisions of Section 362(a) of the Bankruptcy Code, including, except in such cases where the Bankruptcy Court has entered an order modifying or lifting the automatic stay, the litigation described below. Notwithstanding the general application of the automatic stay described above, governmental authorities, both domestic and foreign, may determine to continue actions brought under their regulatory powers. Therefore, the automatic stay may have no effect on certain matters described below.

On February 14, 2006, the DOJ served the Company with a grand jury subpoena as part of an ongoing investigation into possible criminal violations of the antitrust laws by certain domestic and foreign air cargo carriers. At this time, the Company does not believe it is a target of the DOJ investigation. The New Zealand Commerce Commission notified the Company on February 17, 2006 that it is investigating whether the Company and certain other cargo carriers entered into agreements relating to fuel surcharges, security surcharges, war-risk surcharges, and customs clearance surcharges. On February 22, 2006, the Company received a letter from the Swiss Competition Commission informing the Company that it is investigating whether the Company and certain other cargo carriers entered into agreements relating to fuel surcharges, security surcharges, war-risk surcharges, and customs clearance surcharges. On March 11, 2008, the Company received a request for information from the Swiss Competition Commission concerning, among other things, the scope and organization of the Company's activities in Switzerland. On June 27, 2007 and October 31, 2007, the Company received requests for information from the Australian Competition and Consumer Commission seeking information regarding fuel surcharges imposed by the Company on cargo shipments to and from Australia and regarding the structure of the Company's cargo operations. On September 1, 2008, the Company received a request from the Korea Fair Trade Commission seeking information regarding cargo rates and surcharges and the structure of the Company's activities in Korea. On January 23, 2007, the Brazilian competition authorities, as part of an ongoing investigation, conducted an unannounced search of the Company's cargo facilities in Sao Paulo, Brazil. On April 24, 2008, the Brazilian competition authorities charged the Company with violating Brazilian competition laws. On December 31, 2009, the Brazilian competition authorities made a non-binding recommendation to the Brazilian competition tribunal that it find the Company in violation of competition laws. The authorities are investigating whether the Company and certain other foreign and domestic air carriers violated Brazilian competition laws by illegally conspiring to set fuel surcharges on cargo shipments. The Company is vigorously contesting the allegations and the preliminary findings of the Brazilian competition authorities. The Company intends to cooperate fully with all pending investigations. In the event that any investigations uncover violations of the U.S. antitrust laws or the competition laws of some other jurisdiction, or if the Company were named and found liable in any litigation based on these allegations, such findings and related legal proceedings could have a material adverse impact on the Company. Forty-five purported class action lawsuits have been filed in the U.S. against the Company and certain foreign and domestic air carriers alleging that the defendants violated U.S. antitrust laws by illegally conspiring to set prices and surcharges on cargo shipments. These cases, along with other purported class action lawsuits in which the Company was not named, were consolidated in the United States District Court for the Eastern District of New York as <u>In re Air Cargo Shipping Services Antitrust Litigation</u>, 06-MD-1775 on June 20, 2006. Plaintiffs are seeking trebled money damages and injunctive relief. To facilitate a settlement on a class basis, the company agreed to be named in a separate class action complaint, which was filed on July 26, 2010. The settlement of that complaint, in which the company does not admit and denies liability, was approved by the court and final judgment was entered on April 6, 2011. Approximately 40 members of the class have elected to opt out, thereby preserving their rights to sue the Company separately. Any adverse judgment could have a material adverse impact on the Company. Also, on January 23, 2007, the Company was served with a purported class action complaint filed against the Company, American, and certain foreign and domestic air carriers in the Supreme Court of British Columbia in Canada (<u>McKay v. Ace Aviation Holdings, et al</u>.). The plaintiff alleges that the defendants violated Canadian competition laws by illegally conspiring to set prices and surcharges on cargo shipments. The complaint seeks compensatory and punitive damages under Canadian law. On June 22, 2007, the plaintiffs agreed to dismiss their claims against the Company. The dismissal is without prejudice and the Company could be brought back into the litigation at a future date. If litigation is recommenced against the Company in the Canadian courts, the Company will vigorously defend itself; however, any adverse judgment could have a material adverse impact on the Company.

On June 20, 2006, DOJ served the Company with a grand jury subpoena as part of an ongoing investigation into possible criminal violations of the antitrust laws by certain domestic and foreign passenger carriers. At this time, the Company does not believe it is a target of the DOJ investigation. The Company intends to cooperate fully with this investigation. On September 4, 2007, the Attorney General of the State of Florida served the Company with a Civil Investigative Demand as part of its investigation of possible violations of federal and Florida antitrust laws regarding the pricing of air passenger transportation. In the event that this or other investigations uncover violations of the U.S. antitrust laws or the competition laws of some other jurisdiction, such findings and related legal proceedings could have a material adverse impact on the Company. Approximately 52 purported class action lawsuits have been filed in the U.S. against the Company and certain foreign and domestic air carriers alleging that the defendants violated U.S. antitrust laws by illegally conspiring to set prices and surcharges for passenger transportation. On October 25, 2006, these cases, along with other purported class action lawsuits in which the Company was not named, were consolidated in the United States District Court for the Northern District of California as In re International Air Transportation Surcharge Antitrust Litigation, Civ. No. 06-1793 (the Passenger MDL). On July 9, 2007, the Company was named as a defendant in the Passenger MDL. On August 25, 2008, the plaintiffs dismissed their claims against the Company in this action. On March 13, 2008, and March 14, 2008, an additional purported class action complaint, Turner v. American Airlines, et al., Civ. No. 08-1444 (N.D. Cal.), was filed against the Company, alleging that the Company violated U.S. antitrust laws by illegally conspiring to set prices and surcharges for passenger transportation in Japan and certain European countries, respectively. The Turner plaintiffs have failed to perfect service against the Company, and it is unclear whether they intend to pursue their claims. In the event that the Turner plaintiffs pursue their claims, the Company will vigorously defend these lawsuits, but any adverse judgment in these actions could have a material adverse impact on the Company.

On August 21, 2006, a patent infringement lawsuit was filed against American and American Beacon Advisors, Inc. (then a wholly-owned subsidiary of the Company) in the United States District Court for the Eastern District of Texas (Ronald A. Katz Technology Licensing, L.P. v. American Airlines, Inc., et al.). This case has been consolidated in the Central District of California for pre-trial purposes with numerous other cases brought by the plaintiff against other defendants. The plaintiff alleges that American infringes a number of the plaintiff's patents, each of which relates to automated telephone call processing systems. The plaintiff is seeking past and future royalties, injunctive relief, costs and attorneys' fees. On December 1, 2008, the court dismissed with prejudice all claims against American Beacon. On May 22, 2009, following its granting of summary judgment to American based on invalidity and non-infringement, the court dismissed all claims against American. Plaintiff appealed, and on February 18, 2011, the Federal Circuit Court of Appeals issued a decision affirming in part and reversing in part and remanding the case back to the District Court for further proceedings. Plaintiff's petition for a rehearing of the appeal en banc before the Federal Circuit was denied. Although the Company believes that the plaintiff's claims are without merit and is vigorously defending the lawsuit, a final adverse court decision awarding substantial money damages or placing material restrictions on existing automated telephone call system operations would have a material adverse impact on the Company.

On January 10, 2011, the Company filed a lawsuit in Tarrant County, Texas State Court against Sabre alleging, among other claims, that Sabre's actions of introducing bias against the display of American's services in its global distribution system (GDS) and substantially increasing the rates that it would charge the Company for bookings made through the Sabre GDS breached its agreement with the Company. That same day, the Company successfully obtained a temporary restraining order that prohibited Sabre from continuing to bias the display of American's services. On January 23, 2011, the Company and Sabre entered into a Stand-Down Agreement, pursuant to which American agreed to suspend the litigation against Sabre, and Sabre agreed not to reintroduce biasing against American's services in its GDS and to return to the pricing in effect on January 4, 2011. The parties further agreed to enter into good faith negotiations. The Stand-Down Agreement expired on June 1, 2011. On July 8, 2011, the Company filed new breach of contract and Texas antitrust claims in this action. On June 8, 2011 and October 7, 2011, Sabre filed counterclaims against the Company alleging that American has breached its agreement and that American violated antitrust laws. On August 29, 2011, the Company entered into an agreement with Sabre that will allow American to continue to participate in the Sabre GDS until American's antitrust claims in the Texas state court are resolved. Trial in that case is now set to begin August 6, 2012. The Company intends to vigorously pursue its claims, but there can be no assurance of the outcome, and if the Court does not further enjoin Sabre from introducing bias against American's services or allowing Sabre to remove American services from its system, actions taken by Sabre could have a material adverse effect on the Company.

On April 12, 2011, the Company filed an antitrust lawsuit against Travelport and Orbitz in Federal District Court for the Northern District of Texas. On June 1, 2011, Sabre filed a request to intervene in this action and stated that it intended to file its own claims against American alleging that American violated the antitrust laws by withholding certain content from the Sabre GDS. On June 1, 2011, the Company amended its lawsuit to add Sabre as a defendant. On October 20, 2011, American sought leave to file new antitrust claims against the defendants based on facts learned through discovery. The lawsuit, as amended, alleges, among other things, that the defendants (1) engaged in anticompetitive practices to preserve their monopoly power over American's ability to distribute its products through their subscribers; (2) conspired with each other, as well as other third parties, to preserve existing the GDS business model; (3) undertook actions against American, such as biasing and increasing prices, to punish American for supporting a competitive alternative, and (4) organized, supported, and monitored a boycott of American services among travel agencies. The lawsuit further alleges that these actions have prevented American from employing new competing technologies and has allowed the defendants to continue to charge American supracompetitive fees. The lawsuit seeks both injunctive relief and money damages. On December 22, 2011, Travelport brought counterclaims against American alleging that American's direct connect efforts violate the antitrust laws by preserving American's monopoly power on certain city pairs. In addition, all defendants filed motions requesting that the court dismiss American's claims. On November 21, 2011, the court granted those motions as to certain claims, but denied them as to others. The court further granted American's request to amend its lawsuit by filing additional claims based on the evidence it had uncovered in discovery. American has filed a motion for reconsideration of those portions of the court's November 21 order dismissing certain of American's claims, and the defendants have each filed new motions to dismiss certain claims asserted in American's amended complaint.

American intends to vigorously pursue these claims, which are not stayed by our Chapter 11 filing, but there can be no assurance of the outcome, and if the Court does not enjoin Sabre or other defendants from taking actions against American, including removing American's services from their systems, actions taken by the defendants could have a material adverse impact on the Company. Furthermore, the Bankruptcy Court granted motions filed by Sabre and Travelport to lift the automatic stay with respect to their counterclaims; American did not oppose these motions.

ITEM 4. REMOVED AND RESERVED

PART II

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

American Airlines, Inc. is a wholly-owned subsidiary of AMR Corporation and there is no market for the Registrant’s Common Stock

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

Omitted under the reduced disclosure format pursuant to General Instructions I(2)(a) of Form 10-K.

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

(Abbreviated pursuant to General Instructions I(2)(a) of Form 10-K).

Forward-Looking Information

The discussions under Business, Risk Factors, Properties and Legal Proceedings, and the following discussions under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Quantitative and Qualitative Disclosures about Market Risk" 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," "estimates," "plans," "anticipates," "indicates," "believes," "forecast," "guidance," "outlook," "may," "will," "should," "seeks," "targets" and similar expressions are intended to identify forward-looking statements. Similarly, statements that describe the Company's objectives, plans or goals, or actions the Company may take in the future, are forward-looking statements. Forward-looking statements include, without limitation, the Company's expectations concerning operations and financial conditions, including changes in capacity, revenues, and costs; future financing plans and needs; the amounts of its unencumbered assets and other sources of liquidity; fleet plans; overall economic and industry conditions; plans and objectives for future operations; regulatory approvals and actions; and the impact on the Company of its results of operations in recent years and the sufficiency of its financial resources to absorb that impact. Other forward-looking statements include statements which do not relate solely to historical facts, such as, without limitation, statements which discuss the possible future effects of current known trends or uncertainties, or which indicate that the future effects of known trends or uncertainties cannot be predicted, guaranteed or assured. All forward-looking statements in this report are based upon information available to the Company on the date of this report. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise. Guidance given in this report regarding capacity, fuel consumption, fuel prices, fuel hedging and unit costs are forward-looking statements. Forward-looking statements are subject to a number of factors that could cause the Company's actual results to differ materially from the Company's expectations. The Risk Factors listed in Item 1A could cause the Company's actual results to differ materially from historical results and from those expressed in forward-looking statements.

Chapter 11 Proceedings

Overview

As previously discussed, on November 29, 2011, AMR, American, AMR's principal subsidiary, and certain of American and AMR's direct and indirect domestic subsidiaries filed voluntary petitions for relief under the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York. The Chapter 11 Cases are being jointly administered under the caption "in re AMR Corporation, et al, Case No. 11-15463-SHL."

The Company is operating as a "debtor-in-possession" under the jurisdiction of the Bankruptcy Court and the applicable provisions of the Bankruptcy Code. In general, as debtors-in-possession under the Bankruptcy Code, we are authorized to continue to operate as an ongoing business but may not engage in transactions outside the ordinary course of business without the prior approval of the Bankruptcy Court. The Bankruptcy Code enables the Company to continue to operate its business without interruption and the Bankruptcy Court has granted additional relief, covering among other things, obligations to (i) employees, (ii) taxing authorities, (iii) insurance providers, (iv) independent contractors for improvement projects, (v) foreign vendors, (vi) other airlines pursuant to certain interline agreements, and (vii) certain vendors deemed critical to the Debtors' operations. While operating as debtors-in-possession under Chapter 11 of the Bankruptcy Code, the Debtors may sell or otherwise dispose of or liquidate assets or settle liabilities, subject to the approval of the Bankruptcy Court or otherwise as permitted in the ordinary course of business. Moreover, the Debtors have not yet prepared or filed with the Bankruptcy Court a plan of reorganization. The ultimate plan of reorganization, which would be subject to acceptance by the requisite majorities of empowered creditors under the Bankruptcy Code and approved by the Bankruptcy Court, could materially change the amounts and classifications in the historical Condensed Consolidated Financial Statements.

The Company's Chapter 11 Cases followed an extended effort by the Company to restructure its business to strengthen its competitive and financial position. However, the Company's substantial cost disadvantage compared to its larger competitors, most of which have reorganized under the protection of Chapter 11 of the Bankruptcy Code, became increasingly untenable given the accelerating impact of global economic uncertainty and resulting revenue instability, volatile and rising fuel prices, and intensifying competitive challenges.

No assurance can be given as to the value, if any, that may be ascribed to the Debtors' various pre-petition liabilities and other securities. The Company cannot predict what the ultimate value of any of its securities may be and it remains too early to determine whether holders of any such securities will receive any distribution in the Debtors' reorganization.

General Information

Notices to Creditors; Effect of Automatic Stay. The Debtors have begun the process of seeking to notify all known current or potential creditors that the Chapter 11 Cases had been filed. Subject to certain exceptions under the Bankruptcy Code, the filing of the Debtors' Chapter 11 Cases automatically enjoined, or stayed, the continuation of most judicial or administrative proceedings or filing of other actions against the Debtors or their property to recover on, collect or secure a claim arising prior to the Petition Date. Thus, for example, most creditor actions to obtain possession of property from the Debtors, or to create, perfect or enforce any lien against the property of the Debtors, or to collect on monies owed or otherwise exercise rights or remedies with respect to a prepetition claim, are enjoined unless and until the Bankruptcy Court lifts the automatic stay as to any such claim. Vendors are being paid for goods furnished and services provided after the Petition Date in the ordinary course of business.

Appointment of Creditors' Committee. On December 5, 2011, the U.S. Trustee for the Southern District of New York, a unit of the Department of Justice, appointed the Creditors' Committee for the Chapter 11 Cases. The Bankruptcy Code provides for the U.S. Trustee to appoint a statutory committee of creditors holding unsecured claims as soon as practicable after the commencement of a Chapter 11 case. The statutory creditors' committee ordinarily consists of holders of the seven largest unsecured claims who are willing to serve. A statutory creditors' committee represents the interests of all unsecured creditors in a bankruptcy case.

Rejection of Executory Contracts. Under Section 365 and other relevant sections of the Bankruptcy Code, the Debtors may assume, assume and assign, or reject certain executory contracts and unexpired leases, including, without limitation, agreements relating to aircraft and aircraft engines (collectively, Aircraft Property) and leases of real property, subject to the approval of the Bankruptcy Court and certain other conditions. Under the Bankruptcy Code, the Debtors' rights to assume, assume and assign, or reject unexpired leases of non-residential real estate expire on March 27, 2012 (subject to further extension by the Bankruptcy Court but not to exceed 210 days from the Petition Date). In general, rejection of an executory contract or unexpired lease is treated as a prepetition breach of the executory contract or unexpired lease in question and, subject to certain exceptions, relieves the Debtors from performing their future obligations under such executory contract or unexpired lease but entitles the contract counterparty or lessor to a prepetition general unsecured claim for damages caused by such deemed breach. Counterparties to such rejected contracts or leases have the right to file claims against the Debtors' estate for such damages. Generally, the assumption of an executory contract or unexpired lease requires the Debtors to cure existing defaults under such executory contract or unexpired lease.

Any description of an executory contract or unexpired lease elsewhere in this report or reflected in the Notes to the financial statements included herewith, including where applicable the Debtors' express termination rights or a quantification of their obligations, must be read in conjunction with, and is qualified by, any rights the Debtors or counterparties have under Section 365 of the Bankruptcy Code.

The Debtors expect that liabilities subject to compromise and resolution in the Chapter 11 Cases will arise in the future as a result of damage claims created by the Debtors' rejection of various executory contracts and unexpired leases. Due to the uncertain nature of many of the potential rejection claims, the magnitude of such claims is not reasonably estimable at this time. Such claims may be material (see "Liabilities Subject to Compromise" in Note 1 to the consolidated financial statements).

Special Protection Applicable to Leases and Secured Financing of Aircraft and Aircraft Equipment. Notwithstanding the general discussion above of the impact of the automatic stay, under Section 1110 of the Bankruptcy Code, beginning 60 days after filing a petition under Chapter 11, certain secured parties, lessors and conditional sales vendors may have a right to take possession of certain qualifying Aircraft Property that is leased or subject to a security interest or conditional sale contract, unless the Debtors, subject to approval by the Bankruptcy Court, agree to perform under the applicable agreement, and cure any defaults as provided in Section 1110 (other than defaults of a kind specified in Section 365(b)(2) of the Bankruptcy Code). Taking such action does not preclude the Debtors from later rejecting the applicable lease or abandoning the Aircraft Property subject to the related security agreement.

The Debtors may extend the 60-day period by agreement of the relevant financing party, with Bankruptcy Court approval. In the absence of an agreement or cure as described above or such an extension, the financing party may take possession of the Aircraft Property and enforce any of its contractual rights or remedies to sell, lease or otherwise retain or dispose of such equipment.

The 60-day period under Section 1110 in the Chapter 11 Cases expired on January 27, 2012. In accordance with the Bankruptcy Court's Order Authorizing the Debtors to (i) Enter into Agreements Under Section 1110(a) of the Bankruptcy Code, (ii) Enter into Stipulations to Extend the Time to Comply with Section 1110 of the Bankruptcy Code and (iii) File Redacted Section 1110(b) Stipulations, dated December 23, 2011, the Debtors have entered into agreements to extend the automatic stay or agreed to perform and cure defaults under financing agreements with respect to certain aircraft in their fleet and other Aircraft Property. While the Debtors have reached agreements on, or agreements on key aspects of, renegotiated terms with respect to certain of their Aircraft Properties and are continuing to negotiate terms with respect to many of their other Aircraft Property financings, the ultimate outcome of these negotiations cannot be predicted with certainty. To the extent the Debtors are unable to reach definitive agreements with Aircraft Property financing parties, those parties may seek to repossess the subject Aircraft Property. The loss of a significant number of aircraft could result in a material adverse effect on the Debtors' financial and operating performance.

In accordance with Section 1110 of the Bankruptcy Code, as of December 31, 2011, the Company had rejected 24 aircraft leases relating to 20 MD-80 aircraft and four Fokker 100 aircraft. In addition, since December 31, 2011, the Company has rejected an additional 9 aircraft leases and mortgages relating to one MD-80 aircraft, seven Boeing 757-200 aircraft, and one Airbus A300-600R aircraft. In addition, the Company filed a motion with the Bankruptcy Court to modify the leases of the Super ATR aircraft. As of February 15, 2012, 21 of the aircraft had been returned to the lessor as allowed under the modified agreement. The remaining 18 aircraft will be returned to the lessor during 2012 and 2013. In January 2012, American entered into agreements under Section 1110(a) of the Bankruptcy Code to retain 350 aircraft, including Boeing 737-800, Boeing 757-200, Boeing 767-300ER, Boeing 777-200ER, Bombardier CRJ-700, and McDonnell Douglas MD-80 aircraft on the terms provided in the related financing documents.

Magnitude of Potential Claims The Debtors will file with the Bankruptcy Court schedules and statements of financial affairs setting forth, among other things, the assets and liabilities of the Debtors, subject to the assumptions filed in connection therewith. All of the schedules are subject to further amendment or modification.

Bankruptcy Rule 3003(c)(3) requires the Bankruptcy Court to fix the time within which proofs of claim must be filed in a Chapter 11 case pursuant to section 501 of the Bankruptcy Code. This Bankruptcy Rule also provides that any creditor who asserts a claim against the Debtors that arose prior to the Petition Date and whose claim (i) is not listed on the Debtors' schedules or (ii) is listed on the schedules as disputed, contingent, or unliquidated, must file a proof of claim. The Bankruptcy Court has not yet established a date and time by which such proofs of claim must be filed.

Differences between amounts scheduled by the Debtors and claims by creditors will be investigated and resolved in connection with the claims resolution process. In light of the expected number of creditors, the claims resolution process may take considerable time to complete. Accordingly, the ultimate number and amount of allowed claims is not presently known, nor can the ultimate recovery with respect to allowed claims be presently ascertained.

Collective Bargaining Agreements. The Bankruptcy Code provides a process for the modification and/or rejection of collective bargaining agreements (CBAs). In particular, Section 1113(c) of the Code permits a debtor to reject its CBAs if the debtor satisfies a number of statutorily prescribed substantive and procedural prerequisites and obtains the Bankruptcy Court's approval to reject the CBAs. The 1113(c) process requires that a debtor must make proposals to its unions to modify existing CBAs based on the most complete and reliable information available at the time the proposals are made. The proposed modifications must be necessary to permit the reorganization of the debtor and must assure that all the affected parties are treated fairly and equitably. The debtor must provide the unions with all information necessary to evaluate the proposals, and meet at reasonable times and confer in good faith with the unions in an effort to reach mutually agreeable modifications to the CBAs. If consensual agreements are not reached, the debtor may file a motion with the Bankruptcy Court requesting approval to reject the CBAs. Rejection of the CBAs is appropriate if the Court finds the debtor's proposals are necessary for its reorganization, are fair and equitable, and that the unions refused to agree to the proposals without good cause. American commenced the Section 1113(c) process with its unions on February 1, 2012. AMR Eagle intends to commence the Section 1113(c) process with its unions soon.

Plan of reorganization. The Debtors have the exclusive right for 120 days after the Petition Date to file a plan of reorganization and, if they do so, 60 additional days to obtain necessary acceptances of the plan. The Debtors exclusivity period may be extended by the Court, with good cause, for up to 18 months from the Petition Date. If the Debtors' exclusivity period lapses, any party in interest may file a plan of reorganization for any of the Debtors. In addition to being voted on by holders of impaired claims and equity interests, a plan of reorganization must satisfy certain requirements of the Bankruptcy Code and must be approved, or confirmed, by the Bankruptcy Court in order to become effective. A plan of reorganization has been accepted by holders of claims against and equity interests in the Debtors if (1) at least one-half in number and two-thirds in dollar amount of claims actually voting in each impaired class of claims have voted to accept the plan and (2) at least two-thirds in amount of equity interests actually voting in each impaired class of equity interests has voted to accept the plan.

Under certain circumstances set forth in Section 1129(b) of the Bankruptcy Code, the Bankruptcy Court may confirm a plan even if such plan has not been accepted by all impaired classes of claims and equity interests. A class of claims or equity interests that does not receive or retain any property under the plan on account of such claims or interests is deemed to have voted to reject the plan. The precise requirements and evidentiary showing for confirming a plan notwithstanding its rejection by one or more impaired classes of claims or equity interests depends upon a number of factors, including the status and seniority of the claims or equity interests in the rejecting class (i.e., secured claims or unsecured claims, subordinated or senior claims, preferred or common stock). Generally, with respect to common stock interests, a plan may be "crammed down" even if the shareowners receive no recovery if the proponent of the plan demonstrates that (1) no class junior to the common stock is receiving or retaining property under the plan and (2) no class of claims or interests senior to the common stock is being paid more than in full.

The availability and utilization of net operating losses (and utilization of AMT credits) post -emergence is uncertain at this time and will be highly influenced by the composition of restructuring plan alternatives that may be considered and ultimately pursued. On January 27, 2012, the Bankruptcy Court issued a Final Order Establishing Notification Procedures for Substantial Claimholders and Equityholders and Approving Restrictions on Certain Transfers of Interests in the Debtors' Estates (Docket No. 890], which restricts trading in AMR's common stock and claims.

Liabilities Subject to Compromise. The Debtors have incurred and will continue to incur significant costs associated with their reorganization. The amount of these costs, which are being expensed as incurred, are expected to significantly affect the Debtors' results of operations. Claims related to reorganization items are reflected in liabilities subject to compromise on the Consolidated Balance Sheet as of December 31, 2011. For additional information, see Note 1 to the consolidated financial statements.

Further Information For further information regarding the Chapter 11 Cases, see Note 1 to the consolidated financial statements. Additional information about the Company's Chapter 11 filing is also available on the Internet at aa.com/restructuring. Court filings and claims information are available at amrcaseinfo.com.

Business Plan

On February 1, 2012, we announced the principal terms of a new business plan that is designed to transform the Company and restore it to industry leadership, profitability and growth. The chief components of this business plan include targets of an annual $2 billion in cost savings and $1 billion in revenue enhancement. Management expects that the additional cash flow generated from these improvements will enable us to renew American's fleet and to invest several hundred million dollars per year in ongoing improvements in products and services to deliver a world-class travel experience for our customers. The improved cash flow is also expected to enable us to become financially stronger in the years after we emerge from the restructuring process.

We expect that implementing the business plan will require collaboration with the Creditors Committee, various economic stakeholders and union representatives, and in some instances, approval of the Bankruptcy Court. As noted above under "Chapter 11 Proceedings - Overview", we will be required to seek Bankruptcy Court approval in order to implement any action that we take in connection with the business plan that is out of the ordinary course of business. We intend to utilize the Chapter 11 restructuring process to realize additional savings over the next six years by restructuring debt, leases and certain other agreements, grounding older planes, improving supplier contract terms and undertaking other initiatives.

