

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 June 30, 2005.

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

Commission file number 1-2691.

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

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

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

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 ☒ No ☐.

Indicate by check mark whether the registrant is an accelerated  
filer (as defined in Exchange Act Rule 12b-2). Yes ☐ 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 - 1,000 shares as of July 15, 2005.

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

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Item 1. Financial Statements

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Revenues				
Passenger	\$4,264	\$3,895	\$8,106	\$7,573
Regional Affiliates	561	505	1,012	925
Cargo	157	155	308	303
Other revenues	314	266	607	523
Total operating revenues	5,296	4,821	10,033	9,324
Expenses				
Wages, salaries and benefits	1,528	1,580	3,030	3,101
Aircraft fuel	1,224	848	2,220	1,596
Regional payments to AMR Eagle	510	412	983	805
Other rentals and landing fees	289	270	562	545
Commissions, booking fees and credit card expense	286	287	557	574
Depreciation and amortization	240	278	485	563
Maintenance, materials and repairs	210	210	402	406
Aircraft rentals	143	148	286	296
Food service	125	138	248	274
Other operating expenses	588	558	1,151	1,097
Special charges	-	(31)	-	(31)
Total operating expenses	5,143	4,698	9,924	9,226
Operating Income	153	123	109	98
Other Income (Expense)				
Interest income	28	13	63	27
Interest expense	(162)	(162)	(337)	(322)
Interest capitalized	24	19	46	36
Related party interest - net	(2)	-	(4)	-
Miscellaneous - net	-	(6)	(7)	(34)
	(112)	(136)	(239)	(293)

Income (Loss) Before Income Taxes	41	(13)	(130)	(195)
Income tax	-	-	-	-
Net Earnings (Loss)	\$ 41	\$ (13)	\$ (130)	\$ (195)

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

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

	June 30, 2005	December 31, 2004
Assets		
Current Assets		
Cash	\$ 158	\$ 117
Short-term investments	3,202	2,787
Restricted cash and short-term investments	492	478
Receivables, net	1,031	821
Inventories, net	445	450
Other current assets	349	233
Total current assets	5,677	4,886
Equipment and Property		
Flight equipment, net	12,072	12,304
Other equipment and property, net	2,413	2,365
Purchase deposits for flight equipment	277	277
	14,762	14,946
Equipment and Property Under Capital Leases		
Flight equipment, net	988	1,016
Other equipment and property, net	85	82
	1,073	1,098
Route acquisition costs and airport operating and gate lease rights, net	1,181	1,194
Other assets	3,296	3,338
	\$ 25,989	\$25,462
Liabilities and Stockholder's Equity (Deficit)		
Current Liabilities		
Accounts payable	\$ 1,131	\$ 945
Accrued liabilities	1,727	1,853
Air traffic liability	4,007	3,183
Payable to affiliates, net	451	359
Current maturities of long-term debt	498	475
Current obligations under capital leases	141	104
Total current liabilities	7,955	6,919
Long-term debt, less current maturities	8,538	8,787
Obligations under capital leases, less current obligations	951	1,061
Pension and postretirement benefits	4,755	4,743
Other liabilities, deferred gains and deferred credits	4,003	4,057
Stockholder's Deficit		
Common stock	-	-
Additional paid-in capital	3,239	3,273
Accumulated other comprehensive loss	(716)	(772)
Accumulated deficit	(2,736)	(2,606)
	(213)	(105)
	\$ 25,989	\$25,462

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

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

Six Months Ended June 30,  
2005 2004

Net Cash Provided by Operating Activities	\$ 918	\$ 577
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Cash Flow from Investing Activities:

Capital expenditures, including purchase deposits for flight equipment	(222)	(153)
Net increase in short-term investments	(415)	(677)
Net (increase) decrease in restricted cash and short-term investments	(14)	38
Proceeds from sale of equipment and property	13	26
Other	1	(9)
Net cash used by investing activities	(637)	(775)

Cash Flow from Financing Activities:

Payments on long-term debt and capital lease obligations	(299)	(287)
Proceeds from issuance of long-term debt	-	180
Funds transferred from affiliates, net	59	381
Net cash provided (used) by financing activities	(240)	274

Net increase in cash	41	76
Cash at beginning of period	117	118
Cash at end of period	\$ 158	\$ 194

Activities Not Affecting Cash

Capital lease obligations incurred	\$ 10	\$ 10
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The accompanying notes are an integral part of these financial statements.

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AMERICAN AIRLINES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1.The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, these financial statements contain all adjustments, consisting of normal recurring accruals, necessary to present fairly the financial position, results of operations and cash flows for the periods indicated. Results of operations for the periods presented herein are not necessarily indicative of results of operations for the entire year. American Airlines, Inc. (American or the Company) is a wholly owned subsidiary of AMR Corporation (AMR). For further information, refer to the consolidated financial statements and footnotes thereto included in the American Airlines, Inc. Annual Report on Form 10-K for the year ended December 31, 2004 (2004 Form 10-K). Certain amounts have been reclassified to conform with the 2005 presentation.

