

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

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934
For the Quarterly Period Ended September 30, 2003.

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

Commission file number 1-8400.

AMR Corporation
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	75-1825172 (I.R.S. Employer Identification No.)
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4333 Amon Carter Blvd. Fort Worth, Texas (Address of principal executive offices)	76155 (Zip Code)
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Registrant's telephone number, (817) 963-1234
including area code

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

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

Indicate by check mark whether the registrant is an accelerated
filer (as defined in Exchange Act Rule 12b-2). Yes X No .

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

Common Stock, \$1 par value- 159,347,481 shares as of October 21, 2003.

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AMR CORPORATION

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PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

AMR CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited) (In millions, except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2003	2002	2003	2002
Revenues				
Passenger American Airlines	\$3,805	\$ 3,754	\$10,743	\$10,985
Regional Affiliates	399	366	1,112	1,064
Cargo	135	139	409	415
Other revenues	266	265	785	731
Total operating revenues	4,605	4,524	13,049	13,195
Expenses				
Wages, salaries and benefits	1,693	2,121	5,660	6,327
Aircraft fuel	701	697	2,077	1,880
Depreciation and amortization	345	340	1,027	1,019
Other rentals and landing fees	302	313	891	908
Commissions, booking fees and credit card expense	281	268	796	912
Maintenance, materials and repairs	223	289	641	840
Aircraft rentals	165	210	532	650
Food service	160	189	460	539
Other operating expenses	594	710	1,863	2,063
Special charges (credits)	(24)	718	77	718
U. S. government grant		(10)	(358)	(10)
Total operating expenses	4,440	5,845	13,666	15,846
Operating Income (Loss)	165	(1,321)	(617)	(2,651)
Other Income (Expense)				
Interest income	20	18	41	54
Interest expense	(198)	(171)	(580)	(501)
Interest capitalized	17	23	54	67
Miscellaneous net	(3)	2	(15)	(1)
	(164)	(128)	(500)	(381)

Income (Loss) Before Income Taxes and Cumulative Effect of Accounting Change	1	(1,449)	(1,117)	(3,032)
Income tax benefit		(525)		(1,038)
Income (Loss) Before Cumulative Effect of Accounting Change	1	(924)	(1,117)	(1,994)
Cumulative Effect of Accounting Change, Net of Tax Benefit				(988)
Net Earnings (Loss)	\$ 1	\$ (924)	\$(1,117)	\$(2,982)

Basic and Diluted Earnings (Loss) Per Share Before Cumulative Effect of Accounting Change	\$ 0.00	\$ (5.93)	\$ (7.08)	\$(12.83)
Cumulative Effect of Accounting Change				(6.36)
Net Earnings (Loss)	\$ 0.00	\$ (5.93)	\$ (7.08)	\$(19.19)

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

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AMR CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited) (In millions)

	September 30, 2003	December 31, 2002
Assets		
Current Assets		
Cash	\$ 158	\$ 104
Short term investments	2,566	1,846
Restricted cash and short term investments	540	783
Receivables, net	885	858
Income tax receivable	51	623
Inventories, net	527	627
Other current assets	349	96
Total current assets	5,076	4,937
Equipment and Property		
Flight equipment, net	15,594	15,041
Other equipment and property, net	2,407	2,450
Purchase deposits for flight equipment	362	767
	18,363	18,258
Equipment and Property Under Capital Leases		
Flight equipment, net	1,314	1,346
Other equipment and property, net	88	90
	1,402	1,436
Route acquisition costs and airport operating and gate lease rights, net		
	1,263	1,292
Other assets	3,839	4,344
	\$ 29,943	\$30,267
Liabilities and Stockholders' Equity (Deficit)		
Current Liabilities		
Accounts payable	\$ 1,075	\$ 1,198
Accrued liabilities	2,273	2,560
Air traffic liability	3,046	2,614
Current maturities of long term debt	538	713
Current obligations under capital leases	200	155
Total current liabilities	7,132	7,240
Long term debt, less current maturities	11,933	10,888
Obligations under capital leases, less current obligations	1,234	1,422
Postretirement benefits	2,763	2,654
Other liabilities, deferred gains and deferred credits	7,402	7,106
Stockholders' Equity (Deficit)		
Preferred stock		
Common stock	182	182
Additional paid in capital	2,612	2,795
Treasury stock	(1,414)	(1,621)
Accumulated other comprehensive loss	(1,461)	(1,076)
Retained earnings (deficit)	(440)	677

~~(521) 957~~
~~\$ 29,943 \$30,267~~

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

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~~AMR CORPORATION~~
~~CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS~~
~~(Unaudited) (In millions)~~

	Nine Months Ended September 30,	
	2003	2002
Net Cash Provided (Used) by Operating Activities	\$ 809	\$ (513)
Cash Flow from Investing Activities:		
Capital expenditures, including purchase		
deposits for flight equipment	(491)	(1,537)
Net (increase) decrease in short term investments	(720)	395
Net decrease (increase) in restricted cash and		
short term investments	243	(181)
Proceeds from sale of equipment and property	50	193
Proceeds from sale of interest in Worldspan	180	
Compensation for costs associated with		
strengthening flight deck doors	23	
Lease prepayments through bond redemption, net		
of bond reserve fund	(235)	
Other	22	(91)
Net cash used by investing activities	(928)	(1,221)
Cash Flow from Financing Activities:		
Payments on long term debt and capital lease		
obligations	(596)	(564)
Redemption of bonds	(86)	
Proceeds from:		
Issuance of long term debt	855	2,306
Exercise of stock options		3
Net cash provided by financing activities	173	1,745
Net increase in cash	54	11
Cash at beginning of period	104	102
Cash at end of period	\$ 158	\$ 113

~~Activities Not Affecting Cash~~

Flight equipment acquired through seller financing	\$ 649	\$
Capital lease obligations incurred	\$ 131	\$
Reduction to capital lease obligations due		
to lease modifications	\$ (127)	\$

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

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~~AMR CORPORATION~~
~~NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS~~
~~(Unaudited)~~

~~1. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes~~

~~required by generally accepted accounting principles for complete financial statements. In the opinion of management, these financial statements contain all adjustments, consisting of normal recurring accruals unless otherwise disclosed, necessary to present fairly the financial position, results of operations and cash flows for the periods indicated. Results of operations for the periods presented herein are not necessarily indicative of results of operations for the entire year. The condensed consolidated financial statements include the accounts of AMR Corporation (AMR or the Company) and its wholly owned subsidiaries, including its principal subsidiary American Airlines, Inc. (American). For further information, refer to the consolidated financial statements and footnotes thereto included in the AMR Annual Report on Form 10-K for the year ended December 31, 2002 (2002 Form 10-K). Certain amounts have been reclassified to conform with the current 2003 presentation.~~

~~The Company's Regional Affiliates include two wholly owned subsidiaries, American Eagle Airlines, Inc. (American Eagle) and Executive Airlines, Inc. (Executive) (collectively, AMR Eagle), and two independent carriers, Trans States Airlines, Inc. (Trans States) and Chautauqua Airlines, Inc. (Chautauqua). For the nine months ended September 30, 2002, American had a capacity purchase agreement with Chautauqua and revenue prorate agreements with AMR Eagle and Trans States. Effective January 1, 2003, American converted the AMR Eagle carriers from a revenue prorate agreement to a capacity purchase agreement. This change does not have any impact on the Company's consolidated financial statements, but has changed the results of the Company's wholly owned subsidiaries on an individual basis. For the nine months ended September 30, 2003, American also had capacity purchase agreements with Trans States and Chautauqua.~~

~~2. In February 2003, American asked its employees for approximately \$1.8 billion in annual savings through a combination of changes in wages, benefits and work rules. The requested \$1.8 billion in savings was divided by work group as follows: \$660 million pilots; \$620 million Transportation Workers Union represented employees; \$340 million flight attendants; \$100 million management and support staff; and \$80 million agents and representatives. References in this document to American's three major unions include: the Allied Pilots Association (the APA); the Transportation Workers Union (the TWU); and the Association of Professional Flight Attendants (the APFA).~~

~~In April 2003, American reached agreements with its three major unions (the Labor Agreements) and implemented various changes in the pay plans and benefits for non unionized personnel, including officers and other management (the Management Reductions). The anticipated cost savings arising from the Labor Agreements and the Management Reductions met the targeted annual savings of \$1.8 billion.~~

~~Of the approximately \$1.8 billion in estimated annual savings, approximately \$1.0 billion relate to wage and benefit reductions and \$0.8 billion relate to changes in work rules, which have resulted in job reductions and will continue to result in additional job reductions through June 2004. As a result of work rule related job reductions, the Company incurred \$60 million in severance charges in 2003 (see Note 5 for additional information). Wage reductions became effective on April 1, 2003 for officers and May 1, 2003 for all other employees. Reductions related to benefits and work rule changes will continue to be phased in over time. In connection with the changes in wages, benefits and work rules, the Company granted approximately 38 million shares of AMR stock to American's employees (excluding officers) in the form of stock options which will vest over a three year period with an exercise price of \$5 per share (see Note 12 for additional information).~~

~~In addition, the Company and American have reached concessionary agreements with certain vendors, lessors, lenders (see Notes 9 and 13 for additional information) and suppliers (collectively, the Vendors, and the agreements, the Vendor Agreements). Generally, under the terms of these Vendor Agreements the Company or American~~

~~will receive the benefit of lower rates and charges for certain goods and services, and more favorable rent and financing terms with respect to certain of its aircraft. In return for these concessions, the Company issued approximately 2.5 million shares of AMR's common stock to Vendors.~~

~~The Company's revenue environment improved during the second and third quarters of 2003 as reflected in improved unit revenues (revenue per available seat mile) in May through September 2003. Even with this improvement, however, the Company's revenues are still depressed relative to historical levels. Moreover, the Company's recent losses have adversely affected its financial condition. The Company therefore needs to see a combination of continued improvement in the revenue environment, cost reductions and productivity improvements before it can return to sustained profitability at acceptable levels.~~

~~To maintain sufficient liquidity as the Company implements its plan to return to sustained profitability, the Company will need continued access to additional funding, most likely through a combination of financings and asset sales. In addition, the Company's ability to return to sustained profitability will depend on a number of risk factors, many of which are largely beyond the Company's control. Among other things, the following factors have had and/or may have a negative impact on the Company's business and financial results: the uncertain financial and business environment the Company faces; the struggling economy; high fuel prices and the availability of fuel; the residual effects of the war in Iraq; conflicts in the Middle East; historically low fare levels and the general competitive environment; the ability of the Company to implement its restructuring program and the effect of the program on operational performance and service levels; uncertainties with respect to the Company's international operations; changes in its business strategy; actions by U.S. or foreign government agencies; the possible occurrence of additional terrorist attacks; another outbreak of SARS; the inability of the Company to satisfy existing liquidity requirements or other covenants in certain of its credit arrangements (see Note 13 for additional information); and the availability of future financing. In particular, if the revenue environment deteriorates beyond normal seasonal trends, or the Company is unable to access the capital markets or sell assets, it may be unable to fund its obligations and sustain its operations.~~

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~~AMR CORPORATION~~

~~NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)~~

~~(Unaudited)~~

~~3. The Company accounts for its stock based compensation plans in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related interpretations. Under APB 25, no compensation expense is recognized for stock option grants if the exercise price of the Company's stock option grants is at or above the fair market value of the underlying stock on the date of grant. The Company has adopted the pro forma disclosure features of Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation" (SFAS 123), as amended by Statement of Financial Accounting Standards No. 148, "Accounting for Stock Based Compensation Transition and Disclosure". The following table illustrates the effect on net earnings (loss) and earnings (loss) per share amounts if the Company had applied the fair value recognition provisions of SFAS 123 to stock based employee compensation (in millions, except per share amounts):~~

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2003	2002	2003	2002
Net earnings (loss), as reported	\$ 1	\$(924)	\$(1,117)	\$(2,982)
Add: Stock based employee compensation expense included in reported net loss, net of tax	7	(2)	11	1
Deduct: Total stock based employee compensation expense determined under fair value based methods for all awards, net of tax	(26)	(5)	(60)	(24)

~~Pro forma net loss~~ ~~\$ (18)~~ ~~\$(931)~~ ~~\$(1,166)~~ ~~\$(3,005)~~

~~Earnings (loss) per share:~~

~~Basic and diluted as reported~~ ~~\$ 0.00~~ ~~\$(5.93)~~ ~~\$(7.08)~~ ~~\$(19.19)~~

~~Basic and diluted pro forma~~ ~~\$(0.11)~~ ~~\$(5.98)~~ ~~\$(7.39)~~ ~~\$(19.34)~~

~~4. In April 2003, the President signed the Emergency Wartime Supplemental Appropriations Act, 2003 (the Act), which includes aviation related assistance provisions. The Act authorized payment of (i) \$100 million to compensate air carriers for the direct costs associated with the strengthening of flight deck doors and locks and (ii) \$2.3 billion to reimburse air carriers for increased security costs, which was distributed in proportion to the amounts each carrier had paid or collected in passenger security and air carrier security fees to the Transportation Security Administration as of the Act's enactment (the Security Fee Reimbursement). In addition, the Act suspended the collection of the passenger security fee from June 1, 2003 until September 30, 2003 and authorized the extension of war risk insurance through August 31, 2004 (and permits further extensions until December 31, 2004). The Act also limits the total cash compensation for the two most highly compensated named executive officers in 2002 for certain airlines, including the Company, during the period April 1, 2003 to April 1, 2004 to the amount of salary received by such officers, or their successors, in 2002. A violation of this executive compensation provision would require the carrier to repay the government for the amount of the Security Fee Reimbursement. The Company does not anticipate any difficulties in complying with this limitation on executive compensation and believes the likelihood of repaying the government for the amount of the Security Fee Reimbursement is remote. The Company's Security Fee Reimbursement was \$358 million (net of payments to independent regional affiliates) and was recorded as a reduction to operating expenses during the second quarter of 2003. The Company's compensation for the direct costs associated with strengthening flight deck doors was \$23 million and was recorded as a basis reduction to capitalized flight equipment in the third quarter of 2003.~~

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~~AMR CORPORATION~~

~~NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)~~

~~(Unaudited)~~

~~5. During the last two years, as a result of the events of September 11, 2001 and the Company's continuing restructuring activities, the Company has recorded a number of special charges. Special charges (credits) for the three and nine months ended September 30, 2003 and 2002 included the following (in millions):~~

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2003	2002	2003	2002
Employee charges	\$ 4	\$ 57	\$ 76	\$ 57
Facility exit costs	1	3	50	3
Aircraft charges	39	658	19	658
Other	(68)		(68)	
Total Special charges (credits)	\$(24)	\$ 718	\$ 77	\$ 718

~~Employee Charges~~

~~2003~~

~~In the first quarter of 2003, as a part of its 2002 restructuring initiatives discussed below, the Company incurred \$25 million in severance charges which are included in Special charges in the consolidated statement of operations.~~

~~The Company estimates that it will have reduced approximately 8,000 jobs by June 2004 in conjunction with the Management Reductions and the Labor Agreements discussed in Note 2. This reduction in workforce, which is in addition to the 2002 work force reductions discussed below, will affect all work groups (pilots, flight attendants, mechanics, fleet service clerks, agents, management and support staff personnel), and has been and will continue to be accomplished through various measures, including part time work schedules, furloughs in accordance with collective bargaining agreements, and permanent layoffs. As a result of this reduction in workforce, during the second quarter of 2003, the Company~~

~~recorded an employee charge of approximately \$60 million, primarily for severance related costs, which is included in Special charges. Cash outlays for the \$60 million employee charge will be incurred over a period of up to twelve months. The Company does not expect to incur additional severance charges related to this reduction in workforce.~~

~~Also in conjunction with the Labor Agreements and the Management Reductions, during the second quarter of 2003, the Company reduced its vacation accrual by \$85 million to reflect new lower pay scales and maximum vacation caps, which was recorded as a reduction to Special charges.~~

~~In connection with the Labor Agreements, the Company agreed to forgive a \$26 million receivable from one its three major unions. During the second quarter of 2003, the Company recorded a \$26 million special charge to write off the receivable.~~

~~In addition, as discussed in Note 6, in the second quarter of 2003, the Company recognized a curtailment loss of \$46 million related to its defined benefit pension plans.~~

~~The Company incurred \$4 million in miscellaneous other employee related special charges during the nine months ended September 30, 2003.~~

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AMR CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(Unaudited)~~

~~2002~~

~~In August 2002, the Company announced that it would reduce an estimated 7,000 jobs by March 2003 to realign its workforce with planned capacity reductions, fleet simplification, and hub restructurings. This reduction in workforce, which affected all work groups, was accomplished through various measures, including limited voluntary programs, leaves of absence, part time work schedules, furloughs in accordance with collective bargaining agreements, and permanent layoffs. As a result of this reduction in workforce, during the third quarter of 2002, the Company recorded an employee charge of approximately \$57 million primarily related to voluntary programs in accordance with collective bargaining agreements with its pilot and flight attendant work groups.~~

~~Facility Exit Costs~~

~~In the second quarter of 2003, the Company determined that certain excess airport space would not be used by the Company in the future. As a result, the Company recorded a \$45 million charge, primarily related to the fair value of future lease commitments and the write off of certain prepaid rental amounts. Cash outlays related to the accrual of future lease commitments will occur over the remaining lease term, which extends through 2017.~~

~~The Company incurred \$5 million in miscellaneous other facility exit costs during the nine months ended September 30, 2003.~~

~~Aircraft Charges~~

~~2003~~

~~In the second quarter of 2003, the Company determined that certain accruals for future lease return and other costs, initially recorded as a component of Special charges in the consolidated statement of operations, were no longer necessary. In the second quarter of 2003, the Company recorded a \$20 million reduction to Special charges to finalize these accruals.~~

~~In addition, in the third quarter of 2003, the Company retired five operating leased Boeing 757 aircraft. As a result, in the third quarter of 2003, the Company recorded a charge of approximately \$39 million related to future lease commitments and lease return condition costs on these aircraft. Cash outlays will occur over the remaining lease terms which extend through 2004.~~