The business plan has been designed to build on initiatives already in place that reduced costs over the past several years, including major changes in American's route structure, network, capacity and fleet. Our business plan contemplates significant reductions in both non-labor and labor costs, including reducing headcount by approximately 13,000, outsourcing a portion of American's aircraft maintenance work (including seeking the closure of our Fort Worth Alliance Airport maintenance base) and certain airport fleet service clerk work, terminating American's defined benefits pension plans, and discontinuing our subsidized retiree medical coverage for current employees. Many of our competitors took similar actions when they went through the bankruptcy process. We hope to implement these cost reductions and other changes consensually; however, there can be no assurance that we will be able to do so. In certain circumstances described under "Chapter 11 Proceedings – Overview" above, we may be able, by complying with various provisions of the Bankruptcy Code and with Bankruptcy Court approval, to reject executory contracts and unexpired leases, collective bargaining agreements and financing agreements with respect to American's Aircraft Property.

Our business plan also targets approximately $1 billion in annual revenue enhancements by 2017 by renewing and optimizing American's fleet, building network scale and alliances, and modernizing American's brand, products and services. With the aircraft commitments discussed in Note 5 to the consolidated financial statements, we anticipate that American's mainline jet fleet will be the youngest in North America by 2017. This new fleet would provide more profitable flying due to markedly improved fuel and maintenance costs and enhanced versatility to better match aircraft size to the markets American serves. We intend to build network scale and alliances by increasing departures across American's five key markets – Dallas/Fort Worth, Chicago, Miami, Los Angeles and New York – by approximately 20% over the next five years and by increasing international flying. Finally, we plan to invest several hundred million dollars annually to enhance the customer experience and attract high-value customers.

Additionally, to ensure that employee performance is rewarded and aligned with successful operations after we emerge from the Chapter 11 process, we envision putting into place a profit sharing plan which, beginning with the first dollar of pre-tax income, would pay awards totaling 15% of all pre-tax income.

Our business plan, as noted above, will require collaboration with the Creditors Committee, various economic stakeholders and union representatives, and in some instances, approval of the Bankruptcy Court. We cannot at this point predict whether discussions with these groups will be successful or whether the Creditors Committee or others will support our positions regarding the elements of the business plan. Further, there can be no assurance that we will be able to implement the business plan successfully and return the Company to profitability.

Other Recent Events

Aircraft Agreements

American entered into agreements in July 2011 with Airbus and Boeing under which it plans to acquire 460 narrowbody aircraft from the Boeing 737 and Airbus A320 families during the period 2013-2022. The Bankruptcy Court has not approved American's assumption of the Boeing and Airbus contracts, but has approved certain procedures to allow American to continue taking delivery of Boeing 737 and Boeing 777 aircraft for the remainder of 2012, subject to objection by the Creditors' Committee, and subject to certain limitations. If assumed, these agreements will allow American to replace and transform its narrowbody fleet over five years and solidify its fleet plan into the next decade. These new aircraft will allow American to reduce its operating and fuel costs and deliver state-of-the-art amenities to customers, while maximizing financial flexibility for American. American also has purchase rights and options through 2025 for an additional 465 aircraft from these families. If assumption of these agreements is requested by the Company and approved by the Bankruptcy Court, starting in 2017, American expects to become the first network U.S. airline to begin taking delivery of "next generation" Airbus and Boeing narrowbody aircraft that will further accelerate fuel-efficiency gains. These new deliveries would pave the way for American to have the youngest and most fuel-efficient fleet among its U.S. airline peers in approximately five years.

If assumption of these agreements is requested by the Company and approved by the Bankruptcy Court, these firm aircraft commitments would be scheduled for delivery as follows: 2013 – 40 aircraft, 2014 – 55 aircraft, 2015 – 50 aircraft, 2016 – 45 aircraft, 2017 – 50 aircraft, 2018 and beyond – 120 aircraft. The manufacturers have committed financing to American of $13 billion through lease transactions, which covers the first 100 Boeing deliveries and first 130 Airbus deliveries.

Further, in July 2011, American entered into a sale-leaseback arrangement with a leasing company to finance 35 Boeing 737-800 aircraft scheduled to be delivered in 2011 through 2014, subject to certain terms and conditions. During 2011, American financed 13 Boeing 737-800 aircraft under this and other arrangements, which are accounted for as operating leases.

The Company cannot predict the impact, if any, that the Chapter 11 Cases might have on these agreements.

In connection with these Boeing and Airbus aircraft agreements and the Company's anticipated acceleration of its fleet renewal and replacement plan, the Company evaluated the useful lives of certain fleets including McDonnell Douglas MD-80, Boeing 757 and Boeing 767 aircraft. Upon finalization of the fleet plan in the fourth quarter of 2011 (prior to the filing of the Chapter 11 Cases), the Company concluded that a triggering event had occurred, requiring that certain assets be tested for impairment. As a result of this test, the Company concluded the carrying value of Boeing 757 aircraft used in its domestic markets was no longer recoverable. Consequently, the 2011 results include an impairment charge of $713 million to write these and certain related long-lived assets down to their estimated fair values. The impairment charge is non-cash.

AMR Eagle Divestiture

On August 11, 2011, AMR Eagle filed a Form 10 registration statement (subsequently amended on September 26, 2011 and October 6, 2011) with the Securities and Exchange Commission in connection with a potential spin-off of AMR Eagle.

As contemplated by the Form 10, on August 31, 2011, American entered into a Master Purchase Agreement (the Purchase Agreement) with Eagle and Executive under which Eagle sold to American 47 CRJ-700 Jet Aircraft and 216 Embraer 135, 140 and 145 Jet Aircraft, including the engines installed on each such aircraft and other related assets (each, a Jet Aircraft). In addition, American purchased from Eagle and Executive certain specified fixed assets, generally consisting of equipment and leasehold improvements owned by Eagle or Executive and used in connection with the regional flight operations conducted by Eagle and Executive on American's behalf and the ground handling operations of Eagle and Executive (collectively, the Other Assets).

Each Jet Aircraft was purchased by American on the date of delivery of such aircraft to American, and the Other Assets was purchased by American ten days after delivery of the last Jet Aircraft to American, or November 27, 2011. Delivery of the Jet Aircraft began on August 31, 2011, and the last Jet Aircraft was delivered on November 17, 2011. Following the delivery of each Jet Aircraft, American has leased the Jet Aircraft to Eagle, and Eagle continues to provide certain regional flight operations to American.

American has taken each Jet Aircraft subject to, and Eagle has been released from, all outstanding indebtedness relating to such Jet Aircraft. The indebtedness related to the Jet Aircraft consists of individual notes for each Jet Aircraft. The notes are secured by the related Jet Aircraft and certain other assets, have either fixed or floating interest rates and mature over various periods through 2023. As of December 31, 2011, the fixed rate notes had effective interest rates ranging from 4.25% to 7.50% and the floating rate notes had effective interest rates ranging from 2.247% to 3.261%. The notes include customary terms and conditions, including customary events of default and certain cross-default provisions.

As of the end of 2011, the net book value of such transferred Jet Aircraft was $2.3 billion, and the aggregate outstanding indebtedness (net of discount) associated with such transferred Jet Aircraft was $2.1 billion, including liabilities classified as not subject to compromise and liabilities classified as subject to compromise.

As a result of the Chapter 11 Cases, AMR's planned divestiture of AMR Eagle has been placed on hold, pending the outcome of the restructuring.

Alliance and Joint Business Agreements

American continued to grow its global network throughout 2011, adding more than 30 new destinations through relationships with airlines around the globe, including JAL and Qantas. In 2010, American and JAL entered into a JBA to enhance their scope of cooperation on routes between North America and Asia through adjustments to their respective networks, flight schedules, and other business activities. The carriers also received antitrust immunity (ATI) approval on these routes from the DOT and the Ministry of Land, Infrastructure, Transport, and Tourism of Japan and began implementing the JBA on April 1, 2011. The JBA provides for expanded codesharing, enhanced frequent flyer program reciprocity, and cooperation in other areas. American and JAL entered into a Revenue Sharing Agreement, effective April 1, 2011, as envisaged by the JBA. Under this agreement, American and JAL share certain revenues of their operations. In addition, American provided JAL a guarantee of certain minimum incremental revenue resulting from the successful operation of the joint business for the first three years following its implementation, subject to certain terms and conditions. The amount required to be paid by the Company under the guarantee in any one of such years may not exceed $100 million, and is reduced if capacity for one of such years is less than a defined base year period capacity. Based on current Trans-Pacific capacity, the guarantee in any one of such years may not exceed approximately $75 million. As of December 31, 2011, based on an expected probability model, American had recorded a guarantee liability that is not material. On November 10, 2011, American received formal government approval of its joint business with Qantas, which will allow the carriers to coordinate services between the United States, Australia and New Zealand.

GDS Discussion

Over the past several years, American has been developing a direct connection technology, designed to distribute its fare content and bookings capability directly to travel agents in order to achieve greater efficiencies, cost savings, and technological advances in the distribution of our services. Historically, approximately 60% of American's bookings are booked through travel agencies, which typically use one or more global distribution systems, or "GDSs", to view fare content from American and other industry participants. American is currently in litigation with two of the GDSs, Sabre and Travelport, and with Orbitz, a large online travel agency that is affiliated with Travelport. In that litigation, American alleges, among other things, that the one or more of the defendants (1) engaged in anticompetitive business practices to preserve GDS monopoly power in the distribution of airlines services through travel agencies; (2) conspired with each other to preserve the existing GDS business model; (3) engaged in numerous actions intended to punish American for supporting a competitive alternative to the GDSs, including biasing displays against American's services and imposed large price increases, (4) organized, supported, and monitored a boycott of American services among travel agencies; and (5) interfered with American's contractual relationships, including an obligation owed by Orbitz to cooperatively work with American to receive American's content through a direct connect.

On November 1, 2010, after Orbitz refused to receive American's content through American's newest version of direct connect, American notified Orbitz that it intended to terminate its contracts and agency relationship. On November 5, 2010, Travelport, the GDS used by Orbitz, filed a lawsuit against American seeking a ruling that a notice of termination delivered by American to Orbitz breached American's content distribution agreement with Travelport, and Travelport subsequently obtained a preliminary injunction which precluded American from terminating its relationship with Orbitz prior to September 1, 2011. On December 3, 2010, Travelport doubled the booking fees it charges American for some international point-of-sale bookings through Travelport, and made it more difficult for travel agents to find American's fares on the Travelport system display. We believe these actions violate our agreement with Travelport. In response, American filed counterclaims against Travelport for breach of contract, and announced that it would charge travel agencies for bookings through Travelport in an effort to offset the booking fee increase. That surcharge was never implemented. American and Travelport subsequently entered into a short term extension of its agreement, which also provides that neither American nor Orbitz will terminate their agency relationship during the term of this short term extension. There can be no assurance that we will ultimately prevail in the lawsuit filed by Travelport or on our counterclaims, or that American, Travelport, and Orbitz will enter into acceptable long term agreements The litigation initiated by Travelport in response to American's decision to terminate Orbitz is currently stayed as a result of the Chapter 11 filing. We will vigorously pursue our counterclaims and rights in the litigation.

On January 1, 2011, Expedia discontinued selling American tickets on its website. Prior to that date, approximately 5.4% of American's passenger revenue, on an annualized basis, was booked through Expedia. On April 4, 2011, American and Expedia entered into a new agreement which returned American's fares to Expedia's web site, and Expedia agreed to transition its American bookings from to American's direct connect via integration services provided by a GDS.

In late 2010, and in direct response to the perceived threat of American's direct connect, Sabre began biasing its display against American. On January 5, 2011, Sabre instituted pervasive and massive bias against American throughout it system, making it substantially more difficult for travel agents to find American's fares on the Sabre system display. Sabre also doubled the fees it charges American for bookings through its GDS, and purported to terminate its agreement with American, effective July 2011. Sabre alleges that our contract allowed it to take these actions in response to statements that American made in the press concerning our direct connection technology. Sabre is the largest non-direct source of American's bookings. In 2010, over $7 billion of American's passenger revenues were generated from bookings made through the Sabre GDS. In response to Sabre's actions, on January 10, 2011, American filed a lawsuit against Sabre in Texas state court on several grounds. The court temporarily enjoined Sabre from "biasing" or making it more difficult to find American's fares on the Sabre GDS, and set a preliminary injunction hearing for February 14, 2011. On January 23, 2011, American and Sabre entered into a Stand Down Agreement that suspended the litigation until June 1, 2011 and vacated the February 14 hearing date. During this period, Sabre agreed (1) not to take any actions to bias the display of American's services; (2) to return to the pricing in effect on January 4, 2011; and (3) withdraw its notice of termination of certain parts of the agreement. Following the expiration of this Stand Down agreement, American filed new antitrust claims in both federal and Texas state courts, and Sabre has filed breach of contract and antitrust claims against American. On August 29, 2011, Sabre and American entered into an agreement that extended their agreement, subject to certain pricing and other adjustments, during the period in which American's Texas state court claims are pending. That case is currently set to go to trial on August 6, 2012.

While we believe that some of the bookings through Orbitz, Travelport, and Sabre have transitioned or will transition to other distribution channels, such as other travel agencies, metasearch sites and American's AA.com web site, it is not possible at this time to estimate what the ultimate impact would be to our business if we are unsuccessful in resolving one or more of these matters. If as a result of these matters it becomes more difficult for our customers to find and book flights on American, we could be put at a competitive disadvantage against our competitors and this may result in lower bookings. If we are unable to sell American inventory through any or all of these channels, our level of bookings, business and results of operations could be materially adversely affected. We also believe the actions taken by Travelport and Sabre described above are not permitted by the applicable contracts. We intend to vigorously pursue our claims and defenses in the lawsuits described above, but there can be no assurance of the outcome of any such lawsuit.

Contingencies

The Company has certain contingencies resulting from litigation and claims incident to the ordinary course of business. Management believes, after considering a number of factors, including (but not limited to) the information currently available, the views of legal counsel, the nature of contingencies to which the Company is subject and prior experience, that the ultimate disposition of the litigation (except as noted in "Legal Proceedings" in item 3) and claims will not materially affect the Company's consolidated financial position or results of operations. When appropriate, the Company accrues for these contingencies based on its assessments of the likely outcomes of the related matters. The amounts of these contingencies could increase or decrease in the near term, based on revisions to those assessments.

The Company files its tax returns as prescribed by the tax laws of the jurisdictions in which it operates. The Company's 2004 through 2009 tax years are still subject to examination by the Internal Revenue Service. Various state and foreign jurisdiction tax years remain open to examination, and the Company is under examination, in administrative appeals, or engaged in tax litigation in certain jurisdictions.

As a result of the Chapter 11 Cases, virtually all pre-petition pending litigation against the Company is stayed. However, the Company has entered into a stipulation with Sabre to permit the Sabre related litigation to proceed.

Financial Highlights

The Company recorded a consolidated net loss of $2.0 billion in 2011 compared to a net loss of $469 million in 2010. The Company's consolidated net loss reflects significant year-over-year increases in fuel prices, partially offset by higher operating revenues. Consolidated passenger revenue increased by $1.6 billion in 2011 compared to the prior year. Cargo and other revenues increased by $223 million to $3.3 billion for 2011 compared to the prior year. Mainline passenger unit revenues increased 6.3 percent in 2011 due to a 6.2 percent increase in passenger yield year-over-year. This also reflects an increase in load factor of approximately 0.1 points compared to 2010.

The increase in total operating revenue was offset by significantly higher year-over-year fuel prices. Fuel prices increased significantly through the second quarter and remained high and extremely volatile through year-end. The Company paid an average of $3.01 per gallon in 2011 compared to an average of $2.31 per gallon in 2010, including the effects of hedging. As a result, fuel expense, taking into account the impact of fuel hedging, increased $1.7 billion year-over-year to $7.4 billion. Hedging gains reduced fuel expense by approximately $297 million.

In addition, the Company's 2011 results were negatively impacted by the following items:

- In the first quarter of 2011, the Company incurred approximately $31 million in non-recurring non-cash charges related to certain sale/leaseback transactions.
- Also in the first quarter of 2011, several events transpired which adversely impacted system operations, including extreme weather events in January and February, a catastrophic earthquake and tsunami in Japan, and a fire at Miami International Airport that adversely affected American's aircraft fueling capabilities at the airport. These events, combined with the effect of the Company's efforts to improve distribution of the Company's products (as described under the GDS discussion above), resulted in reduced revenue in the first quarter.
- The Company's second quarter revenue results reflected approximately $60 million in lower revenue due to the extreme weather events during the quarter in Dallas-Fort Worth and the continued impact of the earthquake that struck Japan in March 2011.
- In the fourth quarter of 2011, the Company recognized $116 million in reorganization items related to expenses (including professional fees) and provisions for losses that are realized or incurred in the Chapter 11 Cases.
- Also in the fourth quarter of 2011, restructuring charges and special items consisted of $768 million, including $725 million related to the impairment of certain aircraft and gates and a $43 million revenue reduction as a result of a decrease in the breakage assumption related to the AAdvantage frequent flier liability.
- The Company reduced capacity by approximately 3% in the fourth quarter of 2011 due to the uncertain economic environment, high fuel costs, and higher than normal pilot retirements. As a result, the Company's results were adversely impacted by approximately $55 million in the quarter.

The Company recorded a net loss of $469 million in 2010 compared to a net loss of $1.5 billion in 2009. The Company's smaller net loss in 2010 reflected a strengthening of the revenue environment in a weak global economy which led to higher passenger revenues, partially offset by higher fuel prices. In addition to higher fuel expenses, the Company's 2010 results were negatively impacted by $81 million in special items. The special items consisted of $53 million related to the Venezuelan currency remeasurement in January 2010 and a $28 million non-cash impairment of certain routes in Latin America.

Liquidity and Capital Resources

The matters described herein, to the extent that they relate to future events or expectations, may be significantly affected by the Chapter 11 Cases. Those proceedings will involve, or may result in, various restrictions on our activities, limitations on financing, the need to obtain Bankruptcy Court and Creditors' Committee approval for various matters and uncertainty as to relationships with vendors, suppliers, customers, labor and others whom we may conduct or seek to conduct business. The Debtors cannot predict the impact, if any, that its Chapter 11 Cases might have on these obligations. For further information regarding the Chapter 11 Cases, see Note 1 to the consolidated financial statements.

Cash, Short-Term Investments and Restricted Assets At December 31, 2011, the Company had $4.0 billion in unrestricted cash and short-term investments and $738 million in restricted cash and short-term investments, both at fair value, versus $4.5 billion in unrestricted cash and short-term investments and $450 million in restricted cash and short-term investments at December 31, 2010.

The Company's unrestricted short-term investment portfolio consists of a variety of what the Company believes are highly liquid, lower risk instruments including money market funds, government agency investments, repurchase agreements, short-term obligations, corporate obligations, bank notes, certificates of deposit and time deposits. AMR's objectives for its investment portfolio are (1) the safety of principal, (2) liquidity maintenance, (3) yield maximization, and (4) the full investment of all available funds. The Company's risk management policy further emphasizes superior credit quality (primarily based on short-term ratings by nationally recognized statistical rating organizations) in selecting and maintaining investments in its portfolio and enforces limits on the proportion of funds invested with one issuer, one industry, or one type of instrument. The Company regularly assesses the market risks of its portfolio, and believes that its established policies and business practices adequately limit those risks. As a result, the Company does not anticipate any material adverse impact from these risks.

Significant Indebtedness and Future Financing Indebtedness is a significant risk to the Company as discussed more fully in the Risk Factors included under Item 1A.

The Chapter 11 petitions triggered defaults on substantially all debt obligations of the Debtors. However, under Section 362 of the Bankruptcy Code, the commencement of a Chapter 11 case automatically stays most creditor actions against the Debtors' estates.

On January 25, 2011, American closed on a $657 million offering of Class A and Class B Pass Through Trust Certificates, Series 2011-1 (the 2011-1 Certificates). The equipment notes held by each pass through trust were issued for each of (a) 15 Boeing 737-823 aircraft delivered new to American from 1999 to 2001, (b) six Boeing 757-223 aircraft delivered new to American in 1999 and 2001, (c) two Boeing 767-323ER aircraft delivered new to American in 1999 and (d) seven Boeing 777-223ER aircraft delivered new to American from 1999 to 2000. Interest of 5.25% and 7.00% per annum on the issued and outstanding Series A equipment notes and Series B equipment notes, respectively, will be payable semiannually on January 31 and July 31 of each year, commencing on July 31, 2011, and principal on such equipment notes is scheduled for payment on January 31 and July 31 of certain years, commencing on July 31, 2011. The payment obligations of American under the equipment notes are fully and unconditionally guaranteed by AMR. All proceeds from the sale of the Series 2011-1 Certificates have been received by American.

In March 2011, American issued $1 billion aggregate principal amount of senior secured notes due 2016 (the Senior Secured Notes) guaranteed by the Company. The Senior Secured Notes bear interest at a rate of 7.50% per annum, payable semi-annually on March 15 and September 15 of each year, beginning September 15, 2011. As is customary for financings of this nature, the indebtedness evidenced by the Senior Secured Notes may be accelerated upon the occurrence of events of default under the related indenture. The Senior Secured Notes are senior secured obligations of American and are unconditionally guaranteed on an unsecured basis by the Company. Subject to certain limitations and exceptions, the Senior Secured Notes are secured by certain route authorities, airport landing and takeoff slots, and rights to use or occupy space in airport terminals, in each case that American uses to operate non-stop services between certain airports in the United States and London's Heathrow Airport, and between certain airports in the United States and certain airports in Japan and China.

American, at its option, may redeem some or all of the Senior Secured Notes at any time on or after March 15, 2013, at specified redemption prices, plus accrued and unpaid interest, if any. In addition, at any time prior to March 15, 2013, American, at its option, may redeem some or all of the Senior Secured Notes at a redemption price equal to 100% of their principal amount plus a "make-whole" premium and accrued and unpaid interest, if any. In addition, at any time prior to March 15, 2014, American, at its option, may redeem (1) up to 35% of the aggregate principal amount of the Senior Secured Notes with the proceeds of certain equity offerings at a redemption price of 107.5% of their principal amount, plus accrued and unpaid interest, if any, and (2) during any 12-month period, up to 10% of the original aggregate principal amount of the Senior Secured Notes at a redemption price of 103% of their principal amount, plus accrued and unpaid interest, if any. If American sells certain assets or if a "change of control" (as defined in the indenture) occurs, American must offer to repurchase the Senior Secured Notes at prices specified in the indenture.

The indenture for the Senior Secured Notes includes covenants that, among other things, limit the ability of the Company and its subsidiaries to merge, consolidate, sell assets, incur additional indebtedness, issue preferred stock, make investments and pay dividends. In addition, if American fails to maintain a collateral ratio of 1.5 to 1.0, American must pay additional interest on the notes at the rate of 2% per annum until the collateral coverage ratio equals at least 1.5 to 1.0.

On October 4, 2011, American closed on a $726 million offering of Class A Pass Through Trust Certificates, Series 2011-2 (the 2011-2 Certificates). Subsequent to the closing, the equipment notes held by each pass through trust were issued for each of (a) 14 Boeing 737-823 aircraft delivered new to American from 1999 to 2001 and 2 Boeing 737-823 aircraft delivered new to American in 2009, (b) 14 Boeing 757-223 aircraft delivered new to American in 1999 and 2001 and (c) 13 Boeing 777-223ER aircraft delivered new to American in 2001. Interest of 8.625% per annum on the issued and outstanding 2011-2 Certificates will be payable semiannually on April 15 and October 15 of each year, commencing on April 15, 2012, and principal on such equipment notes is scheduled for payment on April 15 and October 15 of certain years, commencing on April 15, 2012. The payment obligations of American under the equipment notes are fully and unconditionally guaranteed by AMR. All proceeds from the sale of the Series 2011-2 Certificates have been received by American.

Further, in July 2011, American entered into a sale-leaseback arrangement with a leasing company to finance 35 Boeing 737-800 aircraft scheduled to be delivered in 2011 through 2014, subject to certain terms and conditions. During 2011, American financed 13 Boeing 737-800 aircraft under this and other arrangements, which are accounted for as operating leases.

The Company has financing commitments covering all of the aircraft scheduled to be delivered between 2011 and 2016, except 16 widebody aircraft that it intends to finance at a later time.

In 2012, including liabilities subject to compromise, the Company will be contractually required to make approximately $1.8 billion of principal payments on long-term debt and approximately $167 million in principal payments on capital leases, and the Company expects to spend approximately $1.6 billion on capital expenditures, including aircraft commitments.

As discussed above under “Item 7 – Chapter 11 Proceedings”, we intend to use the benefits afforded by the Bankruptcy Code to restructure the terms of much of our indebtedness. It is still early in our Chapter 11 Cases, and we cannot predict at this time the outcome of our efforts to restructure our indebtedness. It is possible that holders of our unsecured indebtedness may lose all of a substantial portion of their investment in our unsecured indebtedness upon the implementation of any plan of reorganization that is ultimately accepted by the requisite majority of creditors and approved by the Bankruptcy Court.

See Note 5 to the consolidated financial statements for a schedule of the Company’s aircraft commitments and payments.

Credit Ratings AMR’s and American’s credit ratings are significantly below investment grade. The outcome of the Chapter 11 proceedings, which cannot be determined at this time, could further increase the Company’s borrowing or other costs and further restrict the availability of future financing.

Credit Card Processing and Other Reserves American has agreements with a number of credit card companies and processors to accept credit cards for the sale of air travel and other services. Under certain of these agreements, the credit card processor may hold back a reserve from American’s credit card receivables following the occurrence of certain events, including the failure of American to maintain certain levels of liquidity (as specified in each agreement).

Under such agreements, the amount of the reserve that may be required generally is based on the processor’s exposure to the Company under the applicable agreement and, in the case a reserve is required because of the Company’s failure to maintain a certain level of liquidity, the amount of such liquidity. As of December 31, 2011, the Company was not required to maintain any reserve under such agreements. If circumstances were to occur that would allow the credit card processor to require the Company to maintain a reserve, the Company’s liquidity would be negatively impacted.

Cash Flow Activity The Company’s cash flow from operating activities during the year ended December 31, 2011 generated $697 million, which is a decrease of $353 million from the same period in 2010 primarily due to increases in operating expenses related to fuel costs in 2011.

The Company made debt and capital lease payments of $2.2 billion in 2011 while capital expenditures during 2011 were $1.4 billion and primarily related to new aircraft acquisitions and aircraft modifications. Substantially all of the newly acquired aircraft were financed through previously arranged financing transactions.