2.The Company accounts for its participation in AMR's 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) if the Company had applied the fair value recognition provisions of SFAS 123 to stock-based employee compensation (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Net earnings (loss), as reported	\$ 41	\$ (13)	\$(130)	\$(195)
Add: Stock-based employee compensation expense included in reported net earnings (loss)	11	5	17	16
Deduct: Total stock-based employee compensation expense determined under fair value based methods for all awards	(26)	(22)	(48)	(49)
Pro forma net earnings (loss)	\$ 26	\$ (30)	\$(161)	\$(228)

In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" (SFAS 123(R)). SFAS 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values. SFAS 123(R) is effective January 1, 2006 for AMR and American. Under SFAS 123(R), the Company will recognize compensation expense for its participation in AMR's stock-based compensation plans for the portion of outstanding awards for which service has not yet been rendered, based on the grant-date fair value of those awards calculated under SFAS 123 for pro forma disclosures. The Company has not completed its evaluation of the impact of SFAS 123(R) on its financial statements.

3. As of June 30, 2005, the Company had commitments to acquire two Boeing 777-200ERs in 2006 and an aggregate of 47 Boeing 737-800s and seven Boeing 777-200ERs in 2013 through 2016. Future payments for all aircraft, including the estimated amounts for price escalation, will approximate \$101 million in 2006 and an aggregate of approximately \$2.8 billion in 2011 through 2016.

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

In 2003, the Company reached concessionary agreements with certain lessors. Certain of these agreements provide that the Company's obligations under the related leases will 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 \$113 million in additional operating lease payments and \$119 million in additional payments related to capital leases as of June 30, 2005. These amounts will decrease by approximately \$3 million prior to the expiration of the provision on December 31, 2005. These amounts are being accounted for as contingent rentals and will only be recognized if they become payable.

4. Accumulated depreciation of owned equipment and property at June 30, 2005 and December 31, 2004 was \$9.1 billion and \$8.8 billion, respectively. Accumulated amortization of equipment and property under capital leases at June 30, 2005 and December 31, 2004 was \$1.0 billion and \$984 million, respectively.

Effective January 1, 2005, in order to more accurately reflect the expected useful life of its aircraft, the Company changed its estimate of the depreciable lives of its Boeing 737-800, Boeing 757-200 and McDonnell Douglas MD-80 aircraft from 25 to 30 years. As a result of this change, Depreciation and amortization expense was

reduced by approximately \$27 million and \$54 million, respectively, for the three and six months ended June 30, 2005.

5. As discussed in Note 8 to the consolidated financial statements in the 2004 Form 10-K, the Company has a valuation allowance against the full amount of its net deferred tax asset. The Company's deferred tax asset valuation allowance increased \$21 million during the six months ended June 30, 2005 to \$1.3 billion as of June 30, 2005. As a result of historical and current losses, the Company did not provide for a net tax benefit associated with its loss in the six month period ended June 30, 2005.

6. As of June 30, 2005, American has issued guarantees covering approximately \$1.3 billion of AMR's unsecured debt. In addition, as of June 30, 2005, AMR and American have issued guarantees covering approximately \$447 million of American Eagle Airlines, Inc. secured debt.

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AMERICAN AIRLINES, INC.

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

7. The following tables provide the components of net periodic benefit cost for the three and six months ended June 30, 2005 and 2004 (in millions):

	Pension Benefits			
	Three Months Ended		Six Months Ended	
	June 30, 2005	2004	June 30, 2005	2004
Components of net periodic benefit cost				
Service cost	\$ 93	\$ 90	\$ 185	\$ 179
Interest cost	153	141	305	283
Expected return on assets	(164)	(142)	(329)	(284)
Amortization of:				
Prior service cost	4	3	8	7
Unrecognized net loss	13	15	26	29
Net periodic benefit cost	\$ 99	\$ 107	\$ 195	\$ 214

	Other Postretirement Benefits			
	Three Months Ended		Six Months Ended	
	June 30, 2005	2004	June 30, 2005	2004
Components of net periodic benefit cost				
Service cost	\$ 19	\$ 19	\$ 37	\$ 38
Interest cost	49	50	99	101
Expected return on assets	(4)	(3)	(7)	(6)
Amortization of:				
Prior service cost	(3)	(2)	(5)	(5)
Unrecognized net loss	1	2	1	4
Net periodic benefit cost	\$ 62	\$ 66	\$ 125	\$ 132

The Company expects to contribute approximately \$310 million to its defined benefit pension plans in 2005. This estimate reflects the provisions of the Pension Funding Equity Act of 2004, which deferred (to 2006 and later years) a portion of the minimum required contributions that would have been due for the 2004 and 2005 plan years. Of the \$310 million the Company expects to contribute this year, the Company contributed \$213 million during the six months ended June 30, 2005.

