

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, 2006.

☐ 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	75-1825172
(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, including area code (817) 963-1234

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 a large
accelerated filer, an accelerated filer, or a non-accelerated
filer. See definition of "accelerated filer" and "large
accelerated filer" in Rule 12b-2 of the Exchange Act.

☒ Large Accelerated Filer ☐ Accelerated Filer
☐ Non-accelerated Filer

Indicate by check mark whether the registrant is a shell company
(as defined in Rule 12b-2 of the Act). ☒ 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 - 213,015,663 shares as of July 21, 2006.

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 June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Revenues				
Passenger - American Airlines	\$ 4,720	\$ 4,264	\$ 8,964	\$ 8,106
- Regional Affiliates	702	561	1,271	1,012
Cargo	206	197	392	380
Other revenues	347	287	692	561
Total operating revenues	5,975	5,309	11,319	10,059
Expenses				
Wages, salaries and benefits	1,680	1,671	3,409	3,315
Aircraft fuel	1,708	1,350	3,181	2,448
Other rentals and landing fees	334	319	650	619
Depreciation and amortization	291	286	578	576
Commissions, booking fees and credit card expense	286	286	555	557
Maintenance, materials and repairs	238	257	474	492
Aircraft rentals	149	147	295	295
Food service	129	127	253	252
Other operating expenses	684	637	1,333	1,253

Total operating expenses	5,499	5,080	10,728	9,807
Operating Income	476	229	591	252
Other Income (Expense)				
Interest income	68	29	121	64
Interest expense	(260)	(223)	(521)	(457)
Interest capitalized	7	24	14	47
Miscellaneous - net	-	(1)	(6)	(10)
	(185)	(171)	(392)	(356)
Income (Loss) Before Income Taxes	291	58	199	(104)
Income tax	-	-	-	-
Net Earnings (Loss)	\$ 291	\$ 58	\$ 199	\$ (104)
Earnings (Loss) Per Share				
Basic	\$ 1.44	\$ 0.35	\$ 1.03	\$ (0.64)
Diluted	\$ 1.14	\$ 0.30	\$ 0.84	\$ (0.64)

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

1

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

	June 30, 2006	December 31, 2005
Assets		
Current Assets		
Cash	\$ 167	\$ 138
Short-term investments	4,986	3,676
Restricted cash and short-term investments	525	510
Receivables, net	1,121	991
Inventories, net	510	515
Other current assets	531	334
Total current assets	7,840	6,164
Equipment and Property		
Flight equipment, net	14,756	14,843
Other equipment and property, net	2,376	2,406
Purchase deposits for flight equipment	179	278
	17,311	17,527
Equipment and Property Under Capital Leases		
Flight equipment, net	798	916
Other equipment and property, net	109	103
	907	1,019
Route acquisition costs and airport operating and gate lease rights, net	1,181	1,194
Other assets	3,513	3,591
	\$ 30,752	\$ 29,495
Liabilities and Stockholders' Equity (Deficit)		
Current Liabilities		
Accounts payable	\$ 1,263	\$ 1,078
Accrued liabilities	2,377	2,388
Air traffic liability	4,440	3,615
Current maturities of long-term debt	1,042	1,077
Current obligations under capital leases	110	162
Total current liabilities	9,232	8,320

Long-term debt, less current maturities	12,106	12,530
Obligations under capital leases, less current obligations	862	926
Pension and postretirement benefits	4,956	4,998
Other liabilities, deferred gains and deferred credits	4,104	4,199
Stockholders' Equity (Deficit)		
Preferred stock	-	-
Common stock	218	195
Additional paid-in capital	2,562	2,258
Treasury stock	(367)	(779)
Accumulated other comprehensive loss	(947)	(979)
Accumulated deficit	(1,974)	(2,173)
	(508)	(1,478)
	\$ 30,752	\$ 29,495

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)

	Six Months Ended June 30,	
	2006	2005
Net Cash Provided by Operating Activities	\$ 1,611	\$ 1,064
Cash Flow from Investing Activities:		
Capital expenditures	(245)	(484)
Net increase in short-term investments	(1,310)	(424)
Net increase in restricted cash and short- term investments	(15)	(14)
Proceeds from sale of equipment and property	12	18
Other	(9)	-
Net cash used by investing activities	(1,567)	(904)
Cash Flow from Financing Activities:		
Payments on long-term debt and capital lease obligations	(611)	(413)
Proceeds from:		
Issuance of common stock, net of issuance costs	400	-
Reimbursement from construction reserve account	75	-
Issuance of long-term debt	-	287
Exercise of stock options	121	12
Net cash used by financing activities	(15)	(114)
Net increase in cash	29	46
Cash at beginning of period	138	120
Cash at end of period	\$ 167	\$ 166

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

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, 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 (i) its principal subsidiary American Airlines, Inc. (American) and (ii) its regional airline subsidiary, AMR Eagle Holding Corporation and its primary subsidiaries, American Eagle Airlines, Inc. and Executive Airlines, Inc. (collectively, AMR Eagle). The condensed consolidated financial statements also include the accounts of variable interest entities for which the Company is the primary beneficiary. 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, 2005, as amended on July 17, 2006 (2005 Form 10-K).

Cargo fuel and security surcharge revenues of \$40 million and \$72 million for the three months and six months ended June 30, 2005 have been reclassified from Other revenues to Cargo revenues in the consolidated statement of operations to conform to the current year presentation.

2. Under the 1998 Long Term Incentive Plan, as amended (the 1998 LTIP), officers and key employees of AMR and its subsidiaries may be granted stock options, stock appreciation rights (SARs), restricted stock, deferred stock, stock purchase rights, other stock-based awards and/or performance-related awards, including cash bonuses. The total number of common shares authorized for distribution under the 1998 Long Term Incentive Plan is 23.7 million shares (after giving effect to a one-for-one stock dividend in 1998 and the dividend of shares of The Sabre Group, Inc. via a spin-off in 2000). The 1998 LTIP, the successor to the 1988 Long Term Incentive Plan (1988 LTIP), will terminate no later than May 21, 2008.

In 2003, the Company established the 2003 Employee Stock Incentive Plan (the 2003 Plan) to provide, among other things, equity awards to employees as part of the 2003 restructuring process. Under the 2003 Plan, employees may be granted stock options, restricted stock and deferred stock. As of April 19, 2006, no additional shares were available for distribution under the 2003 Plan.

Options granted under the 1988 LTIP, 1998 LTIP and the 2003 Plan are awarded with an exercise price equal to the fair market value of the stock on date of grant, become exercisable in equal annual installments over periods ranging from two to five years following the date of grant and expire no later than ten years from the date of grant. As of June 30, 2006, approximately 4.6 million options outstanding under the 1998 LTIP and 2003 Plan had not vested.

Prior to January 1, 2006, the Company accounted 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 was recognized for stock option grants if the exercise price of the Company's stock option grants was at or above the fair market value of the underlying stock on the date of grant. Effective January 1, 2006, the Company adopted the fair value recognition provisions of Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment" (SFAS 123(R)) using the modified-prospective transition method. Under this transition method, compensation cost recognized in 2006 includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant-date fair value used for pro forma disclosures and (b) compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of SFAS 123(R). Results for prior periods have not been restated.

AMR CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Unaudited)

As a result of adopting SFAS 123(R), the Company's net income for the three months and six months ended June 30, 2006, was \$5 million and \$16 million lower than if it had continued to account for share-based compensation for stock options under APB 25. Basic and diluted earnings per share for the three months ended June 30, 2006 were \$0.02 lower than if the Company had continued to account for share-based compensation for stock options under APB 25. Basic and diluted earnings per share for the six months ended June 30, 2006 were \$0.08 and \$0.06 lower, respectively, than if the Company had continued to account for share-based compensation for stock options under APB 25.

Prior to January 1, 2006, the Company had 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 June 30, 2005	Six Months Ended June 30, 2005
Net earnings (loss), as reported	\$ 58	\$ (104)
Add: Stock-based employee compensation expense included in reported net earnings (loss)	11	18
Deduct: Total stock-based employee compensation expense determined under fair value based methods for all awards	(27)	(48)

Pro forma net earnings (loss)	\$ 42	\$ (134)
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Earnings (loss) per share:

Basic - as reported	\$ 0.35	\$ (0.64)
Diluted - as reported	\$ 0.30	\$ (0.64)
Basic - pro forma	\$ 0.26	\$ (0.83)
Diluted - pro forma	\$ 0.23	\$ (0.83)

On March 29, 2006, the AMR Board of Directors amended and restated the 2003-2005 Performance Share Plan for Officers and Key Employees, the 2004-2006 Performance Share Plan for Officers and Key Employees, and the 2004 Agreements for Deferred Shares (collectively, the Amended Plans). Before amendment, the plans allowed for settlement only in cash. The three Amended Plans permit settlement in a combination of cash and/or stock; however, the amendments did not impact the fair value of the obligations under the three Amended Plans. The Company anticipates using all currently available shares under the 1998 LTIP and the 2003 Plan to satisfy obligations under the three Amended Plans, but, based on current estimates, a portion of the obligations will be settled in cash. The Company will account for these obligations prospectively as a combination of liability and equity grants. In accordance with SFAS 123(R), the Company reclassified \$187 million from Accrued liabilities to Additional paid-in capital on March 29, 2006, representing the vested portions of the current estimated fair value of obligations under all three of the Amended Plans that are expected to be settled with stock.

AMR CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Unaudited)

- As of June 30, 2006, the Company had commitments to acquire 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 be approximately \$2.8 billion in 2011 through 2016.
- Accumulated depreciation of owned equipment and property at June 30, 2006 and December 31, 2005 was \$10.8 billion and \$10.4 billion, respectively. Accumulated amortization of equipment and property under capital leases was \$1.0 billion and \$1.1 billion at June 30, 2006 and December 31, 2005, respectively.
- As discussed in Note 8 to the consolidated financial statements in the 2005 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 decreased \$82 million during the six months ended June 30, 2006 to \$1.3 billion as of June 30, 2006.
- As of June 30, 2006, AMR has issued guarantees covering approximately \$1.7 billion of American's tax-exempt bond debt and American's fully drawn \$762 million credit facility. American has issued guarantees covering approximately \$1.1 billion of AMR's unsecured debt. In addition, as of June 30, 2006, AMR and American have issued guarantees covering approximately \$408 million of AMR Eagle's secured debt and AMR has issued guarantees covering an additional \$2.7 billion of AMR Eagle's secured debt.

On March 27, 2006, American refinanced its bank credit facility. In general, the new credit facility adjusted the amounts borrowed under the senior secured revolving credit facility and the senior secured term loan facility, reduced the overall interest rate on the combined credit facility and favorably modified certain debt covenant requirements.

AMR CORPORATION

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, 2006 and 2005 (in millions):

	Pension Benefits			
	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2006	2005	2006	2005
Components of net periodic benefit cost				
Service cost	\$ 100	\$ 93	\$ 199	\$ 185
Interest cost	160	153	321	305
Expected return on assets	(167)	(164)	(335)	(329)
Amortization of:				
Prior service cost	4	4	8	8
Unrecognized net loss	20	13	40	26
Net periodic benefit cost	\$ 117	\$ 99	\$ 233	\$ 195

	Other Postretirement Benefits			
	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2006	2005	2006	2005
Components of net periodic benefit cost				
Service cost	\$ 20	\$ 19	\$ 38	\$ 37
Interest cost	49	49	96	99
Expected return on assets	(4)	(4)	(8)	(7)
Amortization of:				
Prior service cost	(3)	(3)	(5)	(5)
Unrecognized net loss	-	1	1	1
Net periodic benefit cost	\$ 62	\$ 62	\$ 122	\$ 125

The Company expects to contribute approximately \$250 million to its defined benefit pension plans in 2006. The Company's estimates of its defined benefit pension plan contributions reflect the provisions of the Pension Funding Equity Act of 2004. Of the \$250 million the Company expects to contribute to its defined benefit pension plans in 2006, the Company contributed \$119 million during the six months ended June 30, 2006 and contributed \$65 million on July 14, 2006.

