

American Airlines Group Inc.
Form 10-Q
July 24, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Quarterly Period Ended June 30, 2015**

.. **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

American Airlines Group Inc.

(Exact name of registrant as specified in its charter)

Delaware

75-1825172
(I.R.S. Employer Identification No.)

(State or other jurisdiction of incorporation or organization)

4333 Amon Carter Blvd., Fort Worth, Texas 76155
(Address of principal executive offices, including zip code)

(817) 963-1234

(Registrant's telephone number, including area code)

Commission file number 1-2691

American Airlines, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

13-1502798

(I.R.S. Employer Identification No.)

4333 Amon Carter Blvd., Fort Worth, Texas 76155
(Address of principal executive offices, including zip code)

(817) 963-1234

(Registrant's telephone number, including area code)

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.

American Airlines Group Inc.

Yes No

American Airlines, Inc.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

American Airlines Group Inc.

Yes No

American Airlines, Inc.

Yes No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of accelerated filer, large accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

American Airlines Group Inc. Large Accelerated Filer Accelerated Filer Non-accelerated Filer Smaller Reporting Company

American Airlines, Inc. Large Accelerated Filer Accelerated Filer Non-accelerated Filer Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

American Airlines Group Inc. Yes No

American Airlines, Inc. Yes No

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

American Airlines Group Inc. Yes No

American Airlines, Inc. Yes No

As of July 17, 2015, there were 671,820,576 shares of American Airlines Group Inc. common stock outstanding.

As of July 17, 2015, there were 1,000 shares of American Airlines, Inc. common stock outstanding, all of which were held by American Airlines Group Inc.

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American Airlines Group Inc.

American Airlines, Inc.

Form 10-Q

Quarterly Period Ended June 30, 2015

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This combined Quarterly Report on Form 10-Q is filed by American Airlines Group Inc. (formerly named AMR Corporation) (AAG) and its wholly-owned subsidiary American Airlines, Inc. (American). References in this Quarterly Report on Form 10-Q to we, us, our, the Company and similar terms refer to AAG and its consolidated subsidiaries. As more fully described below, on December 9, 2013, a subsidiary of AMR Corporation merged with and into US Airways Group, Inc. (US Airways Group), which survived as a wholly-owned subsidiary of AAG (the Merger). AMR or AMR Corporation refers to the Company during the period of time prior to its emergence from Chapter 11 and its acquisition of US Airways Group. References in this Quarterly Report on Form 10-Q to mainline refer to the operations of American and US Airways, Inc., as applicable, and exclude regional operations.

Note Concerning Forward-Looking Statements

Certain of the statements contained in this report should be considered forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements may be identified by words such as may, will, expect, intend, anticipate, believe, estimate, plan, project, could, should, target, guidance, outlook, if current trends continue, optimistic, forecast and other similar words. Such statements include, but are not limited to, statements about the benefits of the Merger, including future financial and operating results, our plans, objectives, expectations and intentions, and other statements that are not historical facts, such as, without limitation, statements that 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. These forward-looking statements are based on our current objectives, beliefs and expectations, and they are subject to significant risks and uncertainties that may cause actual results and financial position and timing of certain events to differ materially from the information in the forward-looking statements. These risks and uncertainties include, but are not limited to, those described below under Part II, Item 1A. Risk Factors and the following: significant operating losses in the future; downturns in economic conditions that adversely affect our business; the impact of continued periods of high volatility in fuel costs, increased fuel prices and significant disruptions in the supply of aircraft fuel; competitive practices in the industry, including the impact of low cost carriers, airline alliances and industry consolidation; the challenges and costs of integrating operations and realizing anticipated synergies and other benefits of the Merger; our substantial indebtedness and other obligations and the effect they could have on our business and liquidity; an inability to obtain sufficient financing or other capital to operate successfully and in accordance with our current business plan; increased costs of financing, a reduction in the availability of financing and fluctuations in interest rates; the effect our high level of fixed obligations may have on our ability to fund general corporate requirements, obtain additional financing and respond to competitive developments and adverse economic and industry conditions; our significant pension and other post-employment benefit funding obligations; the impact of any failure to comply with the covenants contained in financing arrangements; provisions in credit card processing and other commercial agreements that may materially reduce our liquidity; the impact of union disputes, employee strikes and other labor-related disruptions; any inability to maintain labor costs at competitive levels; interruptions or disruptions in service at one or more of our hub airports; costs of ongoing data security compliance requirements and the impact of any significant data security breach; any inability to obtain and maintain adequate facilities, infrastructure and Slots to operate our flight schedule and expand or change our route network; our reliance on third-party regional operators or third-party service providers that have the ability to affect our revenue and the public's perception about our services; any inability to effectively manage the costs, rights and functionality of third-party distribution channels on which we rely; extensive government regulation, which may result in increases in our costs, disruptions to our operations, limits on our operating flexibility, reductions in the demand for air travel, and competitive disadvantages; the impact of the heavy taxation on the airline industry; changes to our business model that may not successfully increase revenues and may cause operational difficulties or decreased demand; the loss of key personnel or inability to attract and retain additional qualified personnel; the impact of conflicts overseas, terrorist attacks and ongoing security concerns; the global scope of our business and any associated economic and political instability or adverse effects of events, circumstances or government actions beyond our control, including the impact

of foreign currency exchange rate fluctuations and limitations on the repatriation of cash held in foreign countries; the impact of environmental regulation; our reliance on technology and automated systems and the impact of any failure of these technologies or systems; challenges in integrating our computer, communications and other technology systems; losses and adverse publicity stemming from any accident involving any of our aircraft or the aircraft of our regional or codeshare operators; delays in scheduled aircraft deliveries, or other loss of anticipated fleet capacity, and failure of new aircraft to perform as expected; our dependence on a limited number of suppliers for aircraft, aircraft engines and parts; the impact of changing economic and other conditions beyond our control, including global events that affect travel behavior such as an outbreak of a contagious disease, and volatility and fluctuations in our results of operations due to seasonality; the effect of a higher than normal number of pilot retirements and a potential shortage of pilots; the impact of possible future increases in insurance costs or reductions in available insurance coverage; the effect of a lawsuit that was filed in connection with the Merger remains pending; an inability to use net operating losses (NOLs) carried over from prior taxable years (NOL Carryforwards); any impairment in the amount of goodwill we recorded as a result of the application of the acquisition method of accounting and an inability to realize the full value of AAG's and American's respective intangible or long-lived assets and any material impairment charges that would be recorded as a result; price volatility of our common stock; the effects of our capital deployment program and the limitation, suspension or discontinuation of our share repurchase program or dividend payments thereunder; delay or prevention of stockholders' ability to change the composition of our Board of Directors and the effect this may have on takeover attempts that some of our stockholders might consider beneficial; the effect of provisions of our Restated Certificate

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of Incorporation (the Certificate of Incorporation) and Amended and Restated Bylaws (the Bylaws) that limit ownership and voting of our equity interests, including our common stock; the effect of limitations in our Certificate of Incorporation on acquisitions and dispositions of our common stock designed to protect our NOL Carryforwards and certain other tax attributes, which may limit the liquidity of our common stock; other economic, business, competitive, and/or regulatory factors affecting our business, including those set forth in this Quarterly Report on Form 10-Q (especially in Part II, Item 1A. Risk Factors and Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations) and in our other filings with the Securities and Exchange Commission (the SEC), and other risks and uncertainties listed from time to time in our filings with the SEC.

All of the forward-looking statements are qualified in their entirety by reference to the factors discussed in Part II, Item 1A. Risk Factors and elsewhere in this report. There may be other factors of which we are not currently aware that may affect matters discussed in the forward-looking statements and may also cause actual results to differ materially from those discussed. We do not assume any obligation to publicly update or supplement any forward-looking statement to reflect actual results, changes in assumptions or changes in other factors affecting such statements other than as required by law. Forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q or as of the dates indicated in the statements.

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PART I: FINANCIAL INFORMATION

This combined Quarterly Report on Form 10-Q is filed by both AAG and American and includes the condensed consolidated financial statements of each company in Item 1A and Item 1B, respectively.

Table of Contents**ITEM 1A. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES GROUP INC.****AMERICAN AIRLINES GROUP INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(In millions, except shares and per share amounts)(Unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Operating revenues:				
Mainline passenger	\$ 7,655	\$ 8,213	\$ 14,644	\$ 15,471
Regional passenger	1,759	1,707	3,211	3,114
Cargo	194	221	388	428
Other	1,219	1,214	2,411	2,338
Total operating revenues	10,827	11,355	20,654	21,351
Operating expenses:				
Aircraft fuel and related taxes	1,774	2,830	3,318	5,541
Salaries, wages and benefits	2,364	2,163	4,737	4,282
Regional expenses	1,557	1,657	3,019	3,251
Maintenance, materials and repairs	502	514	995	999
Other rent and landing fees	451	441	859	866
Aircraft rent	316	312	633	631
Selling expenses	350	402	686	804
Depreciation and amortization	340	319	676	626
Special items, net	144	251	447	114
Other	1,108	1,067	2,147	2,108
Total operating expenses	8,906	9,956	17,517	19,222
Operating income	1,921	1,399	3,137	2,129
Nonoperating income (expense):				
Interest income	10	8	19	15
Interest expense, net of capitalized interest	(223)	(214)	(432)	(457)
Other, net	11	11	(62)	9
Total nonoperating expense, net	(202)	(195)	(475)	(433)
Income before income taxes	1,719	1,204	2,662	1,696
Income tax provision	15	340	26	353
Net income	\$ 1,704	\$ 864	\$ 2,636	\$ 1,343

Earnings per share:

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Basic	\$	2.47	\$	1.20	\$	3.81	\$	1.86
Diluted	\$	2.41	\$	1.17	\$	3.70	\$	1.82
Weighted average shares outstanding (in thousands):								
Basic		688,727		720,600		692,571		722,286
Diluted		707,611		734,767		712,270		738,051
Cash dividends declared per common share	\$	0.10	\$		\$	0.20	\$	

See accompanying notes to condensed consolidated financial statements.

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AMERICAN AIRLINES GROUP INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)(Unaudited)

	Three Months Ended June 30		Six Months Ended June 30,	
	2015	2014	2015	2014
Net income	\$ 1,704	\$ 864	\$ 2,636	\$ 1,343
Other comprehensive income (loss), before tax:				
Defined benefit pension plans and retiree medical	(26)	(59)	(52)	(104)
Derivative financial instruments:				
Change in fair value		13		(54)
Reclassification into earnings	(3)	5	(9)	12
Unrealized gain (loss) on investments:				
Net change in value	(1)			2
Other comprehensive loss before tax	(30)	(41)	(61)	(144)
Reversal of non-cash tax provision		330		330
Comprehensive income	\$ 1,674	\$ 1,153	\$ 2,575	\$ 1,529

See accompanying notes to condensed consolidated financial statements.

Table of Contents**AMERICAN AIRLINES GROUP INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(In millions, except shares and per share amounts)**

	June 30, 2015	December 31, 2014
	(Unaudited)	
ASSETS		
Current assets		
Cash	\$ 952	\$ 994
Short-term investments	7,967	6,309
Restricted cash and short-term investments	747	774
Accounts receivable, net	1,892	1,771
Aircraft fuel, spare parts and supplies, net	1,069	1,004
Prepaid expenses and other	1,482	1,260
Total current assets	14,109	12,112
Operating property and equipment		
Flight equipment	30,829	28,213
Ground property and equipment	6,132	5,900
Equipment purchase deposits	1,124	1,230
Total property and equipment, at cost	38,085	35,343
Less accumulated depreciation and amortization	(12,797)	(12,259)
Total property and equipment, net	25,288	23,084
Other assets		
Goodwill	4,091	4,091
Intangibles, net of accumulated amortization of \$478 and \$447, respectively	2,274	2,240
Other assets	2,106	2,244
Total other assets	8,471	8,575
Total assets	\$ 47,868	\$ 43,771
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Current maturities of long-term debt and capital leases	\$ 1,642	\$ 1,708
Accounts payable	1,683	1,377
Accrued salaries and wages	1,040	1,194
Air traffic liability	5,664	4,252
Frequent flyer liability	2,745	2,807
Other accrued liabilities	2,271	2,097

Total current liabilities	15,045	13,435
Noncurrent liabilities		
Long-term debt and capital leases, net of current maturities	17,152	16,196
Pension and postretirement benefits	7,477	7,562
Deferred gains and credits, net	746	829
Bankruptcy settlement obligations	208	325
Other liabilities	3,604	3,403
Total noncurrent liabilities	29,187	28,315
Commitments and contingencies		
Stockholders equity		
Common stock, \$0.01 par value; 1,750,000,000 shares authorized, 678,288,983 shares issued and outstanding at June 30, 2015; 697,474,535 shares issued and outstanding at December 31, 2014	7	7
Additional paid-in capital	14,319	15,135
Accumulated other comprehensive loss	(4,620)	(4,559)
Accumulated deficit	(6,070)	(8,562)
Total stockholders equity	3,636	2,021
Total liabilities and stockholders equity	\$ 47,868	\$ 43,771

See accompanying notes to condensed consolidated financial statements.

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AMERICAN AIRLINES GROUP INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)(Unaudited)

	Six Months Ended June 30,	
	2015	2014
Net cash provided by operating activities	\$ 4,841	\$ 2,637
Cash flows from investing activities:		
Capital expenditures and aircraft purchase deposits	(3,139)	(2,678)
Purchases of short-term investments	(5,093)	(1,861)
Sales of short-term investments	3,436	1,723
Decrease in restricted cash and short-term investments	27	153
Net proceeds from slot transaction		307
Proceeds from sale of an investment	52	
Proceeds from sale of property and equipment	22	9
Net cash used in investing activities	(4,695)	(2,347)
Cash flows from financing activities:		
Payments on long-term debt and capital leases	(1,107)	(1,145)
Proceeds from issuance of long-term debt	1,996	534
Deferred financing costs	(40)	(7)
Sale-leaseback transactions		411
Exercise of stock options		9
Treasury stock repurchases	(931)	(28)
Dividend payment	(140)	
Other financing activities	34	6
Net cash used in financing activities	(188)	(220)
Net increase (decrease) in cash	(42)	70
Cash at beginning of period	994	1,140
Cash at end of period	\$ 952	\$ 1,210
Non-cash investing and financing activities:		
Settlement of bankruptcy obligations	\$ 35	\$ 5,362
Capital lease obligations	5	361
Supplemental information:		
Interest paid, net of amounts capitalized	433	367
Income taxes paid	10	5

See accompanying notes to condensed consolidated financial statements.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES GROUP INC.

(Unaudited)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of American Airlines Group Inc. (AAG or the Company) should be read in conjunction with the consolidated financial statements contained in AAG's Annual Report on Form 10-K for the year ended December 31, 2014. The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Principal subsidiaries include American Airlines, Inc. (American) and US Airways Group, Inc. (US Airways Group). All significant intercompany transactions have been eliminated.

On December 9, 2013 (the Effective Date), AMR Merger Sub, Inc. (Merger Sub) merged with and into US Airways Group (the Merger), with US Airways Group surviving as a wholly-owned subsidiary of AAG, a Delaware corporation (formerly known as AMR Corporation) following the Merger. AMR or AMR Corporation refers to the Company during the period of time prior to its emergence from Chapter 11 and the Effective Date of the Merger.

Management believes that all adjustments necessary for the fair presentation of results, consisting of normally recurring items, have been included in the unaudited condensed consolidated financial statements for the interim periods presented. The preparation of financial statements in accordance with accounting principles generally accepted in the United States (GAAP) requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates. The most significant areas of judgment relate to passenger revenue recognition, impairment of goodwill, impairment of long-lived and intangible assets, the frequent flyer program, pensions, retiree medical and other benefits and the deferred tax asset valuation allowance.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 completes the joint effort by the FASB and International Accounting Standards Board (IASB) to improve financial reporting by creating common revenue recognition guidance for GAAP and International Financial Reporting Standards (IFRS). ASU 2014-09 applies to all companies that enter into contracts with customers to transfer goods or services. ASU 2014-09 is effective for public entities for interim and annual reporting periods beginning after December 15, 2016. On July 9, 2015, the FASB deferred the effective date of this new standard to December 15, 2017 for public entities. Early application is permitted, but not before interim and annual reporting periods beginning after December 15, 2016. Entities have the choice to apply ASU 2014-09 either retrospectively to each reporting period presented or by recognizing the cumulative effect of applying ASU 2014-09 at the date of initial application and not adjusting comparative information. The Company is currently evaluating the requirements of ASU 2014-09 and has not yet determined its impact on the Company's condensed consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. The update requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability instead of being presented as an asset. Debt disclosures will include the face amount of the debt liability and the effective

interest rate. The update requires retrospective application and represents a change in accounting principle. The update is effective for fiscal years beginning after December 15, 2015. Early adoption is permitted for financial statements that have not been previously issued. ASU 2015-03 is not expected to have a material impact on the Company's condensed consolidated financial statements.

2. Emergence from Chapter 11 and Merger with US Airways Group

Chapter 11 Reorganization

On November 29, 2011 (the Petition Date), AMR Corporation (AMR, renamed American Airlines Group Inc., upon the closing of the Merger), its principal subsidiary, American, and certain of AMR's other direct and indirect domestic subsidiaries (collectively, the Debtors), filed voluntary petitions for relief (the Chapter 11 Cases) under Chapter 11 of the United States Bankruptcy Code (the Bankruptcy Code) in the United States Bankruptcy Court for the Southern District of New York (the Bankruptcy Court). On October 21, 2013, the Bankruptcy Court entered an order (the Confirmation Order) approving and confirming the Debtors' fourth amended joint plan of reorganization (as amended, the Plan).

On the Effective Date, the Debtors consummated their reorganization pursuant to the Plan, principally through the transactions contemplated by an Agreement and Plan of Merger (as amended, the Merger Agreement), dated as of February 13, 2013, by and among AMR, Merger Sub and US Airways Group, pursuant to which Merger Sub merged with and into US Airways Group, with US Airways Group surviving as a wholly-owned subsidiary of the Company following the Merger.

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES
GROUP INC.**

(Unaudited)

From the Petition Date through the Effective Date, pursuant to automatic stay provisions under the Bankruptcy Code and orders granted by the Bankruptcy Court, all actions to enforce or otherwise effect repayment of liabilities preceding the Petition Date as well as all pending litigation against the Debtors generally were stayed. Following the Effective Date, actions to enforce or otherwise effect repayment of liabilities preceding the Petition Date generally have been permanently enjoined. Any unresolved claims will continue to be subject to the claims reconciliation process under the supervision of the U.S. Bankruptcy Court. However, certain pending litigation related to pre-petition liabilities may proceed in courts other than the U.S. Bankruptcy Court to the extent the parties to such litigation have obtained relief from the permanent injunction.

In connection with the Chapter 11 Cases, trading in AMR's common stock and certain debt securities on the New York Stock Exchange (NYSE) was suspended on January 5, 2012, and AMR's common stock and such debt securities were delisted by the SEC from the NYSE on January 30, 2012. On January 5, 2012, AMR's common stock began trading under the symbol AAMRQ (CUSIP 001765106) on the OTCQB marketplace, operated by OTC Markets Group. Pursuant to the Plan, on the Effective Date (i) all existing shares of AAG's old common stock formerly traded under the symbol AAMRQ were canceled and (ii) the Company was authorized to issue up to approximately 544 million shares of common stock, par value \$0.01 per share, of AAG (AAG Common Stock) by operation of the Plan (excluding shares of AAG Common Stock issuable pursuant to the Merger Agreement). On the Effective Date, the AAG Common Stock was listed on the NASDAQ Global Select Market under the symbol AAL, and AAMRQ ceased trading on the OTCQB marketplace.

Upon emergence from Chapter 11, AAG issued approximately 53 million shares of AAG Common Stock to AMR's old equity holders and certain of the Debtors' employees, and issued 168 million shares of AAG Series A Convertible Preferred Stock, par value \$0.01 per share (the AAG Series A Preferred Stock), which was mandatorily convertible into new AAG Common Stock during the 120-day period after the Effective Date, to certain creditors and employees of the Debtors (including shares deposited in the Disputed Claims Reserve (as defined in the Plan)). In accordance with the terms of the Plan, former holders of AMR common stock (previously traded under the symbol AAMRQ) received, for each share of AMR common stock, an initial distribution of approximately 0.0665 shares of the AAG Common Stock as of the Effective Date. Following the Effective Date, former holders of AMR common stock and those deemed to be treated as such in connection with the elections made pursuant to the Plan have received through December 31, 2014, additional aggregate distributions of shares of AAG Common Stock of approximately 0.6776 shares of AAG Common Stock for each share of AMR common stock previously held, and may continue to receive additional distributions. As of the Effective Date, the adjusted total Double-Dip General Unsecured Claims (as defined in the Plan) were approximately \$2.5 billion and the Allowed Single-Dip General Unsecured Claims (as defined in the Plan) were approximately \$2.5 billion.

The Disputed Claims Reserve established under the Plan initially was issued 30.4 million shares, which shares are reserved for distributions to holders of disputed Single-Dip Unsecured Claims (Single-Dip Equity Obligations) whose claims ultimately become allowed as well as to certain AMR labor groups and employees who received a deemed claim amount based upon a fixed percentage of the distributions to be made to general unsecured claimholders. As of December 31, 2014, the Disputed Claims Reserve held 26.8 million shares of AAG Common Stock pending distribution of those shares in accordance with the Plan. On February 10, 2015, approximately 0.8 million shares of

AAG Common Stock held in the Disputed Claims Reserve were distributed to holders of allowed Single-Dip Unsecured Claims, to holders of certain labor-related deemed claims, and to holders of certain non-management, non-union employee deemed claims as specified in the Plan, and the Company repurchased less than 0.1 million shares of AAG Common Stock for an aggregate of \$4 million from the Disputed Claims Reserve at the then-prevailing market price in order to fund cash tax obligations resulting from this distribution. As of June 30, 2015, there were approximately 26.0 million shares of AAG Common Stock remaining in the Disputed Claims Reserve. On July 14, 2015, approximately 0.6 million shares of AAG Common Stock held in the Disputed Claims Reserve were distributed to holders of allowed Single-Dip Unsecured Claims, to holders of certain labor-related deemed claims, and to holders of certain non-management, non-union employee deemed claims as specified in the Plan, and the Company repurchased 0.1 million shares of AAG Common Stock for an aggregate of \$2 million from the Disputed Claims Reserve at the then-prevailing market price in order to fund cash tax obligations resulting from this distribution. As disputed claims are resolved, the claimants will receive distributions of shares from the Disputed Claims Reserve on the same basis as if such distributions had been made on or about the Effective Date. To the extent that any of the reserved shares remain undistributed upon resolution of all remaining disputed claims, such shares will not be returned to the Company but rather will be distributed to former AMR shareholders as of the Effective Date. The Company is not required to distribute additional shares above the limits contemplated by the Plan.

Several parties have filed appeals seeking reconsideration of the Confirmation Order. See Note 13 for more information.

The reconciliation process with respect to the remaining claims is expected to take considerable time. The Company's estimate of the amounts of disputed claims that will ultimately become allowed Single-Dip Unsecured Claims are included in bankruptcy settlement obligations on the Company's condensed consolidated balance sheet as of June 30, 2015. As these claims are resolved, or where better information becomes available and is evaluated, the Company will make adjustments to the liabilities recorded on its condensed consolidated financial statements as appropriate. Any such adjustments could be material to the Company's financial position or results of operations in any given period.

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES GROUP INC.****(Unaudited)*****Merger***

Pursuant to the Merger Agreement and consistent with the Plan, each share of common stock, par value \$0.01 per share, of US Airways Group (the US Airways Group Common Stock) was converted into the right to receive one share of AAG Common Stock. The aggregate number of shares of AAG Common Stock issuable in the Merger to holders of US Airways Group equity instruments (including stockholders, holders of convertible notes, optionees, and holders of restricted stock units (RSUs)) represented 28% of the diluted equity ownership of AAG. The remaining 72% diluted equity ownership in AAG (up to approximately 544 million shares) was or is distributable, pursuant to the Plan, to stakeholders, labor unions, certain employees of AMR and the other Debtors, and former holders of AMR common stock (previously traded under the symbol AAMRQ) such that the aggregate number of shares of AAG Common Stock issuable under the Plan will not exceed 72% of the diluted equity ownership of AAG as of the time of the Merger.

Availability and Utilization of Net Operating Losses

Upon emergence from bankruptcy, the Debtors experienced an ownership change as defined in Section 382 of the Internal Revenue Code of 1986, as amended (Section 382), which could potentially limit the ability to utilize certain tax attributes including the Debtors' substantial net operating losses (NOLs). The general limitation rules for a debtor in a bankruptcy case are liberalized where the ownership change occurs upon emergence from bankruptcy. The Debtors elected to be covered by certain special rules for federal income tax purposes that permit approximately \$9.0 billion of the federal NOL Carryforwards to be utilized without regard to the annual limitation generally imposed by Section 382.

Moreover, an ownership change subsequent to the Debtors' emergence from bankruptcy may further limit or effectively eliminate the ability to utilize the Debtors' NOL Carryforwards and other tax attributes. To reduce the risk of a potential adverse effect on the Debtors' ability to utilize the NOL Carryforwards, AAG's Certificate of Incorporation contains transfer restrictions applicable to certain substantial shareholders. Although the purpose of these transfer restrictions is to prevent an ownership change from occurring, there can be no assurance that an ownership change will not occur even with these transfer restrictions. A copy of AAG's Certificate of Incorporation was attached as Exhibit 3.1 to a Current Report on Form 8-K filed by the Company with the SEC on December 9, 2013.

3. Bankruptcy Settlement Obligations

The components of bankruptcy settlement obligations on the condensed consolidated balance sheets are as follows (in millions):

	June 30, 2015	December 31, 2014
Single-Dip Equity Obligations	\$ 159	\$ 248

Labor-related deemed claim		49		77
Total		\$ 208	\$	325

The amount of the remaining Single-Dip Equity Obligations at June 30, 2015 is the Company's estimate of its obligation for disputed claims of \$159 million and is calculated based on the fair value of the shares expected to be issued, measured as if the obligations were settled using the closing price of AAG Common Stock at June 30, 2015. Additional allowed claims will receive 30.7553 shares, subject to reduction for expenses of the Disputed Claims Reserve, including tax liabilities, for each \$1,000 of allowed claims. For accounting purposes, the value of the shares expected to be issued is marked-to-market each period until issued. Accordingly, changes in the value of AAG Common Stock could result in future increases and decreases in this obligation.

In exchange for employees' contributions to the successful reorganization of the Company, including agreeing to reductions in pay and benefits, the Company agreed in the Plan to provide each employee group a deemed claim which was used to provide a distribution of a portion of the equity of the reorganized entity to those employees. Each employee group received a deemed claim amount based upon a fixed percentage of the distributions to be made to general unsecured claimholders. The fair value based on the expected number of shares to be distributed to satisfy this deemed claim, as adjusted, was approximately \$1.5 billion. As of June 30, 2015, the remaining liability to certain AMR labor groups and employees of \$49 million represents the estimated fair value of the remaining shares expected to be issued in satisfaction of such obligation, measured as if the obligation was settled using the closing price of AAG Common Stock at June 30, 2015. For accounting purposes, the value of the remaining shares expected to be issued to satisfy the labor claim is marked-to-market each period until issued. Accordingly, changes in the value of AAG Common Stock could result in future increases and decreases in this obligation.

On February 10, 2015 and July 14, 2015, approximately 0.8 million and 0.6 million shares, respectively, of AAG Common Stock held in the Disputed Claims Reserve were distributed to holders of allowed Single-Dip Unsecured Claims, to holders of certain labor-related deemed claims and to holders of certain non-management, non-union employee deemed claims as specified in the Plan, and 0.1 million shares were withheld or sold on account of related tax obligations.

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Special items, net on the condensed consolidated statements of operations are as follows (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Mainline operating special items, net ^(a)	\$ 144	\$ 251	\$ 447	\$ 114

^(a) The 2015 second quarter mainline operating special items totaled a net charge of \$144 million, which principally included \$221 million of merger integration expenses related to information technology, professional fees, severance, share-based compensation, fleet restructuring, re-branding of aircraft and airport facilities, relocation and training. These charges were offset in part by a net \$68 million credit for bankruptcy related items primarily consisting of fair value adjustments for bankruptcy settlement obligations. The 2015 six month period mainline operating special items totaled a net charge of \$447 million, which principally included \$437 million of merger integration expenses as described above and a net \$99 million charge related to the Company's new pilot joint collective bargaining agreement. These charges were offset in part by a net \$73 million credit for bankruptcy related items primarily consisting of fair value adjustments for bankruptcy settlement obligations.

The 2014 second quarter mainline operating special items totaled a net charge of \$251 million, which principally included \$163 million of merger integration expenses related to information technology, professional fees, severance, share-based compensation, re-branding of aircraft and airport facilities, relocation and training as well as a net \$38 million charge for bankruptcy related items primarily consisting of fair value adjustments for bankruptcy settlement obligations and \$37 million in charges related to the buyout of leases associated with certain aircraft. The 2014 six month period mainline operating special items totaled a net charge of \$114 million, which principally included \$365 million of merger integration expenses, \$40 million in charges primarily related to the buyout of leases associated with certain aircraft and a net \$5 million charge for bankruptcy related items, all as described above. These charges were offset in part by a \$309 million gain on the sale of Slots at Ronald Reagan Washington National Airport.

The following additional amounts are also included in the condensed consolidated statements of operations as follows (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Regional operating special items, net ^(a)	\$ 10	\$ 2	\$ 18	\$ 6
Nonoperating special items, net ^(b)	(11)	2	(19)	50
Income tax special items, net ^(c)	7	337	16	345

- (a) The 2015 and 2014 second quarter and six month period regional operating special items principally related to merger integration expenses.
- (b) The 2015 second quarter nonoperating special items totaled a net credit of \$11 million and primarily included a \$22 million gain associated with the sale of an investment, offset in part by \$11 million in charges principally related to non-cash write offs of unamortized debt discount and debt issuance costs associated with refinancing the Company's secured term loan facilities. The 2015 six month period nonoperating special items totaled a net credit of \$19 million and principally included the \$22 million gain associated with the sale of an investment as described above and a \$17 million early debt extinguishment gain associated with the repayment of American's AAdvantage loan with Citibank. These special credits were offset in part by \$20 million in charges principally related to non-cash write offs of unamortized debt discount and debt issuance costs associated with the debt refinancing as described above and the prepayment of certain aircraft financings.
- The 2014 second quarter and six month period nonoperating special items were primarily due to non-cash interest accretion of \$2 million and \$33 million, respectively, on bankruptcy settlement obligations.

- (c) The 2015 second quarter and six month period tax special items were the result of a non-cash deferred income tax provision related to certain indefinite-lived intangible assets.

During the 2014 second quarter, the Company sold its portfolio of fuel hedging contracts that were scheduled to settle on or after June 30, 2014. In connection with this sale, the Company recorded a special non-cash tax provision of \$330 million in the second quarter of 2014 that reversed the non-cash tax provision which was recorded in other comprehensive income (OCI), a subset of stockholders' equity, principally in 2009. This provision represents the tax effect associated with gains recorded in OCI principally in 2009 due to a net increase in the fair value of the Company's fuel hedging contracts. In accordance with GAAP, the Company retained the \$330 million tax provision in OCI until the last contract was settled or terminated. In addition, the Company recorded a special \$7 million non-cash deferred income tax provision related to certain indefinite-lived intangible assets

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in the 2014 second quarter. The 2014 six month period included the \$330 million non-cash tax provision related to the settlement of fuel hedges discussed above as well as a special \$15 million non-cash deferred income tax provision related to certain indefinite-lived intangible assets.

5. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share (EPS) (in millions, except share and per share amounts in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Basic EPS:				
Net income	\$ 1,704	\$ 864	\$ 2,636	\$ 1,343
Weighted-average common shares outstanding (in thousands)	688,727	720,600	692,571	722,286
Basic EPS	\$ 2.47	\$ 1.20	\$ 3.81	\$ 1.86
Diluted EPS:				
Net income	\$ 1,704	\$ 864	\$ 2,636	\$ 1,343
Change in fair value of conversion feature on 7.25% convertible senior notes ^(a)		(2)		3
Net income for purposes of computing diluted EPS	\$ 1,704	\$ 862	\$ 2,636	\$ 1,346
Share computation for diluted earnings per share (in thousands):				
Weighted-average shares outstanding	688,727	720,600	692,571	722,286
Dilutive effect of stock awards	18,884	14,167	19,699	13,850
Assumed conversion of convertible senior notes				1,915
Weighted average common shares outstanding	707,611	734,767	712,270	738,051
Diluted EPS	\$ 2.41	\$ 1.17	\$ 3.70	\$ 1.82
The following were excluded from the calculation of diluted EPS (in thousands):				
Stock options, SARs and RSUs because inclusion would be antidilutive	905	582	453	307

- (a) In March 2014, the Company notified the holders of US Airways Group's 7.25% convertible senior notes that it had elected to settle all future conversions solely in cash instead of shares of AAG Common Stock in accordance with the related indenture. Thus, the diluted shares included the weighted average impact of the 7.25% convertible senior notes only for the period from January 1, 2014 to March 12, 2014. For purposes of computing diluted earnings per share under GAAP, the Company was required to adjust the numerator by the change in fair value of the conversion feature from March 12, 2014 to May 15, 2014, which decreased GAAP net income by \$2 million for the three months ended June 30, 2014 and increased GAAP net income by \$3 million for the six months ended June 30, 2014.

6. Share Repurchase Program and Dividend

On January 27, 2015, the Company announced that its Board of Directors had authorized a new \$2.0 billion share repurchase program to be completed by the end of 2016. Shares repurchased under the program may be made through a variety of methods, which may include open market purchases, privately negotiated transactions, block trades or accelerated share repurchase transactions. Any such repurchases will be made from time to time subject to market and economic conditions, applicable legal requirements and other relevant factors. The program does not obligate the Company to repurchase any specific number of shares and may be suspended at any time at the Company's discretion. During the three months ended June 30, 2015, the Company repurchased 17.3 million shares of AAG Common Stock for \$753 million at a weighted average cost per share of \$43.53. During the six months ended June 30, 2015, the Company repurchased 21.1 million shares of AAG Common Stock for \$943 million at a weighted average cost per share of \$44.60.

Also on January 27, 2015, the Company announced that its Board of Directors had declared a \$0.10 per share dividend for shareholders of record on February 9, 2015, and payable on February 23, 2015.

In April 2015, the Company announced that its Board of Directors had declared a \$0.10 per share dividend for shareholders of record on May 4, 2015, and payable on May 18, 2015.

The total cash payment for dividends during the three and six months ended June 30, 2015 was \$70 million and \$140 million, respectively. Any future dividends that may be declared and paid from time to time under the Company's capital deployment program will be subject to market and economic conditions, applicable legal requirements and other relevant factors. The Company's capital deployment program does not obligate it to continue a dividend for any fixed period, and payment of dividends may be suspended at any time at the Company's discretion.

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Long-term debt and capital lease obligations included in the condensed consolidated balance sheets consisted of (in millions):

	June 30, 2015	December 31, 2014
<i>Secured</i>		
2013 Credit Facilities, variable interest rate of 3.25%, installments through 2020	\$ 1,867	\$ 1,872
2014 Credit Facilities, variable interest rate of 3.50%, installments through 2021	750	750
2013 Citicorp Credit Facility tranche B-1, variable interest rate of 3.50%, installments through 2019	980	990
2013 Citicorp Credit Facility tranche B-2, variable interest rate of 3.00%, installments through 2016	588	594
Aircraft enhanced equipment trust certificates (EETCs), fixed interest rates ranging from 3.38% to 9.75%, maturing from 2015 to 2027	7,777	7,028
Equipment loans and other notes payable, fixed and variable interest rates ranging from 1.50% to 8.48%, maturing from 2015 to 2027	3,059	2,952
Special facility revenue bonds, fixed interest rates ranging from 5.00% to 8.50%, maturing from 2016 to 2035	1,111	1,100
AAdvantage Loan, effective rate of 8.30%		433
Other secured obligations, fixed interest rates ranging from 3.60% to 12.24%, maturing from 2015 to 2028	957	994
	17,089	16,713
<i>Unsecured</i>		
5.50% senior notes, interest only payments until due in 2019	750	750
6.125% senior notes, interest only payments until due in 2018	500	500
4.625% senior notes, interest only payments until due in 2020	500	
	1,750	1,250
Total long-term debt and capital lease obligations	18,839	17,963
Less: Total unamortized debt discount	45	59
Less: Current maturities	1,642	1,708

Long-term debt and capital lease obligations, net of current maturities	\$ 17,152	\$ 16,196
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2013 Credit Facilities

On May 21, 2015, American refinanced its \$1.9 billion term loan facility (the \$1.9 billion 2015 Term Loan Facility and, together with a \$1.4 billion revolving credit facility, the 2013 Credit Facilities) to extend the maturity date to June 29, 2020 and reduce the LIBOR margin from 3.00% to 2.75%. In addition, American entered into certain amendments to reflect the ability for American to make future modifications to the collateral pledged, subject to certain restrictions. The LIBOR margin under the \$1.9 billion 2015 Term Loan Facility may vary based on American's credit ratings, and on June 30, 2015 the LIBOR margin was further reduced to 2.50% due to an improvement in American's credit ratings.

2014 Credit Facilities

On April 20, 2015, American refinanced its \$750 million term loan facility (the \$750 million 2015 Term Loan Facility and, together with a \$400 million revolving credit facility, the 2014 Credit Facilities) to reduce the LIBOR margin from 3.50% to 3.00% and entered into certain amendments to reflect the release of certain existing collateral and the addition of certain new collateral, as well as the ability for American to make future modifications to the collateral pledged, subject to certain restrictions. The LIBOR margin under the \$750 million 2015 Term Loan Facility may vary based on American's credit ratings, and on June 30, 2015 the LIBOR margin was further reduced to 2.75% due to an improvement in American's credit ratings.

2015-1 EETCs

In March 2015, American created two pass-through trusts which issued approximately \$1.2 billion aggregate face amount of Series 2015-1 Class A and Class B EETCs in connection with the financing of 28 aircraft currently owned or scheduled to be delivered from July 2015 to September 2015 (the 2015 EETC Aircraft). The 2015-1 EETCs represent fractional undivided interests in the respective pass-through trusts and are not obligations of American. Proceeds received from the sale of EETCs are initially held by a depository in escrow for the benefit of the certificate holders until American issues equipment notes to the pass-through trusts, which purchase the notes with a portion of the escrowed funds. These escrowed funds are not guaranteed by American and are not reported as debt on the Company's condensed consolidated balance sheet because the proceeds held by the depository are not American's assets.

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GROUP INC.****(Unaudited)**

As of June 30, 2015, \$1.0 billion of the escrowed proceeds from the 2015-1 EETCs have been used to purchase equipment notes issued by American in two series: Series A equipment notes in the amount of \$796 million bearing interest at 3.375% per annum and Series B equipment notes in the amount of \$223 million bearing interest at 3.70% per annum. Interest and principal payments on the equipment notes are payable semi-annually in May and November of each year, beginning in November 2015. The final payments on the Series A and Series B equipment notes will be due in May 2027 and May 2023, respectively. These equipment notes are secured by liens on 19 of the 2015 EETC Aircraft. The remaining \$195 million of escrowed proceeds will be used to purchase equipment notes as the remaining nine new aircraft are delivered.

