AMERICAN AIRLINES INC
Form 424B2
January 24, 2007

Filed Pursuant to Rule 424(b)(2)
Registration No. 333-136563
333-136563-01

PROSPECTUS SUPPLEMENT TO PROSPECTUS DATED AUGUST 11, 2006

13,000,000 Shares

AMR Corporation

Common Stock

We are offering 13,000,000 shares of our common stock by this prospectus supplement and the accompanying prospectus. We will receive all of the net proceeds from the sale of such common stock.

Our common stock is listed on the New York Stock Exchange under the symbol AMR. The last reported sale price as reported on the NYSE Composite Tape on January 22, 2007 was $40.09 per share.

We have granted the underwriters the option to purchase up to an additional 1,950,000 shares of common stock from us at the public offering price, less underwriting discounts and commissions, to cover over-allotments, if any, within 30 days from the date of this prospectus supplement. If the underwriters exercise the option in full, the total underwriting discounts and commissions will be $5,980,000, and the total proceeds, before expenses, to us will be $572,585,000.

Investing in our common stock involves a high degree of risk. Before buying any shares, you should read the discussion of material risks of investing in our common stock in Risk Factors beginning on page S-7 of this prospectus supplement.

	Price to Public	Underwriting Discounts and Commissions	Proceeds, before expenses, to us
Per share	$ 38.70	$ 0.40	$ 38.30
Total	$ 503,100,000	$ 5,200,000	$ 497,900,000

We expect that the underwriters will offer the shares of our common stock as set forth under Underwriting. Delivery of the shares of common stock is expected to be made on or about January 26, 2007.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Credit Suisse **Merrill Lynch & Co.** **UBS Investment Bank**

The date of this prospectus supplement is January 22, 2007.

Table of Contents

You should rely only on the information contained in this prospectus supplement, any related free-writing prospectus issued by us (which we refer to as a ***company free-writing prospectus*** **), the accompanying prospectus and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus or to which we have referred you. We have not, and the underwriters have not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus supplement, any related company free-writing prospectus and the accompanying prospectus do not constitute an offer to sell, or a solicitation of an offer to purchase, the securities offered by this prospectus supplement, any related company free-writing prospectus and the accompanying prospectus in any jurisdiction to or from any person to whom or from whom it is unlawful to make such offer or solicitation of an offer in such jurisdiction. You should not assume that the information contained in this prospectus supplement, any related company free-writing prospectus and the accompanying prospectus or any document incorporated by reference is accurate as of any date other than the date on the front cover of the applicable document. Neither the delivery of this prospectus supplement, any related company free-writing prospectus and the accompanying prospectus nor any distribution of securities pursuant to this prospectus supplement and the accompanying prospectus shall, under any circumstances, create any implication that there has been no change in the information set forth or incorporated by reference into this prospectus supplement, any related company free-writing prospectus and the accompanying prospectus or in our affairs since the date of this prospectus supplement. Our business, financial condition, results of operations and prospects may have changed since that date.**

TABLE OF CONTENTS
Prospectus Supplement

	Page
Presentation of Information	iii
Special Note Regarding Forward-Looking Statements	iii
Prospectus Supplement Summary	S-1
Risk Factors	S-7
Use of Proceeds	S-16
Price Range of Our Common Stock	S-17
Dividend Policy	S-17
Description of Our Common Stock	S-17
Certain United States Federal Income Tax Consequences for Non-U.S. Holders	S-18
Underwriting	S-22
Notices to Investors	S-25
Legal Opinions	S-28
Experts	S-28
Where You Can Find More Information	S-29

Table of Contents

Prospectus

	Page
About This Prospectus	2
Where You Can Find More Information	3
Special Note Regarding Forward-Looking Statements	4
The Company	5
Ratios of Earnings to Fixed Charges	6
Use of Proceeds	7
Dividend Policy	8
Description of Debt Securities	8
Description of Capital Stock of AMR Corporation	20
Description of Depositary Shares	23
Description of Warrants	26
Description of Stock Purchase Contracts and Stock Purchase Units	29
Plan of Distribution	31
Legal Opinions	33
Experts	33

Table of Contents

PRESENTATION OF INFORMATION

These offering materials consist of two documents: (a) this prospectus supplement, which describes the terms of this common stock offering, and (b) the accompanying prospectus, which provides general information about us and our securities, some of which does not apply to the common stock that we are currently offering. The information in this prospectus supplement replaces any inconsistent information included in the accompanying prospectus. To the extent the description of this offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information contained in or incorporated by reference in this prospectus supplement. See About this Prospectus in the accompanying prospectus.