AMR CORPORATION

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 charges during the last few years. The following table summarizes the changes since December 31, 2005 in the remaining accruals for these charges (in millions):

Aircraft	Facility
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	Charges	Exit Costs	Total
Remaining accrual at December 31, 2005	\$ 152	\$ 36	\$ 188
Adjustments	(5)	(11)	(16)
Payments	(9)	(1)	(10)
Remaining accrual at June 30, 2006	\$ 138	\$ 24	\$ 162

Cash outlays related to the accruals for aircraft charges and facility exit costs will occur through 2017 and 2018, 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, 2006 and 2005, comprehensive income was \$302 million and \$70 million, respectively, and for the six months ended June 30, 2006 and 2005, comprehensive income (loss) was \$231 million and \$(47) million, respectively. The difference between net earnings (loss) and comprehensive income (loss) for the three and six months ended June 30, 2006 and 2005 is due primarily to the accounting for the Company's derivative financial instruments.

Ineffectiveness is inherent in hedging jet fuel with derivative positions based in crude oil or other crude oil related commodities. As required by Statement of Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities", the Company assesses, both at the inception of each hedge and on an on-going basis, whether the derivatives that are used in its hedging transactions are highly effective in offsetting changes in cash flows of the hedged items. The Company discontinues hedge accounting prospectively if it determines that a derivative is no longer expected to be highly effective as a hedge or if it decides to discontinue the hedging relationship. As a result of its quarterly effectiveness assessment, the Company determined that the majority of its derivatives settling during the remainder of 2006 and in 2007 are no longer expected to be highly effective in offsetting changes in forecasted jet fuel purchases. As a result, effective on July 1, 2006, all subsequent changes in the fair value of those particular hedge contracts will be recognized directly in earnings rather than being deferred in Accumulated other comprehensive loss. On an economic basis, these derivatives will continue to largely offset potential changes in the price of jet fuel. Hedge accounting will continue to be applied to derivatives used to hedge forecasted jet fuel purchases that are expected to remain highly effective.

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

10. The following table sets forth the computations of basic and diluted earnings (loss) per share (in millions, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Numerator:				
Net earnings (loss) - numerator				
for basic earnings (loss) per share	\$ 291	\$ 58	\$ 199	\$ (104)
Interest on senior convertible notes	7	6	14	-
Net earnings (loss) adjusted for interest on senior convertible notes - numerator for diluted earnings (loss)				

per share	\$ 298	\$ 64	\$ 213	\$ (104)
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Denominator:

Denominator for basic earnings

(loss) per share - weighted-average shares	202	163	194	162
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Effect of dilutive securities:

Senior convertible notes	32	32	32	-
Employee options and shares	47	40	46	-
Assumed treasury shares purchased	(19)	(19)	(19)	-
Dilutive potential common shares	60	53	59	-

Denominator for diluted earnings (loss) per share - adjusted weighted-average shares

262	216	253	162
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Basic earnings (loss) per share	\$ 1.44	\$ 0.35	\$ 1.03	\$ (0.64)
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Diluted earnings (loss) per share	\$ 1.14	\$ 0.30	\$ 0.84	\$ (0.64)
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Approximately 10 million and 28 million shares related to employee stock options were not added to the denominator for the three months ended June 30, 2006 and 2005, respectively, because the options' exercise prices were greater than the average market price of the common shares.

For the six months ended June 30, 2006 and 2005, approximately 11 million and 29 million shares, respectively, related to employee stock options were not added to the denominator because the options' exercise prices were greater than the average market price of the common shares. Additionally, approximately 51 million shares issuable upon conversion of the Company's convertible notes, employee stock options and deferred stock were not added to the denominator for the six months ended June 30, 2005 because inclusion of such shares would be antidilutive.

AMR CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Unaudited)

11. On March 31, 2006, the Financial Accounting Standards Board (FASB) issued an exposure draft "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)". The proposed standard would, among other things, require the Company to:

- Recognize the funded status of the Company's defined benefit plans in its consolidated financial statements.
- Recognize as a component of Other comprehensive income (loss) the actuarial gains and losses and the prior service costs and credits that arise during the period but are not immediately recognized as components of net periodic benefit cost.

The proposed standard would be effective for fiscal years ending after December 15, 2006. As of December 31, 2005, the required adjustment to the Company's balance sheet would increase the liability for pension and postretirement benefits and increase Accumulated other comprehensive loss by approximately \$1.0 billion; however, increases in interest rates since December 31, 2005 would offset some portion of the required adjustment to the consolidated balance sheet.

On May 31, 2006, the FASB proposed a Staff Position (FSP) that would reduce the number of acceptable methods of accounting for

planned major maintenance activities. Under the proposed FSP, AMR Eagle would be required to change its method of accounting for some planned maintenance activity for certain aircraft types. The proposed FSP would be applicable to fiscal years beginning after December 15, 2006 and would require retrospective application to all financial statements presented in the Company's filings.

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," "may," "will," "should," and similar expressions are intended to identify forward-looking statements. Similarly, statements that describe the Company's objectives, plans or goals are forward looking statements. Forward-looking statements include, without limitation, the Company's expectations concerning operations and financial conditions, including changes in capacity, revenues, and costs, future financing plans and needs, overall economic and industry 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: the materially weakened financial condition of the Company, resulting from its significant losses in recent years; the ability of the Company to generate additional revenues and significantly reduce its costs; changes in economic and other conditions beyond the Company's control, and the volatile results of the Company's operations; the Company's substantial indebtedness and other obligations; the ability of the Company to satisfy existing financial or other covenants in certain of its credit agreements; continued high fuel prices and further increases in the price of fuel, and the availability of fuel; the fiercely competitive business environment faced by the Company, and historically low fare levels; competition with reorganized and reorganizing carriers; the Company's reduced pricing power; the Company's likely need to raise additional funds and its ability to do so on acceptable terms; changes in the Company's business strategy; government regulation of the Company's business; conflicts overseas or terrorist attacks; uncertainties with respect to the Company's international operations; outbreaks of a disease (such as SARS or avian flu) that affects travel behavior; uncertainties with respect to the Company's relationships with unionized and other employee work groups; increased insurance costs and potential reductions of available insurance coverage; the Company's ability to retain key management personnel; potential

failures or disruptions of the Company's computer, communications or other technology systems; changes in the price of the Company's common stock; and the ability of the Company to reach acceptable agreements with third parties. Additional information concerning these and other factors is contained in the Company's Securities and Exchange Commission filings, including but not limited to the Company's 2005 Form 10-K (see in particular Item 1A "Risk Factors" in the 2005 Form 10-K).

Overview

The Company recorded net earnings of \$291 million during the second quarter of 2006 compared to \$58 million in the same period last year. The Company's second quarter 2006 results were impacted by the continuing increase in fuel prices, offset by an improvement in unit revenues (passenger revenue per available seat mile).

The price of jet fuel increased by 46.0 cents per gallon compared to the second quarter of 2005. This price increase negatively impacted fuel expense by \$374 million during the quarter based on fuel consumption of 812 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.

Mainline passenger unit revenues increased 11.7 percent for the second quarter due to a 3.1 point load factor increase and a 7.6 percent increase in passenger yield (passenger revenue per passenger mile) compared to the same period in 2005. The load factor increase reflects an overall reduction in domestic capacity and an improvement in economic conditions. Passenger yield showed significant year-over-year improvement as American has been successful in implementing limited fare increases to partially offset the continuing rise in the cost of fuel; however, 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); pricing transparency resulting from the use of the Internet; 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 U.S. Bankruptcy Code; other carriers that are better hedged against rising fuel costs and able to better absorb the current high jet fuel prices; 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's ability to become consistently profitable and its ability to continue to fund its obligations on an ongoing basis will depend on a number of factors, many 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 1A (on pages 11-16) in the 2005 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 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 consistently profitable, if the overall industry revenue environment does not continue to improve and fuel prices remain at historically high levels for an extended period.

On June 15, 2006, the cities of Dallas and Fort Worth, Texas, DFW International Airport, Southwest Airlines, and the Company announced an agreement in principle to modify the Wright Amendment, which

authorizes certain flight operations at Dallas Love Field within limited geographic areas. Southwest Airlines had been actively seeking repeal of the Wright Amendment, with the goal of eliminating the geographic restrictions on operations at Love Field, and the Company had opposed those efforts. The initial agreement was later reduced to a contract among the five parties, which became finalized and effective on June 29, 2006. Among other things, the agreement eventually eliminates geographic restrictions on operations while limiting the maximum number of gates at Love Field. The Company believes the proposed modifications are a pragmatic resolution of the issues related to the Wright Amendment and the use of Love Field. Because the Wright Amendment is a federal law, Congress must approve legislation for the proposed changes to be enacted.

LIQUIDITY AND CAPITAL RESOURCES

Significant Indebtedness and Future Financing

The Company remains heavily indebted and has significant obligations (including substantial pension funding obligations), as described more fully under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the 2005 Form 10-K. As of the date of this Form 10-Q, 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. However, to maintain sufficient liquidity as the Company continues to implement its restructuring and cost reduction initiatives, and because the Company has significant debt, lease and other obligations in the next several years, as well as substantial pension funding obligations, the Company will likely 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 the Company's and American's recent financial results, substantial indebtedness, reduced credit ratings, high fuel prices, historically weak revenues and the financial difficulties being experienced in the airline industry. The inability of the Company to obtain any necessary funding on acceptable terms would have a material adverse impact on the ability of the Company to sustain its operations over the long-term.

The Company's substantial indebtedness and other obligations could have important consequences. For example, they 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 and other obligations, 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

American has a credit facility (the Credit Facility) consisting of a fully drawn \$315 million senior secured revolving credit facility with a final maturity on June 17, 2009 and a fully drawn \$447 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 \$1.25 billion for each quarterly period through the life of the Credit Facility. 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 1.00 to 1.00 for the four quarter period ending June 30, 2006 and will increase gradually to 1.50 to 1.00 for the four quarter period ending June 30, 2009 and for each four quarter period ending on each fiscal quarter thereafter. AMR and American were in compliance with the Liquidity Covenant and the EBITDAR covenant as of June 30, 2006 and expect to be able to continue to comply with these covenants. However, 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, in fact, 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 comply with these covenants. 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 and otherwise adversely affect the Company.

Pension Funding Obligation

The Company expects to contribute approximately \$250 million to its defined benefit pension plans in 2006. The Company's estimates of its defined benefit pension plan contributions reflect the provisions of the Pension Funding Equity Act of 2004. Of the \$250 million the Company expects to contribute to its defined benefit pension plans in 2006, the Company contributed \$119 million during the six months ended June 30, 2006 and contributed \$65 million on July 14, 2006.