4.625% Senior Notes

In March 2015, the Company issued \$500 million aggregate principal amount of 4.625% senior notes due 2020 (the 4.625% senior notes). These notes bear interest at a rate of 4.625% per annum and are payable semi-annually in arrears on each March 1 and September 1, beginning on September 1, 2015. The 4.625% senior notes mature on March 1, 2020 and are fully and unconditionally guaranteed by American, US Airways Group and US Airways, Inc. (US Airways). The 4.625% senior notes are senior unsecured obligations of the Company. The indenture for the 4.625% senior notes contains covenants and events of default generally customary for similar financings. In addition, if the Company experiences specific kinds of changes of control, the Company must offer to repurchase the 4.625% senior notes in whole or in part at a repurchase price of 101% of the aggregate principal amount plus accrued and unpaid interest, if any, to (but not including) the repurchase date. Upon the occurrence of certain events of default, the 4.625% senior notes may be accelerated and become due and payable.

AAdvantage Loan

Effective January 2, 2015, American exercised its loan repayment right with respect to the full value of the outstanding balance of the AAdvantage Loan with Citibank for \$400 million. In connection with the repayment, in the first quarter of 2015, American recognized an early debt extinguishment gain of approximately \$17 million.

Obligations Associated with Special Facility Revenue Bonds

In December 2014, American acquired approximately \$112 million aggregate principal amount of special facility revenue bonds related to the Tulsa International Airport, when such bonds were mandatorily tendered to American. The acquisition of these bonds resulted in an \$11 million reduction of debt on the Company's consolidated balance sheet and a \$50 million reduction of a long-term operating lease obligation included in other long-term liabilities on the Company's consolidated balance sheet as of December 31, 2014. American exercised its option to remarket approximately \$104 million of these bonds in May 2015. The remarketed bonds will initially bear a coupon interest rate of 5% from the date of initial issuance and delivery of the bonds on May 27, 2015, until the day preceding June 1, 2025, on which date the bonds will be subject to mandatory tender. In connection with the remarketing of these special facility revenue bonds, American received cash proceeds of \$112 million and recognized a total obligation of \$62 million. Of that total obligation, \$11 million is reflected as a capital lease and \$51 million is reflected in other long-term liabilities on the Company's condensed consolidated balance sheet as of June 30, 2015.

In June 2015, American exercised its right to adjust the interest rate on approximately \$365 million aggregate principal amount of special facility revenue bonds, reflected as debt on the Company's condensed consolidated balance sheet related to the John F. Kennedy International Airport. In connection with the adjustment to a new interest rate, the bonds are required to be purchased by American on August 3, 2015. American is in the process of remarketing the bonds at the new interest rate. The remarketed bonds are expected to be subject to mandatory tender for purchase by American on August 1, 2016. As a result, American reclassified \$365 million to current maturities of long-term debt on its condensed consolidated balance sheet as of June 30, 2015.

Other Aircraft Financing Transactions

In the first six months of 2015, American prepaid \$72 million principal amount of outstanding debt secured by certain aircraft.

In the first six months of 2015, the Company entered into loan agreements to borrow \$465 million in connection with the financing of certain aircraft deliveries. The notes mature in 2025 through 2027 and bear interest at a rate of LIBOR plus an applicable margin.

8. Income Taxes

At December 31, 2014, the Company had approximately \$10.1 billion of gross NOL Carryforwards to reduce future federal taxable income, substantially all of which are expected to be available for use in 2015. The federal NOL Carryforwards will expire beginning

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in 2022 if unused. These NOL Carryforwards include an unrealized tax benefit of \$867 million related to the implementation of share-based compensation accounting guidance that will be recorded in equity when realized. The Company also had approximately \$4.6 billion of NOL Carryforwards to reduce future state taxable income at December 31, 2014, which will expire in years 2015 through 2034 if unused. The Company's ability to deduct its NOL Carryforwards and to utilize certain other available tax attributes can be substantially constrained under the general annual limitation rules of Section 382 where an ownership change has occurred. The Company experienced an ownership change in connection with its emergence from the Chapter 11 Cases, and US Airways Group experienced an ownership change in connection with the Merger. As a result of the Merger, US Airways Group is now included in the AAG consolidated federal and state income tax return. The general limitation rules of Section 382 for a debtor in a bankruptcy case are liberalized where the ownership change occurs upon emergence from bankruptcy. The Company elected to be covered by certain special rules for federal income tax purposes that permit approximately \$9.0 billion of its federal NOL Carryforwards to be utilized without regard to the Section 382 annual limitation rules. Substantially all of the Company's remaining federal NOL Carryforwards (attributable to US Airways Group) are subject to limitation under Section 382; however, the Company's ability to utilize such NOL Carryforwards is not anticipated to be effectively constrained as a result of such limitation. Similar limitations may apply for state income tax purposes. The Company's ability to utilize any new NOL Carryforwards arising after the ownership changes is not affected by the annual limitation rules imposed by Section 382 unless another ownership change occurs.

At December 31, 2014, the Company had an Alternative Minimum Tax (AMT) credit carryforward of approximately \$341 million available for federal income tax purposes, which is available for an indefinite period. The Company's net deferred tax assets, which include the NOL Carryforwards, are subject to a full valuation allowance. At December 31, 2014, the federal and state valuation allowances were \$4.5 billion and \$264 million, respectively. In accordance with GAAP, utilization of the NOL Carryforwards after December 9, 2013 will result in a corresponding decrease in the valuation allowance and offset the Company's tax provision dollar for dollar.

The Company provides a valuation allowance for deferred tax assets when it is more likely than not that some portion, or all of its deferred tax assets, will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. The Company considers all available positive and negative evidence and makes certain assumptions. The Company considers many factors in evaluating the realizability of its deferred tax assets including risks associated with merger integration as well as other factors, which continue to be affected by conditions beyond its control, such as the condition of the economy, the level and volatility of fuel prices and travel demand. The Company has concluded as of June 30, 2015 that the valuation allowance was still needed on its deferred tax asset based on the weight of the factors described above.

For the three and six months ended June 30, 2015, the Company recorded a special \$7 million and \$16 million, respectively, non-cash deferred income tax provision related to certain indefinite-lived intangible assets. In addition, for the three and six months ended June 30, 2015, the Company recorded \$8 million and \$10 million, respectively, of state and international income tax expense related to certain states and other jurisdictions where NOLs were limited or unavailable to be used.

During the second quarter of 2014, the Company sold its portfolio of fuel hedging contracts that were scheduled to settle on or after June 30, 2014. In connection with this sale, the Company recorded a special non-cash tax provision of \$330 million in the statement of operations for the second quarter of 2014 that reversed the non-cash tax provision which was recorded in OCI, a subset of stockholders' equity, principally in 2009. This provision represents the tax effect associated with gains recorded in OCI principally in 2009 due to a net increase in the fair value of the Company's fuel hedging contracts. In accordance with GAAP, the Company retained the \$330 million tax provision in OCI until the last contract was settled or terminated. In addition, the Company recorded a special \$7 million non-cash deferred income tax provision related to certain indefinite-lived intangible assets in the 2014 second quarter. The 2014 six month period included the \$330 million non-cash tax provision related to the settlement of fuel hedges discussed above as well as a special \$15 million non-cash deferred income tax provision related to certain indefinite-lived intangible assets.

For the three and six months ended June 30, 2014, the Company recorded \$3 million and \$8 million, respectively, of state and international income tax expense related to certain states and other jurisdictions where NOLs were limited or unavailable to be used.

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The Company utilizes the market approach to measure fair value for its financial assets and liabilities. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The Company's short-term investments classified as Level 2 primarily utilize broker quotes in a non-active market for valuation of these securities. No changes in valuation techniques or inputs occurred during the six months ended June 30, 2015.

Assets and liabilities measured at fair value on a recurring basis are summarized below (in millions):

	Fair Value Measurements as of June 30, 2015			
	Total	Level 1	Level 2	Level 3
Short-term investments ^{(1), (2)} :				
Money market funds	\$ 376	\$ 376	\$	\$
Repurchase agreements	43		43	
Corporate obligations	4,512		4,512	
Bank notes / certificates of deposit / time deposits	3,036		3,036	
	7,967	376	7,591	
Restricted cash and short-term investments ⁽¹⁾	747	747		
Total	\$ 8,714	\$ 1,123	\$ 7,591	\$

(1) Unrealized gains or losses on short-term investments and restricted cash and short-term investments are recorded in accumulated other comprehensive loss at each measurement date.

(2) All short-term investments are classified as available-for-sale and stated at fair value. In addition, all short-term investments mature in one year or less except for \$1.0 billion of corporate obligations and \$1.6 billion of bank notes/certificates of deposit/time deposits.

There were no Level 1 to Level 2 transfers during the six months ended June 30, 2015.

Venezuela Cash and Short-term Investments

As of June 30, 2015, the Company had approximately \$629 million of unrestricted cash and short-term investments held in Venezuelan bolivars. This balance includes approximately \$621 million valued at 6.3 bolivars to the U.S. dollar and approximately \$8 million valued at 12.8 bolivars to the U.S. dollar, with the rate depending on the date the

Company submitted its repatriation request to the Venezuelan government. These rates are materially more favorable than the exchange rates currently prevailing for other transactions conducted outside of the Venezuelan government's currency exchange system.

During 2014, the Company significantly reduced capacity in the Venezuelan market and is no longer accepting bolivars as payment for airline tickets. The Company is monitoring this situation closely and continues to evaluate its holdings of Venezuelan bolivars for additional foreign currency losses or other accounting adjustments, which could be material, particularly in light of the additional uncertainty posed by the recent changes to the foreign exchange regulations and the continued deterioration of economic conditions in Venezuela. More generally, fluctuations in foreign currencies, including devaluations, cannot be predicted by the Company and can significantly affect the value of the Company's assets located outside the United States. These conditions, as well as any further delays, devaluations or imposition of more stringent repatriation restrictions, may materially adversely affect the Company's business, results of operations and financial condition. See Part II, Item 1A. Risk Factors *We operate a global business with international operations that are subject to economic and political instability and have been, and in the future may continue to be, adversely affected by numerous events, circumstances or government actions beyond our control* for additional discussion of this and other currency risks.

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The fair value of the Company's long-term debt was estimated using quoted market prices or discounted cash flow analyses, based on the Company's current estimated incremental borrowing rates for similar types of borrowing arrangements. If the Company's long-term debt was measured at fair value, it would have been classified as Level 2 in the fair value hierarchy.

The carrying value and estimated fair value of the Company's long-term debt, including current maturities, were as follows (in millions):

	June 30, 2015		December 31, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt, including current maturities	\$ 18,794	\$ 19,271	\$ 17,904	\$ 18,542

10. Retirement Benefits

The following tables provide the components of net periodic benefit cost (in millions):

Three Months Ended June 30,	Pension Benefits		Retiree Medical and Other Benefits	
	2015	2014	2015	2014
Service cost	\$ 1	\$ 2	\$ 1	\$ 1
Interest cost	184	185	13	16
Expected return on assets	(213)	(197)	(5)	(5)
Settlements	1	1		
Amortization of:				
Prior service cost (benefit) ⁽¹⁾	7	7	(61)	(59)
Unrecognized net loss (gain)	28	12	(2)	(2)
Net periodic benefit cost (income)	\$ 8	\$ 10	\$ (54)	\$ (49)

⁽¹⁾ The 2015 second quarter prior service cost does not include amortization of \$1 million related to other post-employment benefits.

Six Months Ended June 30,	Pension Benefits		Retiree Medical and Other Benefits	
	2015	2014	2015	2014
Service cost	\$ 1	\$ 2	\$ 2	\$ 1
Interest cost	369	371	26	31
Expected return on assets	(426)	(393)	(10)	(10)
Settlements	1	3		
Amortization of:				
Prior service cost (benefit) ⁽¹⁾	14	14	(121)	(120)
Unrecognized net loss (gain)	56	23	(3)	(4)
Net periodic benefit cost (income)	\$ 15	\$ 20	\$ (106)	\$ (102)

⁽¹⁾ The 2015 six month period prior service cost does not include amortization of \$1 million related to other post-employment benefits.

Effective November 1, 2012, the Company's defined benefit pension plans were frozen.

The Company is required to make minimum contributions to its defined benefit pension plans under the minimum funding requirements of the Employee Retirement Income Security Act of 1974 (ERISA), the Pension Funding Equity Act of 2004, the Pension Protection Act of 2006, the Pension Relief Act of 2010 and the Moving Ahead for Progress in the 21st Century Act of 2012. Based on current funding assumptions, the Company has no minimum required contributions until 2019. Currently, the Company's minimum funding obligation for its pension plans is subject to temporary favorable rules that are scheduled to expire at the end of 2017. Upon expiration of these rules, the Company's funding obligations are likely to increase materially. The amount of these obligations will depend on the performance of the Company's investments held in trust by the pension plans, interest rates for determining liabilities and the Company's actuarial experience.

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES GROUP INC.****(Unaudited)****11. Accumulated Other Comprehensive Income (Loss)**

The components of accumulated other comprehensive income (loss) (AOCI) are as follows (in millions):

	Pension and Retiree Medical Liability	Derivative Financial Instruments	Unrealized Gain/(Loss) on Investments	Income Tax Benefit (Expense)	Total
Balance at December 31, 2014	\$ (3,683)	\$ 9	\$ (5)	\$ (880)	\$ (4,559)
Other comprehensive income (loss) before reclassifications					
Amounts reclassified from accumulated other comprehensive income (loss)	(52)	(9)			(61)
Net current period other comprehensive income (loss)	(52)	(9)			(61)
Balance at June 30, 2015	\$ (3,735)	\$	\$ (5)	\$ (880)	\$ (4,620)

Reclassifications out of AOCI for the three and six months ended June 30, 2015 and 2014 are as follows (in millions):

Amounts reclassified from AOCI
Three Months Ended June 30, 2015 **Six Months Ended June 30, 2014** **Affected line items on condensed**

AOCI Components	2015	2014	2015	2014	consolidated statement of operations
Amortization of pension and retiree medical liability:					
Prior service cost	\$ (53)	\$ (52)	\$ (106)	\$ (106)	Salaries, wages and benefits
Actuarial loss	27	10	54	19	Salaries, wages and benefits
Derivative financial instruments:					
Cash flow hedges	(3)	5	(9)	12	Aircraft fuel and related taxes
Net unrealized change on investments:					
Net change in value	(1)			2	Other nonoperating, net
Income tax benefit:					
Reversal of non-cash tax provision		330		330	Income tax provision

Total reclassifications for the period \$ (30) \$ 293 \$ (61) \$ 257

12. Regional Expenses

Expenses associated with the Company's wholly-owned regional airlines and third-party regional carriers operating under the brand names American Eagle and US Airways Express are classified as regional expenses on the condensed consolidated statements of operations. Regional expenses consist of the following (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Aircraft fuel and related taxes	\$ 349	\$ 535	\$ 660	\$ 1,035
Salaries, wages and benefits	293	288	585	567
Capacity purchases from third-party regional carriers	409	371	787	722
Maintenance, materials and repairs	88	82	162	169
Other rent and landing fees	122	105	230	202
Aircraft rent	8	9	17	18
Selling expenses	89	87	165	159
Depreciation and amortization	61	50	118	103
Special items, net	10	2	18	6
Other	128	128	277	270
Total regional expenses	\$ 1,557	\$ 1,657	\$ 3,019	\$ 3,251

13. Legal Proceedings

Chapter 11 Cases. As previously disclosed, on the Petition Date, November 29, 2011, the Debtors filed the Chapter 11 Cases. On October 21, 2013, the Bankruptcy Court entered the Confirmation Order confirming the Plan. On the Effective Date, December 9, 2013, the Debtors consummated their reorganization pursuant to the Plan, principally through the transactions contemplated by the Merger Agreement pursuant to which Merger Sub merged with and into US Airways Group, with US Airways Group surviving as a wholly-owned subsidiary of AAG. From the Petition Date through the Effective Date, pursuant to automatic stay provisions under the Bankruptcy Code and orders granted by the Bankruptcy Court, actions to enforce or otherwise effect repayment of liabilities preceding the Petition Date as well as all pending litigation against the Debtors generally were stayed. Following the Effective Date, actions to enforce or otherwise effect repayment of liabilities preceding the Petition Date, generally have been permanently enjoined. Any unresolved claims will continue to be subject to the claims reconciliation process under the supervision of the Bankruptcy Court. However, certain pending litigation related to pre-petition liabilities may proceed in courts other than the Bankruptcy Court to determine the amount, if any, of such litigation claims for purposes of treatment under the Plan.

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Pursuant to rulings of the Bankruptcy Court, the Plan established the Disputed Claims Reserve to hold shares of AAG Common Stock reserved for issuance to disputed claimholders at the Effective Date that ultimately become holders of allowed Single-Dip Unsecured Claims. The shares provided for under the Plan were determined based upon a Disputed Claims Reserve amount of claims of approximately \$755 million, representing the maximum amount of additional distributions to subsequently allowed Single-Dip Unsecured Claims under the Plan. As of December 31, 2014, the Disputed Claims Reserve held 26.8 million shares of AAG Common Stock pending distribution of those shares in accordance with the Plan. On February 10, 2015, approximately 0.8 million shares of AAG Common Stock held in the Disputed Claims Reserve were distributed to holders of allowed Single-Dip Unsecured Claims, to holders of certain labor-related deemed claims, and to holders of certain non-management, non-union employee deemed claims as specified in the Plan, and the Company repurchased less than 0.1 million shares of AAG Common Stock for an aggregate of \$4 million from the Disputed Claims Reserve at the then-prevailing market price in order to fund cash tax obligations resulting from this distribution. As of June 30, 2015, there were approximately 26.0 million shares of AAG Common Stock remaining in the Disputed Claims Reserve. On July 14, 2015, approximately 0.6 million shares of AAG Common Stock held in the Disputed Claims Reserve were distributed to holders of allowed Single-Dip Unsecured Claims, to holders of certain labor-related deemed claims, and to holders of certain non-management, non-union employee deemed claims as specified in the Plan, and the Company repurchased less than 0.1 million shares of AAG Common Stock for an aggregate of \$2 million from the Disputed Claims Reserve at the then-prevailing market price in order to fund cash tax obligations resulting from this distribution. As disputed claims are resolved, the claimants will receive distributions of shares from the Disputed Claims Reserve on the same basis as if such distributions had been made on or about the Effective Date. However, the Company is not required to distribute additional shares above the limits contemplated by the Plan, even if the shares remaining for distribution are not sufficient to fully pay any additional allowed unsecured claims. To the extent that any of the reserved shares remain undistributed upon resolution of all remaining disputed claims, such shares will not be returned to the Company but rather will be distributed to former AMR shareholders as of the Effective Date. However, resolution of disputed claims could have a material effect on recoveries by holders of additional allowed Single-Dip Unsecured Claims under the Plan and the amount of additional share distributions, if any, that are made to former AMR shareholders as the total number of shares of AAG Common Stock that remain available for distribution upon resolution of disputed claims is limited pursuant to the Plan.

There is also pending in the Bankruptcy Court an adversary proceeding relating to an action brought by American to seek a determination that certain non-pension, post-employee benefits (OPEB) are not vested benefits and thus may be modified or terminated without liability to American. On April 18, 2014, the Bankruptcy Court granted American's motion for summary judgment with respect to certain non-union employees, concluding that their benefits were not vested and could be terminated. The summary judgment motion was denied with respect to all other retirees. The Bankruptcy Court has not yet scheduled a trial on the merits concerning whether those retirees' benefits are vested, and American cannot predict whether it will receive relief from obligations to provide benefits to any of those retirees. The Company's financial statements presently reflect these retirement programs without giving effect to any modification or termination of benefits that may ultimately be implemented based upon the outcome of this proceeding. Separately, both the Association of Professional Flight Attendants and Transport Workers Union have filed grievances asserting that American was successful in its Chapter 11 with respect to matters related to OPEB and, accordingly, by operation of the underlying collective bargaining agreements, American's prior contributions to certain OPEB prefunding trusts

attributable to active employees should be returned to those active employees. These amounts aggregate approximately \$212 million. The Company has denied both grievances and intends to defend these matters vigorously.

DOJ Civil Investigative Demand. In June 2015, the Company received a Civil Investigative Demand (CID) from the United States Department of Justice (DOJ) as part of an investigation into whether there have been illegal agreements or coordination of air passenger capacity. The CID seeks documents and other information from the Company, and other airlines have announced that they have received similar requests. The Company intends to cooperate fully with the DOJ investigation. In addition, subsequent to announcement of the delivery of CIDs by the DOJ, the Company, along with Delta Air Lines, Inc., Southwest Airlines Co., United Airlines, Inc. and, in the case of litigation filed in Canada, Air Canada, have been named as defendants in a number of putative class action lawsuits alleging unlawful agreements with respect to air passenger capacity. The U.S. lawsuits are the subject of multiple motions to consolidate them in a single forum. Both the DOJ process and these lawsuits are in their very early stages and the Company intends to defend the lawsuits vigorously.

Private Party Antitrust Action. On July 2, 2013, a lawsuit captioned Carolyn Fjord, et al., v. US Airways Group, Inc., et al., was filed in the United States District Court for the Northern District of California. The complaint named as defendants US Airways Group and US Airways, and alleged that the effect of the Merger may be to substantially lessen competition or tend to create a monopoly in violation of Section 7 of the Clayton Antitrust Act. The relief sought in the complaint included an injunction against the Merger, or divestiture. On August 6, 2013, the plaintiffs re-filed their complaint in the Bankruptcy Court, adding AMR and American as defendants, and on October 2, 2013, dismissed the initial California action. The Bankruptcy Court denied plaintiffs' motion to

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preliminarily enjoin the Merger. On January 10, 2014, the plaintiffs moved to amend their complaint to add additional factual allegations, a claim for money damages and a request for preliminary injunctive relief requiring the carriers to hold separate their assets. On March 14, 2014, the Court allowed plaintiffs to add certain allegations but denied plaintiffs' requests to add a damages claim or seek preliminary injunctive relief requiring the carriers to hold separate their assets. On June 2, 2014, plaintiffs filed an amended motion for leave to file a second amended and supplemental complaint. On March 31, 2015, the Court denied plaintiffs' motion. There is currently no trial date set. The Company believes this lawsuit is without merit and intends to vigorously defend against the allegations.

US Airways Sabre Matter. On April 21, 2011, US Airways filed an antitrust lawsuit against Sabre Holdings Corporation, Sabre Inc. and Sabre Travel International Limited (collectively, Sabre) in the Federal District Court for the Southern District of New York. The lawsuit, as amended to date, alleges, among other things, that Sabre has engaged in anticompetitive practices to preserve its market power by restricting the Company's ability to distribute its products to its customers. The lawsuit also alleges that these actions have permitted Sabre to charge supracompetitive booking fees and to use technologies that are not as robust and as efficient as alternatives in a competitive market. The lawsuit seeks money damages. Sabre filed a motion to dismiss the case, which the court denied in part and granted in part in September 2011, allowing two of the four counts in the complaint to proceed. In January 2015, the court denied in part and granted in part Sabre's motions for summary judgment. A trial date is expected to be set soon. The Company intends to pursue its claims against Sabre vigorously, but there can be no assurance of the outcome of this litigation.

General. The Company and its subsidiaries are also engaged in other legal proceedings from time to time. Legal proceedings can be complex and take many months, or even years, to reach resolution, with the final outcome depending on a number of variables, some of which are not within the control of the Company. Therefore, although the Company will vigorously defend itself in each of the actions described above and such other legal proceedings, their ultimate resolution and potential financial and other impacts on the Company are uncertain.

14. Financial Information for Subsidiary Guarantors and Non-guarantor Subsidiaries

There are various cross-guarantees among the Company, American, US Airways Group and US Airways with respect to publicly held debt securities. In connection with the Merger, the Company and American entered into a second supplemental indenture under which they jointly and severally guaranteed the payment obligations of US Airways Group under the 6.125% senior notes. In addition, on March 31, 2014, the Company, US Airways Group and US Airways entered into amended and restated guarantees of the payment obligations of US Airways under the equipment notes relating to each of its Series 2010-1, 2011-1, 2012-1, 2012-2 and 2013-1 Pass Through Certificates the result of which was to add AAG as a guarantor of such equipment notes on a joint and several basis with US Airways Group.

In connection with the issuance of these guarantees, in accordance with Rule 3-10 of Regulation S-X and Rule 12h-5 under the Securities Exchange Act of 1934, as amended, US Airways Group and US Airways discontinued filing separate periodic and current reports with the SEC. As a result, in accordance with Rule 3-10, the Company is providing the following condensed consolidating financial information for the periods after Merger close for American Airlines Group (Parent Company Only), American, US Airways Group Parent, US Airways and all other

non-guarantor subsidiaries, together with the consolidating adjustments necessary to present the Company's results on a consolidated basis.

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	Three Months Ended June 30, 2015						
	American Airlines Group (Parent Company Only)	American	US Airways Group (Parent Company Only)	US Airways	Non-Guarantor Subsidiaries	Eliminations and Reclassifications	American Airlines Group Inc. Consolidated
Operating revenues:							
Mainline passenger	\$	\$ 4,947	\$	\$ 2,708	\$	\$	\$ 7,655
Regional passenger		843		916			1,759
Cargo		161		33			194
Other		868		373	761	(783)	1,219
Total operating revenues		6,819		4,030	761	(783)	10,827
Operating expenses:							
Aircraft fuel and related taxes		1,197		577			1,774
Salaries, wages and benefits		1,536		825	198	(195)	2,364
Regional expenses		788		792		(23)	1,557
Maintenance, materials and repairs		302		200	87	(87)	502
Other rent and landing fees		269		182	11	(11)	451
Aircraft rent		226		90	37	(37)	316
Selling expenses		198		152			350
Depreciation and amortization		247		93	11	(11)	340
Special items, net		74		70			144
Other		776		334	418	(420)	1,108
Total operating expenses		5,613		3,315	762	(784)	8,906
Operating income (loss)		1,206		715	(1)	1	1,921
Nonoperating income (expense):							
Interest income		10		3	3	(6)	10

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Interest expense, net	(17)	(137)	(9)	(63)	(3)	6	(223)
Equity in earnings of subsidiaries	1,705		413			(2,118)	
Other, net	22	(16)		5			11
Total nonoperating income (expense), net	1,710	(143)	404	(55)		(2,118)	(202)
Income (loss) before income taxes	1,710	1,063	404	660	(1)	(2,117)	1,719
Income tax provision		11		247	5	(248)	15
Net income (loss)	\$ 1,710	\$ 1,052	\$ 404	\$ 413	\$ (6)	\$ (1,869)	\$ 1,704

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES GROUP INC.****(Unaudited)****AMERICAN AIRLINES GROUP INC.****CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS)****(In millions)(Unaudited)**

	Three Months Ended June 30, 2015						American Airlines Group Inc. Consolidated
	American Airlines Group (Parent Company Only)	American Airlines Group (Parent Company Only)	US Airways Group (Parent Company Only)	US Airways Group (Parent Company Only)	Non-Guarantor Subsidiaries	Eliminations and Reclassifications	
Net income (loss)	\$ 1,710	\$ 1,052	\$ 404	\$ 413	\$ (6)	\$ (1,869)	\$ 1,704
Other comprehensive income (loss) before tax:							
Defined benefit pension plans and retiree medical		(25)		(1)			(26)
Derivative financial instruments:							
Change in fair value							
Reclassification into earnings		(3)					(3)
Unrealized loss on investments:							
Net change in value		(1)					(1)
Other comprehensive loss before tax		(29)		(1)			(30)
Non-cash tax provision							
Comprehensive income (loss)	\$ 1,710	\$ 1,023	\$ 404	\$ 412	\$ (6)	\$ (1,869)	\$ 1,674

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES GROUP INC.****(Unaudited)****AMERICAN AIRLINES GROUP INC.****CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS****(In millions)(Unaudited)**

	Six Months Ended June 30, 2015						
	American Airlines Group (Parent Company Only)	American	Airways Group (Parent Company Only)	US Airways	Non-Guarantor Subsidiaries	Eliminations and Reclassifications	American Airlines Group Inc. Consolidated
Operating revenues:							
Mainline passenger	\$	\$ 9,638	\$	\$ 5,006	\$	\$	\$ 14,644
Regional passenger		1,542		1,669			3,211
Cargo		322		66			388
Other		1,686		762	1,486	(1,523)	2,411
Total operating revenues		13,188		7,503	1,486	(1,523)	20,654
Operating expenses:							
Aircraft fuel and related taxes		2,267		1,051			3,318
Salaries, wages and benefits		3,121		1,611	391	(386)	4,737
Regional expenses		1,516		1,558		(55)	3,019
Maintenance, materials and repairs		606		389	161	(161)	995
Other rent and landing fees		539		320	20	(20)	859
Aircraft rent		451		182	68	(68)	633
Selling expenses		433		253			686
Depreciation and amortization		483		193	22	(22)	676
Special items, net		272		175	4	(4)	447
Other	2	1,534		614	804	(807)	2,147
Total operating expenses	2	11,222		6,346	1,470	(1,523)	17,517
Operating income (loss)	(2)	1,966		1,157	16		3,137
Nonoperating income (expense):							
Interest income	2	16		7	3	(9)	19

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Interest expense, net	(30)	(263)	(18)	(127)	(3)	9	(432)
Equity in earnings of subsidiaries	2,649		663			(3,312)	
Other, net	22	(80)		(5)	1		(62)
Total nonoperating income (expense), net	2,643	(327)	645	(125)	1	(3,312)	(475)
Income before income taxes	2,641	1,639	645	1,032	17	(3,312)	2,662
Income tax provision		19		378	8	(379)	26
Net income	\$ 2,641	\$ 1,620	\$ 645	\$ 654	\$ 9	\$ (2,933)	\$ 2,636

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	Six Months Ended June 30, 2015						
	American Airlines Group (Parent Company Only)		US Airways Group (Parent Company Only)		US Airways	Non-Guarantor Subsidiaries	Eliminations and Reclassifications
Net income	\$ 2,641	\$ 1,620	\$ 645	\$ 654	\$ 9	\$ (2,933)	\$ 2,636
Other comprehensive income (loss) before tax:							
Defined benefit pension plans and retiree medical		(51)		(1)			(52)
Derivative financial instruments:							
Change in fair value							
Reclassification into earnings		(9)					(9)
Unrealized gain on investments:							
Net change in value							
Other comprehensive loss before tax		(60)		(1)			(61)
Non-cash tax provision							
Comprehensive income	\$ 2,641	\$ 1,560	\$ 645	\$ 653	\$ 9	\$ (2,933)	\$ 2,575

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	Three Months Ended June 30, 2014						
	American Airlines Group (Parent Company Only)	American	Airways Group (Parent Company Only)	US Airways	Non-Guarantor Subsidiaries	Eliminations and Reclassifications	American Airlines Group Inc. Consolidated
Operating revenues:							
Mainline passenger	\$	\$ 5,352	\$	\$ 2,861	\$	\$	\$ 8,213
Regional passenger		786		921			1,707
Cargo		178		43			221
Other		837		408	744	(775)	1,214
Total operating revenues		7,153		4,233	744	(775)	11,355
Operating expenses:							
Aircraft fuel and related taxes		1,897		933			2,830
Salaries, wages and benefits		1,441		720	195	(193)	2,163
Regional expenses		804		867		(14)	1,657
Maintenance, materials and repairs		346		168	80	(80)	514
Other rent and landing fees		289		152	7	(7)	441
Aircraft rent		214		102	22	(26)	312
Selling expenses		282		120			402
Depreciation and amortization		220		100	10	(11)	319
Special items, net	(2)	179		74			251
Other	2	763		319	427	(444)	1,067
Total operating expenses		6,435		3,555	741	(775)	9,956
Operating income		718		678	3		1,399
Nonoperating income (expense):							
Interest income	2	6	1	3		(4)	8

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Interest expense, net		(139)	(10)	(69)		4	(214)
Equity in earnings of subsidiaries	863		595			(1,458)	
Other, net		16	3	(6)	1	(3)	11
Total nonoperating income (expense), net	865	(117)	589	(72)	1	(1,461)	(195)
Income before income taxes	865	601	589	606	4	(1,461)	1,204
Income tax provision (benefit)	(3)	336		1	6		340
Net income (loss)	\$ 868	\$ 265	\$ 589	\$ 605	\$ (2)	\$ (1,461)	\$ 864

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES GROUP INC.****(Unaudited)****AMERICAN AIRLINES GROUP INC.****CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS)****(In millions)(Unaudited)**

	Three Months Ended June 30, 2014						
	American Airlines Group (Parent Company Only)	American	Airways Group (Parent Company Only)	US Airways	Non- Guarantor Subsidiaries	Eliminations and Reclassification	American Airlines Group Inc. Consolidated
Net income (loss)	\$ 868	\$ 265	\$ 589	\$ 605	\$ (2)	\$ (1,461)	\$ 864
Other comprehensive income (loss) before tax:							
Defined benefit pension plans and retiree medical		(58)		(1)			(59)
Derivative financial instruments:							
Change in fair value	(2)	15					13
Reclassification into earnings		5					5
Unrealized gain (loss) on investments:							
Net change in value	2	(2)					
Other comprehensive loss before tax		(40)		(1)			(41)
Reversal of non-cash tax provision	2	328					330
Comprehensive income (loss)	\$ 870	\$ 553	\$ 589	\$ 604	\$ (2)	\$ (1,461)	\$ 1,153

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	Six Months Ended June 30, 2014						American Airlines Group Inc. Consolidated
	American Airlines Group (Parent Company Only)	American	Airways Group (Parent Company Only)	US Airways	Non-Guarantor Subsidiaries	Eliminations and Reclassifications	
Operating revenues:							
Mainline passenger	\$	\$ 10,258	\$	\$ 5,213	\$	\$	\$ 15,471
Regional passenger		1,455		1,659			3,114
Cargo		346		82			428
Other		1,563		826	1,488	(1,539)	2,338
Total operating revenues		13,622		7,780	1,488	(1,539)	21,351
Operating expenses:							
Aircraft fuel and related taxes		3,768		1,773			5,541
Salaries, wages and benefits		2,839		1,439	392	(388)	4,282
Regional expenses		1,562		1,696		(7)	3,251
Maintenance, materials and repairs		678		321	165	(165)	999
Other rent and landing fees		574		292	15	(15)	866
Aircraft rent		430		205	43	(47)	631
Selling expenses		566		238			804
Depreciation and amortization		434		195	20	(23)	626
Special items, net	22	(37)		129	3	(3)	114
Other	4	1,512		626	857	(891)	2,108
Total operating expenses	26	12,326		6,914	1,495	(1,539)	19,222
Operating income (loss)	(26)	1,296		866	(7)		2,129
Nonoperating income (expense):							
Interest income	4	13	1	4	1	(8)	15

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Interest expense, net	(4)	(307)	(20)	(134)		8	(457)
Equity in earnings of subsidiaries	1,314		712			(2,026)	
Other, net		11	(53)	(3)	1	53	9
Total nonoperating income (expense), net	1,314	(283)	640	(133)	2	(1,973)	(433)
Income (loss) before income taxes	1,288	1,013	640	733	(5)	(1,973)	1,696
Income tax provision (benefit)	(2)	347		2	6		353
Net income (loss)	\$ 1,290	\$ 666	\$ 640	\$ 731	\$ (11)	\$ (1,973)	\$ 1,343

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES GROUP INC.****(Unaudited)****AMERICAN AIRLINES GROUP INC.****CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS)****(In millions)(Unaudited)**

	Six Months Ended June 30, 2014						
	American Airlines Group (Parent Company Only)		Airways Group (Parent Company Only)		US Airways	Non-Guarantor Subsidiaries	Eliminations and Reclassifications
Net income (loss)	\$ 1,290	\$ 666	\$ 640	\$ 731	\$ (11)	\$ (1,973)	\$ 1,343
Other comprehensive income (loss) before tax:							
Defined benefit pension plans and retiree medical		(102)		(2)			(104)
Derivative financial instruments:							
Change in fair value	(2)	(52)					(54)
Reclassification into earnings		12					12
Unrealized gain on investments:							
Net change in value	2						2
Other comprehensive loss before tax		(142)		(2)			(144)
Reversal of non-cash tax provision	2	328					330
Comprehensive income (loss)	\$ 1,292	\$ 852	\$ 640	\$ 729	\$ (11)	\$ (1,973)	\$ 1,529

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES GROUP INC.****(Unaudited)****AMERICAN AIRLINES GROUP INC.****CONDENSED CONSOLIDATING BALANCE SHEET****(In millions)(Unaudited)**

	June 30, 2015						
	American Airlines Group (Parent Company Only)	American	US Airways Group (Parent Company Only)	US Airways	Non- Guarantor Subsidiaries	Eliminations and Reclassifications	American Airlines Group Inc. Consolidated
ASSETS							
Current assets							
Cash	\$ 1	\$ 789	\$ 12	\$ 144	\$ 6	\$	\$ 952
Short-term investments		5,192		2,772	3		7,967
Restricted cash and short-term investments		641		106			747
Accounts receivable, net		1,535		352	18	(13)	1,892
Receivables from related parties, net	1,623			742	138	(2,503)	
Aircraft fuel, spare parts and supplies, net		665		330	74		1,069
Prepaid expenses and other	100	717		621	44		1,482
Total current assets	1,724	9,539	12	5,067	283	(2,516)	14,109
Operating property and equipment		18,165		6,848	275		25,288
Other assets							
Investments in subsidiaries	3,363		7,590			(10,953)	
Goodwill				4,091			4,091
Intangibles, net of accumulated amortization		874		1,400			2,274
Other assets	28	1,822		251	40	(35)	2,106
Total other assets	3,391	2,696	7,590	5,742	40	(10,988)	8,471
Total assets	\$ 5,115	\$ 30,400	\$ 7,602	\$ 17,657	\$ 598	\$ (13,504)	\$ 47,868

LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)							
Current liabilities							
Current maturities of long-term debt and capital leases	\$	\$ 1,172	\$	\$ 470	\$	\$	\$ 1,642
Accounts payable		1,292		325	74	(8)	1,683
Payables to related parties, net		1,868	504		131	(2,503)	
Air traffic liability		4,160		1,504			5,664
Frequent flyer liability		2,745					2,745
Other accrued liabilities	92	2,018	3	1,096	97	5	3,311
Total current liabilities	92	13,255	507	3,395	302	(2,506)	15,045
Noncurrent liabilities							
Long-term debt and capital leases, net of current maturities	1,257	10,595	525	4,810		(35)	17,152
Pension and postretirement benefits		7,313		124	40		7,477
Bankruptcy settlement obligations		208					208
Other liabilities	130	2,912		1,802	49	(543)	4,350
Total noncurrent liabilities	1,387	21,028	525	6,736	89	(578)	29,187
Stockholders equity (deficit)							
Common stock		7					7
Additional paid-in capital	14,319	10,761	4,752	5,591	199	(21,303)	14,319
Accumulated other comprehensive loss	(4,620)	(4,705)	(17)	(9)	(12)	4,743	(4,620)
Retained earnings (deficit)	(6,070)	(9,939)	1,835	1,944	20	6,140	(6,070)
Total stockholders equity (deficit)	3,636	(3,883)	6,570	7,526	207	(10,420)	3,636
Total liabilities and stockholders equity (deficit)	\$ 5,115	\$ 30,400	\$ 7,602	\$ 17,657	\$ 598	\$ (13,504)	\$ 47,868

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES GROUP INC.****(Unaudited)****AMERICAN AIRLINES GROUP INC.****CONDENSED CONSOLIDATING BALANCE SHEET****(In millions)(Unaudited)**