Due to the current value of the Company’s derivative contracts, some agreements with counterparties require collateral to be deposited by the counterparty. As of December 31, 2011, the cash collateral held by American from such counterparties was $0.5 million as compared to $73 million at December 31, 2010. Cash held at December 31, 2011 from counterparties is included in short-term investments. As a result of movements in fuel prices, the cash collateral amounts held by American or the counterparties to such contracts, as the case may be, can vary significantly.

As a result of the Terrorist Attacks and the subsequent liability protections provided for by the Air Transportation Safety and System Stabilization Act, the Company recorded a liability for the Terrorist Attacks claims equal to the related insurance receivable due to American. In the second quarter of 2011, the Company received $576 million in insurance proceeds as partial settlement of claims related to the Terrorist Attacks. The Company used these funds to pay a portion of its share of the associated liability. Reflecting this settlement, the remaining liability, and the amount of the offsetting insurance receivable as of December 31, 2011, were each $1.1 billion.

Certain of the Company's debt financing agreements contain loan to value ratio covenants and require the Company to periodically appraise the collateral. Pursuant to such agreements, if the loan to value ratio exceeds a specified threshold, the Company may be required to subject additional qualifying collateral (which in some cases may include cash collateral) or, in the alternative, to pay down such financing, in whole or in part, with premium (if any).

Compensation On January 17, 2012, the Company approved the 2012 Annual Incentive Plan (AIP) for American. All U.S. based people of American are eligible to participate in the AIP. The AIP is American's annual bonus plan and provides for the payment of awards in the event certain financial and/or customer service metrics are satisfied.

Working Capital American historically operates with a working capital deficit. In addition, the Company has historically relied heavily on external financing to fund capital expenditures. More recently, the Company has also relied on external financing to fund operating losses, employee pension obligations and debt maturities.

Off Balance Sheet Arrangements American has determined that it holds a significant variable interest in, but is not the primary beneficiary of, certain trusts that are the lessors under 70 of its aircraft operating leases. These leases contain a fixed price purchase option, which allows American to purchase the aircraft at a predetermined price on a specified date. However, American does not guarantee the residual value of the aircraft. As of December 31, 2011, future lease payments required under these leases totaled $794 million.

Certain special facility revenue bonds have been issued by certain municipalities primarily to purchase equipment and improve airport facilities that are leased by American and accounted for as operating leases. Approximately $1.5 billion of these bonds (with total future payments of approximately $3.2 billion as of December 31, 2011) are guaranteed by American, AMR, or both. Approximately $177 million of these special facility revenue bonds contain mandatory tender provisions that require American to make operating lease payments sufficient to repurchase the bonds at various times: $112 million in 2014 and $65 million in 2015. Although American has the right to remarket the bonds, there can be no assurance that these bonds will be successfully remarketed. Any payments to redeem or purchase bonds that are not remarketed would generally reduce existing rent leveling accruals or are considered prepaid facility rentals and would reduce future operating lease commitments.

In addition, the Company had other operating leases, primarily for aircraft and airport facilities, with total future lease payments of $6.8 billion as of December 31, 2011. Entering into aircraft leases allows the Company to obtain aircraft without immediate cash outflows.

In general, the Debtors have not determined whether to assume, assume and assign, or reject the bulk of their operating leases, as permitted by the Bankruptcy Code. Any such determination would be subject to approval by the Bankruptcy Court.

Commitments

The Debtors cannot predict the impact, if any, that the Chapter 11 Cases might have on these obligations. For further information regarding the Chapter 11 Cases, see Note 1 and Note 18 to the consolidated financial statements and the information contained in Item 7 "Chapter 11 Proceedings" above.

American Airlines and AMR Eagle operate under a capacity purchase agreement. The capacity purchase agreement reflects what the Company believes are current market rates received by other regional carriers for similar flying. Amounts paid to AMR Eagle under the capacity purchase agreement are available to pay for various operating expenses of AMR Eagle, such as crew expenses, maintenance and aircraft ownership. As of December 31, 2011, AMR Eagle operated over 1,500 daily departures, offering scheduled passenger service to over 175 destinations in North America, Mexico and the Caribbean. On a separate company basis, AMR Eagle reported $2.5 billion in revenue in 2011. However, this historical financial information is not indicative of what AMR Eagle's future revenues might be if AMR Eagle were a stand-alone entity.

The following table summarizes the combined capacity purchase activity for the American Connection carriers and AMR Eagle for 2011 and 2010 (in millions):

	Year Ended December 31, 2011	2010
Revenues:		
Regional Affiliates	$ 2,724	$ 2,327
Other	167	151
	$ 2,891	$ 2,478
Expenses:		
Regional payments	$ 2,495	$ 2,291
Other incurred expenses	559	372
	$ 3,054	$ 2,663

In addition, passengers connecting to American's flights from American Connection and AMR Eagle flights generated passenger revenues for American flights of $1.8 billion in 2011 and $1.6 billion in 2010, which are included in Revenues – Passenger in the consolidated statements of operations.

See Note 14 to the consolidated financial statements for additional information regarding the capacity purchase arrangement with AMR Eagle.

Results of Operations

Revenues

2011 Compared to 2010 The Company's revenues increased approximately $1.8 billion, or 8.2 percent, to $24.0 billion in 2011 compared to 2010. American's passenger revenues increased by 7.1 percent, or $1.2 billion, on a 0.7 percent increase in capacity (available seat mile) (ASM). The Company's 2011 passenger revenues reflect a $43 million reduction as a result of a decrease in the breakage assumption related to the AAdvantage frequent flier liability. American's passenger load factor increased 0.1 points to 82.0 percent and passenger yield increased by 6.2 percent to 14.19 cents. This resulted in an increase in passenger revenue per available seat mile (RASM) of 6.3 percent to 11.63 cents. American derived approximately 60 percent of its passenger revenues from domestic operations and approximately 40 percent from international operations (flights serving international destinations). Following is additional information regarding American's domestic and international RASM and capacity:

	Year Ended December 31, 2011			
	RASM (cents)	Y-O-Y Change	ASMs (billions)	Y-O-Y Change
DOT Domestic	11.54	6.8%	91.7	(1.6)%
International	11.76	5.5	62.7	4.3
DOT Latin America	13.37	13.4	30.0	1.9
DOT Atlantic	10.55	(0.3)	23.8	2.6
DOT Pacific	9.53	(7.4)	8.8	19.2

Regional Affiliates' passenger revenues, which are based on industry standard proration agreements for flights connecting to American flights, increased $397 million, or 17.1 percent, to $2.7 billion as a result of higher yield and increased traffic. Regional Affiliates' traffic increased 12.3 percent to 9.9 billion revenue passenger miles (RPMs), on a capacity increase of 10.9 percent to 13.5 billion ASMs, resulting in a 0.9 point increase in passenger load factor to 73.3 percent.

Cargo revenues increased 4.5 percent, or $31 million, to $703 million primarily as a result of increased freight yields.

Other revenues increased 8.0 percent, or $192 million, to $2.6 billion primarily due to increased revenue associated with the sale of mileage credits in the AAdvantage frequent flyer program and increases in certain passenger service charge volumes and fees.

Operating Expenses

2011 Compared to 2010 The Company's total operating expenses increased 14.2 percent, or $3.1 billion, to $25 billion in 2011 compared to 2010. American's mainline operating expenses per ASM increased 13.4 percent to 14.3 cents. The increase in operating expense was largely due to a year-over-year increase in fuel prices in 2011 compared to 2010 and $725 million related to the impairment of certain aircraft and gates in 2011. Fuel expense was the Company's largest single expense category in 2011 and the price increase resulted in $1.7 billion in incremental year-over-year fuel expense in 2011 (based on the year-over-year increase in the average price per gallon multiplied by gallons consumed, inclusive of the impact of fuel hedging). Further increases in fuel prices and/or disruptions in the supply of fuel would further materially adversely affect the Company's financial condition and results of operations. The remaining increase in operating expense was primarily due to labor related costs, revenue related expenses, such as credit card fees and booking fees and commissions, and increased aircraft rent related to the Company's fleet renewal plan.

(in millions) Operating Expenses	Year ended December 31, 2011	Change from 2010	Percentage Change	
Aircraft fuel	$ 7,434	$ 1,703	29.72%	(a)
Wages, salaries and benefits	6,385	158	2.54	
Regional payments to AMR Eagle	2,418	191	8.58	
Other rentals and landing fees	1,305	21	1.64	
Depreciation and amortization	950	15	1.60	
Maintenance, materials and repairs	1,020	(36)	(3.41)	
Commissions, booking fees and credit card expense	1,062	86	8.81	(b)
Aircraft rentals	673	81	13.68	(c)
Food service	518	28	5.71	(d)
Special charges	725	725	-	(e)
Other operating expenses	2,637	156	6.29	(f)
Total operating expenses	$ 25,127	$ 3,128	14.22%	

(a) Aircraft fuel expense increased primarily due to a 30.3 percent increase in the Company's price per gallon of fuel (net of the impact of hedging gains of $297 million).
(b) Commissions, booking fees and credit card expenses increased due to an 8.2 percent increase in operating revenues.
(c) Aircraft rental expense increased primarily due to new aircraft deliveries in 2011 and 2010.
(d) Food service expense increased primarily due to increased international flying.
(e) Special charges in 2011 consist of $725 million related to the impairment of certain aircraft and gates
(f) Other operating expenses increased primarily due to increases in professional and technical fees and sale leaseback losses.

Other Income (Expense)
Other income (expense) consists of Interest income and expense, Interest capitalized and Miscellaneous - net.

2011 Compared to 2010 Interest income for 2011 and 2010 was $25 million. Interest expense increased $35 million, or 5.3 percent, to $689 million primarily as a result of an increase in the Company's long-term debt balance.

Reorganization Items, Net

Reorganization items refer to revenues, expenses (including professional fees), realized gains and losses and provisions for losses that are realized or incurred in the Chapter 11 Cases. The following table summarizes the components included in reorganization items, net on the Consolidated Statements of Operations for the year ended December 31, 2011:

(in millions)	
Aircraft financing renegotiations and rejections (1) (2)	$ 102
Professional fees	14
Total reorganization items, net	$ 116

(1) The Company records an estimated claim associated with the rejection of an executory contract or unexpired lease when it files a motion with the Bankruptcy Court to reject such contract or lease and believes that it is probable the motion will be approved. The Company records an estimated claim associated with the renegotiation of an executory contract or unexpired lease when the renegotiated terms of such contract or lease are not opposed or are otherwise approved by the Bankruptcy Court and there is sufficient information to estimate the claim.

(2) Estimated allowed claims from rejecting the financing arrangements relating to 24 aircraft. Such rejections have been approved by the Bankruptcy Court.

Claims related to reorganization items are reflected in liabilities subject to compromise on the Consolidated Balance Sheet as of December 31, 2011.

Income Tax Benefit

The Company did not record a net tax provision (benefit) associated with its net loss for 2011 or 2010 due to the Company providing a valuation allowance, as discussed in Note 9 to the consolidated financial statements.

Glossary of Defined Terms

ASM—Available Seat Mile. A measure of capacity. ASMs equal the total number of seats available for transporting passengers during a reporting period multiplied by the total number of miles flown during that period.

CASM—(Operating) Cost per Available Seat Mile. The amount of operating cost incurred per ASM during a reporting period, also referred to as “unit cost.”

Passenger Load Factor—A measure of utilized available seating capacity calculated by dividing RPMs by ASMs for a reporting period.

Passenger Mile Yield or Yield—The amount of passenger revenue earned per RPM during a reporting period.

RASM— Passenger Revenue per ASM. The amount of passenger revenue earned per ASM during a reporting period. Passenger RASM is also referred to as “unit revenue.”

RPM—Revenue Passenger Mile. One revenue-paying passenger transported one mile. RPMs equal the number of revenue passengers during a reporting period multiplied by the number of miles flown by those passengers during that period. RPMs are also referred to as “traffic.”

ITEM 7(A). QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk Sensitive Instruments and Positions

The risk inherent in the Company's market risk sensitive instruments and positions is the potential loss arising from adverse changes in the price of fuel, foreign currency exchange rates and interest rates as discussed below. The sensitivity analyses presented do not consider the effects that such adverse changes may have on overall economic activity, nor do they consider additional actions management may take to mitigate the Company's exposure to such changes. Therefore, actual results may differ. The Company does not hold or issue derivative financial instruments for trading purposes. See Note 8 to the consolidated financial statements for accounting policies and additional information regarding derivatives.

Aircraft Fuel The Company's earnings are substantially affected by changes in the price and availability of aircraft fuel. In order to provide a measure of control over price and supply, the Company trades and ships fuel and maintains fuel storage facilities to support its flight operations. The Company also manages the price risk of fuel costs through the use of hedging contracts, primarily call options, collars (consisting of a purchased call option and a sold put option) and call spreads (consisting of a purchased call option and a sold call option). Heating oil, jet fuel and crude oil are the primary underlying commodities in the hedge portfolio. Market risk is estimated as a hypothetical 10 percent increase in the December 31, 2011 and 2010 cost per gallon of fuel. Based on projected 2012 fuel usage, such an increase would result in an increase to Aircraft fuel expense of approximately $658 million in 2012, inclusive of the impact of effective fuel hedge instruments outstanding at December 31, 2011, and assumes the Company's fuel hedging program remains effective. Such an increase would have resulted in an increase to projected Aircraft fuel expense of approximately $444 million in 2011, inclusive of the impact of fuel hedge instruments outstanding at December 31, 2010. As of January 2012, the Company had cash flow hedges covering approximately 21 percent of its estimated 2012 fuel requirements. Comparatively, as of December 31, 2010, the Company had hedged approximately 35 percent of its estimated 2011 fuel requirements. The consumption hedged for 2012 is capped at an average price of approximately $3.08 per gallon of jet fuel, with protection capped on 2 percent of estimated consumption, through the use of sold call options, at an average of $3.49 per gallon of jet fuel. The Company's collars represent approximately 16 percent of its estimated 2012 fuel requirements and have an average floor price of approximately $2.24 per gallon of jet fuel (both the capped and floor price exclude taxes and transportation costs). A deterioration of the Company's financial position could negatively affect the Company's ability to hedge fuel in the future.

Ineffectiveness is inherent in hedging jet fuel with derivative positions based in crude oil or other crude oil related commodities. The Company assesses, both at the inception of each hedge and on an ongoing basis, whether the derivatives that are used in its hedging transactions are highly effective in offsetting changes in cash flows of the hedged items. In doing so, the Company uses a regression model to determine the correlation of the change in prices of the commodities used to hedge jet fuel (e.g., NYMEX Heating oil) to the change in the price of jet fuel. The Company also monitors the actual dollar offset of the hedges' market values as compared to hypothetical jet fuel hedges. The fuel hedge contracts are generally deemed to be "highly effective" if the R-squared is greater than 80 percent and the dollar offset correlation is within 80 percent to 125 percent. The Company discontinues hedge accounting prospectively if it determines that a derivative is no longer expected to be highly effective as a hedge or if it decides to discontinue the hedging relationship.

Foreign Currency The Company is exposed to the effect of foreign exchange rate fluctuations on the U.S. dollar value of foreign currency-denominated operating revenues and expenses. The Company's largest exposure comes from the British pound, Euro, Canadian dollar, Japanese yen and various Latin American currencies. The Company does not currently have a foreign currency hedge program related to its foreign currency-denominated ticket sales. A uniform 10 percent strengthening in the value of the U.S. dollar from December 31, 2011 and 2010 levels relative to each of the currencies in which the Company has foreign currency exposure would result in a decrease in operating income of approximately $174 million and $170 million for the years ending December 31, 2011 and 2010, respectively, due to the Company's foreign-denominated revenues exceeding its foreign-denominated expenses. This sensitivity analysis was prepared based upon projected 2012 and 2011 foreign currency-denominated revenues and expenses as of December 31, 2011 and 2010, respectively.

Interest The Company's earnings are also affected by changes in interest rates due to the impact those changes have on its interest income from cash and short-term investments, and its interest expense from variable-rate debt instruments. The Company's largest exposure with respect to variable rate debt comes from changes in the London Interbank Offered Rate (LIBOR). The Company had variable rate debt instruments representing approximately 21 percent and 26 percent of its total long-term debt at December 31, 2011 and 2010, respectively. If the Company's interest rates average 10 percent more in 2012 than they did at December 31, 2011, the Company's interest expense would increase by approximately $6 million and interest income from cash and short-term investments would increase by approximately $2 million. In comparison, at December 31, 2010, the Company estimated that if interest rates averaged 10 percent more in 2011 than they did at December 31, 2010, the Company's interest expense would have increased by approximately $6 million and interest income from cash and short-term investments would have increased by approximately $3 million. These amounts are determined by considering the impact of the hypothetical interest rates on the Company's variable rate long-term debt and cash and short-term investment balances at December 31, 2011 and 2010.

Market risk for fixed rate long-term debt is estimated as the potential increase in fair value resulting from a hypothetical 10 percent decrease in interest rates and amounts to approximately $281 million and $167 million as of December 31, 2011 and 2010, respectively. The fair values of the Company's long-term debt were estimated using quoted market prices or discounted future cash flows based on the Company's incremental borrowing rates for similar types of borrowing arrangements.

In accordance with ASC 852, the Debtors record interest expense only to the extent (1) interest will be paid during the Chapter 11 Cases or (2) it is probable that the Bankruptcy Court will allow a claim in respect of such interest. Interest expense recorded on the Consolidated Statements of Operations totaled $689 million for the year ended December 31, 2011. Contractual interest expense (including interest expense that is associated with obligations in liabilities subject to compromise) during this period totaled $691 million.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
American Airlines, Inc. (Debtor and Debtor-in-Possession)

We have audited the accompanying consolidated balance sheets of American Airlines, Inc. (Debtor and Debtor-in-Possession) (the Company) as of December 31, 2011 and 2010, and the related consolidated statements of operations, comprehensive income (loss), stockholder's equity (deficit) and cash flows for each of the three years in the period ended December 31, 2011. Our audits also included the financial statement schedule listed in the Index at Item 15(a)(2). These consolidated 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 the standards of the Public Company Accounting Oversight Board (United States). 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 American Airlines, Inc. (Debtor and Debtor-in-Possession) at December 31, 2011 and 2010 and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2011, in conformity with U.S. 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.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company's bankruptcy filing raises substantial doubt about the Company's ability to continue as a going concern. Management's plans concerning these matters are described in Note 1. The consolidated financial statements do not include adjustments that might result from the outcome of this uncertainty.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 15, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Dallas, Texas
February 15, 2012

AMERICAN AIRLINES, INC.
DEBTOR AND DEBTOR-IN-POSSESSION
CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share amounts)

	Year Ended December 31,		
	2011	2010	2009
Revenues			
Passenger -American Airlines	$ 17,947	$ 16,760	$ 15,037
-Regional Affiliates	2,724	2,327	2,012
Cargo	703	672	578
Other revenues	2,583	2,391	2,271
Total operating revenues	23,957	22,150	19,898
Expenses			
Aircraft fuel	7,434	5,731	5,015
Wages, salaries and benefits	6,385	6,227	6,218
Regional payments to AMR Eagle	2,418	2,227	2,002
Other rentals and landing fees	1,305	1,284	1,230
Depreciation and amortization	950	935	954
Maintenance, materials and repairs	1,020	1,056	1,028
Commissions, booking fees and credit card expense	1,062	976	853
Aircraft rentals	673	592	516
Food service	518	490	487
Special charges	725	-	171
Other operating expenses	2,637	2,481	2,587
Total operating expenses	25,127	21,999	21,061
Operating Income (Loss)	(1,170)	151	(1,163)
Other Income (Expense)			
Interest income	25	25	34
Interest expense (contractual interest expense equals $(691) for the year ended December 31, 2011)	(689)	(654)	(583)
Interest capitalized	40	29	42
Related party	(14)	(13)	(14)
Miscellaneous – net	(41)	(42)	(73)
	(679)	(655)	(594)
Earnings Before Reorganization Items, Net	(1,849)	(504)	(1,757)
Reorganization items	(116)	-	-
Income (Loss) Before Income Taxes	(1,965)	(504)	(1,757)
Income tax (benefit)	-	(35)	(283)
Net Earnings (Loss)	$ (1,965)	$ (469)	$ (1,474)

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

AMERICAN AIRLINES, INC.
DEBTOR AND DEBTOR-IN-POSSESSION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions)

	Year Ended December 31,		
	2011	2010	2009
Net Earnings (Loss)	$(1,965)	$(469)	$(1,474)
Other Comprehensive Income (Loss), Before Tax:			
Defined benefit pension plans and retiree medical:			
Amortization of actuarial loss and prior service cost	130	138	136
Current year change	(1,216)	(385)	(253)
Derivative financial instruments:			
Change in fair value	190	72	151
Reclassification into earnings	(313)	144	662
Unrealized gain (loss) on investments			
Net change in value	(1)	(1)	6
Other Comprehensive Income (Loss) Before Tax	(1,210)	(32)	702
Income tax expense on other comprehensive income	-	-	(248)
Comprehensive Income (Loss)	$(3,175)	$(501)	$(1,020)

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

AMERICAN AIRLINES, INC.
DEBTOR AND DEBTOR-IN-POSSESSION
CONSOLIDATED BALANCE SHEETS
(in millions, except shares and par value)

	December 31, 2011	December 31, 2010
Assets		
Current Assets		
Cash	$ 280	$ 165
Short-term investments	3,714	4,322
Restricted cash and short-term investments	738	450
Receivables, less allowance for uncollectible accounts (2011 - $51; 2010 - $57)	883	719
Inventories, less allowance for obsolescence (2011 - $530; 2010 - $479)	583	542
Fuel derivative contracts	97	269
Other current assets	401	277
Total current assets	6,696	6,744
Equipment and Property		
Flight equipment, at cost	17,890	16,787
Less accumulated depreciation	6,981	6,972
	10,909	9,815
Purchase deposits for flight equipment	746	355
Other equipment and property, at cost	5,012	5,019
Less accumulated depreciation	2,904	2,849
	2,108	2,170
	13,763	12,340
Equipment and Property Under Capital Leases		
Flight equipment	641	605
Other equipment and property	199	217
	840	822
Less accumulated amortization	448	579
	392	243
Other Assets		
International slots and route authorities	708	708
Domestic slots and airport operating and gate lease rights, less accumulated amortization (2011 - $486; 2010 - $417)	183	212
Other assets	1,847	2,175
	2,738	3,095
Total Assets	$ 23,589	$ 22,422

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

AMERICAN AIRLINES, INC.
DEBTOR AND DEBTOR-IN-POSSESSION
CONSOLIDATED BALANCE SHEETS
(in millions, except shares and par value)

Liabilities and Stockholders' Equity (Deficit)	December 31, 2011	December 31, 2010
Current Liabilities		
Accounts payable	$ 981	$ 1,073
Accrued salaries and wages	489	466
Fuel derivative liability	-	-
Accrued liabilities	1,306	1,489
Air traffic liability	4,223	3,656
Payable to affiliates	2,644	2,955
Current maturities of long-term debt	1,518	1,468
Current obligations under capital leases	-	107
Total current liabilities	11,161	11,214
Long-Term Debt, Less Current Maturities	6,729	6,095
Obligations Under Capital Leases, Less Current Obligations	-	497
Other Liabilities and Credits		
Deferred gains	110	270
Pension and postretirement benefits	9,204	7,876
Other liabilities and deferred credits	1,470	2,806
	10,784	10,952
Liabilities Subject to Compromise	3,952	-
Stockholders' Equity (Deficit)		
Common stock - $1 par value; 1,000 shares authorized, issued and outstanding	-	-
Additional paid-in capital	4,455	3,981
Accumulated other comprehensive loss	(4,075)	(2,865)
Accumulated deficit	(9,417)	(7,452)
	(9,037)	(6,336)
Total Liabilities and Stockholders' Equity (Deficit)	$ 23,589	$ 22,422

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

AMERICAN AIRLINES, INC.
DEBTOR AND DEBTOR-IN-POSSESSION
CONSOLIDATED STATEMENT OF CASH FLOWS
(in millions)

	Year Ended December 31,		
	2011	2010	2009
Cash Flow from Operating Activities:			
Net earnings (loss)	(1,965)	$ (469)	$ (1,474)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:			
Depreciation	819	814	834
Amortization	131	121	120
Equity based stock compensation	35	49	61
Special charges	725	-	171
Reorganization charges	116	-	-
Pension and postretirement	180	236	657
Redemption payments under operating leases for special facility revenue bonds	-	-	-
Change in assets and liabilities:			
Decrease (increase) in receivables	(164)	24	53
Decrease (increase) in inventories	(80)	(67)	(81)
Decrease (increase) in derivative collateral and unwound derivative contracts	(73)	87	561
Increase (decrease) in accounts payable and accrued liabilities	(282)	(91)	(138)
Increase (decrease) in air traffic liability	567	225	(277)
Increase (decrease) in other liabilities and deferred credits	654	159	232
Other, net	34	(38)	(76)
Net cash provided by (used in) operating activities	697	1,050	643
Cash Flow from Investing Activities:			
Capital expenditures, including purchase deposits on flight equipment	(1,432)	(1,608)	(1,475)
Net decrease (increase) in short-term investments	608	(70)	(1,331)
Net decrease (increase) in restricted cash and short-term investments	(288)	-	(1)
Proceeds from sale of equipment, property and investments/subsidiaries	(4)	(14)	69
Other	-	-	54
Net cash provided by (used in) investing activities	(1,116)	(1,692)	(2,684)
Cash Flow from Financing Activities:			
Payments on long-term debt and capital lease obligations	(2,240)	(918)	(1,877)
Proceeds from:			
Reimbursement from construction reserve account	-	6	-
Issuance of long-term debt	2,382	215	2,530
Sale leaseback transactions	703	1,408	768
Funds transferred from affiliates, net	(311)	(53)	581
Net cash provided by (used in) financing activities	534	658	2,002
Net increase (decrease) in cash	115	16	(39)
Cash at beginning of year	165	149	188
Cash at end of year	$ 280	$ 165	$ 149

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

AMERICAN AIRLINES, INC.
DEBTOR AND DEBTOR-IN-POSSESSION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(in millions)

	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total
Balance at January 1, 2009	$ -	$ 3,891	$ (3,287)	$ (5,509)	$ (4,905)
Net loss	-	-	-	(1,474)	(1,474)
Pension, retiree medical and other liability	-	-	(117)	-	(117)
Net changes in fair value of derivative financial instruments	-	-	813	-	813
Non-cash tax provision	-	-	(248)		(248)
Unrealized gain on investments	-	-	6	-	6
Total comprehensive loss					(1,020)
Reclassification and amortization of stock compensation plans	-	47	-	-	47
Balance at December 31, 2009	$ -	$ 3,938	$ (2,833)	$ (6,983)	$ (5,878)
Net loss	-	-	-	(469)	(469)
Pension, retiree medical and other liability	-	-	(247)		(247)
Net changes in fair value of derivative financial instruments	-	-	216	-	216
Unrealized gain on investments	-	-	(1)	-	(1)
Total comprehensive loss					(501)
Reclassification and amortization of stock compensation plans	-	43	-	-	43
Balance at December 31, 2010	$ -	$ 3,981	$ (2,865)	$ (7,452)	$ (6,336)
Net loss	-	-	-	(1,965)	(1,965)
Pension, retiree medical and other liability	-	-	(1,086)		(1,086)
Net changes in fair value of derivative financial instruments	-	-	(123)	-	(123)
Unrealized gain on investments	-	-	(1)	-	(1)
Total comprehensive loss					(3,175)
Intercompany equity transfer		450			450
Reclassification and amortization of stock compensation plans	-	24	-	-	24
Balance at December 31, 2011	$ -	$ 4,455	$ (4,075)	$ (9,417)	(9,037)

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

1. Chapter 11 Reorganization

Overview

As previously discussed, on November 29, 2011, AMR, American, AMR's principal subsidiary, and certain of American and AMR's direct and indirect domestic subsidiaries filed voluntary petitions for relief under the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York. The Chapter 11 Cases are being jointly administered under the caption "in re AMR Corporation, et al, Case No. 11-15463-SHL."

