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AMERICAN AIRLINES INC  
Form 8-K  
January 18, 2006

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

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FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the

Securities Exchange Act of 1934

Date of earliest event  
reported: January 18, 2006

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

Delaware 1-2691 13-1502798  
(State of Incorporation) (Commission File Number) (IRS Employer  
Identification No.)

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

(817) 963-1234  
(Registrant's telephone number)

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Item 2.02 Results of Operations and Financial Condition

American Airlines, Inc. is furnishing herewith a press release issued on January 18, 2006 by its parent company, AMR Corporation (AMR), as Exhibit 99.1 which is included herein. This press release was issued to report AMR's fourth quarter 2005 and full year results.

Item 9.01 Financial Statements and Exhibits

(c) Exhibits

Exhibit 99.1 Press Release of AMR  
dated January 18, 2006

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 hereunto duly authorized.

American Airlines, Inc.

/s/ Charles D. MarLett  
Charles D. MarLett  
Corporate Secretary

Dated: January 18, 2006

EXHIBIT INDEX

| Exhibit | Description |
|---------|-------------|
|---------|-------------|

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99.1

Press Release

Exhibit 99.1

CONTACT: Al Becker  
Corporate Communications  
Fort Worth, Texas  
817-967-1577  
corp.comm@aa.com

FOR RELEASE: Wednesday, Jan. 18, 2006

Editor's Note: A live Webcast reporting fourth quarter results will be broadcast on the Internet on Jan. 18 at 2 p.m. EST. (Windows Media Player required for viewing.)

AMR CORPORATION REPORTS A FOURTH QUARTER LOSS OF \$604 MILLION, AS COMPARED TO A \$387 MILLION LOSS IN 2004

High Fuel Prices And Competitors With Lower Costs Continued To Impact American's Financial Performance

Despite These Headwinds, AMR's Fourth Quarter Results, Excluding Special Items, Improved Year Over Year

FORT WORTH, Texas - AMR Corporation, parent company of American Airlines, Inc., today reported a net loss of \$604 million in the fourth quarter of 2005, or \$3.49 per share, as compared to a net loss of \$387 million, or \$2.40 per share, in the fourth quarter of 2004. The loss for the fourth quarter of 2005 includes a net \$191 million negative impact of special items, including \$155 million for aircraft charges, \$73 million for facility charges and a \$37 million gain related to debt restructuring. Without these special items, AMR would have recorded a net loss of \$413 million, or \$2.39 per share, in 2005. The net loss in the fourth quarter of 2004 was \$473 million, or \$2.94 per share, excluding an \$86 million net gain due to special items.

For the year 2005, AMR posted a \$93 million operating loss and a net loss of \$861 million, as compared to 2004's full-year operating loss of \$144 million and net loss of \$761 million. Special items resulted in a net charge of \$180 million in 2005 and a net

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gain of \$135 million in 2004. Excluding these special

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items, the Company's net loss would have been \$681 million in 2005, with operating earnings of \$100 million, and \$896 million in 2004, with an operating loss of \$133 million.

"Our fourth quarter results close the book on another very difficult year," said AMR Chairman and CEO Gerard Arpey. "But while we are dissatisfied with our financial results, we did make progress in a number of important areas during the year, including our first annual operating profit, excluding special items, since the year 2000. As a result, we have - unlike many of our competitors - continued to meet our various financial obligations, including funding our defined benefit pension programs. And, by working together with our people and our unions, we have continued to improve the efficiency and productivity of every part of the company. Our collaborative approach enabled us to retain control of our destiny in 2005, despite a challenging revenue environment and higher fuel prices driving a \$1.7 billion increase in fuel costs, compared to what we would have paid at 2004 prices."

During the fourth quarter, the Company paid \$433 million more for fuel than it would have paid at 2004 prices and, on a year over year basis, American's mainline cost per available seat mile was up by 12.9 percent. Excluding fuel and special items, mainline unit costs increased 2.8 percent versus the fourth quarter of 2004. For the full year, mainline unit costs increased 7.9 percent; however, excluding fuel and special items, these unit costs decreased 2.0 percent.

Arpey congratulated the airline's employees for lowering unit costs, excluding fuel and special items, for the fourth year in a row in 2005. He also pointed out that good customer service, capacity restraint, new products, and numerous fleet and schedule changes enabled American to outperform the industry in generating passenger revenue. Included in the numerous fleet and schedule changes was the year-end decision to permanently ground 27 MD80 aircraft, 24 of which had previously been in temporary storage. The remaining three aircraft were grounded as of Dec. 31, 2005.