	December 31, 2014						
	American Airlines Group (Parent Company Only)	American Airlines Group (Parent Company Only)	US Airways	Non-Guarantor Subsidiaries	Eliminations and Reclassifications	American Airlines Group Inc.	Consolidated
ASSETS							
Current assets							
Cash	\$ 1	\$ 785	\$ 2	\$ 199	\$ 7	\$	\$ 994
Short-term investments		3,290		3,016	3		6,309
Restricted cash and short-term investments		650		124			774
Accounts receivable, net		1,445		324	15	(13)	1,771
Receivables from related parties, net	1,893		157	933	526	(3,509)	
Aircraft fuel, spare parts and supplies, net		625		294	85		1,004
Prepaid expenses and other		462		912	41	(155)	1,260
Total current assets	1,894	7,257	159	5,802	677	(3,677)	12,112
Operating property and equipment							
		16,299		6,506	279		23,084
Other assets							
Investments in subsidiaries	847		6,870			(7,717)	
Goodwill				4,090		1	4,091
Intangibles, net of accumulated amortization		815		1,425			2,240
Other assets	53	1,921		267	38	(35)	2,244
Total other assets	900	2,736	6,870	5,782	38	(7,751)	8,575
Total assets	\$ 2,794	\$ 26,292	\$ 7,029	\$ 18,090	\$ 994	\$ (11,428)	\$ 43,771

**LIABILITIES AND
STOCKHOLDERS EQUITY
(DEFICIT)**
Current liabilities

Current maturities of long-term debt and capital leases	\$	\$ 1,230	\$	\$ 477	\$ 1	\$	\$ 1,708
Accounts payable		1,029		287	61		1,377
Payables to related parties, net		2,563	634	73	239	(3,509)	
Air traffic liability		2,989		1,263			4,252
Frequent flyer liability		1,823		984			2,807
Other accrued liabilities	14	1,886	3	1,253	138	(3)	3,291
Total current liabilities	14	11,520	637	4,337	439	(3,512)	13,435

Noncurrent liabilities

Long-term debt and capital leases, net of current maturities	758	10,004	524	4,945		(35)	16,196
Pension and postretirement benefits		7,400		122	40		7,562
Mandatorily convertible preferred stock and other bankruptcy settlement obligations		325					325
Other liabilities	1	2,615		1,861	317	(562)	4,232
Total noncurrent liabilities	759	20,344	524	6,928	357	(597)	28,315

Stockholders equity (deficit)

Common stock		7					7
Additional paid-in capital	15,135	10,632	4,703	5,542	199	(21,076)	15,135
Accumulated other comprehensive loss	(4,559)	(4,645)	(16)	(8)	(12)	4,681	(4,559)
Retained earnings (deficit)	(8,562)	(11,559)	1,181	1,291	11	9,076	(8,562)
Total stockholders equity (deficit)	2,021	(5,572)	5,868	6,825	198	(7,319)	2,021

Total liabilities and
stockholders equity (deficit) \$ 2,794 \$ 26,292 \$ 7,029 \$ 18,090 \$ 994 \$ (11,428) \$ 43,771

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES GROUP INC.****(Unaudited)****AMERICAN AIRLINES GROUP INC.****CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS****(In millions)(Unaudited)**

	Six Months Ended June 30, 2015						American Airlines Group Inc. Consolidated
	American Airlines Group (Parent Company Only)	American	Airways Group (Parent Company Only)	US Airways	Non- Guarantor Subsidiaries	Eliminations and Reclassifications	
Net cash provided by operating activities	\$ 526	\$ 3,935	\$ 10	\$ 340	\$ 30	\$	\$ 4,841
Cash flows from investing activities:							
Capital expenditures and aircraft purchase deposits		(2,563)		(541)	(35)		(3,139)
Purchases of short-term investments		(3,080)		(2,013)			(5,093)
Sales of short-term investments		1,178		2,258			3,436
Decrease in restricted cash and short-term investments		9		18			27
Proceeds from sale of an investment	52						52
Proceeds from sale of property and equipment		18			4		22
Net cash provided by (used in) investing activities	52	(4,438)		(278)	(31)		(4,695)
Cash flows from financing activities:							
Payments on long-term debt and capital leases		(881)		(226)			(1,107)
Proceeds from issuance of long-term debt	500	1,420		76			1,996
Deferred financing costs	(7)	(32)		(1)			(40)
Treasury stock repurchases	(931)						(931)

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Dividend payment	(140)					(140)
Other financing activities				34		34
Net cash provided by (used in) financing activities	(578)	507		(117)		(188)
Net increase (decrease) in cash		4	10	(55)	(1)	(42)
Cash at beginning of period	1	785	2	199	7	994
Cash at end of period	\$ 1	\$ 789	\$ 12	\$ 144	\$ 6	\$ 952

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES GROUP INC.****(Unaudited)****AMERICAN AIRLINES GROUP INC.****CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS****(In millions)(Unaudited)**

	Six Months Ended June 30, 2014						American Airlines Group Inc. Consolidated
	American Airlines Group (Parent Company Only)	American	US Airways Group (Parent Company Only)	US Airways	Non-Guarantor Subsidiaries	Eliminations and Reclassification	
Net cash provided by operating activities	\$	\$ 1,683	\$	\$ 931	\$ 23	\$	\$ 2,637
Cash flows from investing activities:							
Capital expenditures and aircraft purchase deposits		(1,828)		(626)	(26)	(198)	(2,678)
Purchases of short-term investments		(1,183)		(678)			(1,861)
Sales of short-term investments		1,523		200			1,723
Decrease in restricted cash and short-term investments		52		101			153
Net proceeds from slot transaction		299		8			307
Funds transferred to affiliates		(198)				198	
Proceeds from sale of property and equipment		7			2		9
Net cash used in investing activities		(1,328)		(995)	(24)		(2,347)
Cash flows from financing activities:							
Payments on long-term debt and capital leases		(655)		(314)		(176)	(1,145)
Proceeds from issuance of long-term debt		53		481			534
Deferred financing costs		(5)		(2)			(7)
Sale-leaseback transactions		411					411

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Exercise of stock options				9		9
Treasury stock repurchases	(7)			(21)		(28)
Funds transferred to affiliates, net				(176)	176	
Other financing activities				6		6
Net cash used in financing activities	(203)			(17)		(220)
Net increase (decrease) in cash	152			(81)	(1)	70
Cash at beginning of period	1	829	1	303	6	1,140
Cash at end of period	\$ 1	\$ 981	\$ 1	\$ 222	\$ 5	\$ 1,210

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES
GROUP INC.**

(Unaudited)

15. Subsequent Events

Share Repurchase Program and Dividend Declaration

In July 2015, the Company announced that its Board of Directors had authorized a new \$2.0 billion share repurchase program to be completed by the end of 2016. Shares repurchased under the program may be made through a variety of methods, which may include open market purchases, privately negotiated transactions, block trades or accelerated share repurchase transactions. Any such repurchases will be made from time to time subject to market and economic conditions, applicable legal requirements and other relevant factors. The program does not obligate the Company to repurchase any specific number of shares and may be suspended at any time at the Company's discretion.

Also in July 2015, the Company announced that its Board of Directors had declared a \$0.10 per share dividend for shareholders of record on August 10, 2015, and payable on August 24, 2015. Any future dividends that may be declared and paid from time to time under the Company's capital deployment program will be subject to market and economic conditions, applicable legal requirements and other relevant factors. The Company's capital deployment program does not obligate it to continue a dividend for any fixed period, and payment of dividends may be suspended at any time at the Company's discretion.

Distribution of AAG Common Stock

On July 14, 2015, approximately 0.6 million shares of AAG Common Stock held in the Disputed Claims Reserve were distributed to holders of allowed Single-Dip Unsecured Claims, to holders of certain labor-related deemed claims and to holders of certain non-management, non-union employee deemed claims as specified in the Plan, and 0.1 million shares were withheld or sold on account of related tax obligations.

Table of Contents**ITEM 1B. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES, INC.****AMERICAN AIRLINES, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(In millions)(Unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Operating revenues:				
Mainline passenger	\$ 4,947	\$ 5,352	\$ 9,638	\$ 10,258
Regional passenger	843	786	1,542	1,455
Cargo	161	178	322	346
Other	868	837	1,686	1,563
Total operating revenues	6,819	7,153	13,188	13,622
Operating expenses:				
Aircraft fuel and related taxes	1,197	1,897	2,267	3,768
Salaries, wages and benefits	1,536	1,441	3,121	2,839
Regional expenses	788	804	1,516	1,562
Maintenance, materials and repairs	302	346	606	678
Other rent and landing fees	269	289	539	574
Aircraft rent	226	214	451	430
Selling expenses	198	282	433	566
Depreciation and amortization	247	220	483	434
Special items, net	74	179	272	(37)
Other	776	763	1,534	1,512
Total operating expenses	5,613	6,435	11,222	12,326
Operating income	1,206	718	1,966	1,296
Nonoperating income (expense):				
Interest income	10	6	16	13
Interest expense, net of capitalized interest	(137)	(139)	(263)	(307)
Other, net	(16)	16	(80)	11
Total nonoperating expense, net	(143)	(117)	(327)	(283)
Income before income taxes	1,063	601	1,639	1,013
Income tax provision	11	336	19	347
Net income	\$ 1,052	\$ 265	\$ 1,620	\$ 666

See accompanying notes to condensed consolidated financial statements.

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AMERICAN AIRLINES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)(Unaudited)

	Three Months Ended June 30		Six Months Ended June 30,	
	2015	2014	2015	2014
Net income	\$ 1,052	\$ 265	\$ 1,620	\$ 666
Other comprehensive income (loss), before tax:				
Defined benefit pension plans and retiree medical	(25)	(58)	(51)	(102)
Derivative financial instruments:				
Change in fair value		15		(52)
Reclassification into earnings	(3)	5	(9)	12
Unrealized gain (loss) on investments:				
Net change in value	(1)	(2)		
Other comprehensive loss before tax	(29)	(40)	(60)	(142)
Reversal of non-cash tax provision		328		328
Comprehensive income	\$ 1,023	\$ 553	\$ 1,560	\$ 852

See accompanying notes to condensed consolidated financial statements.

Table of Contents**AMERICAN AIRLINES, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(In millions, except shares and per share amounts)**

	June 30, 2015	December 31, 2014
	(Unaudited)	
ASSETS		
Current assets		
Cash	\$ 789	\$ 785
Short-term investments	5,192	3,290
Restricted cash and short-term investments	641	650
Accounts receivable, net	1,535	1,445
Aircraft fuel, spare parts and supplies, net	665	625
Prepaid expenses and other	717	462
Total current assets	9,539	7,257
Operating property and equipment		
Flight equipment	23,688	21,646
Ground property and equipment	5,426	5,217
Equipment purchase deposits	1,102	1,128
Total property and equipment, at cost	30,216	27,991
Less accumulated depreciation and amortization	(12,051)	(11,692)
Total property and equipment, net	18,165	16,299
Other assets		
Intangibles, net of accumulated amortization of \$382 and \$376, respectively	874	815
Other assets	1,822	1,921
Total other assets	2,696	2,736
Total assets	\$ 30,400	\$ 26,292
LIABILITIES AND STOCKHOLDER'S DEFICIT		
Current liabilities		
Current maturities of long-term debt and capital leases	\$ 1,172	\$ 1,230
Accounts payable	1,292	1,029
Accrued salaries and wages	639	650
Air traffic liability	4,160	2,989
Frequent flyer liability	2,745	1,823
Payable to affiliates	1,868	2,563
Other accrued liabilities	1,379	1,236

Total current liabilities	13,255	11,520
Noncurrent liabilities		
Long-term debt and capital leases, net of current maturities	10,595	10,004
Pension and postretirement benefits	7,313	7,400
Deferred gains and credits, net	270	271
Bankruptcy settlement obligations	208	325
Other liabilities	2,642	2,344
Total noncurrent liabilities	21,028	20,344
Commitments and contingencies		
Stockholder s deficit		
Common stock, \$1.00 par value; 1,000 shares authorized, issued and outstanding		
Additional paid-in capital	10,761	10,632
Accumulated other comprehensive loss	(4,705)	(4,645)
Accumulated deficit	(9,939)	(11,559)
Total stockholder s deficit	(3,883)	(5,572)
Total liabilities and stockholder s deficit	\$ 30,400	\$ 26,292

See accompanying notes to condensed consolidated financial statements.

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AMERICAN AIRLINES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)(Unaudited)

	Six Months Ended June 30,	
	2015	2014
Net cash provided by operating activities	\$ 3,935	\$ 1,683
Cash flows from investing activities:		
Capital expenditures and aircraft purchase deposits	(2,563)	(1,828)
Purchases of short-term investments	(3,080)	(1,183)
Sales of short-term investments	1,178	1,523
Decrease in restricted cash and short-term investments	9	52
Net proceeds from slot transaction		299
Funds transferred to affiliates, net		(198)
Proceeds from sale of property and equipment	18	7
Net cash used in investing activities	(4,438)	(1,328)
Cash flows from financing activities:		
Payments on long-term debt and capital leases	(881)	(655)
Proceeds from issuance of long-term debt	1,420	53
Deferred financing costs	(32)	(5)
Sale-leaseback transactions		411
Treasury stock repurchases		(7)
Net cash provided by (used in) financing activities	507	(203)
Net increase in cash	4	152
Cash at beginning of period	785	829
Cash at end of period	\$ 789	\$ 981
Non-cash investing and financing activities:		
Settlement of bankruptcy obligations	\$ 35	\$ 4,998
Capital lease obligations		361
Supplemental information:		
Interest paid, net of amounts capitalized	294	226
Income taxes paid	3	3

See accompanying notes to condensed consolidated financial statements.

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES,
INC.**

(Unaudited)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of American Airlines, Inc. (American) should be read in conjunction with the consolidated financial statements contained in American's Annual Report on Form 10-K for the year ended December 31, 2014. American is a wholly-owned subsidiary of American Airlines Group Inc. (AAG). All significant intercompany transactions have been eliminated.

Management believes that all adjustments necessary for the fair presentation of results, consisting of normally recurring items, have been included in the unaudited condensed consolidated financial statements for the interim periods presented. The preparation of financial statements in accordance with accounting principles generally accepted in the United States (GAAP) requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates. The most significant areas of judgment relate to passenger revenue recognition, impairment of long-lived and intangible assets, the frequent flyer program, pensions, retiree medical and other benefits and the deferred tax asset valuation allowance.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 completes the joint effort by the FASB and International Accounting Standards Board (IASB) to improve financial reporting by creating common revenue recognition guidance for GAAP and International Financial Reporting Standards (IFRS). ASU 2014-09 applies to all companies that enter into contracts with customers to transfer goods or services. ASU 2014-09 is effective for public entities for interim and annual reporting periods beginning after December 15, 2016. On July 9, 2015, the FASB deferred the effective date of this new standard to December 15, 2017 for public entities. Early application is permitted, but not before interim and annual reporting periods beginning after December 15, 2016. Entities have the choice to apply ASU 2014-09 either retrospectively to each reporting period presented or by recognizing the cumulative effect of applying ASU 2014-09 at the date of initial application and not adjusting comparative information. American is currently evaluating the requirements of ASU 2014-09 and has not yet determined its impact on American's condensed consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. The update requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability instead of being presented as an asset. Debt disclosures will include the face amount of the debt liability and the effective interest rate. The update requires retrospective application and represents a change in accounting principle. The update is effective for fiscal years beginning after December 15, 2015. Early adoption is permitted for financial statements that have not been previously issued. ASU 2015-03 is not expected to have a material impact on American's condensed consolidated financial statements.

2. Emergence from Chapter 11

Chapter 11 Reorganization

On November 29, 2011 (the Petition Date), AMR Corporation (AMR, renamed American Airlines Group Inc., upon the closing of the Merger), its principal subsidiary, American, and certain of AMR's other direct and indirect domestic subsidiaries (collectively, the Debtors), filed voluntary petitions for relief (the Chapter 11 Cases) under Chapter 11 of the United States Bankruptcy Code (the Bankruptcy Code) in the United States Bankruptcy Court for the Southern District of New York (the Bankruptcy Court). On October 21, 2013, the Bankruptcy Court entered an order (the Confirmation Order) approving and confirming the Debtors' fourth amended joint plan of reorganization (as amended, the Plan).

On December 9, 2013 (the Effective Date), the Debtors consummated their reorganization pursuant to the Plan, principally through the transactions contemplated by an Agreement and Plan of Merger (as amended, the Merger Agreement), dated as of February 13, 2013, by and among AMR, AMR Merger Sub, Inc. (Merger Sub) and US Airways Group, Inc. (US Airways Group), pursuant to which Merger Sub merged with and into US Airways Group (the Merger), with US Airways Group surviving as a wholly-owned subsidiary of AAG following the Merger.

From the Petition Date through the Effective Date, pursuant to automatic stay provisions under the Bankruptcy Code and orders granted by the Bankruptcy Court, all actions to enforce or otherwise effect repayment of liabilities preceding the Petition Date as well as all pending litigation against the Debtors generally were stayed. Following the Effective Date, actions to enforce or otherwise effect repayment of liabilities preceding the Petition Date generally have been permanently enjoined. Any unresolved claims will continue to be subject to the claims reconciliation process under the supervision of the U.S. Bankruptcy Court. However, certain pending litigation related to pre-petition liabilities may proceed in courts other than the U.S. Bankruptcy Court to the extent the parties to such litigation have obtained relief from the permanent injunction.

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES,
INC.****(Unaudited)**

In connection with the Chapter 11 Cases, trading in AMR's common stock and certain debt securities on the New York Stock Exchange (NYSE) was suspended on January 5, 2012, and AMR's common stock and such debt securities were delisted by the SEC from the NYSE on January 30, 2012. On January 5, 2012, AMR's common stock began trading under the symbol AAMRQ (CUSIP 001765106) on the OTCQB marketplace, operated by OTC Markets Group. Pursuant to the Plan, on the Effective Date (i) all existing shares of AAG's old common stock formerly traded under the symbol AAMRQ were canceled and (ii) AAG was authorized to issue up to approximately 544 million shares of common stock, par value \$0.01 per share, of AAG (AAG Common Stock) by operation of the Plan (excluding shares of AAG Common Stock issuable pursuant to the Merger Agreement). On the Effective Date, the AAG Common Stock was listed on the NASDAQ Global Select Market under the symbol AAL, and AAMRQ ceased trading on the OTCQB marketplace.

Upon emergence from Chapter 11, AAG issued approximately 53 million shares of AAG Common Stock to AMR's old equity holders and certain of the Debtors' employees, and issued 168 million shares of AAG Series A Convertible Preferred Stock, par value \$0.01 per share (the AAG Series A Preferred Stock), which was mandatorily convertible into new AAG Common Stock during the 120-day period after the Effective Date, to certain creditors and employees of the Debtors (including shares deposited in the Disputed Claims Reserve (as defined in the Plan)). In accordance with the terms of the Plan, former holders of AMR common stock (previously traded under the symbol AAMRQ) received, for each share of AMR common stock, an initial distribution of approximately 0.0665 shares of the AAG Common Stock as of the Effective Date. Following the Effective Date, former holders of AMR common stock and those deemed to be treated as such in connection with the elections made pursuant to the Plan have received through December 31, 2014, additional aggregate distributions of shares of AAG Common Stock of approximately 0.6776 shares of AAG Common Stock for each share of AMR common stock previously held, and may continue to receive additional distributions. As of the Effective Date, the adjusted total Double-Dip General Unsecured Claims (as defined in the Plan) were approximately \$2.5 billion and the Allowed Single-Dip General Unsecured Claims (as defined in the Plan) were approximately \$2.5 billion.

The Disputed Claims Reserve established under the Plan initially was issued 30.4 million shares, which shares are reserved for distributions to holders of disputed Single-Dip Unsecured Claims (Single-Dip Equity Obligations) whose claims ultimately become allowed as well as to certain AMR labor groups and employees who received a deemed claim amount based upon a fixed percentage of the distributions to be made to general unsecured claimholders. As of December 31, 2014, the Disputed Claims Reserve held 26.8 million shares of AAG Common Stock pending distribution of those shares in accordance with the Plan. On February 10, 2015, approximately 0.8 million shares of AAG Common Stock held in the Disputed Claims Reserve were distributed to holders of allowed Single-Dip Unsecured Claims, to holders of certain labor-related deemed claims, and to holders of certain non-management, non-union employee deemed claims as specified in the Plan, and American repurchased less than 0.1 million shares of AAG Common Stock for an aggregate of \$4 million from the Disputed Claims Reserve at the then-prevailing market price in order to fund cash tax obligations resulting from this distribution. As of June 30, 2015, there were approximately 26.0 million shares of AAG Common Stock remaining in the Disputed Claims Reserve. On July 14, 2015, approximately 0.6 million shares of AAG Common Stock held in the Disputed Claims Reserve were distributed to holders of allowed Single-Dip Unsecured Claims, to holders of certain labor-related deemed claims, and to holders of certain non-management, non-union employee deemed claims as specified in the Plan, and American repurchased

0.1 million shares of AAG Common Stock for an aggregate of \$2 million from the Disputed Claims Reserve at the then-prevailing market price in order to fund cash tax obligations resulting from this distribution. As disputed claims are resolved, the claimants will receive distributions of shares from the Disputed Claims Reserve on the same basis as if such distributions had been made on or about the Effective Date. To the extent that any of the reserved shares remain undistributed upon resolution of all remaining disputed claims, such shares will not be returned to AAG but rather will be distributed to former AMR shareholders as of the Effective Date. American is not required to distribute additional shares above the limits contemplated by the Plan.

Several parties have filed appeals seeking reconsideration of the Confirmation Order. See Note 12 for more information.

The reconciliation process with respect to the remaining claims is expected to take considerable time. American's estimate of the amounts of disputed claims that will ultimately become allowed Single-Dip Unsecured Claims are included in bankruptcy settlement obligations on American's condensed consolidated balance sheet as of June 30, 2015. As these claims are resolved, or where better information becomes available and is evaluated, American will make adjustments to the liabilities recorded on its condensed consolidated financial statements as appropriate. Any such adjustments could be material to American's financial position or results of operations in any given period.

Availability and Utilization of Net Operating Losses

Upon emergence from bankruptcy, American experienced an ownership change as defined in Section 382 of the Internal Revenue Code of 1986, as amended (Section 382), which could potentially limit the ability to utilize certain tax attributes including American's substantial net operating losses (NOLs). The general limitation rules for a debtor in a bankruptcy case are liberalized where the ownership change occurs upon emergence from bankruptcy. American elected to be covered by certain special rules for federal income tax purposes that permit approximately \$9.5 billion of the federal NOL Carryforwards to be utilized without regard to the annual limitation generally imposed by Section 382.

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Moreover, an ownership change subsequent to American's emergence from bankruptcy may further limit or effectively eliminate the ability to utilize American's NOL Carryforwards and other tax attributes. To reduce the risk of a potential adverse effect on American's ability to utilize the NOL Carryforwards, AAG's Certificate of Incorporation contains transfer restrictions applicable to certain substantial shareholders. Although the purpose of these transfer restrictions is to prevent an ownership change from occurring, there can be no assurance that an ownership change will not occur even with these transfer restrictions. A copy of AAG's Certificate of Incorporation was attached as Exhibit 3.1 to a Current Report on Form 8-K filed by AAG with the SEC on December 9, 2013.

3. Bankruptcy Settlement Obligations

The components of bankruptcy settlement obligations on the condensed consolidated balance sheets are as follows (in millions):

	June 30, 2015	December 31, 2014
Single-Dip and Double-Dip Equity Obligations	\$ 159	\$ 248
Labor-related deemed claim	49	77
Total	\$ 208	\$ 325

The amount of the remaining Single-Dip Equity Obligations at June 30, 2015 is American's estimate of its obligation for disputed claims of \$159 million and is calculated based on the fair value of the shares expected to be issued, measured as if the obligations were settled using the closing price of AAG Common Stock at June 30, 2015. Additional allowed claims will receive 30.7553 shares, subject to reduction for expenses of the Disputed Claims Reserve, including tax liabilities, for each \$1,000 of allowed claims. For accounting purposes, the value of the shares expected to be issued is marked-to-market each period until issued. Accordingly, changes in the value of AAG Common Stock could result in future increases and decreases in this obligation.

In exchange for employees' contributions to the successful reorganization of AAG, including agreeing to reductions in pay and benefits, AAG and American agreed in the Plan to provide each employee group a deemed claim which was used to provide a distribution of a portion of the equity of the reorganized entity to those employees. Each employee group received a deemed claim amount based upon a fixed percentage of the distributions to be made to general unsecured claimholders. The fair value based on the expected number of shares to be distributed to satisfy this deemed claim, as adjusted, was approximately \$1.5 billion. As of June 30, 2015, the remaining liability to certain AMR labor groups and employees of \$49 million represents the estimated fair value of the remaining shares expected to be issued in satisfaction of such obligation, measured as if the obligation was settled using the closing price of AAG Common Stock at June 30, 2015. For accounting purposes, the value of the remaining shares expected to be issued to satisfy the labor claim is marked-to-market each period until issued. Accordingly, changes in the value of AAG Common Stock could result in future increases and decreases in this obligation.

On February 10, 2015 and July 14, 2015, approximately 0.8 million and 0.6 million shares, respectively, of AAG Common Stock held in the Disputed Claims Reserve were distributed to holders of allowed Single-Dip Unsecured Claims, to holders of certain labor-related deemed claims and to holders of certain non-management, non-union employee deemed claims as specified in the Plan, and 0.1 million shares were withheld or sold on account of related tax obligations.

4. Special Items

Special items, net on the condensed consolidated statements of operations are as follows (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Mainline operating special items, net ^(a)	\$ 74	\$ 179	\$ 272	\$ (37)

^(a) The 2015 second quarter mainline operating special items totaled a net charge of \$74 million, which principally included \$137 million of merger integration expenses related to information technology, professional fees, severance, share-based compensation, fleet restructuring, re-branding of aircraft and airport facilities, relocation and training. These charges were offset in part by a net \$68 million credit for bankruptcy related items primarily consisting of fair value adjustments for bankruptcy settlement obligations. The 2015 six month period mainline operating special items totaled a net charge of \$272 million, which principally included \$285 million of merger integration expenses as described above and a net \$64 million charge related to American's new pilot joint collective bargaining agreement. These charges were offset in part by a net \$73 million credit for bankruptcy related items primarily consisting of fair value adjustments for bankruptcy settlement obligations.

The 2014 second quarter mainline operating special items totaled a net charge of \$179 million, which principally included \$99 million of merger integration expenses related to information technology, professional fees, severance, share-based compensation,

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re-branding of aircraft and airport facilities, relocation and training as well as a net \$40 million charge for bankruptcy related items primarily consisting of fair value adjustments for bankruptcy settlement obligations and \$26 million in charges related to the buyout of leases associated with certain aircraft. The 2014 six month period mainline operating special items totaled a net credit of \$37 million, which principally included a \$305 million gain on the sale of Slots at Ronald Reagan Washington National Airport and a net \$16 million credit for bankruptcy related items as described above. These special credits were offset in part by \$234 million of merger integration expenses as described above as well as \$29 million in charges primarily related to the buyout of leases associated with certain aircraft.

The following additional amounts are also included in the condensed consolidated statements of operations as follows (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Regional operating special items, net ^(a)	\$ 1	\$ 1	\$ 4	\$ 2
Nonoperating special items, net ^(b)	11	(4)	3	40
Income tax special items, net ^(c)	7	335	15	342

(a) The 2015 and 2014 second quarter and six month period regional operating special items principally related to merger integration expenses.

(b) The 2015 second quarter nonoperating special items totaled a net charge of \$11 million and primarily included non-cash write offs of unamortized debt discount and debt issuance costs associated with refinancing American's secured term loan facilities. The 2015 six month period nonoperating special items totaled a net charge of \$3 million and principally included \$20 million in charges primarily related to non-cash write offs of unamortized debt discount and debt issuance costs associated with the debt refinancing as described above and the prepayment of certain aircraft financings, offset in part by a \$17 million early debt extinguishment gain associated with the repayment of American's AAdvantage loan with Citibank.

The 2014 six month period nonoperating special charges of \$40 million were primarily due to non-cash interest accretion on bankruptcy settlement obligations.

(c) The 2015 second quarter and six month period tax special items were the result of a non-cash deferred income tax provision related to certain indefinite-lived intangible assets.

During the 2014 second quarter, American sold its portfolio of fuel hedging contracts that were scheduled to settle on or after June 30, 2014. In connection with this sale, American recorded a special non-cash tax provision of \$328 million in the second quarter of 2014 that reversed the non-cash tax provision which was recorded in other comprehensive income (OCI), a subset of stockholder's equity, principally in 2009. This provision represents the tax effect associated with gains recorded in OCI principally in 2009 due to a net increase in the fair value of American's

fuel hedging contracts. In accordance with GAAP, American retained the \$328 million tax provision in OCI until the last contract was settled or terminated. In addition, American recorded a special \$7 million non-cash deferred income tax provision related to certain indefinite-lived intangible assets in the 2014 second quarter. The 2014 six month period included the \$328 million non-cash tax provision related to the settlement of fuel hedges discussed above as well as a special \$14 million non-cash deferred income tax provision related to certain indefinite-lived intangible assets.

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Long-term debt and capital lease obligations included in the condensed consolidated balance sheets consisted of (in millions):

	June 30, 2015	December 31, 2014
<i>Secured</i>		
2013 Credit Facilities, variable interest rate of 3.25%, installments through 2020	\$ 1,867	\$ 1,872
2014 Credit Facilities, variable interest rate of 3.50%, installments through 2021	750	750
Aircraft enhanced equipment trust certificates (EETCs), fixed interest rates ranging from 3.38% to 7.00%, maturing from 2017 to 2027	5,155	4,271
Equipment loans and other notes payable, fixed and variable interest rates ranging from 1.50% to 8.10%, maturing from 2015 to 2027	1,964	1,860
Special facility revenue bonds, fixed interest rates ranging from 5.00% to 8.50%, maturing from 2016 to 2035	1,082	1,071
AAdvantage Loan, effective rate of 8.30%		433
Other secured obligations, fixed interest rates ranging from 4.19% to 12.24%, maturing from 2015 to 2028	951	992
	11,769	11,249
<i>Unsecured</i>		
Affiliate unsecured obligations	27	27
	27	27
Total long-term debt and capital lease obligations	11,796	11,276
Less: Total unamortized debt discount	29	42
Less: Current maturities	1,172	1,230
Long-term debt and capital lease obligations, net of current maturities	\$ 10,595	\$ 10,004

2013 Credit Facilities

On May 21, 2015, American refinanced its \$1.9 billion term loan facility (the \$1.9 billion 2015 Term Loan Facility and, together with a \$1.4 billion revolving credit facility, the 2013 Credit Facilities) to extend the maturity date to June 29, 2020 and reduce the LIBOR margin from 3.00% to 2.75%. In addition, American entered into certain amendments to reflect the ability for American to make future modifications to the collateral pledged, subject to certain restrictions. The LIBOR margin under the \$1.9 billion 2015 Term Loan Facility may vary based on American's credit ratings, and on June 30, 2015 the LIBOR margin was further reduced to 2.50% due to an improvement in American's credit ratings.

2014 Credit Facilities

On April 20, 2015, American refinanced its \$750 million term loan facility (the \$750 million 2015 Term Loan Facility and, together with a \$400 million revolving credit facility, the 2014 Credit Facilities) to reduce the LIBOR margin from 3.50% to 3.00% and entered into certain amendments to reflect the release of certain existing collateral and the addition of certain new collateral, as well as the ability for American to make future modifications to the collateral pledged, subject to certain restrictions. The LIBOR margin under the \$750 million 2015 Term Loan Facility may vary based on American's credit ratings, and on June 30, 2015 the LIBOR margin was further reduced to 2.75% due to an improvement in American's credit ratings.

2015-1 EETCs

In March 2015, American created two pass-through trusts which issued approximately \$1.2 billion aggregate face amount of Series 2015-1 Class A and Class B EETCs in connection with the financing of 28 aircraft currently owned or scheduled to be delivered from July 2015 to September 2015 (the 2015 EETC Aircraft). The 2015-1 EETCs represent fractional undivided interests in the respective pass-through trusts and are not obligations of American. Proceeds received from the sale of EETCs are initially held by a depository in escrow for the benefit of the certificate holders until American issues equipment notes to the pass-through trusts, which purchase the notes with a portion of the escrowed funds. These escrowed funds are not guaranteed by American and are not reported as debt on American's condensed consolidated balance sheet because the proceeds held by the depository are not American's assets.

As of June 30, 2015, \$1.0 billion of the escrowed proceeds from the 2015-1 EETCs have been used to purchase equipment notes issued by American in two series: Series A equipment notes in the amount of \$796 million bearing interest at 3.375% per annum and Series B equipment notes in the amount of \$223 million bearing interest at 3.70% per annum. Interest and principal payments on the equipment notes are payable semi-annually in May and November of each year, beginning in November 2015. The final payments on the Series A and Series B equipment notes will be due in May 2027 and May 2023, respectively. These equipment notes are secured by liens on 19 of the 2015 EETC Aircraft. The remaining \$195 million of escrowed proceeds will be used to purchase equipment notes as the remaining nine new aircraft are delivered.

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INC.****(Unaudited)*****AAdvantage Loan***

Effective January 2, 2015, American exercised its loan repayment right with respect to the full value of the outstanding balance of the AAdvantage Loan with Citibank for \$400 million. In connection with the repayment, in the first quarter of 2015, American recognized an early debt extinguishment gain of approximately \$17 million.

Obligations Associated with Special Facility Revenue Bonds

In December 2014, American acquired approximately \$112 million aggregate principal amount of special facility revenue bonds related to the Tulsa International Airport, when such bonds were mandatorily tendered to American. The acquisition of these bonds resulted in an \$11 million reduction of debt on American's consolidated balance sheet and a \$50 million reduction of a long-term operating lease obligation included in other long-term liabilities on American's consolidated balance sheet as of December 31, 2014. American exercised its option to remarket approximately \$104 million of these bonds in May 2015. The remarketed bonds will initially bear a coupon interest rate of 5% from the date of initial issuance and delivery of the bonds on May 27, 2015, until the day preceding June 1, 2025, on which date the bonds will be subject to mandatory tender. In connection with the remarketing of these special facility revenue bonds, American received cash proceeds of \$112 million and recognized a total obligation of \$62 million. Of that total obligation, \$11 million is reflected as a capital lease and \$51 million is reflected in other long-term liabilities on American's condensed consolidated balance sheet as of June 30, 2015.

In June 2015, American exercised its right to adjust the interest rate on approximately \$365 million aggregate principal amount of special facility revenue bonds, reflected as debt on its condensed consolidated balance sheet related to the John F. Kennedy International Airport. In connection with the adjustment to a new interest rate, the bonds are required to be purchased by American on August 3, 2015. American is in the process of remarketing the bonds at the new interest rate. The remarketed bonds are expected to be subject to mandatory tender for purchase by American on August 1, 2016. As a result, American reclassified \$365 million to current maturities of long-term debt on its condensed consolidated balance sheet as of June 30, 2015.

Other Aircraft Financing Transactions

In the first six months of 2015, American prepaid \$72 million principal amount of outstanding debt secured by certain aircraft.

In the first six months of 2015, American entered into loan agreements to borrow \$389 million in connection with the financing of certain aircraft deliveries. The notes mature in 2025 through 2027 and bear interest at a rate of LIBOR plus an applicable margin.

6. Income Taxes

At December 31, 2014, American had approximately \$10.3 billion of gross NOL Carryforwards to reduce future federal taxable income, substantially all of which are expected to be available for use in 2015. American is a member

of AAG's consolidated federal and certain state income tax returns. The amount of federal and state NOL Carryforwards available in those returns is \$10.1 billion and \$4.6 billion, respectively, substantially all of which is expected to be available for use in 2015. The federal NOL Carryforwards will expire beginning in 2022 if unused. These NOL Carryforwards include an unrealized tax benefit of \$712 million related to the implementation of share-based compensation accounting guidance that will be recorded in equity when realized. American also had approximately \$3.9 billion of NOL Carryforwards to reduce future state taxable income at December 31, 2014, which will expire in years 2015 through 2034 if unused. American's ability to deduct its NOL Carryforwards and to utilize certain other available tax attributes can be substantially constrained under the general annual limitation rules of Section 382 where an ownership change has occurred. American experienced an ownership change in connection with its emergence from the Chapter 11 Cases. The general limitation rules of Section 382 for a debtor in a bankruptcy case are liberalized where the ownership change occurs upon emergence from bankruptcy. American elected to be covered by certain special rules for federal income tax purposes that permit approximately \$9.5 billion of its federal NOL Carryforwards to be utilized without regard to the Section 382 annual limitation rules. Similar limitations may apply for state income tax purposes. American's ability to utilize any new NOL Carryforwards arising after the ownership change is not affected by the annual limitation rules imposed by Section 382 unless another ownership change occurs.

At December 31, 2014, American had an Alternative Minimum Tax (AMT) credit carryforward of approximately \$435 million available for federal income tax purposes, which is available for an indefinite period. American's net deferred tax assets, which include the NOL Carryforwards, are subject to a full valuation allowance. At December 31, 2014, the federal and state valuation allowances were \$5.1 billion and \$208 million, respectively. In accordance with GAAP, utilization of the NOL Carryforwards after December 9, 2013 will result in a corresponding decrease in the valuation allowance and offset American's tax provision dollar for dollar.

American provides a valuation allowance for deferred tax assets when it is more likely than not that some portion, or all of its deferred tax assets, will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. American considers all available positive and negative evidence and makes certain assumptions. American considers

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INC.****(Unaudited)**

many factors in evaluating the realizability of its deferred tax assets including risks associated with merger integration as well as other factors, which continue to be affected by conditions beyond American's control, such as the condition of the economy, the level and volatility of fuel prices and travel demand. American has concluded as of June 30, 2015 that the valuation allowance was still needed on its deferred tax asset based on the weight of the factors described above.

For the three and six months ended June 30, 2015, American recorded a special \$7 million and \$15 million, respectively, non-cash deferred income tax provision related to certain indefinite-lived intangible assets. In addition, for the three and six months ended June 30, 2015, American recorded \$4 million and \$4 million, respectively, of state and international income tax expense related to certain states and other jurisdictions where NOLs were limited or unavailable to be used.

During the second quarter of 2014, American sold its portfolio of fuel hedging contracts that were scheduled to settle on or after June 30, 2014. In connection with this sale, American recorded a special non-cash tax provision of \$328 million in the statement of operations for the second quarter of 2014 that reversed the non-cash tax provision which was recorded in OCI, a subset of stockholder's equity, principally in 2009. This provision represents the tax effect associated with gains recorded in OCI principally in 2009 due to a net increase in the fair value of American's fuel hedging contracts. In accordance with GAAP, American retained the \$328 million tax provision in OCI until the last contract was settled or terminated. In addition, American recorded a special \$7 million non-cash deferred income tax provision related to certain indefinite-lived intangible assets in the 2014 second quarter. The 2014 six month period included the \$328 million non-cash tax provision related to the settlement of fuel hedges discussed above as well as a special \$14 million non-cash deferred income tax provision related to certain indefinite-lived intangible assets.

For the three and six months ended June 30, 2014, American recorded \$1 million and \$5 million, respectively, of state and international income tax expense related to certain states and other jurisdictions where NOLs were limited or unavailable to be used.

7. Fair Value Measurements***Assets and Liabilities Measured at Fair Value on a Recurring Basis***

American utilizes the market approach to measure fair value for its financial assets and liabilities. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. American's short-term investments classified as Level 2 primarily utilize broker quotes in a non-active market for valuation of these securities. No changes in valuation techniques or inputs occurred during the six months ended June 30, 2015.

Assets and liabilities measured at fair value on a recurring basis are summarized below (in millions):

	Fair Value Measurements as of June 30, 2015			
	Total	Level 1	Level 2	Level 3
Short-term investments ^{(1), (2)} :				
Money market funds	\$ 207	\$ 207	\$	\$
Repurchase agreements	43		43	
Corporate obligations	2,778		2,778	
Bank notes / certificates of deposit / time deposits	2,164		2,164	
	5,192	207	4,985	
Restricted cash and short-term investments ⁽¹⁾	641	641		
Total	\$ 5,833	\$ 848	\$ 4,985	\$

(1) Unrealized gains or losses on short-term investments and restricted cash and short-term investments are recorded in accumulated other comprehensive loss at each measurement date.