~~2002~~

~~In the third quarter of 2002, in connection with a series of initiatives to reduce costs, reduce capacity, simplify the Company's aircraft fleet and enhance productivity, and related revisions to the Company's fleet plan to accelerate the retirement of its owned Fokker 100, Saab 340, and ATR 42 aircraft, the Company determined that these aircraft were impaired under Statement of Accounting Standards Board No. 144, "Accounting for the Impairment or Disposal of Long Lived Assets". As a result of this determination, the Company recorded an asset impairment charge of approximately \$330 million reflecting the diminution in the fair value of these aircraft and related rotables; and a charge of approximately \$40 million reflecting the write down of certain related inventory to realizable value and the accrual of certain related costs.~~

~~Furthermore, the Company accelerated the retirement of nine operating leased Boeing 767-300 aircraft to the fourth quarter of 2002, and its four operating leased Fokker 100 aircraft to 2004. As a result, during the third quarter of 2002, the Company recorded a charge of approximately \$189 million related primarily to future lease commitments on these aircraft past the dates they will be removed from service, lease return costs, the write down of excess Boeing 767-300 related inventory and rotables to realizable value, and the accrual of certain other costs. Cash outlays will occur over the remaining lease terms, which extend through 2014.~~

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~~AMR CORPORATION~~
~~NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)~~
~~(Unaudited)~~

~~In addition, in the third quarter of 2002, as a result of revisions to its fleet plan, the Company recorded a charge of approximately \$99 million related primarily to contract cancellation costs and other costs related to discontinued aircraft modifications.~~

~~Other~~

~~As part of the Vendor Agreements discussed in Note 2, American sold 33 Fokker 100 aircraft (with a minimal net book value) in the third quarter of 2003. American also issued a \$23 million non interest-bearing note, payable in installments and maturing in December 2010, and entered into short term leases on these aircraft. Furthermore, the Company issued shares of AMR common stock as discussed in Note 2. In exchange, approximately \$130 million of debt related to certain of the Fokker 100 aircraft was restructured. However, the agreement contains provisions that would require American to repay additional amounts of the original debt if certain events occur prior to December 31, 2005, including: (i) an event of default (which generally occurs only if a payment default occurs), (ii) an event of loss with respect to the related aircraft, (iii) rejection by the Company of the lease under the provisions of Chapter 11 of the U.S. Bankruptcy Code or (iv) the Company's filing for bankruptcy under Chapter 7 of the U.S. Bankruptcy Code. As a result of this transaction, including the sale of the 33 Fokker 100 aircraft, and the termination of the Company's interest rate swap agreements related to the debt that has been restructured, the Company recognized a gain of approximately \$68 million in the third quarter of 2003. If the conditions described above do not occur, the Company expects to recognize an additional gain of approximately \$37 million in December 2005.~~

~~On July 16, 2003, the Company announced that it would reduce the size of its St. Louis hub, effective November 1, 2003. As a result of this action, the Company expects to record additional charges in the fourth quarter of 2003, as the reductions occur, primarily employee severance and benefits charges and facility exit costs. Furthermore, the Company expects to incur additional aircraft charges in the fourth quarter of 2003 related to the retirement of additional operating leased Boeing 757 aircraft.~~

~~Summary~~

~~The following table summarizes the components of these charges and the remaining accruals for future lease payments, aircraft lease return and other costs, facilities closure costs and employee severance and benefit costs (in millions):~~

	Aircraft Charges	Facility Exit Costs	Employee Charges	Other	Total
Remaining accrual at December 31, 2002	\$ 209	\$ 17	\$ 44	\$	\$ 270
Special charges	39	50	76	(68)	97
Adjustments	(20)				(20)
Non cash charges		(15)	22	68	75
Payments	(50)	(4)	(109)		(163)
Remaining accrual at September 30, 2003	\$ 178	\$ 48	\$ 33	\$	\$ 259

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AMR CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(Unaudited)

6. In the second quarter of 2003, as a result of the Labor Agreements and Management Reductions discussed in Note 2, the Company remeasured its defined benefit pension plans. The significant actuarial assumptions used for the remeasurement were the same as those used as of December 31, 2002, except for the discount rate and salary scale, which were lowered to 6.50 percent, and 2.78 percent through 2008 and 3.78 thereafter, respectively. In addition, assumptions with respect to interest rates used to discount lump sum benefit payments available under certain plans were updated. In conjunction with the remeasurement, the Company recorded an increase in its minimum pension liability, primarily due to changes in discount rates, which resulted in an additional charge to stockholders' equity as a component of other comprehensive loss of \$334 million. Furthermore, as a result of workforce reductions related to the Labor Agreements and Management Reductions, the Company recognized a curtailment loss of \$46 million related to its defined benefit pension plans, in accordance with Statement of Financial Accounting Standards No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits" (SFAS 88), which is included in Special charges in the consolidated statement of operations.

The following table provides a statement of funded status as of April 22, 2003 and December 31, 2002 for the Company's defined benefit pension plans (in millions):

	April 22, 2003	December 31, 2002
Funded status		
Accumulated benefit obligation (ABO)	\$ 7,800	\$ 7,344
Projected benefit obligation (PBO)	8,345	8,757
Fair value of assets	5,369	5,323
Funded status	(2,976)	(3,434)
Unrecognized loss	2,185	2,709
Unrecognized prior service cost	184	330
Unrecognized transition asset	(4)	(4)
Net amount recognized	\$ (611)	\$ (399)

7. The Company has restricted cash and short term investments related to projected workers' compensation obligations and various other obligations. As of September 30, 2003, projected workers' compensation obligations were secured by restricted cash and short term investments of \$398 million and various other obligations were secured by restricted cash and short term investments of \$142 million. In the first quarter of 2003, the Company redeemed \$339 million of tax exempt bonds that were backed by standby letters of credit secured by restricted cash and short term investments resulting in a reduction in restricted cash and short term investments. Of the \$339 million of tax exempt bonds that were redeemed, \$253 million were accounted for as operating leases. Payments to redeem these tax exempt special facility revenue bonds are generally considered prepaid facility rentals and reduce future operating lease commitments. The remaining \$86 million of tax exempt bonds that were redeemed were accounted for as debt and had original maturities in 2014 through 2024.

As of September 30, 2003 the Company had approximately \$241 million

~~in fuel prepayments and credit card holdback deposits classified as Other current assets and Other assets in the condensed consolidated balance sheet.~~

~~In June 2003, the Company sold its interest in Worldspan, a computer reservations company, for \$180 million in cash and a \$39 million promissory note, resulting in a gain of \$17 million which is included in Other income (loss) in the consolidated statement of operations.~~

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~~AMR CORPORATION~~
~~NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)~~
~~(Unaudited)~~

~~8. As of September 30, 2003, the Company had commitments to acquire the following aircraft: six Embraer regional jets and five Bombardier CRJ 700s in 2003; an aggregate of 74 Embraer regional jets and six Bombardier CRJ 700s in 2004 through 2006; and an aggregate of 47 Boeing 737 800s and nine Boeing 777 200ERs in 2006 through 2010. Future payments for all aircraft, including the estimated amounts for price escalation, will approximate \$217 million during the remainder of 2003, \$755 million in 2004, \$699 million in 2005 and an aggregate of approximately \$2.7 billion in 2006 through 2010. The Company has pre arranged financing or backstop financing for all of its aircraft deliveries through June 2005.~~

~~Boeing Capital provided backstop financing for all Boeing aircraft deliveries in 2003. In return, American granted Boeing a security interest in certain advance payments previously made and in certain rights under the aircraft purchase agreement between American and Boeing.~~

~~As discussed in the notes to the consolidated financial statements included in the Company's 2002 Form 10 K, Miami Dade County is currently investigating and remediating various environmental conditions at the Miami International Airport (MIA) and funding the remediation costs through landing fees and various cost recovery methods. American and AMR Eagle have been named as potentially responsible parties (PRPs) for the contamination at MIA. During the second quarter of 2001, the County filed a lawsuit against 17 defendants, including American, in an attempt to recover its past and future cleanup costs (Miami Dade County, Florida v. Advance Cargo Services, Inc., et al. in the Florida Circuit Court). In addition to the 17 defendants named in the lawsuit, 243 other agencies and companies were also named as PRPs and contributors to the contamination. American's and AMR Eagle's portion of the cleanup costs cannot be reasonably estimated due to various factors, including the unknown extent of the remedial actions that may be required, the proportion of the cost that will ultimately be recovered from the responsible parties, and uncertainties regarding the environmental agencies that will ultimately supervise the remedial activities and the nature of that supervision. In addition, the Company is subject to environmental issues at various other airport and non airport locations for which it has accrued \$85 million at September 30, 2003. Management believes, after considering a number of factors, that the ultimate disposition of these environmental issues is not expected to materially affect the Company's consolidated financial position, results of operations or cash flows. Amounts recorded for environmental issues are based on the Company's current assessments of the ultimate outcome and, accordingly, could increase or decrease as these assessments change.~~

~~9. As discussed in Note 2, the Company reached concessionary agreements with certain lessors. The Vendor Agreements with these lessors affected the payments, lease term, and other conditions of certain leases. As a result of these changes to the payment and lease terms, 30 leases which were previously accounted for as operating leases were converted to capital leases, and one lease which was previously accounted for as a capital lease was converted to an operating lease. The remaining leases did not change from their original classification. The Company recorded the new capital leases at the fair value of the respective assets being leased. These changes did not have a significant effect on the Company's condensed consolidated balance sheet.~~

~~In addition, certain of the Vendor Agreements provide that the~~

~~Company's obligations under the related lease revert to the original terms if certain events occur prior to December 31, 2005, including: (i) an event of default under the related lease (which generally occurs only if a payment default occurs), (ii) an event of loss with respect to the related aircraft, (iii) rejection by the Company of the lease under the provisions of Chapter 11 of the U.S. Bankruptcy Code or (iv) the Company's filing for bankruptcy under Chapter 7 of the U.S. Bankruptcy Code. If any one of these events were to occur, the Company would be responsible for approximately \$17 million in additional operating lease payments and \$6 million in additional payments related to capital leases as of September 30, 2003. This amount will increase to approximately \$119 million in operating lease payments and \$111 million in payments related to capital leases prior to the expiration of the provision on December 31, 2005. Such amounts are being treated as contingent rentals and will only be recognized if they become due.~~

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~~AMR CORPORATION~~
~~NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)~~
~~(Unaudited)~~

~~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 September 30, 2003 were as follows (these amounts reflect concessions as a result of the Vendor Agreements and exclude contingent rentals):~~

Year Ending December 31,	Capital Leases	Operating Leases
2003 (as of September 30, 2003)	\$ 45	\$ 466
2004	321	1,086
2005	252	1,029
2006	252	963
2007	187	941
2008 and subsequent	1,320	9,272
	2,386	\$13,757 (1)
Less amount representing interest	952	
Obligations under capital leases	\$1,434	

~~(1) As of September 30, 2003, included in Accrued liabilities and Other liabilities and deferred credits on the accompanying condensed consolidated balance sheets is approximately \$1.4 billion relating to rent expense recorded in advance of future operating lease payments.~~

~~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 at a predetermined fixed amount.~~

~~10. Accumulated depreciation of owned equipment and property at September 30, 2003 and December 31, 2002 was \$9.0 billion and \$8.4 billion, respectively. Accumulated amortization of equipment and property under capital leases at September 30, 2003 and December 31, 2002 was \$1.1 billion and \$974 million, respectively.~~

~~11. The Company has experienced significant cumulative losses and as a result generated net operating losses available to offset future taxes payable. As a result of the cumulative operating losses, a valuation allowance was established against the full amount of the Company's net deferred tax asset as of December 31, 2002. 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. During 2003, the Company continued to record a valuation allowance against its net deferred tax assets, which results in no tax benefit being recorded for the pretax losses and the charge to Accumulated other comprehensive loss resulting from the minimum pension liability adjustment discussed in Note 6. The Company's deferred tax asset valuation allowance increased \$533 million in 2003, to \$903 million as of September 30, 2003.~~

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~~AMR CORPORATION~~
~~NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)~~
~~(Unaudited)~~

~~12. In March 2003, the Board of Directors of AMR approved the issuance of additional shares of AMR common stock to employees and Vendors in connection with ongoing negotiations concerning concessions. The maximum number of shares authorized for issuance was 30 percent of the number of shares of the Company's common stock outstanding on March 24, 2003 (156,359,955) or approximately 46.9 million shares. From the foregoing authorization, the Company issued approximately 2.5 million shares to Vendors, from treasury stock, at an average price of \$4.81 on the date of grant resulting in a re allocation from Treasury stock to Additional paid in capital of \$142 million. Also in March 2003, the AMR Board of Directors adopted the 2003 Employee Stock Incentive Plan (2003 Plan) to provide equity awards to employees in connection with wage, benefit and work rule concessions. Under the 2003 Plan, all American employees are eligible to receive stock awards which may include stock options, restricted stock and deferred stock. In April 2003, the Company reached final agreements with the unions representing American employees (the Labor Agreements, see Note 2). In connection with the changes in wages, benefits and work rules, the Labor Agreements provide for the issuance of up to 37.9 million shares of AMR stock in the form of stock options. Approximately 37.9 million stock options were granted to employees (excluding officers) at an exercise price of \$5.00 per share, which is equal to the closing price of AMR's common stock (NYSE) on April 17, 2003. These stock options will vest over a three year period and will expire on April 17, 2013. These options were granted to members of the APA, the TWU, the APFA, agents, other non management personnel and certain management employees (excluding officers).~~

~~13. During the nine month period ended September 30, 2003, American and AMR Eagle borrowed approximately \$852 million under various debt agreements related to the purchase of aircraft, including certain seller financed agreements. These debt agreements are secured by the related aircraft and have effective interest rates which are fixed or variable based on London Interbank Offered Rate (LIBOR) plus a spread and mature over various periods of time through 2019. As of September 30, 2003, the effective interest rate on these agreements ranged up to 9.12 percent.~~

~~In addition, in July 2003, American issued \$255 million of enhanced equipment trust certificates, secured by aircraft, which bear interest at 3.86 percent and are repayable in semi annual installments beginning in 2004, with a final maturity in 2010. These obligations are insured by a third party.~~

~~In September 2003, the Company issued \$300 million principal amount of its 4.25 percent senior convertible notes due 2023 in a private placement. Each note is convertible into AMR common stock at a conversion rate of 57.61 shares per \$1,000 principal amount of notes (which represents an equivalent conversion price of \$17.36 per share), subject to adjustment in certain circumstances. These notes are guaranteed by American.~~

~~The notes are convertible under certain circumstances, including if (i) the closing sale price of the Company's common stock reaches a certain level for a specified period of time, (ii) the trading price of the notes as a percentage of the closing sale price of the Company's common stock falls below a certain level for a specified period of time, (iii) the Company calls the notes for redemption, or (iv) certain corporate transactions occur. Holders of the notes may require the Company to repurchase all or any portion of the notes on September 23, 2008, 2013 and 2018 at a purchase price equal to the principal amount of the notes being purchased plus accrued and unpaid interest to the date of purchase. The Company may pay the purchase price in cash, common stock or a combination of cash and common stock. After September 23, 2008, the Company may redeem all or any portion of the notes for cash at a price equal to the principal amount of the notes being redeemed plus accrued and unpaid interest as of the redemption date.~~

~~Also in September 2003, American transferred its two headquarters buildings located in Fort Worth, Texas to AA Real Estate Holding L.P., a wholly owned consolidated subsidiary of American. AA Real Estate Holding L.P. leased the buildings back to American pursuant to a triple net lease, and used the buildings and the lease as security for a loan consisting of four notes, in the aggregate principal amount of \$100.6 million, which is reflected as debt in the condensed consolidated balance sheet of the Company. Each note corresponds to a separate class of AA/Ft. Worth HQ Finance Trust Lease Revenue Commercial Mortgage Backed Pass Through Certificates, Series 2003 (the Certificates) issued by the AA/Ft. Worth HQ Finance Trust, which is not a subsidiary of American, in a private placement pursuant to Rule 144A under the Securities Act of 1933. The Certificates and corresponding notes have an average effective interest rate of 7.2 percent and a final maturity in 2010.~~

~~American has a fully drawn \$834 million credit facility that expires December 15, 2005. On March 31, 2003, American and certain lenders in such facility entered into a waiver and amendment that (i) waived, until May 15, 2003, the requirement that American pledge additional collateral to the extent the value of the existing collateral was insufficient under the terms of the facility, (ii) waived American's liquidity covenant for the quarter ended March 31, 2003, (iii) modified the financial covenants applicable to subsequent periods, and (iv) increased the applicable margin for advances under the facility. On May 15, 2003, American pledged an additional 30 (non Section 1110 eligible) aircraft having an aggregate net book value as of April 30, 2003 of approximately \$450 million. Pursuant to the modified financial covenants, American is required to maintain at least \$1.0 billion of liquidity, consisting of unencumbered cash and short term investments, for the second quarter 2003 and beyond. While the Company was in compliance with the covenant at September 30, 2003, if the Company is adversely affected by the risk factors discussed in Note 2, it is uncertain whether the Company will be able to satisfy this liquidity requirement through the expiration of the facility at the end of 2005. Any failure to satisfy this requirement, if not waived, would result in a default under this facility and could trigger defaults under other debt arrangements.~~

~~In addition, as part of the modification of financial covenants, the required ratio of EBITDAR to fixed charges under the facility was reduced until the measurement period ending December 31, 2004, and the next test of such cash flow coverage ratio was postponed until March 31, 2004. The effective interest rate on the facility as of September 30, 2003 is 4.68 percent and will be reset on March 17, 2004. At American's option, interest on the facility can be calculated on one of several different bases. In most instances, American would anticipate choosing a floating rate based upon LIBOR.~~

~~As of September 30, 2003, AMR has issued guarantees covering approximately \$935 million of American's tax exempt bond debt and American has issued guarantees covering approximately \$936 million of AMR's unsecured debt, including the 4.25 percent senior convertible notes discussed above. In addition, as of September 30, 2003, AMR and American have issued guarantees covering approximately \$503 million of AMR Eagle's secured debt, and AMR has issued guarantees covering an additional \$1.7 billion of AMR Eagle's secured debt.~~

~~14. Financial Accounting Standards Board Interpretation No. 46, "Consolidation of Variable Interest Entities" (Interpretation 46), requires the primary beneficiary of a variable interest entity (VIE) to include the assets, liabilities, and results of the activities of the VIE in its consolidated financial statements, as well as disclosure of information about the assets and liabilities, and the nature, purpose and activities of consolidated variable interest entities. In addition, Interpretation 46 requires disclosure of information about the nature, purpose and activities of unconsolidated VIEs in which the Company holds a significant variable interest. The provisions of Interpretation 46 were effective immediately for any interests in VIEs acquired after January 31, 2003. In October 2003, the Financial Standards Accounting Board deferred the effective date of Interpretation 46 to the fourth quarter of 2003 for variable interests acquired before February 1, 2003.~~

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AMR CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Unaudited)

The Company has completed its preliminary evaluation of certain of its interests in VIEs, including (i) special facility revenue bonds, (ii) certain aircraft operating leases with fixed price purchase options, (iii) American's capacity purchase agreements with its Regional Affiliates, (iv) certain fuel consortia arrangements, and (v) a hedge fund investment. The Company has determined that it holds a significant variable interest in, but is not the primary beneficiary of, certain entities established by municipalities for the purpose of issuing special facility revenue bonds and certain trusts that are the lessor under certain of its aircraft operating leases (discussed below). Furthermore, the Company has determined that it is neither the primary beneficiary of, nor holds a significant variable interest in, any entities related to the items listed in (iii) through (v) above. As a result, Interpretation 46 is expected to have no impact on the Company's statement of operations or consolidated balance sheet.