The Company and the other Debtors are operating as "debtors-in-possession" under the jurisdiction of the Bankruptcy Court and the applicable provisions of the Bankruptcy Code. In general, as debtors-in-possession under the Bankruptcy Code, we are authorized to continue to operate as an ongoing business but may not engage in transactions outside the ordinary course of business without the prior approval of the Bankruptcy Court. The Bankruptcy Code enables the Company to continue to operate its business without interruption, and the Bankruptcy Court has granted additional relief covering, among other things, obligations to (i) employees, (ii) taxing authorities, (iii) insurance providers, (iv) independent contractors for improvement projects, (v) foreign vendors, (vi) other airlines pursuant to certain interline agreements, and (vii) certain vendors deemed critical to the Debtors' operations.

While operating as debtors-in-possession under Chapter 11 of the Bankruptcy Code, the Debtors may sell or otherwise dispose of or liquidate assets or settle liabilities, subject to the approval of the Bankruptcy Court or otherwise as permitted in the ordinary course of business. Moreover, the Debtors have not yet prepared or filed with the Bankruptcy Court a plan of reorganization. The ultimate plan of reorganization, which would be subject to acceptance by the requisite majorities of empowered creditors under the Bankruptcy Code and approved by the Bankruptcy Court, could materially change the amounts and classifications in the historical Condensed Consolidated Financial Statements.

The Company's Chapter 11 Cases followed an extended effort by the Company to restructure its business to strengthen its competitive and financial position. However, the Company's substantial cost disadvantage compared to its larger competitors, all of which restructured their costs and debt through Chapter 11, became increasingly untenable given the accelerating impact of global economic uncertainty and resulting revenue instability, volatile and rising fuel prices, and intensifying competitive challenges.

No assurance can be given as to the value, if any, that may be ascribed to the Debtors' various pre-petition liabilities and other securities. The Company cannot predict what the ultimate value of any of its securities may be and it remains too early to determine whether holders of any such securities will receive any distribution in the Debtors' reorganization. Accordingly, the Debtors urge that caution be exercised with respect to existing and future investments in any of these securities or other Debtor claims.

General Information

Notices to Creditors; Effect of Automatic Stay. The Debtors have begun the process of seeking to notify all known current or potential creditors that the Chapter 11 Cases had been filed. Subject to certain exceptions under the Bankruptcy Code, the filing of the Debtors' Chapter 11 Cases automatically enjoined, or stayed, the continuation of most judicial or administrative proceedings or filing of other actions against the Debtors or their property to recover on, collect or secure a claim arising prior to the Petition Date. Thus, for example, most creditor actions to obtain possession of property from the Debtors, or to create, perfect or enforce any lien against the property of the Debtors, or to collect on monies owed or otherwise exercise rights or remedies with respect to a prepetition claim, are enjoined unless and until the Bankruptcy Court lifts the automatic stay as to any such claim. Vendors are being paid for goods furnished and services provided after the Petition Date in the ordinary course of business.

Appointment of Creditors' Committee. On December 5, 2011, the U.S. Trustee for the Southern District of New York, a unit of the Department of Justice, appointed a statutory official committee of unsecured creditors for the Chapter 11 Cases. The Bankruptcy Code provides for the U.S. Trustee to appoint a statutory committee of creditors holding unsecured claims as soon as practicable after the commencement of a Chapter 11 case. The statutory creditors' committee ordinarily consists of holders of the seven largest unsecured claims who are willing to serve. A statutory creditors' committee represents the interests of all unsecured creditors in a bankruptcy case.

Rejection of Executory Contracts. Under Section 365 and other relevant sections of the Bankruptcy Code, the Debtors may assume, assume and assign, or reject certain executory contracts and unexpired leases, including, without limitation, agreements relating to aircraft and aircraft engines (collectively, Aircraft Property) and leases of real property, subject to the approval of the Bankruptcy Court and certain other conditions. Under the Bankruptcy Code, the Debtors' rights to assume, assume and assign, or reject unexpired leases of non-residential real estate expire on March 27, 2012 (subject to further extension by the Bankruptcy Court but not to exceed 210 days from the Petition Date). In general, rejection of an executory contract or unexpired lease is treated as a prepetition breach of the executory contract or unexpired lease in question and, subject to certain exceptions, relieves the Debtors from performing their future obligations under such executory contract or unexpired lease but entitles the contract counterparty or lessor to a prepetition general unsecured claim for damages caused by such deemed breach. Counterparties to such rejected contracts or leases have the right to file claims against the Debtors' estate for such damages. Generally, the assumption of an executory contract or unexpired lease requires the Debtors to cure existing defaults under such executory contract or unexpired lease.

Any description of an executory contract or unexpired lease elsewhere in these Notes or in the report to which these Notes are attached, including where applicable the Debtors' express termination rights or a quantification of their obligations, must be read in conjunction with, and is qualified by, any rights the Debtors or counterparties have under Section 365 of the Bankruptcy Code.

The Debtors expect that liabilities subject to compromise and resolution in the Chapter 11 Cases will arise in the future as a result of damage claims created by the Debtors' rejection of various executory contracts and unexpired leases. Due to the uncertain nature of many of the potential rejection claims, the magnitude of such claims is not reasonably estimable at this time. Such claims may be material (see "Liabilities Subject to Compromise" in Note 1 to the consolidated financial statements).

Special Protection Applicable to Leases and Secured Financing of Aircraft *and Aircraft Equipment.* Notwithstanding the general discussion above of the impact of the automatic stay, under Section 1110 of the Bankruptcy Code, beginning 60 days after filing a petition under Chapter 11, certain secured parties, lessors and conditional sales vendors may have a right to take possession of certain qualifying Aircraft Property that is leased or subject to a security interest or conditional sale contract, unless the Debtors, subject to approval by the Bankruptcy Court, agree to perform under the applicable agreement, and cure any defaults as provided in Section 1110 (other than defaults of a kind specified in Section 365(b)(2) of the Bankruptcy Code). Taking such action does not preclude the Debtors from later rejecting the applicable lease or abandoning the Aircraft Property subject to the related security agreement.

The Debtors may extend the 60-day period by agreement of the relevant financing party, with Bankruptcy Court approval. In the absence of an agreement or cure as described above or such an extension, the financing party may take possession of the Aircraft Property and enforce any of its contractual rights or remedies to sell, lease or otherwise retain or dispose of such equipment.

The 60-day period under Section 1110 in the Chapter 11 Cases expired on January 27, 2012. In accordance with the Bankruptcy Court's Order Authorizing the Debtors to (i) Enter into Agreements Under Section 1110(a) of the Bankruptcy Code, (ii) Enter into Stipulations to Extend the Time to Comply with Section 1110 of the Bankruptcy Code and (iii) File Redacted Section 1110(b) Stipulations, dated December 23, 2011, the Debtors have entered into agreements to extend the automatic stay or agreed to perform and cure defaults under financing agreements with respect to certain aircraft in their fleet and other Aircraft Property. While the Debtors have reached agreements on, or agreements on key aspects of, renegotiated terms with respect to certain of their Aircraft Properties and are continuing to negotiate terms with respect to many of their other Aircraft Property financings, the ultimate outcome of these negotiations cannot be predicted with certainty. To the extent the Debtors are unable to reach definitive agreements with Aircraft Property financing parties, those parties may seek to repossess the subject Aircraft Property. The loss of a significant number of aircraft could result in a material adverse effect on the Debtors' financial and operating performance.

In accordance with Section 1110 of the Bankruptcy Code, as of December 31, 2011, the Company had rejected 24 aircraft leases relating to 20 MD-80 aircraft and four Fokker 100 aircraft. In addition, since December 31, 2011, the Company has rejected an additional 9 aircraft leases and mortgages relating to one MD-80 aircraft, seven Boeing 757-200 aircraft, and one Airbus A300-600R aircraft. In addition, the Company filed a motion with the Bankruptcy Court to modify the leases of the Super ATR aircraft. As of February 15, 2012, 21 of the aircraft had been returned to the lessor as allowed under the modified agreement. The remaining 18 aircraft will be returned to the lessor during 2012 and 2013. In January 2012, American entered into agreements under Section 1110(a) of the Bankruptcy Code to retain 350 aircraft, including Boeing 737-800, Boeing 757-200, Boeing 767-300ER, Boeing 777-200ER, Bombardier CRJ-700, and McDonnell Douglas MD-80 aircraft on the terms provided in the related financing documents.

Magnitude of Potential Claims The Debtors will file with the Bankruptcy Court schedules and statements of financial affairs setting forth, among other things, the assets and liabilities of the Debtors, subject to the assumptions filed in connection therewith. All of the schedules are subject to further amendment or modification.

Bankruptcy Rule 3003(c)(3) requires the Bankruptcy Court to fix the time within which proofs of claim must be filed in a Chapter 11 case pursuant to section 501 of the Bankruptcy Code. This Bankruptcy Rule also provides that any creditor who asserts a claim against the Debtors that arose prior to the Petition Date and whose claim (i) is not listed on the Debtors' schedules or (ii) is listed on the schedules as disputed, contingent, or unliquidated, must file a proof of claim. The Bankruptcy Court has not yet established a date and time by which such proofs of claim must be filed.

Differences between amounts scheduled by the Debtors and claims by creditors will be investigated and resolved in connection with the claims resolution process. In light of the expected number of creditors, the claims resolution process may take considerable time to complete. Accordingly, the ultimate number and amount of allowed claims is not presently known, nor can the ultimate recovery with respect to allowed claims be presently ascertained.

Collective Bargaining Agreements. The Bankruptcy Code provides a process for the modification and/or rejection of collective bargaining agreements (CBAs). In particular, Section 1113(c) of the Code permits a debtor to reject its CBAs if the debtor satisfies a number of statutorily prescribed substantive and procedural prerequisites and obtains the Bankruptcy Court's approval to reject the CBAs. The 1113(c) process requires that a debtor must make proposals to its unions to modify existing CBAs based on the most complete and reliable information available at the time the proposals are made. The proposed modifications must be necessary to permit the reorganization of the debtor and must assure that all the affected parties are treated fairly and equitably. The debtor must provide the unions with all information necessary to evaluate the proposals, and meet at reasonable times and confer in good faith with the unions in an effort to reach mutually agreeable modifications to the CBAs. If consensual agreements are not reached, the debtor may file a motion with the Bankruptcy Court requesting approval to reject the CBAs. Rejection of the CBAs is appropriate if the Court finds the debtor's proposals are necessary for its reorganization, are fair and equitable, and that the unions refused to agree to the proposals without good cause. American commenced the Section 1113(c) process with its unions on February 1, 2012. AMR Eagle intends to commence the Section 1113(c) process with its unions soon.

Plan of reorganization. The Debtors have the exclusive right for 120 days after the Petition Date to file a plan of reorganization and, if they do so, 60 additional days to obtain necessary acceptances of the plan. The Debtors exclusivity period may be extended by the Court, with good cause, for up to 18 months from the Petition Date. If the Debtors' exclusivity period lapses, any party in interest may file a plan of reorganization for any of the Debtors. In addition to being voted on by holders of impaired claims and equity interests, a plan of reorganization must satisfy certain requirements of the Bankruptcy Code and must be approved, or confirmed, by the Bankruptcy Court in order to become effective. A plan of reorganization has been accepted by holders of claims against and equity interests in the Debtors if (1) at least one-half in number and two-thirds in dollar amount of claims actually voting in each impaired class of claims have voted to accept the plan and (2) at least two-thirds in amount of equity interests actually voting in each impaired class of equity interests has voted to accept the plan.

Under certain circumstances set forth in Section 1129(b) of the Bankruptcy Code, the Bankruptcy Court may confirm a plan even if such plan has not been accepted by all impaired classes of claims and equity interests. A class of claims or equity interests that does not receive or retain any property under the plan on account of such claims or interests is deemed to have voted to reject the plan. The precise requirements and evidentiary showing for confirming a plan notwithstanding its rejection by one or more impaired classes of claims or equity interests depends upon a number of factors, including the status and seniority of the claims or equity interests in the rejecting class (i.e., secured claims or unsecured claims, subordinated or senior claims, preferred or common stock). Generally, with respect to common stock interests, a plan may be "crammed down" even if the shareowners receive no recovery if the proponent of the plan demonstrates that (1) no class junior to the common stock is receiving or retaining property under the plan and (2) no class of claims or interests senior to the common stock is being paid more than in full.

The availability and utilization of net operating losses (and utilization of AMT credits) post-emergence is uncertain at this time and will be highly influenced by the composition of restructuring plan alternatives that may be considered and ultimately pursued. On January 27, 2012, the Bankruptcy Court issued a Final Order Establishing Notification Procedures for Substantial Claimholders and Equityholders and Approving Restrictions on Certain Transfers of Interests in the Debtors' Estates (Docket No. 890], which restricts trading in AMR's common stock and claims.

Liabilities Subject to Compromise

The following table summarizes the components of liabilities subject to compromise included on the Consolidated Balance Sheet as of December 31, 2011:

(in millions)

Long-term debt	$	1,642
Aircraft lease and facility bond related obligations		1,868
Accounts payable and other accrued liabilities		438
Accrued interest on long-term debt and unamortized debt issuance costs		4
Total liabilities subject to compromise	$	3,952

Long-term debt, including undersecured debt, classified as subject to compromise as of December 31, 2011 consisted of (in millions):

Secured variable and fixed rate indebtedness due through 2023 (effective rates from 1.00% - 13.00% at December 31, 2011)	$	1,456
6.00% - 8.50% special facility revenue bonds due through 2036		186
	$	1,642

Liabilities subject to compromise refers to prepetition obligations which may be impacted by the Chapter 11 reorganization process. These amounts represent the Debtors' current estimate of known or potential prepetition obligations to be resolved in connection with the Chapter 11 Cases.

In accordance with ASC 852, substantially all of the Company's unsecured debt has been classified as liabilities subject to compromise. Additionally, certain of the Company's undersecured debt instruments have also been classified as liabilities subject to compromise.

Differences between liabilities the Debtors have estimated and the claims filed, or to be filed, will be investigated and resolved in connection with the claims resolution process. The Company will continue to evaluate these liabilities throughout the Chapter 11 proceedings and adjust amounts as necessary. Such adjustments may be material. In light of the expected number of creditors, the claims resolution process may take considerable time to complete. Accordingly, the ultimate number and amount of allowed claims is not presently known.

Reorganization Items, net

Reorganization items refer to revenues, expenses (including professional fees), realized gains and losses and provisions for losses that are realized or incurred as a direct result of the Chapter 11 proceedings. The following table summarizes the components included in reorganization items, net on the Consolidated Statements of Operations for the year ended December 31, 2011:

(in millions)

Aircraft financing renegotiations and rejections (1) (2)	$	102
Professional fees		14
Total reorganization items, net	$	116

(1) The Debtors record an estimated claim associated with the rejection of an executory contract or unexpired lease when a motion is filed with the Bankruptcy Court to reject such contract or lease and the Debtors believe that it is probable the motion will be approved and there is sufficient information to estimate the claim. The Debtors record an estimated claim associated with the renegotiation of an executory contract or unexpired lease when the renegotiated terms of such contract or lease are not opposed or are otherwise approved by the Bankruptcy Court and there is sufficient information to estimate the claim.

(2) Estimated allowed claims from rejecting the financing arrangements relating to 24 aircraft. Such rejections have been approved by the Bankruptcy Court.

Claims related to reorganization items are reflected in liabilities subject to compromise on the Consolidated Balance Sheet as of December 31, 2011.

Additional information about the Company's Chapter 11 filing is also available on the Internet at aa.com/restructuring. Court filings and claims information are available at amrcaseinfo.com.

2. Summary of Accounting Policies

Basis of Presentation American is a wholly-owned subsidiary of AMR. The consolidated financial statements as of and for the years ended December 31, 2011, 2010 and 2009 include the accounts of the Company and its wholly owned subsidiaries as well as VIEs for which the Company is the primary beneficiary. All significant intercompany transactions have been eliminated.

The accompanying Consolidated Financial Statements have been prepared in accordance with United States (U.S.) generally accepted accounting principles (GAAP), including the provisions of ASC 852 "Reorganizations" (ASC 852). ASC 852 requires that the financial statements, for periods subsequent to the Chapter 11 Cases, distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Accordingly, certain revenues, expenses (including professional fees), realized gains and losses and provisions for losses that are realized or incurred in the Chapter 11 Cases are recorded in reorganization items, net on the accompanying Consolidated Statement of Operations. In addition, prepetition obligations that may be impacted by the Chapter 11 reorganization process have been classified on the Consolidated Balance Sheet in liabilities subject to compromise. These liabilities are reported at the amounts expected to be allowed by the Bankruptcy Court, even if they may be settled for lesser amounts.

Certain of our non-U.S. subsidiaries were not part of the Chapter 11 filings. Since the non-US subsidiaries not part of the bankruptcy filing do not have significant transactions, we do not separately disclose the condensed combined financial statements of the Debtors in accordance with the requirements of reorganization accounting.

These Consolidated Financial Statements have also been prepared on a going concern basis, which contemplates continuity of operations, realization of assets and satisfaction of liabilities in the ordinary course of business. Accordingly, the Consolidated Financial Statements do not include any adjustments relating to the recoverability of assets and classification of liabilities that might be necessary should the Debtors be unable to continue as a going concern.

As a result of the Chapter 11 proceedings, the satisfaction of our liabilities and funding of ongoing operations are subject to uncertainty and, accordingly, there is a substantial doubt of the Company's ability to continue as a going concern.

The accompanying Consolidated Financial Statements do not purport to reflect or provide for the consequences of the Chapter 11 Cases, other than as set forth under "liabilities subject to compromise" on the accompanying Condensed Consolidated Balance Sheet and "income (loss) before reorganization items" and "reorganization items, net" on the accompanying Consolidated Statement of Operations (see Note 2). In particular, the financial statements do not purport to show (1) as to assets, their realizable value on a liquidation basis or their availability to satisfy liabilities; (2) as to prepetition liabilities, the amounts that may be allowed for claims or contingencies, or the status and priority thereof; (3) as to shareowners' equity accounts, the effect of any changes that may be made to the Debtors' capitalization; or (4) as to operations, the effect of any changes that may be made to the Debtors' business.

New Accounting Pronouncements In November of 2009, the Financial Accounting Standards Board (FASB) issued new guidance that significantly changes the accounting for revenue in arrangements with multiple deliverables by requiring entities to separately account for individual deliverables in more of these arrangements and estimate the fair value of each component individually on a pro-rata basis. The guidance no longer provides use of the residual method, but rather requires an estimate of fair value based on vendor-specific objective evidence (VSOE), third party evidence, or estimated selling price. The standard must be applied prospectively to revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. In addition, the FASB significantly expanded the disclosures related to multiple deliverable revenue arrangements. The impact of adoption was not material in 2011, but could have a significant impact on future results as new or materially modified revenue arrangements with certain partners are established in the normal course of business.

In June of 2011, the FASB issued new guidance revising the manner in which entities present comprehensive income in their financial statements. The new guidance requires entities to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. Under the two-statement approach, the first statement would include components of net income, which is consistent with the income statement format used today, and the second statement would include components of OCI. Items that must be reported in OCI do not change. For public entities, the guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Guidance must be applied retrospectively for all periods presented in the financial statements. Early adoption is permitted, and as such the Company elected to early adopt this guidance for the fiscal year ended December 31, 2011.

Use of Estimates The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the accompanying consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Restricted Cash and Short-term Investments The Company has restricted cash and short-term investments related primarily to collateral held to support projected workers' compensation obligations and funds held for certain tax obligations.

Inventories Spare parts, materials and supplies relating to flight equipment are carried at average acquisition 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. Allowances are also provided for spare parts currently identified as excess and obsolete. These allowances are based on management estimates, which are subject to change.

Maintenance and Repair Costs Maintenance and repair costs for owned and leased flight equipment are charged to operating expense as incurred, except costs incurred for maintenance and repair under flight hour maintenance contract agreements, which are accrued based on contractual terms when an obligation exists.

Intangible Assets Route acquisition costs and airport operating and gate lease rights represent the purchase price attributable to route authorities (including international airport take-off and landing slots), domestic airport take-off and landing slots and airport gate leasehold rights acquired. Indefinite-lived intangible assets (route acquisition costs and international slots and related international take-off and landing slots) are tested for impairment annually on December 31, rather than amortized, or when a triggering event occurs, in accordance with U.S. GAAP. Such triggering events may include significant changes to the Company's network or capacity, or the implementation of open skies agreements in countries where the Company operates flights. Airport operating and gate lease rights are being amortized on a straight-line basis over 25 years to a zero residual value.

Statements of Cash Flows Short-term investments, without regard to remaining maturity at acquisition, are not considered as cash equivalents for purposes of the statements of cash flows.

Measurement of Asset Impairments The Company records impairment charges on long-lived assets used in operations when events and circumstances indicate that the assets may be impaired. An asset or group of assets is considered impaired when the undiscounted cash flows estimated to be generated by the asset are less than the carrying amount of the asset and the net book value of the asset exceeds its estimated fair value. In making these determinations, the Company uses certain assumptions, including, but not limited to: (i) estimated fair value of the asset; and (ii) estimated future cash flows expected to be generated by the asset, which are based on additional assumptions such as asset utilization, length of service the asset will be used in the Company's operations and estimated salvage values.

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 major rotable parts, avionics and assemblies are depreciated on a group basis. The depreciable lives used for the principal depreciable asset classifications are:

	Depreciable Life
American jet aircraft and engines	20 - 30 years
Other regional aircraft and engines	16 - 20 years
Major rotable parts, avionics and assemblies	Life of equipment to which applicable
Improvements to leased flight equipment	Lesser of remaining lease term or expected useful life
Buildings and improvements (principally on leased land)	5 - 30 years or term of lease, including estimated renewal options when renewal is economically compelled at key airports
Furniture, fixtures and other equipment	3 - 10 years
Capitalized software	5 - 10 years

Residual values for aircraft, engines, major rotable parts, avionics and assemblies are generally five to ten percent, except when guaranteed by a third party for a different amount.

Equipment and property under capital leases are amortized over the term of the leases or, in the case of certain aircraft, over their expected useful lives. Lease terms vary but are generally six to 25 years for aircraft and seven to 40 years for other leased equipment and property.

Regional Affiliates Revenue from ticket sales is generally recognized when service is provided. Regional Affiliates revenues for flights connecting to American flights are based on industry standard proration agreements.

Passenger Revenue Passenger ticket sales are initially recorded as a component of Air traffic liability. Revenue derived from ticket sales is recognized at the time service 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, including breakage. These estimates are generally based upon the evaluation of historical trends, including the use of regression analysis and other methods to model the outcome of future events based on the Company's historical experience, and are recorded at the scheduled time of departure.

Various taxes and fees assessed on the sale of tickets to end customers are collected by the Company as an agent and remitted to taxing authorities. These taxes and fees have been presented on a net basis in the accompanying consolidated statement of operations and recorded as a liability until remitted to the appropriate taxing authority.

Frequent Flyer Program The estimated incremental cost of providing free travel awards is accrued for mileage credits earned by using American's service that are expected to be redeemed in the future. American also accrues a frequent flyer liability for the mileage credits that are expected to be used for travel on participating airlines based on historical usage patterns and contractual rates. 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, representing the revenue for air transportation sold, is valued at fair value and is deferred and amortized over 28 months, which approximates the expected period over which the mileage credits are used. Breakage of sold miles is recognized over the estimated period of usage. The remaining portion of the revenue, representing the marketing services sold and administrative costs associated with operating the AAdvantage program, is recognized upon sale as a component of Other revenues, as the related services have been provided. The Company's total liability for future AAdvantage award redemptions for free, discounted or upgraded travel on American, American Eagle or participating airlines as well as unrecognized revenue from selling AAdvantage miles was approximately $1.6 billion (and is recorded as a component of Air traffic liability on the accompanying consolidated balance sheets) at December 31, 2011 and $1.4 billion as of December 31, 2010.

Income Taxes The Company generally believes that the positions taken on previously filed income tax returns are more likely than not to be sustained by the taxing authorities. The Company has recorded income tax and related interest liabilities where the Company believes its position may not be sustained or where the full income tax benefit will not be recognized. Thus, the effects of potential income tax benefits resulting from the Company's unrecognized tax positions are not reflected in the tax balances of the financial statements. Recognized and unrecognized tax positions are reviewed and adjusted as events occur that affect the Company's judgment about the recognizability of income tax benefits, such as lapsing of applicable statutes of limitations, conclusion of tax audits, release of administrative guidance, or rendering of a court decision affecting a particular tax position.

Advertising Costs The Company expenses on a straight-line basis the costs of advertising as incurred throughout the year. Advertising expense was $186 million for the year ended December 31, 2011, $165 million for the year ended December 31, 2010 and $153 million for the year ended December 31, 2009.

Subsequent Events In connection with preparation of the consolidated financial statements and in accordance U.S. GAAP, the Company evaluated subsequent events after the balance sheet date of December 31, 2011 and identified items as set forth in Note 18 to the consolidated financial statements.

3. Special Charges and Restructuring Activities

Current Year As previously announced, American entered into agreements with Airbus and Boeing in the second quarter of 2011 under which it plans to acquire 460 narrowbody aircraft from the Boeing 737 and Airbus A320 families during the period 2013-2022. The Bankruptcy Court has not approved American's assumption of the Boeing and Airbus contracts, but has approved certain procedures to allow American to continue taking delivery of Boeing 737 and Boeing 777 aircraft for the remainder of 2012, subject to objection by the Creditors' Committee, and subject to certain limitations. In connection with these Boeing and Airbus aircraft agreements and the Company's anticipated acceleration of its fleet renewal and replacement plan, the Company evaluated the useful lives of certain fleets including McDonnell Douglas MD-80, Boeing 757 and Boeing 767 aircraft. Upon finalization of the fleet plan in the fourth quarter of 2011 (prior to the filing of the Chapter 11 Cases), the Company concluded that a triggering event had occurred, requiring that certain assets be tested for impairment. As a result of this test, the Company concluded the carrying value of Boeing 757 aircraft used in its domestic markets was no longer recoverable. Consequently, the 2011 results include an impairment charge of $713 million to write these and certain related long-lived assets down to their estimated fair values. The impairment charge is non-cash. The impaired B757 aircraft are being depreciated over their remaining useful lives averaging approximately 4 years.