(2) All short-term investments are classified as available-for-sale and stated at fair value. In addition, all short-term investments mature in one year or less except for \$424 million of corporate obligations and \$1.3 billion of bank notes/certificates of deposit/time deposits.

There were no Level 1 to Level 2 transfers during the six months ended June 30, 2015.

Venezuela Cash and Short-term Investments

As of June 30, 2015, American had approximately \$629 million of unrestricted cash and short-term investments held in Venezuelan bolivars. This balance includes approximately \$621 million valued at 6.3 bolivars to the U.S. dollar and approximately \$8 million valued at 12.8 bolivars to the U.S. dollar, with the rate depending on the date American submitted its repatriation request to the Venezuelan government. These rates are materially more favorable than the exchange rates currently prevailing for other transactions conducted outside of the Venezuelan government's currency exchange system.

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During 2014, American significantly reduced capacity in the Venezuelan market and is no longer accepting bolivars as payment for airline tickets. American is monitoring this situation closely and continues to evaluate its holdings of Venezuelan bolivars for additional foreign currency losses or other accounting adjustments, which could be material, particularly in light of the additional uncertainty posed by the recent changes to the foreign exchange regulations and the continued deterioration of economic conditions in Venezuela. More generally, fluctuations in foreign currencies, including devaluations, cannot be predicted by American and can significantly affect the value of American's assets located outside the United States. These conditions, as well as any further delays, devaluations or imposition of more stringent repatriation restrictions, may materially adversely affect American's business, results of operations and financial condition. See Part II, Item 1A. Risk Factors *We operate a global business with international operations that are subject to economic and political instability and have been, and in the future may continue to be, adversely affected by numerous events, circumstances or government actions beyond our control* for additional discussion of this and other currency risks.

Fair Value of Debt

The fair value of American's long-term debt was estimated using quoted market prices or discounted cash flow analyses, based on American's current estimated incremental borrowing rates for similar types of borrowing arrangements. If American's long-term debt was measured at fair value, it would have been classified as Level 2 in the fair value hierarchy.

The carrying value and estimated fair value of American's long-term debt, including current maturities, were as follows (in millions):

	June 30, 2015		December 31, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt, including current maturities	\$ 11,767	\$ 12,050	\$ 11,234	\$ 11,618

8. Retirement Benefits

The following tables provide the components of net periodic benefit cost (in millions):

Three Months Ended June 30,	Pension Benefits		Retiree Medical and Other Benefits	
	2015	2014	2015	2014
Service cost	\$	\$ 1	\$	\$
Interest cost	184	184	11	14
Expected return on assets	(212)	(196)	(5)	(5)

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Settlements	1	1		
Amortization of:				
Prior service cost (benefit)	7	7	(59)	(58)
Unrecognized net loss (gain)	28	12	(2)	(2)
Net periodic benefit cost (income)	\$ 8	\$ 9	\$ (55)	\$ (51)

Six Months Ended June 30,	Pension Benefits		Retiree Medical and Other Benefits	
	2015	2014	2015	2014
Service cost	\$ 1	\$ 1	\$ 1	\$
Interest cost	367	369	23	28
Expected return on assets	(424)	(391)	(10)	(10)
Settlements	1	3		
Amortization of:				
Prior service cost (benefit) ⁽¹⁾	14	14	(119)	(118)
Unrecognized net loss (gain)	56	23	(4)	(4)
Net periodic benefit cost (income)	\$ 15	\$ 19	\$ (109)	\$ (104)

⁽¹⁾ The 2015 six month period prior service cost does not include amortization of \$1 million related to other post-employment benefits.

Effective November 1, 2012, American's defined benefit pension plans were frozen.

American is required to make minimum contributions to its defined benefit pension plans under the minimum funding requirements of the Employee Retirement Income Security Act of 1974 (ERISA), the Pension Funding Equity Act of 2004, the Pension Protection Act of 2006, the Pension Relief Act of 2010 and the Moving Ahead for Progress in the 21st Century Act of 2012. Based on current funding assumptions, American has no minimum required contributions until 2019. Currently, American's minimum funding obligation for its pension plans is subject to temporary favorable rules that are scheduled to expire at the end of 2017. Upon expiration of these rules, American's funding obligations are likely to increase materially. The amount of these obligations will depend on the performance of American's investments held in trust by the pension plans, interest rates for determining liabilities and American's actuarial experience.

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The components of accumulated other comprehensive income (loss) (AOCI) are as follows (in millions):

	Pension and Retiree Medical Liability	Derivative Financial Instruments	Unrealized Gain/(Loss) on Investments	Income Tax Benefit (Expense)	Total
Balance at December 31, 2014	\$ (3,660)	\$ 9	\$ (3)	\$ (991)	\$ (4,645)
Other comprehensive income (loss) before reclassifications					
Amounts reclassified from accumulated other comprehensive income (loss)	(51)	(9)			(60)
Net current period other comprehensive income (loss)	(51)	(9)			(60)
Balance at June 30, 2015	\$ (3,711)	\$	\$ (3)	\$ (991)	\$ (4,705)

Reclassifications out of AOCI for the three and six months ended June 30, 2015 and 2014 are as follows (in millions):

Amounts reclassified from AOCI
Three Months Ended June 30, 2015 **Six Months Ended June 30, 2014** **Affected line items on condensed**

AOCI Components	2015	2014	2015	2014	consolidated statement of operations
Amortization of pension and retiree medical liability:					
Prior service cost	\$ (52)	\$ (51)	\$ (104)	\$ (104)	Salaries, wages and benefits
Actuarial loss	27	10	53	19	Salaries, wages and benefits
Derivative financial instruments:					
Cash flow hedges	(3)	5	(9)	12	Aircraft fuel and related taxes
Net unrealized change on investments:					
Net change in value	(1)	(2)			Other nonoperating, net
Income tax benefit:					
Reversal of non-cash tax provision		328		328	Income tax provision

Total reclassifications for the period \$ (29) \$ 290 \$ (60) \$ 255

10. Regional Expenses

Expenses associated with American's third-party regional carriers operating under the brand name American Eagle are classified as regional expenses on the condensed consolidated statements of operations. Regional expenses consist of the following (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Aircraft fuel and related taxes	\$ 184	\$ 270	\$ 344	\$ 523
Salaries, wages and benefits	33	27	64	46
Capacity purchases from third-party regional carriers	309	317	601	618
Other rent and landing fees	71	61	135	116
Selling expenses	42	40	78	76
Depreciation and amortization	45	37	87	74
Special items, net	1	1	4	2
Other	103	51	203	107
Total regional expenses	\$ 788	\$ 804	\$ 1,516	\$ 1,562

11. Transactions with Related Parties

The following represents the net payables to (receivables from) related parties (in millions):

	June 30, 2015	December 31, 2014
American Airlines Group Parent	\$ (474)	\$ 40
US Airways Group, Inc.	185	320
Envoy Aviation Group ⁽¹⁾ and other subsidiaries	2,157	2,203
Total	\$ 1,868	\$ 2,563

⁽¹⁾ The net payable to AAG's wholly-owned regional airline operating under the brand name of American Eagle consists principally of amounts due under regional capacity purchase agreements.

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INC.****(Unaudited)*****Frequent Flyer Program***

In the first quarter of 2015, the US Airways Dividend Miles frequent flyer program was merged into American's AAdvantage program. Accordingly, as of March 31, 2015, the related frequent flyer deferred revenue and incremental cost liability for the Dividend Miles program has been transferred to American with a corresponding intercompany receivable from US Airways recorded by American. No gain or loss was incurred from the transaction as the liabilities were transferred at their respective net book values. American's intercompany receivable associated with the transfer of this obligation will be settled by US Airways through future redemptions by AAdvantage members on US Airways operated flights. For each of the three and six months ended June 30, 2015, \$222 million of total operating revenues was allocated from American to US Airways in connection with redemptions by AAdvantage members on US Airways operated flights as well as certain marketing services.

Allocated Expenses

Until American and US Airways are merged into one legal entity, revenue and expenses will continue to be recorded by each entity based on either specific identification of the related transaction where applicable or appropriate allocations based on metrics that are systematic and rational. The operating expenses of American reflect allocated expenses for certain services shared with US Airways. These allocated expenses include certain selling expenses, certain airport operating expenses at co-located airports, information technology expenses and corporate management and support functions. Shared selling expenses have been allocated primarily based on the passenger revenue of each respective carrier. Shared airport operating expenses have been allocated based on American's and US Airways' respective departures at those airports. Shared other expenses have been allocated primarily based on American's and US Airways' respective available seat miles (ASMs). For the three and six months ended June 30, 2015, \$247 million and \$419 million of total net operating expenses, respectively, was allocated from American to US Airways. There were no material allocations recorded during the three and six months ended June 30, 2014.

12. Legal Proceedings

Chapter 11 Cases. As previously disclosed, on the Petition Date, November 29, 2011, the Debtors filed the Chapter 11 Cases. On October 21, 2013, the Bankruptcy Court entered the Confirmation Order confirming the Plan. On the Effective Date, December 9, 2013, the Debtors consummated their reorganization pursuant to the Plan, principally through the transactions contemplated by the Merger Agreement pursuant to which Merger Sub merged with and into US Airways Group, with US Airways Group surviving as a wholly-owned subsidiary of AAG. From the Petition Date through the Effective Date, pursuant to automatic stay provisions under the Bankruptcy Code and orders granted by the Bankruptcy Court, actions to enforce or otherwise effect repayment of liabilities preceding the Petition Date as well as all pending litigation against the Debtors generally were stayed. Following the Effective Date, actions to enforce or otherwise effect repayment of liabilities preceding the Petition Date, generally have been permanently enjoined. Any unresolved claims will continue to be subject to the claims reconciliation process under the supervision of the Bankruptcy Court. However, certain pending litigation related to pre-petition liabilities may proceed in courts other than the Bankruptcy Court to determine the amount, if any, of such litigation claims for purposes of treatment under the Plan.

Pursuant to rulings of the Bankruptcy Court, the Plan established the Disputed Claims Reserve to hold shares of AAG Common Stock reserved for issuance to disputed claimholders at the Effective Date that ultimately become holders of allowed Single-Dip Unsecured Claims. The shares provided for under the Plan were determined based upon a Disputed Claims Reserve amount of claims of approximately \$755 million, representing the maximum amount of additional distributions to subsequently allowed Single-Dip Unsecured Claims under the Plan. As of December 31, 2014, the Disputed Claims Reserve held 26.8 million shares of AAG Common Stock pending distribution of those shares in accordance with the Plan. On February 10, 2015, approximately 0.8 million shares of AAG Common Stock held in the Disputed Claims Reserve were distributed to holders of allowed Single-Dip Unsecured Claims, to holders of certain labor-related deemed claims, and to holders of certain non-management, non-union employee deemed claims as specified in the Plan, and American repurchased less than 0.1 million shares of AAG Common Stock for an aggregate of \$4 million from the Disputed Claims Reserve at the then-prevailing market price in order to fund cash tax obligations resulting from this distribution. As of June 30, 2015, there were approximately 26.0 million shares of AAG Common Stock remaining in the Disputed Claims Reserve. On July 14, 2015, approximately 0.6 million shares of AAG Common Stock held in the Disputed Claims Reserve were distributed to holders of allowed Single-Dip Unsecured Claims, to holders of certain labor-related deemed claims, and to holders of certain non-management, non-union employee deemed claims as specified in the Plan, and American repurchased less than 0.1 million shares of AAG Common Stock for an aggregate of \$2 million from the Disputed Claims Reserve at the then-prevailing market price in order to fund cash tax obligations resulting from this distribution. As disputed claims are resolved, the claimants will receive distributions of shares from the Disputed Claims Reserve on the same basis as if such distributions had been made on or about the Effective Date. However, American is not required to distribute additional shares above the limits contemplated by the Plan, even if the shares remaining for distribution are not sufficient to fully pay any additional allowed unsecured claims. To the extent that any of the reserved shares remain undistributed upon resolution of all remaining disputed claims, such shares will not be returned to AAG but rather will be distributed to former AMR shareholders as of the Effective Date. However, resolution of disputed claims could have a

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES,
INC.****(Unaudited)**

material effect on recoveries by holders of additional allowed Single-Dip Unsecured Claims under the Plan and the amount of additional share distributions, if any, that are made to former AMR shareholders as the total number of shares of AAG Common Stock that remain available for distribution upon resolution of disputed claims is limited pursuant to the Plan.

There is also pending in the Bankruptcy Court an adversary proceeding relating to an action brought by American to seek a determination that certain non-pension, post-employee benefits (OPEB) are not vested benefits and thus may be modified or terminated without liability to American. On April 18, 2014, the Bankruptcy Court granted American's motion for summary judgment with respect to certain non-union employees, concluding that their benefits were not vested and could be terminated. The summary judgment motion was denied with respect to all other retirees. The Bankruptcy Court has not yet scheduled a trial on the merits concerning whether those retirees' benefits are vested, and American cannot predict whether it will receive relief from obligations to provide benefits to any of those retirees. American's financial statements presently reflect these retirement programs without giving effect to any modification or termination of benefits that may ultimately be implemented based upon the outcome of this proceeding. Separately, both the Association of Professional Flight Attendants and Transport Workers Union have filed grievances asserting that American was successful in its Chapter 11 with respect to matters related to OPEB and, accordingly, by operation of the underlying collective bargaining agreements, American's prior contributions to certain OPEB prefunding trusts attributable to active employees should be returned to those active employees. These amounts aggregate approximately \$212 million. American has denied both grievances and intends to defend these matters vigorously.

DOJ Civil Investigative Demand. In June 2015, American received a Civil Investigative Demand (CID) from the United States Department of Justice (DOJ) as part of an investigation into whether there have been illegal agreements or coordination of air passenger capacity. The CID seeks documents and other information from American, and other airlines have announced that they have received similar requests. American intends to cooperate fully with the DOJ investigation. In addition, subsequent to announcement of the delivery of CIDs by the DOJ, American, along with Delta Air Lines, Inc., Southwest Airlines Co., United Airlines, Inc. and, in the case of litigation filed in Canada, Air Canada, have been named as defendants in a number of putative class action lawsuits alleging unlawful agreements with respect to air passenger capacity. The U.S. lawsuits are the subject of multiple motions to consolidate them in a single forum. Both the DOJ process and these lawsuits are in their very early stages and American intends to defend the lawsuits vigorously.

Private Party Antitrust Action. On July 2, 2013, a lawsuit captioned Carolyn Fjord, et al., v. US Airways Group, Inc., et al., was filed in the United States District Court for the Northern District of California. The complaint named as defendants US Airways Group and US Airways, and alleged that the effect of the Merger may be to substantially lessen competition or tend to create a monopoly in violation of Section 7 of the Clayton Antitrust Act. The relief sought in the complaint included an injunction against the Merger, or divestiture. On August 6, 2013, the plaintiffs re-filed their complaint in the Bankruptcy Court, adding AMR and American as defendants, and on October 2, 2013, dismissed the initial California action. The Bankruptcy Court denied plaintiffs' motion to preliminarily enjoin the Merger. On January 10, 2014, the plaintiffs moved to amend their complaint to add additional factual allegations, a claim for money damages and a request for preliminary injunctive relief requiring the carriers to hold separate their assets. On March 14, 2014, the Court allowed plaintiffs to add certain allegations but denied plaintiffs' requests to add

a damages claim or seek preliminary injunctive relief requiring the carriers to hold separate their assets. On June 2, 2014, plaintiffs filed an amended motion for leave to file a second amended and supplemental complaint. On March 31, 2015, the Court denied plaintiffs motion. There is currently no trial date set. American believes this lawsuit is without merit and intends to vigorously defend against the allegations.

General. American is also engaged in other legal proceedings from time to time. Legal proceedings can be complex and take many months, or even years, to reach resolution, with the final outcome depending on a number of variables, some of which are not within the control of American. Therefore, although American will vigorously defend itself in each of the actions described above and such other legal proceedings, their ultimate resolution and potential financial and other impacts on American are uncertain.

13. Subsequent Events

Distribution of AAG Common Stock

On July 14, 2015, approximately 0.6 million shares of AAG Common Stock held in the Disputed Claims Reserve were distributed to holders of allowed Single-Dip Unsecured Claims, to holders of certain labor-related deemed claims and to holders of certain non-management, non-union employee deemed claims as specified in the Plan, and 0.1 million shares were withheld or sold on account of related tax obligations.

Table of Contents**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Part I, Item 2 of this report should be read in conjunction with Part II, Item 7 of AAG's and American's Annual Report on Form 10-K for the year ended December 31, 2014 (the 2014 Form 10-K). The information contained herein is not a comprehensive discussion and analysis of the financial condition and results of operations of the Company, but rather updates disclosures made in the 2014 Form 10-K.

American Airlines Group**Background**

We continue to move toward operating under the single brand name of American Airlines through our mainline operating subsidiaries, American and US Airways. Together with our wholly-owned regional airline subsidiaries and third-party regional carriers operating as American Eagle and US Airways Express, our airlines operate an average of nearly 6,700 flights per day to nearly 350 destinations in more than 50 countries from our hubs in Charlotte, Chicago, Dallas/Fort Worth, Los Angeles, Miami, New York, Philadelphia, Phoenix and Washington, D.C. In the second quarter of 2015, approximately 52 million passengers boarded our mainline and regional flights. As of June 30, 2015, we operated 963 mainline aircraft and were supported by our regional airline subsidiaries and third-party regional carriers, which operated 578 regional aircraft.

Since American and US Airways merged in December 2013, the airline has been making steady integration progress. In the second quarter of 2015, we received a single operating certificate from the Federal Aviation Administration (FAA) for American and US Airways, marking a major milestone in the integration of the two airlines. In July 2015, we set in motion the events that will allow us to merge our reservations systems in October 2015. The integration of our reservations systems is our final major customer milestone and will allow us to create a seamless travel experience for our customers.

The U.S. Airline Industry

During the second quarter of 2015, U.S. airline industry revenues declined as compared to the second quarter of 2014, while capacity as measured by available seat miles increased and certain foreign currencies experienced devaluation. In its most recent data available, Airlines for America, the trade association for U.S. airlines, reported the following changes in U.S. industry passenger revenues and yields:

	April	May	June
<u>2015 vs. 2014</u>			
Passenger Revenues	(0.3)%	(2.1)%	(3.3)%
Yields	(2.7)%	(4.9)%	(6.6)%
<u>2014 vs. 2013</u>			
Passenger Revenues	7.8%	7.6%	6.6%
Yields	3.6%	4.6%	4.8%

Jet fuel prices closely follow the price of Brent crude oil. On average, Brent crude oil per barrel was approximately 43% lower in the second quarter of 2015 as compared to the second quarter of 2014. The average daily spot price for

Brent crude oil during the second quarter of 2015 was \$62 per barrel as compared to an average daily spot price of \$109 per barrel during the second quarter of 2014. On a daily basis, Brent crude oil prices fluctuated during the quarter between a high of \$66 per barrel to a low of \$56 per barrel, and closed the quarter on June 30, 2015 at \$60 per barrel.

While jet fuel prices have declined year-over-year as described above, uncertainty exists regarding the economic conditions driving these factors. See Part II, Item 1A. Risk Factors *Downturns in economic conditions adversely affect our business* and *Our business is dependent on the price and availability of aircraft fuel. Continued periods of high volatility in fuel costs, increased fuel prices and significant disruptions in the supply of aircraft fuel could have a significant negative impact on our operating results and liquidity.*

Table of Contents**American Airlines Group****Second Quarter 2015 Results**

Driven by substantially lower fuel costs, we realized operating income of \$1.9 billion and net income of \$1.7 billion in the second quarter of 2015. This compares to operating income of \$1.4 billion and net income of \$864 million in the second quarter of 2014.

Excluding the effects of net special charges, we recognized operating income of \$2.1 billion and net income of \$1.9 billion in the second quarter of 2015 as compared to operating income of \$1.7 billion and net income of \$1.5 billion in the second quarter of 2014. This represents improvements of 26% and 27%, respectively, in operating income and net income during the second quarter of 2015.

	Three Months Ended June 30,		Percent Increase (Decrease)
	2015	2014	
	(In millions, except percentage changes)		
Mainline and regional passenger revenues	\$ 9,414	\$ 9,920	(5.1)
Total operating revenues	10,827	11,355	(4.6)
Mainline and regional aircraft fuel and related taxes	2,123	3,365	(36.9)
Total operating expenses	8,906	9,956	(10.5)
Operating income	1,921	1,399	37.3
Net income	1,704	864	97.4
Special items: ⁽¹⁾			
Operating special charges, net	\$ 154	\$ 253	
Nonoperating special charges (credits), net	(11)	2	
Income tax special charges, net	7	337	
Total net special charges	\$ 150	\$ 592	

⁽¹⁾ AAG's second quarter 2015 results were impacted by net special charges of \$150 million, consisting principally of \$231 million of mainline and regional merger integration expenses, offset in part by a \$68 million net special credit for bankruptcy related items. The second quarter of 2014 net special charges of \$592 million consisted principally of \$165 million of mainline and regional merger integration expenses and a \$330 million non-cash tax provision related to the sale of our portfolio of fuel hedging contracts. See Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations *AAG's Results of Operations* of this report for more information on net special items.

Revenue

In the second quarter of 2015, we reported operating revenues of \$10.8 billion. Mainline and regional passenger revenues were \$9.4 billion, a decrease of \$506 million, or 5.1%, as compared to the second quarter of 2014. The decline in revenues was driven by a 6.1% decrease in passenger yield due to competitive growth, as well as weaker international yields due to foreign currency devaluation. Our mainline and regional passenger revenue per available seat mile (PRASM) was 13.57 cents in the second quarter of 2015, a 6.9% decrease as compared to 14.57 cents in the

second quarter of 2014.

Fuel

Mainline and regional fuel expense totaled \$2.1 billion in the second quarter of 2015, which was \$1.2 billion, or 36.9%, lower as compared to the second quarter of 2014. This decrease was driven by a 37.3% decrease in the average price per gallon to \$1.90 in the second quarter of 2015 from \$3.03 in the 2014 period.

During the second quarter of 2014, we sold our portfolio of fuel hedging contracts that were scheduled to settle on or after June 30, 2014. We have not entered into any transactions to hedge our fuel consumption since December 9, 2013 and, accordingly, as of June 30, 2015, we did not have any fuel hedging contracts outstanding to hedge our fuel consumption. As such, and assuming we do not enter into any future transactions to hedge our fuel consumption, we will continue to be fully exposed to fluctuations in fuel prices. Our current policy is not to enter into transactions to hedge our fuel consumption, although we review that policy from time to time based on market conditions and other factors.

Table of Contents**Cost Control**

We remain committed to maintaining a low cost structure, which we believe is necessary in an industry whose economic prospects are heavily dependent upon two variables we cannot control: the health of the economy and the price of fuel. Our 2015 second quarter mainline cost per available seat mile (CASM) excluding special items and fuel was 8.77 cents, an increase of 2.5% as compared to the second quarter of 2014. The increase was primarily due to higher salaries, wages and benefits driven by new merger-related labor contracts.

The following table details our mainline CASM for the three months ended June 30, 2015 and 2014:

	Three Months Ended June 30,		Percent Increase
	2015	2014	(Decrease)
	(In cents, except percentage changes)		
Mainline CASM excluding special items and aircraft fuel and related taxes:			
Total mainline CASM	11.87	13.61	(12.8)
Special items, net	(0.23)	(0.41)	(43.3)
Aircraft fuel and related taxes	(2.86)	(4.64)	(38.2)
Mainline operating expenses per ASM, excluding special items and aircraft fuel and related taxes ⁽¹⁾	8.77	8.55	2.5

⁽¹⁾ We believe that the presentation of mainline CASM excluding fuel is useful to investors because both the cost and availability of fuel are subject to many economic and political factors beyond our control, and the exclusion of special items provides investors the ability to measure financial performance in a way that is more indicative of our ongoing performance and that is more comparable to measures reported by other major airlines. Management uses mainline CASM excluding special items and fuel to evaluate our operating performance. Amounts may not recalculate due to rounding.

Customer Service

We are committed to consistently delivering safe, reliable and convenient service to our customers in every aspect of our operation. Our second quarter 2015 operating performance was impacted by severe weather conditions, particularly at our Dallas/Fort Worth hub.

We reported the following combined operating statistics to the U.S. Department of Transportation (DOT) for mainline operations for the second quarter of 2015 and 2014:

	2015			2014			Better (Worse)		
	April	May	June^(e)	April	May	June	April	May	June
On-time performance ^(a)	80.2	80.9	77.3	82.7	79.1	72.1	(2.5)pts	1.8 pts	5.2 pts
Completion factor ^(b)	99.3	98.6	98.9	99.4	98.2	98.7	(0.1)pts	0.4 pts	0.2 pts

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Mishandled baggage ^(c)	3.65	3.86	4.33	3.00	3.73	4.16	(21.7)%	(3.5)%	(4.1)%
Customer complaints ^(d)	2.75	2.72	3.24	1.94	2.26	2.29	(41.8)%	(20.4)%	(41.5)%

- (a) Percentage of reported flight operations arriving on time as defined by the DOT.
- (b) Percentage of scheduled flight operations completed.
- (c) Rate of mishandled baggage reports per 1,000 passengers.
- (d) Rate of customer complaints filed with the DOT per 100,000 enplanements.
- (e) June 2015 operating statistics are preliminary as the DOT has not issued its June 2015 Air Travel Consumer report as of the date of this filing.

Table of Contents**Liquidity Position**

As of June 30, 2015, our total cash, short-term investments and restricted cash was \$9.7 billion, of which \$747 million was restricted. We also had available \$1.8 billion under undrawn revolving line of credit facilities.

In the first six months of 2015, we utilized cash generated from operations to invest in our airline through our fleet renewal program and to return value to our shareholders through stock repurchases and payment of dividends. During this period we repurchased 21.1 million shares of AAG Common Stock for \$943 million. Additionally, we paid \$140 million in connection with quarterly cash dividends of \$0.10 per share declared in January and April 2015.

These cash outflows were offset in part by certain new debt issuances to further strengthen our liquidity position. In March 2015, we issued \$500 million aggregate principal amount of 4.625% senior notes due 2020. Also in March 2015, American issued \$1.0 billion in equipment notes related to the 2015-1 Enhanced Equipment Trust Certificates to finance certain unencumbered aircraft.

We have also completed transactions to pay down and refinance certain higher rate debt. In the first quarter of 2015, we repaid our \$400 million Citibank AAdvantage loan. In the second quarter of 2015, we refinanced and lowered the LIBOR margins on our \$1.9 billion and \$750 million term loan facilities.

The following table presents a summary of our cash and short-term investment balances:

	June 30, 2015	December 31, 2014
		(In millions)
Cash and short-term investments ⁽¹⁾	\$ 8,919	\$ 7,303
Restricted cash and short-term investments ⁽²⁾	747	774
Total cash and short-term investments	\$ 9,666	\$ 8,077

⁽¹⁾ As of June 30, 2015, we had approximately \$629 million of unrestricted cash and short-term investments held in Venezuelan bolivars. This balance includes approximately \$621 million valued at 6.3 bolivars to the U.S. dollar and approximately \$8 million valued at 12.8 bolivars to the U.S. dollar, with the rate depending on the date we submitted our repatriation request to the Venezuelan government. These rates are materially more favorable than the exchange rates currently prevailing for other transactions conducted outside of the Venezuelan government's currency exchange system.

During 2014, we significantly reduced capacity in the Venezuelan market and we are no longer accepting bolivars as payment for airline tickets. We are monitoring this situation closely and continue to evaluate our holdings of Venezuelan bolivars for additional foreign currency losses or other accounting adjustments, which could be material, particularly in light of the additional uncertainty posed by the recent changes to the foreign exchange regulations and the continued deterioration of economic conditions in Venezuela. More generally, fluctuations in foreign currencies, including devaluations, cannot be predicted by us and can significantly affect the value of our assets located outside the United States. These conditions, as well as any further delays, devaluations or imposition of more stringent repatriation restrictions, may materially adversely affect our business, results of operations and financial condition. See Part II, Item 1A. Risk Factors *We operate a global business with international operations that are subject to economic and political instability and have been, and in the future may continue to be, adversely affected by*

numerous events, circumstances or government actions beyond our control for additional discussion of this and other currency risks.

(2) Restricted cash and investments primarily include cash collateral to secure workers' compensation claims.

AAG's Results of Operations

In the second quarter of 2015, we realized operating income of \$1.9 billion and net income of \$1.7 billion. Our second quarter 2015 net income included net special operating charges of \$154 million and total net special charges of \$150 million. Excluding the effects of these special charges, we realized operating income of \$2.1 billion and net income of \$1.9 billion.

In the second quarter of 2014, we realized operating income of \$1.4 billion and net income of \$864 million. Our second quarter 2014 net income included net special operating charges of \$253 million and total net special charges of \$592 million. Excluding the effects of these special charges, we realized operating income of \$1.7 billion and net income of \$1.5 billion.

In the first six months of 2015, we realized operating income of \$3.1 billion and net income of \$2.6 billion. Our 2015 six month period net income included net special operating charges of \$465 million and total net special charges of \$462 million. Excluding the effects of these special charges, we realized operating income of \$3.6 billion and net income of \$3.1 billion.

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In the first six months of 2014, we realized operating income of \$2.1 billion and net income of \$1.3 billion. Our 2014 six month period net income included net special operating charges of \$120 million and total net special charges of \$515 million. Excluding the effects of these special charges, we realized operating income of \$2.2 billion and net income of \$1.9 billion.

The following table details our net income excluding special items (in millions):

	Three Months Ended June 30		Six Months Ended June 30,	
	2015	2014	2015	2014
Net income	\$ 1,704	\$ 864	\$ 2,636	\$ 1,343
Special items:				
Mainline operating special items, net ⁽¹⁾	144	251	447	114
Regional operating special items, net ⁽²⁾	10	2	18	6
Nonoperating special items, net ⁽³⁾	(11)	2	(19)	50
Income tax special items, net ⁽⁴⁾	7	337	16	345
Total special items	150	592	462	515
Net income excluding special items	\$ 1,854	\$ 1,456	\$ 3,098	\$ 1,858

(1) The 2015 second quarter mainline operating special items totaled a net charge of \$144 million, which principally included \$221 million of merger integration expenses related to information technology, professional fees, severance, share-based compensation, fleet restructuring, re-branding of aircraft and airport facilities, relocation and training. These charges were offset in part by a net \$68 million credit for bankruptcy related items primarily consisting of fair value adjustments for bankruptcy settlement obligations. The 2015 six month period mainline operating special items totaled a net charge of \$447 million, which principally included \$437 million of merger integration expenses as described above and a net \$99 million charge related to our new pilot joint collective bargaining agreement. These charges were offset in part by a net \$73 million credit for bankruptcy related items primarily consisting of fair value adjustments for bankruptcy settlement obligations.

The 2014 second quarter mainline operating special items totaled a net charge of \$251 million, which principally included \$163 million of merger integration expenses related to information technology, professional fees, severance, share-based compensation, re-branding of aircraft and airport facilities, relocation and training as well as a net \$38 million charge for bankruptcy related items primarily consisting of fair value adjustments for bankruptcy settlement obligations and \$37 million in charges related to the buyout of leases associated with certain aircraft. The 2014 six month period mainline operating special items totaled a net charge of \$114 million, which principally included \$365 million of merger integration expenses, \$40 million in charges primarily related to the buyout of leases associated with certain aircraft and a net \$5 million charge for bankruptcy related items, all as described above. These charges were offset in part by a \$309 million gain on the sale of Slots at Ronald Reagan Washington National Airport (DCA).

(2) The 2015 and 2014 second quarter and six month period regional operating special items principally related to merger integration expenses.

- (3) The 2015 second quarter nonoperating special items totaled a net credit of \$11 million and primarily included a \$22 million gain associated with the sale of an investment, offset in part by \$11 million in charges principally related to non-cash write offs of unamortized debt discount and debt issuance costs associated with refinancing our secured term loan facilities. The 2015 six month period nonoperating special items totaled a net credit of \$19 million and principally included the \$22 million gain associated with the sale of an investment as described above and a \$17 million early debt extinguishment gain associated with the repayment of American's AAdvantage loan with Citibank. These special credits were offset in part by \$20 million in charges principally related to non-cash write offs of unamortized debt discount and debt issuance costs associated with the debt refinancing as described above and the prepayment of certain aircraft financings.

The 2014 second quarter and six month period nonoperating special items were primarily due to non-cash interest accretion of \$2 million and \$33 million, respectively, on bankruptcy settlement obligations.

- (4) The 2015 second quarter and six month period tax special items were the result of a non-cash deferred income tax provision related to certain indefinite-lived intangible assets.

During the 2014 second quarter, we sold our portfolio of fuel hedging contracts that were scheduled to settle on or after June 30, 2014. In connection with this sale, we recorded a special non-cash tax provision of \$330 million in the second quarter of 2014 that reversed the non-cash tax provision which was recorded in other comprehensive income (OCI), a subset of stockholders' equity, principally in 2009. This provision represents the tax effect associated with gains recorded in OCI principally in 2009 due to a net increase in the fair value of our fuel hedging contracts. In accordance with accounting principles generally accepted in the United States (GAAP), we retained the \$330 million tax provision in OCI until the last contract was settled or terminated. In addition, we recorded a special \$7 million non-cash deferred income tax provision related to certain indefinite-lived intangible assets in the

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2014 second quarter. The 2014 six month period included the \$330 million non-cash tax provision related to the settlement of fuel hedges discussed above as well as a special \$15 million non-cash deferred income tax provision related to certain indefinite-lived intangible assets.

Income Taxes

At December 31, 2014, we had approximately \$10.1 billion of gross NOL Carryforwards to reduce future federal taxable income, substantially all of which are expected to be available for use in 2015. The federal NOL Carryforwards will expire beginning in 2022 if unused. These NOL Carryforwards include an unrealized tax benefit of \$867 million related to the implementation of share-based compensation accounting guidance that will be recorded in equity when realized. We also had approximately \$4.6 billion of NOL Carryforwards to reduce future state taxable income at December 31, 2014, which will expire in years 2015 through 2034 if unused. Our ability to deduct our NOL Carryforwards and to utilize certain other available tax attributes can be substantially constrained under the general annual limitation rules of Section 382 where an ownership change has occurred. We experienced an ownership change in connection with our emergence from the Chapter 11 Cases, and US Airways Group experienced an ownership change in connection with the Merger. As a result of the Merger, US Airways Group is now included in the AAG consolidated federal and state income tax return. The general limitation rules of Section 382 for a debtor in a bankruptcy case are liberalized where the ownership change occurs upon emergence from bankruptcy. We elected to be covered by certain special rules for federal income tax purposes that permit approximately \$9.0 billion of our federal NOL Carryforwards to be utilized without regard to the Section 382 annual limitation rules. Substantially all of our remaining federal NOL Carryforwards (attributable to US Airways Group) are subject to limitation under Section 382; however, our ability to utilize such NOL Carryforwards is not anticipated to be effectively constrained as a result of such limitation. Similar limitations may apply for state income tax purposes. Our ability to utilize any new NOL Carryforwards arising after the ownership changes is not affected by the annual limitation rules imposed by Section 382 unless another ownership change occurs.

At December 31, 2014, we had an Alternative Minimum Tax (AMT) credit carryforward of approximately \$341 million available for federal income tax purposes, which is available for an indefinite period. Our net deferred tax assets, which include the NOL Carryforwards, are subject to a full valuation allowance. At December 31, 2014, the federal and state valuation allowances were \$4.5 billion and \$264 million, respectively. In accordance with GAAP, utilization of the NOL Carryforwards after December 9, 2013 will result in a corresponding decrease in the valuation allowance and offset our tax provision dollar for dollar.

We provide a valuation allowance for deferred tax assets when it is more likely than not that some portion, or all of our deferred tax assets, will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. We consider all available positive and negative evidence and make certain assumptions. We consider many factors in evaluating the realizability of our deferred tax assets including risks associated with merger integration as well as other factors, which continue to be affected by conditions beyond our control, such as the condition of the economy, the level and volatility of fuel prices and travel demand. We have concluded as of June 30, 2015 that the valuation allowance was still needed on our deferred tax asset based on the weight of the factors described above.

For the three and six months ended June 30, 2015, we recorded a special \$7 million and \$16 million, respectively, non-cash deferred income tax provision related to certain indefinite-lived intangible assets. In addition, for the three and six months ended June 30, 2015, we recorded \$8 million and \$10 million, respectively, of state and international income tax expense related to certain states and other jurisdictions where NOLs were limited or unavailable to be used.

During the second quarter of 2014, we recorded a special \$330 million non-cash income tax provision in connection with the settlement of our fuel hedges as discussed above. In addition, we recorded a special \$7 million and \$15 million non-cash deferred income tax provision related to certain indefinite-lived intangible assets in the 2014 second quarter and six month period, respectively.

For the three and six months ended June 30, 2014, we recorded \$3 million and \$8 million, respectively, of state and international income tax expense related to certain states and other jurisdictions where NOLs were limited or unavailable to be used.

Table of Contents**Operating Statistics**

The table below sets forth selected mainline and regional operating data for the three and six months ended June 30, 2015 and 2014.

	Three Months Ended			Six Months Ended		
	June 30,	June 30,	Increase	June 30,	June 30,	Increase
	2015	2014	(Decrease)	2015	2014	(Decrease)
Mainline						
Revenue passenger miles (millions) ^(a)	51,632	51,407	0.4%	96,481	97,234	(0.8)%
Available seat miles (millions) ^(b)	61,920	60,999	1.5%	117,773	117,830	%
Passenger load factor (percent) ^(c)	83.4	84.3	(0.9)pts	81.9	82.5	(0.6)pts
Yield (cents) ^(d)	14.83	15.98	(7.2)%	15.18	15.91	(4.6)%
Passenger revenue per available seat mile (cents) ^(e)	12.36	13.46	(8.2)%	12.43	13.13	(5.3)%
Operating cost per available seat mile (cents) ^(f)	11.87	13.61	(12.8)%	12.31	13.55	(9.2)%
Passenger enplanements (thousands) ^(g)	37,823	37,910	(0.2)%	71,774	72,754	(1.3)%
Departures (thousands)	285	292	(2.2)%	555	571	(2.9)%
Aircraft at end of period	963	984	(2.1)%	963	984	(2.1)%
Block hours (thousands) ^(h)	903	901	0.2%	1,736	1,754	(1.1)%
Average stage length (miles) ⁽ⁱ⁾	1,236	1,215	1.8%	1,216	1,202	1.2%
Fuel consumption (gallons in millions)	936	937	(0.1)%	1,781	1,811	(1.6)%
Average aircraft fuel price including related taxes (dollars per gallon)	1.90	3.02	(37.2)%	1.86	3.06	(39.1)%
Full-time equivalent employees at end of period	100,700	94,100	7.0%	100,700	94,100	7.0%
Regional ^(j)						
Revenue passenger miles (millions) ^(a)	6,189	5,787	6.9%	11,530	10,846	6.3%
Available seat miles (millions) ^(b)	7,481	7,091	5.5%	14,417	13,652	5.6%
Passenger load factor (percent) ^(c)	82.7	81.6	1.1pts	80.0	79.4	0.6pts
Yield (cents) ^(d)	28.42	29.49	(3.6)%	27.85	28.71	(3.0)%
Passenger revenue per available seat mile (cents) ^(e)	23.51	24.07	(2.3)%	22.27	22.81	(2.4)%
Operating cost per available seat mile (cents) ^(f)	20.82	23.37	(10.9)%	20.94	23.82	(12.1)%
Passenger enplanements (thousands) ^(g)	14,377	13,553	6.1%	26,619	25,262	5.4%
Aircraft at end of period	578	557	3.8%	578	557	3.8%
Fuel consumption (gallons in millions)	182	174	4.5%	350	336	4.2%
Average aircraft fuel price including related taxes (dollars per gallon)	1.91	3.07	(37.6)%	1.89	3.08	(38.8)%
	19,700	18,300	7.7%	19,700	18,300	7.7%

Full-time equivalent employees at end of period ^(k)**Total Mainline and Regional**

Revenue passenger miles (millions) ^(a)	57,821	57,194	1.1%	108,011	108,080	(0.1)%
Available seat miles (millions) ^(b)	69,401	68,090	1.9%	132,190	131,482	0.5%
Cargo ton miles (millions) ^(l)	594	595	(0.1)%	1,148	1,155	(0.7)%
Passenger load factor (percent) ^(c)	83.3	84.0	(0.7)pts	81.7	82.2	(0.5)pts
Yield (cents) ^(d)	16.28	17.34	(6.1)%	16.53	17.20	(3.9)%
Passenger revenue per available seat mile (cents) ^(e)	13.57	14.57	(6.9)%	13.51	14.13	(4.4)%
Total revenue per available seat mile (cents) ^(m)	15.60	16.68	(6.4)%	15.62	16.24	(3.8)%
Cargo yield per ton mile (cents) ⁽ⁿ⁾	32.62	37.16	(12.2)%	33.83	37.02	(8.6)%
Passenger enplanements (thousands) ^(g)	52,200	51,463	1.4%	98,393	98,016	0.4%
Aircraft at end of period	1,541	1,541	%	1,541	1,541	%
Fuel consumption (gallons in millions)	1,118	1,111	0.6%	2,131	2,147	(0.7)%
Average aircraft fuel price including related taxes (dollars per gallon)	1.90	3.03	(37.3)%	1.87	3.06	(39.1)%
Full-time equivalent employees at end of period	120,400	112,400	7.1%	120,400	112,400	7.1%

(a) Revenue passenger mile (RPM) A basic measure of sales volume. One RPM represents one passenger flown one mile.