Under Generally Accepted Accounting Principles, the Company's defined benefit plans were underfunded as of December 31, 2005 by \$3.2 billion based on the Projected Benefit Obligation (PBO) and by \$2.3 billion based on the Accumulated Benefit Obligation (ABO) (refer to Note 10 to the consolidated financial statements in the 2005 Form 10-K). The Company's funded status at December 31, 2005 under the relevant Government funding standard is similar to its funded status using the ABO methodology. 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, in particular, the impact of proposed legislation currently pending the reconciliation process of the U.S. Congress, the Company is not able to reasonably estimate its future required contributions beyond 2006. However, absent significant legislative relief or significant favorable changes in market conditions, or both, the Company could be required to fund in 2007 a majority of the underfunded balance under the relevant Government funding standard. Even with significant legislative relief (including proposed airline-specific relief), the Company's 2007 required minimum contributions are expected to be higher than the Company's 2006 contributions.

Cash Flow Activity

At June 30, 2006, the Company had \$5.2 billion in unrestricted cash and short-term investments, an increase of \$1.3 billion from December 31, 2005. Net cash provided by operating activities in the six months ended June 30, 2006 was \$1.6 billion, an increase of \$547 million over the same period in 2005 primarily due to an increase in the Air traffic liability resulting from improved economic conditions. The Company contributed \$119 million to its defined benefit pension plans in the first six months of 2006 compared to \$213 million during the

first six months of 2005.

Capital expenditures for the first six months of 2006 were \$245 million and primarily included the acquisition of two Boeing 777-200ER aircraft and the cost of improvements at New York's John F. Kennedy airport (JFK). Substantially all of the Company's construction costs at JFK will be reimbursed through a fund established from a previous financing transaction.

During the second quarter of 2006, the Company completed a public offering of 15,002,091 shares of its common stock. The Company realized \$400 million from the equity sale.

RESULTS OF OPERATIONS

For the Three Months Ended June 30, 2006 and 2005

Revenues

The Company's revenues increased approximately \$666 million, or 12.5 percent, to \$6.0 billion in the second quarter of 2006 from the same period last year. American's passenger revenues increased by 10.7 percent, or \$456 million, despite a capacity (available seat mile) (ASM) decrease of 0.9 percent. American's passenger load factor increased 3.1 points to 82.6 percent and passenger revenue yield per passenger mile increased by 7.6 percent to 12.81 cents. This resulted in an increase in American's passenger revenue per available seat mile (RASM) of 11.7 percent to 10.58 cents. Following is additional information regarding American's domestic and international RASM and capacity based on geographic areas defined by the Department of Transportation (DOT):

	Three Months Ended June 30, 2006			
	RASM (cents)	Y-O-Y Change	ASMs (billions)	Y-O-Y Change
DOT Domestic	10.69	12.9%	28.4	(3.4)%
International	10.39	9.7	16.2	3.7
DOT Latin America	10.54	17.8	7.3	(2.7)
DOT Atlantic	10.93	5.2	6.7	5.9
DOT Pacific	8.23	(1.5)	2.2	22.4

The Company's Regional Affiliates include two wholly owned subsidiaries, American Eagle Airlines, Inc. and Executive Airlines, Inc. (collectively, AMR Eagle), and two independent carriers with which American has capacity purchase agreements, Trans States Airlines, Inc. (Trans States) and Chautauqua Airlines, Inc. (Chautauqua).

Regional Affiliates' passenger revenues, which are based on industry standard proration agreements for flights connecting to American flights, increased \$141 million, or 25.1 percent, to \$702 million as a result of increased capacity, load factors and passenger yield. Regional Affiliates' traffic increased 15.1 percent to 2.7 billion revenue passenger miles (RPMs), while capacity increased 7.0 percent to 3.4 billion ASMs, resulting in a 5.4 point increase in the passenger load factor to 77.6 percent.

Cargo revenues increased 4.6 percent, or \$9 million, to \$206 million as a result of a \$10 million increase in fuel surcharges.

Other revenues increased 20.9 percent, or \$60 million, to \$347 million due in part to increased third-party maintenance contracts obtained by the Company's maintenance and engineering group and increases in certain passenger fees.

Operating Expenses

The Company's total operating expenses increased 8.2 percent, or \$419

million, to \$5.5 billion in the second quarter of 2006 compared to the second quarter of 2005. American's mainline operating expenses per ASM in the second quarter of 2006 increased 8.5 percent compared to the second quarter of 2005 to 10.88 cents. These increases are due primarily to a 28.2 percent increase in American's price per gallon of fuel in the second quarter of 2006 relative to the second quarter of 2005. The Company's operating and financial results are significantly affected by the price of jet fuel. Continuing high fuel prices, additional increases in the price of fuel, or disruptions in the supply of fuel, would further adversely affect the Company's financial condition and results of operations.

(in millions)	Three Months Ended June 30, 2006	Change from 2005	Percentage Change	
Operating Expenses				
Wages, salaries and benefits	\$ 1,680	\$ 9	0.5%	
Aircraft fuel	1,708	358	26.5	(a)
Other rentals and landing fees	334	15	4.7	
Depreciation and amortization	291	5	1.7	
Commissions, booking fees and credit card expense	286	-	-	
Maintenance, materials and repairs	238	(19)	(7.4)	
Aircraft rentals	149	2	1.4	
Food service	129	2	1.6	
Other operating expenses	684	47	7.4	
Total operating expenses	\$ 5,499	\$ 419	8.2%	

(a) Aircraft fuel expense increased primarily due to a 28.2 percent increase in American's price per gallon of fuel offset by a 1.6 percent decrease in American's fuel consumption.

Other Income (Expense)

Other income (expense), historically a net expense, increased \$14 million due primarily to a decrease in interest capitalized of \$17 million due to the capitalization of certain construction costs at JFK in 2005. Both interest income and interest expense increased during 2006 versus 2005. Interest income increased due to increases in interest rates and cash and short-term investment balances. Interest expense increased due to an increase in interest rates.

Income Tax

The Company did not record a net tax provision associated with its second quarter 2006 and 2005 earnings due to the Company providing a valuation allowance, as discussed in Note 5 to the condensed consolidated financial statements.

Operating Statistics

The following table provides statistical information for American and Regional Affiliates for the three months ended June 30, 2006 and 2005.

	Three Months Ended June 30,	
	2006	2005
American Airlines, Inc. Mainline Jet Operations		
Revenue passenger miles (millions)	36,857	35,795
Available seat miles (millions)	44,600	45,018
Cargo ton miles (millions)	562	558
Passenger load factor	82.6%	79.5%
Passenger revenue yield per passenger mile (cents)	12.81	11.91
Passenger revenue per available seat mile (cents)	10.58	9.47
Cargo revenue yield per ton mile (cents)	36.59	35.11

Operating expenses per available seat mile, excluding Regional Affiliates (cents) (*)	10.88	10.03
Fuel consumption (gallons, in millions)	737	749
Fuel price per gallon (cents)	209.5	163.4
Operating aircraft at period-end	701	727
Regional Affiliates		
Revenue passenger miles (millions)	2,666	2,317
Available seat miles (millions)	3,436	3,211
Passenger load factor	77.6%	72.2%

(*) Excludes \$688 million and \$627 million of expense incurred related to Regional Affiliates in 2006 and 2005, respectively.

Operating aircraft at June 30, 2006, included:

American Airlines Aircraft		AMR Eagle Aircraft	
Airbus A300-600R	34	Bombardier CRJ-700	25
Boeing 737-800	77	Embraer 135	39
Boeing 757-200	143	Embraer 140	59
Boeing 767-200 Extended Range	16	Embraer 145	108
Boeing 767-300 Extended Range	58	Super ATR	41
Boeing 777-200 Extended Range	46	Saab 340B/340B Plus	37
McDonnell Douglas MD-80	327	Total	309
Total	701		

The average aircraft age for American's and AMR Eagle's aircraft is 13.4 years and 6.9 years, respectively.

Of the operating aircraft listed above, 23 McDonnell Douglas MD-80 aircraft - - 12 owned and 11 operating leased - - and nine operating leased Saab 340B Plus aircraft were in temporary storage as of June 30, 2006.

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Owned and leased aircraft not operated by the Company at June 30, 2006, included:

American Airlines Aircraft		AMR Eagle Aircraft	
Boeing 777-200 Extended Range	1	Embraer 145	10
Boeing 767-200	2	Saab 340B	39
Boeing 767-200 Extended Range	2	Total	49
Fokker 100	4		
McDonnell Douglas MD-80	27		
Total	36		

American leased its Boeing 777-200ER not operated by the Company to The Boeing Company for a period of up to twelve months beginning in December 2005.

AMR Eagle leased its 10 owned Embraer 145 aircraft that are not operated by AMR Eagle to Trans States Airlines, Inc.

For the Six Months Ended June 30, 2006 and 2005

Revenues

The Company's revenues increased approximately \$1.3 billion, or 12.5 percent, to \$11.3 billion for the six months ended June 30, 2006 from the same period last year. American's passenger revenues increased by 10.6 percent, or \$858 million, while capacity (ASM) decreased by 0.6 percent. American's passenger load factor increased 2.5 points to 80.0 percent and passenger revenue yield per passenger mile increased by 7.8 percent to 12.83 cents. This resulted in an increase in American's passenger RASM of 11.3 percent to 10.26 cents. Following is additional information regarding American's domestic and international RASM and capacity based on geographic areas defined by the DOT:

Six Months Ended June 30, 2006			
RASM	Y-O-Y	ASMs	Y-O-Y

	(cents)	Change	(billions)	Change
DOT Domestic	10.40	13.3%	56.1	(2.8)%
International	10.02	7.6	31.3	3.7
DOT Latin America	10.50	14.1	15.0	(2.7)
DOT Atlantic	10.09	3.3	12.2	6.4
DOT Pacific	8.03	(2.5)	4.1	24.2

Regional Affiliates' passenger revenues, which are based on industry standard proration agreements for flights connecting to American flights, increased \$259 million, or 25.6 percent, to \$1.3 billion as a result of increased capacity, load factors and passenger yield. Regional Affiliates' traffic increased 17.6 percent to 4.9 billion revenue passenger miles (RPMs), while capacity increased 9.3 percent to 6.7 billion ASMs, resulting in a 5.3 point increase in the passenger load factor to 73.9 percent.

Cargo revenues increased 3.2 percent, or \$12 million, to \$392 million as a result of a \$20 million increase in fuel surcharges offset by a 1.4 percent decrease in cargo ton miles.

Other revenues increased 23.4 percent, or \$131 million, to \$692 million due in part to increased third-party maintenance contracts obtained by the Company's maintenance and engineering group and increases in certain passenger fees.

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Operating Expenses

The Company's total operating expenses increased 9.4 percent, or \$921 million, to \$10.7 billion for the six months ended June 30, 2006 compared to the same period in 2005. American's mainline operating expenses per ASM in the six months ended June 30, 2006 increased 9.3 percent compared to the same period in 2005 to 10.84 cents. These increases are due primarily to a 32.8 percent increase in American's price per gallon of fuel in the first half of 2006 relative to the same period in 2005, including the impact of a \$55 million fuel excise tax refund received in March 2005.

(in millions)	Six Months Ended June 30, 2006	Change from 2005	Percentage Change	
Operating Expenses				
Wages, salaries and benefits	\$ 3,409	\$ 94	2.8%	
Aircraft fuel	3,181	733	29.9	(a)
Other rentals and landing fees	650	31	5.0	
Depreciation and amortization	578	2	0.3	
Commissions, booking fees and credit card expense	555	(2)	(0.4)	
Maintenance, materials and repairs	474	(18)	(3.7)	
Aircraft rentals	295	-	-	
Food service	253	1	0.4	
Other operating expenses	1,333	80	6.4	
Total operating expenses	\$ 10,728	\$ 921	9.4%	

(a) Aircraft fuel expense increased primarily due to a 32.8 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 2.4 percent decrease in American's fuel consumption.