References in this prospectus supplement to AMR, the Company, we, us and our refer to AMR Corporation together with its subsidiaries, unless otherwise specified.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein contain various forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the *Securities Act*), and Section 21E of the Securities Exchange Act of 1934, as amended (the *Exchange Act*), which represent our expectations or beliefs concerning future events. When used in this prospectus supplement, the accompanying prospectus and in documents incorporated herein and therein by reference, the words expects, plans, anticipates, indicates, believes, forecast, guidance, outlook, may, will, should a are intended to identify forward-looking statements. Similarly, statements that describe our objectives, plan or goals are forward-looking statements.

Forward-looking statements include, without limitation, our 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 us of our results of operations in recent years and the sufficiency of our 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 prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein are based upon information available to us on the date of this prospectus supplement or such document. We undertake 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 our actual results to differ materially from our expectations. The following factors, in addition to those discussed under the caption Risk Factors in this prospectus supplement and other possible

Table of Contents

factors not listed, could cause our actual results to differ materially from those expressed in forward-looking statements: our materially weakened financial condition resulting from our significant losses in recent years; our ability to generate additional revenues and reduce our costs; changes in economic and other conditions beyond our control, and the volatile results of our operations; our substantial indebtedness and other obligations; our ability to satisfy existing financial or other covenants in certain of our credit agreements; continued high and volatile fuel prices and further increases in the price of fuel, and the availability of fuel; the fiercely and increasingly competitive business environment we face; industry consolidation; competition with reorganized and reorganizing carriers; low fare levels by historical standards and our reduced pricing power; our likely need to raise additional funds and our ability to do so on acceptable terms; changes in our corporate or business strategy; government regulation of our business; conflicts overseas or terrorist attacks; uncertainties with respect to our international operations; outbreaks of disease (such as Severe Acute Respiratory Syndrome (*SARS*) or avian flu) that affect travel behavior; competitiveness of our labor costs; uncertainties with respect to our relationships with unionized and other employee work groups; increased insurance costs and potential reductions of available insurance coverage; our ability to retain key management personnel; potential failures or disruptions of our computer, communications or other technology systems; changes in the price of our common stock; and our ability to reach acceptable agreements with third parties.

Additional information concerning these and other factors is contained in our filings with the Securities and Exchange Commission, or the SEC, including but not limited to our Quarterly Reports on Form 10-Q for the quarters ended September 30, 2006, June 30, 2006 and March 31, 2006, Amendment No. 1 to our Quarterly Report on Form 10-Q/A for the quarter ended June 30, 2006, our Annual Report on Form 10-K for the year ended December 31, 2005 and Amendment No. 1 to our Annual Report on Form 10-K/A for the year ended December 31, 2005.

Table of Contents

PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights basic information about us and this offering. Because it is a summary, it does not contain all of the information that you should consider before investing. You should read this entire prospectus supplement and the accompanying prospectus carefully, including the section entitled Risk Factors in this prospectus supplement, as well as the materials filed with the SEC that are incorporated by reference into this prospectus supplement and the accompanying prospectus, before making an investment decision. See Where You Can Find More Information.

The Company

AMR was incorporated in October 1982. AMR s operations fall almost entirely in the airline industry. AMR s principal subsidiary, American Airlines, Inc. (*American*), was founded in 1934 and is the largest scheduled passenger airline in the world. At the end of 2006, American provided scheduled jet service to approximately 150 destinations throughout North America, the Caribbean, Latin America, Europe and the Pacific. American is also one of the largest scheduled air freight carriers in the world, providing a wide range of freight and mail services to shippers throughout its system.

In addition, AMR Eagle Holding Corporation, a wholly-owned subsidiary of AMR, owns two regional airlines which do business as American Eagle® American Eagle Airlines, Inc. and Executive Airlines, Inc. American also contracts with three independently owned regional airlines which do business as the American Connection®. The American Eagle carriers and the American Connection carriers provide connecting service from eight of American s high-traffic cities to smaller markets throughout the United States, Canada, Mexico and the Caribbean.

American Beacon Advisers, Inc., a wholly-owned subsidiary of AMR, is responsible for the investment and oversight of the assets of AMR s U.S. employee benefit plans, as well as AMR s short-term investments.

The postal address for AMR s and American s principal executive offices is P.O. Box 619616, Dallas/Fort Worth Airport, Texas 75261-9616 (Telephone: 817-963-1234). AMR s Internet address is *http://www.aa.com.* Information on AMR s website is not incorporated into this prospectus supplement or the accompanying prospectus and is not a part of this prospectus supplement or the accompanying prospectus.