(b) Available seat mile (ASM) A basic measure of production. One ASM represents one seat flown one mile.

(c) Passenger load factor The percentage of available seats that are filled with revenue passengers.

(d) Yield A measure of airline revenue derived by dividing passenger revenue by RPMs.

(e) Passenger revenue per available seat mile (PRASM) Passenger revenues divided by ASMs.

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- (f) Operating cost per available seat mile (CASM) Operating expenses divided by ASMs.
- (g) Passenger enplanements The number of passengers on board an aircraft, including local, connecting and through passengers.
- (h) Block hours The hours measured from the moment an aircraft first moves under its own power, including taxi time, for the purposes of flight until the aircraft is docked at the next point of landing and its power is shut down.
- (i) Average stage length The average of the distances flown on each segment of every route.
- (j) Regional statistics include our subsidiaries, Envoy Aviation Group Inc. (Envoy), Piedmont Airlines, Inc. (Piedmont) and PSA Airlines, Inc. (PSA), and operating and financial results from our capacity purchase agreements with Air Wisconsin Airlines Corporation, Chautauqua Airlines, Inc., ExpressJet Airlines, Inc., Mesa Airlines, Inc., Republic Airline Inc., SkyWest Airlines, Inc., Compass Airlines, LLC and Trans States Airlines, Inc.
- (k) Regional full-time equivalent employees only include our wholly owned regional airline subsidiaries, Envoy, Piedmont and PSA.
- (l) Cargo ton miles A basic measure of cargo transportation. One cargo ton mile represents one ton of cargo transported one mile.
- (m) Total revenue per available seat mile (RASM) Total revenues divided by total mainline and regional ASMs.
- (n) Cargo yield per ton mile Cargo revenues divided by total mainline and regional cargo ton miles.

Three Months Ended June 30, 2015 Compared to Three Months Ended June 30, 2014

Operating Revenues

	Three Months Ended June 30,		Percent Increase
	2015	2014	(Decrease)
	(In millions, except percentage changes)		
Mainline passenger	\$ 7,655	\$ 8,213	(6.8)
Regional passenger	1,759	1,707	3.1
Cargo	194	221	(12.3)
Other	1,219	1,214	0.4

Total operating revenues	\$ 10,827	\$ 11,355	(4.6)
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Total operating revenues in the second quarter of 2015 decreased \$528 million, or 4.6%, from the 2014 period principally due to competitive growth, as well as weaker international yields due to foreign currency devaluation. Significant changes in the components of operating revenues are as follows:

Mainline passenger revenues were \$7.7 billion in the second quarter of 2015 as compared to \$8.2 billion in the 2014 period. Mainline RPM s increased 0.4% as mainline capacity, as measured by ASMs, increased 1.5%, resulting in a 0.9 point decrease in load factor to 83.4%. Mainline passenger yield decreased 7.2% to 14.83 cents in the second quarter of 2015 from 15.98 cents in the 2014 period. Mainline PRASM decreased 8.2% to 12.36 cents in the second quarter of 2015 from 13.46 cents in the 2014 period.

Regional passenger revenues were \$1.8 billion in the second quarter of 2015 as compared to \$1.7 billion in the 2014 period. Regional RPM s increased 6.9% as regional capacity, as measured by ASMs, increased 5.5%, resulting in a 1.1 point increase in load factor to 82.7%. Regional passenger yield decreased 3.6% to 28.42 cents in the second quarter of 2015 from 29.49 cents in the 2014 period. Regional PRASM decreased 2.3% to 23.51 cents in the second quarter of 2015 from 24.07 cents in the 2014 period.

Cargo revenue decreased \$27 million, or 12.3%, in the second quarter of 2015 from the 2014 period driven primarily by a decrease in freight yield due in part to the devaluation of certain foreign currencies.

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	Three Months Ended June 30,		Percent Increase (Decrease)
	2015	2014	
	(In millions, except percentage changes)		
Aircraft fuel and related taxes	\$ 1,774	\$ 2,830	(37.3)
Salaries, wages and benefits	2,364	2,163	9.3
Maintenance, materials and repairs	502	514	(2.3)
Other rent and landing fees	451	441	2.0
Aircraft rent	316	312	1.4
Selling expenses	350	402	(13.0)
Depreciation and amortization	340	319	6.6
Special items, net	144	251	(42.4)
Other	1,108	1,067	3.9
Total mainline operating expenses	7,349	8,299	(11.4)
Regional expenses:			
Fuel	349	535	(34.8)
Other	1,208	1,122	7.7
Total regional operating expenses	1,557	1,657	(6.0)
Total operating expenses	\$ 8,906	\$ 9,956	(10.5)

Total operating expenses were \$8.9 billion in the second quarter of 2015, a decrease of \$1.1 billion, or 10.5%, from the 2014 period. The decrease in operating expenses was primarily due to substantially lower aircraft fuel costs, offset in part by higher salaries, wages and benefits driven by new merger-related labor contracts. See detailed explanations below relating to changes in operating costs per ASM.

Mainline Operating Expenses per ASM

Our mainline CASM decreased 1.74 cents, or 12.8%, from 13.61 cents in the second quarter of 2014 to 11.87 cents in the second quarter of 2015. Excluding special items and aircraft fuel and related taxes, our mainline CASM increased 0.22 cents, or 2.5%, from 8.55 cents in the second quarter of 2014 to 8.77 cents in the second quarter of 2015, primarily due to higher salaries, wages and benefits driven by new merger-related labor contracts.

The table below sets forth the major components of our total mainline CASM and our mainline CASM excluding special items and aircraft fuel and related taxes for the three months ended June 30, 2015 and 2014:

	Three Months Ended June 30,		Percent Increase (Decrease)
	2015	2014	
	(In cents, except percentage changes)		

Mainline CASM:			
Aircraft fuel and related taxes	2.86	4.64	(38.2)
Salaries, wages and benefits	3.82	3.55	7.7
Maintenance, materials and repairs	0.81	0.84	(3.8)
Other rent and landing fees	0.73	0.72	0.5
Aircraft rent	0.51	0.51	(0.1)
Selling expenses	0.57	0.66	(14.3)
Depreciation and amortization	0.55	0.52	5.0
Special items, net	0.23	0.41	(43.3)
Other	1.79	1.75	2.4
Total mainline CASM	11.87	13.61	(12.8)
Special items, net	(0.23)	(0.41)	(43.3)
Aircraft fuel and related taxes	(2.86)	(4.64)	(38.2)
Mainline operating expenses per ASM, excluding special items and aircraft fuel and related taxes ⁽¹⁾	8.77	8.55	2.5

- ⁽¹⁾ We believe that the presentation of mainline CASM excluding fuel is useful to investors because both the cost and availability of fuel are subject to many economic and political factors beyond our control, and the exclusion of special items provides investors the ability to measure financial performance in a way that is more indicative of our ongoing performance and that is more comparable to measures reported by other major airlines. Management uses mainline CASM excluding special items and fuel to evaluate our operating performance. Amounts may not recalculate due to rounding.

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Significant changes in the components of mainline operating expense per ASM are as follows:

Aircraft fuel and related taxes per ASM decreased 38.2% primarily due to a 37.2% decrease in the average price per gallon to \$1.90 in the second quarter of 2015 from an average price per gallon of \$3.02 in the 2014 period.

Salaries, wages and benefits per ASM increased 7.7% primarily due to increased costs associated with the new pilot and flight attendant joint collective bargaining agreements.

Selling expenses per ASM decreased 14.3% primarily due to lower contractually negotiated rates for certain commissions and booking fees as well as lower revenues in the 2015 period.

Depreciation and amortization per ASM increased 5.0% primarily due to new purchased aircraft deliveries since the end of the 2014 second quarter in connection with our fleet renewal program.

Regional Operating Expenses

Total regional expenses decreased \$100 million, or 6.0%, in the second quarter of 2015 to \$1.6 billion from \$1.7 billion in the 2014 period. The period-over-period decrease was primarily due to a \$186 million, or 34.8%, decrease in fuel costs, offset in part by an \$86 million, or 7.7%, increase in other regional operating expenses. The average price per gallon of fuel decreased 37.6% to \$1.91 in the second quarter of 2015 from \$3.07 in the 2014 period, on a 4.5% increase in consumption. The increase in other regional operating expenses was principally due to increased flying under capacity purchase agreements.

Nonoperating Income (Expense)

	Three Months Ended June 30,		Percent Increase
	2015	2014	(Decrease)
	(In millions, except percentage changes)		
Interest income	\$ 10	\$ 8	20.3
Interest expense, net of capitalized interest	(223)	(214)	4.2
Other, net	11	11	
Total nonoperating expense, net	\$ (202)	\$ (195)	3.2

Interest income was \$10 million and \$8 million in the second quarter of 2015 and 2014, respectively. Our short-term investments in each period consisted of highly liquid investments that provided nominal returns.

Six Months Ended June 30, 2015 Compared to Six Months Ended June 30, 2014**Operating Revenues**

	Six Months Ended June 30,		Percent Increase (Decrease)
	2015	2014	
	(In millions, except percentage changes)		
Mainline passenger	\$ 14,644	\$ 15,471	(5.3)
Regional passenger	3,211	3,114	3.1
Cargo	388	428	(9.2)
Other	2,411	2,338	3.1
Total operating revenues	\$ 20,654	\$ 21,351	(3.3)

Total operating revenues in the first six months of 2015 decreased \$697 million, or 3.3%, from the 2014 period principally due to winter storm flight cancellations, competitive growth, as well as weaker international yields due to foreign currency devaluation. Significant changes in the components of operating revenues are as follows:

Mainline passenger revenues were \$14.6 billion in the first six months of 2015 as compared to \$15.5 billion in the 2014 period. Mainline RPM s decreased 0.8% as mainline capacity, as measured by ASMs, remained flat, resulting in a 0.6 point decrease in load factor to 81.9%. Mainline passenger yield decreased 4.6% to 15.18 cents in the first six months of 2015 from 15.91 cents in the 2014 period. Mainline PRASM decreased 5.3% to 12.43 cents in the first six months of 2015 from 13.13 cents in the 2014 period.

Regional passenger revenues were \$3.2 billion in the first six months of 2015 as compared to \$3.1 billion in the 2014 period. Regional RPM s increased 6.3% as regional capacity, as measured by ASMs, increased 5.6%, resulting in a 0.6 point increase in load factor to 80.0%. Regional passenger yield decreased 3.0% to 27.85 cents in the first six months of 2015 from 28.71 cents in the 2014 period. Regional PRASM decreased 2.4% to 22.27 cents in the first six months of 2015 from 22.81 cents in the 2014 period.

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Cargo revenue decreased \$40 million, or 9.2%, in the first six months of 2015 from the 2014 period driven primarily by a decrease in freight yield due in part to the devaluation of certain foreign currencies.

Operating Expenses

	Six Months Ended June 30,		Percent Increase (Decrease)
	2015	2014	
	(In millions, except percentage changes)		
Aircraft fuel and related taxes	\$ 3,318	\$ 5,541	(40.1)
Salaries, wages and benefits	4,737	4,282	10.6
Maintenance, materials and repairs	995	999	(0.3)
Other rent and landing fees	859	866	(0.9)
Aircraft rent	633	631	0.3
Selling expenses	686	804	(14.6)
Depreciation and amortization	676	626	8.1
Special items, net	447	114	nm
Other	2,147	2,108	1.9
Total mainline operating expenses	14,498	15,971	(9.2)
Regional expenses:			
Fuel	660	1,035	(36.2)
Other	2,359	2,216	6.4
Total regional operating expenses	3,019	3,251	(7.2)
Total operating expenses	\$ 17,517	\$ 19,222	(8.9)

Total operating expenses were \$17.5 billion in the first six months of 2015, a decrease of \$1.7 billion, or 8.9%, from the 2014 period. The decrease in operating expenses was primarily due to substantially lower aircraft fuel costs, offset in part by higher salaries, wages and benefits driven by new merger-related labor contracts. See detailed explanations below relating to changes in operating costs per ASM.

Mainline Operating Expenses per ASM

Our mainline CASM decreased 1.24 cents, or 9.2%, from 13.55 cents in the first six months of 2014 to 12.31 cents in the first six months of 2015. Excluding special items and aircraft fuel and related taxes, our mainline CASM increased 0.36 cents, or 4.1%, from 8.75 cents in the first six months of 2014 to 9.11 cents in the first six months of 2015, primarily due to higher salaries, wages and benefits due to new merger-related labor contracts.

The table below sets forth the major components of our total mainline CASM and our mainline CASM excluding special items and aircraft fuel and related taxes for the six months ended June 30, 2015 and 2014:

	Six Months Ended June 30,	Percent Increase
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	2015	2014	(Decrease)
	(In cents, except percentage changes)		
Mainline CASM:			
Aircraft fuel and related taxes	2.82	4.70	(40.1)
Salaries, wages and benefits	4.02	3.63	10.7
Maintenance, materials and repairs	0.85	0.85	(0.3)
Other rent and landing fees	0.73	0.74	(0.8)
Aircraft rent	0.54	0.54	0.3
Selling expenses	0.58	0.68	(14.6)
Depreciation and amortization	0.57	0.53	8.1
Special items, net	0.38	0.10	nm
Other	1.82	1.79	1.9
Total mainline CASM	12.31	13.55	(9.2)
Special items, net	(0.38)	(0.10)	nm
Aircraft fuel and related taxes	(2.82)	(4.70)	(40.1)
 Mainline operating expenses per ASM, excluding special items and aircraft fuel and related taxes ⁽¹⁾	 9.11	 8.75	 4.1

- (1) We believe that the presentation of mainline CASM excluding fuel is useful to investors because both the cost and availability of fuel are subject to many economic and political factors beyond our control, and the exclusion of special items provides investors the ability to measure financial performance in a way that is more indicative of our ongoing performance and that is more comparable to measures reported by other major airlines. Management uses mainline CASM excluding special items and fuel to evaluate our operating performance. Amounts may not recalculate due to rounding.

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Significant changes in the components of mainline operating expense per ASM are as follows:

Aircraft fuel and related taxes per ASM decreased 40.1% primarily due to a 39.1% decrease in the average price per gallon to \$1.86 in the first six months of 2015 from an average price per gallon of \$3.06 in the 2014 period.

Salaries, wages and benefits per ASM increased 10.7% primarily due to increased costs associated with the new pilot and flight attendant joint collective bargaining agreements.

Selling expenses per ASM decreased 14.6% primarily due to lower contractually negotiated rates for certain commissions and booking fees as well as lower revenues in the 2015 period.

Depreciation and amortization per ASM increased 8.1% primarily due to new purchased aircraft deliveries since the end of the 2014 second quarter in connection with our fleet renewal program.

Regional Operating Expenses

Total regional expenses decreased \$232 million, or 7.2%, in the first six months of 2015 to \$3.0 billion from \$3.3 billion in the 2014 period. The period-over-period decrease was primarily due to a \$375 million, or 36.2%, decrease in fuel costs, offset in part by a \$143 million, or 6.4%, increase in other regional operating expenses. The average price per gallon of fuel decreased 38.8% to \$1.89 in the first six months of 2015 from \$3.08 in the 2014 period, on a 4.2% increase in consumption. The increase in other regional operating expenses was principally due to increased flying under capacity purchase agreements.

Nonoperating Income (Expense)

	Six Months Ended June 30,		Percent Increase
	2015	2014	(Decrease)
	(In millions, except percentage changes)		
Interest income	\$ 19	\$ 15	29.2
Interest expense, net of capitalized interest	(432)	(457)	(5.3)
Other, net	(62)	9	nm
Total nonoperating expense, net	\$ (475)	\$ (433)	9.8

Interest income was \$19 million and \$15 million in the first six months of 2015 and 2014, respectively. Our short-term investments in each period consisted of highly liquid investments that provided nominal returns.

Interest expense, net of capitalized interest decreased \$25 million, or 5.3%, in the first six months of 2015 from the 2014 period. The 2014 six month period included \$33 million of special charges related to non-cash interest accretion on the bankruptcy settlement obligations.

Other nonoperating expense, net increased \$71 million in the first six months of 2015 from the 2014 period. The first six months of 2015 included \$82 million of foreign currency losses as compared to \$13 million of net foreign currency gains in the 2014 period. The increase in foreign currency losses during the first six months of 2015 was driven primarily by the strengthening of the U.S. dollar in foreign currency transactions relative to other currencies during the period, principally in Latin American and European markets, including a 14% decrease in the value of the Brazilian real, an 8% decrease in the value of the Euro and a 6% decrease in the value of the Canadian dollar.

American s Results of Operations

In the second quarter of 2015, American realized operating income of \$1.2 billion and net income of \$1.1 billion. American s second quarter 2015 net income included net special operating charges of \$75 million and total net special charges of \$93 million. Excluding the effects of these special charges, American realized operating income of \$1.3 billion and net income of \$1.1 billion.

In the second quarter of 2014, American realized operating income of \$718 million and net income of \$265 million. American s second quarter 2014 net income included net special operating charges of \$180 million and total net special charges of \$511 million. Excluding the effects of these special charges, American realized operating income of \$898 million and net income of \$776 million.

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In the first six months of 2015, American realized operating income of \$2.0 billion and net income of \$1.6 billion. American's 2015 six month period net income included net special operating charges of \$276 million and total net special charges of \$294 million. Excluding the effects of these special charges, American realized operating income of \$2.2 billion and net income of \$1.9 billion.

In the first six months of 2014, American realized operating income of \$1.3 billion and net income of \$666 million. American's 2014 six month period net income included net special operating credits of \$35 million and total net special charges of \$347 million. Excluding the effects of these special items, American realized operating income of \$1.3 billion and net income of \$1.0 billion.

The following table details American's net income excluding special items (in millions):

	Three Months Ended June 30		Six Months Ended June 30,	
	2015	2014	2015	2014
Net income	\$ 1,052	\$ 265	\$ 1,620	\$ 666
Special items:				
Mainline operating special items, net ⁽¹⁾	74	179	272	(37)
Regional operating special items, net ⁽²⁾	1	1	4	2
Nonoperating special items, net ⁽³⁾	11	(4)	3	40
Income tax special items, net ⁽⁴⁾	7	335	15	342
Total special items	93	511	294	347
Net income excluding special items	\$ 1,145	\$ 776	\$ 1,914	\$ 1,013

⁽¹⁾ The 2015 second quarter mainline operating special items totaled a net charge of \$74 million, which principally included \$137 million of merger integration expenses related to information technology, professional fees, severance, share-based compensation, fleet restructuring, re-branding of aircraft and airport facilities, relocation and training. These charges were offset in part by a net \$68 million credit for bankruptcy related items primarily consisting of fair value adjustments for bankruptcy settlement obligations. The 2015 six month period mainline operating special items totaled a net charge of \$272 million, which principally included \$285 million of merger integration expenses as described above and a net \$64 million charge related to American's new pilot joint collective bargaining agreement. These charges were offset in part by a net \$73 million credit for bankruptcy related items primarily consisting of fair value adjustments for bankruptcy settlement obligations.

The 2014 second quarter mainline operating special items totaled a net charge of \$179 million, which principally included \$99 million of merger integration expenses related to information technology, professional fees, severance, share-based compensation, re-branding of aircraft and airport facilities, relocation and training as well as a net \$40 million charge for bankruptcy related items primarily consisting of fair value adjustments for bankruptcy settlement obligations and \$26 million in charges related to the buyout of leases associated with certain aircraft. The 2014 six month period mainline operating special items totaled a net credit of \$37 million, which principally included a \$305 million gain on the sale of Slots at DCA and a net \$16 million credit for bankruptcy related items as described above. These special credits were offset in part by \$234 million of merger integration expenses as described above as well as \$29 million in charges primarily related to the buyout of leases associated with certain aircraft.

- (2) The 2015 and 2014 second quarter and six month period regional operating special items principally related to merger integration expenses.
- (3) The 2015 second quarter nonoperating special items totaled a net charge of \$11 million and primarily included non-cash write offs of unamortized debt discount and debt issuance costs associated with refinancing American's secured term loan facilities. The 2015 six month period nonoperating special items totaled a net charge of \$3 million and principally included \$20 million in charges primarily related to non-cash write offs of unamortized debt discount and debt issuance costs associated with the debt refinancing as described above and the prepayment of certain aircraft financings, offset in part by a \$17 million early debt extinguishment gain associated with the repayment of American's AAdvantage loan with Citibank.
- The 2014 six month period nonoperating special charges of \$40 million were primarily due to non-cash interest accretion on bankruptcy settlement obligations.

- (4) The 2015 second quarter and six month period tax special items were the result of a non-cash deferred income tax provision related to certain indefinite-lived intangible assets.

During the 2014 second quarter, American sold its portfolio of fuel hedging contracts that were scheduled to settle on or after June 30, 2014. In connection with this sale, American recorded a special non-cash tax provision of \$328 million in the second quarter of 2014 that reversed the non-cash tax provision which was recorded in other comprehensive income (OCI), a subset of stockholder's equity, principally in 2009. This provision represents the tax effect associated with gains recorded in OCI principally in 2009 due to a net increase in the fair value of American's fuel hedging contracts. In accordance with GAAP,

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American retained the \$328 million tax provision in OCI until the last contract was settled or terminated. In addition, American recorded a special \$7 million non-cash deferred income tax provision related to certain indefinite-lived intangible assets in the 2014 second quarter. The 2014 six month period included the \$328 million non-cash tax provision related to the settlement of fuel hedges discussed above as well as a special \$14 million non-cash deferred income tax provision related to certain indefinite-lived intangible assets.

Income Taxes

At December 31, 2014, American had approximately \$10.3 billion of gross NOL Carryforwards to reduce future federal taxable income, substantially all of which are expected to be available for use in 2015. American is a member of AAG's consolidated federal and certain state income tax returns. The amount of federal and state NOL Carryforwards available in those returns is \$10.1 billion and \$4.6 billion, respectively, substantially all of which is expected to be available for use in 2015. The federal NOL Carryforwards will expire beginning in 2022 if unused. These NOL Carryforwards include an unrealized tax benefit of \$712 million related to the implementation of share-based compensation accounting guidance that will be recorded in equity when realized. American also had approximately \$3.9 billion of NOL Carryforwards to reduce future state taxable income at December 31, 2014, which will expire in years 2015 through 2034 if unused. American's ability to deduct its NOL Carryforwards and to utilize certain other available tax attributes can be substantially constrained under the general annual limitation rules of Section 382 where an ownership change has occurred. American experienced an ownership change in connection with its emergence from the Chapter 11 Cases. The general limitation rules of Section 382 for a debtor in a bankruptcy case are liberalized where the ownership change occurs upon emergence from bankruptcy. American elected to be covered by certain special rules for federal income tax purposes that permit approximately \$9.5 billion of its federal NOL Carryforwards to be utilized without regard to the Section 382 annual limitation rules. Similar limitations may apply for state income tax purposes. American's ability to utilize any new NOL Carryforwards arising after the ownership change is not affected by the annual limitation rules imposed by Section 382 unless another ownership change occurs.

At December 31, 2014, American had an AMT credit carryforward of approximately \$435 million available for federal income tax purposes, which is available for an indefinite period. American's net deferred tax assets, which include the NOL Carryforwards, are subject to a full valuation allowance. At December 31, 2014, the federal and state valuation allowances were \$5.1 billion and \$208 million, respectively. In accordance with GAAP, utilization of the NOL Carryforwards after December 9, 2013 will result in a corresponding decrease in the valuation allowance and offset American's tax provision dollar for dollar.

American provides a valuation allowance for deferred tax assets when it is more likely than not that some portion, or all of its deferred tax assets, will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. American considers all available positive and negative evidence and makes certain assumptions. American considers many factors in evaluating the realizability of its deferred tax assets including risks associated with merger integration as well as other factors, which continue to be affected by conditions beyond American's control, such as the condition of the economy, the level and volatility of fuel prices and travel demand. American has concluded as of June 30, 2015 that the valuation allowance was still needed on its deferred tax asset based on the weight of the factors described above.

For the three and six months ended June 30, 2015, American recorded a special \$7 million and \$15 million, respectively, non-cash deferred income tax provision related to certain indefinite-lived intangible assets. In addition, for the three and six months ended June 30, 2015, American recorded \$4 million and \$4 million, respectively, of state and international income tax expense related to certain states and other jurisdictions where NOLs were limited or unavailable to be used.

During the second quarter of 2014, American recorded a special \$328 million non-cash income tax provision in connection with the settlement of its fuel hedges as discussed above. In addition, American recorded a special \$7 million and \$14 million non-cash deferred income tax provision related to certain indefinite-lived intangible assets in the 2014 second quarter and six month period, respectively.

For the three and six months ended June 30, 2014, American recorded \$1 million and \$5 million, respectively, of state and international income tax expense related to certain states and other jurisdictions where NOLs were limited or unavailable to be used.

Table of Contents***Three Months Ended June 30, 2015 Compared to Three Months Ended June 30, 2014*****Operating Revenues**

	Three Months Ended June 30,		Percent Increase (Decrease)
	2015	2014	
	(In millions, except percentage changes)		
Mainline passenger	\$ 4,947	\$ 5,352	(7.6)
Regional passenger	843	786	7.3
Cargo	161	178	(9.9)
Other	868	837	3.7
Total operating revenues	\$ 6,819	\$ 7,153	(4.7)

Total operating revenues in the second quarter of 2015 decreased \$334 million, or 4.7%, from the 2014 period principally due to competitive growth, as well as weaker international yields due to foreign currency devaluation. Significant changes in the components of operating revenues are as follows:

Mainline passenger revenues decreased \$405 million, or 7.6%, in the second quarter of 2015 from the 2014 period due to a decrease in yield, offset in part by higher ASMs.

Regional passenger revenues increased \$57 million, or 7.3%, in the second quarter of 2015 from the 2014 period due to higher ASMs, offset in part by a decrease in yield.

Cargo revenue decreased \$17 million, or 9.9%, in the second quarter of 2015 from the 2014 period driven primarily by a decrease in freight yield due in part to the devaluation of certain foreign currencies.

Operating Expenses

	Three Months Ended June 30,		Percent Increase (Decrease)
	2015	2014	
	(In millions, except percentage changes)		
Aircraft fuel and related taxes	\$ 1,197	\$ 1,897	(36.9)
Salaries, wages and benefits	1,536	1,441	6.6
Maintenance, materials and repairs	302	346	(12.4)
Other rent and landing fees	269	289	(7.1)
Aircraft rent	226	214	5.9
Selling expenses	198	282	(29.9)
Depreciation and amortization	247	220	12.0

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Special items, net	74	179	(58.8)
Other	776	763	1.8
Total mainline operating expenses	4,825	5,631	(14.3)
Regional expenses:			
Fuel	184	270	(32.0)
Other	604	534	13.2
Total regional operating expenses	788	804	(2.0)
Total operating expenses	\$ 5,613	\$ 6,435	(12.8)

Total operating expenses in the second quarter of 2015 decreased \$822 million, or 12.8%, from the 2014 period. Significant changes in the components of mainline operating expenses are as follows:

Aircraft fuel and related taxes decreased \$700 million, or 36.9%, in the second quarter of 2015 from the 2014 period primarily due to a decrease in the average price per gallon of fuel.

Salaries, wages and benefits increased \$95 million, or 6.6%, in the second quarter of 2015 from the 2014 period primarily due to increased costs associated with the new pilot and flight attendant joint collective bargaining agreements.

Selling expenses decreased \$84 million, or 29.9%, in the second quarter of 2015 from the 2014 period primarily due to lower contractually negotiated rates for certain commissions and booking fees as well as lower revenues in the 2015 period.

Depreciation and amortization increased \$27 million, or 12.0%, in the second quarter of 2015 from the 2014 period primarily due to new purchased aircraft deliveries since the end of the 2014 second quarter in connection with American's fleet renewal program.

Table of Contents**Regional Operating Expenses**

Total regional expenses decreased \$16 million, or 2.0%, in the second quarter of 2015 to \$788 million from \$804 million in the 2014 period. The period-over-period decrease was primarily due to an \$86 million, or 32.0%, decrease in fuel costs, offset in part by a \$70 million, or 13.2%, increase in other regional operating expenses. The average price per gallon of fuel decreased in the second quarter of 2015 from the 2014 period. The increase in other regional operating expenses was principally due to increased flying under capacity purchase agreements.

Nonoperating Income (Expense)

	Three Months Ended June 30,		Percent Increase
	2015	2014	(Decrease)
	(In millions, except percentage changes)		
Interest income	\$ 10	\$ 6	54.7
Interest expense, net of capitalized interest	(137)	(139)	(1.8)
Other, net	(16)	16	nm
Total nonoperating expense, net	\$ (143)	\$ (117)	22.1

Interest income was \$10 million and \$6 million in the second quarter of 2015 and 2014, respectively. American's short-term investments in each period consisted of highly liquid investments that provided nominal returns.

Other nonoperating expense, net increased \$32 million in the second quarter of 2015 from the 2014 period primarily due to the strengthening of the U.S. dollar in foreign currency transactions and the refinancing of American's secured term loan facilities. The second quarter of 2015 included \$3 million in net foreign currency losses as compared to \$11 million in net foreign currency gains in the 2014 period. In addition, the second quarter of 2015 included \$11 million in special charges principally related to non-cash write offs of unamortized debt discount and debt issuance costs associated with the refinancing of American's term loan facilities.

Six Months Ended June 30, 2015 Compared to Six Months Ended June 30, 2014**Operating Revenues**

	Six Months Ended June 30,		Percent Increase
	2015	2014	(Decrease)
	(In millions, except percentage changes)		
Mainline passenger	\$ 9,638	\$ 10,258	(6.0)
Regional passenger	1,542	1,455	6.0
Cargo	322	346	(6.9)
Other	1,686	1,563	7.9
Total operating revenues	\$ 13,188	\$ 13,622	(3.2)

Total operating revenues in the first six months of 2015 decreased \$434 million, or 3.2%, from the 2014 period principally due to winter storm flight cancellations, competitive growth, as well as weaker international yields due to foreign currency devaluation. Significant changes in the components of operating revenues are as follows:

Mainline passenger revenues decreased \$620 million, or 6.0%, in the first six months of 2015 from the 2014 period due to a decrease in yield.

Regional passenger revenues increased \$87 million, or 6.0%, in the first six months of 2015 from the 2014 period due to higher ASMs, offset in part by a decrease in yield.

Cargo revenue decreased \$24 million, or 6.9%, in the first six months of 2015 from the 2014 period driven primarily by a decrease in freight yield due in part to the devaluation of certain foreign currencies.

Table of Contents**Operating Expenses**

	Six Months Ended June 30,		Percent Increase (Decrease)
	2015	2014	
	(In millions, except percentage changes)		
Aircraft fuel and related taxes	\$ 2,267	\$ 3,768	(39.8)
Salaries, wages and benefits	3,121	2,839	9.9
Maintenance, materials and repairs	606	678	(10.5)
Other rent and landing fees	539	574	(6.2)
Aircraft rent	451	430	4.9
Selling expenses	433	566	(23.6)
Depreciation and amortization	483	434	11.4
Special items, net	272	(37)	nm
Other	1,534	1,512	1.4
Total mainline operating expenses	9,706	10,764	(9.8)
Regional expenses:			
Fuel	344	523	(34.2)
Other	1,172	1,039	12.7
Total regional operating expenses	1,516	1,562	(3.0)
Total operating expenses	\$ 11,222	\$ 12,326	(9.0)

Total operating expenses in the first six months of 2015 decreased \$1.1 billion, or 9.0%, from the 2014 period. Significant changes in the components of mainline operating expenses are as follows:

Aircraft fuel and related taxes decreased \$1.5 billion, or 39.8%, in the first six months of 2015 from the 2014 period primarily due to a decrease in the average price per gallon of fuel.

Salaries, wages and benefits increased \$282 million, or 9.9%, in the first six months of 2015 from the 2014 period primarily due to increased costs associated with the new pilot and flight attendant joint collective bargaining agreements.

Selling expenses decreased \$133 million, or 23.6%, in the first six months of 2015 from the 2014 period primarily due to lower contractually negotiated rates for certain commissions and booking fees as well as lower revenues in the 2015 period.

Depreciation and amortization increased \$49 million, or 11.4%, in the first six months of 2015 from the 2014 period primarily due to new purchased aircraft deliveries since the end of the 2014 second quarter in

connection with American's fleet renewal program.

Regional Operating Expenses

Total regional expenses decreased \$46 million, or 3.0%, in the first six months of 2015 to \$1.5 billion from \$1.6 billion in the 2014 period. The period-over-period decrease was primarily due to a \$179 million, or 34.2%, decrease in fuel costs, offset in part by a \$133 million, or 12.7%, increase in other regional operating expenses. The average price per gallon of fuel decreased in the first six months of 2015 from the 2014 period. The increase in other regional operating expenses was principally due to increased flying under capacity purchase agreements.

Nonoperating Income (Expense)

	Six Months Ended June 30,		Percent Increase (Decrease)
	2015	2014	
	(In millions, except percentage changes)		
Interest income	\$ 16	\$ 13	25.8
Interest expense, net of capitalized interest	(263)	(307)	(14.4)
Other, net	(80)	11	nm
 Total nonoperating expense, net	 \$ (327)	 \$ (283)	 15.2

Interest income was \$16 million and \$13 million in the first six months of 2015 and 2014, respectively. American's short-term investments in each period consisted of highly liquid investments that provided nominal returns.

Interest expense, net of capitalized interest decreased \$44 million, or 14.4%, in the first six months of 2015 from the 2014 period. The 2014 six month period included \$40 million of special charges related to non-cash interest accretion on the bankruptcy settlement obligations.

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Other nonoperating expense, net increased \$91 million in the first six months of 2015 from the 2014 period. The first six months of 2015 included \$71 million of foreign currency losses as compared to \$15 million of net foreign currency gains in the 2014 period. The increase in foreign currency losses during the first six months of 2015 was driven primarily by the strengthening of the U.S. dollar in foreign currency transactions relative to other currencies during the period, principally in Latin American and European markets, including a 14% decrease in the value of the Brazilian real, an 8% decrease in the value of the Euro and a 6% decrease in the value of the Canadian dollar.

Liquidity and Capital Resources**Cash, Short-Term Investments and Restricted Cash**

As of June 30, 2015, AAG's total cash, short-term investments and restricted cash and short-term investments was \$9.7 billion, of which \$747 million was restricted. Additional detail is provided in the table below (in millions):

	AAG		American	
	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014
Cash	\$ 952	\$ 994	\$ 789	\$ 785
Short-term investments.	7,967	6,309	5,192	3,290
Restricted cash and short-term investments (1)	747	774	641	650
Total cash, short-term investments and restricted cash and short-term investments	\$ 9,666	\$ 8,077	\$ 6,622	\$ 4,725

(1) Our restricted cash and short-term investments related primarily to collateral held to support projected workers compensation obligations.

As of June 30, 2015, we had approximately \$629 million of unrestricted cash and short-term investments held in Venezuelan bolivars. This balance includes approximately \$621 million valued at 6.3 bolivars to the U.S. dollar and approximately \$8 million valued at 12.8 bolivars to the U.S. dollar, with the rate depending on the date we submitted our repatriation request to the Venezuelan government. These rates are materially more favorable than the exchange rates currently prevailing for other transactions conducted outside of the Venezuelan government's currency exchange system.

During 2014, we significantly reduced capacity in the Venezuelan market and we are no longer accepting bolivars as payment for airline tickets. We are monitoring this situation closely and continue to evaluate our holdings of Venezuelan bolivars for additional foreign currency losses or other accounting adjustments, which could be material, particularly in light of the additional uncertainty posed by the recent changes to the foreign exchange regulations and the continued deterioration of economic conditions in Venezuela. More generally, fluctuations in foreign currencies, including devaluations, cannot be predicted by us and can significantly affect the value of our assets located outside the United States. These conditions, as well as any further delays, devaluations or imposition of more stringent repatriation restrictions, may materially adversely affect our business, results of operations and financial condition. See Part II, Item 1A. Risk Factors *We operate a global business with international operations that are subject to economic and political instability and have been, and in the future may continue to be, adversely affected by numerous events, circumstances or government actions beyond our control* for additional discussion of this and other

currency risks.

Share Repurchase Program

On January 27, 2015, we announced that our Board of Directors had authorized a new \$2.0 billion share repurchase program to be completed by the end of 2016. Shares repurchased under the program may be made through a variety of methods, which may include open market purchases, privately negotiated transactions, block trades or accelerated share repurchase transactions. Any such repurchases will be made from time to time subject to market and economic conditions, applicable legal requirements and other relevant factors. The program does not obligate us to repurchase any specific number of shares and may be suspended at any time at our discretion. During the three months ended June 30, 2015, we repurchased 17.3 million shares of AAG Common Stock for \$753 million at a weighted average cost per share of \$43.53. During the six months ended June 30, 2015, we repurchased 21.1 million shares of AAG Common Stock for \$943 million at a weighted average cost per share of \$44.60.

In July 2015, we announced that our Board of Directors had authorized a new \$2.0 billion share repurchase program to be completed by the end of 2016. Shares repurchased under the program may be made through a variety of methods, which may include open market purchases, privately negotiated transactions, block trades or accelerated share repurchase transactions. Any such repurchases will be made from time to time subject to market and economic conditions, applicable legal requirements and other relevant factors. The program does not obligate us to repurchase any specific number of shares and may be suspended at any time at our discretion.

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Cash Dividends Paid

On January 27, 2015, we announced that our Board of Directors had declared a \$0.10 per share dividend for shareholders of record on February 9, 2015, and payable on February 23, 2015.

In April 2015, we announced that our Board of Directors had declared a \$0.10 per share dividend for shareholders of record on May 4, 2015, and payable on May 18, 2015.