Other Income (Expense)

Other income (expense), historically a net expense, increased \$36 million due primarily to a decrease in interest capitalized of \$33 million due to the capitalization of certain construction costs at JFK in 2005. Both interest income and interest expense increased during

2006 versus 2005. Interest income increased due to increases in interest rates and cash and short-term investment balances. Interest expense increased due to an increase in interest rates.

Income Tax

The Company did not record a net tax provision (benefit) associated with its earnings (loss) for the six months ended June 30, 2006 and 2005 due to the Company providing a valuation allowance, as discussed in Note 5 to the condensed consolidated financial statements.

Operating Statistics

The following table provides statistical information for American and Regional Affiliates for the six months ended June 30, 2006 and 2005.

	Six Months Ended June 30,	
	2006	2005
American Airlines, Inc. Mainline Jet Operations		
Revenue passenger miles (millions)	69,872	68,123
Available seat miles (millions)	87,351	87,872
Cargo ton miles (millions)	1,083	1,098
Passenger load factor	80.0%	77.5%
Passenger revenue yield per passenger mile (cents)	12.83	11.90
Passenger revenue per available seat mile (cents)	10.26	9.22
Cargo revenue yield per ton mile (cents)	36.15	34.53
Operating expenses per available seat mile, excluding Regional Affiliates (cents) (*)	10.84	9.92
Fuel consumption (gallons, in millions)	1,442	1,478
Fuel price per gallon (cents) (**)	199.5	150.2
Regional Affiliates		
Revenue passenger miles (millions)	4,943	4,202
Available seat miles (millions)	6,693	6,126
Passenger load factor	73.9%	68.6%

(*) Excludes \$1.3 billion and \$1.2 billion of expense incurred related to Regional Affiliates in 2006 and 2005, respectively.

(**) Includes the benefit of the 3.7 cents per gallon impact of a \$55 million fuel excise tax refund in 2005.

Outlook

The Company currently expects third quarter 2006 mainline unit costs to increase nearly seven percent year over year. Full year 2006 mainline unit costs are also expected to increase approximately seven percent versus 2005.

Capacity for American's mainline jet operations is expected to decline more than two percent in the third quarter of 2006 compared to the third quarter of 2005. Mainline capacity is expected to decline approximately one percent in the full year 2006 compared to 2005.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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 2005 Form 10-K. The change in market risk for aircraft fuel is discussed below for informational purposes due to the sensitivity of the Company's

financial results to changes in fuel prices.

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, 2006 cost per gallon of fuel. Based on projected 2006 and 2007 fuel usage through June 30, 2007, such an increase would result in an increase to aircraft fuel expense of approximately \$540 million in the twelve months ended June 30, 2007, inclusive of the impact of fuel hedge instruments outstanding at June 30, 2006. Comparatively, based on projected 2006 fuel usage, such an increase would have resulted in an increase to aircraft fuel expense of approximately \$528 million in the twelve months ended December 31, 2006, inclusive of the impact of fuel hedge instruments outstanding at December 31, 2005. The change in market risk is primarily due to the increase in fuel prices.

Ineffectiveness is inherent in hedging jet fuel with derivative positions based in crude oil or other crude oil related commodities. As required by Statement of Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities", the Company assesses, both at the inception of each hedge and on an on-going basis, whether the derivatives that are used in its hedging transactions are highly effective in offsetting changes in cash flows of the hedged items. The Company discontinues hedge accounting prospectively if it determines that a derivative is no longer expected to be highly effective as a hedge or if it decides to discontinue the hedging relationship. As a result of its quarterly effectiveness assessment, the Company determined that more than 65 percent of its derivatives, based on market value, settling during the remainder of 2006 and in 2007 are no longer expected to be highly effective in offsetting changes in forecasted jet fuel purchases. As a result, effective on July 1, 2006, all subsequent changes in the fair value of those particular hedge contracts will be recognized directly in earnings rather than being deferred in Accumulated other comprehensive loss. On an economic basis, these derivatives will continue to largely offset potential changes in the price of jet fuel. Hedge accounting will continue to be applied to derivatives used to hedge forecasted jet fuel purchases that are expected to remain highly effective.

As of June 30, 2006, the Company had effective hedges, including option contracts and collars, covering approximately 34 percent of its estimated remaining 2006 fuel requirements and an insignificant amount of its estimated fuel requirements thereafter. The consumption hedged for the remainder of 2006 is capped at an average price of approximately \$66 per barrel of crude oil. As discussed above, the majority of these contracts were determined to be ineffective beginning July 1, 2006. A deterioration of the Company's financial position could negatively affect the Company's ability to hedge fuel in the future.

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, 2006. 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, 2006. During the quarter ending on June 30, 2006, 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.

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, American, AMR Eagle, 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. The plaintiffs sought 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. On February 24, 2005, the court decertified the class. The claims against Airlines Reporting Corporation have been dismissed, and in September 2005, the Court granted Summary Judgment in favor of the Company and all other defendants. Plaintiffs have filed an appeal to the United States Court of Appeals for the Ninth Circuit. 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 a material 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, 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 a material 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 claims against Delta Air Lines have been dismissed, and the case is stayed as to United Airlines and Northwest Airlines since they filed for bankruptcy. On April 19, 2006, a stipulation was filed dismissing American from the lawsuit with prejudice.

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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, 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) were 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 plaintiffs in the Kimmell and Rosenberg cases filed amended complaints on June 24, 2005. The Kimmell and Rosenberg plaintiffs have voluntarily dismissed with prejudice the remaining claims and waived their right to appeal on all issues.

American is defending an appeal of a lawsuit, filed as a class action but not certified as such, arising from allegedly improper failure to refund certain governmental taxes and fees collected by American upon the sale of nonrefundable tickets when such tickets are not used for travel. In Harrington v. Delta Air Lines, Inc., et al., (filed November 24, 2004 in the United States District Court for the District of Massachusetts), the plaintiffs sought unspecified actual damages (trebled), declaratory judgment, injunctive relief, costs, and attorneys' fees. The suit asserted various causes of action, including breach of contract, conversion, and unjust enrichment against American and numerous other airline defendants. The defendants filed a motion to dismiss which was granted. Plaintiffs have filed a

notice of appeal with the First Circuit Court of Appeals. American is vigorously defending the suit and believes it to be without merit. However, a final adverse court decision requiring American to refund collected taxes and/or fees could have a material adverse impact on the Company. Additionally, the same attorneys representing the Harrington plaintiffs filed a qui tam suit entitled Teitelbaum v. Alaska Airlines, et al. in the United States District Court for the District of Massachusetts. American was notified that it was a defendant in this case in December 2005. This case asserted essentially the same claims as in the Harrington case, and asserted that the United States had been damaged and requested essentially the same relief on behalf of the United States. The Teitelbaum plaintiffs have voluntarily dismissed the case.

On March 11, 2004, a patent infringement lawsuit was filed against AMR, American, AMR Eagle Holding Corporation, and American Eagle 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. On September 7, 2005, the court issued a memorandum opinion that interpreted disputed terms in the patents. The plaintiff dismissed its claims without prejudice to its right to appeal the September 7, 2005 opinion, and the plaintiff is pursuing such an appeal. 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 a material adverse impact on the Company.

On July 12, 2004, a consolidated class action complaint, that was subsequently amended on November 30, 2004, was filed against American 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 (RLA) 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). On March 28, 2006, the district court dismissed all of various state law claims against the Company, all but one of the LMRDA claims against the APFA, and the claimed violations of RICO. This leaves the claimed violations of the RLA and the duty of fair representation against the Company and the APFA (as well as one LMRDA claim and one claim against the APFA of a breach of the union constitution). 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 a material adverse impact on the Company.

On February 14, 2006, the Antitrust Division of the United States Department of Justice (the "DOJ") served the Company with a grand jury subpoena as part of an ongoing investigation into possible criminal violations of the antitrust laws by certain domestic and foreign air cargo carriers. At this time, the Company does not believe it is a target of the DOJ investigation. The New Zealand Commerce Commission notified the Company on February 17, 2006 that it is also investigating whether the Company and certain other cargo carriers entered into agreements relating to fuel surcharges, security surcharges, war risk surcharges, and customs clearance surcharges. On February 22, 2006, the Company received a letter from the Swiss Competition Commission informing the Company that it too is investigating whether the Company and certain other cargo carriers entered into agreements relating to fuel surcharges, security surcharges, war risk surcharges, and customs clearance surcharges. The Company intends to cooperate fully with these investigations. In the event that these investigations uncover violations of the U.S. antitrust laws or the competition laws of some other jurisdiction, such findings and related legal proceedings could have a material adverse impact on the Company.

Approximately 38 purported class action lawsuits (Animal Land, Inc. v. Air Canada et al. filed in the United States District Court for the Eastern District of New York on February 17, 2006; Joan Adams v. British Airways et al. filed in the United States District Court for the Eastern District of New York on February 22, 2006; Rock International Transport v. Air Canada et al. filed in the United States District Court for the Eastern District of New York on February 24, 2006; Helen's Wooden Crafting Co. v. Air Canada et al. filed in the United States District Court for the Eastern District of New York on February 24, 2006; ABM Int'l, Inc. v. Ace Aviation Holdings, Inc. et al. filed in the United States District Court for the Eastern District of New York on February 28, 2006; Blumex USA, Inc. v. Air Canada et al. filed in the United States District Court for the Northern District of Illinois on March 1, 2006; Mamlaka Video v. Air Canada et al. filed in the United States District Court for the Eastern District of New York on March 3, 2006; Spraying Systems Co. v. ACE Aviation Holdings, Inc. et al. filed in the United States District Court for the Eastern District of New York on March 3, 2006; Mitchell Spitz v. Air France-KLM et al. filed in the United States District Court for the Eastern District of New York on March 6, 2006; JCK Industries, Inc. v. British Airways, PLC et al. filed in the United States District Court for the Eastern District of New York on March 6, 2006; Marc Seligman v. Air Canada et al. filed in the United States District Court for the Southern District of Florida on March 6, 2006; CID Marketing and Promotion Inc. v. AMR Corporation et al. filed in the United States District Court for the Eastern District of Pennsylvania on March 7, 2006; Lynn Culver v. Air Canada et al. filed in the United States District Court for the District of Columbia on March 8, 2006; JSL Carpet Corp. v. ACE Aviation Holdings, Inc. et al. filed in the United States District Court for the Eastern District of New York on March 10, 2006; Y. Hata & Co, Ltd. v. Air France-KLM et al. filed in the United States District Court for the Northern District of California on March 13, 2006; FTS International Express v. ACE Aviation Holdings, Inc. et al. filed in the United States District Court for the District of Columbia on March 15, 2006; Thule, Inc. v. Air Canada et al. filed in the United States District Court for the Eastern District of New York on March 28, 2006; Rosetti Handbags and Accessories, Ltd. v. Air France ADS et al. filed in the United States District Court for the Eastern District of New York on March 31, 2006; W.I.T. Entertainment Inc. v. AMR Corporation et al. filed in the United States District Court for the Southern District of Florida on April 3, 2006; Jeff Rapps v. British Airways PLC et al. filed in the United States District Court for the Eastern District of New York on April 7, 2006; Funke Design Build, Inc. v. AMR Corporation et al. filed in the United States District Court for the Northern District of Illinois on April 7, 2006; Sul-American Export Inc. v. Air France ADS