Table of Contents

The Offering

Common stock offered	13,000,000 shares
Common stock estimated to be outstanding immediately after this offering	237,178,408 shares
Over-allotment option	1,950,000 shares
Use of proceeds	We intend to use the net proceeds from this offering for general corporate purposes. See Use of Proceeds.
Dividends	We have paid no cash dividends on our common stock and have no intention of doing so. See Dividend Policy.
Risk factors	See Risk Factors and other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus for a discussion of factors you should carefully consider before deciding to invest in shares of our common stock.
New York Stock Exchange symbol	AMR
Transfer Agent and Registrar	American Stock Transfer & Trust Company

Except as otherwise noted, all information in this prospectus supplement assumes no exercise of the underwriters over-allotment option.

Table of Contents

Recent Operating Results

We have reported a net profit of $17 million for the fourth quarter of 2006, or $0.07 per share fully diluted. This compares with a net loss of $600 million, or $3.46 per share fully diluted, in the fourth quarter of 2005. For the full year 2006, we posted a $231 million net profit, or $0.98 per share fully diluted, compared to a full year net loss in 2005 of $857 million, or $5.18 per share fully diluted.

For the fourth quarter of 2006, we had operating income of $185 million. In the fourth quarter of 2005, we had an operating loss of $380 million, which included special charges of $191 million, related in large part to a $155 million charge for the permanent retirement of 27 McDonnell Douglas MD-80 aircraft. Our results improved during the fourth quarter of 2006, mainly due to increased revenues and lower fuel prices. Our revenues in the fourth quarter of 2006 increased by 4.4% to $5.4 billion, compared to $5.2 billion in the fourth quarter of 2005. American s capacity was 42.1 billion available seat miles in the fourth quarter of 2006, a decrease of 1.1% from the fourth quarter of 2005. American s load factor in the fourth quarter of 2006 was 78.8%, an increase from 77.9% in fourth quarter of 2005. American s passenger revenue per available seat mile increased by 5.1% in the fourth quarter of 2006 to 10.06 cents, compared to 9.57 cents in the fourth quarter of 2005. American s passenger revenue yield per passenger mile increased by 4.0% to 12.77 cents per mile in the fourth quarter of 2006, compared to 12.28 cents in the fourth quarter of 2005. American s unit costs, as measured by operating expenses per available seat mile (excluding Regional Affiliates), declined to 10.92 cents in the fourth quarter of 2006, compared to 11.57 cents in the fourth quarter of 2005. This decrease in unit costs was driven primarily by lower fuel prices.

The table below presents summary historical consolidated financial data of AMR and certain operating data of American for the three months ended December 31, 2006 and 2005 and the years ended December 31, 2006 and 2005. We derived the following financial data for 2006 from AMR s unaudited consolidated financial statements. AMR and American have not filed their Annual Reports on Form 10-K for the year ended December 31, 2006. As a result, amounts set forth herein are subject to change until the filing of our financial statements.

Prior to January 1, 2006, AMR accounted for its share-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 AMR 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, AMR 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. The impact of adoption was not material to the 2006 consolidated results of operations.

Table of Contents

FASB Staff Position AUG AIR-1 *Accounting for Planned Major Maintenance Activities* (*FSP AUG AIR-1*) reduces the number of acceptable methods of accounting for planned major maintenance activities. In December 2006, AMR Eagle early adopted the provisions of FSP AUG AIR-1 and changed its method of accounting for its planned major maintenance activities on certain engine types from the accrual method to the expense as incurred method. The impact of this change resulted in elimination of approximately $50 million in accruals for future planned major maintenance activities. The consolidated financial statements to be included in AMR s Annual Report on Form 10-K for 2006 and as presented below have been retrospectively restated to reflect this change in accounting back to January 1, 2004. The impact of adoption in each of the individual years presented is not material.

On December 31, 2006, AMR adopted the recognition and disclosure provisions of Statement of Financial Accounting Standards No. 158 *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans* (*SFAS 158*). SFAS 158 required AMR to recognize the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of its pension plans in the consolidated balance sheet as of December 31, 2006 with a corresponding adjustment to accumulated other comprehensive loss. The adoption of SFAS 158 as of December 31, 2006 increased the liability for pension and postretirement benefits and increased Accumulated other comprehensive loss by approximately $1.0 billion. These increases were substantially offset by changes in asset returns, interest rates and other assumptions. There was no impact on the consolidated statement of operations as a result of adoption.