The total cash payment for dividends during the three and six months ended June 30, 2015 was \$70 million and \$140 million, respectively. Any future dividends that may be declared and paid from time to time under our capital deployment program will be subject to market and economic conditions, applicable legal requirements and other relevant factors. Our capital deployment program does not obligate us to continue a dividend for any fixed period, and payment of dividends may be suspended at any time at our discretion.

In July 2015, we announced that our Board of Directors had declared a \$0.10 per share dividend for shareholders of record on August 10, 2015, and payable on August 24, 2015.

Sources and Uses of Cash

AAG

Operating Activities

Net cash provided by operating activities was \$4.8 billion and \$2.6 billion for the first six months of 2015 and 2014, respectively, a period-over-period increase of \$2.2 billion. This increase in cash flows generated from operating activities was principally due to substantially lower fuel costs in the first six months of 2015.

Investing Activities

Net cash used in investing activities was \$4.7 billion and \$2.3 billion for the first six months of 2015 and 2014, respectively.

Principal investing activities in the 2015 period included expenditures of \$3.1 billion for property and equipment, consisting primarily of the purchase of newly delivered aircraft including 16 Airbus A321 family aircraft, 14 Bombardier CRJ900 aircraft, 10 Boeing 737 aircraft, seven Airbus A319 aircraft, six Boeing 787 aircraft, six Embraer 175 aircraft and one Boeing 777 aircraft as well as \$1.7 billion in net purchases of short-term investments. These cash outflows were offset in part by \$52 million of proceeds received on the sale of an investment.

Principal investing activities in the 2014 period included expenditures of \$2.7 billion for property and equipment, consisting primarily of the purchase of newly delivered aircraft including 14 A320 family aircraft, 10 Boeing 737 family aircraft, three Boeing 777 aircraft, three A330 aircraft and three Bombardier CRJ-900 aircraft, the purchase of aircraft previously being leased including three A330 aircraft, two Boeing 777 aircraft and two A320 family aircraft as well as pre-delivery deposits for certain aircraft on order, and \$138 million in net purchases of short-term investments. These cash outflows were offset in part by proceeds from the sale of DCA Slots of \$307 million and a \$153 million decrease in restricted cash and short-term investments due to lower collateral requirements with respect to projected workers compensation obligations.

Financing Activities

Net cash used in financing activities was \$188 million and \$220 million for the first six months of 2015 and 2014, respectively.

Principal financing activities in the 2015 period included proceeds from the issuance of \$2.0 billion of debt, primarily including the \$500 million issuance of 4.625% senior notes and \$1.0 billion issuance of certain EETC equipment notes. These cash inflows were offset in part by debt repayments of \$1.1 billion, including the \$400 million repayment of American's Advantage loan with Citibank, \$931 million in stock repurchases and \$140 million in dividend payments.

Principal financing activities in the 2014 period included debt repayments of \$1.1 billion including the \$175 million settlement of our 7.25% Convertible Notes, \$113 million prepayment of outstanding debt secured by certain aircraft and \$100 million prepayment on our 7.50% Senior Secured Notes. These cash outflows were offset in part by proceeds of \$534 million primarily from the issuance of EETC equipment notes and other debt associated with aircraft deliveries in 2014 and \$411 million from sale-leaseback transactions related to the financing of 10 Boeing 737 family aircraft.

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American

Operating Activities

Net cash provided by operating activities was \$3.9 billion and \$1.7 billion for the first six months of 2015 and 2014, respectively, a period-over-period increase of \$2.3 billion. This increase in cash flows generated from operating activities was principally due to substantially lower fuel costs in the first six months of 2015.

Investing Activities

Net cash used in investing activities was \$4.4 billion and \$1.3 billion for the first six months of 2015 and 2014, respectively.

Principal investing activities in the 2015 period included expenditures of \$2.6 billion for property and equipment, consisting primarily of the purchase of newly delivered aircraft including 14 Bombardier CRJ900 aircraft, 10 Boeing 737 aircraft, seven Airbus A319 aircraft, six Boeing 787 aircraft, six Embraer 175 aircraft, four Airbus A321 family aircraft and one Boeing 777 aircraft as well as \$1.9 billion in net purchases of short-term investments.

Principal investing activities in the 2014 period included expenditures of \$1.8 billion for property and equipment, consisting primarily of the purchase of newly delivered aircraft including 10 Boeing 737 family aircraft, seven A320 family aircraft, three Boeing 777 aircraft and three Bombardier CRJ-900 aircraft, the purchase of aircraft previously being leased including two Boeing 777 aircraft and two A320 family aircraft as well as pre-delivery deposits for certain aircraft on order, and \$198 million of cash transferred to affiliates. These cash outflows were offset in part by \$340 million in net sales of short-term investments, \$299 million in proceeds from the sale of DCA Slots and a \$52 million decrease in restricted cash and short-term investments due to lower collateral requirements with respect to projected workers' compensation obligations.

Financing Activities

Net cash provided by financing activities was \$507 million as compared to net cash used in financing activities of \$203 million for the first six months of 2015 and 2014, respectively.

Principal financing activities in the 2015 period included proceeds from the issuance of \$1.4 billion of debt, primarily including the \$1.0 billion issuance of certain EETC equipment notes. These cash inflows were offset in part by debt repayments of \$881 million including the \$400 million repayment of American's Advantage loan with Citibank.

Principal financing activities in the 2014 period included debt repayments of \$655 million including the \$100 million prepayment on American's 7.50% Senior Secured Notes and \$61 million prepayment of outstanding debt secured by certain aircraft. These cash outflows were offset in part by proceeds of \$411 million from sale-leaseback transactions related to the financing of 10 Boeing 737 family aircraft and \$53 million from the issuance of debt associated with aircraft deliveries in 2014.

Commitments

Significant Indebtedness

As of June 30, 2015, AAG and American had \$18.8 billion and \$11.8 billion, respectively, in long-term debt and capital leases (including current maturities and before debt discount). See Note 7 to AAG's condensed consolidated

financial statements in Part I, Item 1A and Note 5 to American's condensed consolidated financial statements in Part I, Item 1B for further information on all indebtedness as of June 30, 2015. Our significant indebtedness includes the 2013 Credit Facilities, the 2013 Citicorp Credit Facility and the 2014 Credit Facilities described below.

2013 Credit Facilities

On June 27, 2013, American and AAG entered into a Credit and Guaranty Agreement (as amended, the 2013 Credit Agreement) with certain lenders. The 2013 Credit Agreement originally provided for a \$1.9 billion term loan facility scheduled to mature on June 27, 2019 (the 2013 Term Loan Facility) and a \$1.0 billion revolving credit facility scheduled to mature on June 27, 2018 (the 2013 Revolving Facility).

The 2013 Revolving Facility provides that American may from time to time borrow, repay and reborrow loans thereunder and have letters of credit issued thereunder. On October 10, 2014, American and AAG amended the 2013 Credit Agreement to extend the maturity date of the 2013 Revolving Facility to October 10, 2019 and increased the commitments thereunder to an aggregate amount of \$1.4 billion while reducing the letter of credit commitments thereunder to \$300 million. As of June 30, 2015, there were no borrowings or letters of credit outstanding under the 2013 Revolving Facility.

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On May 21, 2015, American refinanced its \$1.9 billion term loan facility (the \$1.9 billion 2015 Term Loan Facility and, together with the 2013 Revolving Facility, the 2013 Credit Facilities) to extend the maturity date to June 29, 2020 and reduce the LIBOR margin from 3.00% to 2.75%. In addition, American entered into certain amendments to reflect the ability for American to make future modifications to the collateral pledged, subject to certain restrictions. The \$1.9 billion 2015 Term Loan Facility is repayable in annual installments on the amendment effective date thereof, with the first installment in an amount equal to 1.25% of the principal amount and installments thereafter, in an amount equal to 1.0% of the principal amount, with any unpaid balance due on the maturity date. As of June 30, 2015, \$1.9 billion was outstanding under the \$1.9 billion 2015 Term Loan Facility. Voluntary prepayments may be made by American at any time, with a premium of 1.00% applicable to certain prepayments made prior to the date that is six months following May 21, 2015.

The 2013 Credit Facilities bear interest at an index rate plus an applicable index margin or, at American's option, LIBOR (subject to a floor of 0.75%, with respect to the \$1.9 billion 2015 Term Loan Facility) plus an applicable LIBOR margin. If American's corporate credit rating is Ba3 or higher from Moody's and BB- or higher from S&P, the applicable LIBOR margin would be 2.50% for the \$1.9 billion 2015 Term Loan Facility. As of June 30, 2015, the applicable LIBOR margins were 2.50% and 3.00% for borrowings under the \$1.9 billion 2015 Term Loan Facility and the 2013 Revolving Facility, respectively. The 2013 Revolving Credit Facility is subject to an undrawn fee of 0.75%.

Upon consummation of the Merger, US Airways Group and US Airways joined the 2013 Credit Facilities as guarantors. Following the joinder, certain minimum dollar-thresholds under the negative and financial covenants in the 2013 Credit Facilities were automatically increased.

Subject to certain limitations and exceptions, the 2013 Credit Facilities are secured by certain collateral, including certain route authorities and certain take-off and landing rights and gate leaseholds at certain airports. American is required to maintain a certain minimum ratio of appraised value of the collateral to the outstanding loans under the 2013 Credit Facilities as further described below in *Collateral Related Covenants*.

The 2013 Credit Facilities contain events of default customary for similar financings, including cross default to other material indebtedness. Upon the occurrence of an event of default, the outstanding obligations under the 2013 Credit Facilities may be accelerated and become due and payable immediately. In addition, if a change of control (as defined in the 2013 Credit Agreement) occurs, American will (absent an amendment or waiver) be required to repay at par the loans outstanding under the 2013 Credit Facilities and terminate the 2013 Revolving Facility. The 2013 Credit Facilities also include covenants that, among other things, require AAG to maintain a minimum aggregate liquidity (as defined in the 2013 Credit Facilities) of not less than \$2.0 billion, and limit the ability of AAG and its restricted subsidiaries to pay dividends and make certain other payments, make certain investments, incur additional indebtedness, incur liens on the collateral, dispose of the collateral, enter into certain affiliate transactions and engage in certain business activities, in each case subject to certain exceptions.

2013 Citicorp Credit Facility

On May 23, 2013, US Airways entered into a term loan credit facility (the 2013 Citicorp Credit Facility) with Citicorp North America, Inc., as administrative agent, and a syndicate of lenders. US Airways Group and certain other subsidiaries of US Airways Group are guarantors of the 2013 Citicorp Credit Facility agreement. In connection with the closing of the Merger, AAG and American entered into a joinder to the 2013 Citicorp Credit Facility loan agreement pursuant to which AAG and American became guarantors under such agreement.

The 2013 Citicorp Credit Facility consists of tranche B-1 term loans (Tranche B-1) and tranche B-2 term loans (Tranche B-2). As of June 30, 2015, \$980 million was outstanding under Tranche B-1 and \$588 million was

outstanding under Tranche B-2. Voluntary prepayments may be made at any time.

As of June 30, 2015, the 2013 Citicorp Credit Facility bears interest at an index rate plus an applicable index margin or, at US Airways' option, LIBOR (subject to a floor of 0.75%) plus an applicable LIBOR margin. The applicable LIBOR margin is 2.75% for Tranche B-1 and 2.25% for Tranche B-2.

Tranche B-1 and Tranche B-2 mature on May 23, 2019 and November 23, 2016, respectively (unless otherwise extended by the applicable parties), and each is repayable in annual installments to be paid on each anniversary of the closing date in an amount equal to 1.00% of the initial aggregate principal amount of the loans with any unpaid balance due on the maturity date of the respective tranche.

Subject to certain limitations and exceptions, the obligations of US Airways under the 2013 Citicorp Credit Facility are secured by liens on certain take-off and landing rights at certain airports, and certain other assets of US Airways. US Airways is required to maintain a certain minimum ratio of appraised value of the collateral to the outstanding loans under the 2013 Citicorp Credit Facility as further described below in *Collateral Related Covenants*.

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The 2013 Citicorp Credit Facility agreement contains events of default customary for similar financings, including a cross-default provision to certain other material indebtedness of US Airways and certain of its affiliates. Upon the occurrence of an event of default, the outstanding obligations under the 2013 Citicorp Credit Facility may be accelerated and become due and payable immediately. In addition, if a change of control (as defined in the 2013 Citicorp Credit Facility agreement) occurs, US Airways will (absent an amendment or waiver) be required to repay the outstanding loans in full together with accrued interest thereon to the date of such prepayment. The 2013 Citicorp Credit Facility agreement includes affirmative, negative and financial covenants that, among other things, (a) require AAG and its restricted subsidiaries to maintain unrestricted liquidity of not less than \$2.0 billion, with not less than \$750 million held in accounts subject to control agreements, and (b) restrict the ability of US Airways Group, its subsidiaries party to the 2013 Citicorp Credit Facility, AAG and American to make certain investments, pay dividends and make certain other payments, make certain acquisitions, incur liens on the collateral, dispose of collateral, enter into certain affiliate transactions, enter into certain hedging transactions, and engage in certain business activities, in each case subject to certain exceptions.

2014 Credit Facilities

On October 10, 2014, American, AAG, US Airways Group and US Airways entered into a Credit and Guaranty Agreement (the 2014 Credit Agreement) with certain lenders. The 2014 Credit Agreement provides for a \$750 million term loan facility (the 2014 Term Loan Facility) and a \$400 million revolving credit facility (the 2014 Revolving Facility). The 2014 Revolving Facility provides that American may from time to time borrow, repay and reborrow loans thereunder. American may have letters of credit issued under the 2014 Revolving Facility in an aggregate amount outstanding at any time up to \$300 million. As of June 30, 2015, there were no borrowings or letters of credit outstanding under the 2014 Revolving Facility.

On April 20, 2015, American refinanced its \$750 million term loan facility (the \$750 million 2015 Term Loan Facility and, together with the 2014 Revolving Facility, the 2014 Credit Facilities) to reduce the LIBOR margin from 3.50% to 3.00% and entered into certain amendments to reflect the release of certain existing collateral and the addition of certain new collateral, as well as the ability for American to make future modifications to the collateral pledged, subject to certain restrictions. As of June 30, 2015, \$750 million was outstanding under the \$750 million 2015 Term Loan Facility.

The \$750 million 2015 Term Loan Facility and 2014 Revolving Facility mature on October 10, 2021 and October 10, 2019, respectively, unless otherwise extended by the applicable parties. The \$750 million 2015 Term Loan Facility is repayable in annual installments in an amount equal to 1.00% of the original principal balance with any unpaid balance due on the maturity date. Voluntary prepayments may be made by American at any time, with a premium of 1.00% applicable to certain prepayments made prior to the date that is six months following April 20, 2015.

The 2014 Credit Facilities bear interest at an index rate plus an applicable index margin or, at American's option, LIBOR (subject to a floor of 0.75% in the case of the \$750 million 2015 Term Loan Facility) plus an applicable LIBOR margin. If American's corporate credit rating is Ba3 or higher from Moody's and BB- or higher from S&P, the applicable LIBOR margin would be 2.75% for the \$750 million 2015 Term Loan Facility. As of June 30, 2015, the applicable LIBOR margins were 2.75% and 3.00% for borrowings under the \$750 million 2015 Term Loan Facility and the 2014 Revolving Facility, respectively.

Subject to certain limitations and exceptions, the 2014 Credit Facilities are secured by certain collateral, including certain route authorities and certain take-off and landing rights and gate leaseholds at certain airports. The obligations of American under the 2014 Credit Facilities are guaranteed by AAG, US Airways Group and US Airways. American is required to maintain a certain minimum ratio of appraised value of the collateral to the outstanding loans under the

2014 Credit Facilities as further described below in *Collateral Related Covenants*.

The 2014 Credit Facilities contain events of default customary for similar financings, including cross default to other material indebtedness. Upon the occurrence of an event of default, the outstanding obligations under the 2014 Credit Facilities may be accelerated and become due and payable immediately. In addition, if a change of control (as defined in the 2014 Credit Agreement) occurs with respect to AAG, American will (absent an amendment or waiver) be required to repay at par the loans outstanding under the 2014 Credit Facilities and terminate the 2014 Revolving Facility. The 2014 Credit Facilities also include covenants that, among other things, require AAG to maintain a minimum aggregate liquidity (as defined in the 2014 Credit Facilities) of not less than \$2.0 billion, and limit the ability of AAG and its restricted subsidiaries to pay dividends and make certain other payments, make certain investments, incur liens on the collateral, dispose of the collateral, enter into certain affiliate transactions and engage in certain business activities, in each case subject to certain exceptions.

2015-1 EETCs

In March 2015, American created two pass-through trusts which issued approximately \$1.2 billion aggregate face amount of Series 2015-1 Class A and Class B EETCs in connection with the financing of 28 aircraft currently owned or scheduled to be delivered from July 2015 to September 2015 (the 2015 EETC Aircraft). The 2015-1 EETCs represent fractional undivided interests in the respective pass-through trusts and are not obligations of American. Proceeds received from the sale of EETCs are initially held by a depository in

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escrow for the benefit of the certificate holders until American issues equipment notes to the pass-through trusts, which purchase the notes with a portion of the escrowed funds. These escrowed funds are not guaranteed by American and are not reported as debt on the Company's condensed consolidated balance sheet because the proceeds held by the depository are not American's assets.

As of June 30, 2015, \$1.0 billion of the escrowed proceeds from the 2015-1 EETCs have been used to purchase equipment notes issued by American in two series: Series A equipment notes in the amount of \$796 million bearing interest at 3.375% per annum and Series B equipment notes in the amount of \$223 million bearing interest at 3.70% per annum. Interest and principal payments on the equipment notes are payable semi-annually in May and November of each year, beginning in November 2015. The final payments on the Series A and Series B equipment notes will be due in May 2027 and May 2023, respectively. These equipment notes are secured by liens on 19 of the 2015 EETC Aircraft. The remaining \$195 million of escrowed proceeds will be used to purchase equipment notes as the remaining nine new aircraft are delivered.

4.625% Senior Notes

In March 2015, AAG issued \$500 million aggregate principal amount of 4.625% senior notes due 2020 (the 4.625% senior notes). These notes bear interest at a rate of 4.625% per annum and are payable semi-annually in arrears on each March 1 and September 1, beginning on September 1, 2015. The 4.625% senior notes mature on March 1, 2020 and are fully and unconditionally guaranteed by American, US Airways Group and US Airways. The 4.625% senior notes are senior unsecured obligations of AAG. The indenture for the 4.625% senior notes contains covenants and events of default generally customary for similar financings. In addition, if AAG experiences specific kinds of changes of control, AAG must offer to repurchase the 4.625% senior notes in whole or in part at a repurchase price of 101% of the aggregate principal amount plus accrued and unpaid interest, if any, to (but not including) the repurchase date. Upon the occurrence of certain events of default, the 4.625% senior notes may be accelerated and become due and payable.

AAdvantage Loan

Effective January 2, 2015, American exercised its loan repayment right with respect to the full value of the outstanding balance of the AAdvantage Loan with Citibank for \$400 million. In connection with the repayment, in the first quarter of 2015, American recognized an early debt extinguishment gain of approximately \$17 million.

Obligations Associated with Special Facility Revenue Bonds

In December 2014, American acquired approximately \$112 million aggregate principal amount of special facility revenue bonds related to the Tulsa International Airport, when such bonds were mandatorily tendered to American. The acquisition of these bonds resulted in an \$11 million reduction of debt on our consolidated balance sheet and a \$50 million reduction of a long-term operating lease obligation included in other long-term liabilities on our consolidated balance sheet as of December 31, 2014. American exercised its option to remarket approximately \$104 million of these bonds in May 2015. The remarketed bonds will initially bear a coupon interest rate of 5% from the date of initial issuance and delivery of the bonds on May 27, 2015, until the day preceding June 1, 2025, on which date the bonds will be subject to mandatory tender. In connection with the remarketing of these special facility revenue bonds, American received cash proceeds of \$112 million and recognized a total obligation of \$62 million. Of that total obligation, \$11 million is reflected as a capital lease and \$51 million is reflected in other long-term liabilities on our condensed consolidated balance sheet as of June 30, 2015.

In June 2015, American exercised its right to adjust the interest rate on approximately \$365 million aggregate principal amount of special facility revenue bonds, reflected as debt on our condensed consolidated balance sheet related to the John F. Kennedy International Airport. In connection with the adjustment to a new interest rate, the bonds are required to be purchased by American on August 3, 2015. American is in the process of remarketing the bonds at the new interest rate. The remarketed bonds are expected to be subject to mandatory tender for purchase by American on August 1, 2016. As a result, American reclassified \$365 million to current maturities of long-term debt on our condensed consolidated balance sheet as of June 30, 2015.

Other Aircraft Financing Transactions

In the first six months of 2015, American prepaid \$72 million principal amount of outstanding debt secured by certain aircraft.

In the first six months of 2015, we entered into loan agreements to borrow \$465 million in connection with the financing of certain aircraft deliveries. The notes mature in 2025 through 2027 and bear interest at a rate of LIBOR plus an applicable margin.

Collateral Related Covenants

Certain of our debt financing agreements contain loan to value ratio covenants and require us to periodically appraise the collateral. Pursuant to such agreements, if the loan to value ratio exceeds a specified threshold, we are required, as applicable, to pledge additional qualifying collateral (which in some cases may include cash collateral), or pay down such financing, in whole or in part,

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with premium (if any). Specifically, American is required to meet collateral coverage tests on a periodic basis on the 2013 Credit Facilities and the 2014 Credit Facilities, and US Airways is required to meet such tests on the 2013 Citicorp Credit Facility. We were in compliance with the collateral coverage tests for the 2013 Credit Facilities, 2013 Citicorp Credit Facility and the 2014 Credit Facilities as of the most recent measurement dates.

Credit Ratings

The following table details our credit ratings as of June 30, 2015:

	S&P Local Issuer Credit Rating	Fitch Issuer Default Credit Rating	Moody's Corporate Family Rating
American Airlines Group.	BB-	B+	Ba3
American Airlines	BB-	B+	*

* The credit agency does not rate this category for the respective entity.

A decrease in our credit ratings could cause our borrowing costs to increase, which would increase our interest expense and could affect our net income, and our credit ratings could adversely affect our ability to obtain additional financing. If our financial performance or industry conditions worsen, we may face future downgrades, which could negatively impact our borrowing costs and the prices of our equity or debt securities. In addition, any downgrade of our credit ratings may indicate a decline in our business and in our ability to satisfy our obligations under our indebtedness.

Aircraft and Engine Purchase Commitments

As of June 30, 2015, we had definitive purchase agreements with Airbus, Boeing and other manufacturers for the acquisition of the following mainline and regional aircraft:

	Remainder of 2015	2016	2017	2018	2019	2020 and Thereafter	Total
<u>Airbus</u>							
A320 Family	15	25	20				60
A320neo Family					25	75	100
A350 XWB			6	10	6		22
<u>Boeing</u>							
737 Family	8	20	20				48
737 MAX Family			3	17	20	60	100
777-300 ER	1	2					3
787 Family	7	8	13	8			36
<u>Bombardier</u>							
CRJ900 ⁽¹⁾	4	20					24
<u>Embraer</u>							

ERJ175 ⁽¹⁾	18	24	12				54
Total	53	99	74	35	51	135	447

⁽¹⁾ These aircraft may be operated by wholly-owned subsidiaries or leased to third-party regional carriers which would operate the aircraft under capacity purchase arrangements.

We also have agreements for 59 spare engines to be delivered in 2015 and beyond. Under all of our aircraft and engine purchase agreements, our total future commitments as of June 30, 2015 are expected to be as follows (approximately, in millions):

	Remainder of 2015	2016	2017	2018	2019	2020 and Thereafter	Total
Payments for American aircraft commitments and certain engines ⁽¹⁾	\$ 2,490	\$ 4,435	\$ 4,036	\$ 1,897	\$ 2,626	\$ 7,028	\$ 22,512
Payments for US Airways aircraft commitments and certain engines ⁽¹⁾	\$ 21	\$ 118	\$ 755	\$ 1,023	\$ 570	\$	\$ 2,487

⁽¹⁾ These amounts are net of purchase deposits currently held by the manufacturers and include all commitments for regional aircraft. American has granted Boeing a security interest in its purchase deposits with Boeing. Our purchase deposits totaled \$1.1 billion as of June 30, 2015.

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In April 2015, we amended our delivery agreement with Boeing to defer four 787 aircraft from 2016 to 2017 and one 787 aircraft from 2017 to 2018. On June 11, 2015, we amended our delivery agreement with Airbus to defer delivery of 10 A320neo family aircraft in 2017 and 25 A320neo family aircraft in 2018 to years 2021 through 2023. These deferrals are reflected in the table above.

As of June 30, 2015, we did not have financing commitments for the following aircraft currently on order and scheduled to be delivered through 2017: 60 Airbus A320 family aircraft, 28 Boeing 787 family aircraft, 13 Boeing 737 family aircraft, six Airbus A350 XWB aircraft, three Boeing 737 MAX family aircraft and three Boeing 777-300 ER aircraft. In addition, we did not have financing commitments in place for aircraft currently on order and scheduled to be delivered in 2018 and beyond. See Part II, Item 1A. Risk Factors *We will need to obtain sufficient financing or other capital to operate successfully.*

Credit Card Processing

We have agreements with companies that process customer credit card transactions for the sale of air travel and other services. Credit card processors have financial risk associated with tickets purchased for travel because, although the processor generally forwards the cash related to the purchase to us soon after the purchase is completed, the air travel generally occurs after that time, and the processor may have liability if we do not ultimately provide the air travel. Our agreements allow these processing companies, under certain conditions, to hold an amount of our cash (referred to as a holdback) equal to a portion of advance ticket sales that have been processed by that company, but for which we have not yet provided the air transportation. We are not currently required to maintain any holdbacks pursuant to these requirements. Certain of our agreements provide that these holdback requirements can be modified at the discretion of the processing companies, up to the estimated liability for future air travel purchased with the respective credit cards, upon the occurrence of specified events, including material adverse changes in our financial condition. The amount that the processing companies may withhold also varies as a result of changes in financial risk due to seasonal fluctuations in ticket volume. Additional holdback requirements will reduce our liquidity in the form of unrestricted cash by the amount of the holdbacks.

Pension Funding Obligation

We are required to make minimum contributions to our defined benefit pension plans under the minimum funding requirements of Employee Retirement Income Security Act of 1974 (ERISA), the Pension Funding Equity Act of 2004, the Pension Protection Act of 2006, the Pension Relief Act of 2010 and the Moving Ahead for Progress in the 21st Century Act of 2012.

Based on our current funding assumptions, we have no minimum required contributions until 2019. Currently, our minimum funding obligation for our pension plans is subject to temporary favorable rules that are scheduled to expire at the end of 2017. Upon expiration of these rules, our funding obligations are likely to increase materially. The amount of these obligations will depend on the performance of our investments held in trust by the pension plans, interest rates for determining liabilities and our actuarial experience.

Labor Agreements

On January 3, 2015, we reached a tentative agreement with the Allied Pilots Association on a five-year joint collective bargaining agreement, which was ratified on January 30, 2015. The new, higher pay rates were implemented retroactive to December 2, 2014. We estimate that the ratified contract will increase our 2015 cost of pilot compensation and benefits by approximately \$650 million, of which \$99 million has been reflected as a special charge in the first six months of 2015 condensed consolidated financial statements.

Off-Balance Sheet Arrangements

An off-balance sheet arrangement is any transaction, agreement or other contractual arrangement involving an unconsolidated entity under which a company has (1) made guarantees, (2) a retained or a contingent interest in transferred assets, (3) an obligation under derivative instruments classified as equity or (4) any obligation arising out of a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to us, or that engages in leasing, hedging or research and development arrangements with us.

There have been no material changes in our off-balance sheet arrangements as set forth in our 2014 AAG Form 10-K.

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The following table provides details of our future cash contractual obligations as of June 30, 2015:

	Payments Due by Period						
	Remainder of 2015	2016	2017	2018	2019	2020 and Thereafter	Total
<i>American</i>							
Debt and capital lease obligations (1), (3)	\$ 433	\$ 1,131	\$ 998	\$ 893	\$ 1,018	\$ 7,296	\$ 11,769
Interest obligations (2), (3)	269	517	456	477	412	1,181	3,312
Commitments for aircraft and engine purchases (4)	2,490	4,435	4,036	1,897	2,626	7,028	22,512
Operating lease commitments (5)	702	1,313	1,262	1,162	1,089	5,209	10,737
Regional capacity purchase agreements (6)	275	591	465	447	430	2,222	4,430
Minimum pension obligations (7)					853	3,606	4,459
Retiree medical and other purchase obligations	326	267	220	191	169	374	1,547
Total American Contractual Obligations	\$ 4,495	\$ 8,254	\$ 7,437	\$ 5,067	\$ 6,597	\$ 26,916	\$ 58,766
<i>AAG Parent, US Airways Group and Other AAG Subsidiaries</i>							
Debt and capital lease obligations (1), (3)	\$ 257	\$ 971	\$ 404	\$ 1,042	\$ 2,162	\$ 2,234	\$ 7,070
Interest obligations (2), (3)	168	322	295	262	198	291	1,536
Commitments for aircraft and engine purchases (4)	21	118	755	1,023	570		2,487
Operating lease commitments (5)	337	644	594	447	349	782	3,153
Regional capacity purchase agreements (6)	553	1,062	1,054	790	674	1,107	5,240
Retiree medical and other purchase obligations	5	9	9	9	7	35	74
Total AAG Contractual Obligations	\$ 5,836	\$ 11,380	\$ 10,548	\$ 8,640	\$ 10,557	\$ 31,365	\$ 78,326

(1) Amounts represent contractual amounts due. For American, excludes \$29 million and for US Airways Group, excludes \$16 million of unamortized debt discount as of June 30, 2015.

(2) For variable-rate debt, future interest obligations are estimated using the current forward rates at June 30, 2015.

- (3) For American, includes \$5.2 billion of future principal payments and \$1.3 billion of future interest payments, respectively, and for US Airways Group, includes \$2.6 billion of future principal payments and \$786 million of future interest payments, respectively, as of June 30, 2015, related to EETCs associated with mortgage financings for the purchase of certain aircraft.
- (4) See Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations *Liquidity and Capital Resources* for additional information about the obligations of American and US Airways Group.
- (5) For American, includes \$244 million and for US Airways Group, includes \$1.7 billion of future minimum lease payments related to EETCs associated with leveraged lease financings of certain aircraft as of June 30, 2015.
- (6) Represents minimum payments under capacity purchase agreements with third-party regional carriers. These commitments are estimates of costs based on assumed minimum levels of flying under the capacity purchase agreements and our actual payments could differ materially.
- (7) Includes minimum pension contributions based on actuarially determined estimates and other postretirement benefit payments based on estimated payments through 2024. See Note 8 to American's condensed consolidated financial statements in Part I, Item 1B.

Capital Raising Activity and Other Possible Actions

In light of our significant financial commitments related to, among other things, new aircraft and the servicing and amortization of existing debt and equipment leasing arrangements, we and our subsidiaries will regularly consider, and enter into negotiations related to, capital raising activity, which may include the entry into leasing transactions and future issuances of secured or unsecured debt obligations or additional equity securities in public or private offerings or otherwise. The cash available from operations and these sources, however, may not be sufficient to cover cash contractual obligations because economic factors may reduce the amount of cash generated by operations or increase costs. For instance, an economic downturn or general global instability caused by military actions, terrorism, disease outbreaks or natural disasters could reduce the demand for air travel, which would reduce the amount of cash generated by operations. An increase in costs, either due to an increase in borrowing costs caused by a reduction in credit ratings or a general increase in interest rates, or due to an increase in the cost of fuel, maintenance, or aircraft, aircraft engines or parts, could decrease the amount of cash available to cover cash contractual obligations. Moreover, the 2013 Credit Facilities, the 2014 Credit

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Facilities, the 2013 Citicorp Credit Facility and certain of our other financing arrangements contain significant minimum cash balance requirements. As a result, we cannot use all of our available cash to fund operations, capital expenditures and cash obligations without violating these requirements.

In the past, we have from time to time refinanced, redeemed or repurchased our debt and taken other steps to reduce or otherwise manage the aggregate amount and cost of our debt or lease obligations or otherwise improve our balance sheet. Going forward, depending on market conditions, our cash position and other considerations, we may continue to take such actions.

Critical Accounting Policies and Estimates

In the second quarter of 2015, there were no changes to our critical accounting policies and estimates from those disclosed in the consolidated financial statements and accompanying notes contained in our 2014 Form 10-K.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 completes the joint effort by the FASB and International Accounting Standards Board (IASB) to improve financial reporting by creating common revenue recognition guidance for GAAP and International Financial Reporting Standards (IFRS). ASU 2014-09 applies to all companies that enter into contracts with customers to transfer goods or services. ASU 2014-09 is effective for public entities for interim and annual reporting periods beginning after December 15, 2016. On July 9, 2015, the FASB deferred the effective date of this new standard to December 15, 2017 for public entities. Early application is permitted, but not before interim and annual reporting periods beginning after December 15, 2016. Entities have the choice to apply ASU 2014-09 either retrospectively to each reporting period presented or by recognizing the cumulative effect of applying ASU 2014-09 at the date of initial application and not adjusting comparative information. We are currently evaluating the requirements of ASU 2014-09 and have not yet determined its impact on our condensed consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. The update requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability instead of being presented as an asset. Debt disclosures will include the face amount of the debt liability and the effective interest rate. The update requires retrospective application and represents a change in accounting principle. The update is effective for fiscal years beginning after December 15, 2015. Early adoption is permitted for financial statements that have not been previously issued. ASU 2015-03 is not expected to have a material impact on our condensed consolidated financial statements.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK
AAG's Market Risk Sensitive Instruments and Positions

Our primary market risk exposures include the price of aircraft fuel, foreign currency exchange rates and interest rate risk. Our exposure to these market risks has not changed materially from our exposure discussed in our 2014 10-K except as updated below.

Aircraft Fuel

During the second quarter of 2014, we sold our portfolio of fuel hedging contracts that were scheduled to settle on or after June 30, 2014. We have not entered into any transactions to hedge our fuel consumption since December 9, 2013 and, accordingly, as of June 30, 2015, we did not have any fuel hedging contracts outstanding to hedge our fuel consumption. As such, and assuming we do not enter into any future transactions to hedge our fuel consumption, we will continue to be fully exposed to fluctuations in fuel prices. Our current policy is not to enter into transactions to hedge our fuel consumption, although we review that policy from time to time based on market conditions and other factors. Our 2015 forecasted mainline and regional fuel consumption is presently approximately 4.3 billion gallons, and based on this forecast, a one cent per gallon increase in aviation fuel price would result in a \$43 million increase in annual expense.

Foreign Currency

We are exposed to the effect of foreign exchange rate fluctuations on the U.S. dollar value of foreign currency-denominated operating revenues and expenses. Our largest exposure comes from the British pound, Euro, Canadian dollar, Japanese yen and various Latin American currencies, particularly the Venezuelan bolivar, Brazilian real and Argentine peso. We do not currently have a foreign currency hedge program related to our foreign currency-denominated ticket sales.

Venezuela Cash and Short-term Investments

As of June 30, 2015, we had approximately \$629 million of unrestricted cash and short-term investments held in Venezuelan bolivars. This balance includes approximately \$621 million valued at 6.3 bolivars to the U.S. dollar and approximately \$8 million valued at 12.8 bolivars to the U.S. dollar, with the rate depending on the date we submitted our repatriation request to the Venezuelan government. These rates are materially more favorable than the exchange rates currently prevailing for other transactions conducted outside of the Venezuelan government's currency exchange system.

During 2014, we significantly reduced capacity in the Venezuelan market and we are no longer accepting bolivars as payment for airline tickets. We are monitoring this situation closely and continue to evaluate our holdings of Venezuelan bolivars for additional foreign currency losses or other accounting adjustments, which could be material, particularly in light of the additional uncertainty posed by the recent changes to the foreign exchange regulations and the continued deterioration of economic conditions in Venezuela. More generally, fluctuations in foreign currencies, including devaluations, cannot be predicted by us and can significantly affect the value of our assets located outside the United States. These conditions, as well as any further delays, devaluations or imposition of more stringent repatriation restrictions, may materially adversely affect our business, results of operations and financial condition. See Part II, Item 1A. Risk Factors *We operate a global business with international operations that are subject to economic and political instability and have been, and in the future may continue to be, adversely affected by numerous events, circumstances or government actions beyond our control* for additional discussion of this and other currency risks.

American's Market Risk Sensitive Instruments and Positions

American's primary market risk exposures include the price of aircraft fuel, foreign currency exchange rates and interest rate risk. American's exposure to these market risks has not changed materially from its exposure discussed in its 2014 10-K except as updated below.

Aircraft Fuel

During the second quarter of 2014, American sold its portfolio of fuel hedging contracts that were scheduled to settle on or after June 30, 2014. American has not entered into any transactions to hedge its fuel consumption since December 9, 2013 and, accordingly, as of June 30, 2015, American did not have any fuel hedging contracts outstanding to hedge American's fuel consumption. As such, and assuming American does not enter into any future transactions to hedge its fuel consumption, American will continue to be fully exposed to fluctuations in fuel prices. American's current policy is not to enter into transactions to hedge its fuel consumption, although American reviews that policy from time to time based on market conditions and other factors. American's 2015 forecasted mainline and regional fuel consumption is presently approximately 2.8 billion gallons, and based on this forecast, a one cent per gallon increase in aviation fuel price would result in a \$28 million increase in annual expense.

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Foreign Currency

American is exposed to the effect of foreign exchange rate fluctuations on the U.S. dollar value of foreign currency-denominated operating revenues and expenses. American's largest exposure comes from the British pound, Euro, Canadian dollar, Japanese yen and various Latin American currencies, particularly the Venezuelan bolivar, Brazilian real and Argentine peso. American does not currently have a foreign currency hedge program related to its foreign currency-denominated ticket sales.

Venezuela Cash and Short-term Investments

As of June 30, 2015, American had approximately \$629 million of unrestricted cash and short-term investments held in Venezuelan bolivars. This balance includes approximately \$621 million valued at 6.3 bolivars to the U.S. dollar and approximately \$8 million valued at 12.8 bolivars to the U.S. dollar, with the rate depending on the date American submitted its repatriation request to the Venezuelan government. These rates are materially more favorable than the exchange rates currently prevailing for other transactions conducted outside of the Venezuelan government's currency exchange system.

During 2014, American significantly reduced capacity in the Venezuelan market and is no longer accepting bolivars as payment for airline tickets. American is monitoring this situation closely and continues to evaluate its holdings of Venezuelan bolivars for additional foreign currency losses or other accounting adjustments, which could be material, particularly in light of the additional uncertainty posed by the recent changes to the foreign exchange regulations and the continued deterioration of economic conditions in Venezuela. More generally, fluctuations in foreign currencies, including devaluations, cannot be predicted by American and can significantly affect the value of American's assets located outside the United States. These conditions, as well as any further delays, devaluations or imposition of more stringent repatriation restrictions, may materially adversely affect American's business, results of operations and financial condition. See Part II, Item 1A. Risk Factors *We operate a global business with international operations that are subject to economic and political instability and have been, and in the future may continue to be, adversely affected by numerous events, circumstances or government actions beyond our control* for additional discussion of this and other currency risks.

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ITEM 4. CONTROLS AND PROCEDURES

Management's Evaluation of Disclosure Controls and Procedures

The term "disclosure controls and procedures" is defined in Rules 13a-15(e) and 15d-15(e) of 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 SEC. An evaluation of the effectiveness of AAG's and American's disclosure controls and procedures as of June 30, 2015 was performed under the supervision and with the participation of AAG's and American's management, including AAG's and American's Chief Executive Officer (CEO) and Chief Financial Officer (CFO). Based on that evaluation, AAG's and American's management, including AAG's and American's CEO and CFO, concluded that AAG's and American's disclosure controls and procedures were effective as of June 30, 2015.