Special facility revenue bonds have been issued by certain municipalities, or entities established by the municipalities for the purpose of issuing the special facility revenue bonds, primarily to purchase equipment and improve airport facilities that are leased by American and accounted for as operating leases. Approximately \$2.1 billion of these bonds, with total future payments of approximately \$5.2 billion as of September 30, 2003, are guaranteed by American, AMR, or both. These guarantees are not collateralized and can only be invoked in the event American defaults on the lease obligation. The leases do not include residual value guarantees or fixed price purchase options. Of these special facility revenue bonds, \$1.9 billion, with total future payments of approximately \$4.7 billion, were issued by entities established by municipalities for the purpose of issuing the bonds. Although municipalities are not considered VIEs under Interpretation 46, the Company believes that entities established by municipalities for the purpose of issuing bonds do qualify as VIEs.

American has 88 operating leases where the lessor is a variable interest entity—a trust—and the lease contains 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 September 30, 2003, future lease payments required under these leases totaled \$3.2 billion.

Financial Accounting Standards Board Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (Interpretation 45), requires disclosures in interim and annual financial statements about obligations under certain guarantees issued by the Company. Furthermore, it requires recognition at the beginning of a guarantee of a liability for the fair value of the obligation undertaken in issuing the guarantee, with limited exceptions including: 1) a parent's guarantee of a subsidiary's debt to a third party, and 2) a subsidiary's guarantee of the debt owed to a third party by either its parent or another subsidiary of that parent. The disclosures required by Interpretation 45 have been included in Notes 6, 7 and 8 to the consolidated financial statements in the 2002 Form 10-K. The initial recognition and initial measurement provisions are only applicable on a prospective basis for guarantees issued or modified after December 31, 2002. This interpretation has had no impact on the Company's consolidated statement of operations or condensed consolidated balance sheets.

15. Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). SFAS 142 requires the Company to test goodwill and indefinite lived intangible assets (for AMR, route acquisition costs) for impairment rather than amortize them. In 2002, the Company completed an impairment analysis for route acquisition costs in accordance with SFAS 142. The analysis did not result in an impairment charge. In addition, the Company completed an impairment analysis related to its \$1.4 billion of goodwill and determined the Company's entire goodwill balance was impaired. In arriving at this conclusion, the Company's net book value was

~~determined to be in excess of the Company's fair value at January 1, 2002, using AMR as the reporting unit for purposes of the fair value determination. The Company determined its fair value as of January 1, 2002 using various valuation methods, ultimately utilizing market capitalization as the primary indicator of fair value. As a result, the Company recorded a one time, non-cash charge, effective January 1, 2002, of \$988 million (\$6.36 per share, net of a tax benefit of \$363 million) to write off all of AMR's goodwill. This charge is nonoperational in nature and is reflected as a cumulative effect of accounting change in the consolidated statements of operations.~~

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~~AMR CORPORATION~~
~~NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)~~
~~(Unaudited)~~

~~16. The Company includes changes in minimum pension liabilities, changes in the fair value of certain derivative financial instruments that qualify for hedge accounting and unrealized gains and losses on available for sale securities in comprehensive loss. For the three months ended September 30, 2003 and 2002, comprehensive loss was \$(22) million and \$(897) million, respectively. In addition, for the nine months ended September 30, 2003 and 2002, comprehensive loss was \$(1,502) million and \$(2,881) million, respectively. The difference between net loss and comprehensive loss is due primarily to the adjustment to the Company's minimum pension liability, as discussed in Note 6, and the accounting for the Company's derivative financial instruments under Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended (SFAS 133).~~

~~American enters into jet fuel, heating oil and crude swap and option contracts to dampen the volatility in jet fuel prices. Beginning in March 2003, the Company revised its hedging strategy and, in June 2003, terminated substantially all of its contracts with maturities beyond March 2004. During the second quarter of 2003, the termination of these contracts resulted in the collection of approximately \$41 million in settlement of the contracts. The gain on these contracts will continue to be deferred in Accumulated other comprehensive loss until the time the original underlying jet fuel hedged is used. Commencing in October 2003, the Company began to enter into new fuel hedging contracts with maturities beyond March 2004 for a portion of its future fuel requirements.~~

~~At September 30, 2003, American had fuel hedging agreements with broker dealers on approximately 466 million gallons of fuel products. The fair value of the Company's fuel hedging agreements at September 30, 2003, representing the amount the Company would receive to terminate the agreements, totaled \$62 million, compared to \$212 million at December 31, 2002, and is included in Other current assets.~~

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~~AMR CORPORATION~~
~~NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)~~
~~(Unaudited)~~

~~17. The following table sets forth the computations of basic and diluted earnings (loss) per share before cumulative effect of accounting change (in millions, except per share data):~~

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2003	2002	2003	2002
Numerator:				
Net income (loss) before cumulative effect of accounting change —				
numerator for basic and diluted earnings (loss) per share	\$ 1	\$(924)	\$(1,117)	\$(1,994)
Denominator:				
Denominator for basic earnings (loss) per share before cumulative effect of accounting				

change weighted average shares	159	156	158	155
Effect of dilutive securities:				
Employee options and shares	45			
Assumed treasury shares purchased	(23)			
Dilutive potential common shares	22			

Denominator for diluted earnings				
(loss) per share before				
cumulative effect of accounting				
change adjusted weighted				
average shares	181	156	158	155

Basic and diluted earnings (loss)				
per share before cumulative				
effect of accounting change	\$.00	\$(5.93)	\$(7.08)	\$(12.83)

~~For the nine months ended September 30, 2003 approximately ten million potential dilutive shares were not added to the denominator, because inclusion of such shares would be antidilutive, as compared to approximately two million and five million shares, respectively, for the three and nine months ended September 30, 2002. In addition, for the three and nine months ended September 30, 2003, approximately 17 million shares issuable upon conversion of the Company's 4.25 percent convertible notes discussed in Note 13 were not added to the denominator because the inclusion of such shares would be antidilutive.~~

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

~~RESULTS OF OPERATIONS~~

~~For the Three Months Ended September 30, 2003 and 2002~~

~~Summary AMR Corporation's (AMR or the Company) net earnings during the third quarter of 2003 were \$1 million, or \$0.00 per share, as compared to a net loss of \$924 million, or \$5.93 per share for the same period in 2002. AMR's operating earnings of \$165 million increased \$1.5 billion compared to the same period in 2002. The Company's third quarter 2003 results include net special credits of \$24 million. Comparatively, the Company's third quarter 2002 results include \$718 million in special charges related to the initiatives announced in August 2002 to reduce its costs, reduce capacity, simplify its aircraft fleet and enhance productivity. See Note 5 to the condensed consolidated financial statements for additional information. AMR's principal subsidiary is American Airlines, Inc. (American).~~

~~The Company's third quarter 2003 revenues increased slightly year-over-year while capacity decreased, resulting in some unit revenue (passenger revenue per available seat mile) improvement. Overall, the Company's revenues increased approximately \$81 million, or 1.8 percent, to \$4.6 billion in the third quarter of 2003 from the same period last year. However, even with recent improvements, the Company's revenues are still depressed relative to historical levels. American's passenger revenues increased by 1.4 percent, or \$51 million, in the third quarter of 2003 as compared to the same period in 2002. American's third quarter domestic passenger revenue per available seat mile (RASM) increased 11.6 percent, to 8.69 cents, on a capacity decrease of 8.9 percent, to 30.0 billion available seat miles (ASMs). International RASM increased to 9.19 cents, or 0.4 percent, on a capacity increase of 0.4 percent. The increase in international RASM was due to a 0.9 percent increase in Pacific and Latin American RASM, offset by a 0.2 percent decrease in European RASM. The increase in international capacity was driven by a 2.5 percent increase in European ASMs, offset by a 7.4 percent and 0.2 percent reduction in Pacific and Latin American ASMs, respectively.~~

~~The Company's Regional Affiliates include two wholly owned subsidiaries, American Eagle Airlines, Inc. (American Eagle) and Executive Airlines, Inc. (Executive) (collectively, AMR Eagle), and two independent carriers, Trans States Airlines, Inc. (Trans States) and Chautauqua Airlines, Inc. (Chautauqua). In 2002, American had a capacity purchase agreement with Chautauqua, and revenue prorate agreements with AMR Eagle and Trans States. In 2003, American has capacity purchase agreements with all three carriers. Regional Affiliates' traffic increased 24.4 percent while capacity increased 20.5 percent, to approximately 2.2 billion ASMs.~~

The Company's operating expenses decreased 24.0 percent, or \$1.4 billion. Wages, salaries and benefits decreased 20.2 percent, or \$428 million, primarily due to the Labor Agreements and Management Reductions discussed in Note 2 to the condensed consolidated financial statements. Maintenance, materials and repairs decreased 22.8 percent, or \$66 million, due primarily to a decrease in airframe and engine volumes at the Company's maintenance bases resulting from a variety of factors, including the retirement of aircraft, the timing of sending engines to repair vendors and a decrease in the number of flights. The Company expects maintenance, materials and repairs costs to increase as aircraft utilization increases and the benefit from retiring aircraft subsides. Aircraft rentals decreased \$45 million, or 21.4 percent, due primarily to concessionary agreements with certain lessors and the removal of leased aircraft from service in prior periods. Food service decreased 15.3 percent, or \$29 million, due primarily to a decrease in the number of departures and passengers boarded and simplification of catering services. Other operating expenses decreased 16.3 percent, or \$116 million, due to decreases in data processing expenses, travel and incidental costs, insurance costs, contract maintenance work that American performs for other airlines, advertising and promotion costs and security costs. Special charges (credits) for the third quarter of 2003 include (i) a \$68 million gain resulting from a transaction involving 33 of the Company's Fokker 100 aircraft and related debt and (ii) \$39 million related to aircraft charges. Comparatively, Special charges for the third quarter of 2002 included approximately (i) \$658 million related to aircraft charges and (ii) \$57 million in employee charges. See Note 5 to the condensed consolidated financial statements for additional information regarding Special charges (credits). U.S. government grant includes a \$10 million benefit recognized for the reimbursement from the U.S. government under the Air Transportation Safety and System Stabilization Act in 2002.

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Other income (expense), historically a net expense, increased \$36 million due to the following: Interest expense increased \$27 million, or 15.8 percent, resulting primarily from the increase in the Company's long term debt.

The Company has experienced significant cumulative losses and as a result generated net operating losses available to offset future taxes payable. As a result of the cumulative operating losses, a valuation allowance was established against the full amount of the Company's net deferred tax asset as of December 31, 2002. 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. During 2003, the Company continued to record a valuation allowance against its net deferred tax assets, which results in no tax benefit being recorded for the pretax losses or tax provision being recorded for pretax earnings. The Company's deferred tax asset valuation allowance remained at \$903 million as of September 30, 2003.

OPERATING STATISTICS

	Three Months Ended September 30,	
	2003	2002
American Airlines, Inc. Mainline Jet Operations		
Revenue passenger miles (millions)	32,718	33,080
Available seat miles (millions)	43,021	45,920
Cargo ton miles (millions)	485	498
Passenger load factor	76.0%	72.0%
Passenger revenue yield per passenger mile (cents)	11.63	11.35
Passenger revenue per available seat mile (cents)	8.84	8.18
Cargo revenue yield per ton mile (cents)	27.68	27.58
Operating expenses per available seat mile, excluding Regional Affiliates (cents) (*)	9.43	11.70
Fuel consumption (gallons, in millions)	772	839
Fuel price per gallon (cents)	85.0	78.0
Operating aircraft at period end	799	826
Regional Affiliates		
Revenue passenger miles (millions)	1,463	1,176
Available seat miles (millions)	2,190	1,817
Passenger load factor	66.8%	64.7%

(*) The Company believes that excluding costs related to Regional Affiliates provides a measure which is more comparable to American's historical operating expenses per ASM. Following is

~~a reconciliation of total operating expenses to operating expenses excluding Regional Affiliates (in millions, except as noted):~~

	Three Months Ended September 30,	
	2003	2002
American Airlines, Inc.		
Total operating expenses (GAAP)	\$4,500	\$5,409
Less: Operating expenses incurred related to Regional Affiliates	441	33
Operating expenses excluding expenses incurred related to Regional Affiliates American mainline jet operations available seat miles	\$4,059	\$5,376
Operating expenses per available seat mile, excluding Regional Affiliates (cents)	43,021	45,920
	9.43	11.70

~~Note 1: Certain amounts have been reclassified to conform with the 2003 presentation.~~

~~Note 2: American Airlines, Inc. 2003 operating expenses include expenses incurred related to capacity purchase agreements with Regional Affiliates American Eagle, Executive, Trans States and Chautauqua, whereas 2002 operating expenses include expenses incurred related to a capacity purchase agreement with Regional Affiliate Chautauqua.~~

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Operating aircraft at September 30, 2003, included:

American Airlines Aircraft		AMR Eagle Aircraft	
Airbus A300 600R	34	ATR 42	15
Boeing 737 800	77	Bombardier CRJ 700	14
Boeing 757 200	146	Embraer 135	39
Boeing 767 200	9	Embraer 140	59
Boeing 767 200 Extended Range	20	Embraer 145	46
Boeing 767 300 Extended Range	58	Super ATR	42
Boeing 777 200 Extended Range	45	Saab 340B	26
Fokker 100	48	Saab 340B Plus	25
McDonnell Douglas MD 80	362	Total	266
Total	799		

~~The average aircraft age for American's aircraft is 11.2 years and AMR Eagle's aircraft is 6.1 years.~~

~~Of the operating aircraft listed above, one Airbus A300 600R, eight Boeing 767 200s, five Boeing 767 200 ERs and 25 McDonnell Douglas MD 80 aircraft were in temporary storage as of September 30, 2003.~~

~~In addition, the following owned and leased aircraft were not operated by the Company as of September 30, 2003: five operating leased Boeing 757 200s, three operating leased McDonnell Douglas DC 9s, three operating leased McDonnell Douglas MD 80s, 18 owned Fokker 100s, ten owned Embraer 145s and 38 capital leased and five owned Saab 340Bs.~~

~~In 2003, AMR Eagle agreed to sell 19 ATR 42 aircraft to Federal Express, Inc., with deliveries beginning in June 2003 and ending in December 2004 and American agreed to sell 14 Fokker 100 aircraft to a buyer, with deliveries beginning in September 2003 and ending in August 2004. As of September 30, 2003, four ATR 42 and two Fokker 100 aircraft have been delivered.~~

~~For the Nine Months Ended September 30, 2003 and 2002~~

~~Summary The Company's net loss for the nine months ended September 30, 2003 was \$1.1 billion, or \$7.08 per share, as compared to a net loss of \$3.0 billion, or \$19.19 per share for the same period in 2002. The Company's 2003 results include (i) \$358 million in security cost reimbursements received under the Emergency Wartime Supplemental Appropriations Act, 2003 (the Act) (see Note 4 to the condensed consolidated financial statements for additional information) and \$77 million in special charges. The Company's 2002 results include (i) a one time, non-cash charge to record the cumulative effect of a change in accounting, effective January 1, 2002, of \$988 million, or \$6.36 per share, to write off all of AMR's goodwill upon the adoption of Statement of Financial Accounting Standards Board No. 142 "Goodwill and Other Intangible Assets" (see Note 15 to the condensed~~

consolidated financial statements) and (ii) \$718 million in special charges related to the initiatives announced in August 2002 to reduce its costs, reduce capacity, simplify its aircraft fleet and enhance productivity. See Note 5 to the condensed consolidated financial statements for additional information. AMR's operating loss of \$617 million decreased \$2.0 billion compared to the same period in 2002.

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The Company's 2003 revenues decreased year over year, but at a slower rate than its capacity. The Company's revenues through April continued to be negatively impacted by the economic slowdown, the war in Iraq and the outbreak of SARS. These trends however, began to reverse in May and continued to show improvement through September, and while capacity decreased year over year, the Company showed some unit revenue improvement. Overall, the Company's revenues decreased approximately \$146 million, or 1.1 percent, to \$13.0 billion in 2003 from the same period in 2002. American's passenger revenues decreased by 2.2 percent, or \$242 million, in 2003 from the same period in 2002. American's domestic revenue per available seat mile (RASM) for the nine months ended September 30, however, increased 4.1 percent, to 8.64 cents, on a capacity decrease of 6.9 percent, to 87.7 billion available seat miles (ASMs). International RASM decreased to 8.75 cents, or 1.1 percent, on a capacity increase of 1.2 percent. The decrease in international RASM was due to a 14.5 percent and 0.2 percent decrease in Pacific and Latin American RASM slightly offset by a 0.7 percent increase in European RASM. The increase in international capacity was driven by a 7.1 percent and 2.9 percent increase in Pacific and European ASMs, respectively, slightly offset by a 1.2 percent reduction in Latin American ASMs.