	Three Months Ended December 31,		**Year Ended December 31,**	
	2006	**2005**	**2006**	**2005**
Statement of Operations Data (in millions):				
Revenues:				
Passenger American Airlines	$ 4,241	$ 4,080	$ 17,862	$ 16,614
Regional Affiliates(1)	587	566	2,502	2,148
Cargo (2)	222	211	827	784
Other (2)	347	311	1,372	1,166
Total operating revenues	5,397	5,168	22,563	20,712
Operating expenses	5,212	5,548	21,503	20,801
Operating income (loss)	185	(380)	1,060	(89)
Other expense, net	(168)	(220)	(829)	(768)
Income (loss) before income taxes	17	(600)	231	(857)
Operating Statistics:				
American Airlines, Inc. Mainline Jet Operations:				
Revenue passenger miles (millions)(3)	33,201	33,226	139,454	138,374
Available seat miles (millions)(4)	42,138	42,627	174,021	176,112
Passenger load factor(5)	78.8%	77.9%	80.1%	78.6%
Passenger revenue yield per passenger mile (cents)(6)	12.77	12.28	12.81	12.01

Table of Contents

	Three Months Ended December 31,		Year Ended December 31,	
	2006	2005	2006	2005
Passenger revenue per available seat mile (cents)	10.06	9.57	10.26	9.43
Operating expenses per available seat mile, excluding Regional Affiliates (cents)(7)	10.92	11.57	10.90	10.50
Cargo ton miles (millions)(8)	584	573	2,224	2,209
Cargo revenue yield per ton mile (cents)	38.01	36.78	37.18	36.40

(1) AMR s Regional Affiliates include two wholly owned subsidiaries of AMR, American Eagle Airlines, Inc. and Executive Airlines, Inc which do business as American Eagle®, and three independent carriers which do business as the American Connection®.

(2) AMR previously recorded cargo fuel and security surcharge revenues of $49 million in the fourth quarter of 2005 and $162 million for the full year 2005 in Other revenues in the consolidated statement of operations. These revenues

are now included in Cargo revenues in order to conform to the 2006 classification.

(3) Revenue passenger miles represents the number of miles flown by revenue passengers in scheduled service.

(4) Available seat miles represents the number of seats available for passengers multiplied by the number of scheduled miles the seats are flown.

(5) Passenger load factor is calculated by dividing revenue passenger miles by available seat miles, and represents the percentage of aircraft seating capacity utilized.

(6) Passenger revenue yield per passenger mile represents the average revenue received from each mile a

passenger is flown in scheduled service.

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

	Three Months Ended December 31,		Year Ended December 31,	
	2006	**2005**	**2006**	**2005**
Total American Airlines operating expenses	$ 5,253	$ 5,588	$ 21,675	$ 21,008
Less: Operating expenses incurred related to Regional Affiliates	654	655	2,698	2,515
Operating expenses excluding expense incurred related to Regional Affiliates	$ 4,599	$ 4,933	$ 18,977	$ 18,493
American mainline jet operations available seat miles	42,138	42,627	174,021	176,112
Operating expense per available seat mile, excluding Regional Affiliates (cents)	10.92	11.57	10.90	10.50

Table of Contents

(8) Cargo ton miles represents the tonnage of freight and mail carried multiplied by the number of miles flown.

Table of Contents

RISK FACTORS

In considering whether to purchase the shares of our common stock, you should carefully consider all of the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus, including but not limited to, our Annual Report on Form 10-K for the year ended December 31, 2005, Amendment No. 1 to our Annual Report on Form 10-K/A for the year ended December 31, 2005, our Quarterly Reports on Form 10-Q for the quarters ended March 31, June 30 and September 30, 2006, Amendment No. 1 to our Quarterly Report on Form 10-Q/A for the quarter ended June 30, 2006 and other information which may be incorporated by reference in this prospectus supplement and the accompanying prospectus after the date hereof. Our ability to become consistently profitable and our ability to continue to fund our obligations on an ongoing basis will depend on a number of risk factors, many of which are largely beyond our control. Some of the factors that may have a negative impact on us are described below.

Risk Factors Relating to the Company

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

Although we earned a profit in 2006, we incurred significant losses in recent prior years: $857 million in 2005, $751 million in 2004, $1.2 billion in 2003, $3.5 billion in 2002 and $1.8 billion in 2001. As a result, our financial condition was materially weakened, and we remain vulnerable both to unexpected events (such as additional terrorist attacks or a sudden spike in jet fuel prices) and to general declines in the operating environment (such as that resulting from a recession or significant increased competition).