For the quarter, American's passenger revenue per available seat mile was up 13.8 percent year over year. American's load factor - or percentage of seats filled - for the fourth quarter was 77.9 percent, up 3.6 points over the fourth quarter of 2004, while yield, representing average fares, was up 8.5 percent.

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"As our revenue performance indicates, we have been doing a good job of giving customers what they value, and leveraging our global network, strong brand and well-earned reputation for customer service," Arpey said. "We expect these American strengths to continue serving us well in 2006 and beyond, but the fact is we need to do more - on both the cost and revenue sides of the ledger - to return our company to sustained profitability."

Arpey noted that the Performance Leadership Initiative (PLI) - a collaborative effort launched in 2005 - has the potential to generate substantial improvements, and close

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gaps between the company's performance, and what would be considered best in class. "PLI is the natural next step in the Turnaround Plan we launched several years ago," Arpey said. "Every work group in the company has participated in identifying the areas where more improvement is needed."

Arpey said one important by-product of the company's collaborative approach has been its ability to meet all of its pension obligations. During the fourth quarter, AMR contributed \$22 million to its various defined benefit plans, bringing the 2005 total pension contribution to \$310 million.

AMR ended the year with \$4.3 billion in cash and short-term investments, including a restricted balance of \$510 million.

Editor's Note: AMR's Chairman, President and Chief Executive Officer, Gerard Arpey, and its Chief Financial Officer, James Beer, will make a presentation to analysts during a teleconference on Wednesday, Jan. 18, from 2 p.m. to 2:45 p.m. EST. Following the analyst call, they will hold a question-and-answer conference call for media from 3 p.m. to 3:45 p.m. EST. Reporters interested in listening to the presentation or participating in the media Q&A should call 817-967-1577.

Statements in this release 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 release, the words "expects," "plans," "anticipates," "indicates," "believes," "forecast," "guidance," "outlook" and similar expressions are intended to identify forward-looking statements. Forward-looking statements include, without limitation, the Company's expectations concerning operations and financial conditions, including changes in capacity, revenues and costs, future financing plans and needs, overall economic conditions, plans and objectives for future operations, and the impact on the Company of its results of operations in recent years and the sufficiency of its financial resources to absorb that impact. Other forward-looking statements include statements which do not relate solely to historical facts, such as,

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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 release are based upon information available to the Company on the date of this release. 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.

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

Detailed financial information follows:

AMR CORPORATION  
 CONSOLIDATED STATEMENTS OF OPERATIONS  
 (in millions, except per share amounts)  
 (Unaudited)

|                               | Three Months Ended December 31,<br>2005 | 2004    | Percent<br>Change |
|-------------------------------|---|---------|-------------------|
| <b>Revenues</b>               |   |         |                   |
| Passenger - American Airlines | \$4,080                                 | \$3,610 | 13.0              |
| - Regional Affiliates         | 566                                     | 463     | 22.2              |
| Cargo                         | 162                                     | 173     | (6.4)             |
| Other revenues                | 360                                     | 295     | 22.0              |
| Total operating revenues      | 5,168                                   | 4,541   | 13.8              |
| <b>Expenses</b>               |   |         |                   |
| Wages, salaries and benefits  | 1,776                                   | 1,680   | 5.7               |

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|   |           |           |        |
|---|-----------|-----------|--------|
| Aircraft fuel                                     | 1,585     | 1,188     | 33.4   |
| Other rentals and landing fees                    | 306       | 286       | 7.0    |
| Depreciation and amortization                     | 296       | 329       | (10.0) |
| Commissions, booking fees and credit card expense | 264       | 244       | 8.2    |
| Maintenance, materials and repairs                | 228       | 230       | (0.9)  |
| Aircraft rentals                                  | 148       | 151       | (2.0)  |
| Food service                                      | 119       | 137       | (13.1) |
| Other operating expenses                          | 830       | 651       | 27.5   |
| Total operating expenses                          | 5,552     | 4,896     | 13.4   |
| Operating Loss                                    | (384)     | (355)     | 8.2    |
| Other Income (Expense)                            |           |           |        |
| Interest income                                   | 45        | 19        | *      |
| Interest expense                                  | (260)     | (223)     | 16.6   |
| Interest capitalized                              | 6         | 20        | (70.0) |
| Miscellaneous - net                               | (11)      | 152       | *      |
|   | (220)     | (32)      | *      |
| Loss Before Income Taxes                          | (604)     | (387)     | 56.1   |
| Income tax  | -         | -         | *      |
| Net Loss  | \$ (604)  | \$ (387)  | 56.1   |
| Basic and Diluted Loss Per Share                  | \$ (3.49) | \$ (2.40) |        |
| Number of Shares Used in Computation              |           |           |        |
| Basic and Diluted                                 | 173       | 161       |        |