et al. filed in the United States District Court for the Eastern District of New York on April 7, 2006; La Regale Ltd. v. British Airways PLC et al. filed in the United States District Court for the Eastern District of New York on April 12, 2006; J.A. Transport Inc. v. ACE Aviation Holdings, Inc. et al. filed in the United States District Court for the District of Columbia on April 12, 2006; Caribe Air Cargo, Inc. v. ACE Aviation Holdings, Inc. et al. filed in the United States District Court for the District of Columbia on April 13, 2006; Gold Eye Distributors, Inc. v. Air France ADS et al. filed in the United States District Court for the Eastern District of New York on April 14, 2006; Ralph Olarte v. British Airways PLC et al. filed in the United States District Court for the District of Columbia on April 19, 2006; Capogiro LLC v. ACE Aviation Holdings, Inc. et al. filed in the United States District Court for the District of Columbia on April 20, 2006; Ali Fayazi v. British Airways PLC et al. filed in the United States District Court for the Eastern District of New York on April 26, 2006; Janice Perlman v. British Airways PLC et al. filed in the United States District Court for the Eastern District of New York on May 9, 2006; Leslie Young v. British Airways PLC et al. filed in the United States District Court for the Eastern District of New York on May 12, 2006; Craig Antell, M.D. v. British Airways PLC et al. filed in the United States District Court for the Eastern District of New York on May 16, 2006; Eurotrendz v. British Airways PLC et al. filed in the United States District Court for the Eastern District of New York on May 18, 2006; David Asher Rakoff v. British Airways PLC et al. filed in the United States District Court for the Eastern District of New York on May 22, 2006; Kalla Hirschbein v. British Airways PLC et al. filed in the United States District Court for the Eastern District of New York on June 1, 2006; Association des Utilisateurs du Transport de Fret v. ACE Aviation Holdings, Inc. et al. filed in the United States District Court for the District of Columbia on June 6, 2006; and McDuffee New York, Inc. v. ACE Aviation Holdings, Inc. et al. filed in the United States District Court for the Northern District of Illinois on June 27, 2006) have been filed against the Company and certain foreign and domestic air carriers alleging that the defendants violated U.S. antitrust laws by illegally conspiring to set prices and surcharges on cargo shipments. These cases have been consolidated in the United States District Court for the Eastern District of New York, together with approximately 46 other class action lawsuits in which the Company has not been named as a defendant. Plaintiffs are seeking trebled money damages and injunctive relief. American will vigorously defend these lawsuits; however, any adverse judgment could have a material adverse impact on the Company.

On June 20, 2006, DOJ served the Company with a grand jury subpoena as part of an ongoing investigation into possible criminal violations of the antitrust laws by certain domestic and foreign passenger carriers. At this time, the Company does not believe it is a target of the DOJ investigation. The Company intends to cooperate fully with this investigation. In the event that these investigations uncover violations of the U.S. antitrust laws or the competition laws of some other jurisdiction, such findings and related legal proceedings could have a material adverse impact on the Company.

Approximately 17 purported class action lawsuits (Saldana v. American Airlines, Inc. et al. filed in the United States District Court for the Southern District of New York on June 23, 2006; McGovern v. AMR Corporation, et al. filed in the United States District Court for the Northern District of Illinois on June 23, 2006; Baharani v. British Airways PLC et al. filed in the United States District Court for the Southern District of Florida on June 23, 2006; Boccara v. British Airways PLC et al. filed in the United States District Court for the Northern District of Florida on June 23, 2006; Chin v. AMR Corporation et al. filed in the United States District Court for the Northern District of Illinois on June 26, 2006; McDuffee New York, Inc. v. ACE Aviation Holdings, Inc. et al. filed in the United States District Court for the Northern District of Illinois on June 27, 2006; McGrath v. AMR Corporation et al. filed in the United States District Court for the Northern District of Illinois on June 27, 2006; Fadden v. AMR

Corporation et al. filed in the United States District Court for the Northern District of Illinois on June 28, 2006; Szelegski v. AMR Corporation et al. filed in the United States District Court for the Northern District of Illinois on June 28, 2006; Golin v. AMR Corporation et al. filed in the United States District Court for the Northern District of California on June 29, 2006; Mazzocco v. AMR Corporation et al. filed in the United States District Court for the Eastern District of New York on June 29, 2006; McIntyre Group, Ltd. v. AMR Corporation et al. filed in the United States District Court for the Northern District of California on June 29, 2006; Miller v. British Airways PLC et al. filed in the United States District Court for the Eastern District of Pennsylvania on June 29, 2006; Nelson v. AMR Corporation filed in the United States District Court for the Eastern District of New York on June 29, 2006; Weiss v. British Airways PLC et al. filed in the United States District Court for the Eastern District of Pennsylvania on June 30, 2006; Marco v. American Airlines, Inc. et al. filed in the United States District Court for the Central District of California on June 30, 2006; and Finegan v. British Airways PLC et al., filed in the United States District Court for the Eastern District of New York on July 6, 2006) have been filed against the Company and certain foreign and domestic air carriers alleging that the defendants violated U.S. antitrust laws by illegally conspiring to set prices and surcharges for passenger transportation. These cases are expected to be consolidated in an as yet undetermined court together with approximately 32 other class action lawsuits in which the Company has not been named as a defendant. Plaintiffs are seeking trebled money damages and injunctive relief. American will vigorously defend these lawsuits; however, any adverse judgment could have a material adverse impact on the Company.

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

The owners of 176,250,340 shares of common stock, or 93.80 percent of shares outstanding, were represented at the annual meeting of stockholders on May 17, 2006 at the American Airlines Training & Conference Center, Flagship Auditorium, 4501 Highway 360 South, Fort Worth, Texas.

Stockholders elected the Company's 13 nominees to the 13 director positions by the vote shown below:

Nominees	Votes For	Votes Withheld
Gerard J. Arpey	172,075,027	4,175,313
John W. Bachmann	173,148,747	3,101,593
David L. Boren	172,327,586	3,922,754
Edward A. Brennan	172,033,434	4,216,906
Armando M. Codina	171,932,068	4,318,272
Earl G. Graves	170,325,485	5,924,855
Ann M. Korologos	171,214,205	5,036,135
Michael A. Miles	172,516,166	3,734,174
Philip J. Purcell	169,444,393	6,805,947
Ray M. Robinson	172,223,813	4,026,527
Judith Rodin, Ph.D.	173,088,797	3,161,548
Matthew K. Rose	173,199,029	3,051,311
Roger T. Staubach	173,141,595	3,108,745

Stockholders ratified the Audit Committee's decision to retain Ernst & Young LLP as independent auditors for the Company for the 2006 fiscal year. The vote was 174,695,255 in favor, 1,161,060 against, and 394,023 abstaining.

Stockholders rejected a proposal to limit the terms of future outside directors. The proposal was submitted by Evelyn Y. Davis. The vote was 2,831,832 in favor, 130,969,777 against, 7,935,945 abstaining and 45,349,156 not voting.

Stockholders rejected a proposal to amend the required number of votes for election of outside directors. The proposal was submitted by John Chevedden. The vote was 43,160,457 in favor, 98,018,120 against, 558,971 abstaining and 45,349,154 not voting.

Stockholders rejected a proposal to separate the roles of Chief Executive Officer and Chairman of the Board of Directors. The proposal was submitted by John Chevedden, acting as proxy for William Steiner. The vote was 40,384,318 in favor, 93,410,152 against, 7,943,079 abstaining and 45,349,153 not voting.

Stockholders rejected a proposal to allow cumulative voting in election of outside directors. The proposal was submitted by John Chevedden, acting as proxy for Patricia Haddon. The vote was 41,858,110 in favor, 85,625,733 against, 18,717,114 abstaining and 45,349,153 not voting.

Item 5. Other Information

As discussed in the Company's Proxy Statement, the Compensation Committee of the Company's Board of Directors conducts annually a comprehensive review of compensation for the executive officers of the Company and American with independent compensation consultants engaged by the Committee. At the July 2006 meetings of the Compensation Committee and the Board, the following compensation initiatives were approved (effective July 24, 2006):

- Grants of stock-settled stock appreciation rights pursuant to the form of Stock Appreciation Right Agreement ("SAR Agreement"), attached as Exhibit 10.1 to this Form 10-Q, and the corresponding Amendment to the AMR Corporation 1998 Long Term Incentive Plan, as Amended, dated as of July 19, 2006, attached as Exhibit 10.2 to this Form 10-Q. An attachment to the form SAR Agreement notes the stock-settled stock appreciation right grants to the executive officers, effective July 24, 2006.
- Grants of deferred shares pursuant to the form of Deferred Share Award Agreement for 2006 ("Deferred Share Agreement"). The form of the Deferred Share Agreement is attached as Exhibit 10.3 to this Form 10-Q, and an attachment to the form Deferred Share Agreement notes the deferred share grants to the executive officers, effective July 24, 2006.
- Grants of performance shares pursuant to the form of Performance Share Agreement ("Performance Share Agreement") under the 2006 - 2008 Performance Share Plan for Officers and Key Employees. The form of the Performance Share Agreement is attached as Exhibit 10.4 to this Form 10-Q, and an attachment to the form Performance Share Agreement notes the performance share grants to the executive officers, effective July 24, 2006.

For Gerard J. Arpey, the Committee determined that an increase of Mr. Arpey's compensation was necessary based on several considerations, including:

- According to the data and recommendations of the Committee's independent compensation consultants, the adjustments were required to begin to bring Mr. Arpey's compensation more in-line with median CEO compensation at comparably-sized companies and other airlines.
- The need to retain Mr. Arpey over the long-term.
- Mr. Arpey declined base salary increases upon his promotion to CEO in 2003, and in each of 2004 and 2005 (other than the 1.5% pay increase offered to all management employees).
- Internal equity related to the market-rate salary of the Company's new Chief Financial Officer.

At the July 2006 meetings of the Committee and the Board, the following compensation initiatives were therefore approved for Mr. Arpey:

- Base salary increase to \$650,000.
- Long-term incentive grants (effective July 24, 2006), comprised of:

- 77,500 stock-settled Stock Appreciation Rights
- 22,000 Deferred Shares
- 100,000 Performance Shares
- 58,000 career performance shares (pursuant to the terms of the Career Performance Shares, Deferred Stock Award Agreement between the Company and Mr. Arpey, dated as of July 25, 2005. The form of this agreement is attached as Exhibit 10.6 to the Company's report on Form 10-Q for the quarterly period ended June 30, 2005.)

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Item 6. Exhibits

The following exhibits are included herein:

- 10.1 Form of Stock Appreciation Right Agreement under the 1998 Long Term Incentive Plan, as Amended (with awards to executive officers noted)
- 10.2 Amendment to the 1998 Long Term Incentive Plan, as Amended, dated as of July 19, 2006
- 10.3 Form of 2006 Deferred Share Award Agreement (with awards to executive officers noted)
- 10.4 Form of Performance Share Agreement under the 2006 - 2008 Performance Share Plan for Officers and Key Employees (with awards to executive officers noted)
- 12 Computation of ratio of earnings to fixed charges for the three and six months ended June 30, 2006 and 2005.
- 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).