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

As we seek to improve our financial condition, we must continue to take steps to generate additional revenues and to reduce our costs. Although we have a number of initiatives underway to address our cost and revenue challenges, some of these initiatives involve changes to our business which we may be unable to implement. In addition, we expect that, as time goes on, it may be progressively more difficult to identify and implement significant revenue enhancement and cost savings initiatives. The adequacy and ultimate success of our initiatives to generate additional revenues and reduce our costs are not known at this time and cannot be assured. Moreover, whether our initiatives will be adequate or successful depends in large measure on factors beyond our control, notably the overall industry environment, including passenger demand, yield and industry capacity growth, and fuel prices. It will be very difficult, absent continued restructuring of our operations, for us to continue to fund our 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.

Table of Contents

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

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

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

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

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

We have and will continue to have a significant amount of indebtedness and obligations to make future payments on aircraft equipment and property leases, and a high proportion of debt to equity capital. We may incur substantial additional debt, including secured debt, and lease obligations in the future. We also have substantial pension funding obligations. Our substantial indebtedness and other obligations could have important consequences. For example, they could:

- limit our 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;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness and other obligations, thereby reducing the funds available for other purposes;
- make us more vulnerable to economic downturns;
- limit our ability to withstand competitive pressures and reduce our flexibility in responding to changing business and economic conditions; or
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate.

Table of Contents

We may be unable to comply with our financial covenants.

American has a fully drawn credit facility. As of September 30, 2006, the principal amount of American s credit facility was $751 million, consisting of a $305 million revolving facility with a final maturity on June 17, 2009 and a $446 million term loan facility with a final maturity on December 17, 2010. The credit facility contains a liquidity covenant and a ratio of cash flow to fixed charges covenant. We complied with these covenants as of December 31, 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 we will, in fact, be able to continue to comply with these covenants, and there are no assurances that we will be able to do so. Failure to comply with these covenants would result in a default under the credit facility which if we did not take steps to obtain a waiver of, or otherwise mitigate, the default could result in a default under a significant amount of our other debt and lease obligations, and otherwise have a material adverse impact on us.

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

Our results are very significantly affected by the price and availability of jet fuel, which are in turn affected by a number of factors beyond our control. Although fuel prices have moderated somewhat from the record high prices reached in July and August 2006, they are volatile and remain high by historical standards.

Due to the competitive nature of the airline industry, we may not be able to pass on increased fuel prices to customers by increasing fares. In fact, recent history would indicate that we have limited ability to pass along the increased costs of fuel. If fuel prices decline in the future, increased fare competition and lower revenues may offset any potential benefit of lower fuel prices.

While we do not currently anticipate a significant reduction in fuel availability, dependency on foreign imports of crude oil, limited refining capacity and the possibility of changes in government policy on jet fuel production, transportation and marketing make it impossible to predict the future availability of jet fuel. If there are additional outbreaks of hostilities or other conflicts in oil producing areas or elsewhere, or a reduction in refining capacity (due to weather events, for example), or governmental limits on the production or sale of jet fuel, there could be reductions in the supply of jet fuel and significant increases in the cost of jet fuel. Major reductions in the availability of jet fuel or significant increases in its cost, or a continuation of current high prices for a significant period of time, would have a material adverse impact on us.

While we seek to manage the price risk of fuel costs by using derivative contracts, there can be no assurance that, at any given time, we will have derivatives in place to provide any particular level of protection against increased fuel costs. In addition, a deterioration of our financial position could negatively affect our ability to enter into derivative contracts in the future.

Table of Contents

The airline industry is fiercely competitive and we are subject to increasing competition.

Service over almost all of our routes is highly competitive and fares remain at low levels by historical standards. We face vigorous, and in some cases, increasing competition from major domestic airlines, national, regional, all-cargo and charter carriers, foreign air carriers, low-cost carriers and, particularly on shorter segments, ground and rail transportation. We also face increasing and significant competition from marketing/operational alliances formed by our competitors. The percentage of routes on which we compete with carriers having substantially lower operating costs than ours has grown significantly over the past decade, and as of December 31, 2006 we competed with low-cost carriers on approximately 82% percent of our domestic network.

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

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

There have been numerous consolidation transactions within the U.S. airline industry since its deregulation in 1978, and there may be additional consolidation transactions in the future. US Airways recent bid to purchase Delta Air Lines, and other factors, could spur consolidation within the industry in the near term. Any airline industry consolidation could substantially alter the competitive landscape and may result in changes in our corporate or business strategy. We cannot reliably predict the impact on us of, and our role in or response to, airline industry consolidation.

We compete with reorganized and reorganizing carriers, which may result in competitive disadvantages for us or fare discounting.