Changes in Internal Control over Financial Reporting

On December 9, 2013, AAG acquired US Airways Group and its subsidiaries. We are in the process of integrating policies, processes, people, technology and operations for the post-Merger combined company, and we will continue to evaluate the impact of any related changes to our internal control over financial reporting. Except for any changes in internal controls related to the integration of US Airways Group and its subsidiaries into the post-Merger combined company, including the related adoption of common financial reporting and internal control practices for the combined company and associated updates and improvements to the combined control environment, during the quarter ended June 30, 2015, there has been no change in AAG's or American's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, AAG's and American's internal control over financial reporting.

Limitation on the Effectiveness of Controls

We believe that a controls system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives, and the CEO and CFO of AAG and American believe that our disclosure controls and procedures were effective at the "reasonable assurance" level as of June 30, 2015.

Table of Contents**PART II: OTHER INFORMATION****ITEM 1. LEGAL PROCEEDINGS**

Chapter 11 Cases. As previously disclosed, on the Petition Date, November 29, 2011, the Debtors filed the Chapter 11 Cases. On October 21, 2013, the Bankruptcy Court entered the Confirmation Order confirming the Plan. On the Effective Date, December 9, 2013, the Debtors consummated their reorganization pursuant to the Plan, principally through the transactions contemplated by the Merger Agreement pursuant to which Merger Sub merged with and into US Airways Group, with US Airways Group surviving as a wholly-owned subsidiary of AAG. From the Petition Date through the Effective Date, pursuant to automatic stay provisions under the Bankruptcy Code and orders granted by the Bankruptcy Court, actions to enforce or otherwise effect repayment of liabilities preceding the Petition Date as well as all pending litigation against the Debtors generally were stayed. Following the Effective Date, actions to enforce or otherwise effect repayment of liabilities preceding the Petition Date, generally have been permanently enjoined. Any unresolved claims will continue to be subject to the claims reconciliation process under the supervision of the Bankruptcy Court. However, certain pending litigation related to pre-petition liabilities may proceed in courts other than the Bankruptcy Court to determine the amount, if any, of such litigation claims for purposes of treatment under the Plan.

Pursuant to rulings of the Bankruptcy Court, the Plan established the Disputed Claims Reserve to hold shares of AAG Common Stock reserved for issuance to disputed claimholders at the Effective Date that ultimately become holders of allowed Single-Dip Unsecured Claims. The shares provided for under the Plan were determined based upon a Disputed Claims Reserve amount of claims of approximately \$755 million, representing the maximum amount of additional distributions to subsequently allowed Single-Dip Unsecured Claims under the Plan. As of December 31, 2014, the Disputed Claims Reserve held 26.8 million shares of AAG Common Stock pending distribution of those shares in accordance with the Plan. On February 10, 2015, approximately 0.8 million shares of AAG Common Stock held in the Disputed Claims Reserve were distributed to holders of allowed Single-Dip Unsecured Claims, to holders of certain labor-related deemed claims, and to holders of certain non-management, non-union employee deemed claims as specified in the Plan, and we repurchased less than 0.1 million shares of AAG Common Stock for an aggregate of \$4 million from the Disputed Claims Reserve at the then-prevailing market price in order to fund cash tax obligations resulting from this distribution. As of June 30, 2015, there were approximately 26.0 million shares of AAG Common Stock remaining in the Disputed Claims Reserve. On July 14, 2015, approximately 0.6 million shares of AAG Common Stock held in the Disputed Claims Reserve were distributed to holders of allowed Single-Dip Unsecured Claims, to holders of certain labor-related deemed claims, and to holders of certain non-management, non-union employee deemed claims as specified in the Plan, and we repurchased less than 0.1 million shares of AAG Common Stock for an aggregate of \$2 million from the Disputed Claims Reserve at the then-prevailing market price in order to fund cash tax obligations resulting from this distribution. As disputed claims are resolved, the claimants will receive distributions of shares from the Disputed Claims Reserve on the same basis as if such distributions had been made on or about the Effective Date. However, we are not required to distribute additional shares above the limits contemplated by the Plan, even if the shares remaining for distribution are not sufficient to fully pay any additional allowed unsecured claims. To the extent that any of the reserved shares remain undistributed upon resolution of all remaining disputed claims, such shares will not be returned to us but rather will be distributed to former AMR shareholders as of the Effective Date. However, resolution of disputed claims could have a material effect on recoveries by holders of additional allowed Single-Dip Unsecured Claims under the Plan and the amount of additional share distributions, if any, that are made to former AMR shareholders as the total number of shares of AAG Common Stock that remain available for distribution upon resolution of disputed claims is limited pursuant to the Plan.

There is also pending in the Bankruptcy Court an adversary proceeding relating to an action brought by American to seek a determination that certain non-pension, post-employee benefits (OPEB) are not vested benefits and thus may be modified or terminated without liability to American. On April 18, 2014, the Bankruptcy Court granted American's motion for summary judgment with respect to certain non-union employees, concluding that their benefits were not vested and could be terminated. The summary judgment motion was denied with respect to all other retirees. The Bankruptcy Court has not yet scheduled a trial on the merits concerning whether those retirees' benefits are vested, and American cannot predict whether it will receive relief from obligations to provide benefits to any of those retirees. Our financial statements presently reflect these retirement programs without giving effect to any modification or termination of benefits that may ultimately be implemented based upon the outcome of this proceeding. Separately, both the Association of Professional Flight Attendants and Transport Workers Union have filed grievances asserting that American was successful in its Chapter 11 with respect to matters related to OPEB and, accordingly, by operation of the underlying collective bargaining agreements, American's prior contributions to certain OPEB prefunding trusts attributable to active employees should be returned to those active employees. These amounts aggregate approximately \$212 million. We have denied both grievances and intend to defend these matters vigorously.

DOJ Civil Investigative Demand. In June 2015, we received a Civil Investigative Demand (CID) from the United States Department of Justice (DOJ) as part of an investigation into whether there have been illegal agreements or coordination of air passenger capacity. The CID seeks documents and other information from us, and other airlines have announced that they have received similar requests. We intend to cooperate fully with the DOJ investigation. In addition, subsequent to announcement of the delivery of CIDs by the DOJ, we, along with Delta Air Lines, Inc., Southwest Airlines Co., United Airlines, Inc. and, in the case of

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litigation filed in Canada, Air Canada, have been named as defendants in a number of putative class action lawsuits alleging unlawful agreements with respect to air passenger capacity. The U.S. lawsuits are the subject of multiple motions to consolidate them in a single forum. Both the DOJ process and these lawsuits are in their very early stages and we intend to defend the lawsuits vigorously.

Private Party Antitrust Action. On July 2, 2013, a lawsuit captioned Carolyn Fjord, et al., v. US Airways Group, Inc., et al., was filed in the United States District Court for the Northern District of California. The complaint named as defendants US Airways Group and US Airways, and alleged that the effect of the Merger may be to substantially lessen competition or tend to create a monopoly in violation of Section 7 of the Clayton Antitrust Act. The relief sought in the complaint included an injunction against the Merger, or divestiture. On August 6, 2013, the plaintiffs re-filed their complaint in the Bankruptcy Court, adding AMR and American as defendants, and on October 2, 2013, dismissed the initial California action. The Bankruptcy Court denied plaintiffs' motion to preliminarily enjoin the Merger. On January 10, 2014, the plaintiffs moved to amend their complaint to add additional factual allegations, a claim for money damages and a request for preliminary injunctive relief requiring the carriers to hold separate their assets. On March 14, 2014, the Court allowed plaintiffs to add certain allegations but denied plaintiffs' requests to add a damages claim or seek preliminary injunctive relief requiring the carriers to hold separate their assets. On June 2, 2014, plaintiffs filed an amended motion for leave to file a second amended and supplemental complaint. On March 31, 2015, the Court denied plaintiffs' motion. There is currently no trial date set. We believe this lawsuit is without merit and intend to vigorously defend against the allegations.

US Airways Sabre Matter. On April 21, 2011, US Airways filed an antitrust lawsuit against Sabre Holdings Corporation, Sabre Inc. and Sabre Travel International Limited (collectively, Sabre) in the Federal District Court for the Southern District of New York. The lawsuit, as amended to date, alleges, among other things, that Sabre has engaged in anticompetitive practices to preserve its market power by restricting our ability to distribute our products to our customers. The lawsuit also alleges that these actions have permitted Sabre to charge supracompetitive booking fees and to use technologies that are not as robust and as efficient as alternatives in a competitive market. The lawsuit seeks money damages. Sabre filed a motion to dismiss the case, which the court denied in part and granted in part in September 2011, allowing two of the four counts in the complaint to proceed. In January 2015, the court denied in part and granted in part Sabre's motions for summary judgment. A trial date is expected to be set soon. We intend to pursue our claims against Sabre vigorously, but there can be no assurance of the outcome of this litigation.

General. We and our subsidiaries are also engaged in other legal proceedings from time to time. Legal proceedings can be complex and take many months, or even years, to reach resolution, with the final outcome depending on a number of variables, some of which are not within our control. Therefore, although we will vigorously defend ourselves in each of the actions described above and such other legal proceedings, their ultimate resolution and potential financial and other impacts on us are uncertain.

ITEM 1A. RISK FACTORS

Below are certain risk factors that may affect our business, results of operations and financial condition, or the trading price of our common stock or our other securities. We caution the reader that these risk factors may not be exhaustive. We operate in a continually changing business environment, and new risks and uncertainties emerge from time to time. Management cannot predict such new risks and uncertainties, nor can it assess the extent to which any of the risk factors below or any such new risks and uncertainties, or any combination thereof, may impact our business.

Risk Factors Relating to the Company and Industry-Related Risks

We could experience significant operating losses in the future.

For a number of reasons, including those addressed in these risk factors, we might fail to maintain profitability and might experience significant losses. In particular, the condition of the economy, the level and volatility of fuel prices, the state of travel demand and intense competition in the airline industry have had and will continue to have an impact on our operating results, and may increase the risk that we will experience losses.

Downturns in economic conditions adversely affect our business.

Due to the discretionary nature of business and leisure travel spending, airline industry revenues are heavily influenced by the condition of the U.S. economy and economies in other regions of the world. Unfavorable conditions in these broader economies have resulted, and may result in the future, in decreased passenger demand for air travel and changes in booking practices, both of which in turn have had, and may have in the future, a strong negative effect on our revenues. In addition, during challenging economic times, actions by our competitors to increase their revenues can have an adverse impact on our revenues. See *The airline industry is intensely competitive and dynamic* below. Certain labor agreements to which we are a party limit our ability to reduce the number of aircraft in operation, and the utilization of such aircraft, below certain levels. As a result, we may not be able to optimize the number of aircraft in operation in response to a decrease in passenger demand for air travel.

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Our business is dependent on the price and availability of aircraft fuel. Continued periods of high volatility in fuel costs, increased fuel prices and significant disruptions in the supply of aircraft fuel could have a significant negative impact on our operating results and liquidity.

Our operating results are materially impacted by changes in the availability, price volatility and cost of aircraft fuel, which represents one of the largest single cost items in our business. Jet fuel market prices have fluctuated substantially over the past several years and continue to be volatile.

Because of the amount of fuel needed to operate our business, even a relatively small increase in the price of fuel can have a material adverse aggregate effect on our operating results and liquidity. Due to the competitive nature of the airline industry and unpredictability of the market, we can offer no assurance that we may be able to increase our fares, impose fuel surcharges or otherwise increase revenues sufficiently to offset fuel price increases.

Although we are currently able to obtain adequate supplies of aircraft fuel, we cannot predict the future availability, price volatility or cost of aircraft fuel. Natural disasters, political disruptions or wars involving oil-producing countries, changes in fuel-related governmental policy, the strength of the U.S. dollar against foreign currencies, changes in access to petroleum product pipelines and terminals, speculation in the energy futures markets, changes in aircraft fuel production capacity, environmental concerns and other unpredictable events may result in fuel supply shortages, additional fuel price volatility and cost increases in the future.

We have a large number of older aircraft in our fleet, and these aircraft are not as fuel efficient as more recent models of aircraft, including those we have on order. We intend to continue to execute our fleet renewal plans to, among other things, improve the fuel efficiency of our fleet, and we are dependent on a limited number of major aircraft manufacturers to deliver aircraft on schedule. If we experience delays in delivery of the more fuel efficient aircraft that we have on order, we will be adversely affected.

Our aviation fuel purchase contracts generally do not provide meaningful price protection against increases in fuel costs. Prior to the closing of the Merger, we sought to manage the risk of fuel price increases by using derivative contracts. During the second quarter of 2014, we sold our portfolio of fuel hedging contracts that were scheduled to settle on or after June 30, 2014. We have not entered into any transactions to hedge our fuel consumption since December 9, 2013 and, accordingly, as of June 30, 2015, we did not have any fuel hedging contracts outstanding. As such, and assuming we do not enter into any future transactions to hedge our fuel consumption, we will continue to be fully exposed to fluctuations in fuel prices. Our current policy is not to enter into transactions to hedge our fuel consumption, although we review that policy from time to time based on market conditions and other factors.

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 or that our counterparties will be able to perform under our derivative contracts. To the extent we use derivative contracts that have the potential to create an obligation to pay upon settlement if prices decline significantly, such derivative contracts may limit our ability to benefit from lower fuel costs in the future. Also, a rapid decline in the projected price of fuel at a time when we have fuel hedging contracts in place could adversely impact our short-term liquidity, because hedge counterparties could require that we post collateral in the form of cash or letters of credit. See also the discussion in Part I, Item 3. Quantitative and Qualitative Disclosures About Market Risk *AAG Market Risk Sensitive Instruments and Positions Aircraft Fuel* and *American Airlines Market Risk Sensitive Instruments and Positions Aircraft Fuel*.

The airline industry is intensely competitive and dynamic.

Our competitors include other major domestic airlines and foreign, regional and new entrant airlines, as well as joint ventures formed by some of these airlines, many of which have more financial or other resources and/or lower cost structures than ours, as well as other forms of transportation, including rail and private automobiles. In many of our markets we compete with at least one low-cost air carrier. Our revenues are sensitive to the actions of other carriers in many areas including pricing, scheduling, capacity and promotions, which can have a substantial adverse impact not only on our revenues, but on overall industry revenues. These factors may become even more significant in periods when the industry experiences large losses, as airlines under financial stress, or in bankruptcy, may institute pricing structures intended to achieve near-term survival rather than long-term viability.

Low-cost carriers have a profound impact on industry revenues. Using the advantage of low unit costs, these carriers offer lower fares in order to shift demand from larger, more established airlines. Some low-cost carriers, which have cost structures lower than ours, have better recent financial performance and have announced growth strategies including commitments to acquire significant numbers of aircraft for delivery in the next few years. These low-cost carriers are expected to continue to increase their market share through growth and, potentially, consolidation, and could continue to have an impact on our overall performance. For example, as a result of divestitures completed in connection with gaining regulatory approval for the Merger, low-fare, low-cost carriers have gained additional access in a number of markets, including DCA, a Slot-controlled airport. In addition, the Wright Amendment Reform Act reduced, and has now eliminated all, domestic non-stop geographic restrictions on operations by Southwest Airlines and other carriers at Dallas Love Field (DAL). The two gates at DAL that we divested as part of our settlement of antitrust litigation related to the Merger have been allocated to Virgin America, a low-cost carrier. The changed operating rules at DAL and that divestiture have increased low-cost carrier competition for our hub at Dallas/Fort Worth (DFW). The actions of the low-cost carriers, including those described above, could have a material adverse effect on our operations and financial performance.

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Our presence in international markets is not as extensive as that of some of our competitors. We derived approximately 33% of our operating revenues in 2014 from operations outside of the U.S., as measured and reported to the DOT. In providing international air transportation, we compete with U.S. airlines to provide scheduled passenger and cargo service between the U.S. and various overseas locations, foreign investor-owned airlines, and foreign state-owned or state-affiliated airlines, including carriers based in the Middle East, the three largest of which we believe benefit from significant government subsidies. In addition, open skies agreements with an increasing number of countries around the world provide international airlines with open access to U.S. markets. During 2014, international capacity grew more quickly than domestic service creating a very competitive operating environment. See *Our business is subject to extensive government regulation, which may result in increases in our costs, disruptions to our operations, limits on our operating flexibility, reductions in the demand for air travel, and competitive disadvantages* below.

Certain airline alliances have been, or may in the future be, granted immunity from antitrust 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. Our ability to attract and retain customers is dependent upon, among other things, our ability to offer our customers convenient access to desired markets. Our business could be adversely affected if we are unable to maintain or obtain alliance and marketing relationships with other air carriers in desired markets.

We have implemented a joint business agreement (JBA) with British Airways, Iberia and Finnair, and antitrust-immunized cooperation with British Airways, Iberia, Finnair and Royal Jordanian. In addition, we have implemented an antitrust-immunized JBA with Japan Airlines and a JBA with Qantas Airways. No assurances can be given as to any benefits that we may derive from such arrangements or any other arrangements that may ultimately be implemented.

Additional mergers and other forms of industry consolidation, including antitrust immunity grants, may take place and may not involve us as a participant. Depending on which carriers combine and which assets, if any, are sold or otherwise transferred to other carriers in connection with such combinations, our competitive position relative to the post-combination carriers or other carriers that acquire such assets could be harmed. In addition, as carriers combine through traditional mergers or antitrust immunity grants, their route networks will grow, and that growth will result in greater overlap with our network, which in turn could result in lower overall market share and revenues for us. Such consolidation is not limited to the U.S., but could include further consolidation among international carriers in Europe and elsewhere.

We may be unable to integrate operations successfully and realize the anticipated synergies and other benefits of the Merger.

The Merger involves the combination of two companies that operated as independent public companies prior to the Merger, and each of which operated its own international network airline. Historically, the integration of separate airlines has often proven to be more time consuming and to require more resources than initially estimated. Although we received a single operating certificate from the FAA for American and US Airways on April 8, 2015, we must devote significant management attention and resources to integrating our business practices, cultures and operations. Potential difficulties we may encounter as part of the integration process include the following:

the inability to successfully combine our businesses in a manner that permits us to achieve the synergies and other benefits anticipated to result from the Merger;

the challenge of integrating complex systems, operating procedures, regulatory compliance programs, technology, aircraft fleets, networks, and other assets in a manner that minimizes any adverse impact on customers, suppliers, employees, and other constituencies;

the effects of divestitures and other operational commitments in connection with the settlement of the litigation brought by the Department of Justice (DOJ) and certain states prior to the closing of the Merger, including those involving DAL and DCA;

the challenge of forming and maintaining an effective and cohesive management team;

the diversion of the attention of our management and other key employees;

the challenge of integrating workforces while maintaining focus on providing consistent, high quality customer service and running an efficient operation;

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the risks relating to integrating various computer, communications and other technology systems, including designing and implementing an integrated customer reservations system, that will be necessary to operate American and US Airways as a single airline and to achieve cost synergies by eliminating redundancies in the businesses;

the disruption of, or the loss of momentum in, our ongoing business;

branding or rebranding initiatives may involve substantial costs and may not be favorably received by customers; and

potential unknown liabilities, liabilities that are significantly larger than we currently anticipate and unforeseen increased expenses or delays associated with the Merger, including costs in excess of the cash transition costs that we currently anticipate.

See *We face challenges in integrating our computer, communications and other technology systems* below.

Accordingly, we may not be able to realize the contemplated benefits of the Merger fully, or at all, or it may take longer and cost more to realize such benefits than expected.

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

We have significant amounts of indebtedness and other obligations, including pension obligations, obligations to make future payments on flight equipment and property leases, and substantial non-cancelable obligations under aircraft and related spare engine purchase agreements. Moreover, currently a substantial portion of our assets are pledged to secure our indebtedness. Our substantial indebtedness and other obligations could have important consequences. For example, they:

may make it more difficult for us to satisfy our obligations under our indebtedness;

may limit our ability to obtain additional funding for working capital, capital expenditures, acquisitions, investments, integration costs, and general corporate purposes, and adversely affect the terms on which such funding can 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, industry conditions and catastrophic external events;

limit our ability to respond to business opportunities and to withstand operating risks that are customary in the industry; and

contain restrictive covenants that could:

limit our ability to merge, consolidate, sell assets, incur additional indebtedness, issue preferred stock, make investments and pay dividends;

significantly constrain our ability to respond, or respond quickly, to unexpected disruptions in our own operations, the U.S. or global economies, or the businesses in which we operate, or to take advantage of opportunities that would improve our business, operations, or competitive position versus other airlines;

limit our ability to withstand competitive pressures and reduce our flexibility in responding to changing business and economic conditions; and

result in an event of default under our indebtedness.

We will need to obtain sufficient financing or other capital to operate successfully.

Our business plan contemplates significant investments in modernizing our fleet and integrating American and US Airways businesses. Significant capital resources will be required to execute this plan. We estimate that, based on our commitments as of June 30, 2015, our planned aggregate expenditures for aircraft purchase commitments and certain engines on a consolidated basis for calendar years 2015-2019 would be approximately \$18.0 billion, of which \$15.5 billion represents commitments by American. We also currently anticipate cash transition costs to integrate our businesses following the Merger to be approximately \$1.2 billion, although these costs could exceed our expectations. Accordingly, we will need substantial financing or other capital resources. In addition, as of the date of this report, we had not secured financing commitments for some of the aircraft that we have on order, and we cannot be assured of the availability or cost of that financing. In particular, as of June 30, 2015, we did not have financing commitments for the following aircraft currently on order and scheduled to be delivered through 2017: 60 Airbus A320 family aircraft, 28 Boeing 787 family aircraft, 13 Boeing 737 family aircraft, six Airbus A350 XWB aircraft, three Boeing 737 MAX family aircraft and three Boeing 777-300 ER aircraft. In addition, we did not have financing commitments in place for aircraft currently on order and

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scheduled to be delivered in 2018 and beyond. The number of aircraft for which we do not have financing may change as we exercise purchase options or otherwise change our purchase and delivery schedules. If we are unable to arrange financing for such aircraft at customary advance rates and on terms and conditions acceptable to us, we may need to use cash from operations or cash on hand to purchase such aircraft or may seek to negotiate deferrals for such aircraft with the aircraft manufacturers. Depending on numerous factors, many of which are out of our control, such as the state of the domestic and global economies, the capital and credit markets' view of our prospects and the airline industry in general, and the general availability of debt and equity capital at the time we seek capital, the financing or other capital resources that we will need may not be available to us, or may only be available on onerous terms and conditions. There can be no assurance that we will be successful in obtaining financing or other needed sources of capital to operate successfully. An inability to obtain necessary financing on acceptable terms would have a material adverse impact on our business, results of operations and financial condition.

Increased costs of financing, a reduction in the availability of financing and fluctuations in interest rates could adversely affect our liquidity, results of operations and financial condition.

Concerns about the systemic impact of inflation, the availability and cost of credit, energy costs and geopolitical issues, combined with continued changes in business activity levels and consumer confidence, increased unemployment and volatile oil prices, have in the past and may in the future contribute to volatility in the capital and credit markets. These market conditions could result in illiquid credit markets and wider credit spreads. Any such changes in the domestic and global financial markets may increase our costs of financing and adversely affect our ability to obtain financing needed for the acquisition of aircraft that we have contractual commitments to purchase and for other types of financings we may seek in order to refinance debt maturities, raise capital or fund other types of obligations. Any downgrades to our credit rating may likewise increase the cost and reduce the availability of financing.

Further, a substantial portion of our indebtedness bears interest at fluctuating interest rates, primarily based on the London interbank offered rate for deposits of U.S. dollars (LIBOR). LIBOR tends to fluctuate based on general economic conditions, general interest rates, rates set by the Federal Reserve and other central banks, and the supply of and demand for credit in the London interbank market. We have not hedged our interest rate exposure with respect to our 2013 Credit Facilities, the 2013 Citicorp Credit Facility, the 2014 Credit Facility and other of our floating rate debt, and accordingly, our interest expense for any particular period may fluctuate based on LIBOR and other variable interest rates. To the extent these interest rates increase, our interest expense will increase, in which event we may have difficulties making interest payments and funding our other fixed costs, and our available cash flow for general corporate requirements may be adversely affected.

Our high level of fixed obligations may limit our ability to fund general corporate requirements and obtain additional financing, may limit our flexibility in responding to competitive developments and causes our business to be vulnerable to adverse economic and industry conditions.

We have a significant amount of fixed obligations, including debt, pension costs, aircraft leases and financings, aircraft purchase commitments, leases and developments of airport and other facilities and other cash obligations. We also have certain guaranteed costs associated with our regional operations.

As a result of the substantial fixed costs associated with these obligations:

a decrease in revenues results in a disproportionately greater percentage decrease in earnings;

we may not have sufficient liquidity to fund all of these fixed obligations if our revenues decline or costs increase; and

we may have to use our working capital to fund these fixed obligations instead of funding general corporate requirements, including capital expenditures.

These obligations also impact our ability to obtain additional financing, if needed, and our flexibility in the conduct of our business, and could materially adversely affect our liquidity, results of operations and financial condition.

We have significant pension and other post-employment benefit funding obligations, which may adversely affect our liquidity, results of operations and financial condition.

Our pension funding obligations are significant. The amount of these obligations will depend on the performance of investments held in trust by the pension plans, interest rates for determining liabilities and actuarial experience. Currently, our minimum funding obligation for our pension plans is subject to temporary favorable rules that are scheduled to expire at the end of 2017. Upon the expiration of those rules, our funding obligations are likely to increase materially. In addition, we may have significant obligations for other post-employment benefits, the ultimate amount of which depends on, among other things, the outcome of an adversary proceeding related to retiree medical and life insurance obligations filed in the Chapter 11 cases.

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Any failure to comply with the covenants contained in our financing arrangements may have a material adverse effect on our business, results of operations and financial condition.

The terms of our 2013 Credit Facilities, the 2013 Citicorp Credit Facility and the 2014 Credit Facilities require us to ensure that AAG and its restricted subsidiaries maintain consolidated unrestricted cash and cash equivalents and amounts available to be drawn under revolving credit facilities in an aggregate amount not less than \$2.0 billion, and the 2013 Citicorp Credit Facility also requires us and the other obligors thereunder to hold not less than \$750 million (subject to partial reductions upon certain reductions in the outstanding amount of the loan) of that amount in accounts subject to control agreements.

Our ability to comply with these liquidity covenants while paying the fixed costs associated with our contractual obligations and our other expenses, including significant pension and other post-employment funding obligations and cash transition costs associated with the Merger, will depend on our operating performance and cash flow, which are seasonal, as well as factors including fuel costs and general economic and political conditions.

In addition, our credit facilities and certain other financing arrangements include covenants that, among other things, limit our ability to pay dividends and make certain other payments, make certain investments, incur additional indebtedness, enter into certain affiliate transactions and engage in certain business activities, in each case subject to certain exceptions.

The factors affecting our liquidity (and our ability to comply with related liquidity and other covenants) will remain subject to significant fluctuations and uncertainties, many of which are outside our control. Any breach of our liquidity and other covenants or failure to timely pay our obligations could result in a variety of adverse consequences, including the acceleration of our indebtedness, the withholding of credit card proceeds by our credit card processors and the exercise of remedies by our creditors and lessors. In such a situation, we may not be able to fulfill our contractual obligations, repay the accelerated indebtedness, make required lease payments or otherwise cover our fixed costs.

If our financial condition worsens, provisions in our credit card processing and other commercial agreements may adversely affect our liquidity.

We have agreements with companies that process customer credit card transactions for the sale of air travel and other services. These agreements allow these processing companies, under certain conditions (including, with respect to certain agreements, the failure of American to maintain certain levels of liquidity) to hold an amount of our cash (a holdback) equal to some or all of the advance ticket sales that have been processed by that company, but for which we have not yet provided the air transportation. We are not currently required to maintain any holdbacks pursuant to these requirements. These holdback requirements can be modified at the discretion of the processing companies upon the occurrence of specific events, including material adverse changes in our financial condition. An increase in the current holdback balances to higher percentages up to and including 100% of relevant advanced ticket sales could materially reduce our liquidity. Likewise, other of our commercial agreements contain provisions that allow other entities to impose less favorable terms, including the acceleration of amounts due, in the event of material adverse changes in our financial condition.

Union disputes, employee strikes and other labor-related disruptions may adversely affect our operations.

Relations between air carriers and labor unions in the U.S. are governed by the Railway Labor Act (RLA). Under the RLA, collective bargaining agreements generally contain amendable dates rather than expiration dates, and the RLA requires that a carrier maintain the existing terms and conditions of employment following the amendable date

through a multi-stage and usually lengthy series of bargaining processes overseen by the National Mediation Board (NMB).

In the case of a CBA that is amendable under the RLA, if no agreement is reached during direct negotiations between the parties, either party may request that the NMB appoint a federal mediator. The RLA prescribes no timetable for the direct negotiation and mediation processes, and it is not unusual for those processes to last for many months or even several years. If no agreement is reached in mediation, the NMB in its discretion may declare that an impasse exists and proffer binding arbitration to the parties. Either party may decline to submit to arbitration, and if arbitration is rejected by either party, a 30-day cooling off period commences. During or after that period, a Presidential Emergency Board (PEB) may be established, which examines the parties' positions and recommends a solution. The PEB process lasts for 30 days and is followed by another 30-day cooling off period. At the end of a cooling off period, unless an agreement is reached or action is taken by Congress, the labor organization may exercise self-help, such as a strike, which could materially adversely affect our business, results of operations and financial condition.

None of the unions representing our employees presently may lawfully engage in concerted refusals to work, such as strikes, slow-downs, sick-outs or other similar activity, against us. Nonetheless, there is a risk that disgruntled employees, either with or without union involvement, could engage in one or more concerted refusals to work that could individually or collectively harm the operation of our airline and impair our financial performance. See Part I, Item 1. Business *Employees and Labor Relations* in our 2014 10-K.

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The inability to maintain labor costs at competitive levels would harm our financial performance.

Currently, we believe our labor costs are competitive relative to the other large network carriers. However, we cannot provide assurance that labor costs going forward will remain competitive because some of our agreements are amendable now and others may become amendable, competitors may significantly reduce their labor costs or we may agree to higher-cost provisions in our current or future labor negotiations. As of December 31, 2014, approximately 82% of our employees were represented for collective bargaining purposes by labor unions. Some of our unions have brought and may continue to bring grievances to binding arbitration, including those related to wages. Unions may also bring court actions and may seek to compel us to engage in bargaining processes where we believe we have no such obligation. If successful, there is a risk these judicial or arbitral avenues could create material additional costs that we did not anticipate.

Interruptions or disruptions in service at one of our hub airports could have a material adverse impact on our operations.

We operate principally through hubs in Charlotte, Chicago, Dallas/Fort Worth, Los Angeles, Miami, New York City, Philadelphia, Phoenix and Washington, D.C. Substantially all of our flights either originate in or fly into one of these locations. A significant interruption or disruption in service at one of our hubs resulting from ATC delays, weather conditions, natural disasters, growth constraints, relations with third-party service providers, failure of computer systems, facility disruptions, labor relations, power supplies, fuel supplies, terrorist activities or otherwise could result in the cancellation or delay of a significant portion of our flights and, as a result, could have a severe impact on our business, results of operations and financial condition.

Ongoing data security compliance requirements could increase our costs, and any significant data breach could disrupt our operations and harm our reputation, business, results of operations and financial condition.

Our business requires the appropriate and secure utilization of customer, employee, business partner and other sensitive information. We cannot be certain that advances in criminal capabilities (including cyber-attacks or cyber intrusions over the Internet, malware, computer viruses and the like), discovery of new vulnerabilities or attempts to exploit existing vulnerabilities in our systems, other data thefts, physical system or network break-ins or inappropriate access, or other developments will not compromise or breach the technology protecting the networks that access and store sensitive information. The risk of a security breach or disruption, particularly through cyber-attack or cyber intrusion, including by computer hackers, foreign governments and cyber terrorists, has increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. Furthermore, there has been heightened legislative and regulatory focus on data security in the U.S. and abroad (particularly in the EU), including requirements for varying levels of customer notification in the event of a data breach.

In addition, many of our commercial partners, including credit card companies, have imposed data security standards that we must meet. In particular, we are required by the Payment Card Industry Security Standards Council, founded by the credit card companies, to comply with their highest level of data security standards. While we continue our efforts to meet these standards, new and revised standards may be imposed that may be difficult for us to meet and could increase our costs.

A significant data security breach or our failure to comply with applicable U.S. or foreign data security regulations or other data security standards may expose us to litigation, claims for contract breach, fines, sanctions or other penalties, which could disrupt our operations, harm our reputation and materially and adversely affect our business, results of operations and financial condition. Failure to address these issues appropriately could also give rise to additional legal risks, which, in turn, could increase the size and number of litigation claims and damages asserted or subject us to

enforcement actions, fines and penalties and cause us to incur further related costs and expenses.

If we are unable to obtain and maintain adequate facilities and infrastructure throughout our system and, at some airports, adequate Slots, we may be unable to operate our existing flight schedule and to expand or change our route network in the future, which may have a material adverse impact on our operations.

In order to operate our existing and proposed flight schedule and, where appropriate, add service along new or existing routes, we must be able to maintain and/or obtain adequate gates, ticketing facilities, operations areas, and office space. As airports around the world become more congested, we will not always be able to ensure that our plans for new service can be implemented in a commercially viable manner, given operating constraints at airports throughout our network, including due to inadequate facilities at desirable airports. Further, our operating costs at airports at which we operate, including our hubs, may increase significantly because of capital improvements at such airports that we may be required to fund, directly or indirectly. In some circumstances, such costs could be imposed by the relevant airport authority without our approval.

In addition, operations at four major domestic airports, certain smaller domestic airports and certain foreign airports served by us are regulated by governmental entities through the use of Slots or similar regulatory mechanisms which limit the rights of carriers to conduct operations at those airports. Each Slot represents the authorization to land at or take-off from the particular airport during a specified time period and may have other operational restrictions as well. In the U.S., the FAA currently regulates the allocation of

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Slot or Slot exemptions at DCA and three New York City airports: Newark Liberty, JFK and LaGuardia. Our operations at these airports generally require the allocation of Slots or similar regulatory authority. Similarly, our operations at international airports in Frankfurt, London Heathrow, Paris and other airports outside the U.S. are regulated by local Slot authorities pursuant to the International Air Transport Association's Worldwide Scheduling Guidelines and applicable local law. We cannot provide any assurance that regulatory changes regarding the allocation of Slots or similar regulatory authority will not have a material adverse impact on our operations.

In connection with the settlement of litigation relating to the Merger brought by the DOJ and certain states, we entered into settlement agreements that provide for certain asset divestitures including 52 slot pairs at DCA, 17 Slot pairs at LaGuardia and gates and related ground facilities necessary to operate those Slot pairs, and two gates at each of Boston Logan International Airport, Chicago O'Hare International Airport, DAL, Los Angeles International Airport and Miami International Airport. Our settlement agreements also require our airlines to maintain certain hub operations and continue to provide service to certain specified communities for limited periods of time. In addition, we entered into a related settlement with the U.S. Department of Transportation (DOT) related to small community service from DCA. Further, as a consequence of the Merger clearance process in the EU, we made one pair of London Heathrow Slots available for use by another carrier and, along with our JBA partners, we made one pair of London Heathrow Slots available to competitors for use for up to six years in different markets.

Our ability to provide service can also be impaired at airports, such as Chicago O'Hare and Los Angeles International, where the airport gate and other facilities are inadequate to accommodate all of the service that we would like to provide.

Any limitation on our ability to acquire or maintain adequate gates, ticketing facilities, operations areas, Slots (where applicable), or office space could have a material adverse effect on our business, results of operations and financial condition.

If we incur problems with any of our third-party regional operators or third-party service providers, our operations could be adversely affected by a resulting decline in revenue or negative public perception about our services.

A significant portion of our regional operations are conducted by third-party operators on our behalf, primarily under capacity purchase agreements. Due to our reliance on third parties to provide these essential services, we are subject to the risks of disruptions to their operations, which may result from many of the same risk factors disclosed in this report, such as the impact of adverse economic conditions, and other risk factors, such as a bankruptcy restructuring of any of the regional operators. We may also experience disruption to our regional operations if we terminate the capacity purchase agreement with one or more of our current operators and transition the services to another provider. As our regional segment provides revenues to us directly and indirectly (by providing flow traffic to our hubs), any significant disruption to our regional operations would have a material adverse effect on our business, results of operations and financial condition.

In addition, our reliance upon others to provide essential services on behalf of our operations may result in our relative inability to control the efficiency and timeliness of contract services. We have entered into agreements with contractors to provide various facilities and services required for our operations, including distribution and sale of airline seat inventory, provision of information technology and services, regional operations, aircraft maintenance, ground services and facilities, reservations and baggage handling. Similar agreements may be entered into in any new markets we decide to serve. These agreements are generally subject to termination after notice by the third-party service provider. We are also at risk should one of these service providers cease operations, and there is no guarantee that we could replace these providers on a timely basis with comparably priced providers. Volatility in fuel prices, disruptions to capital markets and adverse economic conditions in general have subjected certain of these third-party

regional carriers to significant financial pressures, which have led to several bankruptcies among these carriers. Any material problems with the efficiency and timeliness of contract services, resulting from financial hardships or otherwise, could have a material adverse effect on our business, results of operations and financial condition.

We rely on third-party distribution channels and must manage effectively the costs, rights and functionality of these channels.

We rely on third-party distribution channels, including those provided by or through global distribution systems (GDSs) (e.g., Amadeus, Sabre and Travelport), conventional travel agents and online travel agents (OTAs) (e.g., Expedia and Orbitz and Travelocity, both of which will be owned by Expedia if previously announced transactions are completed), to distribute a significant portion of our airline tickets, and we expect in the future to continue to rely on these channels and hope to expand their ability to distribute and collect revenues for ancillary products (e.g., fees for selective seating). These distribution channels are more expensive and at present have less functionality in respect of ancillary product offerings than those we operate ourselves, such as our call centers and our website. Certain of these distribution channels also effectively restrict the manner in which we distribute our products generally. To remain competitive, we will need to manage successfully our distribution costs and rights, increase our distribution flexibility and improve the functionality of third-party distribution channels, while maintaining an industry-competitive cost structure. These imperatives may affect our relationships with GDSs and OTAs, including as consolidation of OTAs continues or is proposed to continue. Any inability to manage our third-party distribution costs, rights and functionality at a competitive level or any material diminishment or disruption in the distribution of our tickets could have a material adverse effect on our business, results of operations and financial condition.

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Our business is subject to extensive government regulation, which may result in increases in our costs, disruptions to our operations, 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. In the last several years, Congress has passed laws, and the DOT, the FAA, the U.S. Transportation Security Administration (TSA) and the Department of Homeland Security have issued a number of directives and other regulations, that affect the airline industry. These requirements impose substantial costs on us and restrict the ways we may conduct our business.

For example, the FAA from time to time issues directives and other regulations relating to the maintenance and operation of aircraft that require significant expenditures or operational restrictions. Our failure to timely comply with these requirements has in the past and may in the future result in fines and other enforcement actions by the FAA or other regulators. In addition, the FAA recently issued its final regulations governing pilot rest periods and work hours for all airlines certificated under Part 121 of the Federal Aviation Regulations. The rule, which became effective on January 4, 2014, impacts the required amount and timing of rest periods for pilots between work assignments and modifies duty and rest requirements based on the time of day, number of scheduled segments, flight types, time zones, and other factors. These regulations, or other regulations, could have a material adverse effect on us and the industry.

DOT consumer rules that took effect in 2010 require procedures for customer handling during long onboard delays, further regulate airline interactions with passengers through the reservations process, at the airport, and onboard the aircraft, and require new disclosures concerning airline fares and ancillary fees such as baggage fees. The DOT has been aggressively investigating alleged violations of these new rules. Other DOT rules apply to post-ticket purchase price increases and an expansion of tarmac delay regulations to international airlines.