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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: July 25, 2006 BY: /s/ Thomas W. Horton
Thomas W. Horton
Executive Vice President and Chief
Financial Officer
(Principal Financial and Accounting Officer)

STOCK APPRECIATION RIGHT AGREEMENT UNDER THE
AMR CORPORATION 1998 LONG TERM INCENTIVE PLAN, AS AMENDED

STOCK APPRECIATION RIGHT AGREEMENT (this "Agreement") granted effective as of July 24, 2006, by AMR Corporation, a Delaware corporation (the "Corporation"), to _____, employee number 000000, an employee of the Corporation or one of its Subsidiaries or Affiliates (the "Grantee").

W I T N E S S E T H:

WHEREAS, the stockholders of the Corporation approved the AMR Corporation 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 stock appreciation rights in respect of shares of the Corporation's Common Stock (as later defined) to those individuals selected by the Compensation Committee or, in lieu thereof, the Board of Directors of the Corporation (the "Board"); and

WHEREAS, the Board has determined that the Grantee is eligible under the 1998 Plan and that it is to the advantage and interest of the Corporation to grant the stock appreciation right provided for herein to the Grantee as an incentive for Grantee to remain in the employ of the Corporation or one of its Subsidiaries or Affiliates, and to provide Grantee an incentive to increase the value of the Corporation's Common Stock, \$1 par value (the "Common Stock").

NOW, THEREFORE:

1. Stock Appreciation Right Grant. The Corporation hereby grants to the Grantee effective the date of this Agreement a stock appreciation right, subject to the terms and conditions hereinafter set forth, in respect of an aggregate of xx,000 shares of Common Stock. The base price ("Base Price") of each such stock appreciation right is \$23.21 per share (which is the Fair Market Value of the Common Stock on the date hereof). The stock appreciation right granted hereby is 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	Aggregate Number of Shares
First Anniversary of Grant Date	20% of total award
Second Anniversary of Grant Date	40% of total award
Third Anniversary of Grant Date	60% of total award
Fourth Anniversary of Grant Date	80% of total award
Fifth Anniversary of Grant Date	100% of total award

provided, that in no event shall this stock appreciation right be exercisable in whole or in part ten years from the date hereof. The right to exercise this stock appreciation right 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 Grantee's rights hereunder.

2. Restriction on Exercise. Notwithstanding any other provision hereof, this stock appreciation right 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. Exercise. This stock appreciation right may be exercised with respect to all or any part of the shares of Common Stock then subject to such exercise in accordance with Section 1 pursuant to whatever procedures may be adopted from time to time by the Corporation. Upon the exercise of this stock appreciation right, in whole or in part, the Grantee shall be entitled to receive from the Corporation a number of shares of Stock equal in value to the excess of the Fair Market Value (on the date of exercise) of one share of Stock over the Base Price, multiplied by the number of shares in respect of which the stock appreciation right is being exercised. The number of shares to be issued shall be calculated on the basis of the Fair Market Value of the shares on the date of exercise, with any fractional share being payable in cash based on the Fair Market Value on the date of exercise. Notwithstanding the foregoing, the Committee may elect, at any time and from time to time, in lieu of issuing all or any portion of the shares of Stock otherwise issuable upon any exercise of any portion of this stock appreciation right, to pay the Grantee an amount in cash or other marketable property of a value equivalent to the aggregate Fair Market Value on the date of exercise of the number of shares of Stock that the Committee is electing to settle in cash or other marketable property.

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

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

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

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

stock appreciation right will be accelerated and the stock appreciation right will remain exercisable until its expiration;

(d) If the Grantee's employment by the Corporation (or any Subsidiary or Affiliate) is involuntarily terminated by the Corporation or a Subsidiary or Affiliate (as the case may be) without Cause, the stock appreciation right 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 stock appreciation right, whichever period is shorter; and

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

5. Adjustments in Common Stock. In the event of a 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 base price per share applicable in respect to the stock appreciation rights subject to this Agreement.

6. Non-Transferability of Stock Appreciation Right. Unless the Board shall permit (on such terms and conditions as it shall establish), a stock appreciation right may not be transferred except by will or the laws of descent and distribution to the extent provided herein. During the lifetime of the Grantee this stock appreciation right may be exercised only by him or her (unless otherwise determined by the Board).

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7. Miscellaneous.

(a) This stock appreciation right (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 without the written consent of both the Corporation and the Grantee. Notwithstanding the foregoing, this Agreement may be amended from time to time without the written consent of the Grantee pursuant to Section 10 below and as permitted by the 1998 Plan (or its successor). No contract or right of employment shall be implied by this stock appreciation right.

(b) If this stock appreciation right is assumed or a new stock appreciation right is substituted therefor in any corporate reorganization (including, but not limited to, any transaction of the type referred to in Section 424(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 stock appreciation right to be employment by the Corporation.

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

validity.

(d) In consideration of the Grantee's privilege to participate in the 1998 Plan, the Grantee agrees (i) not to disclose any trade secrets of, or other confidential/restricted information of, American Airlines, Inc. ("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 then current employees of American or any other subsidiaries of the Corporation to join the Grantee 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 stock appreciation right 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 Grantee to furnish to the Corporation, prior to the issuance of any shares of Stock in connection with the exercise of this stock appreciation right, an agreement, in such form as the Board may from time to time deem appropriate, in which the Grantee 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.

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9. Stock Appreciation Right Subject to 1998 Plan. This stock appreciation right shall be subject to all the terms and provisions of the 1998 Plan and the Grantee 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.

10. American Jobs Creation Act. In addition to amendments permitted by Section 7(a) above, amendments to this Agreement may be made by the Corporation, without the Grantee's consent, in order to ensure compliance with the American Jobs Creation Act of 2004. And, further, amendments may be made to the 1998 Plan to ensure such compliance, which amendments may impact this Agreement.

IN WITNESS WHEREOF, the Corporation has executed this stock appreciation right as of the day and year first above written.

AMR Corporation

Grantee

Kenneth W. Wimberly
Corporate Secretary

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Grant of Stock Appreciation Rights
July 24, 2006

Officer Name	# of Stock Appreciation Rights
G. J. Arpey	77,500
D.P. Garton	38,500
T.W. Horton	38,500
G.F. Kennedy	21,800
R.W. Reding	21,800

AMENDMENT TO THE
AMR CORPORATION 1998 LONG TERM INCENTIVE PLAN, AS AMENDED

WHEREAS, AMR Corporation (the "Corporation") adopted the AMR Corporation 1998 Long Term Incentive Plan, as Amended (the "LTIP") to foster and promote the long-term financial success of the Company;

WHEREAS, when the LTIP was initially adopted, the grant of stock appreciation rights would have resulted in adverse financial accounting charges for the Corporation as compared to the grant of stock options;

WHEREAS, such stock appreciation rights had historically been used primarily in connection with stock options grants to executive officers subject to the reporting requirements under Section 16(a) of the Securities Exchange Act of 1934, as amended (the "1934 Act"), who prior to amendments to the rules under such Section 16 of the 1934 Act adopted in the 1990s, were generally required to hold the stock received upon the exercise of an option for a period of at least six months to avoid being subject to the disgorgement requirements under the short-swing profit provisions of such Section 16;

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WHEREAS, for the above reasons, the LTIP currently permits the grant of stock appreciation rights in tandem with a grant of stock options, such that an employee may be granted a stock appreciation right to the extent that the employee has also been granted a corresponding stock option;

WHEREAS, due to changes in the financial accounting rules that took effect as of January 1, 2006, there is no longer any difference between the accounting treatment of a stock option and a stock appreciation right settled in shares of stock;

WHEREAS, because the use of stock settled stock appreciation rights would convey a substantially comparable incentive for the recipient of a stock option award, the Corporation believes that affording the Compensation Committee of the Board of Directors the right to award stock appreciation rights independently of any stock option would be in the best interests of the Corporation, its shareholders and its employees; and

WHEREAS, the Company has reserved the right to amend the LTIP under Section 13 thereof.

NOW, THEREFORE, the Plan is hereby amended in the manner set forth below:

1. Section 1(v) of the LTIP is amended to delete the definition of Stock Appreciation Right, and to insert in lieu thereof a new definition of such term, to read as follows:

"Stock Appreciation Right" means the right pursuant to an award granted under Section 6 below which entitles the grantee to receive, upon the exercise thereof in whole or in part, an amount in shares of Stock equal in value to the excess of the Fair Market Value (on the date of exercise) of one share of Stock over the base price per share specified with respect to the Stock Appreciation Right, multiplied by the number of shares in respect of which the Stock Appreciation Right shall have been exercised. The number of shares to be issued shall be calculated on the basis of the Fair Market Value of the shares on the date of exercise, with any fractional share being payable in cash based on the Fair Market Value on the date of exercise. Notwithstanding the foregoing, the Committee may elect, at any time and from time to time, in lieu of issuing all or any portion of the shares of Stock otherwise issuable upon any exercise of any such Stock Appreciation Right, to pay the grantee an amount in cash or other marketable property of a value equivalent to the aggregate Fair Market Value on the date of exercise of the number of shares of Stock that the Committee is electing to settle in cash or other marketable property.

2. Section 6 of the LTIP is amended to delete such section in its entirety, and to insert in lieu thereof a new Section 6, to read as follows:

Section 6. Stock Appreciation Rights.

(a) Stock Appreciation Rights may be granted alone, in addition to, or in tandem with, other awards granted under the Plan. Any Stock Appreciation Right granted under the Plan shall be in such form as the Committee may from time to time approve. Stock Appreciation Rights may be granted in conjunction with all or part of any Stock Option granted under the Plan. In the case of a Non-Qualified Stock Option, such rights may be granted either at or after the time of the grant of such Stock Option. In the case of an Incentive Stock Option, such rights may be granted only at the time of grant of such Stock Option.

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A Stock Appreciation Right or applicable portion thereof granted with respect to a given Stock Option shall terminate and no longer be exercisable upon the termination or exercise of the related Stock Option, subject to such provisions as the Committee may specify at grant where a Stock Appreciation Right is granted with respect to less than the full number of shares covered by a related Stock Option.

A Stock Appreciation Right may be exercised by a grantee, subject to Section 6(b), in accordance with the procedures established by the Committee from time to time for such purposes. Upon such exercise, the grantee shall be entitled to receive an amount determined in the manner prescribed in Section 6(b). Stock Options relating to exercised Stock Appreciation Rights, and Stock Appreciation Rights related to any exercised Stock Option, shall no longer be exercisable to the extent that the related Stock Appreciation Rights or Stock Option, as the case may be, have been exercised.

(b) Terms and Conditions. Stock Appreciation Rights shall be subject to such terms and conditions, not inconsistent with the provisions of the Plan, as shall be determined from time to time by the Committee,

including the following:

(i) Stock Appreciation Rights shall be exercisable at such time and subject to such conditions as the Committee shall specify, except that any Stock Appreciation Right granted in tandem with a Stock Option (or portion thereof) shall be exercisable only at such time or times and to the extent that the Stock Options to which they relate shall be exercisable in accordance with the provisions of Section 5 and this Section 6 of the Plan.