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

8. As a result of the events of September 11, 2001, the depressed revenue environment, high fuel prices and the Company's restructuring activities, the Company has recorded a number of special charges during the last few years. The following table summarizes the changes since December 31, 2004 in the accruals for these charges (in millions):

	Aircraft Charges	Facility Exit Costs	Employee Charges	Total
Remaining accrual at December 31, 2004	\$ 126	\$ 26	\$ 35	\$ 187
Payments	(10)	(3)	(31)	(44)
Remaining accrual at June 30, 2005	\$ 116	\$ 23	\$ 4	\$ 143

Cash outlays related to these accruals, as of June 30, 2005, for aircraft charges, facility exit costs and employee charges will occur through 2014, 2018 and 2005, respectively.

9. The Company includes changes in the fair value of certain derivative financial instruments that qualify for hedge accounting, changes in minimum pension liabilities and unrealized gains and losses on available-for-sale securities in comprehensive income (loss). For the three months ended June 30, 2005 and 2004, comprehensive income (loss) was \$52 million and (\$14) million, respectively, and for the six months ended June 30, 2005 and 2004, comprehensive loss was \$74 million and \$213 million, respectively. The difference between net earnings (loss) and comprehensive income (loss) for the three and six months ended June 30, 2005 and 2004 is due primarily to the accounting for the Company's derivative financial instruments.

10. American classifies certain receivables from its parent and affiliates against Additional paid-in-capital. As of June 30, 2005, the company classified a \$168 million receivable from its parent against Additional paid-in-capital on the accompanying condensed consolidated balance sheet. Comparatively, as of December 31, 2004, the Company classified a \$134 million receivable from its parent against Additional paid-in-capital on the accompanying condensed consolidated balance sheet.

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

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," "indicates," "believes," "forecast," "guidance," "outlook" 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, future financing plans and needs, overall economic conditions, plans and objectives for future operations, and the impact on the Company of its results of operations in recent years and the sufficiency of its financial resources to absorb that impact. Other forward-looking statements include statements which do not relate solely to historical facts, such as, without limitation, statements which discuss the possible future effects of current known trends or uncertainties or which indicate that the future effects of known trends or uncertainties cannot be predicted, guaranteed or assured. All forward-looking statements in this report are based upon information available to the Company on the date of this report. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

Forward-looking statements are subject to a number of factors that could cause the Company's actual results to differ materially from the Company's expectations. The 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: changes in economic, business and financial conditions; the Company's substantial indebtedness; continued high fuel prices and the availability of fuel; further increases in the price of fuel; the impact of events in Iraq; conflicts in the Middle East or elsewhere; the highly competitive business environment faced by the Company, characterized by increasing pricing transparency and competition from low cost carriers and financially distressed carriers; historically low fare levels and fare simplification initiatives (both of which could result in a further deterioration of the revenue environment); the ability of the Company to reduce its costs further without adversely affecting operational performance and service levels; uncertainties with respect to the Company's international operations; changes in the Company's business strategy; actions by U.S. or foreign government agencies; the possible occurrence of additional terrorist attacks; another outbreak of a disease (such as SARS) that affects travel behavior; uncertainties with respect to the Company's relationships with unionized and other employee work groups; the inability of the Company to satisfy existing financial or other covenants in certain of its credit agreements; the availability and terms of future financing; the ability of the Company to reach acceptable agreements with third parties; and increased insurance costs and potential reductions of available insurance coverage. Additional information concerning these and other factors is contained in the Company's Securities and Exchange Commission filings, including but not limited to the 2004 Form 10-K.

## Overview

The Company recorded net earnings of \$41 million during the second quarter of 2005 compared to a net loss of \$13 million in the same period last year. The Company's second quarter 2005 results were impacted by the continuing increase in fuel prices, offset by an improvement in unit revenues (passenger revenue per available seat mile) and a \$27 million decrease in depreciation expense related to a change in the depreciable lives of certain aircraft types described in Note 4 to the Condensed Consolidated Financial Statements.

Fuel price increases resulted in a year-over-year increase of 52.2 cents per gallon for the second quarter. This price increase negatively impacted fuel expense by \$391 million during the quarter based on fuel consumption of 749 million gallons. Continuing high fuel prices, additional increases in the price of fuel, and/or disruptions in the supply of fuel would further adversely affect the Company's financial condition and its results of operations.

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Mainline passenger unit revenues increased 7.0 percent for the second quarter due to a 3.8 point load factor increase and a 1.9 percent increase in passenger yield (passenger revenue per passenger mile) compared to the same period in 2004. Although load factor performance continues to show significant year-over-year improvement, passenger yield remains depressed by historical standards. The Company believes this depressed passenger yield is due in large part to a corresponding decline in the Company's pricing power. The Company's reduced pricing power is the product of several factors, including: greater cost sensitivity on the part of travelers (particularly business travelers); greater competition from low-cost carriers and



from carriers that have recently reorganized or are reorganizing, including under the protection of Chapter 11 of the Bankruptcy Code; significant increases in overall capacity during 2004 and continuing into 2005 that exceeded economic growth; and, more recently, fare simplification efforts by certain carriers. The Company believes that its reduced pricing power will persist indefinitely and possibly permanently.