The Aviation and Transportation Security Act mandates the federalization of certain airport security procedures and imposes additional security requirements on airports and airlines, most of which are funded by a per-ticket tax on passengers and a tax on airlines.

The results of our operations, demand for air travel, and the manner in which we conduct 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, or the types of fees that can be charged to passengers;

the granting and timing of certain governmental approvals (including antitrust or 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 new passenger security standards or regulations that impact customer service standards (for example, a passenger bill of rights);

restrictions on airport operations, such as restrictions on the use of Slots at airports or the auction or reallocation of slot rights currently held by us; and

the adoption of more restrictive locally-imposed noise restrictions.

Each additional regulation or other form of regulatory oversight increases costs and adds greater complexity to airline operations and, in some cases, may reduce the demand for air travel. There can be no assurance that our compliance with new rules, anticipated rules or other forms of regulatory oversight will not have a material adverse effect on us.

Any significant reduction in air traffic capacity at key airports in the U.S. or overseas could have a material adverse effect on our business, results of operations and financial condition. In addition, the ATC system is not successfully managing the growing demand for U.S. air travel. ATC towers are frequently understaffed in certain of our hubs, and air traffic controllers rely on outdated technologies that routinely overwhelm the system and compel airlines to fly inefficient, indirect routes. The ATC system's inability to handle existing travel demand has led government agencies to implement short-term capacity constraints during peak travel periods in certain markets, resulting in delays and disruptions of air traffic. The outdated technologies also cause the ATC to be less resilient in the event of a failure. For example, the ATC systems in Chicago took weeks to recover following a fire in the ATC tower at ORD, which resulted in thousands of cancelled flights.

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On February 14, 2012, the FAA Modernization and Reform Act of 2012 was signed. The law provides funding for the FAA to rebuild its ATC system, including switching from radar to a GPS-based system. It is uncertain when any improvements to the ATC system will take effect. Failure to update the ATC system in a timely manner and the substantial funding requirements that may be imposed on airlines of a modernized ATC system may have a material adverse effect on our business.

The ability of U.S. airlines to operate international routes is subject to change because the applicable arrangements between the U.S. and foreign governments may be amended from time to time and appropriate Slots or facilities may not be made available. We currently operate a number of international routes under government arrangements that limit the number of airlines permitted to operate on the route, the capacity of the airlines providing services on the route, or the number of airlines allowed access to particular airports. If an open skies policy were to be adopted for any of these routes, such an event could have a material adverse impact on us and could result in the impairment of material amounts of our related tangible and intangible assets. In addition, competition from revenue-sharing joint ventures, JBAs, and other alliance arrangements by and among other airlines could impair the value of our business and assets on the open skies routes. For example, the open skies air services agreement between the U.S. and the EU, which took effect in March 2008, provides airlines from the U.S. and EU member states open access to each other's markets, with freedom of pricing and unlimited rights to fly from the U.S. to any airport in the EU, including London Heathrow. As a result of the agreement, we face increased competition in these markets, including London Heathrow.

The airline industry is heavily taxed.

The airline industry is subject to extensive government fees and taxation that negatively impact our revenue. The U.S. airline industry is one of the most heavily taxed of all industries. These fees and taxes have grown significantly in the past decade for domestic flights, and various U.S. fees and taxes also are assessed on international flights. For example, as permitted by federal legislation, most major U.S. airports impose a passenger facility charge per passenger on us. In addition, the governments of foreign countries in which we operate impose on U.S. airlines, including us, various fees and taxes, and these assessments have been increasing in number and amount in recent years. Moreover, we are obligated to collect a federal excise tax, commonly referred to as the ticket tax, on domestic and international air transportation. We collect the excise tax, along with certain other U.S. and foreign taxes and user fees on air transportation (such as TSA security screening fees, which were recently increased), and pass along the collected amounts to the appropriate governmental agencies. Although these taxes are not operating expenses, they represent an additional cost to our customers. There are continuing efforts in Congress and in other countries to raise different portions of the various taxes, fees, and charges imposed on airlines and their passengers. Increases in such taxes, fees and charges could negatively impact our business, results of operations and financial condition.

Under DOT regulations, all governmental taxes and fees must be included in the prices we quote or advertise to our customers. Due to the competitive revenue environment, many increases in these fees and taxes have been absorbed by the airline industry rather than being passed on to the customer. Further increases in fees and taxes may reduce demand for air travel, and thus our revenues.

Changes to our business model that are designed to increase revenues may not be successful and may cause operational difficulties or decreased demand.

We have recently implemented several measures designed to increase revenue and offset costs. These measures include charging separately for services that had previously been included within the price of a ticket and increasing other pre-existing fees. We may introduce additional initiatives in the future; however, as time goes on, we expect that it will be more difficult to identify and implement additional initiatives. We cannot assure you that these measures or any future initiatives will be successful in increasing our revenues. Additionally, the implementation of these

initiatives may create logistical challenges that could harm the operational performance of our airline. Also, any new and increased fees might reduce the demand for air travel on our airline or across the industry in general, particularly if weakened economic conditions make our customers more sensitive to increased travel costs or provide a significant competitive advantage to other carriers that determine not to institute similar charges.

The loss of key personnel upon whom we depend to operate our business or the inability to attract additional qualified personnel could adversely affect our business.

We believe that our future success will depend in large part on our ability to retain or attract highly qualified management, technical and other personnel. We may not be successful in retaining key personnel or in attracting other highly qualified personnel. Any inability to retain or attract significant numbers of qualified management and other personnel would have a material adverse effect on our business, results of operations and financial condition.

We may be adversely affected by conflicts overseas or terrorist attacks; the travel industry continues to face ongoing security concerns.

Acts of terrorism or fear of such attacks, including elevated national threat warnings, wars or other military conflicts, may depress air travel, particularly on international routes, and cause declines in revenues and increases in costs. The attacks of September 11, 2001

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and continuing terrorist threats, attacks and attempted attacks materially impacted and continue to impact air travel. Increased security procedures introduced at airports since the attacks of September 11, 2001 and any other such measures that may be introduced in the future generate higher operating costs for airlines. The Aviation and Transportation Security Act mandated improved flight deck security, deployment of federal air marshals on board flights, improved airport perimeter access security, airline crew security training, enhanced security screening of passengers, baggage, cargo, mail, employees and vendors, enhanced training and qualifications of security screening personnel, additional provision of passenger data to the U.S. Customs and Border Protection Agency and enhanced background checks. A concurrent increase in airport security charges and procedures, such as restrictions on carry-on baggage, has also had and may continue to have a disproportionate impact on short-haul travel, which constitutes a significant portion of our flying and revenue.

We operate a global business with international operations that are subject to economic and political instability and have been, and in the future may continue to be, adversely affected by numerous events, circumstances or government actions beyond our control.

We operate a global business with operations outside of the U.S. from which AAG derived approximately 33% of its operating revenues in 2014, as measured and reported to the DOT. Our current international activities and prospects have been and in the future could be adversely affected by reversals or delays in the opening of foreign markets, increased competition in international markets, exchange controls or other restrictions on repatriation of funds, currency and political risks (including changes in exchange rates and currency devaluations, which are more likely in countries with exchange controls such as Venezuela and Argentina), environmental regulation, increases in taxes and fees and changes in international government regulation of our operations, including the inability to obtain or retain needed route authorities and/or Slots.

In particular, fluctuations in foreign currencies, including devaluations, exchange controls and other restrictions on the repatriation of funds, have significantly affected and may continue to significantly affect our operating performance, liquidity and the value of any cash held outside the U.S. in local currency. For example, the business environment in Venezuela has been challenging, with economic uncertainty fueled by currency devaluation, high inflation and governmental restrictions, including currency exchange and payment controls, price controls and the possibility of expropriation of property or other resources. As of June 30, 2015, we had approximately \$629 million of unrestricted cash and short-term investments held in Venezuelan bolivars. This balance includes approximately \$621 million valued at 6.3 bolivars to the U.S. dollar and approximately \$8 million valued at 12.8 bolivars to the U.S. dollar, with the rate depending on the date we submitted our repatriation request to the Venezuelan government. These rates are materially more favorable than the exchange rates currently prevailing for other transactions conducted outside of the Venezuelan government's currency exchange system.

During 2014, we significantly reduced capacity in the Venezuelan market and we are no longer accepting bolivars as payment for airline tickets. We are monitoring this situation closely and continue to evaluate our holdings of Venezuelan bolivars for additional foreign currency losses or other accounting adjustments, which could be material, particularly in light of the continued deterioration of economic conditions in Venezuela and the additional uncertainty posed by the recent changes to the foreign exchange regulations, which created three new additional markets, as well as a new exchange rate to be utilized in those markets. The new exchange rate for transactions effected on those markets is intended to fluctuate based on supply and demand and was approximately 197 bolivars to the dollar as of June 30, 2015 (as reported by the Venezuelan Central Bank). Although the new regulations do not abolish the prior exchange rates at which we are valuing our bolivar balances, it is still uncertain what impact these new regulations will have on the foreign exchange environment or whether the Venezuelan government will announce further changes to the foreign exchange regulations that may have the effect of materially adversely affecting our ability to repatriate the local currency we hold in Venezuela or the exchange rate applicable thereto.

More generally, fluctuations in foreign currencies, including devaluations, cannot be predicted by us and can significantly affect the value of our assets located outside the United States. These conditions, as well as any further delays, devaluations or imposition of more stringent repatriation restrictions, may materially adversely affect our business, results of operations and financial condition.

We are subject to many forms of environmental regulation and may incur substantial costs as a result.

We are subject to increasingly stringent federal, state, local and foreign laws, regulations and ordinances relating to the protection of the environment, including those relating to emissions to the air, discharges to surface and subsurface waters, safe drinking water, and the management of hazardous substances, oils and waste materials. Compliance with environmental laws and regulations can require significant expenditures, and violations can lead to significant fines and penalties.

The U.S. Environmental Protection Agency (EPA) has proposed changes to underground storage tank regulations that could affect certain airport fuel hydrant systems. A final rule has not yet been issued, but when implemented, airport systems that fall within threshold requirements may need to be modified in order to comply with applicable regulations. Additionally, the EPA has proposed the draft 2013 National Pollutant Discharge Elimination System General Permit for Stormwater Discharges from Industrial Activities. This permit would impose new limitations on certain discharges along with mandatory best management practices. Concurrently,

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California adopted a revised State Industrial General Permit for Stormwater Discharges on April 1, 2014, which becomes effective July 1, 2015. This permit places additional reporting and monitoring requirements on permittees and requires implementation of mandatory best management practices. Cost estimates to comply with the above permitting requirements have not been defined, but American and US Airways along with other airlines would share a portion of these costs at applicable airports. In addition to the proposed EPA and state regulations, several U.S. airport authorities are actively engaged in efforts to limit discharges of de-icing fluid to the environment, often by requiring airlines to participate in the building or reconfiguring of airport de-icing facilities. Such efforts are likely to impose additional costs and restrictions on airlines using those airports. We do not believe, however, that such environmental developments will have a material impact on our capital expenditures or otherwise materially adversely affect our operations, operating costs or competitive position.

We are also subject to other environmental laws and regulations, including those that require us to investigate and remediate soil or groundwater to meet certain remediation standards. Under federal law, generators of waste materials, and current and former owners or operators of facilities, can be subject to liability for investigation and remediation costs at locations that have been identified as requiring response actions. Liability under these laws may be strict, joint and several, meaning that we could be liable for the costs of cleaning up environmental contamination regardless of fault or the amount of wastes directly attributable to us. We have liability for investigation and remediation costs at various sites, although such costs are currently not expected to have a material adverse effect on our business.

We have various leases and agreements with respect to real property, tanks and pipelines with airports and other operators. Under these leases and agreements, we have agreed to indemnify the lessor or operator against environmental liabilities associated with the real property or operations described under the agreement, even if we are not the party responsible for the initial event that caused the environmental damage. We also participate in leases with other airlines in fuel consortiums and fuel committees at airports, where such indemnities are generally joint and several among the participating airlines.

There is increasing global regulatory focus on climate change and greenhouse gas (GHG) emissions. For example, the EU has established the Emissions Trading Scheme (ETS) to regulate GHG emissions in the EU. The EU adopted a directive in 2008 under which each EU member state is required to extend the ETS to aviation operations. This directive would have required us, beginning in 2012, to annually submit emission allowances in order to operate flights to and from airports in the European Economic Area (EEA), including flights between the U.S. and EU member states. However, in an effort to allow the International Civil Aviation Organization (ICAO) time to propose an alternate scheme to manage global aviation GHG emissions, in April 2013 the EU suspended for one year application of the ETS to flights entering and departing the EEA, limiting its application, for flights flown in 2012, to intra-EEA flights only. In October 2013, the ICAO Assembly adopted a resolution calling for the development through ICAO of a global, market-based scheme for aviation GHG emissions, to be finalized in 2016 and implemented in 2020. Subsequently, the EU amended the ETS so that the monitoring, reporting and submission of allowances for aviation GHG emissions will continue to be limited to only intra-EEA flights through 2016, at which time the EU will evaluate the progress made by ICAO and determine what, if any, measures to take related to aviation GHG emissions from 2017 onwards. The U.S. enacted legislation in November 2012 which encourages the DOT to seek an international solution through ICAO and that will allow the U.S. Secretary of Transportation to prohibit U.S. airlines from participating in the ETS. Ultimately, the scope and application of ETS or other emissions trading schemes to our operations, now or in the near future, remains uncertain. We do not anticipate any significant emissions allowance expenditures in 2015. Beyond 2015, compliance with the ETS or similar emissions-related requirements could significantly increase our operating costs. Further, the potential impact of ETS or other emissions-related requirements on our costs will ultimately depend on a number of factors, including baseline emissions, the price of emission allowances or offsets and the number of future flights subject to ETS or other emissions-related requirements. These costs have not been completely defined and could fluctuate.

Similarly, within the U.S., there is an increasing trend toward regulating GHG emissions directly under the Clean Air Act (CAA). In response to a 2012 ruling by the U.S. District Court for the District of Columbia, the EPA announced in June 2015 a proposed endangerment finding that aircraft GHG emissions cause or contribute to air pollution that may reasonably be anticipated to endanger public health or welfare. A public hearing regarding the proposed endangerment finding is expected to be held in August 2015. If the EPA makes a positive endangerment finding, the EPA is obligated under the CAA to set GHG emission standards for aircraft. In addition, several states have adopted or are considering initiatives to regulate emissions of GHGs, primarily through the planned development of GHG emissions inventories and/or regional GHG cap and trade programs. These regulatory efforts, both internationally and in the U.S. at the federal and state levels, are still developing, and we cannot yet determine what the final regulatory programs or their impact will be in the U.S., the EU or in other areas in which we do business. However, such climate change-related regulatory activity in the future may adversely affect our business and financial results by requiring us to reduce our emissions, purchase allowances or otherwise pay for our emissions. Such activity may also impact us indirectly by increasing our operating costs, including fuel costs.

Governmental authorities in several U.S. and foreign cities are also considering, or have already implemented, aircraft noise reduction programs, including the imposition of nighttime curfews and limitations on daytime take-offs and landings. We have been able to accommodate local noise restrictions imposed to date, but our operations could be adversely affected if locally-imposed regulations become more restrictive or widespread.

Table of Contents***We rely heavily on technology and automated systems to operate our business, and any failure of these technologies or systems could harm our business, results of operations and financial condition.***

We are highly dependent on technology and automated systems to operate our business and achieve low operating costs. These technologies and systems include our computerized airline reservation systems, flight operations systems, financial planning, management and accounting systems, telecommunications systems, website, maintenance systems and check-in kiosks. In order for our operations to work efficiently, our website and reservation system must be able to accommodate a high volume of traffic, maintain secure information and deliver flight information, as well as issue electronic tickets and process critical financial information in a timely manner. Substantially all of our tickets are issued to passengers as electronic tickets. We depend on our reservation system, which is hosted and maintained under a long-term contract by a third-party service provider, to be able to issue, track and accept these electronic tickets. If our automated systems are not functioning or if our third-party service providers were to fail to adequately provide technical support, system maintenance or timely software upgrades for any one of our key existing systems, we could experience service disruptions or delays, which could harm our business and result in the loss of important data, increase our expenses and decrease our revenues. In the event that one or more of our primary technology or systems vendors goes into bankruptcy, ceases operations or fails to perform as promised, replacement services may not be readily available on a timely basis, at competitive rates or at all, and any transition time to a new system may be significant.

Our automated systems cannot be completely protected against other events that are beyond our control, including natural disasters, power failures, terrorist attacks, cyber-attacks, data theft, equipment and software failures, computer viruses or telecommunications failures. Substantial or sustained system failures could cause service delays or failures and result in our customers purchasing tickets from other airlines. We cannot assure you that our security measures, change control procedures or disaster recovery plans are adequate to prevent disruptions or delays. Disruption in or changes to these systems could result in a disruption to our business and the loss of important data. Any of the foregoing could result in a material adverse effect on our business, results of operations and financial condition.

We face challenges in integrating our computer, communications and other technology systems.

Among the principal risks of integrating our businesses and operations are the risks relating to integrating various computer, communications and other technology systems, including designing and implementing an integrated customer reservations system, that will be necessary to operate US Airways and American as a single airline and to achieve cost synergies by eliminating redundancies in the businesses. The integration of these systems in a number of prior airline mergers has taken longer, been more disruptive and cost more than originally forecast. The implementation process to integrate these various systems will involve a number of risks that could adversely impact our business, results of operations and financial condition. New systems will replace multiple legacy systems and the related implementation will be a complex and time-consuming project involving substantial expenditures for implementation consultants, system hardware, software and implementation activities, as well as the transformation of business and financial processes.

As with any large project, there will be many factors that may materially affect the schedule, cost and execution of the integration of our computer, communications and other technology systems. These factors include, among others: problems during the design, implementation and testing phases; systems delays and/or malfunctions; the risk that suppliers and contractors will not perform as required under their contracts; the diversion of management attention from daily operations to the project; reworks due to unanticipated changes in business processes; challenges in simultaneously activating new systems throughout our global network; difficulty in training employees in the operations of new systems; the risk of security breach or disruption; and other unexpected events beyond our control. We cannot assure you that our security measures, change control procedures or disaster recovery plans will be

adequate to prevent disruptions or delays. Disruptions in or changes to these systems could result in a disruption to our business and the loss of important data. Any of the foregoing could result in a material adverse effect on our business, results of operations and financial condition.

We are at risk of losses and adverse publicity stemming from any accident involving any of our aircraft or the aircraft of our regional or codeshare operators.

If one of our aircraft, an aircraft that is operated under our brand by one of our regional operators, or an aircraft that is operated by an airline with which we have a marketing alliance or codeshare relationship were to be involved in an accident, we could be exposed to significant tort liability. The insurance we carry to cover damages arising from any future accidents may be inadequate. In the event that our insurance is not adequate, we may be forced to bear substantial losses from an accident. In addition, any accident involving an aircraft that we operate, an aircraft that is operated under our brand by one of our regional operators or an aircraft that is operated by an airline that is one of our codeshare partners, could create a public perception that our aircraft or those of our regional operators or

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codeshare partners are not safe or reliable, which could harm our reputation, result in air travelers being reluctant to fly on our aircraft or those of our regional operators or codeshare partners, and adversely impact our business, results of operations and financial condition.

Delays in scheduled aircraft deliveries or other loss of anticipated fleet capacity, and failure of new aircraft to perform as expected, may adversely impact our business, results of operations and financial condition.

The success of our business depends on, among other things, effectively managing the number and types of aircraft we operate. In many cases, the aircraft we intend to operate are not yet in our fleet, but we have contractual commitments to purchase or lease them. If for any reason we were unable to accept or secure deliveries of new aircraft on contractually scheduled delivery dates, this could have a negative impact on our business, results of operations and financial condition. Our failure to integrate newly purchased aircraft into our fleet as planned might require us to seek extensions of the terms for some leased aircraft or otherwise delay the exit of certain aircraft from our fleet. Such unanticipated extensions or delays may require us to operate existing aircraft beyond the point at which it is economically optimal to retire them, resulting in increased maintenance costs. If new aircraft orders are not filled on a timely basis, we could face higher operating costs than planned. In addition, if the aircraft we receive do not meet expected performance or quality standards, including with respect to fuel efficiency and reliability, our business, results of operations and financial condition could be adversely impacted.

We depend on a limited number of suppliers for aircraft, aircraft engines and parts.

We depend on a limited number of suppliers for aircraft, aircraft engines and many aircraft and engine parts. As a result, we are vulnerable to any problems associated with the supply of those aircraft, parts and engines, including design defects, mechanical problems, contractual performance by the suppliers, or adverse perception by the public that would result in customer avoidance or in actions by the FAA resulting in an inability to operate our aircraft.

Our business has been and will continue to be affected by many changing economic and other conditions beyond our control, including global events that affect travel behavior, and our results of operations could be volatile and fluctuate due to seasonality.

Our business, results of operations and financial condition has been and will continue to be 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, higher interest rates, wars, terrorist attacks, or political instability;

changes in consumer preferences, perceptions, spending patterns, or demographic trends;

changes in the competitive environment due to industry consolidation, changes in airline alliance affiliations, and other factors;

actual or potential disruptions to the ATC systems;

increases in costs of safety, security, and environmental measures;

outbreaks of diseases that affect travel behavior; and

weather and natural disasters.

In particular, an outbreak of a contagious disease such as the Ebola virus, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu, or any other influenza-type illness, if it were to persist for an extended period, could materially affect the airline industry and us by reducing revenues and adversely impacting our operations and passengers' travel behavior. As a result of these or other conditions beyond our control, our results of operations could be volatile and subject to rapid and unexpected change. In addition, due to generally weaker demand for air travel during the winter, our revenues in the first and fourth quarters of the year could be weaker than revenues in the second and third quarters of the year.

A higher than normal number of pilot retirements and a potential shortage of pilots could adversely affect us.

We currently have a higher than normal number of pilots eligible for retirement. Among other things, the extension of pilot careers facilitated by the FAA's 2007 modification of the mandatory retirement age from age 60 to age 65 has now been fully implemented, resulting in large numbers of pilots in the industry approaching the revised mandatory retirement age. If pilot retirements were to exceed normal levels in the future, it may adversely affect us and our regional partners. On January 4, 2014, more stringent pilot flight and duty time requirements under Part 117 of the Federal Aviation Regulations took effect. The FAA also recently issued regulations

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that increase the flight experience required for pilots working for airlines certificated under Part 121 of the Federal Aviation Regulations. These and other factors could contribute to a shortage of qualified pilots, particularly for our regional partners, which now face increased competition from large, mainline carriers to hire pilots. If we or our regional partners are unable to hire adequate numbers of pilots, we may experience disruptions, increased costs of operations and other adverse effects.

Increases in insurance costs or reductions in insurance coverage may adversely impact our operations and financial results.

The terrorist attacks of September 11, 2001 led to a significant increase in insurance premiums and a decrease in the insurance coverage available to commercial air carriers. Accordingly, our insurance costs increased significantly, and our ability to continue to obtain insurance even at current prices remains uncertain. If we are unable to maintain adequate insurance coverage, our business could be materially and adversely affected. Additionally, severe disruptions in the domestic and global financial markets could adversely impact the claims paying ability of some insurers. Future downgrades in the ratings of enough insurers could adversely impact both the availability of appropriate insurance coverage and its cost. Because of competitive pressures in our industry, our ability to pass additional insurance costs to passengers is limited. As a result, further increases in insurance costs or reductions in available insurance coverage could have an adverse impact on our financial results.

A lawsuit filed in connection with the Merger remains pending, and this lawsuit could have a material adverse impact on our business.

US Airways Group, US Airways, AMR and American were named as defendants in a private antitrust lawsuit in connection with the Merger. The complaint alleges that the effect of the Merger may be to substantially lessen competition or tend to create a monopoly in violation of Section 7 of the Clayton Antitrust Act. The relief sought in the complaint includes an injunction against the Merger, or divestiture. In January 2014, the complaint was amended to add a claim for money damages and to request injunctive relief requiring the carriers to hold separate their assets. In March 2014, the Court allowed plaintiffs to add certain allegations but denied plaintiffs' requests to add a damages claim or seek preliminary injunctive relief requiring the carriers to hold separate their assets, and in June 2014 plaintiffs filed an amended motion for leave to file a second amended and supplemental complaint. This lawsuit could result in an obligation to pay damages or terms, conditions, requirements, limitations, costs or restrictions that would impose additional material costs on or materially limit our revenues, or materially limit some of the synergies and other benefits we anticipate following the Merger.

Our ability to utilize our NOL Carryforwards may be limited.

Under the Internal Revenue Code of 1986, as amended (the Code), a corporation is generally allowed a deduction for NOL Carryforwards. As of December 31, 2014, we had available NOL Carryforwards of approximately \$10.1 billion for regular federal income tax purposes which will expire, if unused, beginning in 2022, and approximately \$4.6 billion for state income tax purposes which will expire, if unused, between 2015 and 2034. As of December 31, 2014, the amount of NOL Carryforwards for state income tax purposes that will expire, if unused, in 2015 is \$83 million. Our NOL Carryforwards are subject to adjustment on audit by the Internal Revenue Service and the respective state taxing authorities.

A corporation's ability to deduct its federal NOL Carryforwards and to utilize certain other available tax attributes can be substantially constrained under the general annual limitation rules of Section 382 of the Code (Section 382) if it undergoes an ownership change as defined in Section 382 (generally where cumulative stock ownership changes among material shareholders exceed 50 percent during a rolling three-year period). We experienced an ownership

change in connection with our emergence from the Chapter 11 Cases and US Airways Group experienced an ownership change in connection with the Merger. The general limitation rules for a debtor in a bankruptcy case are liberalized where the ownership change occurs upon emergence from bankruptcy. We elected to be covered by certain special rules for federal income tax purposes that permit approximately \$9.0 billion of our federal NOL Carryforwards to be utilized without regard to the annual limitation generally imposed by Section 382. If the special rules do not apply, our ability to utilize such federal NOL Carryforwards may be subject to limitation. Substantially all of our remaining federal NOL Carryforwards (attributable to US Airways Group and its subsidiaries) are subject to limitation under Section 382 as a result of the Merger; however, our ability to utilize such NOL Carryforwards is not anticipated to be effectively constrained as a result of such limitation. Similar limitations may apply for state income tax purposes.

Notwithstanding the foregoing, an ownership change subsequent to our emergence from the Chapter 11 Cases may severely limit or effectively eliminate our ability to utilize our NOL Carryforwards and other tax attributes. To reduce the risk of a potential adverse effect on our ability to utilize our NOL Carryforwards, our Certificate of Incorporation contains transfer restrictions applicable to certain substantial shareholders. Although the purpose of these transfer restrictions is to prevent an ownership change from occurring, no assurance can be given that such an ownership change will not occur, in which case our ability to utilize our NOL Carryforwards and other tax attributes could be severely limited or effectively eliminated.

Our ability to use our NOL Carryforwards also will depend on the amount of taxable income generated in future periods. The NOL Carryforwards may expire before we can generate sufficient taxable income to use them.

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The application of the acquisition method of accounting resulted in AAG recording a significant amount of goodwill, which amount is tested for impairment at least annually. In addition, AAG and American may never realize the full value of their respective intangible assets or long-lived assets, causing them to record material impairment charges.

In accordance with applicable acquisition accounting rules, AAG recorded goodwill on its consolidated balance sheet to the extent the US Airways Group acquisition purchase price exceeded the net fair value of US Airways Group's tangible and intangible assets and liabilities as of the acquisition date. Goodwill is not amortized, but is tested for impairment at least annually. Also, in accordance with applicable accounting standards, AAG and American will be required to test their respective indefinite-lived intangible assets for impairment on an annual basis, or more frequently if conditions indicate that an impairment may have occurred. In addition, AAG and American are required to test certain of their other assets for impairment if conditions indicate that an impairment may have occurred.

Future impairment of goodwill or other assets could be recorded in results of operations as a result of changes in assumptions, estimates, or circumstances, some of which are beyond our control. Factors which could result in an impairment could include, but are not limited to: (i) reduced passenger demand as a result of domestic or global economic conditions; (ii) higher prices for jet fuel; (iii) lower fares or passenger yields as a result of increased competition or lower demand; (iv) a significant increase in future capital expenditure commitments; and (v) significant disruptions to our operations as a result of both internal and external events such as terrorist activities, actual or threatened war, labor actions by employees, or further industry regulation. There can be no assurance that a material impairment charge of goodwill or tangible or intangible assets will be avoided. The value of our aircraft could be impacted in future periods by changes in supply and demand for these aircraft. Such changes in supply and demand for certain aircraft types could result from grounding of aircraft by us or other airlines. An impairment charge could have a material adverse effect on our business, results of operations and financial condition.

Risks Relating to AAG's Common Stock

The price of our common stock has recently been and may in the future be volatile.

The market price of AAG Common Stock may fluctuate substantially due to a variety of factors, many of which are beyond our control, including:

AAG's operating and financial results failing to meet the expectations of securities analysts or investors;

changes in financial estimates or recommendations by securities analysts;

material announcements by us or our competitors;

movements in fuel prices;

new regulatory pronouncements and changes in regulatory guidelines;

general and industry-specific economic conditions;

the success or failure of AAG's integration efforts;

changes in our key personnel;

distributions of shares of AAG Common Stock pursuant to the Plan, including distributions from the Disputed Claims Reserve established under the plan of reorganization upon the resolution of the underlying claims;

public sales of a substantial number of shares of AAG Common Stock or issuances of AAG Common Stock upon the exercise or conversion of convertible securities, options, warrants, RSUs, SARs, or similar rights;

increases or decreases in reported holdings by insiders or other significant stockholders;

fluctuations in trading volume;

expectations regarding our capital deployment program, including our share repurchase program and any future dividend payments that may be declared by our Board of Directors; and

changes in market values of airline companies as well as general market conditions.

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We cannot guarantee that we will repurchase our common stock pursuant to our share repurchase program or continue to pay dividends on our common stock or that our capital deployment program will enhance long-term stockholder value. Our capital deployment program could increase the volatility of the price of our common stock and diminish our cash reserves.

As part of a capital deployment program, in July 2014, our Board of Directors authorized a \$1.0 billion share repurchase program, which was completed in 2014, and in January 2015, our Board of Directors authorized a \$2.0 billion share repurchase program to be completed no later than December 31, 2016. In addition, in July 2015, our Board of Directors authorized a new \$2.0 billion share repurchase program to be completed no later than December 31, 2016. Share repurchases under the share repurchase program may be made through a variety of methods, which may include open market purchases, privately negotiated transactions, block trades or accelerated share repurchase transactions. This share repurchase program does not obligate us to acquire any specific number of shares or to repurchase any specific number of shares for any fixed period, and may be suspended at any time at our discretion. The timing and amount of repurchases, if any, will be subject to market and economic conditions, applicable legal requirements and other relevant factors. The repurchase program may be limited, suspended or discontinued at any time without prior notice.

Although our Board of Directors declared cash dividends in July 2014, October 2014, January 2015, April 2015 and July 2015 as part of the capital deployment program, any future dividends that may be declared and paid from time to time under our capital deployment program will be subject to market and economic conditions, applicable legal requirements and other relevant factors. Our capital deployment program does not obligate us to continue a dividend for any fixed period, and payment of dividends may be suspended at any time at our discretion. We will continue to retain future earnings to develop our business, as opportunities arise, and evaluate on a quarterly basis the amount and timing of future dividends based on our operating results, financial condition, capital requirements and general business conditions. The amount and timing of any future dividends may vary, and the payment of any dividend does not assure that we will be able to pay dividends in the future.

In addition, repurchases of AAG Common Stock pursuant to our share repurchase program and any future dividends could affect our stock price and increase its volatility. The existence of a share repurchase program and any future dividends could cause our stock price to be higher than it would otherwise be and could potentially reduce the market liquidity for our stock. Additionally, our share repurchase program and any future dividends could diminish our cash reserves, which may impact our ability to finance future growth and to pursue possible future strategic opportunities and acquisitions. Further, our share repurchase program may fluctuate such that our cash flow may be insufficient to fully cover our share repurchases. Although our share repurchase program is intended to enhance long-term stockholder value, there is no assurance that it will do so because the market price of our common stock may decline below the levels at which we repurchased shares of stock and short-term stock price fluctuations could reduce the program's effectiveness.

Certain provisions of AAG's Certificate of Incorporation and Bylaws make it difficult for stockholders to change the composition of our Board of Directors and may discourage takeover attempts that some of our stockholders might consider beneficial.

Certain provisions of our Certificate of Incorporation and Bylaws may have the effect of delaying or preventing changes in control if our Board of Directors determines that such changes in control are not in our best interest and the best interest of our stockholders. These provisions include, among other things, the following:

advance notice procedures for stockholder proposals to be considered at stockholders' meetings;

the ability of our Board of Directors to fill vacancies on the Board;

a prohibition against stockholders taking action by written consent;

a prohibition against stockholders calling special meetings of stockholders;

a requirement that holders of at least 80% of the voting power of the shares entitled to vote in the election of directors approve any amendment of our Bylaws submitted to stockholders for approval; and

super-majority voting requirements to modify or amend specified provisions of our Certificate of Incorporation.

These provisions are not intended to prevent a takeover, but are intended to protect and maximize the value of the interests of our stockholders. While these provisions have the effect of encouraging persons seeking to acquire control of our company to negotiate with our Board of Directors, they could enable our Board of Directors to prevent a transaction that some, or a majority, of our stockholders might believe to be in their best interests and, in that case, may prevent or discourage attempts to remove and replace incumbent directors. In addition, we are subject to the provisions of Section 203 of the Delaware General Corporation Law, which prohibits business combinations with interested stockholders. Interested stockholders do not include stockholders whose acquisition of our securities is approved by the Board of Directors prior to the investment under Section 203.

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AAG's Certificate of Incorporation and Bylaws include provisions that limit voting and acquisition and disposition of our equity interests.

Our Certificate of Incorporation and Bylaws include certain provisions that limit voting and ownership and disposition of our equity interests, including AAG Common Stock, AAG Series A Preferred Stock and convertible notes. These restrictions may adversely affect the ability of certain holders of AAG Common Stock and our other equity interests to vote such interests and adversely affect the ability of persons to acquire shares of AAG Common Stock and our other equity interests.

In order to protect AAG's NOL Carryforwards and certain other tax attributes, AAG's Certificate of Incorporation includes certain limitations on acquisitions and dispositions of AAG's Common Stock, which may limit the liquidity of our common stock.

To reduce the risk of a potential adverse effect on our ability to use our NOL Carryforwards and certain other tax attributes for federal income tax purposes, our Certificate of Incorporation contains certain restrictions on the acquisition and disposition of AAG Common Stock by substantial stockholders. These restrictions may adversely affect the ability of certain holders of AAG Common Stock to dispose of or acquire shares of AAG Common Stock. Although the purpose of these transfer restrictions is to prevent an ownership change (as defined in Section 382) from occurring, no assurance can be given that an ownership change will not occur even with these restrictions in place.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table displays information with respect to our purchases of shares of AAG Common Stock during the three months ended June 30, 2015.

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plan or program^(a)	Maximum dollar value of shares that may be purchased under the plan or program (in millions)
April 2015	3,107,745	\$ 49.03	3,107,745	\$ 1,658
May 2015	4,388,313	\$ 45.18	4,388,313	\$ 1,460
June 2015	9,797,669	\$ 41.04	9,797,669	\$ 1,057

- ^(a) On January 27, 2015, we announced that our Board of Directors had authorized a new \$2.0 billion share repurchase program to be completed by the end of 2016. Share repurchases under the share repurchase program may be made through a variety of methods, which may include open market purchases, privately negotiated transactions, block trades or accelerated share repurchase transactions. Any such repurchases will be made from time to time subject to market and economic conditions, applicable legal requirements and other relevant factors. This share repurchase program does not obligate us to repurchase any specific number of shares for any fixed period and may be suspended at any time at our discretion.

ITEM 6. EXHIBITS

The exhibits listed in the Exhibit Index following the signature pages to this report are filed as part of, or incorporated by reference into, this report.

Exhibits required to be filed by Item 601 of Regulation S-K: Where the amount of securities authorized to be issued under any of our long-term debt agreements does not exceed 10 percent of our assets, pursuant to paragraph (b)(4) of Item 601 of Regulation S-K, in lieu of filing such as an exhibit, we hereby agree to furnish to the Commission upon request a copy of any agreement with respect to such long-term debt.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

American Airlines Group Inc.

Date: July 23, 2015

By: /s/ Derek J. Kerr
Derek J. Kerr
Executive Vice President and Chief Financial
Officer
(Duly Authorized Officer and Principal Financial
Officer)

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

American Airlines, Inc.

Date: July 23, 2015

By: /s/ Derek J. Kerr
Derek J. Kerr
Executive Vice President and Chief Financial
Officer
(Duly Authorized Officer and Principal Financial
Officer)

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Exhibit	
Number	Description
10.1	Amendment No. 8, dated as of June 11, 2015, to the A320 Family Aircraft Purchase Agreement between American Airlines, Inc. and Airbus S.A.S., dated July 20, 2011, as amended, restated, amended and restated, supplemented or otherwise modified.*
10.2	Supplemental Agreement No. 6, dated as of April 21, 2015, to Purchase Agreement No. 3219 by and between American Airlines, Inc. and The Boeing Company, dated October 15, 2008, as amended, restated, amended and restated, supplemented or otherwise modified.*
10.3	Supplemental Agreement No. 3, dated as of May 22, 2015, to Purchase Agreement No. 03735 by and between American Airlines, Inc. and The Boeing Company, dated February 1, 2013 Relating to Boeing Model 737 MAX Aircraft, as amended, restated, amended and restated, supplemented or otherwise modified.*
10.4	First Amendment and Restatement Agreement, dated April 20, 2015, in relation to the Credit and Guaranty Agreement, dated as of October 10, 2014 (as amended), among American Airlines, Inc., American Airlines Group Inc. (formerly known as AMR Corporation), US Airways Group, Inc., US Airways, Inc., the Revolving Lenders (as defined therein) party thereto, the 2015 Term Loan Lenders (as defined therein) party thereto and Citibank N.A., as administrative agent and collateral agent.
10.5	First Amendment and Restatement Agreement, dated May 21, 2015, in relation to the Credit and Guaranty Agreement, dated as of June 27, 2013 (as amended), among American Airlines, Inc., American Airlines Group Inc. (formerly known as AMR Corporation), US Airways Group, Inc., US Airways, Inc., the Revolving Lenders (as defined therein) party thereto, the 2015 Term Loan Lenders (as defined therein) party thereto and Deutsche Bank AG New York Branch, as administrative agent and collateral agent.
10.6	Amendment No. 1 to Intercreditor Agreement (2014-1), dated as of June 24, 2015, by and among American Airlines, Inc., Credit Agricole Corporate and Investment Bank, as Class A and Class B liquidity provider and Wilmington Trust Company, as subordination agent and trustee.
12.1	Computation of ratio of earnings to fixed charges of American Airlines Group Inc. for the three and six months ended June 30, 2015 and 2014.
12.2	Computation of ratio of earnings to fixed charges of American Airlines, Inc. for the three and six months ended June 30, 2015 and 2014.
31.1	Certification of AAG Chief Executive Officer pursuant to Rule 13a-14(a).
31.2	Certification of AAG Chief Financial Officer pursuant to Rule 13a-14(a).
31.3	Certification of American Chief Executive Officer pursuant to Rule 13a-14(a).
31.4	Certification of American Chief Financial Officer pursuant to Rule 13a-14(a).
32.1	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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- 32.2 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).
- 101 Interactive data files pursuant to Rule 405 of Regulation S-T.

* Confidential treatment has been requested with respect to certain portions of this agreement.