\* Greater than 100%

AMR CORPORATION  
OPERATING STATISTICS  
(Unaudited)

|   | Three Months Ended |                   | Percent Change |
|---|--------------------|-------------------|----------------|
|   | December 31, 2005  | December 31, 2004 |                |
| American Airlines, Inc. Mainline Jet Operations                                       |                    |                   |                |
| Revenue passenger miles (millions)  | 33,226             | 31,893            | 4.2            |
| Available seat miles (millions)   | 42,627             | 42,906            | (0.7)          |
| Cargo ton miles (millions)  | 573                | 586               | (2.2)          |
| Passenger load factor   | 77.9%              | 74.3%             | 3.6 pts.       |
| Passenger revenue yield per passenger mile (cents)                                    | 12.28              | 11.32             | 8.5            |
| Passenger revenue per available seat mile (cents)                                     | 9.57               | 8.41              | 13.8           |
| Cargo revenue yield per ton mile (cents)  | 28.35              | 29.56             | (4.1)          |
| Operating expenses per available seat mile, excluding Regional Affiliates (cents) (1) | 11.57              | 10.25             | 12.9           |
| Fuel consumption (gallons, in millions)   | 706                | 738               | (4.3)          |
| Fuel price per gallon (cents)   | 202.1              | 147.4             | 37.1           |
| Regional Affiliates   |                    |                   |                |
| Revenue passenger miles (millions)  | 2,359              | 1,928             | 22.4           |
| Available seat miles (millions)   | 3,262              | 2,877             | 13.4           |

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|                       |       |       |          |
|-----------------------|-------|-------|----------|
| Passenger load factor | 72.3% | 67.0% | 5.3 pts. |
|-----------------------|-------|-------|----------|

### AMR Corporation

|  |        |        |  |
|--|--------|--------|--|
| Average Equivalent Number of Employees |        |        |  |
| American Airlines                      | 74,000 | 77,500 |  |
| Other                                  | 13,200 | 13,200 |  |
| Total                                  | 87,200 | 90,700 |  |

(1) Excludes \$655 million and \$561 million of expense incurred related to Regional Affiliates in 2005 and 2004, respectively.

### AMR CORPORATION NON-GAAP AND OTHER RECONCILIATIONS (Unaudited)

|  | Three Months Ended |         |
|--|--------------------|---------|
|  | December 31,       |         |
|  | 2005               | 2004    |
| American Airlines, Inc. Mainline Jet Operations<br>(in millions, except as noted)                      |                    |         |
| Total operating expenses   | \$5,588            | \$4,957 |
| Less: Operating expenses incurred related to Regional Affiliates                                       | 655                | 561     |
| Operating expenses excluding expenses incurred related to Regional Affiliates                          | \$4,933            | \$4,396 |
| American mainline jet operations available seat miles  | 42,627             | 42,906  |
| Operating expenses per available seat mile, excluding Regional Affiliates (cents)                      | 11.57              | 10.25   |
| Impact of special items (cents)  | (0.44)             | (0.14)  |
| Fuel cost per available seat mile (cents)  | (3.35)             | (2.54)  |
| Operating expenses per available seat mile, excluding impact of special items and cost of fuel (cents) | 7.78               | 7.57    |
| Percent change   | 2.8%               |         |

### AMR Corporation

#### Impact of Fuel Price Variance

|   |          |
|---|----------|
| Average fuel price per gallon (cents)       |          |
| Three months ended December 31, 2005        | 203.3    |
| Three months ended December 31, 2004        | 147.7    |
| Change in price (cents)                     | 55.6     |
| 2005 consumption (gallons, in millions)     | x 779.4  |
| Impact of fuel price variance (in millions) | \$ 433.3 |

Note: The Company believes that operating expenses per available seat mile, excluding special items and the cost of fuel, as well as the impact of fuel price increases, assist investors in understanding the impact of fuel prices on the Company's operations, without regard to special



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items.