In determining the asset recoverability, management estimated the undiscounted future cash flows utilizing models used by the Company in making fleet and scheduling decisions. In determining fair market value, the Company utilized recent external appraisals of its fleets and two published aircraft pricing surveys, adjusted based on estimates of maintenance status and to consider the impact of recent industry events on these values. As a result of the write down of these aircraft to fair value, as well as the acceleration of the retirement dates, depreciation expense related to these assets is expected to decrease by approximately $24 million in 2012.

Prior Years As a result of the revenue environment, high fuel prices and the Company's restructuring activities, including its capacity reductions, the Company recorded a number of charges during the last few years. In 2008 and 2009, the Company announced capacity reductions due to unprecedented high fuel costs at that time and the other challenges facing the industry. In connection with these capacity reductions, the Company incurred special charges related to aircraft, people reductions and certain other charges.

Aircraft Charges
As part of these capacity reductions, the Company grounded its leased Airbus A300 aircraft prior to lease expiration. In 2009, the Company incurred approximately $94 million in net present value of future lease payments and lease return costs related to the grounding of the leased Airbus A300 fleet. The Company estimates that virtually all of these charges will result in future cash expenditures. Further, the Company also wrote down its owned Airbus A300 aircraft and related inventory to estimated salvage value in the fourth quarter of 2009, resulting in a non-cash expense of $20 million. All Airbus A300 aircraft were permanently retired as of 2009.

In the fourth quarter of 2009, due to the continuing severe downturn in the global economy and weakness in the regional jet aircraft market, the Company's plan to sell certain of its Embraer RJ-135 aircraft was no longer feasible at the amount for which these aircraft had been valued. Consequently, the Company reclassified these aircraft from held for sale to held for use, tested them for impairment and concluded the carrying values of certain of its Embraer RJ-135 aircraft were no longer recoverable. Therefore, during the fourth quarter of 2009, the Company recorded an impairment charge of $42 million to write these aircraft down to their estimated fair values. In addition, these aircraft will now resume depreciation prospectively. In determining the fair values of these aircraft, the Company considered recent transactions for sales of similar aircraft and the value of the underlying engines. No portion of the impairment charge will result in future cash expenditures.

Employee Charges
In conjunction with the capacity reductions announced in 2008, the Company reduced its workforce commensurate with the announced system-wide capacity reductions. This reduction in workforce was accomplished through various measures, including voluntary programs, part-time work schedules, furloughs in accordance with collective bargaining agreements, and other reductions.

The following table summarizes the components of the Company's special charges, the remaining accruals for these charges and the capacity reduction related charges (in millions) as of December 31, 2011:

	Aircraft Charges	Facility Exit Costs	Employee Charges	Total
Remaining accrual at January 1, 2009	$ 108	$ 16	$ 14	$ 138
Capacity reduction charges	164	7		171
Non-cash charges	(68)	-	-	(68)
Adjustments	(2)		-	(2)
Payments	(49)	(3)	(14)	(66)
Remaining accrual at December 31, 2009	$ 153	$ 20	$ -	$ 173
Non-cash charges		-	-	-
Adjustments	(8)	11	-	3
Payments	(86)	(4)	-	(90)
Remaining accrual at December 31, 2009	$ 59	$ 27	$ -	$ 86
Non-cash charges	(725)	1		(724)
Adjustments	751	(8)	-	743
Payments	(36)	(4)	-	(40)
Remaining accrual at December 31, 2011	$ 49	$ 16	$ -	$ 65

Cash outlays related to the accruals for aircraft charges and facility exit costs will occur through 2017 and 2018, respectively. However, these cash outlays could be modified in the Chapter 11 proceedings.

Other
On September 22, 2001, the Air Transportation Safety and System Stabilization Act (the Stabilization Act) was signed into law. The Stabilization Act provides that, notwithstanding any other provision of law, liability for all claims, whether compensatory or punitive, arising from the Terrorist Attacks, against any air carrier shall not exceed the liability coverage maintained by the air carrier. Based upon estimates provided by the Company's insurance providers, the Company initially recorded a liability of approximately $2.3 billion for claims arising from the Terrorist Attacks, after considering the liability protections provided for by the Stabilization Act. In the second quarter of 2011, the Company received $576 million in insurance proceeds as partial settlement of claims related to the Terrorist Attacks. The Company used these funds to pay a portion of its share of the associated liability. Reflecting this settlement, the receivable and the liability, recorded in the accompanying consolidated balance sheet as Other assets and Other liabilities and deferred credits, respectively, was $1.1 billion and $1.6 billion at December 31, 2011 and 2010, respectively.

4. Investments and Fair Value Measurements

Short-term investments consisted of (in millions):	December 31, 2011	December 31, 2010
Overnight investments, time deposits and repurchase agreements	$ 130	$ 841
Corporate and bank notes	1,808	2,686
U. S. government agency mortgages	502	605
Commingled Funds	1,274	190
	$ 3,714	$ 4,322

Short-term investments consisted of (in millions):

Short-term investments at December 31, 2011, by contractual maturity included (in millions):

Due in one year or less	$ 2,900
Due between one year and three years	312
Due after three years	502
	$ 3,714

All short-term investments are classified as available-for-sale and stated at fair value. Unrealized gains and losses are reflected as a component of Accumulated other comprehensive income (loss).

The Company utilizes the market approach to measure fair value for its financial assets and liabilities. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The Company's short-term investments classified as Level 2 primarily utilize broker quotes in a non-active market for valuation of these securities. The Company's fuel derivative contracts, which consist of commodity collars and calls, are valued using energy and commodity market data which is derived by combining raw inputs with quantitative models and processes to generate forward curves and volatilities. No changes in valuation techniques or inputs occurred during the year ended December 31, 2011.

Assets and liabilities measured at fair value on a recurring basis are summarized below:

(in millions)	Fair Value Measurements as of December 31, 2011			
Description	Total	Level 1	Level 2	Level 3
Short-term investments [1, 2]				
Money market funds	$ 1,275	$ 1,275	$ -	$ -
Government agency investments	502	-	502	-
Repurchase agreements	128	-	128	-
Corporate obligations	1,102	-	1,102	-
Bank notes / Certificates of deposit / Time deposits	707	-	707	-
	3,714	1,275	2,439	-
Restricted cash and short-term investments [1]	738	738	-	-
Fuel derivative contracts, net [1]	95	-	95	-
Total	$ 4,547	$ 2,013	$ 2,534	$ -

[1] Unrealized gains or losses on short-term investments, restricted cash and short-term investments and derivatives qualifying for hedge accounting are recorded in Accumulated other comprehensive income (loss) at each measurement date.

[2] The Company's short-term investments mature in one year or less except for $87 million of Bank notes/Certificates of deposit/Time deposits, $502 million of U.S. Government agency investments and $225 million of Corporate obligations which have maturity dates exceeding one year.

No significant transfers between Level 1 and Level 2 occurred during the year ended December 31, 2011. The Company's policy regarding the recording of transfers between levels is to record any such transfers at the end of the reporting period.

As of December 31, 2011, the Company had no exposure to European sovereign debt.

5. Commitments, Contingencies and Guarantees

On July 19, 2011, American entered into agreements (the Boeing Agreements) with The Boeing Company (Boeing) to acquire 100 additional Boeing 737 Next Generation aircraft (the firm NG Aircraft), which, subject to certain limitations, may consist of Boeing 737-700, 737-800, or 737-900 ER aircraft. The firm NG Aircraft include three Boeing 737-800 aircraft for which American exercised purchase rights on June 30, 2011. Twenty of the firm NG Aircraft are scheduled to be delivered in each of the years 2013-2017. Under the Boeing Agreements, American also expects to acquire 100 Boeing 737 Next Generation "re-engined" aircraft (the Boeing 737 MAX Aircraft), to be equipped with new, more fuel efficient engines. American's acquisition of Boeing 737 MAX Aircraft is subject to a number of conditions, including negotiation of definitive agreements with Boeing to acquire such aircraft. If acquired, 20 Boeing 737 MAX Aircraft would be scheduled to be delivered in each of the years 2018-2022. In addition, under the Boeing Agreements, American retained purchase rights for 40 Boeing 737 Next Generation aircraft, which, if exercised, would be delivered in the years 2015-2018, and acquired purchase rights for 60 additional Boeing 737 MAX Aircraft, which, if exercised, would be delivered in the years 2020-2025.

Boeing agreed to provide primary lease financing to American for the firm NG Aircraft. If American elects to use this lease financing on any firm NG Aircraft, then subject to certain terms and conditions, including the absence of defaults under certain other agreements, BCC Equipment Leasing Corporation (a subsidiary of Boeing) or a third party arranged by Boeing will enter into a lease for such aircraft with American for an initial term of ten years. Each lease will include customary terms and conditions, including covenants regarding maintenance, operation, registration, liens and insurance with respect to the aircraft, as well as defaults relating to payment and performance of lease obligations and certain cross-default arrangements. If American does not elect to lease any firm NG Aircraft using the lease financing provided by Boeing, American may purchase such aircraft using other financing provided by a third party and arranged directly by American.

Further, American entered into agreements (the Airbus Agreements) with Airbus S.A.S. (Airbus) on July 20, 2011. Under the Airbus Agreements, American committed to lease 130 Airbus current generation A320 family aircraft (the firm Current Generation Airbus Aircraft) which, subject to certain limitations, may consist of A319, A320 or A321 aircraft, and committed to purchase 130 Airbus A320 family "new engine option" aircraft (the firm NEO Airbus Aircraft), to be equipped with new, more fuel efficient engines. Between 20-35 of the firm Current Generation Airbus Aircraft are scheduled to be delivered in each of the years 2013-2017. Ten firm NEO Airbus Aircraft are scheduled to be delivered in 2017 and thereafter between 20-25 firm NEO Airbus Aircraft are scheduled to be delivered in each of the years 2018-2022. In addition, American acquired 70 options and 15 purchase rights for additional Airbus current generation A320 family aircraft, which, if exercised, would be delivered in years 2014-2017, and options for 280 additional Airbus A320 family "new engine option" aircraft, which, if exercised, would be delivered in the years 2017-2025. Under the Airbus Agreements, subject to American's rights to purchase firm Current Generation Airbus Aircraft in certain circumstances, and subject to certain terms and conditions, including the absence of defaults under certain other agreements, the firm Current Generation Airbus Aircraft will be financed under leases with initial terms of ten years with Airbus or one of its affiliates, or with a third party arranged by Airbus. The leases will include customary terms and conditions, including covenants regarding maintenance, operation, registration, liens and insurance with respect to the aircraft, as well as defaults relating to payment and performance of lease obligations and certain cross-default arrangements.

The Bankruptcy Court has not approved American's assumption of the Boeing and Airbus contracts, but has approved certain procedures to allow American to continue taking delivery of Boeing 737 and Boeing 777 aircraft for the remainder of 2012, subject to objection by the Creditors' Committee, and subject to certain limitations.

Reflecting the above transactions, American had total aircraft acquisition commitments as of December 31, 2011 as follows:

		Boeing			**Airbus**		
		737 Family[1]	**777-200ER**	**777-300ER**	**A320 Family**	**NEO**	**Total**
2012	Purchase			2			30
	Lease	28					-
2013	Purchase	15		8			23
	Lease	16			20		36
2014	Purchase	5	2				7
	Lease	15			35		50
2015	Purchase		2				2
	Lease	20			30		50
2016	Purchase		2				2
	Lease	20			25		45
2017 and beyond	Purchase					130	130
	Lease	20			20		40
Total	Purchase	48	6	10	0	130	194
	Lease	91	0	0	130	0	221

[1] As of December 31, 2011, American had elected to purchase nine of the firm NG aircraft using the sale-leaseback financing arranged directly by American with a third party leasing company. These aircraft are therefore reflected as purchases in the above table.

As of December 31, 2011, payments for the above purchase commitments and certain engines will approximate $1.2 billion in 2012, $1.5 billion in 2013, $494 million in 2014, $243 million in 2015, $276 million in 2016 and $7.1 billion for 2017 and beyond. These amounts are net of purchase deposits currently held by the manufacturers. American has granted Boeing a security interest in American's purchase deposits with Boeing. The Company's purchase deposits totaled $746 million as of December 31, 2011.

As of December 31, 2011, total future lease payments for all leased aircraft, including aircraft not yet delivered, will approximate $905 million in 2012, $895 million in 2013, $1.0 billion in 2014, $1.2 billion in 2015, $1.4 billion in 2016 and $13.1 billion in 2017 and beyond.

In 2008, American entered into a purchase agreement with Boeing (subject to certain reconfirmation rights) to acquire 42 Boeing 787-9 aircraft, with the right to acquire an additional 58 Boeing 787-9 aircraft. The first such Boeing 787-9 aircraft is currently scheduled to be delivered (subject to such reconfirmation rights) in 2014. American has selected GE Aviation as the exclusive provider of engines for its expected order of Boeing 787-9 aircraft.

In 2010, American and Japan Airlines (JAL) entered into a Joint Business Agreement (JBA) to enhance their scope of cooperation on routes between North America and Asia through adjustments to their respective networks, flight schedules, and other business activities. The carriers also received antitrust immunity (ATI) approval on these routes from the DOT and the Ministry of Land, Infrastructure, Transport, and Tourism of Japan and began implementing the JBA on April 1, 2011. The JBA provides for expanded codesharing, enhanced frequent flyer program reciprocity, and cooperation in other areas. American and JAL entered into a Revenue Sharing Agreement, effective April 1, 2011, as envisaged by the JBA. Under this agreement, American and JAL share certain revenues of their operations. In addition, American provided JAL a guarantee of certain minimum incremental revenue resulting from the successful operation of the joint business for the first three years following its implementation, subject to certain terms and conditions. The amount required to be paid by the Company under the guarantee in any one of such years may not exceed $100 million, and is reduced if capacity for one of such years is less than a defined base year period capacity. Based on current Trans-Pacific capacity, the guarantee in any one of such years may not exceed approximately $75 million. As of December 31, 2011, based on an expected probability model, American had recorded a guarantee liability that is not material.

The Company has contracts related to facility construction or improvement projects, primarily at airport locations. The contractual obligations related to these projects totaled approximately $74 million as of December 31, 2011. The Company expects to make payments on these obligations of $44 million and $12 million in 2012 and 2013, respectively. In addition, the Company has an information technology support related contract that requires minimum annual payments of $90 million in 2012 and declining to $70 million in 2014 through 2019.

American has a capacity purchase agreement with Chautauqua Airlines, Inc. to provide Embraer -140 regional jet services to certain markets under the brand AmericanConnection®. Under these arrangements, the Company pays the AmericanConnection® carrier a fee per block hour to operate the aircraft. The block hour fees are designed to cover the AmericanConnection® carrier's fully allocated costs plus a margin. Assumptions for certain costs such as fuel, landing fees, insurance, and aircraft ownership are trued up to actual values on a pass through basis. In consideration for these payments, the Company retains all passenger and other revenues resulting from the operation of the AmericanConnection® regional jets. Minimum payments under the contracts are $60 million in 2012 and $5 million in 2013. In addition, if the Company terminates the Chautauqua contract without cause, Chautauqua has the right to put its 15 Embraer aircraft to the Company. If this were to happen, the Company would take possession of the aircraft and become liable for lease obligations totaling approximately $21 million per year with lease expirations in 2018 and 2019.

The Company is a party to many routine contracts in which it provides general indemnities in the normal course of business to third parties for various risks. The Company is not able to estimate the potential amount of any liability resulting from the indemnities. These indemnities are discussed in the following paragraphs.

In its aircraft financing agreements, the Company generally indemnifies the financing parties, trustees acting on their behalf and other relevant parties against liabilities (including certain taxes) resulting from the financing, manufacture, design, ownership, operation and maintenance of the aircraft regardless of whether these liabilities (or taxes) relate to the negligence of the indemnified parties.

The Company's loan agreements and other London Interbank Offered Rate (LIBOR)-based financing transactions (including certain leveraged aircraft leases) generally obligate the Company to reimburse the applicable lender for incremental costs due to a change in law that imposes (i) any reserve or special deposit requirement against assets of, deposits with or credit extended by such lender related to the loan, (ii) any tax, duty or other charge with respect to the loan (except standard income tax) or (iii) capital adequacy requirements. In addition, the Company's loan agreements, derivative contracts and other financing arrangements typically contain a withholding tax provision that requires the Company to pay additional amounts to the applicable lender or other financing party, generally if withholding taxes are imposed on such lender or other financing party as a result of a change in the applicable tax law.

These increased cost and withholding tax provisions continue for the entire term of the applicable transaction, and there is no limitation on the maximum additional amounts the Company could be obligated to pay under such provisions. Any failure to pay amounts due under such provisions generally would trigger an event of default and, in a secured financing transaction, would entitle the lender to foreclose on the collateral to realize the amount due.

In certain transactions, including certain aircraft financing leases and loans and derivative transactions, the lessors, lenders and/or other parties have rights to terminate the transaction based on changes in foreign tax law, illegality or certain other events or circumstances. In such a case, the Company may be required to make a lump sum payment to terminate the relevant transaction.

The Company has general indemnity clauses in many of its airport and other real estate leases where the Company as lessee indemnifies the lessor (and related parties) against liabilities related to the Company's use of the leased property. Generally, these indemnifications cover liabilities resulting from the negligence of the indemnified parties, but not liabilities resulting from the gross negligence or willful misconduct of the indemnified parties. In addition, the Company provides environmental indemnities in many of these leases for contamination related to the Company's use of the leased property.

Under certain contracts with third parties, the Company indemnifies the third party against legal liability arising out of an action by the third party, or certain other parties. The terms of these contracts vary and the potential exposure under these indemnities cannot be determined. The Company has liability insurance protecting the Company for some of the obligations it has undertaken under these indemnities.

AMR and American have event risk covenants in approximately $844 million of indebtedness and operating leases as of December 31, 2011. These covenants permit the holders of such obligations to receive a higher rate of return (between 100 and 600 basis points above the state rate) if a designated event, as defined, should occur and the credit ratings of such obligations are downgraded below certain levels within a certain period of time. No designated event, as defined, had occurred as of December 31, 2011.

The Company is involved in certain claims and litigation related to its operations. The Company is also subject to regulatory assessments in the ordinary course of business. AMR establishes reserves for litigation and regulatory matters when those matters present loss contingencies that are both probable and can be reasonably estimated. In the opinion of management, liabilities, if any, arising from these claims and litigation will not have a material adverse effect on the Company's consolidated financial position, results of operations, or cash flows, after consideration of available insurance.

As a result of the current Chapter 11 filings, attempts to prosecute, collect, secure or enforce remedies with respect to pre-petition claims against the Debtors are subject to the automatic stay provisions of Section 362(a) of the Bankruptcy Code, except in such cases where the Bankruptcy Court has entered an order modifying or lifting the automatic stay. Notwithstanding the general application of the automatic stay described above, governmental authorities, both domestic and foreign, may determine to continue actions brought under their regulatory powers. Therefore, the automatic stay may have no effect on certain matters, and the Debtors cannot predict the impact, if any, that its Chapter 11 Cases might have on its commitments and obligations.

6. Leases

American leases various types of equipment and property, primarily aircraft and airport facilities. As allowed under Section 365 and other relevant sections of the Bankruptcy Code, the Debtors may assume, assume and assign, or reject certain executory contracts and unexpired leases, including, without limitation, leases of real property, aircraft, and aircraft engines, subject to the approval of the Bankruptcy Court and other conditions, including compliance with Section 1110 with respect to aircraft and aircraft-related assets. Consequently, the Company anticipates that its liabilities pertaining to leases will change significantly in the future.

The future minimum lease payments required under capital leases, together with the present value of such 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, 2011, were (in millions):

Capital Leases

	Not Subject to Compromise	Subject to Compromise	Total
Year Ending December 31,			
2012	$ -	$ 167	$ 167
2013	-	149	149
2014	-	129	129
2015	-	118	118
2016	-	78	78
2017 and thereafter	-	477	477
	$ -	$ 1,118	$ 1,118
Less amount representing interest	-	439	439
Present value of net minimum lease payments	$ -	$ 679	$ 679

Operating Leases

Year Ending December 31,	
2012	$ 1,165
2013	1,082
2014	934
2015	774
2016	685
2017 and thereafter	5,938
	$ 10,578 (1)

(1) As of December 31, 2011, included in Liabilities Subject to Compromise on the accompanying consolidated balance sheet is approximately $1.1 billion relating to rent expense being recorded in advance of future operating lease payments.

At December 31, 2011, the Company was operating 203 jet aircraft and 36 turboprop aircraft under operating leases and 60 jet 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. Some 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 or a predetermined fixed amount.

During 2011, the Company incurred approximately $31 million in non-recurring non-cash charges related to certain sale leaseback transactions. During 2010, the Company financed 36 deliveries of Boeing 737-800 aircraft through sale leaseback transactions resulting in gains which are being amortized over the respective remaining lease terms. During 2009 non-recurring charges related to losses on certain sale/leasebacks of vintage aircraft of $88 million were realized and included in Other operating income.

Special facility revenue bonds have been issued by certain municipalities primarily to improve airport facilities and purchase equipment. To the extent these transactions were committed to prior to May 21, 1998, they are accounted for as operating leases under U.S. GAAP. Approximately $1.5 billion of these bonds (with total future payments of approximately $3.2 billion as of December 31, 2011) are guaranteed by American, AMR, or both. Approximately $177 million of these special facility revenue bonds contain mandatory tender provisions that require American to make operating lease payments sufficient to repurchase the bonds at various times: $112 million in 2014 and $65 million in 2015. Although American has the right to remarket the bonds, there can be no assurance that these bonds will be successfully remarketed. Any payments to redeem or purchase bonds that are not remarketed would generally reduce existing rent leveling accruals or be considered prepaid facility rentals and would reduce future operating lease commitments. The special facility revenue bonds that contain mandatory tender provisions are listed in the table above at their ultimate maturity date rather than their mandatory tender provision date.

Rent expense, excluding landing fees, was $1.6 billion, $1.4 billion and $1.3 billion in 2011, 2010 and 2009, respectively.

American has determined that it holds a significant variable interest in, but is not the primary beneficiary of, certain trusts that are the lessors under 70 of its aircraft operating leases. These leases contain a fixed price purchase option, which allows American to purchase the aircraft at a predetermined price on a specified date. However, American does not guarantee the residual value of the aircraft. As of December 31, 2011, future lease payments required under these leases totaled $794 million.

7. Indebtedness

Long-term debt classified as not subject to compromise consisted of (in millions):

	December 31, 2011	December 31, 2010
Debt Not Subject to Compromise		
Secured variable and fixed rate indebtedness due through 2023 (effective rates from 1.00% - 13.00% at December 31, 2011)	$ 2,952	$ 3,002
Enhanced equipment trust certificates due through 2021 (rates from 5.10% - 10.375% at December 31, 2011)	1,942	2,002
6.00% - 8.50% special facility revenue bonds due through 2036	1,436	1,641
7.50% senior secured notes due 2016	1,000	-
AAdvantage Miles advance purchase (net of discount of $110 million)	890	890
Other	27	28
Total Debt Not Subject to Compromise	8,247	7,563
Less current maturities	1,518	1,468
Total long-term debt, less current maturities	6,729	6,095

The financings listed in the table above are considered not subject to compromise. For information regarding the liabilities subject to compromise, see Note 1 to the consolidated financial statements.

The Company's future long-term debt and operating lease payments have changed as its ordered aircraft are delivered and such deliveries have been financed. As of December 31, 2011, maturities of long-term debt (including sinking fund requirements) for the next five years are:

Years Ending December 31 (in millions)	Principal Not Subject to Compromise	Principal Subject to Compromise	Total Principal Amount
2012	$1,479	$211	$1,690
2013	889	209	1,098
2014	752	316	1,068
2015	655	173	828
2016	1,634	179	1,813

As of December 31, 2011, AMR had issued guarantees covering approximately $1.6 billion of American's tax-exempt bond debt (and interest thereon) and $4.4 billion of American's secured debt (and interest thereon), including debt related to aircraft transfers from AMR Eagle to American (see Note 17 to the consolidated financial statements). American had issued guarantees covering approximately $842 million of AMR's unsecured debt (and interest thereon). AMR also guarantees $105 million of American's leases of certain Super ATR aircraft, which are subleased to AMR Eagle.

On January 25, 2011, American closed on a $657 million offering of Class A and Class B Pass Through Trust Certificates, Series 2011-1 (the 2011-1 Certificates). The equipment notes held by each pass through trust were issued for each of (a) 15 Boeing 737-823 aircraft delivered new to American from 1999 to 2001, (b) six Boeing 757-223 aircraft delivered new to American in 1999 and 2001, (c) two Boeing 767-323ER aircraft delivered new to American in 1999 and (d) seven Boeing 777-223ER aircraft delivered new to American from 1999 to 2000. Interest of 5.25% and 7.00% per annum on the issued and outstanding Series A equipment notes and Series B equipment notes, respectively, will be payable semiannually on January 31 and July 31 of each year, commencing on July 31, 2011, and principal on such equipment notes is scheduled for payment on January 31 and July 31 of certain years, commencing on July 31, 2011. The payment obligations of American under the equipment notes are fully and unconditionally guaranteed by AMR. All proceeds from the sale of the Series 2011-1 Certificates have been received by American.

In March 2011, American issued $1 billion aggregate principal amount of senior secured notes due 2016 (the Senior Secured Notes) guaranteed by the Company. The Senior Secured Notes bear interest at a rate of 7.50% per annum, payable semi-annually on March 15 and September 15 of each year, beginning September 15, 2011. As is customary for financings of this nature, the indebtedness evidenced by the Senior Secured Notes may be accelerated upon the occurrence of events of default under the related indenture. The Senior Secured Notes are senior secured obligations of American and are unconditionally guaranteed on an unsecured basis by the Company. Subject to certain limitations and exceptions, the Senior Secured Notes are secured by certain route authorities, airport landing and takeoff slots, and rights to use or occupy space in airport terminals, in each case that American uses to operate non-stop services between certain airports in the United States and London’s Heathrow Airport, and between certain airports in the United States and certain airports in Japan and China.