(ii) Upon the exercise of a Stock Appreciation Right, a grantee shall be entitled to receive an amount in shares of Stock (or, solely to the extent determined by the Committee, cash) equal in value to the excess of the Fair Market Value (on the date of exercise) of one share of Stock over the base price per share specified with respect to the Stock Appreciation Right, multiplied by the number of shares in respect of which the Stock Appreciation Right shall have been exercised. When payment is to be made in shares, the number of shares to be paid shall be calculated on the basis of the Fair Market Value of the shares on the date of exercise, with any fractional share being payable in cash based on the Fair Market Value on the date of exercise. Notwithstanding anything in this Section 6(b)(ii) to the contrary, the base price in respect of any Stock Appreciation Right shall not be less than the Fair Market Value of the Stock on the date the Stock Appreciation Right is granted, or in the case of a Stock Appreciation Right granted in tandem with a Stock Option, the Fair Market Value on the date the related Stock Option was granted.

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(iii) Stock Appreciation Rights shall be transferable only to the extent that Stock Options may be transferable under Section 5(e) of the Plan.

(iv) Upon the exercise of a Stock Appreciation Right, regardless of whether granted on a stand-alone basis or in tandem with any Stock Option, only the number of shares of Stock actually issued in connection with the exercise of such Stock Appreciation Right (and not the corresponding number of shares of Stock related to the Stock Appreciation Right (or portion thereof) being exercised) shall be treated as issued under the Plan and, for the purpose of the limitation set forth in Section 3 of the Plan on the number of shares of Stock issuable under the Plan, the remaining number of shares of Stock related to such exercised Stock Appreciation Right (or portion thereof), including the corresponding number of shares related to any tandem Stock Option cancelled upon such exercise, shall again be available for issuance under the Plan.

3. The amendment made hereby shall be effective as of July 19, 2006. Except as otherwise modified herein, the provisions of the LTIP shall continue in full force and effect, without amendment.

DEFERRED SHARE AWARD AGREEMENT

This Deferred Share Award Agreement (this "Agreement") is effective as of July 24, 2006, and is by and between AMR Corporation, a Delaware corporation (the "Corporation") and an officer or a key employee of one of the Corporation's Subsidiaries (the "Employee") as identified in the notification sent to the Employee described below (the "Notification").

WHEREAS, pursuant to the AMR Corporation 1998 Long Term Incentive Plan, as amended (the "LTIP"), the Compensation Committee of the Board of Directors (the "Committee") has determined that the Employee is an officer or key employee and has further determined to make an award of Deferred Shares from and pursuant to the LTIP to the Employee as an inducement for the Employee to remain with one of the Corporation's Subsidiaries and to motivate the Employee during such employment.

NOW, THEREFORE, the Corporation and the Employee hereby agree as follows:

1. Grant of Award.

The Employee is hereby granted effective as of July 24, 2006 (the "Grant Date") a deferred share award (the "Award"), subject to the terms and conditions of this Agreement, with respect to the number of shares of Common Stock set forth in the Notification (the "Shares"). Subject to the terms and conditions of this Agreement, the Shares covered by the Award will vest, if at all, in accordance with Section 2 hereof, on July 24, 2009 (such date hereby established as the "Vesting Date" of the Award).

2. Distribution of Award.

Distribution with respect to the Award, on the Vesting Date, will occur, if at all, in accordance with the following terms and conditions:

(a) If the Employee is on the payroll of a Subsidiary that is wholly owned by the Corporation as of the Vesting Date, the Shares will be distributed to the Employee on July 24, 2009.

(b) In the event the Employee's employment with a Subsidiary of the Corporation is terminated prior to the Vesting Date due to the Employee's death, Disability (as defined in section 409A(a)(2)(C) of the Internal Revenue Code of 1986, as amended, (the "Code")), Retirement or termination not for Cause (each an "Early Termination"), the Shares covered by the Award will vest on a pro-rata basis and will be paid to the Employee (or, in the event of the Employee's death, the Employee's designated beneficiary for the purposes of the Award, or in the absence of an effective beneficiary designation, the Employee's estate). The pro-

rata basis will be a percentage where the denominator is 36 and the numerator is the number of months from the Grant Date through the month of Early Termination, inclusive. The pro-rata Award will be paid (subject to Section 2(e) hereof) to the Employee (or, in the event of the Employee's death, the Employee's designated beneficiary for the purposes of the Award, or in the absence of an effective beneficiary designation, the Employee's estate) within 60 days after the Employee's death, Disability, Retirement or termination not

for Cause.

(c) In the event of a Change in Control of the Corporation (as defined in Section 5 hereof) after the Vesting Date but prior to the distribution of the Award, the Award will be distributed in accordance with the terms of the LTIP.

(d) Notwithstanding the terms of Section 2(a), (b) and (c), the Award will be forfeited in its entirety if prior to the Vesting Date:

- (i) The Employee's employment with the Corporation (or a Subsidiary or Affiliate thereof) is terminated for Cause, or if the Employee terminates his/her employment with a Subsidiary of the Corporation;
- (ii) The Employee becomes an employee of a Subsidiary that is not wholly owned by the Corporation; or
- (iii) The Employee takes a leave of absence without reinstatement rights, unless otherwise agreed in writing between the Corporation and the Employee.

(e) Notwithstanding the provisions of Section 2(b) hereof, if the Employee is a person subject to section 409A(a)(2)(B)(i) of the Code, any payment on account of Retirement or termination not for Cause of the Employee shall be delayed until the sixth month anniversary of the date of separation from employment due to Retirement or termination not for Cause.

3. Transfer Restrictions.

Unless otherwise permitted by the Corporation, the Award is non-transferable other than by will or by the laws of descent and distribution, and may not be assigned, pledged or hypothecated and will not be subject to execution, attachment or similar process. Upon any attempt by the Employee (or the Employee's successor in interest after the Employee's death) to effect any such disposition, or upon the levy of any such process, the Award may immediately become null and void, at the discretion of the Corporation.

4. [Intentionally omitted]

5. Miscellaneous.

This Agreement (a) will be binding upon and inure to the benefit of any successor of the Corporation, (b) will be governed by the laws of the State of Texas and any applicable laws of the United States, and (c) may not be amended without the written consent of both the Corporation and the Employee. Notwithstanding the foregoing, this Agreement may be amended from time to time without the written consent of the Grantee pursuant to Section 7 below and as permitted by the LTIP (or its successor). No contract or right of employment will be implied by this Agreement.

In consideration of the Employee's privilege to participate in the Plan, the Employee agrees (i) not to disclose any trade secrets of, or other confidential/restricted information of, American Airlines, Inc. ("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 then current employees of American or any other Subsidiaries of the Corporation to join the Employee at his or her place of employment after his or her employment with American or its Affiliates is terminated. The failure by the Employee to abide by the foregoing obligations shall result in the Award being immediately forfeited in its entirety.

For purposes of Section 2(c) hereof, the term "Change in Control" will mean a "change in ownership" or "change in effective control", or "change in ownership of the assets" of the Corporation, as determined pursuant to Internal Revenue Service Notice 2005-1 (or successor guidance thereto under section 409A of the Code).

The Employee will not have the right to defer distribution of the Award. Except as provided in this Agreement, the Committee and the Corporation will not accelerate distribution of the Award.

Notwithstanding anything in this Agreement to the contrary, the Committee may elect, at any time and from time to time, in lieu of issuing all or any portion of the Shares, to make substitutions for such Shares, all to the effect that the employee will receive cash or other marketable property of a value equivalent to what the Employee would have received in a stock distribution.

Capitalized terms not otherwise defined herein shall have the meanings set forth for such terms in the LTIP.

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6. Adjustments in Awards.

In the event of a Stock dividend, Stock split, merger, consolidation, re-organization, re-capitalization or other change in the corporate structure of the Corporation, appropriate adjustments may be made by the Board of Directors in the number of Shares awarded.

7. American Jobs Creation Act.

In addition to amendments permitted by Section 5 above, amendments to this Agreement may be made by the Corporation, without the Employee's consent, in order to ensure compliance with the American Jobs Creation Act of 2004.

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

Employee

AMR CORPORATION

Kenneth W. Wimberly
Corporate Secretary

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Grant of Deferred Shares
July 24, 2006

Officer Name	# Deferred Shares Granted
G. J. Arpey	22,000
D.P. Garton	11,950
T.W. Horton	8,400
G.F. Kennedy	4,700
R.W. Reding	4,700

2006 - 2008 PERFORMANCE SHARE AGREEMENT

This 2006 - 2008 Performance Share Agreement ("Agreement") effective as of July 24, 2006, by and between AMR Corporation, a Delaware corporation (the "Corporation"), and an officer or key employee of one of the Corporation's Subsidiaries (the "Employee" or the "Recipient") as identified in the notification sent to the Employee described below (the "Notification").

WHEREAS, pursuant to the 2006 - 2008 Performance Share Plan for Officers and Key Employees, as adopted by the Board of Directors of the Corporation (the "Board"), the Compensation Committee of the Board (the "Committee") has determined to make an award (the "Award", as set forth in the Notification) to the Employee (subject to the terms of the Plan and this Agreement), as an inducement for the Employee to remain an employee of one of the Corporation's Subsidiaries during the time frame of 2006 - 2008 and to retain and motivate such Employee during his/her employment.

This Agreement sets forth the terms and conditions attendant to the Award under the Plan.

1. Grant of Award. Subject to the terms and conditions of this Agreement, the Recipient is hereby granted an Award as of July 24, 2006 (the "Grant Date"). The Award shall vest, if at all, in accordance with Section 2 of this Agreement. On the date the Award vests (if at all), Recipient will receive a combination of cash and the Corporation's Common Stock. The Committee will determine the amount of the Award to be paid in cash (the "Cash Award") and the amount of the Award to be settled in shares of the Corporation's Common Stock (the "Stock Distribution"). The Cash Award will be paid on April 30, 2009 (such Cash Award will be made pursuant to the Annual Incentive Plan). The Stock Distribution will occur on April 16, 2009 (such Stock Distribution will be made from and pursuant to the AMR Corporation 1998 Long Term Incentive Plan, as amended (the "LTIP")). The sum of the Cash Award and the Stock Distribution will equal the product of (a) the Fair Market Value of the Common Stock on April 15, 2009, and (b) the number of shares of Common Stock comprising the Award.

2. Vesting.

(a) The Award will vest, if at all, in accordance with Schedule A, attached hereto and made a part of this Agreement.

(b) In the event Recipient's employment with one of the Corporation's Subsidiaries is terminated prior to the end of the three year measurement period set forth in Schedule A (the "Measurement Period") due to the Recipient's death, Disability (as defined in section 409A(a)(2)(C) of the Internal Revenue Code of 1986, as amended, (the "Code")), Retirement (subject to the second paragraph of Section 4) or termination not for Cause (each an "Early Termination") the Award will vest, if at all, on a pro-rata basis and will be paid to the Employee (or, in the event of the Employee's death, the Employee's designated beneficiary for purposes of the Award, or in the absence of an effective

beneficiary designation, the Employee's estate). The pro-rata basis will be a percentage where the denominator is 36 and the numerator is the number of months from January 1, 2006 through the month of Early Termination, inclusive. This pro-rata basis will be paid to the Recipient at the same time as Cash Awards and Stock Distributions are made to then current employees who have Awards under the Plan, subject to Section 2(f) of this Agreement.

(c) In the event Recipient's employment with one of the

Corporation's Subsidiaries is terminated for Cause, or if the Recipient terminates his/her employment with such Subsidiary, each occurring prior to April 15, 2009, the Award shall be forfeited in its entirety.

(d) If prior to April 15, 2009, the Recipient becomes an employee of a Subsidiary that is not wholly owned, directly or indirectly, by the Corporation, or if the Recipient begins a leave of absence without reinstatement rights, then in each case the Award shall be forfeited in its entirety.