AMR CORPORATION  
NON-GAAP AND OTHER RECONCILIATIONS  
(Unaudited)

| AMR Corporation<br>Impact of Special Items<br>(in millions, except per share amounts) | Three Months Ended<br>December 31, 2005 |           |
|---|---|-----------|
|   | Amount                                  | EPS       |
| Net loss  | \$ (604)                                | \$ (3.49) |
| Less: Impact of special items   | 191                                     | 1.10      |
| Net loss excluding special items  | \$ (413)                                | \$ (2.39) |

| AMR Corporation<br>Impact of Special Items<br>(in millions, except per share amounts) | Three Months Ended<br>December 31, 2004 |           |
|---|---|-----------|
|   | Amount                                  | EPS       |
| Net loss  | \$ (387)                                | \$ (2.40) |
| Add: Impact of special items  | (86)                                    | (0.54)    |
| Net loss excluding special items  | \$ (473)                                | \$ (2.94) |

Note: The Company believes the loss excluding special items assists investors in understanding the impact of the special items on the Company's financial results.

AMR CORPORATION  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(in millions, except per share amounts)  
(Unaudited)

|                               | Twelve Months Ended December 31, |          | Percent |
|-------------------------------|----------------------------------|----------|---------|
|                               | 2005                             | 2004     | Change  |
| Revenues                      |                                  |          |         |
| Passenger - American Airlines | \$16,614                         | \$15,021 | 10.6    |
| - Regional Affiliates         | 2,148                            | 1,876    | 14.5    |
| Cargo                         | 622                              | 625      | (0.5)   |
| Other revenues                | 1,328                            | 1,123    | 18.3    |
| Total operating revenues      | 20,712                           | 18,645   | 11.1    |
| Expenses                      |                                  |          |         |
| Wages, salaries and benefits  | 6,755                            | 6,719    | 0.5     |

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|   |           |           |        |
|---|-----------|-----------|--------|
| Aircraft fuel                                     | 5,615     | 3,969     | 41.5   |
| Other rentals and landing fees                    | 1,262     | 1,187     | 6.3    |
| Depreciation and amortization                     | 1,164     | 1,292     | (9.9)  |
| Commissions, booking fees and credit card expense | 1,113     | 1,107     | 0.5    |
| Maintenance, materials and repairs                | 989       | 971       | 1.9    |
| Aircraft rentals                                  | 591       | 609       | (3.0)  |
| Food service                                      | 507       | 558       | (9.1)  |
| Other operating expenses                          | 2,809     | 2,377     | 18.2   |
| Total operating expenses                          | 20,805    | 18,789    | 10.7   |
| Operating Loss                                    | (93)      | (144)     | (35.4) |
| Other Income (Expense)                            | 149       | 66        | *      |
| Interest income                                   | (957)     | (871)     | 9.9    |
| Interest expense                                  | 65        | 80        | (18.8) |
| Interest capitalized                              | (25)      | 108       | *      |
| Miscellaneous - net                               | (768)     | (617)     | 24.5   |
| Loss Before Income Taxes                          | (861)     | (761)     | 13.1   |
| Income tax  | -         | -         | *      |
| Net Loss  | (861)     | (761)     | 13.1   |
| Basic and Diluted Loss Per Share                  | \$ (5.21) | \$ (4.74) |        |
| Number of Shares Used in Computation              |           |           |        |
| Basic and Diluted                                 | 165       | 161       |        |

\* Greater than 100%

AMR CORPORATION  
OPERATING STATISTICS  
(Unaudited)

|   | Twelve Months Ended<br>December 31, |         | Percent<br>Change |
|---|-------------------------------------|---------|-------------------|
|   | 2005                                | 2004    |                   |
| American Airlines, Inc. Mainline Jet Operations                                       |                                     |         |                   |
| Revenue passenger miles (millions)  | 138,374                             | 130,164 | 6.3               |
| Available seat miles (millions)   | 176,112                             | 174,015 | 1.2               |
| Cargo ton miles (millions)  | 2,209                               | 2,203   | 0.3               |
| Passenger load factor   | 78.6%                               | 74.8%   | 3.8 pts.          |
| Passenger revenue yield per passenger mile (cents)                                    | 12.01                               | 11.54   | 4.1               |
| Passenger revenue per available seat mile (cents)                                     | 9.43                                | 8.63    | 9.3               |
| Cargo revenue yield per ton mile (cents)  | 28.21                               | 28.36   | (0.5)             |
| Operating expenses per available seat mile, excluding Regional Affiliates (cents) (1) | 10.50                               | 9.73    | 7.9               |
| Fuel consumption (gallons, in millions)   | 2,948                               | 3,014   | (2.2)             |
| Fuel price per gallon (cents)   | 172.3                               | 121.2   | 42.2              |