American, at its option, may redeem some or all of the Senior Secured Notes at any time on or after March 15, 2013, at specified redemption prices, plus accrued and unpaid interest, if any. In addition, at any time prior to March 15, 2013, American, at its option, may redeem some or all of the Senior Secured Notes at a redemption price equal to 100% of their principal amount plus a “make-whole” premium and accrued and unpaid interest, if any. In addition, at any time prior to March 15, 2014, American, at its option, may redeem (1) up to 35% of the aggregate principal amount of the Senior Secured Notes with the proceeds of certain equity offerings at a redemption price of 107.5% of their principal amount, plus accrued and unpaid interest, if any, and (2) during any 12-month period, up to 10% of the original aggregate principal amount of the Senior Secured Notes at a redemption price of 103% of their principal amount, plus accrued and unpaid interest, if any. If American sells certain assets or if a “change of control” (as defined in the indenture) occurs, American must offer to repurchase the Senior Secured Notes at prices specified in the indenture.

The indenture for the Senior Secured Notes includes covenants that, among other things, limit the ability of the Company and its subsidiaries to merge, consolidate, sell assets, incur additional indebtedness, issue preferred stock, make investments and pay dividends. In addition, if American fails to maintain a collateral ratio of 1.5 to 1.0, American must pay additional interest on the notes at the rate of 2% per annum until the collateral coverage ratio equals at least 1.5 to 1.0.

On October 4, 2011, American closed on a $726 million offering of Class A Pass Through Trust Certificates, Series 2011-2 (the 2011-2 Certificates). Subsequent to the closing, the equipment notes held by each pass through trust were issued for each of (a) 14 Boeing 737-823 aircraft delivered new to American from 1999 to 2001 and 2 Boeing 737-823 aircraft delivered new to American in 2009, (b) 14 Boeing 757-223 aircraft delivered new to American in 1999 and 2001 and (c) 13 Boeing 777-223ER aircraft delivered new to American in 2001. Interest of 8.625% per annum on the issued and outstanding 2011-2 Certificates will be payable semiannually on April 15 and October 15 of each year, commencing on April 15, 2012, and principal on such equipment notes is scheduled for payment on April 15 and October 15 of certain years, commencing on April 15, 2012. The payment obligations of American under the equipment notes are fully and unconditionally guaranteed by AMR. All proceeds from the sale of the Series 2011-2 Certificates have been received by American.

Further, in July 2011, American entered into a sale-leaseback arrangement with a leasing company to finance 35 Boeing 737-800 aircraft scheduled to be delivered in 2011 through 2014, subject to certain terms and conditions. During 2011, American financed 13 Boeing 737-800 aircraft under this and other arrangements, which are accounted for as operating leases.

In 2009, American entered into an arrangement under which Citibank paid to American $1.0 billion in order to pre-purchase AAdvantage Miles (the Advance Purchase Miles) under American’s AAdvantage frequent flier loyalty program (the Advance Purchase). Approximately $890 million of the Advance Purchase proceeds is accounted for as a loan from Citibank with the remaining $110 million recorded as Deferred Revenue in Other liabilities and deferred credits.

To effect the Advance Purchase, American and Citibank entered into an Amended and Restated AAdvantage Participation (as so amended and restated, the Amended Participation Agreement). Under the Amended Participation Agreement, American agreed that it would apply in equal monthly installments, over a five year period beginning on January 1, 2012, the Advance Purchase Miles to Citibank cardholders' AAdvantage accounts.

Pursuant to the Advance Purchase, Citibank has been granted a first-priority lien on certain of American's AAdvantage program assets, and a second lien on the collateral that secures the Senior Secured Notes. Commencing on December 31, 2011, American has the right to repurchase, without premium or penalty, any or all of the Advance Purchase Miles that have not then been posted to Citibank cardholders' accounts. American is also obligated, in certain circumstances (including certain specified termination events under the Amended Participation Agreement, certain cross defaults and cross acceleration events, and if any Advance Purchase Miles remain at the end of the term) to repurchase for cash all of the Advance Purchase Miles that have not then been used by Citibank.

The Amended Participation Agreement includes provisions that grant Citibank the right to use Advance Purchase Miles on an accelerated basis under specified circumstances. American also has the right under certain circumstances to release, or substitute other comparable collateral for, the Heathrow and Narita route and slot related collateral.

At December 31, 2011, the Company had outstanding $460 million principal amount of its 6.25 percent senior convertible notes due 2014, which is classified as liabilities subject to compromise (see Note 1 to the consolidated financial statements). Each note is convertible by holders into shares of AMR common stock at an initial conversion rate of 101.0101 shares per $1,000 principal amount of notes (which represents an equivalent initial conversion price of approximately $9.90 per share), subject to adjustment upon the occurrence of certain events, at any time prior to the close of business on the business day immediately preceding the maturity date of the notes. The Company must pay the conversion price of the notes in common stock. If the holders of the notes do not convert prior to maturity, the Company will retire the debt in cash. These notes are guaranteed by American. In the case of the Senior Secured Notes, an additional alternative is to pay a higher rate of interest on such notes until such time, if any, as the loan to value ratio is below the specified threshold.

Certain of the Company's debt financing agreements contain loan to value ratio covenants and require the Company to periodically appraise the collateral. Pursuant to such agreements, if the loan to value ratio exceeds a specified threshold, we may be required to subject additional qualifying collateral (which in some cases may include cash collateral) or, in the alternative, to pay down such financing, in whole or in part, with premium (if any).

Specifically, the Company is required to meet certain collateral coverage tests on a periodic basis on three financing transactions: (1) 10.5% $450 million Senior Secured Notes due 2012, (2) Senior Secured Notes, and (3) 2005 Spare Engine EETC due in 2012, as described below:

	(1) 10.5% $450M Senior Secured Notes	(2) Senior Secured Notes	(3) 2005 Spare Engine EETC
Frequency of Appraisals	Semi-Annual (April and October)	Semi-Annual (June and December, commencing December 2011)	Semi-Annual (April and October)
LTV Requirement	43%; failure to meet collateral test requires posting of additional collateral	1.5x Collateral valuation to amount of debt outstanding (67% LTV); failure to meet collateral test results in AMR paying 2% additional interest until the ratio is at least 1.5x; additional collateral can be posted to meet this requirement	32.8% applicable to the one Tranche only; failure to meet collateral test requires posting of additional cash collateral
LTV as of Last Measurement Date	44.1%	65.5%	31.8%
Collateral Description	143 aircraft consisting of: Type — # of Aircraft MD-80 — 74 B757-200 — 41 B767-200ER — 3 B767-300ER — 25 TOTAL — 143	Generally, certain route authorities, take-off and landing slots, and rights to airport facilities used by American to operate certain services between the U.S. and London Heathrow, Tokyo Narita/Haneda, and China	87 spare aircraft engines consisting of: Engine/Associated Aircraft — # of JT8D-219/MD-80 — 47 RB211-535E4B/B757-200 — 22 CF6-80A/B767-200ER — 3 CF6-80C2 B6/B767-300ER — 12 CF6-80C2 A5/A300 — 3 TOTAL — 87

At December 31, 2011, the Company was in compliance with the most recently completed collateral coverage tests for the Senior Secured Notes and the 2005 Spare Engine EETC, and was not in compliance with the most recently completed collateral coverage test for the 10.5% $450 million Senior Secured Notes due 2012. The Company has not remedied the covenant due to the ongoing Chapter 11 proceedings. The Company continues to monitor compliance with the Senior Secured Notes and the 2005 Spare Engine EETC covenants and, if needed, intends to take necessary steps as permitted by the Bankruptcy Court, to maintain compliance.

Cash payments for interest, net of capitalized interest, were $628 million, $627 million and $537 million for 2011, 2010 and 2009, respectively.

Almost all of the Company's aircraft assets (including aircraft and aircraft-related assets eligible for the benefits of Section 1110 of the U.S. Bankruptcy Code) are encumbered, and the Company has a very limited quantity of assets which could be used as collateral in financing.

The Debtors cannot predict the impact, if any, that the Chapter 11 Cases might have on these obligations. For further information regarding the Chapter 11 Cases, see Note 1 to the consolidated financial statements.

8. Financial Instruments and Risk Management

Fuel Price Risk Management As part of the Company's risk management program, it uses a variety of financial instruments, primarily heating oil option and collar contracts, as cash flow hedges to mitigate commodity price risk. The Company does not hold or issue derivative financial instruments for trading purposes. As of December 31, 2011, the Company had fuel derivative contracts outstanding covering 16 million barrels of jet fuel that will be settled over the next 12 months. A deterioration of the Company's liquidity position and its Chapter 11 filing may negatively affect the Company's ability to hedge fuel in the future.

In accordance with U.S. GAAP, the Company assesses, both at the inception of each hedge and on an ongoing basis, whether the derivatives that are used in its hedging transactions are highly effective in offsetting changes in cash flows of the hedged items. Derivatives that meet the requirements are granted special hedge accounting treatment, and the Company's hedges generally meet these requirements. Accordingly, the Company's fuel derivative contracts are accounted for as cash flow hedges, and the fair value of the Company's hedging contracts is recorded in Current Assets or Current Liabilities in the accompanying consolidated balance sheets until the underlying jet fuel is purchased. The Company determines the ineffective portion of its fuel hedge contracts by comparing the cumulative change in the total value of the fuel hedge contract, or group of fuel hedge contracts, to the cumulative change in a hypothetical jet fuel hedge. If the total cumulative change in value of the fuel hedge contract more than offsets the total cumulative change in a hypothetical jet fuel hedge, the difference is considered ineffective and is immediately recognized as a component of Aircraft fuel expense. Effective gains or losses on fuel hedging contracts are deferred in Accumulated other comprehensive income (loss) and are recognized in earnings as a component of Aircraft fuel expense when the underlying jet fuel being hedged is used.

Ineffectiveness is inherent in hedging jet fuel with derivative positions based in crude oil or other crude oil related commodities. In assessing effectiveness, the Company uses a regression model to determine the correlation of the change in prices of the commodities used to hedge jet fuel (e.g., NYMEX Heating oil) to the change in the price of jet fuel. The Company also monitors the actual dollar offset of the hedges' market values as compared to hypothetical jet fuel hedges. The fuel hedge contracts are generally deemed to be "highly effective" if the R-squared is greater than 80 percent and dollar offset correlation is within 80 percent to 125 percent. The Company discontinues hedge accounting prospectively if it determines that a derivative is no longer expected to be highly effective as a hedge or if it decides to discontinue the hedging relationship. Subsequently, any changes in the fair value of these derivatives are marked to market through earnings in the period of change.

For the years ended December 31, 2011, 2010 and 2009, the Company recognized net gains (losses) of approximately $297 million, ($124) million and ($591) million, respectively, as a component of Aircraft fuel expense on the accompanying consolidated statements of operations related to its fuel hedging agreements, including the ineffective portion of the hedges. The fair value of the Company's fuel hedging agreements at December 31, 2011 and 2010, representing the amount the Company would receive upon termination of the agreements (net of settled contract assets), totaled $80 million and $257 million, respectively. As of December 31, 2011, the Company estimates that during the next twelve months it will reclassify from Accumulated other comprehensive loss into earnings approximately $10 million in net gains (based on prices as of December 31, 2011) related to its fuel derivative hedges.

The impact of cash flow hedges on the Company's consolidated financial statements for the years ending December 31, 2011 and 2010, respectively, is depicted below (in millions):

Asset Derivatives as of December 31,				Liability Derivatives as of December 31,			
2011		2010		2011		2010	
Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Fuel derivative contracts	$ 97	Fuel derivative contracts	$ 269	Accrued liability	$ 2	Accrued Liability	$ –

Effect of Aircraft Fuel Derivative Instruments on Statements of Operations (all cash flow hedges)

Amount of Gain (Loss) Recognized in OCI on Derivative[1]		Location of Gain (Loss) Reclassified from Accumulated OCI into Income [1]	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income [1,3]		Location of Gain (Loss) Recognized in Income on Derivative [2]	Amount of Gain (Loss) Recognized in Income on Derivative [2]	
2011	2010		2011	2010		2011	2010
$190	$72	Aircraft Fuel	$277	$(126)	Aircraft Fuel	$ 24	$ 2

[1] Effective portion of gain (loss)
[2] Ineffective portion of gain (loss)
[3] Does not include expense allocated to AMR Eagle

The Company is also exposed to credit losses in the event of non-performance by counterparties to these financial instruments, and although no assurances can be given, the Company 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 a number of its counterparties which may require the Company or the counterparty to post collateral if the value of selected instruments exceed specified mark-to-market thresholds or upon certain changes in credit ratings.

As of December 31, 2011, the Company had received collateral of $0.5 million which is included in short-term investments.

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 value and estimated fair values of the Company's long-term debt, including current maturities, not classified as subject to compromise, were (in millions):

	December 31,			
	2011		2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Secured variable and fixed rate indebtedness	$ 2,952	$ 2,647	$ 3,002	$ 2,907
Enhanced equipment trust certificates	1,942	1,927	2,002	2,127
6.0% - 8.50% special facility revenue bonds	1,436	1,230	1,641	1,657
7.50% senior secured notes	1,000	711	–	–
AAdvantage Miles advance purchase	890	902	890	903
Other	27	27	28	28
	$ 8,247	$ 7,444	$ 7,563	$ 7,622

The carrying value and estimated fair value of the Company's long-term debt, including current maturities, classified as subject to compromise, were (in millions):

	December 31, 2011		December 31, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Secured variable and fixed rate indebtedness	$ 1,456	$ 1,123	$ –	$ –
Enhanced equipment trust certificates	–	–	–	–
6.0% - 8.5% special facility revenue bonds	186	37	–	–
7.50% senior secured notes	–	–	–	–
AAdvantage Miles advance purchase	–	–	–	–
	$ 1,642	$ 1,160	$ –	$ –

9. Income Taxes

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

	Year Ended December 31,		
	2011	2010	2009
Current	$ (25)	$ (5)	$ (35)
Deferred	25	(30)	(248)
Income tax benefit	$ (0)	$ (35)	$ (283)

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

	Year Ended December 31,		
	2011	2010	2009
Statutory income tax provision expense/(benefit)	$ (686)	$ (177)	$ (615)
State income tax expense/(benefit), net of federal tax effect	(32)	(2)	(30)
Meal expense	6	6	6
Change in valuation allowance	697	127	588
Tax benefit resulting from OCI allocation	0	0	(248)
Other, net	15	11	16
Income tax benefit	$ (0)	$ (35)	$ (283)

The change in the valuation allowance reflects the recording by the Company in 2010 and 2009 of an income tax expense credit of approximately $30 million and $35 million, respectively, resulting from the Company's elections under applicable sections of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 and the Housing and Economic Recovery Act of 2008 (as extended by Section 1201(b) of the American Recovery and Reinvestment Act of 2009), allowing corporations to accelerate utilization of certain research and alternative minimum tax (AMT) credit carryforwards in lieu of applicable bonus depreciation on certain qualifying capital investments.

In addition to the changes in the valuation allowance from operations described in the table above, the valuation allowance was also impacted by the changes in the components of Accumulated other comprehensive income (loss), described in Note 12 to the consolidated financial statements. The total increase (decrease) in the valuation allowance was $1.1 billion, $120 million, and $126 million in 2011, 2010, and 2009, respectively.

The Company provides a valuation allowance for deferred tax assets when it is more likely than not that some portion, or all of its deferred tax assets, will not be realized. In assessing the realizability of the deferred tax assets, management considers whether it is more likely than not that some portion, or all of the deferred tax assets, will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income (including reversals of deferred tax liabilities) during the periods in which those temporary differences will become deductible.

The Company recorded a $248 million non-cash income tax benefit from continuing operations during the fourth quarter of 2009. Under current accounting rules, the Company is required to consider all items (including items recorded in other comprehensive income) in determining the amount of tax benefit that results from a loss from continuing operations and that should be allocated to continuing operations. As a result, the Company recorded a tax benefit on the loss from continuing operations for the year, which will be exactly offset by income tax expense on other comprehensive income. However, while the income tax benefit from continuing operations is reported on the income statement, the income tax expense on other comprehensive income is recorded directly to Accumulated other comprehensive income, which is a component of stockholders' equity. Because the income tax expense on other comprehensive income is equal to the income tax benefit from continuing operations, the Company's year-end net deferred tax position is not impacted by this tax allocation.

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

	December 31, 2011	December 31, 2010
Deferred tax assets:		
Postretirement benefits other than pensions	$ 1,075	$ 1,054
Rent expense	257	265
Alternative minimum tax credit carryforwards	493	518
Operating loss carryforwards	2,271	2,072
Pensions	2,337	1,860
Frequent flyer obligation	680	628
Gains from lease transactions	26	39
Other	885	525
Total deferred tax assets	8,024	6,961
Valuation allowance	(4,802)	(3,653)
Net deferred tax assets	3,222	3,308
Deferred tax liabilities:		
Accelerated depreciation and amortization	(3,045)	(3,114)
Other	(177)	(169)
Total deferred tax liabilities	(3,222)	(3,283)
Net deferred tax liability	$ 0	$ 25

At December 31, 2011, the Company had available for federal income tax purposes an AMT credit carryforward of approximately $493 million, which is available for an indefinite period, and federal net operating losses of approximately $6.7 billion for regular tax purposes, which will expire, if unused, beginning in 2022. These net operating losses include an unrealized benefit of approximately $666 million related to the implementation of share-based compensation accounting guidance that will be recorded in equity when realized. The Company had available for state income tax purposes net operating losses of $3.2 billion, which expire, if unused, in years 2012 through 2027. The amount that will expire in 2012 is $3 million.

The Company files its tax returns as prescribed by the tax laws of the jurisdictions in which it operates. The Company's 2004 through 2010 tax years are still subject to examination by the Internal Revenue Service. Various state and foreign jurisdiction tax years remain open to examination and the Company is under examination, in administrative appeals, or engaged in tax litigation in certain jurisdictions. The Company believes that the effect of any additional assessment(s) will be immaterial to its consolidated financial statements.

Cash payments (refunds) for income taxes were ($.5) million, ($32) million and $4 million for 2011, 2010 and 2009, respectively.

Under special tax rules (the Section 382 Limitation), cumulative stock ownership changes among material shareholders exceeding 50 percent during a 3-year period can potentially limit a company's future use of net operating losses and tax credits. Chapter 11 proceedings could impact the availability and utilization of net operating losses and tax credits. Based on available information, the Company believes it is not currently subject to the Section 382 Limitation.

The Company has an unrecognized tax benefit of approximately $5 million, which did not change during the twelve months ended December 31, 2011. Changes in the unrecognized tax benefit have no impact on the effective tax rate due to the existence of the valuation allowance. Accrued interest on tax positions is recorded as a component of interest expense but was not significant at December 31, 2011.

The reconciliation of the beginning and ending amounts of unrecognized tax benefit are (in millions):

	2011	2010
Unrecognized Tax Benefit at January 1	$ 5	$ 5
No Activity	0	0
Unrecognized Tax Benefit at December 31	$ 5	$ 5

The Company estimates that the unrecognized tax benefit will not significantly change within the next twelve months.

10. Share Based Compensation

Prior to the Petition Date, AMR adopted certain plans which provide for the issuance of AMR common stock in connection with the exercise of stock options and for other stock-based awards. AMR has granted stock compensation under three plans: the 1998 Long Term Incentive Plan (the 1998 Plan), the 2003 Employee Stock Incentive Plan (the 2003 Plan) and the 2009 Long Term Incentive Plan (the 2009 Plan). Collectively, the 1998 Plan and the 2009 Plan are referred to as the LTIP Plans.

The Company believes that all of the granted stock options will be cancelled as part of the emergence of AMR and its subsidiaries, including the Company, from Chapter 11. The following includes additional information about these plans as of December 31, 2011. It is expected that no future awards will be made under these plans.

Under the LTIP Plans, officers and key people of American and its subsidiaries were granted certain types of stock or performance based awards. At December 31, 2011, AMR had AMR stock option awards, stock appreciation right (SAR) awards, performance share awards, deferred share awards and other awards outstanding under these plans. The total number of AMR common shares authorized for distribution under the 1998 Plan and the 2009 Plan is 23,700,000 and 4,000,000 shares, respectively. The 1998 Plan expired by its terms in 2008.

AMR established the 2003 Plan to provide equity awards to employees of AMR and its subsidiaries. Under the 2003 Plan, employees may be granted AMR stock options, restricted stock and deferred stock. At December 31, 2011, AMR had stock options and deferred awards outstanding under this plan. The total number of shares of AMR common stock authorized for distribution under the 2003 Plan is 42,680,000 shares.

In 2011, 2010 and 2009 the total charge for share-based compensation expense included in Wages, salaries and benefits expense was $40 million, $49 million and $61 million, respectively. In 2011, 2010 and 2009, the amount of cash used to settle equity instruments granted under share-based compensation plans was $2 million, $2 million and $1 million, respectively.

Stock Options/SARs During 2006, AMR's Board of Directors approved an amendment covering all of the outstanding stock options previously granted under the 1998 Plan. The amendment added to each of the outstanding options an additional SAR in tandem with each of the then outstanding stock options. The addition of the SAR did not impact the fair value of the stock options, but simply allowed AMR to settle the exercise of the option by issuing the net number of shares equal to the in-the-money value of the option. This amendment is estimated to make available enough shares to permit AMR to settle all outstanding performance and deferred share awards under the 1998 Plan in stock rather than cash.

Options/SARs granted under the LTIP Plans and the 2003 Plan are awarded with an exercise price equal to the fair market value of AMR stock on date of grant, become exercisable in equal annual installments over periods ranging from three to five years and expire no later than ten years from the date of grant. Expense for the options is recognized on a straight-line basis. The fair value of each award is estimated on the date of grant using the modified Black-Scholes option valuation model and the assumptions noted in the following table. Expected volatilities are based on implied volatilities from traded options on AMR stock, historical volatility of AMR stock, and other factors. The Company uses historical employee exercise data to estimate the expected term of awards granted used in the valuation model. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant. The dividend yield is assumed to be zero based on AMR's history and expectation of not paying dividends.

	2011	2010	2009
Expected volatility	73.5% to 75.4%	74.4% to 75.9%	73.6% to 76.7%
Expected term (in years)	4.0	4.0	4.0
Risk-free rate	0.90% to 2.11%	1.18% to 2.58%	2.33% to 2.46%
Annual forfeiture rate	10.0%	10.0%	10.0%

A summary of stock option/SARs activity under the LTIP Plans and the 2003 Plan as of December 31, 2011, and changes during the year then ended is presented below:

	LTIP Plans		The 2003 Plan	
	Options/SARs	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding at January 1	15,384,288	$ 13.99	13,208,383	$5.66
Granted	2,556,305	6.51	-	-
Exercised	(38,720)	4.56	(51,751)	5.00
Forfeited or Expired	(4,092,032)	21.80	(73,727)	6.52
Outstanding at December 31	13,809,841	$ 10.31	13,082,905	$5.66
Exercisable at December 31	6,341,822	$ 14.55	13,082,905	$5.66
Weighted Average Remaining Contractual Term of Options Outstanding (in years)	6.6		1.4	
Aggregate Intrinsic Value of Options Outstanding	$ 0		$ 0	

The aggregate intrinsic value of all vested options/SARs is $0 and those options have an average remaining contractual life of 2.5 years. The weighted-average grant date fair value of options/SARs granted during 2011, 2010 and 2009 was $3.59, $3.97 and $2.54, respectively. The total intrinsic value of options/SARs exercised during 2011, 2010 and 2009 was less than $1 million, $1 million and less than $1 million, respectively.

A summary of the status of AMR's non-vested options/SARs under all plans as of December 31, 2011, and changes during the year ended December 31, 2011, is presented below:

	Options/SARs	Weighted Average Grant Date Fair Value
Outstanding at January 1	8,096,002	$ 3.83
Granted	2,556,305	3.59
Vested	(2,195,172)	4.46
Forfeited	(989,116)	3.59
Outstanding at December 31	7,468,019	$ 3.59

As of December 31, 2011, there was $11 million of total unrecognized compensation cost related to non-vested stock options/SARs granted under the LTIP Plans and the 2003 Plan that is expected to be recognized over a weighted-average period of 3.2 years. The total fair value of stock options/SARs vested during the years ended December 31, 2011, 2010 and 2009, was $7 million, $10 million and $9 million, respectively.

Cash received by AMR from exercise of stock options for the years ended December 31, 2011, 2010 and 2009, was $1 million for each of those years. No tax benefit was realized as a result of stock options/SARs exercised in 2011 due to the tax valuation allowance discussed in Note 9.

Performance Share Awards AMR performance share awards are granted under the LTIP Plans, generally vest pursuant to a three year measurement period and are settled on the vesting date. The number of awards ultimately issued under performance share awards is contingent on AMR's relative stock price performance compared to certain of its competitors over a three year period and can range from zero to 175 percent of the awards granted. The fair value of performance awards is calculated by multiplying the stock price on the date of grant by the expected payout percentage and the number of shares granted.

Activity during 2011 for performance awards accounted for as equity awards was:

	Awards	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1	9,290,446		
Granted	795,305		
Settled	(1,392,447)		
Forfeited or Expired	(2,351,609)		
Outstanding at December 31	6,341,695	0.8	$ 2,219,593

The aggregate intrinsic value represents the Company's current estimate of the number of shares (6,341,695 shares at December 31, 2011) that will ultimately be distributed for outstanding awards computed using the market value of AMR's common stock at December 31, 2011. The weighted-average grant date fair value per share of performance share awards granted during 2011, 2010, and 2009 was $6.58, $7.01 and $4.53, respectively. The total fair value of equity awards settled during the year ended December 31, 2011 was $7 million. As of December 31, 2011, there was $9 million of total unrecognized compensation cost related to performance share awards that is expected to be recognized over a period of 1.2 years.

Deferred Share Awards The distribution of deferred share awards granted under the LTIP Plans is based solely on a requisite service period (generally 36 months). Career equity awards granted to certain employees of the Company vest upon the retirement of those individuals. The fair value of each deferred award is based on AMR's stock price on the measurement date.

Activity during 2011 for deferred awards accounted for as equity awards was:

	Shares	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1	8,724,559		
Granted	1,068,391		
Settled	(1,416,519)		
Forfeited or Expired	(1,105,410)		
Outstanding at December 31	7,271,021	1.6	$2,544,858

The weighted-average grant date fair value per share of deferred awards granted during 2011, 2010 and 2009 was $6.29, $7.05 and $4.57, respectively. The total fair value of awards settled during the years ended December 31, 2011, 2010 and 2009 was $1 million, $3 million and $3 million, respectively. As of December 31, 2011, there was $15 million of total unrecognized compensation cost related to deferred awards that is expected to be recognized over a weighted average period of 2.1 years.