In 2002, American had a capacity purchase agreement with Chautauqua, and revenue prorate agreements with AMR Eagle and Trans States. In 2003, American has capacity purchase agreements with all three carriers. Regional Affiliates' traffic increased 19.0 percent in 2003 while capacity increased 18.6 percent, to approximately 6.3 billion ASMs.

Other revenues increased 7.4 percent, or \$54 million, due primarily to increases in ticket change fees coupled with changes to the Company's change fee arrangements with travel agencies, increases in airfreight service fees due primarily to fuel surcharges, increases in AAdvantage fees and increases in employee travel service charges, somewhat offset by decreases in contract maintenance work that American performs for other airlines.

The Company's operating expenses decreased 13.8 percent, or \$2.2 billion. Wages, salaries and benefits decreased 10.5 percent, or \$667 million, primarily due to the Labor Agreements and Management Reductions discussed in Note 2 to the condensed consolidated financial statements. Aircraft fuel expense increased 10.5 percent, or \$197 million, due primarily to an 18.3 percent increase in American's average price per gallon of fuel but was somewhat offset by a 7.0 percent decrease in American's fuel consumption. Commissions, booking fees and credit card expense decreased 12.7 percent, or \$116 million, due primarily to the benefit from the changes in the commission structure implemented in March 2002 and a 1.6 percent decrease in passenger revenues. Maintenance, materials and repairs decreased 23.7 percent, or \$199 million, due primarily to a decrease in airframe and engine volumes at the Company's maintenance bases resulting from a variety of factors, including the retirement of aircraft, the timing of sending engines to repair vendors and a decrease in the number of flights; and the receipt of certain vendor credits. The Company expects maintenance, materials and repairs costs to increase as aircraft utilization increases and the benefit from retiring aircraft subsides. Aircraft rentals decreased \$118 million, or 18.2 percent, due primarily to concessionary agreements with certain lessors and the removal of leased aircraft from service in prior periods. Food service decreased 14.7 percent, or \$79 million, due primarily to a decrease in the number of departures and passengers boarded and simplification of catering services. Other operating expenses decreased 9.7 percent or \$200 million due to decreases in data processing expenses, travel and incidental costs, insurance costs, contract maintenance work that American performs for other airlines, advertising and promotion costs and security costs. Special charges for the nine months ended September 30 include (i) a \$68 million gain resulting from a transaction involving 33 of the Company's Fokker 100 aircraft and related debt, (ii) \$76 million in employee charges, (iii) \$50 million in facility exit costs and (iv) \$39 million related to aircraft charges offset by a \$20 million aircraft related credit to

finalize prior accruals. Comparatively, Special charges in 2002 included approximately (i) \$658 million related to aircraft charges and (ii) \$57 million in employee charges. See Note 5 to the condensed consolidated financial statements for additional information regarding Special charges. U.S. government grant includes a \$358 million benefit recognized for the reimbursement of security service fees from the U.S. government under the Act in 2003 and a \$10 million benefit recognized for the reimbursement from the U.S. government under the Air Transportation Safety and System Stabilization Act in 2002.

Other income (expense), historically a net expense, increased \$119 million due to the following: Interest income decreased 24.1 percent, or \$13 million, due primarily to lower short term investment balances and a decrease in interest rates. Interest expense increased \$79 million, or 15.8 percent, resulting primarily from the increase in the Company's long term debt. Miscellaneous net decreased \$14 million, primarily due to the write down of certain investments held by the Company during the first quarter of 2003.

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As discussed above, due to the Company's cumulative operating losses, a valuation allowance was established against the full amount of the Company's net deferred tax asset as of December 31, 2002. During 2003, the Company continued to record a valuation allowance against its net deferred tax assets, which results in no tax benefit being recorded for the pretax losses and the charge to Accumulated other comprehensive loss resulting from the minimum pension liability adjustment discussed in Note 6 to the condensed consolidated financial statements. The Company's deferred tax asset valuation allowance increased \$533 million in 2003, to \$903 million as of September 30, 2003.

The effective tax rate for the nine months ended September 30, 2002 was impacted by a \$57 million charge resulting from a provision in Congress' economic stimulus package that changed the period for carrybacks of net operating losses (NOLs).

OPERATING STATISTICS

	Nine Months Ended September 30,	
	2003	2002
American Airlines, Inc. Mainline Jet Operations		
Revenue passenger miles (millions)	90,736	92,276
Available seat miles (millions)	123,861	129,968
Cargo ton miles (millions)	1,468	1,478
Passenger load factor	73.3%	71.0%
Passenger revenue yield per passenger mile (cents)	11.84	11.90
Passenger revenue per available seat mile (cents)	8.67	8.45
Cargo revenue yield per ton mile (cents)	27.86	27.82
Operating expenses per available seat mile, excluding Regional Affiliates (cents) (*)	10.12	11.27
Fuel consumption (gallons, in millions)	2,224	2,392
Fuel price per gallon (cents)	87.3	73.8
Regional Affiliates		
Revenue passenger miles (millions)	4,017	3,375
Available seat miles (millions)	6,286	5,301
Passenger load factor	63.9%	63.7%

(*) The Company believes that excluding costs related to Regional Affiliates provides a measure which is more comparable to American's historical operating expenses per ASM. Following is a reconciliation of total operating expenses to operating expenses excluding Regional Affiliates (in millions, except as noted):

	Nine Months Ended September 30,	
	2003	2002
American Airlines, Inc.		
Total operating expenses (GAAP)	\$13,843	\$14,736
Less: Operating expenses incurred related to Regional Affiliates	1,306	92
Operating expenses excluding expenses incurred related to Regional Affiliates	\$12,537	\$14,644
American mainline jet operations available seat miles	123,861	129,968
Operating expenses per available seat mile, excluding Regional Affiliates (cents)	10.12	11.27

~~Note 1: Certain amounts have been reclassified to conform with the 2003 presentation.~~

~~Note 2: American Airlines, Inc. 2003 operating expenses include expenses incurred related to capacity purchase agreements with Regional Affiliates American Eagle, Executive, Trans States and Chautauqua, whereas 2002 operating expenses include expenses incurred related to a capacity purchase agreement with Regional Affiliate Chautauqua.~~

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~~LIQUIDITY AND CAPITAL RESOURCES~~

~~In February 2003, American asked its employees for approximately \$1.8 billion in annual savings through a combination of changes in wages, benefits and work rules. The requested \$1.8 billion in savings was divided by work group as follows: \$660 million pilots; \$620 million Transportation Workers Union represented employees; \$340 million flight attendants; \$100 million management and support staff; and \$80 million agents and representatives. References in this document to American's three major unions include: the Allied Pilots Association (the APA); the Transportation Workers Union (the TWU); and the Association of Professional Flight Attendants (the APFA).~~

~~In April 2003, American reached agreements with its three major unions (the Labor Agreements) and implemented various changes in the pay plans and benefits for non unionized personnel, including officers and other management (the Management Reductions). The anticipated cost savings arising from the Labor Agreements and the Management Reductions met the targeted annual savings of \$1.8 billion.~~

~~Of the approximately \$1.8 billion in estimated annual savings, approximately \$1.0 billion relate to wage and benefit reductions and \$0.8 billion relate to changes in work rules, which have resulted in job reductions and will continue to result in additional job reductions through June 2004. As a result of work rule related job reductions, the Company incurred \$60 million in severance charges in 2003 (see Note 5 to the condensed consolidated financial statements for additional information). Wage reductions became effective on April 1, 2003 for officers and May 1, 2003 for all other employees. Reductions related to benefits and work rule changes will continue to be phased in over time. In connection with the changes in wages, benefits and work rules, the Company granted approximately 38 million shares of AMR stock to American's employees (excluding officers) in the form of stock options which will vest over a three year period with an exercise price of \$5 per share (see Note 12 to the condensed consolidated financial statements for additional information).~~

~~In addition, the Company and American have reached concessionary agreements with certain vendors, lessors, lenders and suppliers (collectively, the Vendors, and the agreements, the Vendor Agreements). Generally, under the terms of these Vendor Agreements the Company or American will receive the benefit of lower rates and charges for certain goods and services, and more favorable rent and financing terms with respect to certain of its aircraft. In return for these concessions, the Company issued approximately 2.5 million shares of AMR's common stock to Vendors. As of September 30, 2003, the annual cost savings from the Vendors are estimated to be over \$200 million.~~

~~The Company's revenue environment improved during the second and third quarters of 2003 as reflected in improved unit revenues (revenue per available seat mile) in May through September 2003. Even with this improvement, however, the Company's revenues are still depressed relative to historical levels. Moreover, the Company's recent losses have adversely affected its financial condition. The Company therefore needs to see a combination of continued improvement in the revenue environment, cost reductions and productivity improvements before it can return to sustained profitability at acceptable levels.~~

~~To maintain sufficient liquidity as the Company implements its plan to return to sustained profitability, the Company will need continued access to additional funding, most likely through a combination of financings and asset sales. In addition, the Company's ability to return to sustained profitability will depend on a number of risk factors, many of which are largely beyond the Company's control. Among other things, the following factors have had and/or may have a negative impact on the Company's business and financial results: the uncertain financial and business environment the Company faces; the struggling economy; high fuel prices and the availability of fuel; the~~

~~residual effects of the war in Iraq; conflicts in the Middle East; historically low fare levels and the general competitive environment; the ability of the Company to implement its restructuring program and the effect of the program on operational performance and service levels; uncertainties with respect to the Company's international operations; changes in its business strategy; actions by U.S. or foreign government agencies; the possible occurrence of additional terrorist attacks; another outbreak of SARS; the inability of the Company to satisfy existing liquidity requirements or other covenants in certain of its credit arrangements; and the availability of future financing. In particular, if the revenue environment deteriorates beyond normal seasonal trends, or the Company is unable to access the capital markets or sell assets, it may be unable to fund its obligations and sustain its operations.~~

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~~During 2001 and 2002, the Company raised approximately \$8.3 billion of funding to finance capital commitments and to fund operating losses. The Company expects that it will need to continue to raise capital until such time as the Company has achieved acceptable levels of sustained profitability over a significant period of time. The Company had approximately \$2.7 billion in unrestricted cash and short term investments as of September 30, 2003. The Company's possible future financing sources include: (i) a limited amount of additional secured aircraft debt (virtually all of the Company's Section 1110 eligible aircraft are encumbered), (ii) securitization of future operating receipts, (iii) debt secured by other assets, (iv) sale leaseback transactions of owned aircraft, (v) the potential sale of certain non-core assets, (vi) unsecured debt and (vii) equity. However, the availability and level of these financing sources cannot be assured, particularly in light of the fact that the Company has fewer unencumbered assets available than it had in the past. To the extent that the Company's revenues deteriorate beyond normal seasonal trends or it is unable to access capital markets and raise additional capital, the Company may be unable to fund its obligations and sustain its operations.~~

~~The Company reported in its Annual Report on Form 10 K for the year ended December 31, 2002 that it was actively pursuing a possible sale of AMR Investment Services, Inc. The Company has decided not to pursue a sale at this time.~~

~~In September 2003, the Company reached an agreement to sell its interest in Hotwire (Hotwire.com), a discount travel website company, pending regulatory approval. The Company expects to receive regulatory approval in the fourth quarter of 2003. If the sale becomes final, the Company expects to receive approximately \$80 million in proceeds, the majority of which would be recognized as a gain.~~

~~In July 2003, American issued \$255 million of enhanced equipment trust certificates, secured by aircraft, which bear interest at 3.86 percent and are repayable in semi-annual installments beginning in 2004, with a final maturity in 2010. These obligations are insured by a third party.~~

~~In September 2003, the Company issued \$300 million principal amount of its 4.25 percent senior convertible notes due 2023 in a private placement. Each note is convertible into AMR common stock at a conversion rate of 57.61 shares per \$1,000 principal amount of notes (which represents an equivalent conversion price of \$17.36 per share), subject to adjustment in certain circumstances. These notes are guaranteed by American.~~

~~The notes are convertible under certain circumstances, including if (i) the closing sale price of the Company's common stock reaches a certain level for a specified period of time, (ii) the trading price of the notes as a percentage of the closing sale price of the Company's common stock falls below a certain level for a specified period of time, (iii) the Company calls the notes for redemption, or (iv) certain corporate transactions occur. Holders of the notes may require the Company to repurchase all or any portion of the notes on September 23, 2008, 2013 and 2018 at a purchase price equal to the principal amount of the notes being purchased plus accrued and unpaid interest to the date of purchase. The Company may pay the purchase price in cash, common stock or a combination of cash and common stock. After September 23, 2008, the Company may redeem all or any portion of the notes for cash at a price equal to the principal amount of the notes being redeemed plus accrued and unpaid interest as of the~~

redemption date.

Also in September 2003, American transferred its two headquarters buildings located in Fort Worth, Texas to AA Real Estate Holding L.P., a wholly owned consolidated subsidiary of American. AA Real Estate Holding L.P. leased the buildings back to American pursuant to a triple net lease, and used the buildings and the lease as security for a loan consisting of four notes, in the aggregate principal amount of \$100.6 million, which is reflected as debt in the condensed consolidated balance sheet of the Company. Each note corresponds to a separate class of AA/Ft. Worth HQ Finance Trust Lease Revenue Commercial Mortgage Backed Pass Through Certificates, Series 2003 (the Certificates) issued by the AA/Ft. Worth HQ Finance Trust, which is not a subsidiary of American, in a private placement pursuant to Rule 144A under the Securities Act of 1933. The Certificates and corresponding notes have an average effective interest rate of 7.2 percent and a final maturity in 2010.

During the nine month period ended September 30, 2003, American and AMR Eagle borrowed approximately \$852 million under various debt agreements related to the purchase of aircraft, including certain seller financed agreements. These debt agreements are secured by the related aircraft and have effective interest rates which are fixed or variable based on London Interbank Offered Rate (LIBOR) plus a spread and mature over various periods of time through 2019. As of September 30, 2003, the effective interest rate on these agreements ranged up to 9.12 percent.

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The Company's significant indebtedness could have important consequences, such as (i) limiting the Company's ability to obtain additional financing for working capital, capital expenditures, acquisitions and general purposes, (ii) requiring the Company to dedicate a substantial portion of its cash flow from operations to payments on its indebtedness, (iii) making the Company more vulnerable to economic downturns, limiting its ability to withstand competitive pressures and reducing its flexibility in responding to changing business and economic conditions, and (iv) limiting the Company's flexibility in planning for, or reacting to, changes in its business and the industry in which it operates.

AMR and American's credit ratings are significantly below investment grade. In February 2003, Moody's downgraded the senior implied rating for AMR, the senior unsecured ratings of both AMR and American and the ratings of most of American's secured debt. Also in February 2003, Standard & Poor's lowered its long term corporate credit ratings for both AMR and American, lowered the senior secured and unsecured debt ratings of AMR, and lowered the secured debt rating of American. American's short term rating was withdrawn. Ratings on most of American's non-enhanced equipment trust certificates were also lowered. In March 2003, Standard & Poor's further lowered its long-term corporate credit ratings for both AMR and American, lowered the senior secured and unsecured debt ratings of AMR, and lowered the secured debt rating of American. Ratings on most of American's non-enhanced equipment trust certificates were also lowered. These previous reductions have increased the Company's borrowing costs. On June 9, 2003, Moody's affirmed the ratings of AMR and American, removed the ratings from review for possible downgrade, and gave the ratings a negative outlook. On June 20, 2003, Standard & Poor's raised its ratings of AMR and American and removed the ratings from Creditwatch. On September 4, 2003, Standard & Poor's lowered its credit ratings on some of American's enhanced equipment trust certificates as part of an industry wide downgrade of selected aircraft backed debt collateralized wholly or partially by Boeing or McDonnell Douglas aircraft introduced into service during the 1980s, including Boeing 757-200 and McDonnell Douglas MD 80 aircraft. On October 22, 2003, Standard & Poor's revised the outlook on its long-term ratings on AMR and American to stable. Additional significant reductions in AMR's or American's credit ratings would further increase its borrowing or other costs and further restrict the availability of future financing.

In March 2003, Standard & Poor's removed AMR's common stock from the S&P 500 index.