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### Regional Affiliates

|                                    |        |        |          |
|------------------------------------|--------|--------|----------|
| Revenue passenger miles (millions) | 8,946  | 7,283  | 22.8     |
| Available seat miles (millions)    | 12,714 | 10,835 | 17.3     |
| Passenger load factor              | 70.4%  | 67.2%  | 3.2 pts. |

(1) Excludes \$2.5 billion and \$2.1 billion of expense incurred related to Regional Affiliates in 2005 and 2004, respectively.

### AMR CORPORATION NON-GAAP AND OTHER RECONCILIATIONS (Unaudited)

| American Airlines, Inc. Mainline Jet Operations<br>(in millions, except as noted)                                    | Twelve Months Ended<br>December 31, |          |
|--|-------------------------------------|----------|
|  | 2005                                | 2004     |
| Total operating expenses   | \$21,008                            | \$19,029 |
| Less: Operating expenses incurred related<br>to Regional Affiliates  | 2,515                               | 2,104    |
| Operating expenses excluding expenses<br>incurred related to Regional Affiliates                                     | \$18,493                            | \$16,925 |
| American mainline jet operations available<br>seat miles   | 176,112                             | 174,015  |
| Operating expenses per available seat mile,<br>excluding expenses incurred related to<br>Regional Affiliates (cents) | 10.50                               | 9.73     |
| Impact of special items (cents)  | (0.11)                              | (0.01)   |
| Fuel cost per available seat mile (cents)  | (2.91)                              | (2.09)   |
| Operating expenses per available seat mile,<br>excluding impact of special items and the<br>cost of fuel (cents)     | 7.48                                | 7.63     |
| Percent change   | (2.0%)                              |          |

### AMR Corporation

#### Impact of Fuel Price Variance

#### Average fuel price per gallon (cents)

|   |            |
|---|------------|
| Twelve months ended December 31, 2005       | 173.5      |
| Twelve months ended December 31, 2004       | 121.6      |
| Change in price (cents)                     | 51.9       |
| 2005 consumption (gallons, in millions)     | x 3,237.0  |
| Impact of fuel price variance (in millions) | \$ 1,680.0 |

Note: The Company believes that operating expenses per available seat mile, excluding special items and the cost of fuel, as well as the impact of fuel price increases, assist investors in understanding the impact of fuel prices on the Company's operations, without regard to special items.

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### AMR CORPORATION NON-GAAP AND OTHER RECONCILIATIONS (Unaudited)

| AMR Corporation<br>Impact of Special Items<br>(in millions, except per share amounts) | Twelve Months Ended<br>December 31, 2005 |          |
|---|--|----------|
|   | Amount                                   | EPS      |
| Net loss  | \$(861)                                  | \$(5.21) |
| Less: Impact of special items   | 180                                      | 1.09     |
| Net loss excluding special items  | \$(681)                                  | \$(4.12) |

| AMR Corporation<br>Impact of Special Items<br>(in millions, except per share amounts) | Twelve Months Ended<br>December 31, 2004 |          |
|---|--|----------|
|   | Amount                                   | EPS      |
| Net loss  | \$(761)                                  | \$(4.74) |
| Add: Impact of special items  | (135)                                    | (0.84)   |
| Net loss excluding special items  | \$(896)                                  | \$(5.58) |

| AMR Corporation<br>Impact of Special Items on Operating Earnings<br>(in millions, except per share amounts) | Twelve Months Ended<br>December 31 |         |
|---|------------------------------------|---------|
|   | 2005                               | 2004    |
| Operating income (loss)   | \$(93)                             | \$(144) |
| Less: Impact of special items (1)   | 193                                | 11      |
| Operating income (loss) excluding special items   | \$100                              | \$(133) |

(1) Certain special items in 2005 and 2004 did not impact operating earnings.

Note: The Company believes the operating income/(loss) and net loss excluding special items assists investors in understanding the impact of the special items on the Company's financial results.

Current AMR Corp. news releases can be accessed on the  
Internet.

The address is: <http://www.aa.com>