We must compete with air carriers that have recently reorganized or are reorganizing, including under the protection of Chapter 11 of the Bankruptcy Code, including United, the second largest U.S. air carrier, Delta, the third largest U.S. air carrier and Northwest, the fourth largest U.S. air carrier. It is possible that other competitors may seek to reorganize in or out of Chapter 11. With the Chapter 11 filings of Delta and Northwest, two out of the four largest U.S. air carriers are now operating under the protection of the Bankruptcy Code, with United having emerged from Chapter 11 in the first quarter of 2006. We cannot predict the outcome of any airline bankruptcy proceedings or the consequences of such a large portion of the airline industry s capacity being provided by bankrupt or recently reorganized air carriers.

Table of Contents

Successful reorganizations by other carriers present us with competitors with significantly lower operating costs and a stronger financial position derived from renegotiated labor, supply, and financing contracts, which could lead to fare reductions. These competitive pressures may limit our ability to adequately price our services, may require us to further reduce our operating costs, and could have a material adverse impact on us.

Fares are at low levels and our reduced pricing power adversely affects our ability to achieve adequate pricing, especially with respect to business travel.

While we have recently been able to implement some fare increases on certain domestic and international routes, our passenger yield remains low by historical standards. We believe this is due in large part to a corresponding decline in our pricing power. Our 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 Bankruptcy Code; other carriers being well 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. We believe that our reduced pricing power could persist indefinitely.

We may need to raise additional funds to maintain sufficient liquidity, but we may be unable to do so on acceptable terms.

To maintain sufficient liquidity as we continue to implement our restructuring and cost reduction initiatives, and because we have significant debt, lease, pension and other obligations in the next several years, we may need continued access to additional funding.

Our ability to obtain future financing has been reduced because we have fewer unencumbered assets available than in years past. A very large majority of our aircraft assets (including virtually all of the aircraft eligible for the benefits of Section 1110 of the U.S. Bankruptcy Code) have been encumbered. Also, the market value of our aircraft assets has declined in recent years and those assets may not maintain their current market value.

Since the terrorist attacks of September 2001, which we refer to as the Terrorist Attacks, our credit ratings have been lowered to significantly below investment grade. These reductions have increased our borrowing costs and otherwise adversely affected borrowing terms, and limited borrowing options. Additional reductions in our credit ratings could further increase borrowing or other costs and further restrict the availability of future financing.

A number of other factors, including our financial results in recent years, our substantial indebtedness, the difficult revenue environment we face, our reduced credit ratings, high fuel prices, and the financial difficulties experienced in the airline industry, adversely affect the availability and terms of financing for us. As a result, there can be no assurance that financing will be available to us on acceptable terms, if at all. An inability to obtain additional financing on acceptable terms could have a material adverse impact on us and on our ability to sustain our operations over the long term.

Table of Contents

Our corporate or business strategy may change.

In light of the rapid changes in the airline industry, we evaluate our assets on an ongoing basis with a view to maximizing their value to us and determining which are core to our operations. We also regularly evaluate our corporate and business strategies, and these are influenced by factors beyond our control, including changes in the competitive landscape we face. Our corporate and business strategies are, therefore, subject to change.

Our business is subject to extensive government regulation, which can result in increases in our costs, limits on our operating flexibility, reductions in the demand for air travel, and competitive disadvantages.

Airlines are subject to extensive domestic and international regulatory requirements. Many of these requirements result in significant costs. For example, the Federal Aviation Administration from time to time issues directives and other regulations relating to the maintenance and operation of aircraft, and compliance with those requirements drives significant expenditures. In addition, the ability of U.S. carriers to operate international routes is subject to change because the applicable arrangements between the United States and foreign governments may be amended from time to time, or because appropriate slots or facilities are not made available.

Moreover, additional laws, regulations, taxes and airport rates and charges have been enacted from time to time that have significantly increased the costs of airline operations, reduced the demand for air travel or restricted the way we can conduct our business. For example, the Aviation and Transportation Security Act, which became law in 2001, mandated the federalization of certain airport security procedures and resulted in the imposition of additional security requirements on airlines. In addition, many aspects of our operations are subject to increasingly stringent environmental regulations, and concerns about climate change, in particular, may result in the imposition of additional regulation. For example, the European Commission is currently seeking to impose emissions controls on all flights coming into Europe. Laws or regulations similar to those described above or other U.S. or foreign governmental actions in the future may adversely affect our business and financial results.

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

- changes in law which affect the services that can be offered by airlines in particular markets and at particular airports;

- the granting and timing of certain governmental approvals (including foreign government approvals) needed for codesharing alliances and other arrangements with other airlines;

- restrictions on competitive practices (for example, court orders, or agency regulations or orders, that would curtail an airline s ability to respond to a competitor);

- the adoption of regulations that impact customer service standards (for example, new passenger security standards); or

the adoption of more restrictive locally-imposed noise restrictions.