American has a fully drawn \$834 million credit facility that expires December 15, 2005. On March 31, 2003, American and certain lenders in such facility entered into a waiver and amendment that (i) waived, until May 15, 2003, the requirement that American pledge additional collateral to the extent the value of the existing collateral was

~~insufficient under the terms of the facility, (ii) waived American's liquidity covenant for the quarter ended March 31, 2003, (iii) modified the financial covenants applicable to subsequent periods, and (iv) increased the applicable margin for advances under the facility. On May 15, 2003, American pledged an additional 30 (non Section 1110 eligible) aircraft having an aggregate net book value as of April 30, 2003 of approximately \$450 million. Pursuant to the modified financial covenants, American is required to maintain at least \$1.0 billion of liquidity, consisting of unencumbered cash and short term investments, for the second quarter 2003 and beyond. While the Company was in compliance with the covenant at September 30, 2003, if the Company is adversely affected by the risk factors discussed in Note 2 to the condensed consolidated financial statements or elsewhere in this Report, it is uncertain whether the Company will be able to satisfy this liquidity requirement through the expiration of the facility at the end of 2005. Any failure to satisfy this requirement, if not waived, would result in a default under this facility and could trigger defaults under other debt arrangements.~~

~~In addition, as part of the modification of financial covenants, the required ratio of EBITDAR to fixed charges under the facility was reduced until the measurement period ending December 31, 2004, and the next test of such cash flow coverage ratio was postponed until March 31, 2004. The effective interest rate on the facility as of September 30, 2003 is 4.68 percent and will be reset on March 17, 2004. At American's option, interest on the facility can be calculated on one of several different bases. In most instances, American would anticipate choosing a floating rate based upon LIBOR.~~

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~~In April 2003, the President signed the Emergency Wartime Supplemental Appropriations Act, 2003 (the Act), which includes aviation related assistance provisions. The Act authorized payment of (i) \$100 million to compensate air carriers for the direct costs associated with the strengthening of flight deck doors and locks and (ii) \$2.3 billion to reimburse air carriers for increased security costs, which was distributed in proportion to the amounts each carrier had paid or collected in passenger security and air carrier security fees to the Transportation Security Administration as of the Act's enactment (the Security Fee Reimbursement). In addition, the Act suspended the collection of the passenger security fee from June 1, 2003 until September 30, 2003 and authorized the extension of war risk insurance through August 31, 2004 (and permits further extensions until December 31, 2004). The Act also limits the total cash compensation for the two most highly compensated named executive officers in 2002 for certain airlines, including the Company, during the period April 1, 2003 to April 1, 2004 to the amount of salary received by such officers, or their successors, in 2002. A violation of this executive compensation provision would require the carrier to repay the government for the amount of the Security Fee Reimbursement. The Company does not anticipate any difficulties in complying with this limitation on executive compensation and believes the likelihood of repaying the government for the amount of the Security Fee Reimbursement is remote. The Company's Security Fee Reimbursement was \$358 million (net of payments to independent regional affiliates) and was recorded as a reduction to operating expenses during the second quarter of 2003. The Company's compensation for the direct costs associated with strengthening flight deck doors was \$23 million and was recorded as a basis reduction to capitalized flight equipment in the third quarter of 2003.~~

~~The Company has restricted cash and short term investments related to projected workers' compensation obligations and various other obligations of \$540 million as of September 30, 2003. In the first quarter of 2003, the Company redeemed \$339 million of tax exempt bonds that were backed by standby letters of credit secured by restricted cash and short term investments resulting in a reduction in restricted cash and short term investments. Of the \$339 million of tax exempt bonds that were redeemed, \$253 million were accounted for as operating leases. Payments to redeem these tax exempt special facility revenue bonds are generally considered prepaid facility rentals and reduce future operating lease commitments. The remaining \$86 million of tax-exempt bonds that were redeemed were accounted for as debt and had original maturities in 2014 through 2024.~~

~~As of September 30, 2003, the Company has approximately \$241 million in fuel prepayments and credit card holdback deposits classified as Other current assets and Other assets in the condensed consolidated balance sheet.~~

~~As discussed in Note 9 to the condensed consolidated financial statements, the Company reached concessionary agreements with certain lessors. The Vendor Agreements with these lessors affected the payments, lease term, and other conditions of certain leases. As a result of these changes to the payment and lease terms, 30 leases which were previously accounted for as operating leases were converted to capital leases, and one lease which was previously accounted for as a capital lease was converted to an operating lease. The remaining leases did not change from their original classification. The Company recorded the new capital leases at the fair value of the respective assets being leased. These changes did not have a significant effect on the Company's condensed consolidated balance sheet.~~

~~In addition, certain of the Vendor Agreements provide that the Company's obligations under the related lease revert to the original terms if certain events occur prior to December 31, 2005, including: (i) an event of default under the related lease (which generally occurs only if a payment default occurs), (ii) an event of loss with respect to the related aircraft, (iii) rejection by the Company of the lease under the provisions of Chapter 11 of the U.S. Bankruptcy Code or (iv) the Company's filing for bankruptcy under Chapter 7 of the U.S. Bankruptcy Code. If any one of these events were to occur, the Company would be responsible for approximately \$17 million in additional operating lease payments and \$6 million in additional payments related to capital leases as of September 30, 2003. This amount will increase to approximately \$110 million in operating lease payments and \$111 million in payments related to capital leases prior to the expiration of the provision on December 31, 2005. Such amounts are being treated as contingent rentals and will only be recognized if they become due.~~

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~~As part of the Vendor Agreements discussed in Note 2 to the condensed consolidated financial statements, American sold 33 Fokker 100 aircraft (with a minimal net book value) in the third quarter of 2003. American also issued a \$23 million non-interest bearing note, payable in installments and maturing in December 2010, and entered into short-term leases on these aircraft. Furthermore, the Company issued shares of AMR common stock as discussed in Note 2 to the condensed consolidated financial statements. In exchange, approximately \$130 million of debt related to certain of the Fokker 100 aircraft was restructured. However, the agreement contains provisions that would require American to repay additional amounts of the original debt if certain events occur prior to December 31, 2005, including: (i) an event of default (which generally occurs only if a payment default occurs), (ii) an event of loss with respect to the related aircraft, (iii) rejection by the Company of the lease under the provisions of Chapter 11 of the U.S. Bankruptcy Code or (iv) the Company's filing for bankruptcy under Chapter 7 of the U.S. Bankruptcy Code. As a result of this transaction, including the sale of the 33 Fokker 100 aircraft, and the termination of the Company's interest rate swap agreements related to the debt that has been restructured, the Company recognized a gain of approximately \$68 million in the third quarter of 2003. If the conditions described above do not occur, the Company expects to recognize an additional gain of approximately \$37 million in December 2005.~~

~~Net cash provided by operating activities in the nine month period ended September 30, 2003 was \$809 million, an increase of \$1.3 billion over the same period in 2002. Included in net cash provided by operating activities the first nine months of 2003 was the receipt of a \$572 million federal tax refund and the receipt of \$358 million from the government under the Act. Included in net cash used by operating activities for the first nine months of 2002 was approximately \$658 million received by the Company as a result of the utilization of its 2001 NOLs. Capital expenditures for the first nine months of 2003 were \$1.1 billion, \$649 million of which was seller financed, and included the acquisition of nine Boeing 767 300ERs, two Boeing 777 200 ERs, 16 Embraer 140s and six Bombardier CRJ 700 aircraft.~~

~~In June 2003, the Company sold its interest in Worldspan, a computer reservations company, for \$180 million in cash and a \$39 million promissory note, resulting in a gain of \$17 million which is included in Other income (loss) in the consolidated statement of operations.~~

~~As of September 30, 2003, the Company had commitments to acquire the following aircraft: six Embraer regional jets and five Bombardier CRJ~~

~~700s in 2003; an aggregate of 74 Embraer regional jets and six Bombardier CRJ 700s in 2004 through 2006; and an aggregate of 47 Boeing 737 800s and nine Boeing 777 200ERs in 2006 through 2010. Future payments for all aircraft, including the estimated amounts for price escalation, will approximate \$217 million during the remainder of 2003, \$755 million in 2004, \$699 million in 2005 and an aggregate of approximately \$2.7 billion in 2006 through 2010. The Company has pre arranged financing or backstop financing for all of its aircraft deliveries through June 2005.~~

~~Boeing Capital provided backstop financing for all Boeing aircraft deliveries in 2003. In return, American granted Boeing a security interest in certain advance payments previously made and in certain rights under the aircraft purchase agreement between American and Boeing.~~

~~On July 16, 2003, the Company announced that it would reduce the size of its St. Louis hub, effective November 1, 2003. As a result of this action, the Company expects to record additional charges in the fourth quarter of 2003, as the reductions occur, primarily employee severance and benefits charges and facility exit costs. Furthermore, the Company expects to incur additional aircraft charges in the fourth quarter of 2003 related to the retirement of additional operating leased Boeing 757 aircraft.~~

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~~Special facility revenue bonds have been issued by certain municipalities, or entities established by the municipalities for the purpose of issuing the special facility revenue bonds, primarily to purchase equipment and improve airport facilities that are leased by American and accounted for as operating leases. Approximately \$2.1 billion of these bonds (with total future payments of approximately \$5.2 billion as of September 30, 2003) are guaranteed by American, AMR, or both. Approximately \$730 million of these special facility revenue bonds contain mandatory tender provisions that require American to repurchase the bonds at various times through 2008. 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 be considered prepaid facility rentals and would reduce future operating lease commitments. Special facility revenue bonds with a principal balance of \$198 million have mandatory tender provisions that will be triggered in November 2003. The Company anticipates that these bonds will not be remarketed at this time, but may be remarketed or refunded if market conditions become more favorable.~~

~~The following table summarizes the Company's obligations and commitments as of September 30, 2003, to be paid in 2003 through 2007 (in millions):~~

Nature of commitment	2003(6)	2004	2005	2006	2007
Operating lease payments for aircraft and facility obligations (1)	\$466	\$1,086	\$1,029	\$963	\$941
Firm aircraft commitments (2)	217	755	699	698	730
Fee per block hour commitments (3)	41	164	166	167	168
Long term debt (4)	154	594	1,379	1,155	1,102
Capital lease obligations	45	321	252	252	187
Other commitments (5)		158	158	158	158
Total obligations and commitments	\$923	\$3,078	\$3,683	\$3,393	\$3,286

~~(1) Certain special facility revenue bonds issued by municipalities which are supported by operating leases executed by American are guaranteed by AMR and American.~~

~~(2) Substantially all of the 2003 and 2004 commitment is supported by committed financing.~~

~~(3) Includes expected payments based on projected volumes rather than minimum required payments.~~

~~(4) Excludes related interest amounts.~~

~~(5) Includes noncancelable commitments to purchase goods or services, primarily information technology support. Other commitments for the remainder of 2003 are not significant.~~

~~(6) Amounts are as of September 30, 2003.~~

~~In addition to the commitments summarized above, the Company is required to make contributions to its defined benefit pension plans. These contributions are required under the minimum funding requirements of the Employee Retirement Pension Plan Income Security Act (ERISA). The Company's 2003 minimum required contributions to its defined benefit pension plans were approximately \$186 million (all of which had been contributed by September 15, 2003) and the Company's estimated 2004 minimum required contributions to its defined benefit pension plans are between \$550 and \$650 million. In addition, in 2003, the Company has contributed \$145 million to its defined contribution pension plans. Due to uncertainties regarding significant assumptions involved in estimating future required contributions to its defined benefit pension plans, such as pension plan benefit levels, interest rate levels and the amount and timing of asset returns, the Company is not able to reasonably estimate the amount of future required contributions to its defined benefit pension plans beyond 2004. However, based on the current regulatory environment and market conditions, the Company expects that its 2005 minimum required contributions to its defined benefit pension plans will significantly exceed its 2004 minimum required contributions.~~

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~~OTHER INFORMATION~~

~~A provision in the scope clause of American's prior contract with the Allied Pilots Associations (APA) limited the number of available seat miles (ASMs) and block hours that could be flown under American's marketing code (AA) by American's regional carrier partners when American pilots are on furlough (the so called ASM cap). To ensure that American remained in compliance with the ASM cap, American and AMR Eagle took several steps in 2002 to reduce the number of ASMs flown by American's wholly owned commuter air carriers. As one of those measures, AMR Eagle signed a letter of intent to sell Executive Airlines, its San Juan based subsidiary.~~

~~Another provision in the prior APA contract limited to 67 the total number of regional jets with more than 44 seats that could be flown under the AA code by American's regional carrier partners. As AMR Eagle continued to accept previously ordered Bombardier and Embraer regional jets this cap would have been reached in early 2003. To ensure that American remained in compliance with the 67 aircraft cap, AMR Eagle reached an agreement to dispose of 14 Embraer ERJ 145 aircraft from its fleet. Trans States Airlines, an AmericanConnection carrier, agreed to acquire these aircraft. Under the prior contract between AA and the APA, Trans States would have had to operate these aircraft under its AX code, rather than the AA* code, at its St. Louis hub.~~

~~The Labor Agreement with the APA (one of the Labor Agreements), ratified in April 2003, modified the provisions in the APA contract described in the immediately preceding two paragraphs to give the Company more flexibility with its American Eagle operations. The limitations on the use of regional jets were substantially reduced and are now tied to 110 percent of the size of American's narrowbody aircraft fleet. As a consequence of these modifications, it is no longer necessary to use Trans States' AX marketing code on flights operated by Trans States as AmericanConnection, and AMR Eagle has discontinued its plans to sell Executive Airlines. In addition, AMR Eagle has revised its agreement to dispose of 14 Embraer ERJ 145 aircraft to include ten rather than 14 aircraft.~~

~~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 September 11, 2001 events, aviation insurers have 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, they have significantly increased the premiums for such coverage as well as for aviation insurance in general. The U.S. government has provided commercial war risk insurance for U.S. based airlines until December 10, 2003 covering losses to employees, passengers, third parties and aircraft. The Company believes this insurance coverage will be extended beyond December 10, 2003 because the Act provides for the insurance to remain in place until August 31, 2004, and the Department of Transportation has stated its intent to do so. In addition, the Secretary of Transportation may extend the policy until December 31, 2004, at his discretion. However, there is no assurance that it will be extended. In the event the commercial insurance~~

carriers further reduce the amount of insurance coverage available to the Company or significantly increase the cost of aviation insurance, or if the Government fails to renew the war risk insurance that it provides, the Company's operations and/or financial position and results of operations would be materially adversely affected.

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~~FORWARD-LOOKING INFORMATION~~

~~Statements in this report contain various forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which represent the Company's expectations or beliefs concerning future events. When used in this document and in documents incorporated herein by reference, the words "expects," "plans," "anticipates," "believes," and similar expressions are intended to identify 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, expectations as to future financing needs, overall economic conditions and plans and objectives for future operations, the impact on the Company of the events of September 11, 2001 and of its results of operations for the past two 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. Forward looking statements are subject to a number of risk factors that could cause actual results to differ materially from our expectations. The following factors, in addition to other possible factors not listed, could cause the Company's actual results to differ materially from those expressed in forward looking statements: the uncertain financial and business environment the Company faces; the struggling economy; high fuel prices and the availability of fuel; the residual effects of the war in Iraq; conflicts in the Middle East; historically low fare levels and the general competitive environment; the ability of the Company to implement its restructuring program and the effect of the program on operational performance and service levels; uncertainties with respect to the Company's international operations; changes in its business strategy; actions by U.S. or foreign government agencies; the possible occurrence of additional terrorist attacks; another outbreak of SARS; the inability of the Company to satisfy existing liquidity requirements or other covenants in certain of its credit agreements; and the availability of future financing. Additional information concerning these and other factors is contained in the Company's Securities and Exchange Commission filings, including but not limited to the Form 10-K for the year ended December 31, 2002 and the Form 10-Qs for the quarters ended March 31, 2003 and June 30, 2003.~~

~~Item 3. Quantitative and Qualitative Disclosures about Market Risk~~

~~Market Risk Sensitive Instruments and Positions~~

~~Except as discussed below, there have been no material changes in market risk from the information provided in Item 7A. Quantitative and Qualitative Disclosures About Market Risk of the Company's 2002 Form 10-K.~~

~~The risk inherent in the Company's fuel related market risk sensitive instruments and positions is the potential loss arising from adverse changes in the price of fuel. The sensitivity analysis presented does not consider the effects that such adverse changes may have on overall economic activity, nor does it consider additional actions management may take to mitigate the Company's exposure to such changes. Actual results may differ.~~

~~Aircraft Fuel The Company's earnings are 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 primarily by using jet fuel, heating oil, and crude swap and option contracts. As of September 30, 2003, the Company had hedged approximately 28 percent of its expected fuel needs for the remainder of 2003, approximately 20 percent of its expected first quarter 2004 fuel needs and an insignificant percentage of its expected fuel needs beyond the first quarter of 2004, compared to approximately 32 percent of its estimated 2003 fuel requirements, 15 percent of its estimated 2004 fuel requirements, and approximately four percent of its estimated 2005 fuel requirements hedged at December 31, 2002. Beginning in March 2003, the Company revised its hedging strategy and, in June 2003, terminated substantially all of its contracts with maturities beyond March 2004. Commencing in October 2003, the Company began to enter into new fuel hedging contracts with maturities beyond March 2004 for a portion of its future fuel requirements. The Company's reduced credit rating has limited its ability to enter into certain types of fuel hedge contracts. A further deterioration of its credit rating or liquidity position may negatively affect the Company's ability to hedge fuel in the future. For additional information see Note 16 to the condensed consolidated financial statements.

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~~Item 4. Controls and Procedures~~

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 design and operation of the Company's disclosure controls as of September 30, 2003. Based on that evaluation, the Company's management, including the CEO and CFO, concluded that the Company's disclosure controls and procedures were effective. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls.

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~~PART II: OTHER INFORMATION~~

~~Item 1. Legal Proceedings~~

On July 26, 1999, a class action lawsuit was filed, and in November 1999 an amended complaint was filed, against AMR Corporation, American Airlines, Inc., AMR Eagle Holding Corporation, Airlines Reporting Corporation, and the Sabre Group Holdings, Inc. in the United States District Court for the Central District of California, Western Division (Westways World Travel, Inc. v. AMR Corp., et al.). The lawsuit alleges that requiring travel agencies to pay debit memos to American for violations of American's fare rules (by customers of the agencies): (1) breaches the Agent Reporting Agreement between American and AMR Eagle and the plaintiffs; (2) constitutes unjust enrichment; and (3) violates the Racketeer Influenced and Corrupt Organizations Act of 1970 (RICO). The certified class includes all travel agencies who have been or will be required to pay money to American for debit memos for fare rules violations from July 26, 1995 to the present. The plaintiffs seek to enjoin American from enforcing the pricing rules in question and to recover the amounts paid for debit memos, plus treble damages, attorneys' fees, and costs. The Company intends to vigorously defend the lawsuit. Although the Company believes that the litigation is without merit, a final adverse court decision could impose restrictions on the Company's relationships with travel agencies which could have an adverse impact on the Company.