Other Awards As of December 31, 2011, certain performance share agreements and deferred share award agreements were accounted for as a liability, or as equity, as appropriate, in the consolidated balance sheet as the plans only permit settlement in cash or the awards required that the employee meet certain performance conditions which were not subject to market measurement. As a result, awards under these agreements are marked to current market value. As of December 31, 2011, the aggregate intrinsic value of these awards was $1 million and the weighted average remaining contractual term of these awards was 2.2 years. The total fair value of awards settled during the years ended December 31, 2011, 2010 and 2009 was $2 million, $2 million, and $1 million respectively. As of December 31, 2011, there was $1 million of total unrecognized compensation cost related to other awards that is expected to be recognized over a weighted average period of 2.3 years.

Due to its Chapter 11 filings, AMR does not plan to continue to distribute shares to recipients under any outstanding equity-based awards.

11. Retirement Benefits

All employees of the Company may participate in pension plans if they meet the plans' eligibility requirements. 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. The Company uses a December 31 measurement date for all of its defined benefit plans. American's pilots also participate in a defined contribution plan for which Company contributions are determined as a percentage (11 percent) of participant compensation. Certain non-contract employees (including all new non-contract employees) participate in a defined contribution plan in which the Company will match the employees' before-tax contribution on a dollar-for-dollar basis, up to 5.5 percent of their pensionable pay. The effect of the Chapter 11 Cases on the Company's obligations for retirement benefits cannot be predicted at this time.

In addition to pension benefits, retiree medical and other postretirement benefits, including certain health care and life insurance benefits (which provide secondary coverage to Medicare), are provided to retired employees. The amount of health care benefits is limited to lifetime maximums as outlined in the plan. Certain 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. The Company funds benefits as incurred and makes contributions to match employee prefunding.

The following table provides a reconciliation of the changes in the pension and retiree medical and other benefit obligations and fair value of assets for the years ended December 31, 2011 and 2010, and a statement of funded status as of December 31, 2011 and 2010 (in millions):

	Pension Benefits		Retiree Medical and Other Benefits	
	2011	2010	2011	2010
Reconciliation of benefit obligation				
Obligation at January 1	$ 12,968	$ 12,003	$ 3,097	$ 2,827
Service cost	386	366	61	60
Interest cost	757	737	174	165
Actuarial (gain) loss	1,237	442	(63)	263
Plan amendments	-	1	(3)	(78)
Benefit payments	(780)	(581)	(144)	(140)
Obligation at December 31	$ 14,568	$ 12,968	$ 3,122	$ 3,097
Reconciliation of fair value of plan assets				
Fair value of plan assets at January 1	$ 7,773	$ 7,051	$ 234	$ 206
Actual return on plan assets	614	837	(6)	17
Employer contributions	525	466	121	151
Benefit payments	(780)	(581)	(144)	(140)
Fair value of plan assets at December 31	$ 8,132	$ 7,773	$ 205	$ 234
Funded status at December 31	$ (6,436)	$ (5,195)	$ (2,917)	$ (2,863)
Amounts recognized in the consolidated balance sheets				
Current liability	$ 2	$ 8	$ 147	$ 173
Noncurrent liability	6,434	5,187	2,770	2,690
	$ 6,436	$ 5,195	$ 2,917	$ 2,863
Amounts recognized in other comprehensive loss				
Net actuarial loss (gain)	$ 4,179	$ 3,052	$ (181)	$ (128)
Prior service cost (credit)	68	81	(179)	(205)
	$ 4,247	$ 3,133	$ (360)	$ (333)

For plans with accumulated benefit obligations exceeding the fair value of plan assets	Pension Benefits		Retiree Medical and Other Benefits	
	2011	2010	2011	2010
Projected benefit obligation (PBO)	$ 14,568	$ 12,968	$ -	$ -
Accumulated benefit obligation (ABO)	12,935	11,508	-	-
Accumulated postretirement benefit obligation (APBO)	-	-	3,123	3,097
Fair value of plan assets	8,132	7,773	205	234
ABO less fair value of plan assets	4,803	3,735	-	-

At December 31, 2011 and 2010, pension benefit plan assets of $143 million and $264 million, respectively, and retiree medical and other benefit plan assets of $203 million and $232 million, respectively, were invested in shares of certain mutual funds.

The following tables provide the components of net periodic benefit cost for the years ended December 31, 2011, 2010 and 2009 (in millions):

	Pension Benefits		
	2011	2010	2009
Components of net periodic benefit cost			
Defined benefit plans:			
Service cost	$ 386	$ 366	$ 333
Interest cost	757	737	712
Expected return on assets	(657)	(593)	(566)
Amortization of:			
Prior service cost	13	13	13
Settlement	-	-	-
Unrecognized net loss	154	154	145
Net periodic benefit cost for defined benefit plans	653	677	637
Defined contribution plans	162	152	153
	$ 815	$ 829	$ 790

	Retiree Medical and Other Benefits		
	2011	2010	2009
Components of net periodic benefit cost			
Service cost	$ 61	$ 60	$ 59
Interest cost	174	165	179
Expected return on assets	(20)	(18)	(14)
Amortization of:			
Prior service cost	(28)	(19)	(8)
Unrecognized net loss (gain)	(9)	(10)	(14)
Net periodic benefit cost	$ 178	$ 178	$ 202

The estimated net loss and prior service cost for the defined benefit pension plans that will be amortized from Accumulated other comprehensive income into net periodic benefit cost over the next fiscal year are $250 million and $13 million, respectively. The estimated net gain and prior service credit for the retiree medical and other postretirement plans that will be amortized from Accumulated other comprehensive income into net periodic benefit cost over the next fiscal year are $9 million and $29 million, respectively.

	Pension Benefits		Retiree Medical and Other Benefits	
	2011	2010	2011	2010
Weighted-average assumptions used to determine benefit obligations as of December 31				
Discount rate	5.20%	5.80%	4.89%	5.69%
Salary scale (ultimate)	3.78	3.78	-	-

	Pension Benefits		Retiree Medical and Other Benefits	
	2011	2010	2011	2010
Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31				
Discount rate	5.80%	6.10%	5.69%	5.90%
Salary scale (ultimate)	3.78	3.78	-	-
Expected return on plan assets	8.50	8.50	8.50	8.50

As of December 31, 2011, the Company’s estimate of the long-term rate of return on plan assets was 8.25 percent based on the target asset allocation. Expected returns on longer duration bonds are based on yields to maturity of the bonds held at year-end. Expected returns on other assets are based on a combination of long-term historical returns, actual returns on plan assets achieved over the last ten years, current and expected market conditions, and expected value to be generated through active management, currency overlay and securities lending programs. The Company’s annualized ten-year rate of return on plan assets as of December 31, 2011, was approximately 8.58 percent.

The objectives of the Company’s investment policies are to: maintain sufficient income and liquidity to pay retirement benefits; produce a long-term rate of return that meets or exceeds the assumed rate of return for plan assets; limit the volatility of asset performance and funded status; and diversify assets among asset classes and investment managers.

Based on these investment objectives, a long-term strategic asset allocation has been established. This strategic allocation seeks to balance the potential benefit of improving funded position with the potential risk that the funded position would decline. The current strategic target asset allocation is as follows:

Asset Class/Sub-Class	Allowed Range
Equity	60% - 70%
Public:	
U.S. Value	18% - 33%
International Value	14% - 24%
Emerging Markets	5% - 11%
Alternative Investments	0% - 18%
Fixed Income	30% - 40%
U.S. Long Duration	30% - 40%
Other	0% - 5%
Cash Equivalents	0% - 5%

Each asset class is actively managed and, historically, the plans’ assets have produced returns, net of management fees, in excess of the expected rate of return over the last ten years. Stocks and emerging market bonds are used to provide diversification and are expected to generate higher returns over the long-term than longer duration U.S. bonds. Public stocks are managed using a value investment approach in order to participate in the returns generated by stocks in the long-term, while reducing year-over-year volatility. Longer duration U.S. bonds are used to partially hedge the assets from declines in interest rates. Alternative (private) investments are used to provide expected returns in excess of the public markets over the long-term. Additionally, the Company engages currency overlay managers in an attempt to increase returns by protecting non-U.S. dollar denominated assets from a rise in the relative value of the U.S. dollar. The Company also participates in securities lending programs to generate additional income by loaning plan assets to borrowers on a fully collateralized basis. These programs are subject to market risk.

Investments in securities traded on recognized securities exchanges are valued at the last reported sales price on the last business day of the year. Securities traded in the over-the-counter market are valued at the last bid price. The money market fund is valued at fair value which represents the net asset value of the shares of such fund as of the close of business at the end of the period. Investments in limited partnerships are carried at estimated net asset value as determined by and reported by the general partners of the partnerships and represent the proportionate share of the estimated fair value of the underlying assets of the limited partnerships. Common/collective trusts are valued at net asset value based on the fair values of the underlying investments of the trusts as determined by the sponsor of the trusts. The 103-12 investment trust is valued at net asset value which is determined by the issuer at the end of each month and is based on the aggregate fair value of trust assets less liabilities, divided by the number of units outstanding. No changes in valuation techniques or inputs occurred during the period.

The fair values of the Company's pension plan assets at December 31, 2011 and 2010, by asset category are as follows:

	Fair Value Measurements at December 31, 2011 (in millions)			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Asset Category				
Cash and cash equivalents	$ 160	$ –	$ –	$ 160
Equity securities				
International markets (a)(b)	1,939	–	–	1,939
Large-cap companies (b)	1,462	–	–	1,462
Mid-cap companies (b)	221	–	–	221
Small-cap companies(b)	17	–	–	17
Fixed Income				
Corporate bonds (c)	–	1,866	–	1,866
Government securities (d)	–	1,205	–	1,205
U.S. municipal securities	–	52	–	52
Alternative investments				
Private equity partnerships (e)	–	–	920	920
Common/collective and 103-12 investment trusts (f)	–	172	–	172
Insurance group annuity contracts	–	–	2	2
Dividend and interest receivable	42	–	–	42
Due to/from brokers for sale of securities - net	72	–	–	72
Other assets - net	2	–	–	2
Total	$ 3,915	$ 3,295	$ 922	$ 8,132

(a) Holdings are diversified as follows: 22 percent United Kingdom, 10 percent Japan, 9 percent France, 7 percent Switzerland, 6 percent Germany, 5 percent Netherlands, 5 percent Republic of Korea, 13 percent emerging markets and the remaining 23 percent with no concentration greater than 5 percent in any one country.

(b) There are no significant concentration of holdings by company or industry.

(c) Includes approximately 83 percent investments in corporate debt with a Standard and Poor's (S&P) rating lower than A and 17 percent investments in corporate debt with an S&P rating A or higher. Holdings include 80 percent U.S. companies, 18 percent international companies and 2 percent emerging market companies.

(d) Includes approximately 89 percent investments in domestic government securities and 11 percent in emerging market government securities. There are no significant foreign currency risks within this classification.

(e) Includes limited partnerships that invest primarily in U.S. (92%) and European (8%) buyout opportunities of a range of privately held companies. The Master Trust does not have the right to redeem its limited partnership investment at its net asset value. Instead, the Master Trust receives distributions as the underlying assets are liquidated. It is estimated that the underlying assets of these funds will be gradually liquidated over the next 1 to 10 years. Additionally, the Master Trust has future funding commitments of approximately $335 million over the next 10 years.

(f) Investment includes 71% in an emerging market 103-12 investment trust with investments in emerging country equity securities, 16% in Canadian segregated balanced value, income growth and diversified pooled funds and 13% in a common/collective trust investing in securities of smaller companies located outside the U.S., including developing markets. Requests for withdrawals must meet specific requirements with advance notice of redemption preferred.

	Fair Value Measurements at December 31, 2010 (in millions)			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Asset Category				
Cash and cash equivalents	$ 269	$ –	$ –	$ 269
Equity securities				
International markets (a)(e)	2,025	–	–	2,025
Large-cap companies (b)	1,557	–	–	1,557
Mid-cap companies (b)	152	–	–	152
Small-cap companies(b)	37	–	–	37
Fixed Income				
Corporate bonds (c)	–	1,593	–	1,593
Government securities (d)	–	1,194	–	1,194
U.S. municipal securities	–	39	–	39
Alternative investments				
Private equity partnerships (e)	–	–	795	795
Common/collective and 103 - 12 investment trusts (f)	–	145	–	145
Interest rate swap contracts – net (g)		(74)		(74)
Insurance group annuity contracts	–	–	3	3
Dividend and interest receivable	37	–	–	37
Due to/due from brokers for sale of securities – net	(11)	–	–	(11)
Swap income receivable	8	–	–	8
Other assets – net	4	–	–	4
Total	$ 4,078	$ 2,897	$ 798	$ 7,773

a) Holdings are diversified as follows: 20 percent United Kingdom, 14 percent Japan, 9 percent France, 8 percent Switzerland, 7 percent Germany, 5 percent Netherlands, 11 percent emerging markets and the remaining 26 percent with no concentration greater than 5 percent in any one country.

b) There are no significant concentration of holdings by company or industry.

c) Includes approximately 82 percent investments in corporate debt with a Standard and Poor's (S&P) rating lower than A and 18 percent investments in corporate debt with an S&P rating A or higher. Holdings include 81 percent U.S. companies, 16 percent international companies and 3 percent emerging market companies.

d) Includes approximately 87 percent investments in domestic government securities and 13 percent in emerging market government securities. There are no significant foreign currency risks within this classification.

e) Includes limited partnerships that invest primarily in U.S. (92%) and European (8%) buyout opportunities of a range of privately held companies. The Master Trust does not have the right to redeem its limited partnership investment at its net asset value. Instead, the Master Trust receives distributions as the underlying assets are liquidated. It is estimated that the underlying assets of these funds will be gradually liquidated over the next 1 to 10 years. Additionally, the Master Trust has future funding commitments of approximately $389 million over the next 10 years.

f) Investment includes 64% in an emerging market 103-12 investment trust with investments in emerging country equity securities, 19% in Canadian segregated balanced value, income growth and diversified pooled funds and 17% in a common/collective trust investing in securities of smaller companies located outside the U.S., including developing markets. Requests for withdrawals must meet specific requirements with advance notice of redemption preferred.

g) Includes four interest rate swap agreements with notional value of $760 million and fair value of $75 million representing 99% of the balance.

Not included in the above tables are receivables and payables for foreign currency forward contracts and futures contracts which net to approximately $2 million and collateral held on loaned securities and the obligation to return collateral on loaned securities which effectively net to zero.

Changes in fair value measurements of Level 3 investments during the year ended December 31, 2011, were as follows:

	Private Equity Partnerships	Insurance Group Annuity Contracts
Beginning balance at December 31, 2010	$ 795	$ 3
Actual return on plan assets:		
Relating to assets still held at the reporting date	53	-
Relating to assets sold during the period	48	-
Purchases	146	
Sales	(122)	(1)
Ending balance at December 31, 2011	$ 920	$ 2

Changes in fair value measurements of Level 3 investments during the year ended December 31, 2010, were as follows:

	Private Equity Partnerships	Insurance Group Annuity Contracts
Beginning balance at December 31, 2009	$ 744	$ 3
Actual return on plan assets:		
Relating to assets still held at the reporting date	1	-
Relating to assets sold during the period	69	-
Purchases, sales, settlements (net)	(19)	-
Ending balance at December 31, 2010	$ 795	$ 3

The fair values of the Company's other postretirement benefit plan assets at December 31, 2011 by asset category were as follows:

	Fair Value Measurements at December 31, 2011 (in millions)			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Asset Category				
Money market fund	$ 4	$ –	$ –	$ 4
Unitized mutual funds	–	201	–	201
Total	$ 4	$ 201	$ –	$ 205

The fair values of the Company's other postretirement benefit plan assets at December 31, 2010 by asset category were as follows:

	Fair Value Measurements at December 31, 2010 (in millions)			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Asset Category				
Money market fund	$ 4	$ –	$ –	$ 4
Unitized mutual funds	–	230	–	230
Total	$ 4	$ 230	$ –	$ 234

Investments in the unitized mutual funds are carried at the per share net asset value and include approximately 27 percent of investments in non-U.S. common stocks in 2011 and approximately 27 percent of investments in non-U.S. common stocks in 2010. Net asset value is based on the fair market value of the funds' underlying assets and liabilities at the date of determination. Investments in the money market fund are valued at fair value which represents the net assets value of the shares of such fund as of the close of business at the end of the period.

	2011	2010
Assumed health care trend rates at December 31		
Health care cost trend rate assumed for next year	7.50%	8.0%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.5%	4.5%
Year that the rate reaches the ultimate trend rate	2018	2018

A one percentage point change in the assumed health care cost trend rates would have the following effects (in millions):

	One Percent Increase	One Percent Decrease
Impact on 2011 service and interest cost	20	(22)
Impact on postretirement benefit obligation as of December 31, 2011	248	(251)

The Company is required to make minimum contributions to its defined benefit pension plans under the minimum funding requirements of ERISA, the Pension Funding Equity Act of 2004 and the Pension Protection Act of 2006.

As a result of the Chapter 11 Cases, AMR contributed $6.5 million to its defined benefit pension plans on January 13, 2012 to cover the post-petition period of November 29, 2011 to December 31, 2011. As a result of only contributing the post-petition portion of the required contribution, the Pension Benefit Guaranty Corporation filed a lien against certain assets of the Company. The Company's 2012 contribution to its defined benefit pension plans is subject to the Chapter 11 proceedings.

The following benefit payments, which reflect expected future service as appropriate, are expected to be paid:

	Pension	Retiree Medical and Other
2012	513	147
2013	687	155
2014	733	162
2015	813	168
2016	823	178
2017 – 2021	5,337	1,071

12. Intangible Assets

The Company has recorded international slot and route authorities of $708 million as of December 31, 2011 and 2010. The Company considers these assets indefinite life assets and as a result, they are not amortized but instead are tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. Such triggering events may include significant changes to the Company's network or capacity, or the implementation of open skies agreements in countries where the Company operates flights.

As there is minimal market activity for the valuation of routes and international slots and landing rights, the Company measures fair value with inputs using the income approach. The income approach uses valuation techniques, such as future cash flows, to convert future amounts to a single present discounted amount. The inputs utilized for these valuations are unobservable and reflect the Company's assumptions about market participants and what they would use to value the routes and accordingly are considered Level 3 in the fair value hierarchy. The Company's unobservable inputs are developed based on the best information available as of December 31, 2011.

The following tables provide information relating to the Company's amortized intangible assets as of December 31 (in millions):

	2011		
	Cost	Accumulated Amortization	Net Book Value
Amortized intangible assets:			
Airport operating rights	$ 509	$ 361	$ 148
Gate lease rights	160	125	35
Total	$ 669	$ 486	$ 183

	2010		
	Cost	Accumulated Amortization	Net Book Value
Amortized intangible assets:			
Airport operating rights	$ 447	$ 288	$ 159
Gate lease rights	182	129	53
Total	$ 629	$ 417	$ 212

Airport operating and gate lease rights are being amortized on a straight-line basis over 25 years to a zero residual value. The Company recorded amortization expense related to these intangible assets of approximately $27 million, $28 million, and $28 million for the years ended December 31, 2011, 2010 and 2009, respectively. The Company expects to record annual amortization expense averaging approximately $22 million in each of the next five years related to these intangible assets.

13. Accumulated Other Comprehensive Income (Loss)

.The components of Accumulated other comprehensive income (loss) are as follows (in millions):

	Pension and Retiree Medical Liability	Unrealized Gain/ (Loss) on Investments	Derivative Financial Instruments	Income Tax Benefit/ (Expense)	Total
Balance at December 31, 2010	$ (2,800)	(4)	151	$ (212)	$ (2,865)
Current year change	(1,216)	(1)			(1,217)
Amortization of actuarial loss and prior service cost	130	-	-	-	130
Reclassification of derivative financial instruments into earnings	-	-	(313)	-	(313)
Change in fair value of derivative financial instruments	-	-	190	-	190
Balance at December 31, 2011	$ (3,886)	(5)	28	$ (212)	$ (4,075)

As of December 31, 2011, the Company estimates that during the next twelve months it will reclassify from Accumulated other comprehensive loss into earnings approximately $10 million in net gains (based on prices as of December 31, 2011) related to its fuel derivative hedges.

Amounts allocated to other comprehensive income for income taxes as further described in Note 9 will remain in Accumulated other comprehensive income until the Company ceases all related activities, such as termination of the pension plan.

14. Transactions with Related Parties

American invests funds, including funds of certain affiliates, if any, in a combined short-term investment portfolio and passes through interest income on such funds at the average rate earned on the portfolio. These amounts are classified as Payable to affiliate on the accompanying consolidated balance sheets.

American Airlines and AMR Eagle operate under a capacity purchase agreement. The capacity purchase agreement reflects what the Company believes are current market rates received by other regional carriers for similar flying. Amounts paid to AMR Eagle under the capacity purchase agreement are available to pay for various operating expenses of AMR Eagle, such as crew expenses, maintenance and aircraft ownership. As of December 31, 2011, AMR Eagle operated over 1,500 daily departures, offering scheduled passenger service to over 175 destinations in North America, Mexico and the Caribbean. On a separate company basis, AMR Eagle reported $2.5 billion in revenue in 2011. However, this historical financial information is not indicative of what AMR Eagle's future revenues might be if AMR Eagle were a stand-alone entity.

In 2011 and 2010, American made payments to the AMR Eagle carriers of approximately $2.4 billion and $2.2 billion, respectively, related to the capacity purchase agreement. In addition, American incurred costs associated with generating Regional Affiliates revenue for flights on AMR Eagle of $132 million and $114 million in 2011 and 2010, respectively, recorded in Commissions, booking fees and credit card expense in the accompanying consolidated statements of operations. American also incurred other costs in connection with its affiliate relationship with AMR Eagle totaling approximately $350 million and $183 million in 2011 and 2010, respectively, primarily recorded in Other operating expenses in the accompanying consolidated statements of operations.

In consideration for certain services provided, the AMR Eagle carriers paid American approximately $18 million in 2011, $18 million in 2010 and $17 million in 2009.

American recognizes compensation expense associated with certain AMR common stock-based awards for employees of American (see Note 10). In addition, American incurs pension and postretirement benefit expense for American employees working at affiliates of the Company. American transfers pension and postretirement benefit expense for these employees to its affiliates based on a percentage of salaries and cost per employee, respectively (see Note 11).

15. Segment Reporting

The Company's operations of American and AMR Eagle are treated as an integrated route network and the route scheduling system maximizes the operating results of the Company. The Company's chief operating decision maker makes resource allocation decisions to maximize the Company's consolidated financial results. Based on the way the Company treats the network and the manner in which resource allocation decisions are made, the Company has only one operating segment for financial reporting purposes consisting of the operations of American and AMR Eagle.

American, AMR Eagle and the AmericanConnection® airline serve more than 250 cities in approximately 50 countries with, on average, 3,400 daily flights. The combined network fleet numbers approximately 900 aircraft. American is also one of the largest scheduled air freight carriers in the world, providing a wide range of freight and mail services to shippers throughout its system onboard American's passenger fleet. AMR Eagle owns two regional airlines, which do business as "American Eagle" - American Eagle Airlines, Inc. and Executive Airlines, Inc. The American Eagle® carriers provide service from throughout the U.S., Canada, Mexico and the Caribbean.

Revenues from other segments are below the quantitative threshold for determining reportable segments and consist primarily of revenues from Americas Ground Services, Inc. The difference between the financial information of the Company's one reportable segment and the financial information included in the accompanying consolidated statements of operations and balance sheets as a result of these entities is not material.

The Company's operating revenues by geographic region (as defined by DOT) are summarized below (in millions):

	Year Ended December 31,		
	2011	2010	2009
DOT Domestic	$ 13,782	$13,062	$ 11,955
DOT Latin America	5,460	4,619	4,114
DOT Atlantic	3,499	3,365	2,973
DOT Pacific	1,216	1,104	856
Total consolidated revenues	$ 23,957	$22,150	$ 19,898

The Company attributes operating revenues by geographic region based upon the origin and destination of each flight segment. The Company's tangible assets consist primarily of flight equipment, which are mobile across geographic markets and, therefore, have not been allocated.

16. Quarterly Financial Data (Unaudited)

Unaudited summarized financial data by quarter for 2011 and 2010 (in millions, except per share amounts):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2011				
Operating revenues	$ 5,527	$ 6,109	$ 6,371	$ 5,950
Operating income (loss)	(266)	(116)	10	(798)
Net earnings (loss)	(431)	(284)	(153)	(1,097)
2010				
Operating revenues	$ 5,063	$ 5,669	$ 5,838	$ 5,581
Operating income (loss)	(322)	160	291	23
Net earnings (loss)	(489)	(7)	129	(102)

The first quarter 2010 results include a loss of $53 million related to a currency remeasurement due to the devaluation of Venezuelan currency from 2.15 bolivars per U.S. dollar to 4.30 bolivars per U.S. dollar.

The Company's fourth quarter 2010 performance includes an impairment charge of approximately $28 million to write down certain route and slot authorities in Latin America.

The first quarter 2011 results include a loss of $31 million in non-recurring non-cash charges related to certain sale/leaseback transactions.

The Company's fourth quarter 2011 performance reflects restructuring charges and special items consisting of $768 million, including $725 million related to the impairment of certain aircraft and gates and a $43 million revenue reduction as a result of a decrease in the breakage assumption related to the AAdvantage frequent flier liability.

17. AMR Eagle Divestiture

On August 11, 2011, AMR Eagle filed a Form 10 registration statement (subsequently amended on September 26, 2011 and October 6, 2011) with the Securities and Exchange Commission in connection with a potential spin-off of AMR Eagle.

As contemplated by the Form 10, on August 31, 2011, American entered into a Master Purchase Agreement (the Purchase Agreement) with Eagle and Executive under which Eagle sold to American 47 CRJ-700 Jet Aircraft and 216 Embraer 135, 140 and 145 Jet Aircraft, including the engines installed on each such aircraft and other related assets (each, a Jet Aircraft). In addition, American purchased from Eagle and Executive certain specified fixed assets, generally consisting of equipment and leasehold improvements owned by Eagle or Executive and used in connection with the regional flight operations conducted by Eagle and Executive on American's behalf and the ground handling operations of Eagle and Executive (collectively, the Other Assets).

Each Jet Aircraft was purchased by American on the date of delivery of such aircraft to American, and the Other Assets was purchased by American ten days after delivery of the last Jet Aircraft to American, or November 27, 2011. Delivery of the Jet Aircraft began on August 31, 2011, and the last Jet Aircraft was delivered on November 17, 2011. Following the delivery of each Jet Aircraft, American has leased the Jet Aircraft to Eagle, and Eagle continues to provide certain regional flight operations to American.

American has taken each Jet Aircraft subject to, and Eagle has been released from, all outstanding indebtedness relating to such Jet Aircraft. The indebtedness related to the Jet Aircraft consists of individual notes for each Jet Aircraft. The notes are secured by the related Jet Aircraft and certain other assets, have either fixed or floating interest rates and mature over various periods through 2023. As of December 31, 2011, the fixed rate notes had effective interest rates ranging from 4.25% to 7.50% and the floating rate notes had effective interest rates ranging from 2.247% to 3.261%. The notes include customary terms and conditions, including customary events of default and certain cross-default provisions.