In November 2005, the United States and the European Union reached a tentative air services agreement that would provide airlines from the United States and E.U. member states open access to each other s markets, with freedom of pricing and unlimited rights to fly beyond the United States and both within and beyond the E.U. The tentative agreement is subject to approval by the E.U. Transport Council of Ministers. Under the agreement, every U.S. and E.U. airline would be authorized to operate between airports in the United States and London s Heathrow Airport. Only three airlines besides American are currently allowed to provide that service and Heathrow routes have historically been among our most profitable. The agreement, if approved, would result in our facing increased competition in serving Heathrow if additional carriers are able to obtain necessary slots and terminal facilities.

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

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

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

Our international operations could be adversely affected by numerous events, circumstances or government actions beyond our control.

Our current international activities and prospects could be adversely affected by factors such as reversals or delays in the opening of foreign markets, exchange controls, currency and political risks, taxation and changes in international government regulation of our operations, including the inability to obtain or retain needed route authorities and/or slots.

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

In 2003, there was an outbreak of Severe Acute Respiratory Syndrome (SARS), which primarily had an adverse impact on our Asia operations. More recently, there have been concerns about a potential outbreak of avian flu. If there were another outbreak of a disease (such as SARS or avian flu) that affects travel behavior, it could have a material adverse impact on us.

Our labor costs are becoming increasingly less competitive.

Wages, salaries and benefits constitute a significant percentage of our total operating expenses. In 2006, they constituted approximately 32% of our total operating expenses. All of the major hub-and-spoke carriers with whom American competes have achieved significant labor cost savings through or outside of bankruptcy proceedings. We believe American s labor costs

Table of Contents

are higher than those of its primary competitors, and it is unclear how long this labor cost disadvantage may persist.

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

Our operations could be adversely affected if we fail to maintain satisfactory relations with any labor union representing our employees. In addition, any significant dispute we have with, or any disruption by, an employee work group could adversely impact us. Moreover, one of the fundamental tenets of our strategic Turnaround Plan is increased union and employee involvement in our operations. To the extent that we are unable to maintain satisfactory relations with any unionized or other employee work group, our ability to execute our strategic plans could be adversely affected.

Our insurance costs have increased substantially and further increases in insurance costs or reductions in coverage could have an adverse impact on us.

We carry insurance for public liability, passenger liability, property damage and all-risk coverage for damage to our aircraft. As a result of the Terrorist Attacks, aviation insurers significantly reduced the amount of insurance coverage available to commercial air carriers for liability to persons other than employees or passengers for claims resulting from acts of terrorism, war or similar events (war-risk coverage). At the same time, these insurers significantly increased the premiums for aviation insurance in general.

The U.S. government has agreed to provide commercial war-risk insurance for U.S. based airlines until August 31, 2007, covering losses to employees, passengers, third parties and aircraft. If the U.S. government does not extend the policy beyond August 31, 2007, we will attempt to purchase similar coverage with narrower scope from commercial insurers at an additional cost. To the extent this coverage is not available at commercially reasonable rates, we would be adversely affected.

While the price of commercial insurance has declined since the period immediately after the Terrorist Attacks, in the event commercial insurance carriers further reduce the amount of insurance coverage available to us, or significantly increase its cost, we would be adversely affected.

We may be unable to retain key management personnel.

Since the Terrorist Attacks, a number of our key management employees have elected to retire early or leave for more financially favorable opportunities at other companies, both within and outside the airline industry. There can be no assurance that we will be able to retain our key management employees. Any inability to retain our key management employees, or attract and retain additional qualified management employees, could have a negative impact on us.

Table of Contents

We could be adversely affected by a failure or disruption of our computer, communications or other technology systems.

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

Risk Factors Related to Our Common Stock

The price of our common stock may fluctuate significantly, and you could lose all or part of your investment.

Volatility in the market price of our common stock may prevent you from being able to sell your shares at or above the price you paid for your shares. The market price of our common stock could fluctuate significantly for various reasons which include:

- our quarterly or annual earnings or those of other companies in our industry;
- the public s reaction to our press releases, our other public announcements and our filings with the SEC;
- changes in earnings or recommendations by research analysts who track our common stock or the stock of other airlines;
- changes in general conditions in the U.S. and global economy, financial markets or airline industry, including those resulting from changes in fuel prices or fuel shortages, war, incidents of terrorism or responses to such events;
- changes in the competitive landscape for the airline industry, including any changes resulting from industry consolidation whether or not involving our company; and
- the other factors described in these Risk Factors.