On May 13, 1999, the United States (through the Antitrust Division of the Department of Justice) sued AMR Corporation, American Airlines, Inc., and AMR Eagle Holding Corporation in federal court in Wichita, Kansas (United States v. AMR Corporation, et al, No. 99-1180 JTM, United States District Court for the District of Kansas). The lawsuit alleges that American unlawfully monopolized or attempted to monopolize airline passenger service to and from Dallas/Fort Worth International Airport (DFW) by increasing service when new competitors began flying to DFW, and by matching these new competitors' fares. The Department of Justice seeks to enjoin American from engaging in the alleged improper conduct and to impose restraints on American to remedy the alleged effects of its past conduct. On April 27, 2001, the U.S. District Court for the District of Kansas granted American's motion for summary judgment. On June 26, 2001, the U.S. Department of Justice appealed the granting of American's motion for summary judgment (United States v. AMR Corporation, et al, No. 01-3203, United

~~States District Court of Appeals for the Tenth Circuit), and on September 23, 2002, the parties presented oral arguments to the 10th Circuit Court of Appeals, which affirmed the summary judgment on July 3, 2003. The U.S. Department of Justice has indicated that it does not intend to appeal the decision of the 10th Circuit Court of Appeals.~~

~~Between May 14, 1999 and June 7, 1999, seven class action lawsuits were filed against AMR Corporation, American Airlines, Inc., and AMR Eagle Holding Corporation in the United States District Court in Wichita, Kansas seeking treble damages under federal and state antitrust laws, as well as injunctive relief and attorneys' fees (King v. AMR Corp., et al.; Smith v. AMR Corp., et al.; Team Electric v. AMR Corp., et al.; Warren v. AMR Corp., et al.; Whittier v. AMR Corp., et al.; Wright v. AMR Corp., et al.; and Youngdahl v. AMR Corp., et al.). Collectively, these lawsuits allege that American unlawfully monopolized or attempted to monopolize airline passenger service to and from DFW by increasing service when new competitors began flying to DFW, and by matching these new competitors' fares. Two of the suits (Smith and Wright) also allege that American unlawfully monopolized or attempted to monopolize airline passenger service to and from DFW by offering discounted fares to corporate purchasers, by offering a frequent flyer program, by imposing certain conditions on the use and availability of certain fares, and by offering override commissions to travel agents. The suits propose to certify several classes of consumers, the broadest of which is all persons who purchased tickets for air travel on American into or out of DFW from 1995 to the present. On November 10, 1999, the District Court stayed all of these actions pending developments in the case brought by the Department of Justice (see above description). To date no class has been certified. The Company intends to defend these lawsuits vigorously. One or more final adverse court decisions imposing restrictions on the Company's ability to respond to competitors or awarding substantial money damages would have an adverse impact on the Company.~~

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~~On May 17, 2002, the named plaintiffs in Hall, et al. v. United Airlines, et al., pending in the United States District Court for the Eastern District of North Carolina, filed an amended complaint alleging that between 1995 and the present, American and over 15 other defendant airlines conspired to reduce commissions paid to U.S. based travel agents in violation of Section 1 of the Sherman Act. The court granted class action certification to the plaintiff on September 17, 2002, defining the plaintiff class as all travel agents in the United States, Puerto Rico, and the United States Virgin Islands, who, at any time from October 1, 1997 to the present, issued tickets, miscellaneous change orders, or prepaid ticket advices for travel on any of the defendant airlines. The case is stayed as to US Airways and United Air Lines, since they filed for bankruptcy. American is vigorously defending the lawsuit. Defendant carriers filed a motion for summary judgment on December 10, 2002. Trial is set to begin on February 2, 2004. A final adverse court decision awarding substantial money damages or placing restrictions on the Company's commission policies or practices would have an adverse impact on the Company.~~

~~Between April 3, 2003 and June 5, 2003 three lawsuits were filed by travel agents who have opted out of the Hall class action (above) to pursue their claims individually against American Airlines, Inc., other airline defendants, and in one case against certain airline defendants and Orbitz LLC. (Tam Travel et. al., v. Delta Air Lines et. al., in the United States District Court for the Northern District of California San Francisco (51 individual agencies), Paula Fausky d/b/a Timeless Travel v. American Airlines, et. al, in the United States District Court for the Northern District of Ohio Eastern Division (29 agencies) and Swope Travel et al. v. Orbitz et. al. in the United States District Court for the Eastern District of Texas Beaumont Division (6 agencies)). Collectively, these lawsuits seek damages and injunctive relief alleging that the certain airline defendants and Orbitz LLC: (i) conspired to prevent travel agents from acting as effective competitors in the distribution of airline tickets to passengers in violation of Section 1 of the Sherman Act; (ii) conspired to monopolize the distribution of common carrier air travel between airports in the United States in violation of Section 2 of the Sherman Act; and that (iii) between 1995 and the present, the airline defendants conspired to reduce commissions paid to U.S. based travel agents in violation of Section 1 of the Sherman Act. American is vigorously defending these lawsuits. A final adverse court decision awarding substantial money damages or placing restrictions on the Company's distribution practices would have an adverse impact on the~~

~~On April 26, 2002, six travel agencies filed Albany Travel Co., et al. v. Orbitz, LLC, et al., in the United States District Court for the Central District of California against American, United Air Lines, Delta Air Lines, and Orbitz, LLC, alleging that American and the other defendants: (i) conspired to prevent travel agents from acting as effective competitors in the distribution of airline tickets to passengers in violation of Section 1 of the Sherman Act; and (ii) conspired to monopolize the distribution of common carrier air travel between airports in the United States in violation of Section 2 of the Sherman Act. The named plaintiffs seek to certify a nationwide class of travel agents, but no class has yet been certified. American is vigorously defending the lawsuit. On November 25, 2002, the District Court stayed this case pending a judgment in Hall et. al. v. United Airlines, et. al. (see above description). A final adverse court decision awarding substantial money damages or placing restrictions on the Company's distribution practices would have an adverse impact on the Company.~~

~~On April 25, 2002, a Quebec travel agency filed a motion seeking a declaratory judgment of the Superior Court in Montreal, Canada (Voyages Montambault (1989) Inc. v. International Air Transport Association, et al.), that American and the other airline defendants owe a "fair and reasonable commission" to the agency, and that American and the other airline defendants breached alleged contracts with the agency by adopting policies of not paying base commissions. The motion was subsequently amended to add 40 additional travel agencies as petitioners. The current defendants are the International Air Transport Association, the Air Transport Association of Canada, Air Canada, American, America West Airlines, Delta Air Lines, Grupo TACA, Northwest Airlines/KLM Airlines, United Airlines, and Continental Airlines. American is vigorously defending the lawsuit. Although the Company believes that the litigation is without merit, a final adverse court decision granting declaratory relief could expose the Company to claims for substantial money damages or force the Company to pay agency commissions, either of which would have an adverse impact on the Company.~~

~~On May 13, 2002, the named plaintiffs in Always Travel, et. al. v. Air Canada, et. al., pending in the Federal Court of Canada, Trial Division, Montreal, filed a statement of claim alleging that between 1995 and the present, American, the other defendant airlines, and the International Air Transport Association conspired to reduce commissions paid to Canada based travel agents in violation of Section 45 of the Competition Act of Canada. The named plaintiffs seek to certify a nationwide class of travel agents. Plaintiffs have filed a motion for class certification, but that motion has not yet been decided. American is vigorously defending the lawsuit. A final adverse court decision awarding substantial money damages or placing restrictions on the Company's commission policies would have an adverse impact on the Company.~~

~~On August 14, 2002, a class action lawsuit was filed against American Airlines, Inc. in the United States District Court for the Central District of California, Western Division (All World Professional Travel Services, Inc. v. American Airlines, Inc.). The lawsuit alleges that requiring travel agencies to pay debit memos for refunding tickets after September 11, 2001: (1) breaches the Agent Reporting Agreement between American and plaintiff; (2) constitutes unjust enrichment; and (3) violates the Racketeer Influenced and Corrupt Organizations Act of 1970 (RICO). The as yet uncertified class includes all travel agencies who have or will be required to pay moneys to American for an "administrative service charge," "penalty fee," or other fee for processing refunds on behalf of passengers who were unable to use their tickets in the days immediately following the resumption of air carrier service after the tragedies on September 11, 2001. The plaintiff seeks to enjoin American from collecting the debit memos and to recover the amounts paid for the debit memos, plus treble damages, attorneys' fees, and costs. The Company intends to vigorously defend the lawsuit. Although the Company believes that the litigation is without merit, a final adverse court decision could impose restrictions on the Company's relationships with travel agencies which could have an adverse impact on the Company.~~

~~On August 19, 2002, a class action lawsuit was filed, and on May 7, 2003 an amended complaint was filed in the United States District Court for the Southern District of New York (Power Travel~~

~~International, Inc. v. American Airlines, Inc., et al.) against American, Continental Airlines, Delta Air Lines, United Airlines, and Northwest Airlines, alleging that American and the other defendants breached their contracts with the agency and were unjustly enriched when these carriers at various times reduced their base commissions to zero. The as yet uncertified class includes all travel agencies accredited by the Airlines Reporting Corporation "whose base commissions on airline tickets were unilaterally reduced to zero by" the defendants. The case is stayed as to United Air Lines, since it filed for bankruptcy. American is vigorously defending the lawsuit. Although the Company believes that the litigation is without merit, a final adverse court decision awarding substantial money damages or forcing the Company to pay agency commissions would have an adverse impact on the Company.~~

~~Miami Dade County (the County) is currently investigating and remediating various environmental conditions at the Miami International Airport (MIA) and funding the remediation costs through landing fees and various cost recovery methods. American Airlines, Inc. and AMR Eagle have been named as potentially responsible parties (PRPs) for the contamination at MIA. During the second quarter of 2001, the County filed a lawsuit against 17 defendants, including American Airlines, Inc., in an attempt to recover its past and future cleanup costs (Miami Dade County, Florida v. Advance Cargo Services, Inc., et al. in the Florida Circuit Court). In addition to the 17 defendants named in the lawsuit, 243 other agencies and companies were also named as PRPs and contributors to the contamination. American's and AMR Eagle's portion of the cleanup costs cannot be reasonably estimated due to various factors, including the unknown extent of the remedial actions that may be required, the proportion of the cost that will ultimately be recovered from the responsible parties, and uncertainties regarding the environmental agencies that will ultimately supervise the remedial activities and the nature of that supervision. The Company is vigorously defending the lawsuit.~~

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~~PART II~~

~~Item 2. Changes in Securities and Use of Proceeds~~

~~On September 23, 2003, the Company sold \$300 million principal amount of its 4.25% Senior Convertible Notes due 2023 to Citigroup Global Markets, Inc. for \$292.5 million (net of initial purchaser's discounts of \$7.5 million). The notes were issued in a private placement under the exemption from registration set forth in section 4(2) of the Securities Act of 1933. Citigroup informed the Company that the notes were resold to "qualified institutional buyers", as defined in Rule 144A under the Securities Act, in transactions exempt from registration in accordance with Rule 144A.~~

~~Each note is convertible into AMR common stock at a conversion rate of 57.61 shares per \$1,000 principal amount of notes (which represents an equivalent conversion price of \$17.36 per share), subject to adjustment in certain circumstances. These notes are guaranteed by American. The Company expects to use the proceeds of the sale for working capital and general corporate purposes.~~

~~The notes are convertible under certain circumstances, including if (i) the closing sale price of the Company's common stock reaches a certain level for a specified period of time, (ii) the trading price of the notes as a percentage of the closing sale price of the Company's common stock falls below a certain level for a specified period of time, (iii) the Company calls the notes for redemption, or (iv) certain corporate transactions occur. Holders of the notes may require the Company to repurchase all or any portion of the notes on September 23, 2008, 2013 and 2018 at a purchase price equal to the principal amount of the notes being purchased plus accrued and unpaid interest to the date of purchase. The Company may pay the purchase price in cash, common stock or a combination of cash and common stock. After September 23, 2008, the Company may redeem all or any portion of the notes for cash at a price equal to the principal amount of the notes being redeemed plus accrued and unpaid interest as of the redemption date.~~

~~Item 4. Submission of Matters to a Vote of Security Holders~~

~~The owners of 133,307,282 shares of common stock, or 85 percent of shares outstanding, were represented at the annual meeting of stockholders on May 21, 2003 at the American Airlines Training &~~

~~Conference Center, Flagship Auditorium, 4501 Highway 360 South, Fort Worth, Texas.~~

~~Elected as directors of the Corporation, each receiving a minimum of 121,000,000 votes were:~~

Gerard J. Arpey	Ann McLaughlin Korologos
John W. Bachmann	Michael A. Miles
David L. Boren	Philip J. Purcell
Edward A. Brennan	Joe M. Rodgers
Armando M. Codina	Judith Rodin, Ph.D.
Earl G. Graves	Roger T. Staubach

~~Stockholders ratified the appointment of Ernst & Young LLP as independent auditors for the Corporation for 2003. The vote was 130,625,037 in favor, 2,471,054 against and 211,191 abstaining.~~

~~A stockholder proposal to recommend that the Company affirm its political non-partisanship submitted by Mrs. Evelyn Y. Davis was defeated. The vote was 3,276,672 in favor, 48,695,235 against, 3,996,780 abstaining, and 77,338,595 not voting.~~

~~A stockholder proposal to recommend that the Company annually submit to a shareholder vote any poison pill adopted since the previous annual meeting submitted by Mr. John Chevedden was approved. The vote was 29,464,351 in favor, 25,991,408 against, 512,928 abstaining and 77,338,595 not voting.~~

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~~Item 6. Exhibits and Reports on Form 8-K~~

~~The following exhibits are included herein:~~

~~3.1 Amendments to the AMR Corporation Certificate of Incorporation.~~

~~3.2 Bylaws of AMR Corporation, amended as of April 24, 2003.~~

~~10.1 Current form of Stock Option Agreement under the 1998 Long Term Incentive Plan, as amended.~~

~~12 Computation of ratio of earnings to fixed charges for the three and nine months ended September 30, 2003 and 2002.~~

~~13.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a).~~

~~13.2 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).~~

~~Form 8-Ks filed under Item 5 - Other Events~~

~~On July 3, 2003, AMR filed an amended report on Form 8-K to provide additional information regarding the unit cost expectations provided in its June 25, 2003 report on Form 8-K.~~

~~On August 1, 2003, AMR filed a report on Form 8-K to provide unit revenue expectations for July, capacity estimates for the remainder of 2003 and 2004 and highlights of an agreement with Sabre covering American Airlines' participation in Sabre's Direct Connect Availability program.~~

~~On September 18, 2003, AMR filed a report on Form 8-K relating to a press release issued by AMR to announce the pricing of a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933 of \$300 million principal amount of 4.25 percent senior convertible notes due 2023.~~

~~Form 8-Ks furnished under Item 9 - Regulation FD Disclosure~~

~~On July 11, 2003, AMR furnished a report on Form 8-K to announce AMR's intent to host a conference call on July 16, 2003 with the financial community relating to its second quarter 2003 results.~~

~~On September 29, 2003, AMR furnished a report on Form 8-K to announce AMR's intent to host a conference call on October 22, 2003~~

~~with the financial community relating to its third quarter 2003 results.~~

~~Form 8-Ks filed under Item 12—Disclosure of Results of Operations and Financial Condition~~

~~—On July 16, 2003, AMR filed a report on Form 8-K to furnish a press release issued by AMR to announce its second quarter 2003 results.~~

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Signature

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

~~_____~~ AMR CORPORATION

~~Date: October 24, 2003 BY: /s/ Jeffrey C. Campbell

Jeffrey C. Campbell

Senior Vice President and Chief

Financial Officer~~

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~~Certificate of Amendment
To The
Certificate of Incorporation
Of
AMR Corporation~~

~~Pursuant to Section 242 of the
General Corporation Law of the State of Delaware~~

~~We, the undersigned Anne H. McNamara, Senior Vice
President and General Counsel of AMR Corporation, and Charles D.
Marlett, Corporate Secretary of AMR Corporation, a corporation
organized under the General Corporation Law of the State of
Delaware (the "Corporation"), hereby certify as follows:~~

- ~~1. The first paragraph of Article FOURTH of the Certificate of
Incorporation of the Corporation is hereby amended to read in its
entirety as follows:~~

~~"FOURTH: the total number of shares of
all classes of stock which the
Corporation shall have authority to
issue is 770,000,000 shares, of which
20,000,000 shares shall be shares of
Preferred Stock without par
value(hereinafter called "Preferred
Stock") and 750,000,000 shares shall be
shares of Common Stock of the par value
of \$1.00 per share (hereinafter called
"Common Stock")."~~

- ~~2. The amendment herein set forth was duly adopted in
accordance with the provisions of Section 242 of the General
Corporation Law of the State of Delaware.~~

- ~~3. This amendment shall be effective on May 26, 1998.~~

~~IN WITNESS WHEREOF, this certificate has been executed
and attested by the undersigned this 26th day of May, 1998.~~

~~/s/ Anne H. McNamara
Anne H. McNamara
Senior Vice President and
General Counsel~~

ATTEST:

~~/s/ Charles D. Marlett
Charles D. Marlett
Corporate Secretary~~

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CERTIFICATE OF RETIREMENT OF CERTAIN SHARES OF
SERIES A CUMULATIVE CONVERTIBLE PREFERRED STOCK
OF
AMR CORPORATION~~

~~Pursuant to Section 243 of the General
Corporation Law of the State of Delaware~~

~~We, Anne H. McNamara, Senior Vice President and
General Counsel, and Charles D. Marlett, Corporate Secretary, of
AMR Corporation, a corporation organized and existing under the
General Corporation Law of the State of Delaware (the
"Corporation"), in accordance with the provisions of Section 243
thereof, DO HEREBY CERTIFY:~~

~~FIRST: That 2,040,738 shares (the "Retired Shares") of
Series A Cumulative Convertible Preferred Stock ("Series A
Convertible Preferred Stock") have been reacquired by the
Corporation and that, pursuant to the Certificate of Designation
filed with the Secretary of State of the State of Delaware on
February 3, 1993, the Retired Shares have been retired as such~~

~~AMR CORPORATION~~

~~BYLAWS~~

~~(As amended April 24, 2003)~~

~~ARTICLE I~~

~~Offices~~

~~The registered office of the corporation in the State of Delaware is to be located in the City of Wilmington, County of New Castle. The corporation may have other offices within and without the State of Delaware.~~

~~ARTICLE II~~

~~Meetings of Stockholders~~

~~Section 1. Annual Meetings. An annual meeting of stockholders to elect directors and to take action upon such other matters as may properly come before the meeting shall be held on the third Wednesday in May of each year, or on such other day, and at such time and at such place, within or without the State of Delaware, as the board of directors or the chairman of the board may from time to time fix.~~

~~Any stockholder wishing to bring a matter before an annual meeting must notify the secretary of the corporation of such fact not less than sixty nor more than ninety days before the date of the meeting. Such notice shall be in writing and shall set forth the business proposed to be brought before the meeting, shall identify the stockholder and shall disclose the stockholder's interest in the proposed business.~~

~~Section 2. Special Meetings. A special meeting of stockholders shall be called by the secretary upon receipt of a request in writing of the board of directors, the chairman of the board or the president. Any such meeting shall be held at the principal business office of the corporation~~

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~~unless the board shall name another place therefor, at the time specified by the body or persons calling such meeting.~~

~~Section 3. Nominees for Election as Director. Nominations for election as director, other than those made by or at the direction of the board of directors, must be made by timely notice to the secretary, setting forth as to each nominee the information required to be included in a proxy statement under the proxy rules of the Securities and Exchange Commission. If such~~

~~election is to occur at an annual meeting of stockholders, notice shall be timely if it meets the requirements of such proxy rules for proposals of security holders to be presented at an annual meeting. If such election is to occur at a special meeting of stockholders, notice shall be timely if received not less than ninety days prior to such meeting.~~

~~Section 4. Notice of Meetings. Written notice of each meeting of stockholders shall be given which shall state the place, date and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Unless otherwise provided by law, such notice shall be mailed, postage prepaid, to each stockholder entitled to vote at such meeting, at his address as it appears on the records of the corporation, not less than ten nor more than sixty days before the date of the meeting. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken, unless the adjournment is for more than thirty days or a new record date is fixed for the adjourned meeting, in which case a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.~~

~~Section 5. Chairman and Secretary at Meetings. At any meeting of stockholders the chairman of the board, or in his absence, the president, or if neither such person is available, then a person designated by the board of directors, shall preside at and act as chairman of the meeting. The~~

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~~secretary, or in his absence a person designated by the chairman of the meeting, shall act as secretary of the meeting.~~

~~Section 6. Proxies. Each stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for him by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period.~~

~~Section 7. Quorum. At all meetings of the stockholders the holders of one third of the number of shares of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum requisite for the election of directors and the transaction of other business, except as otherwise provided by law or by the~~

~~certificate of incorporation or by any resolution of the board of directors creating any series of Preferred Stock.~~

~~————— If holders of the requisite number of shares to constitute a quorum shall not be present in person or represented by proxy at any meeting of stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have the power to adjourn the meeting from time to time until a quorum shall be present or represented. At any such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified.~~

~~————— Section 8. Voting. At any meeting of stockholders, except as otherwise provided by law or by the certificate of incorporation or by any resolution of the board of directors creating any series of Preferred Stock:~~

~~————— (a) Each holder of record of a share or shares of stock on the record date for determining stockholders entitled to vote at such meeting shall be entitled to one vote in person or by proxy for each share of stock so held.~~

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~~————— (b) Directors shall be elected by a plurality of the votes cast by the holders of Common Stock, present in person or by proxy.~~

~~————— (c) Each other question properly presented to any meeting of stockholders shall be decided by a majority of the votes cast on the question entitled to vote thereon.~~

~~————— (d) Elections of directors shall be by ballot but the vote upon any other question shall be by ballot only if so ordered by the chairman of the meeting or if so requested by stockholders, present in person or represented by proxy, entitled to vote on the question and holding at least 10% of the shares so entitled to vote.~~

~~————— Section 9. Action by Written Consent. Any stock holder seeking to act by written consent of stockholders shall notify the secretary in writing of such intent and shall request the board of directors to fix a record date for determining the stockholders entitled to vote by consent. The notice shall specify the actions sought to be taken and, if the election of one or more individuals as director is sought, shall include as to each nominee the information required to be included in a proxy~~

~~statement under the proxy rules of the Securities and Exchange Commission. Such record date shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the board of directors.~~

~~————— The board of directors shall promptly, but in all events within ten (10) days after the date on which the written request for fixing a record date was received by the secretary, adopt a resolution fixing the record date. If no record date has been fixed by the board of directors within ten (10) days of the date on which such a request is received, the record date for determining stockholders entitled to vote by consent, when no prior action by the board of directors is required by applicable law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken was delivered to the corporation by delivery to its registered office in the State of~~

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~~Delaware, its principal place of business, or any officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the board of directors and prior action by the board of directors is required by applicable law, the record date for determining stockholders entitled to vote by consent shall be at the close of business on the date on which the board of directors adopts the resolution taking such prior action.~~

~~————— Section 10. List of Stockholders. At least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder shall be prepared. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.~~

~~Section 11. Judges of Election. Whenever a vote at a meeting of stockholders shall be by ballot, or whenever written consent to action is sought, the proxies and ballots or consents shall be received and taken charge of, and all questions touching on the qualification of voters and the validity of proxies and consents and the acceptance and rejection of votes shall be decided by two judges of election. In the case of a meeting of stockholders, such judges of election shall be appointed by the board of directors before or at the meeting, and if no such appointment shall have been made,~~

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~~then by the stockholders at the meeting. In the case of a solicitation of consents, such judges of election shall be appointed by the board of directors on or before the record date for determining the stockholders entitled to vote by consent, and if no such appointment shall have been made, then by the chairman of the board or the president. If for any reason either of the judges of election previously appointed shall fail to attend or refuse or be unable to serve, a judge of election in place of any so failing to attend or refusing or unable to serve, shall be appointed by the board of directors, the stockholders at the meeting, the chairman of the board or the president.~~

~~ARTICLE III~~

~~Directors: Number, Election, Etc.~~

~~Section 1. Number. The board of directors shall consist of such number of members, not less than three, as the board of directors may from time to time determine by resolution, plus such additional persons as the holders of the Preferred Stock may be entitled from time to time, pursuant to the provisions of any resolution of the board of directors creating any series of Preferred Stock, to elect to the board of directors.~~

~~Section 2. Election, Term, Vacancies. Directors shall be elected each year at the annual meeting of stockholders, except as hereinafter provided, and shall hold office until the next annual election and until their successors are duly elected and qualified. Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, although less than a quorum.~~

~~Section 3. Resignation. Any director may resign at any time by giving written notice of such resignation to the board of directors, the chairman of the board, the president or the secretary. Any such resignation shall take effect at the time specified therein or, if no time be~~

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~~specified, upon the receipt thereof by the board of directors or one of the above named officers and, unless specified therein, the acceptance of such resignation shall not be necessary to make it effective.~~

~~Section 4. Removal. Any director may be removed from office at any time, with or without cause, by a vote of a majority of a quorum of the stockholders entitled to vote at any regular meeting or at any special meeting called for the purpose.~~

~~Section 5. Fees and Expenses. Directors shall receive such fees and expenses as the board of directors shall from time to time prescribe.~~

~~ARTICLE IV~~

~~Meetings of Directors~~

~~Section 1. Regular Meetings. Regular meetings of the board of directors shall be held at the principal office of the corporation, or at such other place (within or without the State of Delaware), and at such time, as may from time to time be prescribed by the board of directors or stockholders. A regular annual meeting of the board of directors for the election of officers and the transaction of other business shall be held on the same day as the annual meeting of the stockholders or on such other day and at such time and place as the board of directors shall determine. No notice need be given of any regular meeting.~~

~~Section 2. Special Meetings. Special meetings of the board of directors may be held at such place (within or without the State of Delaware) and at such time as may from time to time be determined by the board of directors or as may be specified in the call and notice of any meeting. Any such meeting shall be held at the call of the chairman of the board, the president, a vice president, the secretary, or two or more directors. Notice of a special meeting of directors shall be mailed to each director at least three days prior to the meeting date, provided that in lieu thereof, notice may be given~~

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~~to each director personally or by telephone, or dispatched by~~

~~telegraph, at least one day prior to the meeting date.~~

~~Section 3. Waiver of Notice. In lieu of notice of meeting, a waiver thereof in writing, signed by the person or persons entitled to said notice whether before or after the time stated therein, shall be deemed equivalent thereto. Any director present in person at a meeting of the board of directors shall be deemed to have waived notice of the time and place of meeting.~~

~~Section 4. Action without Meeting. Unless otherwise restricted by the certificate of incorporation, any action required or permitted to be taken at any meeting of the board of directors or of any committee thereof may be taken without a meeting if all members of the board of directors or of such committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of the proceedings of the board of directors or of such committee.~~

~~Section 5. Quorum. At all meetings of the board, one third of the total number of directors shall constitute a quorum for the transaction of business. The act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the board of directors, except as may be otherwise specifically provided by law.~~

~~If at any meeting there is less than a quorum present, a majority of those present (or if only one be present, then that one), may adjourn the meeting from time to time without further notice other than announced at the meeting until a quorum is present. At such adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally scheduled.~~

~~Section 6. Business Transacted. Unless otherwise indicated in the notice of meeting or required by law, the certificate of incorporation or bylaws of the corporation, any and all business may be transacted at any directors' meeting.~~

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~~ARTICLE V~~

~~Powers of the Board of Directors~~

~~The management of all the property and business of the corporation and the regulation and government of its affairs shall be vested in the board of directors. In addition to the powers and authorities by these bylaws and the certificate of incorporation expressly conferred on them, the board of directors~~

~~may exercise all such powers of the corporation and do all such lawful acts and things as are not by law, or by the certificate of incorporation or by these bylaws directed or required to be exercised or done by the stockholders.~~

~~ARTICLE VI~~

~~Committees~~

~~Section 1. Reserved for future use.~~

~~Section 2. Audit Committee. The board of directors may, by resolution passed by a majority of the whole board, designate an audit committee, to consist of three or more members. Each member of the audit committee shall meet the independence standards set forth in the corporation's governance policies. At meetings of the audit committee, one half of the members of such committee shall constitute a quorum requisite for the transaction of any business of the audit committee.~~

~~The duties and responsibilities of the audit committee shall be set forth in a charter that has been approved by the board of directors after review by the nominating/corporate governance committee. Among the duties and responsibilities of the audit committee are the following, to select the independent auditors, to review and approve the fees to be paid to the independent auditors, to assess the adequacy of the audit and accounting procedures of the corporation, and such other matters as may be set forth in the charter, delegated to it by the board of directors or required by law or~~

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~~regulation. The audit committee shall periodically meet with representatives of the independent auditors and with the internal auditor of the corporation separately or jointly. In performing its duties the audit committee may retain such professionals as it deems necessary and appropriate.~~

~~Section 3. Compensation Committee. The board of directors may, by resolution passed by a majority of the whole board, designate a compensation committee, to consist of three or more directors. Each member of the compensation committee shall meet the independence standards set forth in the corporation's governance policies. At meetings of the compensation committee, one half of the members of such committee shall constitute a~~

~~quorum requisite for the transaction of any business of the compensation committee.~~

~~The duties and responsibilities of the compensation committee shall be set forth in a charter that has been approved by the board of directors after review by the nominating/corporate governance committee. Among the duties and responsibilities of the compensation committee are the following, from time to time to review and make recommendations to the board of directors with respect to the management remuneration policies of the corporation including but not limited to salary rates and fringe benefits of elected officers and other remuneration plans such as, but not limited to, incentive compensation, deferred compensation, supplemental executive retirement plans, executive benefits termination agreements (as appropriate) and stock plans and such other matters as may be set forth in the charter, delegated to it by the board of directors or required by law or regulation. In performing its duties, the compensation committee may retain such professionals as it deems necessary and appropriate.~~

~~Section 4. Nominating/ Corporate Governance Committee. The board of directors may, by resolution passed by a majority of the whole board, designate a nominating/ corporate governance committee, to consist of three or more directors. Each member of the nominating/~~

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~~corporate governance committee shall meet the independence standards set forth in the corporation's governance policies. At meetings of the nominating/corporate governance committee, one-half of the members of such committee shall constitute a quorum requisite for the transaction of any business of the nominating/ corporate governance committee.~~

~~The duties and responsibilities of the nominating/ corporate governance committee shall be set forth in a charter that has been approved by the board of directors. Among the duties and responsibilities of the nominating/ corporate governance committee are the following, the periodic review of the governance policies of the board of directors, the consideration of candidates for election to the board of directors, the consideration of candidates for election as officers of the and such other matters as may be set forth in the charter, delegated to it by the board of directors or required by law or regulation. In performing its duties, the nominating/ corporate governance~~

~~committee may retain such professionals as it deems necessary and appropriate.~~

~~Section 5. Committee Procedure, Seal.~~

~~(a) The audit, compensation and nominating/ corporate governance committees shall keep regular minutes of their meetings, which shall be reported to the board of directors, and shall fix their own rules of procedures.~~

~~(b) The audit, compensation and nominating/ corporate governance committees may each authorize the seal of the corporation to be affixed to all papers which may require it.~~

~~(c) In the absence, or disqualification, of a member of any committee, the members of that committee present at any meeting and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint another member(s) of the board of directors to act at the meeting in the place of such absent or disqualified member.~~

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~~(d) Each committee may act in lieu of a meeting by means of a unanimous written consent executed by all of the members of the committee.~~

~~Section 6. Special Committees. The board of~~

~~directors may, from time to time, by resolution passed by a majority of the whole board, designate one or more special committees. Each such committee shall have such duties and may exercise such powers as are granted to it in the resolution designating the members thereof. Each such committee shall fix its own rules of procedure.~~

~~ARTICLE VII~~

~~Indemnification~~

~~Section 1. Nature of Indemnity. The corporation~~

~~shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative by reason of the fact that he is or was or has agreed to become a director or officer of the corporation, or is or was serving or has agreed to serve at the request of the corporation as a director or officer, of another corporation, partnership, joint venture, trust or other enterprise, or by reason of any action alleged to have been taken or omitted in such capacity, and may indemnify any person who was or is a party or is~~

~~threatened to be made a party to such an action by reason of the fact that he is or was or has agreed to become an employee or agent of the corporation, or is or was serving or has agreed to serve at the request of the corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with such action, suit or proceeding and any appeal therefrom, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding had no reasonable cause to believe his conduct was unlawful; except that in the case of an action or suit by or in the right of the corporation to procure a judgment in its~~

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~~favor (1) such indemnification shall be limited to expenses (including attorneys' fees) actually and reasonably incurred by such person in the defense or settlement of such action or suit, and (2) no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Delaware Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Delaware Court of Chancery or such other court shall deem proper.~~

~~_____ The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.~~

~~_____ Section 2. Successful Defense. To the extent that a director, officer, employee or agent of the corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 1 hereof or in defense of any claim, issue or matter therein, he shall be indemnified~~

~~against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.~~

~~Section 3. Determination That Indemnification Is Proper.~~

~~(a) Any indemnification of a director or officer of the corporation under Section 1 hereof (unless ordered by a court) shall be made by the corporation unless a determination is made that indemnification of the director or officer is not proper in the circumstances because he has not met~~

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~~the applicable standard of conduct set forth in Section 1 hereof. Such determination shall be made, with respect to a director or officer, (1) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (2) by a committee of such directors designated by a majority vote of such directors, even though less than a quorum, or (3) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (4) by the stockholders.~~

~~(b) Any indemnification of an employee or agent of the corporation (who is not also a director or officer of the corporation) under Section 1 hereof (unless ordered by a court) may be made by the corporation upon a determination that indemnification of the employee or agent is proper in the circumstances because such person has met the applicable standard of conduct set forth in Section 1 hereof. Such determination, in the case of an employee or agent, may be made (1) in accordance with the procedures outlined in the second sentence of Section 3(a), or (2) by an officer of the corporation, upon delegation of such authority by a majority of the Board of Directors.~~

~~Section 4. Advance Payment of Expenses. Expenses (including attorneys' fees) incurred by a director or officer in defending any civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the corporation as authorized in this Article. Such expenses (including attorneys' fees) incurred by other employees and agents~~

~~may be so paid upon such terms and conditions, if any, as the corporation deems appropriate. The board of directors may authorize the corporation's counsel to represent a director,~~

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~~officer, employee or agent in any action, suit or proceeding, whether or not the corporation is a party to such action, suit or proceeding.~~

~~Section 5. Procedure for Indemnification of Directors or Officers. Any indemnification of a director or officer of the corporation under Sections 1 and 2, or advance of costs, charges and expenses of a director or officer under Section 4 of this Article, shall be made promptly, and in any event within 60 days, upon the written request of the director or officer. If the corporation fails to respond within 60 days, then the request for indemnification shall be deemed to be approved. The right to indemnification or advances as granted by this Article shall be enforceable by the director or officer in any court of competent jurisdiction if the corporation denies such request, in whole or in part. Such person's costs and expenses incurred in connection with successfully establishing his right to indemnification, in whole or in part, in any such action shall also be indemnified by the corporation. It shall be a defense to any such action (other than an action brought to enforce a claim for the advance of costs, charges and expenses under Section 4 of this Article where the required undertaking, if any, has been received by the corporation) that the claimant has not met the standard of conduct set forth in Section 1 of this Article, but the burden of proving such defense shall be on the corporation. Neither the failure of the corporation (including its board of directors or a committee thereof, its independent legal counsel, and its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he has met the applicable standard of conduct set forth in Section 1 of this Article, nor the fact that there has been an actual determination by the corporation (including its board of directors or a committee thereof, its independent legal counsel, and its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.~~

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~~Section 6. Survival; Preservation of Other Rights.~~

~~The foregoing indemnification provisions shall be deemed to be a contract between the corporation and each director, officer, employee and agent who serves in such capacity at any time while these provisions as well as the relevant provisions of the Delaware Corporation Law are in effect and any repeal or modification thereof shall not affect any right or obligation then existing with respect to any state of facts then or previously existing or any action, suit, or proceeding previously or thereafter brought or threatened based in whole or in part upon any such state of facts. Such a contract right may not be modified retroactively without the consent of such director, officer, employee or agent.~~

~~The indemnification provided by this Article VII shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.~~

~~Section 7. Insurance.~~

~~The corporation shall purchase and maintain insurance on behalf of any person who is or was or has agreed to become a director or officer of the corporation, or is or was serving at the request of the corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him or on his behalf in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under the provisions of this Article, provided that such insurance is available on acceptable terms, which determination shall be made by a vote of a majority of the entire board of directors.~~

~~Section 8. Savings Clause.~~

~~If this Article or any portion hereof shall be invalidated on any ground by any court of~~

~~competent jurisdiction, then the corporation shall nevertheless indemnify each director or officer and may indemnify each employee or agent of the corporation as to costs, charges and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative, including an action by or in the right of the corporation, to the full extent permitted by any applicable portion of this Article that shall not have been invalidated and to the full extent permitted by applicable law.~~

~~ARTICLE VIII~~

~~Officers~~

~~Section 1. General. The officers of the corporation shall be the chairman of the board, a vice chairman, a chief executive officer, a president, a chief operating officer, one or more vice presidents (including executive vice presidents and senior vice presidents), a secretary, a controller, a treasurer, and such other subordinate officers as may from time to time be designated and elected by the board of directors. As the board of directors deems appropriate, it may decide not to appoint a vice chairman, a chief operating officer and/or one or more vice presidents (including executive vice presidents and senior vice presidents).~~

~~Section 2. Other Offices. The chairman of the board shall be chosen by the board of directors from among their own number. The other officers of the corporation may or may not be directors.~~

~~Section 3. Term. Officers of the corporation shall be elected by the board of directors and shall hold their respective offices during the pleasure of the board and any officer may be removed at any time, with or without cause, by a vote of the majority of the directors. Each officer~~

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~~shall hold office from the time of his appointment and qualification until the next annual election of officers or until his earlier resignation or removal except that upon election thereof a shorter term may be designated by the board of directors. Any officer may resign at any time upon written notice to the corporation.~~

~~Section 4. Compensation. The compensation of officers of the corporation shall be fixed, from time to time, by~~

~~the board of directors.~~

~~Section 5. Vacancy. In case any office becomes vacant by death, resignation, retirement, disqualification, removal from office, or any other cause, the board of directors may abolish the office (except that of president, secretary and treasurer), elect an officer to fill such vacancy or allow the office to remain vacant for such time as the board of directors deems appropriate.~~

~~ARTICLE IX~~

~~Duties of Officers~~

~~Section 1. Chairman of the Board, Vice Chairman, Chief Executive Officer, President, Chief Operating Officer. The chairman of the board shall preside at and act as chairman of all meetings of the board of directors and of the annual meeting. The chairman, in conjunction with the chief executive officer, shall also ensure that the other members of the board of directors are periodically advised as to the operations of the corporation. The chief executive officer of the corporation shall have general supervisory powers over all other officers, employees and agents of the corporation for the proper performance of their duties and shall otherwise have the general powers and duties of supervision and management usually vested in the chief executive officer of a corporation. The vice chairman and the chief operating officer shall perform such duties as shall be assigned to each by the chief executive officer. The president shall have the general powers and duties of~~

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~~supervision and management of the corporation as the chief executive officer shall assign. The chief executive officer shall preside at any meeting of the board of directors in the event of the absence of the chairman of the board. Each of the offices of (a) chairman, (b) vice chairman, (c) chief executive officer, (d) president or (e) chief operating officer may be filled by the same and/or different individuals. The office of chairman may, at the discretion of the Board, have the title of "Executive Chairman", "Non-Executive Chairman" or other similar title.~~

~~Section 2. Vice Presidents. Each vice president (including executive vice presidents and senior vice presidents) shall perform such duties as shall be assigned to him by the board of directors, the chairman of the board or the president.~~

~~Section 3. Secretary. The secretary shall record all proceedings of the meetings of the corporation, its stock holders and the board of directors and shall perform such other duties as shall be assigned to him by the board of directors, the chairman of the board, or the president. Any part or all of the duties of the secretary may be delegated to one or more assistant secretaries.~~

~~Section 4. Controller. The controller shall perform such duties as shall be assigned to him by the chairman of the board, the president or such vice president (including an executive vice president or a senior vice president) as may be responsible for financial matters. Any or all of the duties of the controller may be delegated to one or more assistant controllers or may be assigned to the vice president (including an executive vice president or a senior vice president) who is responsible for financial matters.~~

~~Section 5. Treasurer. The treasurer shall, under the direction of the chairman of the board, the president or such vice president (including an executive vice president or a senior vice president) as may be responsible for financial matters, have the custody of the funds and securities of the corporation, subject to such regulations as may be imposed by the board of directors. He shall~~

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deposit, or have deposited, all monies and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the board of directors or as may be designated by the appropriate officers pursuant to a resolution of the board of directors. He shall disburse, or have disbursed, the funds of the corporation as may be ordered by the board of directors or properly authorized officers, taking proper vouchers therefor. If required by the board of directors he shall give the corporation a bond in such sum and in such form and with such security as may be satisfactory to the board of directors, for the faithful performance of the duties of his office. He shall perform such other duties as shall be assigned to him by the board of directors, the chairman of the board, the president or such vice president (including an executive vice president or a senior vice president) as may be responsible for financial matters. Any or all of the duties of the treasurer may be delegated to one or more assistant treasurers or may be assigned~~

~~to the vice president (including an executive vice president or a senior vice president) who is responsible for financial matters.~~

~~Section 6. Other Officers' Duties. Each other officer shall perform such duties and have such responsibilities as may be delegated to him by the superior officer to whom he is made responsible by designation of the chairman of the board or the president.~~

~~Section 7. Absence or Disability. The board of directors or the chairman of the board may delegate the powers and duties of any absent or disabled officer to any other officer or to any director for the time being. In the event of the absence or temporary disability of the chairman of the board, the president shall assume his powers and duties while he is absent or so disabled.~~

~~ARTICLE X~~

~~Stock~~

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~~Section 1. Certificates. Certificates of stock of the corporation shall be signed by, or in the name of the corporation by, the chairman of the board, the president or a vice president, and by the treasurer or an assistant treasurer, or the secretary or an assistant secretary of the corporation. If such certificate is countersigned, (1) by a transfer agent other than the corporation or its employee, or (2) by a registrar other than the corporation or its employee, then any other signature on the certificate may be a facsimile. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent, or registrar at the date of issue.~~

~~Section 2. Transfers. Shares of stock shall be transferable on the books of the corporation by the holder of record thereof in person or by his attorney upon surrender of such certificate with an assignment endorsed thereon or attached thereto duly executed and with such proof of authenticity of signatures as the corporation may reasonably require. The board of directors may~~

~~from time to time appoint such transfer agents or registrars as it~~

~~may deem advisable and may define their powers and duties. Any such transfer agent or registrar need not be an employee of the corporation.~~

~~Section 3. Record Holder. The corporation may treat the holder of record of any shares of stock as the complete owner thereof entitled to receive dividends and vote such shares, and accordingly shall not be bound to recognize any interest in such shares on the part of any other person, whether or not it shall have notice thereof.~~

~~Section 4. Lost and Damaged Certificates. The corporation may issue a new certificate of stock to replace a certificate alleged to have been lost, stolen, destroyed or mutilated upon such terms and conditions as the board of directors may from time to time prescribe.~~

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~~Section 5. Fixing Record Date. In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the board of directors may fix, in advance, a record date, which shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action.~~

~~ARTICLE XI~~

~~Miscellaneous~~

~~Section 1. Fiscal Year. The fiscal year of the corporation shall begin upon the first day of January and terminate upon the 31st day of December, in each year.~~

~~Section 2. Stockholder Inspection of Books and Records. The board of directors from time to time shall determine whether and to what extent and at what times and places and under what conditions and regulations the accounts and books of the corporation, or any of them, shall be open to the inspection of a stockholder and no stockholder shall have any right to inspect any account, book or document of the corporation except as conferred by statute or authorized by resolution of the board of directors.~~

~~Section 3. Seal. The corporate seal shall be~~

~~circular in form and have inscribed thereon the name of the corporation and the words "Corporate Seal, Delaware."~~

~~ARTICLE XII~~

~~Amendments to Bylaws~~

~~Subject to the provisions of any resolution of the board of directors creating any series of Preferred Stock, the board of directors shall have power from time to time to make, alter or repeal bylaws, but any bylaws made by the board of directors may be altered, amended or repealed by the stockholders at any annual meeting of stockholders, or at any special meeting provided that notice of such proposed alteration, amendment or repeal is included in the notice of such special meeting.~~

STOCK OPTION

~~STOCK OPTION granted by AMR Corporation, a Delaware corporation (the "Corporation"), and _____ employee number _____, an employee of the Corporation or one of its Subsidiaries or Affiliates (the "Optionee").~~

~~W I T N E S S E T H:~~

~~WHEREAS, the stockholders of the Corporation approved the 1998 Long Term Incentive Plan at the Corporation's annual meeting held on May 20, 1998 (such plan, as may be amended from time to time, to be referenced the "1998 Plan");~~

~~WHEREAS, the 1998 Plan provides for the grant of an option to purchase shares of the Corporation's Common Stock to those individuals selected by the Committee or, in lieu thereof, the Board of Directors of AMR Corporation (the "Board"); and~~

~~WHEREAS, the Board has determined that the Optionee is eligible under the Plan and that it is to the advantage and interest of the Corporation to grant the option provided for herein to the Optionee as an incentive for Optionee to remain in the employ of the Corporation or one of its Subsidiaries or Affiliates, and to encourage ownership by the Optionee of the Corporation's Common Stock, \$1 par value (the "Common Stock").~~

~~NOW, THEREFORE:~~

~~1. Option Grant. The Corporation hereby grants to the Optionee a non-qualified stock option, subject to the terms and conditions hereinafter set forth, to purchase all or any part of an aggregate of _____ shares of Common Stock at a price of \$_____ per share (being the fair market value of the Common Stock on the date hereof), exercisable in approximately equal installments on and after the following dates and with respect to the following number of shares of Common Stock:~~

~~Exercisable On and After _____ Number of Shares~~

~~provided, that in no event shall this option be exercisable in whole or in part ten years from the date hereof and that the Corporation shall in no event be obligated to issue fractional shares. The right to exercise this option and to purchase the number of shares comprising each such installment shall be cumulative, and once such right has become exercisable it may be exercised in whole at any time and in part from time to time until the date of termination of the Optionee's rights hereunder.~~

~~2. Restriction on Exercise. Notwithstanding any other provision hereof, this option shall not be exercised if at such time such exercise or the delivery of certificates representing shares of Common Stock purchased pursuant hereto shall constitute a violation of any rule of the Corporation, any provision of any applicable Federal or State statute, rule or regulation, or any rule or regulation of any securities exchange on which the Common Stock may be listed.~~

~~3. Manner of Exercise. This option may be exercised with respect to all or any part of the shares of Common Stock then subject to such exercise pursuant to whatever procedures may be adopted by the Corporation. In the event that at the time of such exercise the shares of Common Stock as to which this option is exercisable have not been registered under the Securities Act of 1933, the Optionee will make a representation that he is acquiring the shares of Common Stock for investment only and not with a view to distribution. Subject to compliance by the Optionee with all the terms and conditions hereof, the Corporation or its agent shall promptly thereafter deliver to the Optionee a certificate or certificates for such shares with all requisite transfer stamps attached. (In the event of a cashless exercise, the Corporation or its agent will pay to the Optionee the appropriate cash amount, less required withholdings.)~~

~~4. Termination of Option. This option shall terminate and may no longer be exercised if (i) the Optionee ceases to be an employee of the Corporation or one of its Subsidiaries or Affiliates; or (ii) the Optionee becomes an employee of a Subsidiary that is not wholly owned, directly or indirectly, by the Corporation; or (iii) the Optionee takes a leave of absence without reinstatement rights, unless otherwise agreed in writing between the Corporation and the Optionee; except that~~

~~(a) If the Optionee's employment by the Corporation (and any Subsidiary or Affiliate) terminates by reason of death, the vesting of the option will be accelerated and the option will remain exercisable until its expiration;~~

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~~(b) If the Optionee's employment by the Corporation (and any Subsidiary or Affiliate) terminates by reason of Disability, the option will continue to vest in accordance with its terms and may be exercised until its expiration; provided, however, that if the Optionee dies after such Disability the vesting of the option will be accelerated and the option will remain exercisable until its expiration;~~

~~(c) Subject to Section 7(c), if the Optionee's employment by the Corporation (and any Subsidiary or Affiliate) terminates by reason of Normal or Early Retirement, the option will continue to vest in accordance with its terms and may be exercised until its expiration; provided, however, that if the Optionee dies after Retirement the vesting of the option will be accelerated and the option will remain exercisable until its expiration;~~

~~(d) If the Optionee's employment by the Corporation (and any Subsidiary or Affiliate) is involuntarily terminated by the Corporation or a Subsidiary or Affiliate (as the case may be) without Cause, the option may thereafter be exercised, to the extent it was exercisable at the time of termination, for a period of three months from the date of such termination of employment or until the stated term of such option, whichever period is shorter; and~~

~~(e) In the event of a Change in Control or a Potential Change in Control of the Corporation, this option shall become exercisable in accordance with the 1998 Plan, or its successor.~~

~~5. Adjustments in Common Stock. In the event of any stock dividend, stock split, merger, consolidation, reorganization, recapitalization or other change in the corporate structure, appropriate adjustments may be made by the Board in the number of shares, class or classes of securities and the price per share.~~

~~6. Non Transferability of Option. Unless the Committee shall permit (on such terms and conditions as it shall establish), an option may not be transferred except by will or the laws of descent and distribution to the extent provided herein. During the lifetime of the Optionee this option may be exercised only by him or her (unless otherwise determined by the Committee).~~

~~7. Miscellaneous.~~

~~(a) This option (i) shall be binding upon and inure to the benefit of any successor of the Corporation, (ii) shall be governed by the laws of the State of Texas, and any applicable laws of the United States, and (iii) may not be amended except in writing. No contract or right of employment shall be implied by this option.~~

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~~(b) If this option is assumed or a new option is substituted therefore in any corporate reorganization (including, but not limited to, any transaction of the type referred to in Section 425(a) of the Internal Revenue Code of 1986, as amended), employment by such assuming or substituting corporation or by a parent corporation or a subsidiary thereof shall be considered for all purposes of this option to be employment by the Corporation.~~

~~(c) In the event the Optionee's employment is terminated by reason of Early or Normal Retirement and the Optionee subsequently is employed by a competitor of the Corporation, the Corporation reserves the right, upon notice to the Optionee, to declare the option forfeited and of no further validity.~~

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

~~8. Securities Law Requirements. The Corporation shall not be required to issue shares upon the exercise of this option unless and until (a) such shares have been duly listed upon each stock exchange on which the Corporation's Stock is then registered; and (b) a registration statement under the Securities Act of 1933 with respect to such shares is then effective.~~

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

~~9. Option Subject to 1998 Plan. This option shall be subject to all the terms and provisions of the 1998 Plan and the Optionee shall abide by and be bound by all rules, regulations and determinations of the Board now or hereafter made in connection with the administration of the 1998 Plan. Capitalized terms not otherwise defined herein shall have the meanings set forth for such terms in the 1998 Plan.~~

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~~IN WITNESS WHEREOF, the Corporation has executed this Stock Option as of the day and year first above written.~~

AMR Corporation

Optionee _____ Charles D. MarLett

Corporate Secretary

AMR CORPORATION

Computation of Ratio of Earnings to Fixed Charges
(in millions)

	Three Months Ended		Nine Months Ended	
	September 30, 2003	September 30, 2002	September 30, 2003	September 30, 2002
Earnings:				
Income (loss) before income taxes and cumulative effect of accounting change	\$ 1	\$(1,449)	\$(1,117)	\$(3,032)
Add: Total fixed charges (per below)	430	441	1,302	1,315
Less: Interest capitalized	17	23	54	67
Total income (loss) before income taxes and cumulative effect of accounting change	\$414	\$(1,031)	\$ 131	\$(1,784)
Fixed charges:				
Interest, including interest capitalized	\$188	\$ 164	\$ 552	\$ 479
Portion of rental expense representative of the interest factor	230	267	715	809
Amortization of debt expense	12	10	35	27
Total fixed charges	\$430	\$ 441	\$1,302	\$1,315
Coverage deficiency	\$ 16	\$ 1,472	\$1,171	\$3,099

I, Gerard J. Arpey, certify that:

- ~~1. I have reviewed this quarterly report on Form 10-Q of AMR Corporation;~~
- ~~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)) 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) 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~~
 - ~~(c) 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: ~~October 24, 2003~~ /s/ Gerard J. Arpey
~~Gerard J. Arpey~~
~~President and Chief Executive Officer~~

I, Jeffrey C. Campbell, certify that:

- ~~1. I have reviewed this quarterly report on Form 10-Q of AMR Corporation;~~
- ~~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)) 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) 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~~
 - ~~(c) 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: ~~October 24, 2003~~ /s/ ~~Jeffrey C. Campbell~~
~~Jeffrey C. Campbell~~
~~Senior Vice President and Chief~~
~~Financial Officer~~

~~AMR CORPORATION~~

~~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 AMR
Corporation, a Delaware corporation (the Company), does hereby
certify, to such officer's knowledge, that:~~

~~The Quarterly Report on Form 10 Q for the quarter ended September 30,
2003 (the Form 10 Q) 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 Q fairly presents,
in all material respects, the financial condition and results of
operations of the Company.~~

~~Date: October 24, 2003 /s/ Gerard J. Arpey
Gerard J. Arpey
President and Chief Executive Officer~~

~~Date: October 24, 2003 /s/ Jeffrey C. Campbell
Jeffrey C. Campbell
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 Q or as a separate
disclosure document.~~