The Company continues to work - under the basic tenets of the Turnaround Plan - with its unions and employees to identify and implement additional initiatives designed to increase efficiencies and revenues and reduce costs. During the second quarter, the Company's numerous network, product and other initiatives implemented during the past several years continued to benefit its financial results. In addition, its employees showed a remarkable ability to efficiently and courteously handle the record load factors during the quarter. The Company will continue to work with its labor unions and employees as its business partners on the need for continuous improvement under the Turnaround Plan.

The Company's ability to become profitable and its ability to continue to fund its obligations on an ongoing basis will depend on a number of factors, some of which are largely beyond the Company's control. Some of the risk factors that affect the Company's business and financial results are referred to under "Forward-Looking Information" above and are discussed in the Risk Factors listed in Item 7 (on pages 27-30) in the 2004 Form 10-K. As the Company seeks to improve its financial condition, it must continue to take steps to generate additional revenues and to significantly reduce its costs. Although the Company has a number of initiatives underway to address its cost and revenue challenges, the adequacy and ultimate success of these initiatives is not known at this time and cannot be assured. It will be very difficult, absent continued restructuring of its operations, for the Company to continue to fund its obligations on an ongoing basis or to become profitable if the overall industry revenue environment does not improve and fuel prices remain at historically high levels for an extended period.

#### OTHER INFORMATION

##### Significant Indebtedness and Future Financing

The Company remains heavily indebted and has significant obligations (including substantial pension funding obligations) due in 2005 and thereafter, as described more fully under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the 2004 Form 10-K. The Company believes it should have sufficient liquidity to fund its operations for the foreseeable future, including repayment of debt and capital leases, capital expenditures and other contractual obligations. Nonetheless, to maintain sufficient liquidity as the Company continues to implement its restructuring and cost reduction initiatives, the Company will need access to additional funding. The Company's possible financing sources primarily include: (i) a limited amount of additional secured aircraft debt (a very large majority of the Company's owned aircraft, including virtually all of the Company's Section 1110-eligible aircraft, are encumbered) or sale-leaseback transactions involving owned aircraft; (ii) debt secured by new aircraft deliveries; (iii) debt secured by other assets; (iv) securitization of future operating receipts; (v) the sale or monetization of certain assets; (vi) unsecured debt; and (vii) equity and/or equity-like securities. However, the availability and level of these financing sources cannot be assured, particularly in light of American's reduced credit ratings, high fuel prices, the historically weak fare environment and the financial difficulties being experienced in the airline industry. The inability of the Company to obtain additional funding would have a material negative impact on the ability of the Company to sustain its operations over the long-term.

The Company's substantial indebtedness could have important consequences. For example, it could: (i) limit the Company's ability to obtain additional financing for working capital, capital expenditures, acquisitions and general corporate purposes, or adversely affect the terms on which such financing could be obtained; (ii) require the Company to dedicate a substantial portion of its cash flow from operations to payments on its indebtedness, thereby reducing the funds available for other purposes; (iii) make the Company more

vulnerable to economic downturns; (iv) limit its ability to withstand competitive pressures and reduce its flexibility in responding to changing business and economic conditions; and (v) limit the Company's flexibility in planning for, or reacting to, changes in its business and the industry in which it operates.

#### Credit Facility Covenants

The Company has a credit facility (the Credit Facility) consisting of a fully drawn \$570 million senior secured revolving credit facility with a final maturity on June 17, 2009 and a fully drawn \$248.5 million term loan facility with a final maturity on December 17, 2010. The Credit Facility contains a covenant (the Liquidity Covenant) requiring American to maintain, as defined, unrestricted cash, unencumbered short term investments and amounts available for drawing under committed revolving credit facilities of not less than \$1.5 billion for each quarterly period through September 30, 2005 and \$1.25 billion for each quarterly period thereafter. The Company was in compliance with the Liquidity Covenant as of June 30, 2005 and expects to be able to continue to comply with this covenant. In addition, the Credit Facility contains a covenant (the EBITDAR Covenant) requiring AMR to maintain a ratio of cash flow (defined as consolidated net income, before interest expense (less capitalized interest), income taxes, depreciation and amortization and rentals, adjusted for certain gains or losses and non-cash items) to fixed charges (comprising interest expense (less capitalized interest) and rentals). The required ratio was 0.85 to 1.00 for the four quarter period ending June 30, 2005 and will increase gradually to 1.50 to 1.00 for the four quarter period ending March 31, 2008 and for each four quarter period ending on each fiscal quarter thereafter. AMR was in compliance with the EBITDAR covenant as of June 30, 2005 and expects to be able to continue to comply with this covenant in the near term.

Given the historically high price of fuel and the volatility of fuel prices and revenues, it is difficult to assess whether AMR and American will be able to continue to comply with the Liquidity Covenant and in particular the EBITDAR Covenant, and there are no assurances that AMR and American will be able to do so. Failure to comply with these covenants would result in a default under the Credit Facility which - - if the Company did not take steps to obtain a waiver of, or otherwise mitigate, the default - - could result in a default under a significant amount of the Company's other debt and lease obligations.

#### Pension Funding Obligation

The Company expects to contribute approximately \$310 million to its defined benefit pension plans in 2005. This estimate reflects the provisions of the Pension Funding Equity Act of 2004. Due to uncertainties regarding significant assumptions involved in estimating future required contributions to its defined benefit pension plans, such as interest rate levels, the amount and timing of asset returns, and the impact of proposed legislation (discussed further below), the Company is not able to reasonably estimate its future required contributions beyond 2005. However, based on the current regulatory environment and market conditions, the Company expects that its 2006 minimum required contributions will exceed its 2005 expected contributions. Of the \$310 million the Company expects to contribute to its defined benefit pension plans in 2005, the Company contributed \$213 million during the first six months of 2005.

Various defined benefit pension reform proposals are currently under consideration by the Government, which could have a significant - - positive or negative - - impact on the Company's future required pension contributions. The likely outcome of these proposals is currently unclear.

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#### Cash Flow Activity

At June 30, 2005, American had \$3.4 billion in unrestricted cash and short-term investments, an increase of \$456 million from December 31, 2004. Net cash provided by operating activities in the six-month period ended June 30, 2005 was \$918 million, an increase of \$341 million over the same period in 2004. The increase was primarily the result of an increase in the Air traffic liability due to a modest improvement in the revenue environment, offset to a certain degree by the \$213 million pension contribution. Capital expenditures for the

first six months of 2005 were \$222 million and included the cost of improvements at New York's John F. Kennedy airport.

On July 1, 2005, American completed the re-marketing of \$198 million of DFW-FIC Series 2000A Unsecured Revenue Refunding Bonds in three subseries which mature May 1, 2029. Certain municipalities originally issued these special facility revenue bonds primarily to improve airport facilities that are leased by American and accounted for as operating leases. They were acquired by American in 2003 under a mandatory tender provision; thus, American received the proceeds from the remarketing in July and recorded the obligation in Other liabilities, deferred gains and deferred credits.

## RESULTS OF OPERATIONS

For the Six Months Ended June 30, 2005 and 2004

### Revenues

The Company's revenues increased approximately \$709 million, or 7.6 percent, to \$10.0 billion for the six months ended June 30, 2005 from the same period last year. American's passenger revenues increased by 7.0 percent, or \$533 million, on a capacity (ASM) increase of 1.5 percent. American's passenger load factor increased 4.0 points to 77.5 percent while passenger revenue yield per passenger mile remained constant at 11.90 cents. This resulted in an increase in American's passenger revenue per available seat mile (RASM) of 5.4 percent to 9.22 cents. Following is additional information regarding American's domestic and international RASM and capacity:

	Six Months Ended June 30, 2005			
	RASM	Y-O-Y	ASMs	Y-O-Y
	(cents)	Change	(billions)	Change
Domestic	9.18	6.0%	57.7	(2.9)%
International	9.31	4.2	30.2	11.0
Latin America	9.20	2.4	15.4	11.1
Europe	9.77	8.9	11.5	7.0
Pacific	8.23	(4.2)	3.3	27.8

Regional affiliates' passenger revenues, which are based on industry standard proration agreements for flights connecting to American flights, increased \$87 million, or 9.4 percent, to \$1.0 billion as a result of increased capacity and load factors. Regional affiliates' traffic increased 23.7 percent to 4.2 billion RPMs, while capacity increased 19.7 percent to 6.1 billion ASMs, resulting in a 2.3 point increase in the passenger load factor to 68.6 percent.

Cargo revenues increased 1.7 percent, or \$5 million, due to a 0.9 percent increase in cargo ton miles in addition to a 0.9 percent increase in cargo revenue yield per ton mile.

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### Operating Expenses

The Company's total operating expenses increased 7.6 percent, or \$698 million, to \$9.9 billion for the six months ended June 30, 2005 compared to the same period in 2004. American's mainline operating expenses per ASM in the six months ended June 30, 2005 increased 4.5 percent compared to the same period in 2004 to 9.92 cents. These increases are due primarily to a 41.4 percent increase in American's price per gallon of fuel in the first half of 2005 relative to the same period in 2004, including the impact of a \$55 million fuel excise tax refund received in March 2005.

(in millions)	Six Months		
	Ended	Change	Percentage
Operating Expenses	June 30, 2005	from 2004	Change
Wages, salaries and benefits	\$ 3,030	\$ (71)	(2.3)%
Aircraft fuel	2,220	624	39.1 (a)
Regional payments to AMR Eagle	983	178	22.1 (b)
Other rentals and landing fees	562	17	3.1
Commissions, booking fees			

and credit card expense	557	(17)	(3.0)
Depreciation and amortization	485	(78)	(13.9) (c)
Maintenance, materials and repairs	402	(4)	(1.0)
Aircraft rentals	286	(10)	(3.4)
Food service	248	(26)	(9.5)
Other operating expenses	1,151	54	4.9
Special charges	-	31	NM (d)
Total operating expenses	\$ 9,924	\$ 698	7.6%

- (a) Aircraft fuel expense increased primarily due to a 41.4 percent increase in American's price per gallon of fuel (including the benefit of a \$55 million fuel excise tax refund received in March 2005 and the impact of fuel hedging) offset by a 1.7 percent decrease in American's fuel consumption.
- (b) Regional payment to AMR Eagle increased primarily as a result of increased capacity and fuel costs.
- (c) Depreciation and amortization expense decreased primarily due to a change in the estimate of the depreciable lives of the Company's Boeing 737-800, Boeing 757-200 and McDonnell Douglas MD-80 aircraft from 25 to 30 years, which decreased depreciation and amortization expense by approximately \$54 million in the six months ended June 30, 2005.
- (d) Special charges for 2004 included the reversal of reserves previously established for (i) aircraft return costs of \$20 million and (ii) employee severance of \$11 million.

#### Other Income (Expense)

Other income (expense), historically a net expense, decreased \$54 million due primarily to the following: Interest income increased \$36 million due primarily to a \$14 million interest refund related to the fuel excise tax refund discussed above and increases in interest rates and short-term investments. Interest expense increased \$15 million due primarily to increases in variable interest rates. Miscellaneous-net decreased \$27 million, due primarily to the accrual during the first quarter of 2004 of a \$23 million award rendered by an independent arbitrator and relating to a grievance filed by the Allied Pilots Association.

#### Income Tax

The Company did not record a net tax benefit associated with its losses for the six months ended June 30, 2005 and 2004 due to the Company providing a valuation allowance, as discussed in Note 5 to the condensed consolidated financial statements.

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#### Regional Affiliates

The following table summarizes the combined capacity purchase activity for the American Connection carriers and AMR Eagle for the six months ended June 30, 2005 and 2004 (in millions):

	Six Months Ended June 30,	
	2005	2004
Revenues:		
Regional Affiliates	\$1,012	\$ 925
Other	43	38
	\$1,055	\$ 963
Expenses:		
Regional Affiliates	\$1,073	\$ 887
Other incurred expenses	137	117
	\$1,210	\$1,004

In addition, passengers connecting to American's flights from American Connection and AMR Eagle flights generated passenger revenues for American flights of \$744 million and \$683 for the six months ended June 30, 2005 and 2004, respectively, which are included in Revenues - Passenger in the consolidated statements of operations.

#### Outlook

The Company currently expects third quarter 2005 mainline unit costs to be approximately 10.37 cents and full year 2005 mainline unit costs to be approximately 10.20 cents, including the impact of the \$55

million fuel excise tax refund received in March 2005.

Capacity for American's mainline jet operations is expected to increase about 2.7 percent in the third quarter of 2005 compared to the third quarter of 2004 and about 2.4 percent for the full year 2005 compared to 2004.

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

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 2004 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 analyses presented do not consider the effects that such adverse changes may have on overall economic activity, nor do they consider additional actions management may take to mitigate the Company's exposure to such changes. Therefore, actual results may differ. The Company does not hold or issue derivative financial instruments for trading purposes.

**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 oil hedging contracts. Market risk is estimated as a hypothetical 10 percent increase in the June 30, 2005 cost per gallon of fuel. Based on projected 2005 and 2006 fuel usage through June 30, 2006, such an increase would result in an increase to aircraft fuel expense of approximately \$466 million in the twelve months ended June 30, 2006, inclusive of the impact of fuel hedge instruments outstanding at June 30, 2005, and assumes the Company's fuel hedging program remains effective under Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities". Comparatively, based on projected 2005 fuel usage, such an increase would have resulted in an increase to aircraft fuel expense of approximately \$343 million in the twelve months ended December 31, 2005, inclusive of the impact of fuel hedge instruments outstanding at December 31, 2004. The change in market risk is primarily due to the increase in fuel prices.

As of June 30, 2005, the Company had hedged an insignificant percentage of its estimated 2005, 2006 and 2007 fuel requirements with option contracts.

### Item 4. Controls and Procedures

The term "disclosure controls and procedures" is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, or the Exchange Act. This term refers to the controls and procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission. An evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the Company's disclosure controls and procedures as of June 30, 2005. Based on that evaluation, the Company's management, including the CEO and CFO, concluded that the Company's disclosure controls and procedures were effective as of June 30, 2005. During the

quarter ending on June 30, 2005, there was no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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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). On July 9, 2003, the court certified a class that included 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. On February 24, 2005, the court decertified the class. The remaining two 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 is vigorously defending 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.

Between April 3, 2003 and June 5, 2003, three lawsuits were filed by travel agents some of whom opted out of a prior class action (now dismissed) 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. These cases have been consolidated in the United States District Court for the Northern District of Ohio Eastern Division. 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 Company.

On August 19, 2002, a class action lawsuit seeking monetary damages 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 Airlines, 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.

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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 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). The Company is vigorously defending the lawsuit. 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. The case is currently stayed while the parties pursue an alternative dispute resolution process. The County has proposed draft allocation models for remedial costs for the Terminal and Tank Farm areas of MIA. While it is anticipated that American and AMR Eagle will be allocated equitable shares of remedial costs, the Company does not expect the allocated amounts to have a material adverse effect on the Company.

Four cases (each being a purported class action) have been filed against American arising from the disclosure of passenger name records by a vendor of American. The cases are: Kimmell v. AMR, et al. (U. S. District Court, Texas), Baldwin v. AMR, et al. (U. S. District Court, Texas), Rosenberg v. AMR, et al. (U. S. District Court, New York) and Anapolsky v. AMR, et al. (U.S. District Court, New York). The Kimmell suit was filed in April 2004. The Baldwin and Rosenberg cases were filed in May 2004. The Anapolsky suit was filed in September 2004. The suits allege various causes of action, including but not limited to, violations of the Electronic Communications Privacy Act, negligent misrepresentation, breach of contract and violation of alleged common law rights of privacy. In each case plaintiffs seek statutory damages of \$1000 per passenger, plus additional unspecified monetary damages. The Court dismissed the cases but allowed leave to amend, and the Kimmell and Rosenberg cases have been refiled. The Company is vigorously defending these suits and believes the suits are without merit. However, a final adverse court decision awarding a maximum amount of statutory damages would have an adverse impact on the Company.

American is defending three lawsuits, filed as class actions but not certified as such, arising from allegedly improper failure to refund certain governmental taxes and fees collected by the Company upon the sale of nonrefundable tickets when such tickets are not used for travel. The suits are: Coleman v. American Airlines, Inc., No. 101106, filed December 31, 2002, pending (on appeal) before the Supreme Court of Oklahoma. The Coleman Plaintiffs seek actual damages (not specified) and interest. Hayes v. American Airlines, Inc., No. 04-3231, pending in the United States District Court for the Eastern District of New York, filed July 2, 2004. The Hayes Plaintiffs seek unspecified damages, declaratory judgment, costs, attorneys' fees, and interest. Harrington v. Delta Air Lines, Inc., et. al., No. 04-12558, pending in the United States District Court for the District of Massachusetts, filed November 4, 2004. The Harrington plaintiffs seek unspecified actual damages (trebled), declaratory judgment, injunctive relief, costs, and attorneys' fees. The suits assert various causes of action, including breach of contract, conversion, and unjust enrichment. The Company is vigorously defending the suits and believes them to be without merit. However, a final adverse court decision requiring the Company to refund collected taxes and/or fees could have an adverse impact on the Company.

On March 11, 2004, a patent infringement lawsuit was filed against AMR Corporation, American Airlines, Inc., AMR Eagle Holding Corporation, and American Eagle Airlines, Inc. in the United States District Court for the Eastern District of Texas (IAP Intermodal, L.L.C. v. AMR Corp., et al.). The case was consolidated with eight similar lawsuits filed against a number of other unaffiliated airlines, including Continental, Northwest, British Airways, Air France, Pinnacle

Airlines, Korean Air and Singapore Airlines (as well as various regional affiliates of the foregoing). The plaintiff alleges that the airline defendants infringe three patents, each of which relates to a system of scheduling vehicles based on freight and passenger transportation requests received from remote computer terminals. The plaintiff is seeking past and future royalties of over \$30 billion dollars, injunctive relief, costs and attorneys' fees. Although the Company believes that the plaintiff's claims are without merit and is vigorously defending the lawsuit, a final adverse court decision awarding substantial money damages or placing material restrictions on existing scheduling practices would have an adverse impact on the Company.

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On July 12, 2004, a consolidated class action complaint, that was subsequently amended on November 30, 2004, was filed against American Airlines, Inc. and the Association of Professional Flight Attendants (APFA), the Union which represents the Company's flight attendants (Ann M. Marcoux, et al., v. American Airlines Inc., et al. in the United States District Court for the Eastern District of New York). While a class has not yet been certified, the lawsuit seeks on behalf of all of American's flight attendants or various subclasses to set aside, and to obtain damages allegedly resulting from, the April 2003 Collective Bargaining Agreement referred to as the Restructuring Participation Agreement (RPA). The RPA was one of three labor agreements the Company successfully reached with its unions in order to avoid filing for bankruptcy in 2003. In a related case (Sherry Cooper, et al. v. TWA Airlines, LLC, et al., also in the United States District Court for the Eastern District of New York), the court denied a preliminary injunction against implementation of the RPA on June 30, 2003. The Marcoux suit alleges various claims against the Union and American relating to the RPA and the ratification vote on the RPA by individual Union members, including: violation of the Labor Management Reporting and Disclosure Act (LMRDA) and the APFA's Constitution and By-laws, violation by the Union of its duty of fair representation to its members, violation by the Company of provisions of the Railway Labor Act through improper coercion of flight attendants into voting or changing their vote for ratification, and violations of the Racketeer Influenced and Corrupt Organizations Act of 1970 (RICO). Although the Company believes the case against it is without merit and both the Company and the Union are vigorously defending the lawsuit, a final adverse court decision invalidating the RPA and awarding substantial money damages would have an adverse impact on the Company.

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#### Item 6. Exhibits

The following exhibits are included herein:

- 10.1 Letter Agreement dated May 5, 2005 between The Boeing Company and American Airlines, Inc. Portions of this agreement have been omitted pursuant to a request for confidential treatment filed with the Securities and Exchange Commission.
- 12 Computation of ratio of earnings to fixed charges for the three and six months ended June 30, 2005 and 2004.
- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a).
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a).
- 32 Certification pursuant to Rule 13a-14(b) and section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code).



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.

AMERICAN AIRLINES, INC.

Date: July 25, 2005

BY: /s/ James A. Beer  
James A. Beer  
Senior Vice President and Chief Financial Officer  
(Principal Financial and Accounting Officer)

6-1162-AKP-074R2

American Airlines, Inc.  
P.O. Box 619616  
Dallas-Fort Worth Airport, Texas 75261-9616

Subject: Business Considerations

Reference: a) Purchase Agreement No. 1977 between  
The Boeing Company (Boeing) and American  
Airlines, Inc. (Customer) relating to  
Model 737-823 Aircraft  
  
b) Letter Agreement No. 6-1162-AKP-074R1,  
dated July 17, 1998, Same Subject

This letter agreement (Letter Agreement) is entered into on the date below and amends and supplements the Reference (a) Purchase Agreement. Furthermore, this Letter Agreement cancels and supersedes in full the Reference (b) Letter Agreement. All capitalized terms used herein but not otherwise defined in this Letter Agreement shall have the same meanings assigned thereto in Exhibit C to the Purchase Agreement or elsewhere in such Purchase Agreement.

1. Model 737-823

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

2. Model 737-723 [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

If Customer purchases one or more Model 737-723 Aircraft pursuant to Letter Agreement No. 6-1162-AKP-075, then Boeing will [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

3. Model 737-623 [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

If Customer purchases one or more Model 737-623 Aircraft pursuant to Letter Agreement No. 6-1162-AKP-075, then Boeing will [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

4. [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

4.1 If Customer purchases one or more Model 737-823 Aircraft after the date of this Letter Agreement, Boeing shall [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

4.2 If Customer purchases one or more Model 737-723 Aircraft after the date of this Letter Agreement, Boeing shall [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE

COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL  
TREATMENT].

4.3 At the execution of this revised Letter Agreement, Boeing has not [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

5. Application [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

Customer will be entitled to [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

6. Confidential Treatment.

Customer and Boeing understand that certain commercial and financial information contained in this Letter Agreement are considered by Boeing and Customer as confidential. Customer and Boeing agree that each will treat this Letter Agreement and the information contained herein as confidential and will not, without the prior written consent of the other, disclose this Letter Agreement or any information contained herein to any other person or entity, except as provided in this Letter Agreement or the Purchase Agreement.

Very truly yours,

THE BOEING COMPANY

By [Lyn A. Johnson]

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: May 5 , 2005

AMERICAN AIRLINES, INC.

By [Beverly Goulet]

Its Vice President - Corp. Dev. & Treasurer

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Earnings (loss):				
Earnings (loss) before income taxes	\$ 41	\$ (13)	\$(130)	\$(195)
Add: Total fixed charges (per below)	368	372	751	740
Less: Interest capitalized	24	19	46	36
Total earnings before income taxes	\$ 385	\$ 340	\$ 575	\$ 509
Fixed charges:				
Interest	\$ 164	\$ 162	\$ 341	\$ 322
Portion of rental expense representative of the interest factor	201	207	405	413
Amortization of debt expense	3	3	5	5
Total fixed charges	\$ 368	\$ 372	\$ 751	\$ 740
Ratio of earnings to fixed charges	1.05	-	-	-
Coverage deficiency	\$ -	\$ 32	\$ 176	\$ 231

Note: As of June 30, 2005, American has guaranteed approximately \$1.3 billion of AMR's unsecured debt and approximately \$447 million of AMR Eagle's secured debt. The impact of these unconditional guarantees is not included in the above computation.

I, Gerard J. Arpey, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Airlines, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 25, 2005

/s/ Gerard J. Arpey  
Gerard J. Arpey  
Chairman, President and Chief Executive  
Officer

I, James A. Beer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Airlines, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 25, 2005

/s/ James A. Beer  
James A. Beer  
Senior Vice President and Chief Financial  
Officer



## American Airlines, Inc.

## Certification

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

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

The Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 (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: July 25, 2005                    /s/ Gerard J. Arpey  
Gerard J. Arpey  
Chairman, President and Chief Executive  
Officer

Date: July 25, 2005                    /s/ James A. Beer  
James A. Beer  
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.