(e) In the event of a Change in Control of the Corporation prior to the distribution of the Award, the Award will be paid within 60 days of the date of the Change in Control. In such event, the vesting date will be the date of the Change in Control. The term "Change in Control" is defined for purposes of this Agreement in Section 7.

(f) Notwithstanding the provisions of Section 2(b), if the Employee is a person subject to section 409A(a)(2)(B)(i) of the Code, any payment on account of Retirement or termination not for Cause of the Employee shall be delayed until the sixth month anniversary of the date of separation from employment due to Retirement or termination not for Cause.

3. Transfer Restrictions. This Award is non-transferable otherwise than by will or by the laws of descent and distribution, and may not otherwise be assigned, pledged or hypothecated and shall not be subject to execution, attachment or similar process. Upon any attempt by the Recipient (or the Recipient's successor in interest after the Recipient's death) to effect any such disposition, or upon the levy of any such process, the Award may immediately become null and void, at the discretion of the Committee.

4. Miscellaneous. This Agreement (a) shall be binding upon and inure to the benefit of any successor of the Corporation, (b) shall be governed by the laws of the State of Texas and any applicable laws of the United States, and (c) may not be amended without the written consent of both the Corporation and the Recipient. Notwithstanding the foregoing, this Agreement may be amended from time to time without the written consent of the Grantee pursuant to Section 8 below and pursuant to the Plan. No contract or right of employment shall be implied by this Agreement.

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

In consideration of the Employee's privilege to participate in the Plan, the Employee agrees (i) not to disclose any trade secrets of, or other confidential/restricted information of, American Airlines, Inc. ("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 then current employees of American or any other Subsidiaries of the Corporation to join the Employee at his or her new place of employment after his or her employment with American or its Affiliates is terminated. The failure by the Employee to abide by the foregoing obligations shall result in the Award being forfeited in its entirety.

The Employee shall not have the right to defer any of the Cash Payment or the Stock Distribution. Except as provided in this Agreement, the Committee and Corporation shall not accelerate

the Cash Payment or the Stock Distribution.

Any Cash Award will be net of applicable withholding and social security taxes. The Employee will pay to the Corporation timely any and all such taxes on account of the Stock Distribution. The failure by the Employee to pay timely such taxes will result in a withholding from any and all payments from the Corporation or any Subsidiary to the Employee in order to satisfy such taxes.

Notwithstanding anything in this Agreement to the contrary, the Committee may elect, at any time and from time to time, in lieu of issuing all or any portion of the stock comprising the Stock Distribution, to make substitutions for such stock, all to the effect that the employee will receive cash or other marketable property of a value equivalent to what the Employee would have received in a stock distribution.

5. [Intentionally Omitted]

6. Adjustments in Awards. In the event of a Stock dividend, Stock split, merger, consolidation, re-organization, re-capitalization or other change in the corporate structure of the Corporation, appropriate adjustments may be made by the Board of Directors to the Award.

7. Incorporation of LTIP Provisions. Capitalized terms not otherwise defined herein (inclusive of Schedule A) shall have the meanings set forth for such terms in the LTIP. For purposes of Section 2(e), the term "Change in Control" will mean a "change in ownership" or "change in effective control" or "change in ownership of the assets" of the Corporation, as determined pursuant to Internal Revenue Service Notice 2005-1 (or successor guidance thereto under section 409A of the Code).

8. American Jobs Creation Act. In addition to amendments permitted by Section 4 above, amendments to this Agreement may be made by the Corporation, without the Employee's consent, in order to ensure compliance with the American Jobs Creation Act of 2004.

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IN WITNESS HEREOF, the Recipient and the Corporation have executed this Performance Share Agreement as of the day, month and year set forth above.

RECIPIENT

AMR CORPORATION

Kenneth W. Wimberly
Corporate Secretary

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Schedule A

2006 - 2008 PERFORMANCE SHARE PLAN FOR OFFICERS AND KEY EMPLOYEES

Purpose

The purpose of the 2006 - 2008 AMR Corporation Performance Share Plan ("Plan") for Officers and Key Employees is to provide greater incentive to officers and key employees of the subsidiaries and affiliates of AMR Corporation ("AMR" or "the Corporation") to achieve the highest level of individual performance and to meet or exceed specified goals which will contribute to the success of the

Corporation.

Definitions

For purposes of the Plan, the following definitions will control:

"Affiliate" is defined as a subsidiary of AMR or any entity that is designated by the Committee as a participating employer under the Plan, provided that AMR directly or indirectly owns at least 20% of the combined voting power of all classes of stock of such entity.

"Committee" is defined as the Compensation Committee, or its successor, of the AMR Board of Directors.

"Comparator Group" is defined as the following seven U.S. based carriers including, AirTran Airways, Alaska Airlines, AMR Corporation, Continental Airlines, Inc., JetBlue Airways, Southwest Airlines Co. and US Airways, Inc.

"Corporate Objectives" is defined as being the objectives established by the Committee at the beginning of each fiscal year during the Measurement Period.

"Measurement Period" is defined as the three year period beginning January 1, 2006 and ending December 31, 2008.

"Total Shareholder Return (TSR)" is defined as the rate of return reflecting stock price appreciation plus reinvestment of dividends over the Measurement Period. The average Daily Closing Stock Price (adjusted for splits and dividends) for the three months prior to the beginning and ending points of the Measurement Period will be used to smooth out market fluctuations.

"Daily Closing Stock Price" is defined as the stock price at the close of trading (4:00 PM EST) of the National Exchange on which the stock is traded.

"National Exchange" is defined as either the New York Stock Exchange (NYSE), the National Association of Stock Dealers and Quotes (NASDAQ), or the American Stock Exchange (AMEX).

Accumulation of Shares

Any distribution under the Plan with respect to the shares will be determined by (i) the Corporation's TSR rank within the Comparator Group and/or (ii) the Corporation's attainment of the Corporate Objectives during each year of the Measurement Period and (iii) the terms and conditions of the award agreement between the Corporation and the employee. The distribution percentage of shares pursuant to the TSR metric and based on rank, is specified below:

Granted Shares - Percent of Target Based on Rank

Rank	7	6	5	4	3	2	1
Payout%	0%	25%	50%	75%	100%	135%	175%

In the event that a carrier (or carriers) in the Comparator Group ceases to trade on a National Exchange at any point in the Measurement Period, the following distribution percentage of target shares, based on rank and the number of remaining comparators, will be used accordingly.

6 Comparators

Granted Shares - Percent of Target Based on Rank

Rank	6	5	4	3	2	1
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Payout %	0%	50%	75%	100%	135%	175%
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5 Comparators

Granted Shares - Percent of Target Based on Rank

Rank	5	4	3	2	1
Payout %	50%	75%	100%	135%	175%

6

4 Comparators

Granted Shares - Percent of Target Based on Rank

Rank	4	3	2	1
Payout %	75%	100%	135%	175%

3 Comparators

Granted Shares - Percent of Target Based on Rank

Rank	3	2	1
Payout %	50%	135%	175%

At the end of each fiscal year during the Measurement Period, the Committee will determine whether the Corporate Objectives have been achieved. At the end of the Measurement Period the Committee will determine the distribution of shares based upon the TSR metric and, with respect to senior officer awards, the Corporate Objectives. The number of shares that may vest will range from 0% to 175% of the target award.

Administration

The Committee shall have authority to administer and interpret the Plan, establish administrative rules, approve eligible participants, and take any other action necessary for the proper and efficient operation of the Plan. The TSR metric will be determined based on an audit of AMR's TSR rank by the General Auditor of American Airlines, Inc. A summary of awards under the Plan shall be provided to the Board of Directors at the first regular meeting following determination of the awards. The awards will be distributed on April 16, 2008, or such date the award is approved for distribution by the Committee.

The distribution of any shares under this Plan is subject to the Corporation having sufficient stock in a stock plan to make such a distribution. In the event the Corporation does not have sufficient shares of stock in such a stock plan for the distribution contemplated by this Plan, the Committee will have the authority and discretion to make substitutions for such shares, all to the effect that the employee will receive cash or other marketable property of a value equivalent to what the employee would have received in a stock distribution.

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Corporate Objectives will be used as a metric for determining the distribution of shares only for senior officers of the Corporation (or a Subsidiary thereof) unless the Committee determines otherwise.

General

Neither this Plan nor any action taken hereunder shall be construed as giving any employee or participant the right to be retained in the employ of American Airlines, Inc. or an Affiliate.

Nothing in the Plan shall be deemed to give any employee any right, contractually or otherwise, to participate in the Plan or in any benefits hereunder, other than the right to receive an award as may have been expressly awarded by the Committee subject to the terms and conditions of the award agreement between the Corporation and the employee.

In the event of any act of God, war, natural disaster, aircraft grounding, revocation of operating certificate, terrorism, strike, lockout, labor dispute, work stoppage, fire, epidemic or quarantine restriction, act of government, critical materials shortage, or any other act beyond the control of the Corporation, whether similar or dissimilar, (each a "Force Majeure Event"), which Force Majeure Event affects the Corporation or its Subsidiaries or its Affiliates, the Committee, in its sole discretion, may (i) terminate or (ii) suspend, delay, defer (for such period of time as the Committee may deem necessary), or substitute any awards due currently or in the future under the Plan, including, but not limited to, any awards that have accrued to the benefit of participants but have not yet been paid, in any case to the extent permitted under proposed Treasury Regulation 1.409A-3(d) and/or 1.409A-3(e), or successor guidance thereto.

In consideration of the employee's privilege to participate in the Plan, the employee agrees (i) not to disclose any trade secrets of, or other confidential/restricted information of, American Airlines, Inc. 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 Airlines, Inc. or its Affiliates or after such employment is terminated, and (iii) not to solicit any then current employees of American Airlines, Inc. or any other Subsidiaries of AMR to join the employee at his or her new place of employment after his or her employment with American Airlines, Inc. or its Affiliates is terminated. The failure by the employee to abide by the foregoing obligations shall result in the award being forfeited in its entirety.

The Committee may amend, suspend, or terminate the Plan at any time.

Grant of 2006/2008 Performance Shares
July 24, 2006

Officer Name	# 2006/2008 Performance Shares Granted
G. J. Arpey	100,000
D.P. Garton	61,000
T.W. Horton	61,000
G.F. Kennedy	35,000
R.W. Reding	35,000

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Earnings (loss):				
Earnings (loss) before income taxes	\$ 291	\$ 58	\$ 199	\$ (104)
Add: Total fixed charges (per below)	489	438	973	891
Less: Interest capitalized	7	24	14	47
Total earnings before income taxes	\$ 773	\$ 472	\$1,158	\$ 740
Fixed charges:				
Interest	\$ 245	\$ 208	\$ 490	\$ 428
Portion of rental expense representative of the interest factor	225	212	443	428
Amortization of debt expense	19	18	40	35
Total fixed charges	\$ 489	\$ 438	\$ 973	\$ 891
Ratio of earnings to fixed charges	1.58	1.08	1.19	-
Coverage deficiency	\$ -	\$ -	\$ -	\$ 151

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)) 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, 2006

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

I, Thomas W. Horton, 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)) 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, 2006

/s/ Thomas W. Horton
Thomas W. Horton
Executive 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 June 30, 2006
(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, 2006 /s/ Gerard J. Arpey
Gerard J. Arpey
Chairman, President and Chief
Executive Officer

Date: July 25, 2006 /s/ Thomas W. Horton
Thomas W. Horton
Executive 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.