As of the end of 2011, the net book value of such transferred Jet Aircraft was $2.3 billion, and the aggregate outstanding indebtedness (net of discount) associated with such transferred Jet Aircraft was $2.1 billion, including liabilities classified as not subject to compromise and liabilities classified as subject to compromise.

As a result of the Chapter 11 Cases, AMR's planned divestiture of AMR Eagle has been placed on hold, pending the outcome of the restructuring.

18. Subsequent Events

On February 1, 2012, the Company announced the principal terms of a new business plan. The chief components of this business plan include targets of an annual $2 billion in cost savings and $1 billion in revenue enhancement. The business plan contemplates, among other things, reducing headcount by approximately 13,000, terminating American's defined benefit pension plans, and discontinuing subsidized retiree medical coverage for current employees.

The Company may incur significant accounting charges as a result of the business plan, including severance costs and pension related curtailment or settlement charges. The business plan will require collaboration with the Creditors Committee, various economic stakeholders and union representatives, and in some instances, approval of the Bankruptcy Court. The Company cannot predict whether, or to what extent, the business plan will be implemented. As such, at this time, the Company is not able to reasonably estimate the amount and timing of such charges or the portion of these charges that will result in future cash expenditures.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Management's Evaluation of Disclosure Controls and Procedures

The term "disclosure controls and procedures" is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, or the Exchange Act. This term refers to the controls and procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission. An evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the Company's disclosure controls and procedures as of December 31, 2011. Based on that evaluation, the Company's management, including the CEO and CFO, concluded that the Company's disclosure controls and procedures were effective as of December 31, 2011. During the quarter ending on December 31, 2011, there was no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining effective internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2011 using the criteria set forth in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management believes that, as of December 31, 2011, the Company's internal control over financial reporting was effective based on those criteria.

The effectiveness of internal control over financial reporting as of December 31, 2011, has been audited by Ernst & Young LLP, the independent registered public accounting firm who also audited the Company's consolidated financial statements. Ernst & Young LLP's attestation report on the effectiveness of the Company's internal control over financial reporting appears below.

/s/ Thomas W. Horton
Thomas W. Horton
Chairman and Chief Executive Officer

/s/ Isabella D. Goren
Isabella D. Goren
Senior Vice President and Chief Financial Officer

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders (Debtor and Debtor-in-Possession)
American Airlines, Inc.

We have audited American Airlines, Inc.'s (Debtor and Debtor-in-Possession) (the Company) internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying "Management's Report on Internal Control over Financial Reporting." Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based upon the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, American Airlines, Inc. (Debtor and Debtor-in-Possession) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 31, 2011 and 2010, and the related consolidated statements of operations, comprehensive income (loss), stockholder's equity (deficit) and cash flows for each of the three years in the period ended December 31, 2011 of the Company and our report dated February 15, 2012 expressed an unqualified opinion thereon and included an explanatory paragraph concerning matters related to the Company's ability to continue as a going concern.

/s/ Ernst & Young LLP

Dallas, Texas
February 15, 2012

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Omitted under the reduced disclosure format pursuant to General Instruction I(2)(c) of Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

Omitted under the reduced disclosure format pursuant to General Instruction I(2)(c) of Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Omitted under the reduced disclosure format pursuant to General Instruction I(2)(c) of Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Omitted under the reduced disclosure format pursuant to General Instruction I(2)(c) of Form 10-K.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The aggregate fees we paid to Ernst & Young LLP for audit services in connection with the consolidated financial statements, reports for fiscal years 2010 and 2011, and for other services during fiscal years 2010 and 2011 were:

	2011	2010
Audit Fees	$ 2,481	$ 2,089
Audit Related Fees	845	1,043
Tax Fees	64	99
Total	$ 3,390	$ 3,231

"**Audit Fees**" are fees for (a) the audit of our consolidated financial statements; (b) the audit of internal control over financial reporting; (c) the review of the interim condensed consolidated financial statements included in quarterly reports; (d) services that are normally provided by Ernst & Young in connection with statutory and regulatory filings or engagements and attest services, except those not required by statute or regulation; and (e) consultations concerning financial accounting and reporting standards.

"**Audit-Related Fees**" are fees for assurance and other services that are reasonably related to the performance of the audit or review of our consolidated financial statements and are not reported under Audit Fees. These services include (a) employee benefit plan audits; (b) auditing work on proposed transactions; (c) attest services that are not required by statute or regulation; and (d) consultations concerning financial accounting and reporting standards that do not impact the annual audit.

"**Tax Fees**" are tax compliance/preparation and other tax services. Tax compliance/preparation consists of fees for professional services related to (a) federal, state and international tax compliance; (b) assistance with tax audits and appeals; (c) expatriate tax services; and (d) assistance related to the impact of mergers, acquisitions and divestitures on tax return preparation. Other tax services consist of fees for other miscellaneous tax consulting and planning.

There were no fees for other services not included above.

In selecting Ernst & Young as our independent auditors for the fiscal year ending December 31, 2011, the Audit Committee considered whether services other than audit and audit-related services provided by Ernst & Young are compatible with the firm's independence.

The Audit Committee pre-approves all audit and permissible non-audit services provided by Ernst & Young, including audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to one year, and any pre-approval is detailed as to the particular service or category of services and includes an anticipated budget. In addition, the committee may also pre-approve particular services on a case-by-case basis. The committee has delegated pre-approval authority to its chairman. Under this delegation, the chairman must report any pre-approval decision by him to the committee. The committee pre-approved all such audit, audit-related and permissible non-audit services in 2010 and 2011 in accordance with these procedures.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

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

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

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 American's assets, pursuant to paragraph (b)(4) of Item 601 of Regulation S-K, in lieu of filing such as an exhibit, American hereby agrees to furnish to the Commission upon request a copy of any agreement with respect to such long-term debt.)

Exhibit

10.1	Information Technology Services Agreement, dated July 1, 1996, between American and The Sabre Group, Inc., incorporated by reference to Exhibit 10.6 to The Sabre Group Holdings, Inc.'s Registration Statement on Form S-1, file number 333-09747. Confidential treatment was granted as to a portion of this document.
10.2	Bylaws of American Airlines, Inc., amended January 22, 2003, incorporated by reference to American's report on Form 10-K for the year ended December 31, 2002.
10.3	Amended and Restated Executive Termination Benefits Agreement between AMR, American Airlines and Daniel P. Garton, dated May 21, 1998, incorporated by reference to Exhibit 10.66 to AMR's report on Form 10-K for the year ended December 31, 1998.
10.4	Amended and Restated Executive Termination Benefits Agreement between AMR, American Airlines and William K. Ris, Jr., dated October 20, 1999, incorporated by reference to Exhibit 10.79 to AMR's report on Form 10-K for the year ended December 31, 1999.
10.5	Form of Amendment to Executive Termination Benefits Agreement dated as January 1, 2005, incorporated by reference to Exhibit 10.124 of AMR's report on Form 10-K for the year ended December 31, 2008.
10.6	Amended and Restated Executive Termination Benefits Agreement between AMR, American Airlines and Gary F. Kennedy dated February 3, 2003, incorporated by reference to Exhibit 10.55 to AMR's report on Form 10-K for the year ended December 31, 2002.
10.7	Employment agreement between AMR, American Airlines and William K. Ris, Jr. dated November 11, 1999, incorporated by reference to Exhibit 10.73 to AMR's report on Form 10-K for the year ended December 31, 2003.
10.8	Employment agreement between AMR, American Airlines and Thomas W. Horton dated March 29, 2006, incorporated by reference to Exhibit 10.1 to AMR's current report on Form 8-K dated March 31, 2006.
10.9	Amendment of employment agreement between AMR, American Airlines and Thomas W. Horton dated July 15, 2008, incorporated by reference to Exhibit 10.5 to AMR's report on Form 10-Q for the quarterly period ended June 30, 2008.

10.10	Amended and Restated Executive Termination Benefits Agreement between AMR, American Airlines and Jeffrey J. Brundage dated April 1, 2004, incorporated by reference to Exhibit 10.5 to AMR's report on Form 10-Q for the quarterly period ended March 31, 2004.
10.11	Executive Termination Benefits Agreement between AMR, American Airlines and Isabella D. Goren dated as of March 25, 2008 and Form of Amendment to the Executive Termination Benefits Agreement dated as of November 17, 2008, incorporated by reference to Exhibit 10.15 to American's report on Form 10-K for the year ended December 31, 2010.
10.12	Employment agreement between AMR, American Airlines, AMR Eagle Holding Corporation, and Daniel P. Garton dated June 10, 2010, incorporated by reference to AMR's current report on Form 8-K dated June 11, 2010.
10.13	Supplemental Executive Retirement Program for Officers of American Airlines, Inc., as amended and restated as of January 1, 2005, incorporated by reference to Exhibit 10.127 to AMR's report on Form 10-K for the year ended December 31, 2008.
10.14	2011 Annual Incentive Plan for American, incorporated by reference to Exhibit 99.1 to American's current report on Form 8-K dated January 21, 2011.
10.15	2012 Annual Incentive Plan for American, incorporated by reference to Exhibit 99.1 to American's current report on Form 8-K dated January 23, 2012.
10.16	Aircraft Purchase Agreement by and between American Airlines, Inc. and The Boeing Company, dated October 31, 1997, incorporated by reference to Exhibit 10.48 to AMR Corporation's report on Form 10-K for the year ended December 31, 1997. Confidential treatment was granted as to a portion of this document.
10.17	Letter Agreement dated November 17, 2004 and Purchase Agreement Supplements dated January 11, 2005 between the Boeing Company and American Airlines, Inc., incorporated by reference to Exhibit 10.99 to AMR's report on Form 10-K for the year ended December 31, 2004. Confidential treatment was granted as to a portion of these agreements.
10.18	Letter Agreement between the Boeing Company and American Airlines, Inc. dated May 5, 2005, incorporated by reference to Exhibit 10.7 to AMR's report on Form 10-Q for the quarterly period ended June 30, 2005. Confidential treatment was granted as to a portion of this agreement.
10.19	Trust Agreement Under Supplemental Retirement Program for Officers of American Airlines, Inc., as amended and restated as of June 1, 2007, incorporated by reference to Exhibit 10.128 to AMR's report on Form 10-K for the year ended December 31, 2008.
10.20	Trust Agreement Under Supplemental Executive Retirement Program for Officers of American Airlines, Inc Participating in the $uper $aver Plus Plan), as amended and restated as of June 1, 2007, incorporated by reference to Exhibit 10.129 to AMR's report on Form 10-K for the year ended December 31, 2008.
10.21	Purchase Agreement Supplement by and between American Airlines, Inc. and The Boeing Company, dated November 20, 2007, incorporated by reference to Exhibit 10.25 to American Airlines, Inc.'s report on Form 10-K from the year ended December 31, 2007. Portions of this Exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request under Rule 24b-2 of the Securities and Exchange Act of 1934, as amended.
10.22	Purchase Agreement Supplement by and between American Airlines, Inc. and The Boeing Company, dated January 20, 2008, incorporated by reference to Exhibit 10.27 to American Airlines Inc.'s report on Form 10-K from the year ended December 31, 2007. Portions of this Exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request under Rule 24b-2 of the Securities and Exchange Act of 1934, as amended.

10.23 Purchase Agreement Supplement by and between American Airlines, Inc. and The Boeing Company, dated February 11, 2008, incorporated by reference to Exhibit 10.28 to American Airlines Inc.'s report on Form 10-K from the year ended December 31, 2007. Portions of this Exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request under Rule 24b-2 of the Securities and Exchange Act of 1934, as amended.

10.24 Purchase Agreement No. 3219 between American Airlines, Inc. and The Boeing Company, dated as of October 15, 2008. Portions of this Exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request under Rule 24b-2 of the Securities and Exchange Act of 1934, as amended, incorporated by reference to Exhibit 10.138 to AMR's report on Form 10-K for the year ended December 31, 2008.

10.25 Purchase Agreement Supplement by and between American Airlines, Inc. and The Boeing Company, dated as of June 9, 2009. Portions of this Exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request under Rule 24b-2 of the Securities and Exchange Act of 1934, as amended, incorporated by reference to Exhibit 10.5 to American's report on Form 10-QA for the quarter ended June 30, 2009.

10.26 Purchase Agreement Supplement by and between American Airlines, Inc. and The Boeing Company, dated December 18, 2009. Portions of this Exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request under Rule 24b-2 of the Securities and Exchange Act of 1934, as amended, incorporated by reference to Exhibit 10.151 to AMR's report on Form 10-K for the year ended December 31, 2009.

10.27 Purchase Agreement Supplement by and between American Airlines, Inc. and The Boeing Company, dated January 14, 2011. Portions of this Exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request under Rule 24b-2 of the Securities and Exchange Act of 1934, as amended, incorporated by reference to Exhibit 10.32 to American's report on From 10-K for the year ended December 31, 2010.

10.28 Supplemental Agreement No. 34 to Purchase Agreement No. 1977 by and between American Airlines, Inc. and The Boeing Company dated as of July 21, 2010. Portions of this Exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request under Rule 24b-2 of the Securities and Exchange Act of 1934, as amended, incorporated by reference to Exhibit 10.1 to American's report on Form 10-QA for the quarter ended June 30, 2010.

10.29 Supplemental Agreement No. 2 to Purchase Agreement No. 3219 by and between American Airlines, Inc. and The Boeing Company dated as of July 21, 2010. Portions of this Exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request under Rule 24b-2 of the Securities and Exchange Act of 1934, as amended, incorporated by reference to Exhibit 10.2 to American's report on Form 10-QA for the quarter ended June 30, 2010.

10.30 Supplemental Agreement No. 21 to Purchase Agreement No. 1980 by and between American Airlines, Inc. and The Boeing Company dated as of March 14, 2011. Portions of this Exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request under Rule 24b-2 of the Securities and Exchange Act of 1934, as amended, incorporated by reference to Exhibit 10.1 to American's report on Form 10-Q for the quarter ended March 31, 2011.

10.31 Supplemental Agreement No. 22 to Purchase Agreement No. 1980 by and between American Airlines, Inc. and The Boeing Company dated as of March 31, 2011. Portions of this Exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request under Rule 24b-2 of the Securities and Exchange Act of 1934, as amended, incorporated by reference to Exhibit 10.2 to American's report on Form 10-Q for the quarter ended March 31, 2011.

10.32	Supplemental Agreement No. 23 to Purchase Agreement No. 1980 by and between American Airlines, Inc. and The Boeing Company dated as of April 29, 2011. Portions of this Exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request under Rule 24b-2 of the Securities and Exchange Act of 1934, as amended, incorporated by reference to Exhibit 10.1 to American's report on Form 10-Q for the quarter ended June 30, 2011.
10.33	Supplemental Agreement No. 24 to Purchase Agreement No. 1980 by and between American Airlines, Inc. and The Boeing Company dated as of May 25, 2011. Portions of this Exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request under Rule 24b-2 of the Securities and Exchange Act of 1934, as amended, incorporated by reference to Exhibit 10.2 to American's report on Form 10-Q for the quarter ended June 30, 2011.
10.34	Supplemental Agreement No. 25 to Purchase Agreement No. 1980 by and between American Airlines, Inc. and The Boeing Company dated as of July 19, 2011. Portions of this Exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request under Rule 24b-2 of the Securities and Exchange Act of 1934, as amended, incorporated by reference to Exhibit 10.1 to American's report on Form 10-Q for the quarter ended September 30, 2011.
10.35	Supplemental Agreement No. 26 to Purchase Agreement No. 1980 by and between American Airlines, Inc. and The Boeing Company dated as of July 26, 2011. Portions of this Exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request under Rule 24b-2 of the Securities and Exchange Act of 1934, as amended, incorporated by reference to Exhibit 10.2 to American's report on Form 10-Q for the quarter ended September 30, 2011.
10.36	Supplemental Agreement No. 35 to Purchase Agreement No. 1977 by and between American Airlines, Inc. and The Boeing Company dated as of August 19, 2011. Portions of this Exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request under Rule 24b-2 of the Securities and Exchange Act of 1934, as amended, incorporated by reference to Exhibit 10.3 to American's report on Form 10-Q for the quarter ended September 30, 2011.
10.37	A320 Family Aircraft Purchase Agreement by and between American Airlines, Inc. and Airbus S.A.S. dated as of July 20, 2011. Portions of this Exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request under Rule 24b-2 of the Securities and Exchange Act of 1934, as amended, incorporated by reference to Exhibit 10.4 to American's report on Form 10-Q for the quarter ended September 30, 2011.
10.38	Supplemental Agreement No. 27 to Purchase Agreement No. 1980 by and between American Airlines, Inc. and The Boeing Company dated as of October 10, 2011. Portions of this Exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request under Rule 24b-2 of the Securities and Exchange Act of 1934, as amended.
12	Computation of ratio of earnings to fixed charges for the years ended December 31, 2011, 2010, 2009, 2008 and 2007.
23	Consent of Independent Registered Public Accounting Firm.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a).

31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a).
32	Certification pursuant to Rule 13a-14(b) and section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code).
101	The following materials from American Airlines, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2011, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Statements of Operations, (ii) the Consolidated Balance Sheets, (iii) the Consolidated Statements of Cash Flows, (iv) the Consolidated Statements of Shareholders' Equity (Deficit) and (v) Notes to Consolidated Financial Statements, tagged as blocks of text.*

* Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

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.

American Airlines, Inc.

By: /s/ Thomas W. Horton
Thomas W. Horton
Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: February 15, 2012

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:

/s/ Thomas W. Horton Thomas W. Horton Director, Chairman and Chief Executive Officer (Principal Executive Officer)	/s/ Isabella D. Goren Isabella D. Goren Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ John W. Bachmann John W. Bachmann, Director	/s/ Michael A. Miles Michael A. Miles, Director
/s/ Stephen M. Bennett Stephen M. Bennett, Director	/s/ Philip J. Purcell Philip J. Purcell, Director
/s/ Armando M. Codina Armando M. Codina, Director	/s/ Ray M. Robinson Ray M. Robinson, Director
/s/ Alberto Ibargüen Alberto Ibargüen, Director	/s/ Judith Rodin Judith Rodin, Director
/s/ Ann M. Korologos Ann M. Korologos, Director	/s/ Matthew K. Rose Matthew K. Rose, Director
/s/ Roger T. Staubach Roger T. Staubach, Director	

Date: February 15, 2012

AMERICAN AIRLINES, INC.
Schedule II - Valuation and Qualifying Accounts and Reserves
(in millions)

	Balance at beginning of year	Changes charged to statement of operations accounts	Payments	Write-offs (net of recoveries)	Sales, retire-ments and transfers	Balance at end of year
Year ended December 31, 2011						
Allowance for obsolescence of inventories	479	31			20	530
Allowance for uncollectible accounts	57	4		(10)		51
Reserves for environmental remediation costs	17	(2)	(1)	-	-	14
Year ended December 31, 2010						
Allowance for obsolescence of inventories	$ 457	$ 30	$ -	$ -	$ (8)	$ 479
Allowance for uncollectible accounts	57	5	-	(5)	-	57
Reserves for environmental remediation costs	18	-	(1)	-	-	17
Year ended December 31, 2009						
Allowance for obsolescence of inventories	$ 437	$ 38	$ -	$ -	$ (18)	$ 457
Allowance for uncollectible accounts	49	5		3		57
Reserves for environmental remediation costs	18	1	(1)	-	-	18

Supplemental Agreement No. 27

to

Purchase Agreement No. 1980

between

The Boeing Company

and

AMERICAN AIRLINES, INC

Relating to Boeing Model 777 Aircraft

THIS SUPPLEMENTAL AGREEMENT, entered into as of ___________OCT. 10_____________, 2011, (***SA-27***) by and between THE BOEING COMPANY, a Delaware corporation with offices in Seattle, Washington, (***Boeing***) and American Airlines, Inc. (***Customer***);

RECITALS:

WHEREAS, Boeing and Customer entered into Purchase Agreement No. 1980 dated as of October 31, 1997, as amended and supplemented (capitalized terms used herein without definition shall have the meanings specified therefor in such Purchase Agreement) relating to Boeing Model 777 aircraft (the ***Purchase Agreement***); and

WHEREAS, Customer has requested, and Boeing has agreed to [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

NOW THEREFORE, In consideration of the mutual covenants herein contained, the parties agree to amend the Purchase Agreement as follows:

1. Table of Contents:

The "Table of Contents" to the Purchase Agreement is deleted in its entirety and a revised "Table of Contents", attached hereto, and identified with an "SA-27" legend, is substituted in lieu thereof to reflect the changes made by this SA-27.

2. Letter Agreement No. 6-1162-AKP-110R3:

Attachment C entitled Information Regarding QADP Rights to Letter Agreement No. 6-1161-AKP-110R3 entitled Aircraft Purchase Rights and Substitution Rights is deleted in its entirety and revised Attachment C, attached hereto, is substituted in lieu thereof to set forth the [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

For avoidance of doubt, the [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

EXPIRATION. This SA-27 is valid through October 10, 2011, at which time it will expire if not executed by both parties hereto.

The Purchase Agreement will be deemed to be amended to the extent provided herein and as so amended will continue in full force and effect. In the event of any inconsistency between the above provisions and the provisions contained in the referenced exhibits to this Supplemental Agreement, the terms of the exhibits will control.

EXECUTED IN DUPLICATE as of the day and year first above written.

THE BOEING COMPANY		**AMERICAN AIRLINES, INC.**	
By:	/s/ Christopher L. Odegard		/s/ Beverly K. Goulet
Name:	Christopher L. Odegard	Name:	BEVERLY K. GOULET VP CORPORATE DEVELOPMENT AND TREASURER
Its:	Attorney-In-Fact	Its:	

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BOEING PROPRIETARY

LETTER AGREEMENTS		PA or SA NUMBER
6-1162-AKP-070	Miscellaneous Commitments for Model 737, 757, 767 and 777 Aircraft	
6-1162-AKP-071R1	Purchase Obligations	PA3219
6-1162-AKP-072R3	[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	SA-20
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Attachment E	Letter Agreements	SA-20
Attachment F	Information regarding MADP and QADP Rights if no 787s are reconfirmed	SA-20
6-1162-AKP-111	Aircraft Performance Guarantees	
AAL-PA-1980-LA-1003346	Aircraft Performance Guarantees - 777-323ER	SA-20
AAL-PA-1980-LA-04205R3	Aircraft Performance Guarantees – 777-323ER	SA-25
6-1162-AKP-112	Spares Matters	
6-1162-AKP-113	Model 777 Miscellaneous Commitments	
6-1162-AKP-114R1	Installation of Cabin Systems Equipment	SA-22
AAL-PA-1980-LA-1003493	Installation of Cabin Systems Equipment – 777-323ER	SA-20
6-1162-AKP-115	Component and System Reliability Commitments	
6-1162-AKP-116	Price Adjustment on Rolls-Royce Engines	
6-1162-AKP-117	Delivery Schedule	
6-1162-AKP-118R2	Confidentiality	SA-20
6-1162-AKP-204	Multiple Operating Weight Program Model 777-200IGW Aircraft	SA-6
AAL-PA-1980-LA-1003536R1	[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	SA-21
AAL-PA-1980-LA-1003344	Open Configuration Matters -777-323ER	SA-20
AAL-PA-1980-LA-1104563	Performance Guarantees for Rights Aircraft	SA-23
AAL-PA-1980-LA-1105629	Advance Payments and Permitted Transactions	SA-25

Attachment C to Letter Agreement 6-1162-AKP-110R3 (Model 777)
Information Regarding QADP Rights

[CONFIDENTIAL PORTION OMITTED AND

FILED SEPARATELY WITH THE

COMMISSION PURSUANT TO A REQUEST

FOR CONFIDENTIAL TREATMENT]

Exhibit 12

AMERICAN AIRLINES, INC.
Computation of Ratio of Earnings to Fixed Charges
(in millions)

	2011	2010	2009	2008	2007
Earnings:					
Income (loss) before income taxes and cumulative effect of accounting change	$ (1,965)	$ (504)	$(1,757)	$ (2,531)	$ 356
Add: Total fixed charges (per below)	1,749	1,622	1,491	1,458	1,668
Less: Interest capitalized	40	29	42	33	20
Total earnings (loss)	$ (256)	$ 1,089	$ (308)	$ (1,106)	$ 2,004
Fixed charges:					
Interest	$ 692	$ 666	$ 596	$ 625	$ 793
Portion of rental expense representative of the interest factor	1,025	937	859	815	862
Amortization of debt expense	32	19	36	18	13
Total fixed charges	$ 1,749	$ 1,622	$ 1,491	$ 1,458	$ 1,668
Ratio of earnings to fixed charges	-	-	-	-	1.20
Coverage deficiency	$ 2,005	$ 533	$ 1,799	$ 2,564	$ -

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements (Form S-8 No. 2-68366, Form S-8 No. 333-19325, Form S-8 No. 33-27866, Form S-8 No. 33-60725, Form S-8 No. 333-13751, Form S-8 No. 33-60727, Form S-8 No. 333-56947, Form S-8 No. 333-70239, Form S-8 No. 333-104611, Form S-8 No. 333-160666, Form S-3 No. 33-46325, Form S-3 No. 33-52121, Form S-3 No. 333-68211, Form S-3 No. 333-84292-01, Form S-3 No. 333-110760 and Form S-3 No. 333-160646-01) of American Airlines, Inc., and in the related Prospectuses, of our reports dated February 15, 2012, with respect to the consolidated financial statements and schedule of American Airlines and the effectiveness of internal control over financial reporting of American Airlines, included in this Annual Report (Form 10-K) for the year ended December 31, 2011.

/s/ **ERNST & YOUNG LLP**

Dallas, Texas
February 15, 2012

Exhibit 31.1

I, Thomas W. Horton, certify that:

1. I have reviewed this annual report on Form 10-K of American Airlines, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: February 15, 2012

/s/ Thomas W. Horton

Thomas W. Horton
Chairman and Chief Executive Officer

Exhibit 31.2

I, Isabella D. Goren, certify that:

1. I have reviewed this annual report on Form 10-K of American Airlines, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 15, 2012

/s/ Isabella D. Goren

Isabella D. Goren
Senior Vice President and Chief Financial Officer

Exhibit 32

American Airlines, Inc.
Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of American Airlines, Inc., a Delaware corporation (the Company), does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 10-K for the year ended December 31, 2011 (the Form 10-K) of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 15, 2012	/s/ Thomas W. Horton
	Thomas W. Horton Chairman and Chief Executive Officer
Date: February 15, 2012	/s/ Isabella D. Goren
	Isabella D. Goren Senior Vice President and Chief Financial Officer

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Form 10-K or as a separate disclosure document.