In addition, in recent years, the stock market has experienced extreme price and volume fluctuations. This volatility has had a significant impact on the market price of securities issued by many companies, including companies in our industry. The changes frequently appear to occur without regard to the operating performance of these companies. The price of our common

Table of Contents

stock could fluctuate based upon factors that have little or nothing to do with our company, and these fluctuations could materially reduce our stock price.

We expect that the price of our common stock will be significantly affected by the availability of shares for sale in the market.

The sale or availability for sale of substantial amounts of our common stock could adversely impact its price. Our certificate of incorporation authorizes us to issue 750,000,000 shares of common stock. On January 18, 2007, there were 224,178,408 shares of our common stock outstanding. Accordingly, a substantial number of shares of our common stock are available for sale under our certificate of incorporation.

In addition, we maintain various plans providing for the grant of stock options, stock-settled stock appreciation rights (*SSARs*), restricted stock, deferred stock, stock purchase rights and other stock-based awards. As of January 18, 2007, the maximum number of shares subject to outstanding options and SSARs, performance awards, deferred stock awards and other stock-based awards under such plans, and available for future grant under such plans, was approximately 50.6 million shares of common stock.

Additionally, as of January 18, 2007, we had reserved for issuance approximately 32.0 million shares that are issuable upon conversion of our convertible notes. Our 4.25% Senior Convertible Notes due 2023 have become convertible into approximately 17.3 million shares of common stock, and our 4.50% Senior Convertible Notes due 2024 have become convertible into approximately 14.7 million shares of common stock.

USE OF PROCEEDS

We estimate that the net proceeds of the offering will be approximately $497,900,000 (approximately $572,585,000 if the underwriters anticipated over-allotment option is exercised in full), after deducting the underwriters estimated discounts and commissions (without regard to the other expenses of the offering payable by us). The purpose of this offering is to further strengthen our balance sheet. We intend to use the net proceeds from this offering for general corporate purposes, including, among other possible uses, the repayment or repurchase of short-term or long-term debt or leasing obligations, funding of employee pensions, the acquisition of aircraft by American and other capital expenditures. We may also use the proceeds for temporary investments until we need them for general corporate purposes.

Table of Contents

PRICE RANGE OF OUR COMMON STOCK

Our common stock is traded on the New York Stock Exchange, or NYSE, under the symbol AMR. The following table sets forth for the periods indicated below the high and low closing prices for our common stock as reported by the NYSE.

Fiscal Year Ended December 31, 2005	High	Low
First Quarter	$ 11.04	$ 7.83
Second Quarter	14.16	10.11
Third Quarter	14.47	10.32
Fourth Quarter	22.71	11.08
Fiscal Year Ending December 31, 2006		
First Quarter	$ 28.88	$ 18.76
Second Quarter	28.76	21.88
Third Quarter	27.66	18.83
Fourth Quarter	34.10	24.10
Fiscal Year Ending December 31, 2007		
First Quarter (through January 22, 2007)	$ 40.66	$ 32.86

On January 18, 2007, there were 224,178,408 shares of our common stock outstanding.

DIVIDEND POLICY

We have paid no cash dividends on our common stock and have no current intention of doing so. Any future determination to pay cash dividends will be at the discretion of our board of directors, subject to applicable limitations under Delaware law, and will be dependent upon our results of operations, financial condition, contractual restrictions and other factors deemed relevant by our board of directors.

DESCRIPTION OF OUR COMMON STOCK

See Description of Capital Stock of AMR Corporation in the accompanying prospectus for a summary description of the AMR common stock.

The transfer agent and registrar for our common stock is American Stock Transfer & Trust Company.

Table of Contents

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES FOR NON-U.S. HOLDERS

The following summary discusses certain material U.S. federal income and estate tax consequences to non-U.S. holders relating to the purchase, ownership and disposition of shares of our common stock. A *non-U.S. holder* means a beneficial owner of our common stock that is for U.S. federal income tax purposes:

- an individual who is neither a citizen nor a resident of the United States;
- a corporation (or any entity treated as a corporation for U.S. federal income tax purposes) that is not created or organized in or under the laws of the United States, any State thereof or the District of Columbia;
- an estate the income of which is not subject to U.S. federal income taxation regardless of its source; or
- a trust unless (1) it is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) it has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

This summary deals only with shares of our common stock held as capital assets (generally, property held for investment). This summary does not address all of the U.S. federal income and estate tax consequences that may be relevant to a non-U.S. holder in light of such holder s own particular circumstances, nor does it deal with special situations, such as: