

American Airlines Group Inc.
Form 10-Q
October 23, 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 September 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
(State or other jurisdiction of incorporation or organization)

75-1825172
(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)

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 October 16, 2015, there were 630,325,539 shares of American Airlines Group Inc. common stock outstanding.

As of October 16, 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 September 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; actions that American may take in connection with its integration with US Airways that may not be to its advantage on a stand-alone basis; 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

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have on takeover attempts that some of our stockholders might consider beneficial; the effect of provisions of our Restated Certificate 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 September 30,		Three Months Ended September 30,	
	2015	2014	2015	2014
Operating revenues:				
Mainline passenger	\$ 7,654	\$ 8,093	\$ 22,298	\$ 23,564
Regional passenger	1,699	1,665	4,910	4,779
Cargo	180	215	568	643
Other	1,173	1,166	3,584	3,504
Total operating revenues	10,706	11,139	31,360	32,490
Operating expenses:				
Aircraft fuel and related taxes	1,593	2,829	4,912	8,370
Salaries, wages and benefits	2,404	2,137	7,141	6,419
Regional expenses	1,518	1,668	4,536	4,919
Maintenance, materials and repairs	456	529	1,452	1,528
Other rent and landing fees	432	431	1,290	1,297
Aircraft rent	308	306	941	937
Selling expenses	366	393	1,051	1,196
Depreciation and amortization	336	334	1,013	960
Special items, net	163	221	610	335
Other	1,131	1,031	3,278	3,140
Total operating expenses	8,707	9,879	26,224	29,101
Operating income	1,999	1,260	5,136	3,389
Nonoperating income (expense):				
Interest income	10	7	29	22
Interest expense, net of capitalized interest	(219)	(210)	(651)	(667)
Other, net	(81)	(108)	(143)	(99)
Total nonoperating expense, net	(290)	(311)	(765)	(744)
Income before income taxes	1,709	949	4,371	2,645
Income tax provision	16	7	42	360
Net income	\$ 1,693	\$ 942	\$ 4,329	\$ 2,285
Earnings per share:				
Basic	\$ 2.56	\$ 1.31	\$ 6.34	\$ 3.17

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Diluted	\$	2.49	\$	1.28	\$	6.17	\$	3.10
Weighted average shares outstanding (in thousands):								
Basic		661,869		719,067		682,337		721,213
Diluted		680,739		735,196		701,760		737,100
Cash dividends declared per common share	\$	0.10	\$	0.10	\$	0.30	\$	0.10

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 September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income	\$ 1,693	\$ 942	\$ 4,329	\$ 2,285
Other comprehensive income (loss):				
Defined benefit pension plans and retiree medical	(26)	(38)	(79)	(142)
Derivative financial instruments:				
Change in fair value				(54)
Reclassification into earnings		(7)	(9)	5
Unrealized loss on investments:				
Net change in value	(4)	(2)	(4)	
Reversal of non-cash tax provision				330
Total other comprehensive income (loss)	(30)	(47)	(92)	139
Total comprehensive income	\$ 1,663	\$ 895	\$ 4,237	\$ 2,424

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)**

	September 30, 2015	December 31, 2014
	(Unaudited)	
ASSETS		
Current assets		
Cash	\$ 1,016	\$ 994
Short-term investments	7,857	6,309
Restricted cash and short-term investments	710	774
Accounts receivable, net	1,828	1,771
Aircraft fuel, spare parts and supplies, net	1,010	1,004
Prepaid expenses and other	1,285	1,260
Total current assets	13,706	12,112
Operating property and equipment		
Flight equipment	31,872	28,213
Ground property and equipment	6,262	5,900
Equipment purchase deposits	1,073	1,230
Total property and equipment, at cost	39,207	35,343
Less accumulated depreciation and amortization	(12,915)	(12,259)
Total property and equipment, net	26,292	23,084
Other assets		
Goodwill	4,091	4,091
Intangibles, net of accumulated amortization of \$491 and \$447, respectively	2,261	2,240
Other assets	2,365	2,244
Total other assets	8,717	8,575
Total assets	\$ 48,715	\$ 43,771
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Current maturities of long-term debt and capital leases	\$ 1,712	\$ 1,708
Accounts payable	1,525	1,377
Accrued salaries and wages	1,162	1,194
Air traffic liability	4,811	4,252
Frequent flyer liability	2,649	2,807
Other accrued liabilities	2,302	2,097

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Total current liabilities	14,161	13,435
Noncurrent liabilities		
Long-term debt and capital leases, net of current maturities	18,849	16,196
Pension and postretirement benefits	7,433	7,562
Deferred gains and credits, net	709	829
Bankruptcy settlement obligations	177	325
Other liabilities	3,624	3,403
Total noncurrent liabilities	30,792	28,315
Commitments and contingencies		
Stockholders equity		
Common stock, \$0.01 par value; 1,750,000,000 shares authorized, 640,107,543 shares issued and outstanding at September 30, 2015; 697,474,535 shares issued and outstanding at December 31, 2014	6	7
Additional paid-in capital	12,852	15,135
Accumulated other comprehensive loss	(4,651)	(4,559)
Accumulated deficit	(4,445)	(8,562)
Total stockholders equity	3,762	2,021
Total liabilities and stockholders equity	\$ 48,715	\$ 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)

	Nine Months Ended September 30,	
	2015	2014
Net cash provided by operating activities	\$ 6,021	\$ 2,276
Cash flows from investing activities:		
Capital expenditures and aircraft purchase deposits	(4,621)	(4,006)
Purchases of short-term investments	(7,717)	(3,603)
Sales of short-term investments	6,167	4,993
Decrease in restricted cash and short-term investments	64	160
Net proceeds from slot transaction		307
Proceeds from sale of an investment	52	
Proceeds from sale of property and equipment	23	24
Net cash used in investing activities	(6,032)	(2,125)
Cash flows from financing activities:		
Payments on long-term debt and capital leases	(1,821)	(2,780)
Proceeds from issuance of long-term debt	4,463	2,407
Deferred financing costs	(69)	(68)
Sale-leaseback transactions	43	531
Exercise of stock options		9
Treasury stock repurchases	(2,411)	(155)
Dividend payment	(206)	(72)
Other financing activities	34	15
Net cash provided by (used in) financing activities	33	(113)
Net increase in cash	22	38
Cash at beginning of period	994	1,140
Cash at end of period	\$ 1,016	\$ 1,178
Non-cash investing and financing activities:		
Settlement of bankruptcy obligations	\$ 60	\$ 5,469
Capital lease obligations	5	479
Supplemental information:		
Interest paid, net of amounts capitalized	648	640
Income taxes paid	22	8

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 issued ASU 2015-14, which deferred the effective date of this new standard to periods beginning after 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 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. 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 of September 30, 2015, there were approximately 25.3 million shares of AAG Common Stock remaining in the Disputed Claims Reserve. 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 September 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.

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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 NOLs carried over from prior taxable years (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 Restated Certificate of Incorporation (the 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 the 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):

	September 30, 2015	December 31, 2014
Single-Dip Equity Obligations	\$ 135	\$ 248

Labor-related deemed claim		42		77
Total		\$	177	\$ 325

The amount of the remaining Single-Dip Equity Obligations at September 30, 2015 is the Company's estimate of its obligation for disputed claims of \$135 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 September 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 September 30, 2015, the remaining liability to certain AMR labor groups and employees of \$42 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 September 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 in the aggregate were withheld or sold on account of related tax obligations.

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES GROUP INC.****(Unaudited)****4. Special Items**

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Mainline operating special items, net ^(a)	\$ 163	\$ 221	\$ 610	\$ 335

- (a) The 2015 third quarter mainline operating special items totaled a net charge of \$163 million, which principally included \$196 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, as well as a \$38 million charge in connection with the dissolution of the Texas Aero Engine Services joint venture. These charges were offset in part by a \$66 million credit related to proceeds received from a legal settlement. The 2015 nine month period mainline operating special items totaled a net charge of \$610 million, which principally included \$633 million of merger integration expenses as described above, a net \$99 million charge related to the Company's new pilot joint collective bargaining agreement and a \$38 million charge in connection with the dissolution of the Texas Aero Engine Services joint venture. These charges were offset in part by a net \$75 million credit for bankruptcy related items primarily consisting of fair value adjustments for bankruptcy settlement obligations and a \$66 million credit related to proceeds received from a legal settlement. The 2014 third quarter mainline operating special items totaled a net charge of \$221 million, which principally included \$166 million of merger integration expenses related to information technology, alignment of labor union contracts, professional fees, severance and retention, share-based compensation, re-branding of aircraft and airport facilities, relocation and training, as well as \$99 million in other special charges, including an \$81 million charge to revise prior estimates of certain aircraft residual values, and other spare parts asset impairments. These charges were offset in part by a net \$40 million credit for bankruptcy related items primarily consisting of fair value adjustments for bankruptcy settlement obligations. The 2014 nine month period mainline operating special items totaled a net charge of \$335 million, which principally included \$530 million of merger integration expenses as described above, \$99 million in other special charges, including an \$81 million charge to revise prior estimates of certain aircraft residual values and other spare parts asset impairments, as well as \$46 million in charges primarily relating to the buyout of certain aircraft leases. These charges were offset in part by a \$309 million gain on the sale of Slots at Ronald Reagan Washington National Airport and a net \$35 million credit for bankruptcy related items as described above.

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

Three Months Ended September 30, Nine Months Ended September 30,

	2015	2014	2015	2014
Regional operating special items, net ^(a)	\$ 2	\$ 2	\$ 20	\$ 7
Nonoperating special items, net ^(b)	21	50	2	101
Income tax special items, net ^(c)	6	8	22	352

- (a) The 2015 and 2014 third quarter and nine month period regional operating special items principally related to merger integration expenses.
- (b) The 2015 third quarter nonoperating special items totaled a net charge of \$21 million, which was primarily due to non-cash write offs of unamortized debt discount and debt issuance costs associated with the purchase and subsequent remarketing of certain special facility revenue bonds. The 2015 nine month period nonoperating special items totaled a net charge of \$2 million, which principally included \$40 million in charges primarily related to non-cash write offs of unamortized debt discount and debt issuance costs associated with refinancing the Company's secured term loan facilities, prepayments of certain aircraft financings and the purchase and subsequent remarketing of certain special facility revenue bonds. These charges were offset in part by a \$22 million gain associated with the sale of an investment and a \$17 million early debt extinguishment gain associated with the repayment of American's AAdvantage loan with Citibank.
- The 2014 third quarter nonoperating special items totaled a net charge of \$50 million, which was primarily due to early debt extinguishment costs related to the prepayment of American's 7.50% senior secured notes and other indebtedness. The 2014 nine month period nonoperating special items totaled a net charge of \$101 million, which primarily included \$54 million of early debt extinguishment costs as described above and \$33 million of non-cash interest accretion on the bankruptcy settlement obligations.
- (c) The 2015 third quarter and nine month period tax special items were the result of a non-cash deferred income tax provision related to certain indefinite-lived intangible assets.

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

During the 2014 third quarter, the Company recorded a special \$8 million non-cash deferred income tax provision related to certain indefinite-lived intangible assets. During the 2014 nine month period, 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 2014 nine month period included a special \$22 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 September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Basic EPS:				
Net income	\$ 1,693	\$ 942	\$ 4,329	\$ 2,285
Weighted-average common shares outstanding (in thousands)	661,869	719,067	682,337	721,213
Basic EPS	\$ 2.56	\$ 1.31	\$ 6.34	\$ 3.17
Diluted EPS:				
Net income	\$ 1,693	\$ 942	\$ 4,329	\$ 2,285
Change in fair value of conversion feature on 7.25% convertible senior notes ^(a)				3
Net income for purposes of computing diluted EPS	\$ 1,693	\$ 942	\$ 4,329	\$ 2,288
Share computation for diluted earnings per share (in thousands):				
Weighted-average shares outstanding	661,869	719,067	682,337	721,213
Dilutive effect of stock awards	18,870	16,129	19,423	14,610
Assumed conversion of convertible senior notes				1,277
Weighted average common shares outstanding	680,739	735,196	701,760	737,100

Diluted EPS	\$	2.49	\$	1.28	\$	6.17	\$	3.10
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The following were excluded from the calculation of diluted EPS (in thousands):

Stock options, SARs and RSUs because inclusion would be antidilutive		1,094		248		667		288
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- (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 increased GAAP net income by \$3 million for the nine months ended September 30, 2014.

6. Share Repurchase Program and Dividend

On January 27, 2015, the Company announced that its Board of Directors had authorized a \$2.0 billion share repurchase program, which was completed in the third quarter of 2015. In July 2015, the Company announced that its Board of Directors had authorized an additional \$2.0 billion share repurchase program to be completed by the end of 2016. Share repurchases 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 September 30, 2015, the Company repurchased 38.4 million shares of AAG Common Stock for \$1.6 billion at a weighted average cost per share of \$40.56. During the nine months ended September 30, 2015, the Company repurchased 59.5 million shares of AAG Common Stock for \$2.5 billion at a weighted average cost per share of \$42.00.

In January 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.

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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.

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.

The total cash payment for dividends during the three and nine months ended September 30, 2015 was \$67 million and \$206 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.

7. Debt

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

	September 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	8,891	7,028
Equipment loans and other notes payable, fixed and variable interest rates ranging from 1.59% to 8.48%, maturing from 2015 to 2027	3,747	2,952
Special facility revenue bonds, fixed interest rates ranging from 2.00% to 8.00%, maturing from 2016 to 2035	1,080	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	940	994

	18,843	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	20,593	17,963
Less: Total unamortized debt discount	32	59
Less: Current maturities	1,712	1,708
Long-term debt and capital lease obligations, net of current maturities	\$ 18,849	\$ 16,196

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. As of September 30, 2015, as a result of American's improved credit ratings, the LIBOR margin was 2.50%.

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. As of September 30, 2015, as a result of American's improved credit ratings, the LIBOR margin was 2.75%.

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

(Unaudited)

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 (the 2015-1 EETCs) in connection with the financing of 28 aircraft owned by American (the 2015 EETC Aircraft).

As of September 30, 2015, the entire \$1.2 billion of the proceeds from the sale of the 2015-1 EETCs has been used to purchase equipment notes issued by American in two series: Series A equipment notes in the amount of \$948 million bearing interest at 3.375% per annum and Series B equipment notes in the amount of \$266 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 the 2015 EETC Aircraft.

2015-2 EETCs

In September 2015, American created three pass-through trusts which issued approximately \$1.1 billion aggregate face amount of Series 2015-2 Class AA, Class A and Class B EETCs (the 2015-2 EETCs) in connection with the financing of 21 aircraft owned by American (the 2015-2 EETC Aircraft).

As of September 30, 2015, the entire \$1.1 billion of the proceeds from the sale of the 2015-2 EETCs has been used to purchase equipment notes issued by American in three series: Series AA equipment notes in the amount of \$583 million bearing interest at 3.60% per annum, Series A equipment notes in the amount of \$239 million bearing interest at 4.00% per annum and Series B equipment notes in the amount of \$239 million bearing interest at 4.40% per annum. Interest and principal payments on the equipment notes are payable semi-annually in March and September of each year, with interest payments beginning in March 2016 and principal payments beginning in September 2016. The final payments on the Series AA and Series A equipment notes will be in September 2027 and the final payments on the Series B equipment notes will be in September 2023. These equipment notes are secured by liens on the 2015-2 EETC Aircraft.

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, which began 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 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 bear interest at 5.0% per annum 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 for purchase by American. 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 September 30, 2015.

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In June 2015, American exercised its right to adjust the interest rate on approximately \$365 million aggregate principal amount of special facility revenue bonds related to the John F. Kennedy International Airport, which were bearing interest at 8.50% per annum. In August 2015, these bonds were purchased by American and subsequently remarketed. The remarketed bonds bear interest at 2.00% per annum from the date of initial issuance and delivery of the bonds in August 2015, until August 2016, when the bonds will be subject to mandatory tender for purchase by American. In connection with this transaction, American recorded a special nonoperating charge of \$20 million related primarily to non-cash write offs of unamortized debt discount and debt issuance costs. The \$365 million obligation is reflected in current maturities of long-term debt on American's condensed consolidated balance sheet as of September 30, 2015.

Other Aircraft Financing Transactions

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

In the first nine months of 2015, the Company entered into loan agreements to borrow \$1.3 billion in connection with the financing of certain aircraft. The notes mature in 2022 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 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 in evaluating the realizability of its deferred tax assets. Many factors are considered which impact the Company's projections of future sustained profitability including risks associated with merger integration as well as other conditions which are beyond the Company's control, such as the health of the economy, the level and volatility of fuel prices and travel demand. The Company has concluded as of September 30, 2015, that the valuation allowance was still needed on its deferred tax assets based on the weight of the factors described above. However, if for the remainder of 2015, projections for future sustained profitability continue and additional merger integration milestones are completed, the Company anticipates that it may reverse substantially all of its valuation allowance as early as the end of 2015.

For the three and nine months ended September 30, 2015, the Company recorded a special \$6 million and \$22 million, respectively, non-cash deferred income tax provision related to certain indefinite-lived intangible assets. In addition, for the three and nine months ended September 30, 2015, the Company recorded \$10 million and \$20 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.

For the three and nine months ended September 30, 2014, the Company recorded a special \$8 million and \$22 million, respectively, non-cash deferred income tax provision related to certain indefinite-lived intangible assets. In addition, for the 2014 nine month period, the Company recorded a special \$330 million non-cash tax provision related to the settlement of fuel hedges discussed below and \$8 million of tax expense principally related to certain states and other jurisdictions where NOLs were limited or unavailable to be used.

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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 nine months ended September 30, 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.

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

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 nine months ended September 30, 2015.

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

Fair Value Measurements as of September 30, 2015

	Total	Level 1	Level 2	Level 3
Short-term investments ^{(1), (2)}:				
Money market funds	\$ 1,486	\$ 1,486	\$	\$
Repurchase agreements	41		41	
Corporate obligations	3,491		3,491	
Bank notes / certificates of deposit / time deposits	2,839		2,839	
	7,857	1,486	6,371	
Restricted cash and short-term investments ⁽¹⁾	710	710		
Total	\$ 8,567	\$ 2,196	\$ 6,371	\$

(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 \$788 million 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 nine months ended September 30, 2015.

Venezuela Cash and Short-term Investments

As of September 30, 2015, the Company had approximately \$609 million of unrestricted cash and short-term investments held in Venezuelan bolivars. This balance is valued at 6.3 bolivars to the U.S. dollar, which is the rate that was in effect on the date the Company submitted each of its repatriation requests to the Venezuelan government. This rate is 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.

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

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):

	September 30, 2015		December 31, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt, including current maturities	\$ 20,561	\$ 20,971	\$ 17,904	\$ 18,542

10. Retirement Benefits

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

Three Months Ended September 30,	Pension Benefits		Retiree Medical and Other Benefits	
	2015	2014	2015	2014
Service cost	\$ 1	\$ 1	\$ 1	\$
Interest cost	184	186	13	15
Expected return on assets	(213)	(197)	(5)	(5)
Settlements		1		
Amortization of:				
Prior service cost (benefit) ⁽¹⁾	7	7	(60)	(55)
Unrecognized net loss (gain)	28	12	(2)	(2)
Net periodic benefit cost (income)	\$ 7	\$ 10	\$ (53)	\$ (47)

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

Nine Months Ended September 30,	Pension Benefits Retiree Medical and Other Benefits			
	2015	2014	2015	2014
Service cost	\$ 2	\$ 3	\$ 3	\$ 1
Interest cost	552	557	38	46
Expected return on assets	(639)	(589)	(15)	(15)
Settlements	1	4		
Amortization of:				
Prior service cost (benefit) ⁽¹⁾	21	21	(182)	(175)
Unrecognized net loss (gain)	84	35	(5)	(6)
Net periodic benefit cost (income)	\$ 21	\$ 31	\$ (161)	\$ (149)

⁽¹⁾ The 2015 nine month period prior service cost does not include amortization of \$2 million related to other post-employment benefits.

Effective November 1, 2012, substantially all of 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, 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. The Company's pension funding obligations are likely to increase materially beginning in 2019, when the Company will be required to make contributions relating to the 2018 fiscal year. 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			(5)		(5)
Amounts reclassified from accumulated other comprehensive income (loss)	(79)	(9)	1		(87)
Net current period other comprehensive income (loss)	(79)	(9)	(4)		(92)
Balance at September 30, 2015	\$ (3,762)	\$	\$ (9)	\$ (880)	\$ (4,651)

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

AOCI Components	Amounts reclassified from AOCI				Affected line items on condensed consolidated statement of operations
	Three Months Ended September 30,		Nine Months Ended September 30,		
	2015	2014	2015	2014	
Amortization of pension and retiree medical liability:					
Prior service cost	\$ (52)	\$ (48)	\$ (159)	\$ (154)	Salaries, wages and benefits
Actuarial loss	26	10	80	29	Salaries, wages and benefits
Derivative financial instruments:					
Cash flow hedges		(7)	(9)	5	Aircraft fuel and related taxes
Net unrealized change on investments:					
Net change in value		(2)	1		Other nonoperating, net
Income tax benefit:					
Reversal of non-cash tax provision				330	Income tax provision

Total reclassifications for the period \$ (26) \$ (47) \$ (87) \$ 210

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 September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Aircraft fuel and related taxes	\$ 310	\$ 538	\$ 970	\$ 1,573
Salaries, wages and benefits	296	283	881	850
Capacity purchases from third-party regional carriers	399	380	1,172	1,102
Maintenance, materials and repairs	78	94	241	263
Other rent and landing fees	126	109	354	311
Aircraft rent	8	9	25	26
Selling expenses	87	79	252	238
Depreciation and amortization	62	52	181	156
Special items, net	2	2	20	7
Other	150	122	440	393
Total regional expenses	\$ 1,518	\$ 1,668	\$ 4,536	\$ 4,919

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

(Unaudited)

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. 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 of September 30, 2015, there were approximately 25.3 million shares of AAG Common Stock remaining in the Disputed Claims Reserve. 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 Antitrust 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 approximately 100 putative class action lawsuits alleging unlawful agreements with respect to air passenger capacity. The U.S. lawsuits were the subject of multiple motions to consolidate them in a single forum, and they have now been consolidated in the Federal District Court for the District of Columbia. 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

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

(Unaudited)

defendants, and on October 2, 2013, dismissed the initial California action. On November 27, 2013, the Bankruptcy Court denied plaintiffs' motion to preliminarily enjoin the Merger. On August 19, 2015, after three previous largely unsuccessful attempts to amend their complaint, plaintiffs filed a fourth motion for leave to file an amended and supplemental complaint to add a claim for damages and demand for jury trial, as well as claims similar to those in the putative class action lawsuits regarding air passenger capacity. Thereafter, plaintiffs filed a request with the Judicial Panel on Multidistrict Litigation (JPML) to consolidate the Fjord matter with the putative class action lawsuits. The JPML denied that request on October 15, 2015. Plaintiffs have indicated that they will seek further relief from the JPML. The Company believes this lawsuit is without merit and intends to vigorously defend against the allegations.

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.

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)**

	Three Months Ended September 30, 2015						
	American Airlines Group (Parent Company Only)	American	US Airways Group (Parent Company Only)	US Airways	Non-Guaranteed Subsidiaries	Eliminations and Reclassification	American Airlines Group Inc. Consolidated
Operating revenues:							
Mainline passenger	\$	\$ 4,927	\$	\$ 2,727	\$	\$	\$ 7,654
Regional passenger		858		841			1,699
Cargo		150		30			180
Other		847		353	625	(652)	1,173
Total operating revenues		6,782		3,951	625	(652)	10,706
Operating expenses:							
Aircraft fuel and related taxes		1,065		528			1,593
Salaries, wages and benefits		1,563		839	193	(191)	2,404
Regional expenses		803		738		(23)	1,518
Maintenance, materials and repairs		261		195	78	(78)	456
Other rent and landing fees		286		146	11	(11)	432
Aircraft rent		225		83	40	(40)	308
Selling expenses		256		110			366
Depreciation and amortization		245		92	10	(11)	336
Special items, net		77		86			163
Other	1	790		343	295	(298)	1,131
Total operating expenses	1	5,571		3,160	627	(652)	8,707
Operating income (loss)	(1)	1,211		791	(2)		1,999
Nonoperating income (expense):							

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Interest income	1	10		3	3	(7)	10
Interest expense, net	(17)	(133)	(9)	(64)	(3)	7	(219)
Equity in earnings of subsidiaries	1,710		465			(2,175)	
Other, net		(83)		2			(81)
Total nonoperating income (expense), net	1,694	(206)	456	(59)		(2,175)	(290)
Income (loss) before income taxes	1,693	1,005	456	732	(2)	(2,175)	1,709
Income tax provision		9		278		(271)	16
Net income (loss)	\$ 1,693	\$ 996	\$ 456	\$ 454	\$ (2)	\$ (1,904)	\$ 1,693

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 September 30, 2015						
	American Airlines Group (Parent Company Only)	American	US Airways Group (Parent Company Only)	US Airways	Non-Guaranteed Subsidiaries	Eliminations and Reclassification	American Airlines Group Inc. Consolidated
Net income (loss)	\$ 1,693	\$ 996	\$ 456	\$ 454	\$ (2)	\$ (1,904)	\$ 1,693
Other comprehensive income (loss):							
Defined benefit pension plans and retiree medical		(26)					(26)
Unrealized loss on investments:							
Net change in value		(3)		(1)			(4)
Total other comprehensive income (loss)		(29)		(1)			(30)
Total comprehensive income (loss)	\$ 1,693	\$ 967	\$ 456	\$ 453	\$ (2)	\$ (1,904)	\$ 1,663

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	Nine Months Ended September 30, 2015						
	American Airlines Group (Parent Company Only)	American	US Airways Group (Parent Company Only)	US Airways	Non-Guaranteed Subsidiaries	Eliminations and Reclassification	American Airlines Group Inc. Consolidated
Operating revenues:							
Mainline passenger	\$	\$ 14,565	\$	\$ 7,733	\$	\$	\$ 22,298
Regional passenger		2,399		2,511			4,910
Cargo		472		96			568
Other		2,533		1,114	2,112	(2,175)	3,584
Total operating revenues		19,969		11,454	2,112	(2,175)	31,360
Operating expenses:							
Aircraft fuel and related taxes		3,332		1,580			4,912
Salaries, wages and benefits		4,684		2,450	584	(577)	7,141
Regional expenses		2,318		2,296		(78)	4,536
Maintenance, materials and repairs		868		584	239	(239)	1,452
Other rent and landing fees		825		465	32	(32)	1,290
Aircraft rent		676		265	108	(108)	941
Selling expenses		688		363			1,051
Depreciation and amortization		728		285	33	(33)	1,013
Special items, net		350		260	4	(4)	610
Other	2	2,323		958	1,099	(1,104)	3,278
Total operating expenses	2	16,792		9,506	2,099	(2,175)	26,224
Operating income (loss)	(2)	3,177		1,948	13		5,136
Nonoperating income (expense):							

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Interest income	2	26	1	10	6	(16)	29
Interest expense, net	(47)	(396)	(27)	(191)	(6)	16	(651)
Equity in earnings of subsidiaries	4,354		1,135			(5,489)	
Other, net	22	(162)		(4)	1		(143)
Total nonoperating income (expense), net	4,331	(532)	1,109	(185)	1	(5,489)	(765)
Income before income taxes	4,329	2,645	1,109	1,763	14	(5,489)	4,371
Income tax provision		28		656	8	(650)	42
Net income	\$ 4,329	\$ 2,617	\$ 1,109	\$ 1,107	\$ 6	\$ (4,839)	\$ 4,329

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	Nine Months Ended September 30, 2015						
	American Airlines Group (Parent Company Only)	American	US Airways Group (Parent Company Only)	US Airways	Non-Guaranteed Subsidiaries	Eliminations and Reclassification	American Airlines Group Inc. Consolidated
Net income	\$ 4,329	\$ 2,617	\$ 1,109	\$ 1,107	\$ 6	\$ (4,839)	\$ 4,329
Other comprehensive income (loss):							
Defined benefit pension plans and retiree medical		(76)		(3)			(79)
Derivative financial instruments:							
Reclassification into earnings		(9)					(9)
Unrealized gain on investments:							
Net change in value		(4)					(4)
Total other comprehensive income (loss)		(89)		(3)			(92)
Total comprehensive income	\$ 4,329	\$ 2,528	\$ 1,109	\$ 1,104	\$ 6	\$ (4,839)	\$ 4,237

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	Three Months Ended September 30, 2014						
	American Airlines Group (Parent Company Only)	American	US Airways Group (Parent Company Only)	US Airways	Non-Guaranteed Subsidiaries	Eliminations and Reclassification	American Airlines Group Inc. Consolidated
Operating revenues:							
Mainline passenger	\$	\$ 5,321	\$	\$ 2,772	\$	\$	\$ 8,093
Regional passenger		748		917			1,665
Cargo		175		40			215
Other		811		385	898	(928)	1,166
Total operating revenues		7,055		4,114	898	(928)	11,139
Operating expenses:							
Aircraft fuel and related taxes		1,894		935			2,829
Salaries, wages and benefits		1,412		723	193	(191)	2,137
Regional expenses		790		886		(8)	1,668
Maintenance, materials and repairs		353		176	93	(93)	529
Other rent and landing fees		279		152	8	(8)	431
Aircraft rent		211		95	24	(24)	306
Selling expenses		278		115			393
Depreciation and amortization		230		105	10	(11)	334
Special items, net		164		57			221
Other		746		304	574	(593)	1,031
Total operating expenses		6,357		3,548	902	(928)	9,879
Operating income (loss)		698		566	(4)		1,260
Nonoperating income (expense):							
Interest income	2	5	1	5		(6)	7

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Interest expense, net		(136)	(11)	(68)	(1)	6	(210)
Equity in earnings of subsidiaries	940		476			(1,416)	
Other, net		(97)		(12)	1		(108)
Total nonoperating income (expense), net	942	(228)	466	(75)		(1,416)	(311)
Income (loss) before income taxes	942	470	466	491	(4)	(1,416)	949
Income tax provision		5		2	7	(7)	7
Net income (loss)	\$ 942	\$ 465	\$ 466	\$ 489	\$ (11)	\$ (1,409)	\$ 942

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 September 30, 2014						
	American Airlines Group (Parent Company Only)	American	US Airways Group (Parent Company Only)	US Airways	Non-Guaranteed Subsidiaries	Eliminations and Reclassification	American Airlines Group Inc. Consolidated
Net income (loss)	\$ 942	\$ 465	\$ 466	\$ 489	\$ (11)	\$ (1,409)	\$ 942
Other comprehensive loss:							
Defined benefit pension plans and retiree medical		(37)		(1)			(38)
Derivative financial instruments:							
Reclassification into earnings		(7)					(7)
Unrealized loss on investments:							
Net change in value		(2)					(2)
Total other comprehensive loss		(46)		(1)			(47)
Total comprehensive income (loss)	\$ 942	\$ 419	\$ 466	\$ 488	\$ (11)	\$ (1,409)	\$ 895

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	Nine Months Ended September 30, 2014						American Airlines Group Inc. Consolidated
	American Airlines Group (Parent Company Only)	American	US Airways Group (Parent Company Only)	US Airways	Non-Guaranteed Subsidiaries	Eliminations and Reclassifications	
Operating revenues:							
Mainline passenger	\$	\$ 15,579	\$	\$ 7,985	\$	\$	\$ 23,564
Regional passenger		2,202		2,577			4,779
Cargo		521		122			643
Other		2,374		1,211	2,386	(2,467)	3,504
Total operating revenues		20,676		11,895	2,386	(2,467)	32,490
Operating expenses:							
Aircraft fuel and related taxes		5,662		2,708			8,370
Salaries, wages and benefits		4,251		2,162	584	(578)	6,419
Regional expenses		2,352		2,581		(14)	4,919
Maintenance, materials and repairs		1,031		497	258	(258)	1,528
Other rent and landing fees		853		444	23	(23)	1,297
Aircraft rent		641		300	67	(71)	937
Selling expenses		844		352			1,196
Depreciation and amortization		664		301	30	(35)	960
Special items, net	22	127		186	3	(3)	335
Other	5	2,258	1	930	1,430	(1,484)	3,140
Total operating expenses	27	18,683	1	10,461	2,395	(2,466)	29,101
Operating income (loss)	(27)	1,993	(1)	1,434	(9)	(1)	3,389
Nonoperating income (expense):							

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Interest income	7	18	2	8	1	(14)	22
Interest expense, net	(4)	(443)	(31)	(201)	(2)	14	(667)
Equity in earnings of subsidiaries	2,309		1,188			(3,497)	
Other, net		(85)	(53)	(16)	2	53	(99)
Total nonoperating income (expense), net	2,312	(510)	1,106	(209)	1	(3,444)	(744)
Income (loss) before income taxes	2,285	1,483	1,105	1,225	(8)	(3,445)	2,645
Income tax provision		351		4	14	(9)	360
Net income (loss)	\$ 2,285	\$ 1,132	\$ 1,105	\$ 1,221	\$ (22)	\$ (3,436)	\$ 2,285

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	Nine Months Ended September 30, 2014						
	American Airlines Group (Parent Company Only)	American	US Airways Group (Parent Company Only)	US Airways	Non-Guaranteed Subsidiaries	Eliminations and Reclassifications	American Airlines Group Inc. Consolidated
Net income (loss)	\$ 2,285	\$ 1,132	\$ 1,105	\$ 1,221	\$ (22)	\$ (3,436)	\$ 2,285
Other comprehensive income (loss):							
Defined benefit pension plans and retiree medical		(139)		(3)			(142)
Derivative financial instruments:							
Change in fair value	(2)	(52)					(54)
Reclassification into earnings		5					5
Unrealized loss on investments:							
Net change in value	2	(2)					
Reversal of non-cash tax provision	2	328					330
Total other comprehensive income (loss)	2	140		(3)			139
Total comprehensive income (loss)	\$ 2,287	\$ 1,272	\$ 1,105	\$ 1,218	\$ (22)	\$ (3,436)	\$ 2,424

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)****September 30, 2015**

	American Airlines Group (Parent Company Only)	American	US Airways Group (Parent Company Only)	US Airways	Non-Guaranteed Subsidiaries	Eliminations and Reclassifications	American Airlines Group Inc. Consolidated
ASSETS							
Current assets							
Cash	\$ 1	\$ 806	\$ 19	\$ 181	\$ 9	\$	\$ 1,016
Short-term investments		5,405		2,449	3		7,857
Restricted cash and short-term investments		657		53			710
Accounts receivable, net		1,490		336	14	(12)	1,828
Receivables from related parties, net	65			1,024	112	(1,201)	
Aircraft fuel, spare parts and supplies, net		632		320	58		1,010
Prepaid expenses and other	82	795		367	41		1,285
Total current assets	148	9,785	19	4,730	237	(1,213)	13,706
Operating property and equipment		19,200		6,813	279		26,292
Other assets							
Investments in subsidiaries	5,143		8,080			(13,223)	
Goodwill				4,090		1	4,091
Intangibles, net of accumulated amortization		871		1,390			2,261
Other assets	27	1,826		489	55	(32)	2,365
Total other assets	5,170	2,697	8,080	5,969	55	(13,254)	8,717
Total assets	\$ 5,318	\$ 31,682	\$ 8,099	\$ 17,512	\$ 571	\$ (14,467)	\$ 48,715

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

Current maturities of long-term debt and capital leases	\$	\$ 1,212	\$	\$ 500	\$	\$	\$ 1,712
Accounts payable		1,269		213	45	(2)	1,525
Payables to related parties, net		565	511		125	(1,201)	
Air traffic liability		4,373		438			4,811
Frequent flyer liability		2,649					2,649
Other accrued liabilities	186	2,043	11	1,114	109	1	3,464
Total current liabilities	186	12,111	522	2,265	279	(1,202)	14,161

Noncurrent liabilities

Long-term debt and capital leases, net of current maturities	1,257	12,040	525	5,062		(35)	18,849
Pension and postretirement benefits		7,270		123	40		7,433
Bankruptcy settlement obligations		177					177
Other liabilities	113	2,927		2,057	49	(813)	4,333
Total noncurrent liabilities	1,370	22,414	525	7,242	89	(848)	30,792

Stockholders equity (deficit)

Common stock	6						6
Additional paid-in capital	12,852	10,833	4,779	5,618	199	(21,429)	12,852
Accumulated other comprehensive loss	(4,651)	(4,734)	(19)	(12)	(12)	4,777	(4,651)
Retained earnings (deficit)	(4,445)	(8,942)	2,292	2,399	16	4,235	(4,445)
Total stockholders equity (deficit)	3,762	(2,843)	7,052	8,005	203	(12,417)	3,762

Total liabilities and
stockholders equity (deficit) \$ 5,318 \$ 31,682 \$ 8,099 \$ 17,512 \$ 571 \$ (14,467) \$ 48,715

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	US Airways Group (Parent Company Only)	US Airways	Non-Guaranteed 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)**

	Nine Months Ended September 30, 2015						American Airlines Group Consolidated
	American Airlines Group (Parent Company Only)	American	US Airways Group (Parent Company Only)	US Airways	Non-Guaranteed Subsidiaries	Eliminations and Reclassifications	
Net cash provided by operating activities	\$ 2,073	\$ 4,093	\$ 17	\$ (216)	\$ 54	\$	\$ 6,021
Cash flows from investing activities:							
Capital expenditures and aircraft purchase deposits		(3,962)		(602)	(57)		(4,621)
Purchases of short-term investments	(1)	(5,061)		(2,655)			(7,717)
Sales of short-term investments		2,944		3,223			6,167
Decrease in restricted cash and short-term investments		(7)		71			64
Proceeds from sale of an investment	52						52
Proceeds from sale of property and equipment		18			5		23
Net cash provided by (used in) investing activities	51	(6,068)		37	(52)		(6,032)
Cash flows from financing activities:							
Payments on long-term debt and capital leases		(1,544)		(277)			(1,821)
Proceeds from issuance of long-term debt	500	3,554		409			4,463
Deferred financing costs	(7)	(57)		(5)			(69)
Sale-leaseback transactions		43					43
Treasury stock repurchases	(2,411)						(2,411)

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Dividend payment	(206)						(206)
Other financing activities				34			34
Net cash provided by (used in) financing activities	(2,124)	1,996		161			33
Net increase (decrease) in cash		21	17	(18)	2		22
Cash at beginning of period	1	785	2	199	7		994
Cash at end of period	\$ 1	\$ 806	\$ 19	\$ 181	\$ 9	\$	\$ 1,016

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)**

	Nine Months Ended September 30, 2014						American Airlines Group Inc. Consolidated
	American Airlines Group (Parent Company Only)	American	US Airways Group (Parent Company Only)	US Airways	Non-Guaranteed Subsidiaries	Eliminations and Reclassifications	
Net cash provided by (used in) operating activities	\$ (523)	\$ 2,034	\$	\$ 730	\$ 35	\$	\$ 2,276
Cash flows from investing activities:							
Capital expenditures and aircraft purchase deposits		(2,746)		(1,027)	(35)	(198)	(4,006)
Purchases of short-term investments		(2,526)		(1,076)	(1)		(3,603)
Sales of short-term investments		3,889		1,104			4,993
Decrease in restricted cash and short-term investments		50		110			160
Net proceeds from slot transaction		299		8			307
Funds transferred to affiliates		(198)				198	
Proceeds from sale of property and equipment		5		19			24
Net cash used in investing activities		(1,227)		(862)	(36)		(2,125)
Cash flows from financing activities:							
Payments on long-term debt and capital leases		(2,201)		(403)		(176)	(2,780)
Proceeds from issuance of long-term debt	750	1,098		559			2,407
Deferred financing costs	(10)	(56)		(2)			(68)

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Sale-leaseback transactions		531				531
Exercise of stock options	9					9
Treasury stock repurchases	(155)					(155)
Dividend payment	(72)					(72)
Funds transferred to affiliates, net			(176)		176	
Other financing activities			15			15
Net cash provided by (used in) financing activities	522	(628)		(7)		(113)
Net increase (decrease) in cash	(1)	179		(139)	(1)	38
Cash at beginning of period	1	829	1	303	6	1,140
Cash at end of period	\$	\$ 1,008	\$ 1	\$ 164	\$ 5	\$ 1,178

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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 October 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. Share repurchases 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 October 2015, the Company announced that its Board of Directors had declared a \$0.10 per share dividend for shareholders of record on November 5, 2015, and payable on November 19, 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.

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 September 30,		the Months Ended September 30,	
	2015	2014	2015	2014
Operating revenues:				
Mainline passenger	\$ 4,927	\$ 5,321	\$ 14,565	\$ 15,579
Regional passenger	858	748	2,399	2,202
Cargo	150	175	472	521
Other	847	811	2,533	2,374
Total operating revenues	6,782	7,055	19,969	20,676
Operating expenses:				
Aircraft fuel and related taxes	1,065	1,894	3,332	5,662
Salaries, wages and benefits	1,563	1,412	4,684	4,251
Regional expenses	803	790	2,318	2,352
Maintenance, materials and repairs	261	353	868	1,031
Other rent and landing fees	286	279	825	853
Aircraft rent	225	211	676	641
Selling expenses	256	278	688	844
Depreciation and amortization	245	230	728	664
Special items, net	77	164	350	127
Other	790	746	2,323	2,258
Total operating expenses	5,571	6,357	16,792	18,683
Operating income	1,211	698	3,177	1,993
Nonoperating income (expense):				
Interest income	10	5	26	18
Interest expense, net of capitalized interest	(133)	(136)	(396)	(443)
Other, net	(83)	(97)	(162)	(85)
Total nonoperating expense, net	(206)	(228)	(532)	(510)
Income before income taxes	1,005	470	2,645	1,483
Income tax provision	9	5	28	351
Net income	\$ 996	\$ 465	\$ 2,617	\$ 1,132

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 September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income	\$ 996	\$ 465	\$ 2,617	\$ 1,132
Other comprehensive income (loss):				
Defined benefit pension plans and retiree medical	(26)	(37)	(76)	(139)
Derivative financial instruments:				
Change in fair value				(52)
Reclassification into earnings		(7)	(9)	5
Unrealized loss on investments:				
Net change in value	(3)	(2)	(4)	(2)
Reversal of non-cash tax provision				328
Total other comprehensive income (loss)	(29)	(46)	(89)	140
Total comprehensive income	\$ 967	\$ 419	\$ 2,528	\$ 1,272

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)**

	September 30, 2015	December 31, 2014
	(Unaudited)	
ASSETS		
Current assets		
Cash	\$ 806	\$ 785
Short-term investments	5,405	3,290
Restricted cash and short-term investments	657	650
Accounts receivable, net	1,490	1,445
Aircraft fuel, spare parts and supplies, net	632	625
Prepaid expenses and other	795	462
Total current assets	9,785	7,257
Operating property and equipment		
Flight equipment	24,687	21,646
Ground property and equipment	5,549	5,217
Equipment purchase deposits	1,050	1,128
Total property and equipment, at cost	31,286	27,991
Less accumulated depreciation and amortization	(12,086)	(11,692)
Total property and equipment, net	19,200	16,299
Other assets		
Intangibles, net of accumulated amortization of \$385 and \$376, respectively	871	815
Other assets	1,826	1,921
Total other assets	2,697	2,736
Total assets	\$ 31,682	\$ 26,292
LIABILITIES AND STOCKHOLDER'S DEFICIT		
Current liabilities		
Current maturities of long-term debt and capital leases	\$ 1,212	\$ 1,230
Accounts payable	1,269	1,029
Accrued salaries and wages	707	650
Air traffic liability	4,373	2,989
Frequent flyer liability	2,649	1,823
Payables to related parties, net	565	2,563
Other accrued liabilities	1,336	1,236

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Total current liabilities	12,111	11,520
Noncurrent liabilities		
Long-term debt and capital leases, net of current maturities	12,040	10,004
Pension and postretirement benefits	7,270	7,400
Deferred gains and credits, net	263	271
Bankruptcy settlement obligations	177	325
Other liabilities	2,664	2,344
Total noncurrent liabilities	22,414	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	10,833	10,632
Accumulated other comprehensive loss	(4,734)	(4,645)
Accumulated deficit	(8,942)	(11,559)
Total stockholder s deficit	(2,843)	(5,572)
Total liabilities and stockholder s deficit	\$ 31,682	\$ 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)

	Nine Months Ended September 30,	
	2015	2014
Net cash provided by operating activities	\$ 4,093	\$ 2,034
Cash flows from investing activities:		
Capital expenditures and aircraft purchase deposits	(3,962)	(2,746)
Purchases of short-term investments	(5,061)	(2,526)
Sales of short-term investments	2,944	3,889
Decrease in restricted cash and short-term investments	(7)	50
Net proceeds from slot transaction		299
Funds transferred to affiliates, net		(198)
Proceeds from sale of property and equipment	18	5
Net cash used in investing activities	(6,068)	(1,227)
Cash flows from financing activities:		
Payments on long-term debt and capital leases	(1,544)	(2,201)
Proceeds from issuance of long-term debt	3,554	1,098
Deferred financing costs	(57)	(56)
Sale-leaseback transactions	43	531
Net cash provided by (used in) financing activities	1,996	(628)
Net increase in cash	21	179
Cash at beginning of period	785	829
Cash at end of period	\$ 806	\$ 1,008
Non-cash investing and financing activities:		
Settlement of bankruptcy obligations	\$ 60	\$ 5,105
Capital lease obligations		479
Supplemental information:		
Interest paid, net of amounts capitalized	479	466
Income taxes paid	6	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 issued ASU 2015-14, which deferred the effective date of this new standard to periods beginning after 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 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. 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 of September 30, 2015, there were approximately 25.3 million shares of AAG Common Stock remaining in the Disputed Claims Reserve. 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 September 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 NOLs carried over from prior taxable years (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 Restated Certificate of Incorporation (the 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 the 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):

	September 30, 2015	December 31, 2014
Single-Dip Equity Obligations	\$ 135	\$ 248
Labor-related deemed claim	42	77
Total	\$ 177	\$ 325

The amount of the remaining Single-Dip Equity Obligations at September 30, 2015 is American's estimate of its obligation for disputed claims of \$135 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 September 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 September 30, 2015, the remaining liability to certain AMR labor groups and employees of \$42 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 September 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 in the aggregate 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 September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Mainline operating special items, net ^(a)	\$ 77	\$ 164	\$ 350	\$ 127

- ^(a) The 2015 third quarter mainline operating special items totaled a net charge of \$77 million, which principally included \$115 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, as well as a \$38 million charge in connection with the dissolution of the Texas Aero Engine Services joint venture. These charges were offset in part by a \$66 million credit related to proceeds received from a legal settlement. The 2015 nine month period mainline operating special items totaled a net charge of \$350 million, which principally included \$400 million of merger integration expenses as described above, a net \$64 million charge related to American's new pilot joint collective bargaining agreement and a \$38 million charge in connection with the dissolution of the Texas Aero Engine Services joint venture. These charges were offset in part by a net \$75 million credit for bankruptcy related items primarily consisting of fair value adjustments for bankruptcy settlement obligations and a \$66 million credit related to proceeds received from a legal settlement.

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The 2014 third quarter mainline operating special items totaled a net charge of \$164 million, which principally included \$103 million of merger integration expenses related to information technology, alignment of labor union contracts, professional fees, severance and retention, share-based compensation, re-branding of aircraft and airport facilities, relocation and training, as well as \$99 million in other special charges, including an \$81 million charge to revise prior estimates of certain aircraft residual values, and other spare parts asset impairments. These charges were offset in part by a net \$40 million credit for bankruptcy related items primarily consisting of fair value adjustments for bankruptcy settlement obligations. The 2014 nine month period mainline operating special items totaled a net charge of \$127 million, which principally included \$337 million of merger integration expenses as described above, \$99 million in other special charges, including an \$81 million charge to revise prior estimates of certain aircraft residual values, and other spare parts asset impairments, as well as \$35 million in charges primarily relating to the buyout of certain aircraft leases. These charges were offset in part by a \$305 million gain on the sale of Slots at Ronald Reagan Washington National Airport and a net \$57 million credit for bankruptcy related items as described above.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Regional operating special items, net ^(a)	\$ 1	\$ 2	\$ 4	\$ 4
Nonoperating special items, net ^(b)	21	48	24	89
Income tax special items, net ^(c)	6	7	20	349

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

(b) The 2015 third quarter nonoperating special items totaled a net charge of \$21 million, which was primarily due to non-cash write offs of unamortized debt discount and debt issuance costs associated with the purchase and subsequent remarketing of certain special facility revenue bonds. The 2015 nine month period nonoperating special items totaled a net charge of \$24 million, which principally included \$41 million in charges primarily related to non-cash write offs of unamortized debt discount and debt issuance costs associated with refinancing American's secured term loan facilities, prepayments of certain aircraft financings and the purchase and subsequent remarketing of certain special facility revenue bonds. These charges were offset in part by a \$17 million early debt extinguishment gain associated with the repayment of American's AAdvantage loan with Citibank.

The 2014 third quarter nonoperating special items totaled a net charge of \$48 million, which was primarily due to early debt extinguishment costs related to the prepayment of American's 7.50% senior secured notes and other indebtedness. The 2014 nine month period nonoperating special items totaled a net charge of \$89 million, which primarily included \$46 million of early debt extinguishment costs as described above and \$29 million of non-cash interest accretion on the bankruptcy settlement obligations.

(c) The 2015 third quarter and nine 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 third quarter, American recorded a special \$7 million non-cash deferred income tax provision related to certain indefinite-lived intangible assets. During the 2014 nine month period, 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, the 2014 nine month period included a special \$21 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):

	September 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	6,283	4,271
Equipment loans and other notes payable, fixed and variable interest rates ranging from 1.63% to 8.10%, maturing from 2015 to 2027	2,355	1,860
Special facility revenue bonds, fixed interest rates ranging from 2.00% to 8.00%, maturing from 2016 to 2035	1,051	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	935	992
	13,241	11,249
<i>Unsecured</i>		
Affiliate unsecured obligations	27	27
	27	27
Total long-term debt and capital lease obligations	13,268	11,276
Less: Total unamortized debt discount	16	42
Less: Current maturities	1,212	1,230
Long-term debt and capital lease obligations, net of current maturities	\$ 12,040	\$ 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. As of September 30, 2015, as a result of American's improved credit ratings, the LIBOR margin was 2.50%.

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. As of September 30, 2015, as a result of American's improved credit ratings, the LIBOR margin was 2.75%.

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 (the 2015-1 EETCs) in connection with the financing of 28 aircraft owned by American (the 2015 EETC Aircraft).

As of September 30, 2015, the entire \$1.2 billion of the proceeds from the sale of the 2015-1 EETCs has been used to purchase equipment notes issued by American in two series: Series A equipment notes in the amount of \$948 million bearing interest at 3.375% per annum and Series B equipment notes in the amount of \$266 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 the 2015 EETC Aircraft.

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2015-2 EETCs

In September 2015, American created three pass-through trusts which issued approximately \$1.1 billion aggregate face amount of Series 2015-2 Class AA, Class A and Class B EETCs (the 2015-2 EETCs) in connection with the financing of 21 aircraft owned by American (the 2015-2 EETC Aircraft).

As of September 30, 2015, the entire \$1.1 billion of the proceeds from the sale of the 2015-2 EETCs has been used to purchase equipment notes issued by American in three series: Series AA equipment notes in the amount of \$583 million bearing interest at 3.60% per annum, Series A equipment notes in the amount of \$239 million bearing interest at 4.00% per annum and Series B equipment notes in the amount of \$239 million bearing interest at 4.40% per annum. Interest and principal payments on the equipment notes are payable semi-annually in March and September of each year, with interest payments beginning in March 2016 and principal payments beginning in September 2016. The final payments on the Series AA and Series A equipment notes will be in September 2027 and the final payments on the Series B equipment notes will be in September 2023. These equipment notes are secured by liens on the 2015-2 EETC Aircraft.

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 bear interest at 5.0% per annum 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 for purchase by American. 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 September 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 related to the John F. Kennedy International Airport, which were bearing interest at 8.50% per annum. In August 2015, these bonds were purchased by American and subsequently remarketed. The remarketed bonds bear interest at 2.00% per annum from the date of initial issuance and delivery of the bonds in August 2015, until August 2016, when the bonds will be subject to mandatory tender for purchase by

American. In connection with this transaction, American recorded a special nonoperating charge of \$20 million related primarily to non-cash write offs of unamortized debt discount and debt issuance costs. The \$365 million obligation is reflected in current maturities of long-term debt on American's condensed consolidated balance sheet as of September 30, 2015.

Other Aircraft Financing Transactions

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

In the first nine months of 2015, American entered into loan agreements to borrow \$902 million in connection with the financing of certain aircraft. The notes mature in 2023 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

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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 in evaluating the realizability of its deferred tax assets. Many factors are considered which impact American's projections of future sustained profitability including risks associated with merger integration as well as other conditions which are beyond American's control, such as the health of the economy, the level and volatility of fuel prices and travel demand. American has concluded as of September 30, 2015, that the valuation allowance was still needed on its deferred tax assets based on the weight of the factors described above. However, if for the remainder of 2015, projections for future sustained profitability continue and additional merger integration milestones are completed, American anticipates that it may reverse substantially all of its valuation allowance as early as the end of 2015.

For the three and nine months ended September 30, 2015, American recorded a special \$6 million and \$20 million, respectively, non-cash deferred income tax provision related to certain indefinite-lived intangible assets. In addition, for the three and nine months ended September 30, 2015, American 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.

For the three and nine months ended September 30, 2014, American recorded a special \$7 million and \$21 million, respectively, non-cash deferred income tax provision related to certain indefinite-lived intangible assets. In addition for the 2014 nine month period, American recorded a special \$328 million non-cash tax provision related to the settlement of fuel hedges discussed below and \$3 million of tax expense principally 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 nine months ended September 30, 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.

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 nine months ended September 30, 2015.

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

	Fair Value Measurements as of September 30, 2015			
	Total	Level 1	Level 2	Level 3
Short-term investments ^{(1), (2)} :				
Money market funds	\$ 1,419	\$ 1,419	\$	\$
Repurchase agreements	41		41	
Corporate obligations	1,977		1,977	
Bank notes / certificates of deposit / time deposits	1,968		1,968	
	5,405	1,419	3,986	
Restricted cash and short-term investments ⁽¹⁾	657	657		
Total	\$ 6,062	\$ 2,076	\$ 3,986	\$

(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 \$375 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 nine months ended September 30, 2015.

Venezuela Cash and Short-term Investments

As of September 30, 2015, American had approximately \$609 million of unrestricted cash and short-term investments held in Venezuelan bolivars. This balance is valued at 6.3 bolivars to the U.S. dollar, which is the rate that was in effect on the date American submitted each of its repatriation requests to the Venezuelan government. This rate is 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.

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):

	September 30, 2015		December 31, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt, including current maturities	\$ 13,252	\$ 13,461	\$ 11,234	\$ 11,618

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

Three Months Ended September 30,	Pension Benefits		Retiree Medical and Other Benefits	
	2015	2014	2015	2014
Service cost	\$	\$ 1	\$	\$
Interest cost	183	185	11	14
Expected return on assets	(212)	(196)	(5)	(5)
Settlements		1		
Amortization of:				
Prior service cost (benefit)	7	7	(59)	(54)
Unrecognized net loss (gain)	28	12	(2)	(2)
Net periodic benefit cost (income)	\$ 6	\$ 10	\$ (55)	\$ (47)

Nine Months Ended September 30,	Pension Benefits		Retiree Medical and Other Benefits	
	2015	2014	2015	2014
Service cost	\$ 1	\$ 2	\$ 1	\$
Interest cost	550	554	34	42
Expected return on assets	(636)	(587)	(15)	(15)
Settlements	1	4		
Amortization of:				
Prior service cost (benefit) ⁽¹⁾	21	21	(178)	(172)
Unrecognized net loss (gain)	84	35	(6)	(6)
Net periodic benefit cost (income)	\$ 21	\$ 29	\$ (164)	\$ (151)

⁽¹⁾ The 2015 nine month period prior service cost does not include amortization of \$2 million related to other post-employment benefits.

Effective November 1, 2012, substantially all of 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, 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. American's pension funding obligations are likely to increase materially beginning in 2019, when American will be required to make contributions relating to the 2018 fiscal year. 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.

9. 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	\$ (3,660)	\$ 9	\$ (3)	\$ (991)	\$ (4,645)
Other comprehensive income (loss) before reclassifications			(4)		(4)
Amounts reclassified from accumulated other comprehensive income (loss)	(76)	(9)			(85)
Net current period other comprehensive income (loss)	(76)	(9)	(4)		(89)
Balance at September 30, 2015	\$ (3,736)	\$	\$ (7)	\$ (991)	\$ (4,734)

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

AOCI Components	Amounts reclassified from AOCI				Affected line items on condensed consolidated statement of operations
	Three Months Ended September 30, 2015		Nine Months Ended September 30, 2015		
Amortization of pension and retiree medical liability:					
Prior service cost	\$ (52)	\$ (47)	\$ (155)	\$ (151)	Salaries, wages and benefits
Actuarial loss	26	10	79	29	Salaries, wages and benefits
Derivative financial instruments:					
Cash flow hedges		(7)	(9)	5	Aircraft fuel and related taxes
Net unrealized change on investments:					
Net change in value		(2)		(2)	Other nonoperating, net
Income tax benefit:					
Reversal of non-cash tax provision				328	Income tax provision
Total reclassifications for the period	\$ (26)	\$ (46)	\$ (85)	\$ 209	

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 September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Aircraft fuel and related taxes	\$ 166	\$ 264	\$ 510	\$ 787
Salaries, wages and benefits	36	25	100	71
Capacity purchases from third-party regional carriers	371	327	1,067	970
Other rent and landing fees	77	61	212	177
Selling expenses	44	40	122	116

Depreciation and amortization	47	36	134	110
Special items, net	1	2	4	4
Other	61	35	169	117
Total regional expenses	\$ 803	\$ 790	\$ 2,318	\$ 2,352

11. Transactions with Related Parties

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

	September 30, 2015	December 31, 2014
American Airlines Group Parent	\$ (1,994)	\$ 40
US Airways Group, Inc.	476	320
Envoy Aviation Group ⁽¹⁾ and other subsidiaries	2,083	2,203
Total	\$ 565	\$ 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.

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 the three and nine months ended September 30, 2015, \$208 million and \$430 million, respectively, 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

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INC.****(Unaudited)**

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 nine months ended September 30, 2015, \$389 million and \$808 million of total net operating expenses, respectively, was allocated from American to US Airways. There were no material allocations recorded during the three and nine months ended September 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 and completed 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, 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. 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 of September 30, 2015, there were approximately

25.3 million shares of AAG Common Stock remaining in the Disputed Claims Reserve. 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 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.

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

(Unaudited)

DOJ Antitrust 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 approximately 100 putative class action lawsuits alleging unlawful agreements with respect to air passenger capacity. The U.S. lawsuits were the subject of multiple motions to consolidate them in a single forum, and they have now been consolidated in the Federal District Court for the District of Columbia. 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. On November 27, 2013, the Bankruptcy Court denied plaintiffs' motion to preliminarily enjoin the Merger. On August 19, 2015, after three previous largely unsuccessful attempts to amend their complaint, plaintiffs filed a fourth motion for leave to file an amended and supplemental complaint to add a claim for damages and demand for jury trial, as well as claims similar to those in the putative class action lawsuits regarding air passenger capacity. Thereafter, plaintiffs filed a request with the Judicial Panel on Multidistrict Litigation (JPML) to consolidate the Fjord matter with the putative class action lawsuits. The JPML denied that request on October 15, 2015. Plaintiffs have indicated that they will seek further relief from the JPML. 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.

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 third quarter of 2015, approximately 53 million passengers boarded our mainline and regional flights. As of September 30, 2015, we operated 943 mainline aircraft and were supported by our regional airline subsidiaries and third-party regional carriers, which operated 584 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. During the third quarter of 2015, we set in motion the events that allowed us to merge our reservations systems and create a seamless travel experience for our customers, and on October 17, 2015, we successfully implemented a single integrated reservation system for US Airways and American.

The U.S. Airline Industry

During the third quarter of 2015, U.S. airline industry revenues declined as compared to the third 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:

	July	August	September
<u>2015 vs. 2014</u>			
Passenger Revenues	(0.1)%	(4.0)%	(2.0)%
Yields	(4.8)%	(8.0)%	(7.0)%

	July	August	September
<u>2014 vs. 2013</u>			
Passenger Revenues	4.9%	4.0%	4.2%
Yields	2.2%	2.0%	1.6%

With respect to international versus domestic performance, Airlines for America reported that in the third quarter of 2015, domestic markets outperformed international markets (Atlantic, Pacific, and Latin America) in both yield and overall revenue performance.

Jet fuel prices closely follow the price of Brent crude oil. On average, the price of Brent crude oil per barrel was approximately 51% lower in the third quarter of 2015 as compared to the third quarter of 2014. The average daily spot price for Brent crude oil during the third quarter of 2015 was \$50 per barrel as compared to an average daily spot price of \$102 per barrel during the third quarter of 2014. On a daily basis, Brent crude oil prices fluctuated during the quarter between a high of \$62 per barrel to a low of \$42 per barrel, and closed the third quarter on September 30, 2015 at \$47 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****Third Quarter 2015 Results**

Driven by substantially lower fuel costs, we realized operating income of \$2.0 billion and net income of \$1.7 billion in the third quarter of 2015. This compares to operating income of \$1.3 billion and net income of \$942 million in the third quarter of 2014.

Excluding the effects of net special charges, we recognized operating income of \$2.2 billion and net income of \$1.9 billion in the third quarter of 2015 as compared to operating income of \$1.5 billion and net income of \$1.2 billion in the third quarter of 2014. This represents improvements of 46% and 54%, respectively, in operating income and net income during the third quarter of 2015.

	Three Months Ended		Percent
	September 30,		Increase
	2015	2014	(Decrease)
	(In millions, except percentage changes)		
Mainline and regional passenger revenues	\$ 9,353	\$ 9,758	(4.2)
Total operating revenues	10,706	11,139	(3.9)
Mainline and regional aircraft fuel and related taxes	1,903	3,367	(43.5)
Total operating expenses	8,707	9,879	(11.9)
Operating income	1,999	1,260	58.7
Net income	1,693	942	79.8
Special items: ⁽¹⁾			
Operating special charges, net	\$ 165	\$ 223	
Nonoperating special charges, net	21	50	
Income tax special charges, net	6	8	
Total net special charges	\$ 192	\$ 281	

- (1) AAG's third quarter 2015 results were impacted by net special charges of \$192 million, consisting principally of \$198 million of merger integration expenses and a \$38 million charge in connection with the dissolution of the Texas Aero Engine Services joint venture, offset in part by a net special credit of \$66 million related to proceeds received from a legal settlement. The third quarter of 2014 results were impacted by net special charges of \$281 million consisting principally of \$168 million of merger integration expenses, an \$81 million charge to revise prior estimates of certain aircraft residual values and \$50 million in debt extinguishment charges, offset in part by net credits of \$40 million for bankruptcy related items. 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 third quarter of 2015, we reported operating revenues of \$10.7 billion, which was \$433 million, or 3.9%, lower as compared to the third quarter of 2014. Mainline and regional passenger revenues were \$9.4 billion, a decrease of \$405 million, or 4.2%, as compared to the third quarter of 2014. The decline in revenues was driven by a 9.2%

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 13.16 cents in the third quarter of 2015, a 6.8% decrease as compared to 14.12 cents in the third quarter of 2014.

Fuel

Mainline and regional fuel expense totaled \$1.9 billion in the third quarter of 2015, which was \$1.5 billion, or 43.5%, lower as compared to the third quarter of 2014. This decrease was driven by a 44.0% decrease in the average price per gallon of fuel to \$1.67 in the third quarter of 2015 from \$2.98 in the 2014 period.

As of September 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.

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 third quarter mainline cost per available seat mile (CASM) excluding special items and fuel was 8.56 cents, an increase of 2.6% as compared to the third quarter of 2014. The increase was primarily due to higher salaries, wages and benefits driven by new merger-related labor contracts.

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

	Three Months Ended		Percent Increase (Decrease)
	September 30, 2015	2014	
(In cents, except percentage changes)			
Mainline CASM excluding special items and aircraft fuel and related taxes:			
Total mainline CASM	11.33	13.28	(14.7)
Special items, net	(0.26)	(0.36)	(28.3)
Aircraft fuel and related taxes	(2.51)	(4.57)	(45.1)
Mainline operating expenses per ASM, excluding special items and aircraft fuel and related taxes ⁽¹⁾			
	8.56	8.35	2.6

- ⁽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. We are currently making investments in our operation to improve our on-time departures and baggage handling performance as well as reduce the number of aircraft out of service. We reported the following combined operating statistics to the U.S. Department of Transportation (DOT) for mainline operations for the third quarter of 2015 and 2014:

	2015			2014			Better (Worse)		
	July	August	September^(e)	July	August	September	July	August	September
On-time performance									
^(a)	80.0	80.6	85.5	74.2	77.3	82.7	5.8 pts	3.3 pts	2.8 pts
Completion factor ^(b)	99.3	99.0	99.5	98.5	99.1	99.4	0.8 pts	(0.1)pts	0.1 pts
Mishandled baggage ^(c)	3.73	3.88	2.96	3.98	3.87	3.12	6.3 %	(0.3)%	5.1 %
Customer complaints									
^(d)	3.45	4.01	4.70	2.57	2.39	1.87	(34.2)%	(67.8)%	(151.3)%

^(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) September 2015 operating statistics are preliminary as the DOT has not issued its September 2015 Air Travel Consumer report as of the date of this filing.

Liquidity Position

As of September 30, 2015, our total cash, short-term investments and restricted cash was \$9.6 billion, of which \$710 million was restricted. We also had available \$1.8 billion under undrawn revolving lines of credit facilities.

In the first nine months of 2015, we utilized cash generated from operations to invest in our airline. Capital expenditures totaled \$4.6 billion as we continued to renew our fleet, make investments in our operation, and improve our product offerings. Expenditures included:

Delivery of 84 new aircraft including 24 Airbus A321 family aircraft, 15 Embraer 175 aircraft, 14 Bombardier CRJ900 aircraft, 12 Boeing 737 aircraft, 11 Boeing 787 aircraft, seven Airbus A319 aircraft and one Boeing 777 aircraft

New ground support equipment, bag handling technology and the opening of the new state-of-the-art Integrated Operations Center to improve our operation

New product enhancements to improve our customer experience including fully lie-flat seats on our long-haul, international fleet, international Wi-Fi, AC power outlets and USB power in cabins on new and retrofitted aircraft, enhanced in-seat entertainment, Main Cabin Extra seating, improved and updated kiosks and Admirals Club refurbishments

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We also returned capital to our shareholders. In the first nine months of 2015, we repurchased 59.5 million shares at a cost of \$2.5 billion. As of September 30, 2015, we can repurchase up to an additional \$1.5 billion of shares under our program. Additionally, we paid \$206 million in connection with quarterly dividends of \$0.10 per share declared in January, April and July of 2015.

These cash outflows described above were offset in part by new debt issuances in the first nine months of 2015, including the issuance of \$2.3 billion in equipment notes under the 2015-1 and 2015-2 Enhanced Equipment Trust Certificates to finance certain unencumbered aircraft. Additionally, we issued \$500 million aggregate principal amount of 4.625% senior notes due 2020.

We also strengthened our liquidity position by paying down or refinancing certain higher rate debt. We repaid our \$400 million Citibank AAdvantage loan, refinanced and lowered the LIBOR margins on our \$1.9 billion and \$750 million term loan facilities and purchased and remarketed \$365 million of special revenue facility bonds at a lower interest rate.

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

	September 30, 2015	December 31, 2014
	(In millions)	
Cash and short-term investments ⁽¹⁾	\$ 8,873	\$ 7,303
Restricted cash and short-term investments ⁽²⁾	710	774
Total cash and short-term investments	\$ 9,583	\$ 8,077

⁽¹⁾ As of September 30, 2015, we had approximately \$609 million of unrestricted cash and short-term investments held in Venezuelan bolivars. This balance is valued at 6.3 bolivars to the U.S. dollar, which is the rate that was in effect on the date we submitted each of our repatriation requests to the Venezuelan government. This rate is 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 third quarter of 2015, we realized operating income of \$2.0 billion and net income of \$1.7 billion. Our third quarter 2015 net income included net special operating charges of \$165 million and total net special charges of \$192 million. Excluding the effects of these special charges, we realized operating income of \$2.2 billion and net income of \$1.9 billion.

In the third quarter of 2014, we realized operating income of \$1.3 billion and net income of \$942 million. Our third quarter 2014 net income included net special operating charges of \$223 million and total net special charges of \$281 million. Excluding the effects of these special charges, we realized operating income of \$1.5 billion and net income of \$1.2 billion.

In the first nine months of 2015, we realized operating income of \$5.1 billion and net income of \$4.3 billion. Our 2015 nine month period net income included net special operating charges of \$630 million and total net special charges of \$654 million. Excluding the effects of these special charges, we realized operating income of \$5.8 billion and net income of \$5.0 billion.

In the first nine months of 2014, we realized operating income of \$3.4 billion and net income of \$2.3 billion. Our 2014 nine month period net income included net special operating charges of \$342 million and total net special charges of \$795 million. Excluding the effects of these special charges, we realized operating income of \$3.7 billion and net income of \$3.1 billion.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income	\$ 1,693	\$ 942	\$ 4,329	\$ 2,285
Special items:				
Mainline operating special items, net ⁽¹⁾	163	221	610	335
Regional operating special items, net ⁽²⁾	2	2	20	7
Nonoperating special items, net ⁽³⁾	21	50	2	101
Income tax special items, net ⁽⁴⁾	6	8	22	352
Total special items	192	281	654	795
Net income excluding special items	\$ 1,885	\$ 1,223	\$ 4,983	\$ 3,080

(1) The 2015 third quarter mainline operating special items totaled a net charge of \$163 million, which principally included \$196 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, as well as a \$38 million charge in connection with the dissolution of the Texas Aero Engine Services joint venture. These charges were offset in part by a \$66 million credit related to proceeds received from a legal settlement. The 2015 nine month period mainline operating special items totaled a net charge of \$610 million, which principally included \$633 million of merger integration expenses as described above, a net \$99 million charge related to our new pilot joint collective bargaining agreement and a \$38 million charge in connection with the dissolution of the Texas Aero Engine Services joint venture. These charges were offset in part by a net \$75 million credit for bankruptcy related items primarily consisting of fair value adjustments for bankruptcy settlement obligations and a \$66 million credit related to proceeds received from a legal settlement.

The 2014 third quarter mainline operating special items totaled a net charge of \$221 million, which principally included \$166 million of merger integration expenses related to information technology, alignment of labor union contracts, professional fees, severance and retention, share-based compensation, re-branding of aircraft and airport facilities, relocation and training, as well as \$99 million in other special charges, including an \$81 million charge to revise prior estimates of certain aircraft residual values, and other spare parts asset impairments. These charges were offset in part by a net \$40 million credit for bankruptcy related items primarily consisting of fair value adjustments for bankruptcy settlement obligations. The 2014 nine month period mainline operating special items totaled a net charge of \$335 million, which principally included \$530 million of merger integration expenses as described above, \$99 million in other special charges, including an \$81 million charge to revise prior estimates of certain aircraft residual values, and other spare parts asset impairments, as well as \$46 million in charges primarily relating to the buyout of certain aircraft leases. These charges were offset in part by a \$309 million gain on the sale of Slots at Ronald Reagan Washington National Airport (DCA) and a net \$35 million credit for bankruptcy related items as described above.

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

(3)

The 2015 third quarter nonoperating special items totaled a net charge of \$21 million, which was primarily due to non-cash write offs of unamortized debt discount and debt issuance costs associated with the purchase and subsequent remarketing of certain special facility revenue bonds. The 2015 nine month period nonoperating special items totaled a net charge of \$2 million, which principally included \$40 million in charges primarily related to non-cash write offs of unamortized debt discount and debt issuance costs associated with refinancing our secured term loan facilities, prepayments of certain aircraft financings and the purchase and subsequent remarketing of certain special facility revenue bonds. These charges were offset in part by a \$22 million gain associated with the sale of an investment and a \$17 million early debt extinguishment gain associated with the repayment of American's AAdvantage loan with Citibank.

The 2014 third quarter nonoperating special items totaled a net charge of \$50 million, which was primarily due to early debt extinguishment costs related to the prepayment of our 7.50% senior secured notes and other indebtedness. The 2014 nine month period nonoperating special items totaled a net charge of \$101 million, which primarily included \$54 million of early debt extinguishment costs as described above and \$33 million of non-cash interest accretion on the bankruptcy settlement obligations.

(4) The 2015 third quarter and nine 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 third quarter, we recorded a special \$8 million non-cash deferred income tax provision related to certain indefinite-lived intangible assets. During the 2014 nine month period, 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

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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, the 2014 nine month period included a special \$22 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 net operating losses (NOLs) carried over from prior taxable years (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 in evaluating the realizability of our deferred tax assets. Many factors are considered which impact our projections of future sustained profitability including risks associated with merger integration as well as other conditions which are beyond our control, such as the health of the economy, the level and volatility of fuel prices and travel demand. We have concluded as of September 30, 2015, that the valuation allowance was still needed on our deferred tax assets based on the weight of the factors described above. However, if for the remainder of 2015, projections for future sustained profitability continue and additional merger integration milestones are completed, we anticipate that we may reverse substantially all of our valuation allowance as early as the end of 2015.

For the three and nine months ended September 30, 2015, we recorded a special \$6 million and \$22 million, respectively, non-cash deferred income tax provision related to certain indefinite-lived intangible assets. In addition,

for the three and nine months ended September 30, 2015, we recorded \$10 million and \$20 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.

For the three and nine months ended September 30, 2014, we recorded a special \$8 million and \$22 million, respectively, non-cash deferred income tax provision related to certain indefinite-lived intangible assets. In addition, for the 2014 nine month period, we recorded a special \$330 million non-cash tax provision related to the settlement of fuel hedges as discussed above and \$8 million of tax expense principally 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 nine months ended September 30, 2015 and 2014.

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
Mainline						
Revenue passenger miles (millions) ^(a)	54,667	51,895	5.3%	151,148	149,129	1.4%
Available seat miles (millions) ^(b)	63,459	61,851	2.6%	181,232	179,682	0.9%
Passenger load factor (percent) ^(c)	86.1	83.9	2.2 pts	83.4	83.0	0.4 pts
Yield (cents) ^(d)	14.00	15.60	(10.2)%	14.75	15.80	(6.6)%
Passenger revenue per available seat mile (cents) ^(e)	12.06	13.08	(7.8)%	12.30	13.11	(6.2)%
Operating cost per available seat mile (cents) ^(f)	11.33	13.28	(14.7)%	11.97	13.46	(11.1)%
Passenger enplanements (thousands) ^(g)	38,909	37,516	3.7%	110,683	110,270	0.4%
Departures (thousands)	286	291	(1.6)%	841	862	(2.4)%
Aircraft at end of period	943	978	(3.6)%	943	978	(3.6)%
Block hours (thousands) ^(h)	908	901	0.7%	2,643	2,656	(0.5)%
Average stage length (miles) ⁽ⁱ⁾	1,259	1,229	2.4%	1,231	1,211	1.6%
Fuel consumption (gallons in millions)	954	952	0.2%	2,736	2,763	(1.0)%
Average aircraft fuel price including related taxes (dollars per gallon)	1.67	2.97	(43.8)%	1.80	3.03	(40.7)%
Full-time equivalent employees at end of period	99,700	93,400	6.7%	99,700	93,400	6.7%
Regional ^(j)						
Revenue passenger miles (millions) ^(a)	6,199	5,755	7.7%	17,729	16,601	6.8%
Available seat miles (millions) ^(b)	7,633	7,269	5.0%	22,050	20,922	5.4%
Passenger load factor (percent) ^(c)	81.2	79.2	2.0 pts	80.4	79.3	1.1 pts
Yield (cents) ^(d)	27.40	28.93	(5.3)%	27.69	28.79	(3.8)%
Passenger revenue per available seat mile (cents) ^(e)	22.25	22.90	(2.8)%	22.27	22.84	(2.5)%
Operating cost per available seat mile (cents) ^(f)	19.89	22.94	(13.3)%	20.57	23.51	(12.5)%
Passenger enplanements (thousands) ^(g)	14,413	13,483	6.9%	41,032	38,745	5.9%
Aircraft at end of period	584	557	4.8%	584	557	4.8%
Fuel consumption (gallons in millions)	186	178	4.6%	536	514	4.3%
Average aircraft fuel price including related taxes (dollars per gallon)	1.67	3.02	(44.8)%	1.81	3.06	(40.9)%

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Full-time equivalent employees at end of period ^(k)	19,300	18,500	4.3%	19,300	18,500	4.3%
Total Mainline and Regional						
Revenue passenger miles (millions) ^(a)	60,866	57,650	5.6%	168,877	165,730	1.9%
Available seat miles (millions) ^(b)	71,092	69,120	2.9%	203,282	200,604	1.3%
Cargo ton miles (millions) ^(l)	569	566	0.4%	1,716	1,721	(0.3)%
Passenger load factor (percent) ^(c)	85.6	83.4	2.2 pts	83.1	82.6	0.5 pts
Yield (cents) ^(d)	15.37	16.93	(9.2)%	16.11	17.10	(5.8)%
Passenger revenue per available seat mile (cents) ^(e)	13.16	14.12	(6.8)%	13.38	14.13	(5.3)%
Total revenue per available seat mile (cents) ^(m)	15.06	16.12	(6.6)%	15.43	16.20	(4.7)%
Cargo yield per ton mile (cents) ⁽ⁿ⁾	31.63	37.98	(16.7)%	33.11	37.34	(11.3)%
Passenger enplanements (thousands) ^(g)	53,322	50,999	4.6%	151,715	149,015	1.8%
Aircraft at end of period	1,527	1,535	(0.5)%	1,527	1,535	(0.5)%
Fuel consumption (gallons in millions)	1,140	1,130	0.9%	3,272	3,277	(0.2)%
Average aircraft fuel price including related taxes (dollars per gallon)	1.67	2.98	(44.0)%	1.80	3.03	(40.7)%
Full-time equivalent employees at end of period	119,000	111,900	6.3%	119,000	111,900	6.3%

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- (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.
- (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 September 30, 2015 Compared to Three Months Ended September 30, 2014**Operating Revenues**

	Three Months Ended September 30,		Percent Increase
	2015	2014	(Decrease)
	(In millions, except percentage changes)		
Mainline passenger	\$ 7,654	\$ 8,093	(5.4)
Regional passenger	1,699	1,665	2.0
Cargo	180	215	(16.3)
Other	1,173	1,166	0.6
Total operating revenues	\$ 10,706	\$ 11,139	(3.9)

Total operating revenues in the third quarter of 2015 decreased \$433 million, or 3.9%, 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 third quarter of 2015 as compared to \$8.1 billion in the 2014 period. Mainline RPM s increased 5.3% as mainline capacity, as measured by ASMs, increased 2.6%, resulting in a 2.2 point increase in load factor to 86.1%. Mainline passenger yield decreased 10.2% to 14.00 cents in the third quarter of 2015 from 15.60 cents in the 2014 period. Mainline PRASM decreased 7.8% to 12.06 cents in the third quarter of 2015 from 13.08 cents in the 2014 period.

Regional passenger revenues were \$1.7 billion in each of the third quarters of 2015 and 2014. Regional RPM s increased 7.7% as regional capacity, as measured by ASMs, increased 5.0%, resulting in a 2.0 point increase in load factor to 81.2%. Regional passenger yield decreased 5.3% to 27.40 cents in the third quarter of 2015 from 28.93 cents in the 2014 period. Regional PRASM decreased 2.8% to 22.25 cents in the third quarter of 2015 from 22.90 cents in the 2014 period.

Cargo revenue decreased \$35 million, or 16.3%, in the third quarter of 2015 from the 2014 period driven primarily by a decrease in domestic and international freight yields.

Table of Contents**Operating Expenses**

	Three Months Ended September 30,		Percent Increase
	2015	2014	(Decrease)
	(In millions, except percentage changes)		
Aircraft fuel and related taxes	\$ 1,593	\$ 2,829	(43.7)
Salaries, wages and benefits	2,404	2,137	12.5
Maintenance, materials and repairs	456	529	(13.8)
Other rent and landing fees	432	431	0.2
Aircraft rent	308	306	0.8
Selling expenses	366	393	(7.0)
Depreciation and amortization	336	334	0.7
Special items, net	163	221	(26.5)
Other	1,131	1,031	9.6
Total mainline operating expenses	7,189	8,211	(12.4)
Regional expenses:			
Fuel	310	538	(42.3)
Other	1,208	1,130	6.9
Total regional operating expenses	1,518	1,668	(9.0)
Total operating expenses	\$ 8,707	\$ 9,879	(11.9)

Total operating expenses were \$8.7 billion in the third quarter of 2015, a decrease of \$1.2 billion, or 11.9%, 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 1.95 cents, or 14.7%, from 13.28 cents in the third quarter of 2014 to 11.33 cents in the third quarter of 2015. Excluding special items and aircraft fuel and related taxes, our mainline CASM increased 0.21 cents, or 2.6%, from 8.35 cents in the third quarter of 2014 to 8.56 cents in the third 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 September 30, 2015 and 2014:

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

Mainline CASM:			
Aircraft fuel and related taxes	2.51	4.57	(45.1)
Salaries, wages and benefits	3.79	3.45	9.7
Maintenance, materials and repairs	0.72	0.86	(16.0)
Other rent and landing fees	0.68	0.70	(2.4)
Aircraft rent	0.49	0.49	(1.7)
Selling expenses	0.58	0.64	(9.3)
Depreciation and amortization	0.53	0.54	(1.9)
Special items, net	0.26	0.36	(28.3)
Other	1.78	1.67	6.8
Total mainline CASM	11.33	13.28	(14.7)
Special items, net	(0.26)	(0.36)	(28.3)
Aircraft fuel and related taxes	(2.51)	(4.57)	(45.1)
Mainline operating expenses per ASM, excluding special items and aircraft fuel and related taxes ⁽¹⁾	8.56	8.35	2.6

- ⁽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 45.1% primarily due to a 43.8% decrease in the average price per gallon to \$1.67 in the third quarter of 2015 from an average price per gallon of \$2.97 in the 2014 period.

Salaries, wages and benefits per ASM increased 9.7% primarily due to increased costs associated with the new pilot and flight attendant joint collective bargaining agreements.

Maintenance, materials and repairs per ASM decreased 16.0% primarily due to fewer engine overhauls in the 2015 period, driven by our fleet renewal program.

Selling expenses per ASM decreased 9.3% primarily due to lower revenues in the 2015 period.

Other operating expenses per ASM increased 6.8% in the third quarter of 2015 as compared to the 2014 period primarily due to increases in crew travel, certain professional fees and aircraft food and catering.

Regional Operating Expenses

Total regional expenses decreased \$150 million, or 9.0%, in the third quarter of 2015 to \$1.5 billion from \$1.7 billion in the 2014 period. The period-over-period decrease was primarily due to a \$228 million, or 42.3%, decrease in fuel costs, offset in part by a \$78 million, or 6.9%, increase in other regional operating expenses. The average price per gallon of fuel decreased 44.8% to \$1.67 in the third quarter of 2015 from \$3.02 in 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 September 30,		Percent Increase
	2015	2014	(Decrease)
	(In millions, except percentage changes)		
Interest income	\$ 10	\$ 7	32.6
Interest expense, net of capitalized interest	(219)	(210)	4.3
Other, net	(81)	(108)	(25.5)
Total nonoperating expense, net	\$ (290)	\$ (311)	(6.7)

Interest income was \$10 million and \$7 million in the third quarter of 2015 and 2014, respectively. Our short-term investments in each period consisted of highly liquid investments that provided nominal returns.

Other nonoperating expense, net in the third quarter of 2015 included \$62 million of foreign currency losses and \$21 million in other nonoperating special charges. The foreign currency losses were driven primarily by the strengthening of the U.S. dollar in foreign currency transactions relative to other currencies during the third quarter of 2015, principally in Latin American and European markets, including a 30% decrease in the value of the Brazilian real and a 4% decrease in the value of the British pound. The other nonoperating special charges were primarily due to non-cash write offs of unamortized debt discount and debt issuance costs associated with the purchase and subsequent remarketing of certain special facility revenue bonds.

Other nonoperating expense, net in the third quarter of 2014 included \$58 million of foreign currency losses and \$50 million in other nonoperating special charges. The foreign currency losses were driven primarily by the strengthening of the U.S. dollar in foreign currency transactions relative to other currencies during the third quarter of 2014, principally in the Latin American market, including a 13% decrease in the value of the Venezuelan bolivar (SICAD1 rate) and a 12% decrease in the value of the Brazilian real. The other nonoperating special charges were primarily due to early debt extinguishment costs related to the prepayment of our 7.50% senior secured notes and other indebtedness.

Table of Contents***Nine Months Ended September 30, 2015 Compared to Nine Months Ended September 30, 2014*****Operating Revenues**

	Nine Months Ended September 30, 2015 2014		Percent Increase (Decrease)
	(In millions, except percentage changes)		
Mainline passenger	\$ 22,298	\$ 23,564	(5.4)
Regional passenger	4,910	4,779	2.7
Cargo	568	643	(11.6)
Other	3,584	3,504	2.3
Total operating revenues	\$ 31,360	\$ 32,490	(3.5)

Total operating revenues in the first nine months of 2015 decreased \$1.1 billion, or 3.5%, from the 2014 period principally due to winter storm flight cancellations and 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 \$22.3 billion in the first nine months of 2015 as compared to \$23.6 billion in the 2014 period. Mainline RPM s increased 1.4% as mainline capacity, as measured by ASMs, increased 0.9%, resulting in a 0.4 point increase in load factor to 83.4%. Mainline passenger yield decreased 6.6% to 14.75 cents in the first nine months of 2015 from 15.80 cents in the 2014 period. Mainline PRASM decreased 6.2% to 12.30 cents in the first nine months of 2015 from 13.11 cents in the 2014 period.

Regional passenger revenues were \$4.9 billion in the first nine months of 2015 as compared to \$4.8 billion in the 2014 period. Regional RPM s increased 6.8% as regional capacity, as measured by ASMs, increased 5.4%, resulting in a 1.1 point increase in load factor to 80.4%. Regional passenger yield decreased 3.8% to 27.69 cents in the first nine months of 2015 from 28.79 cents in the 2014 period. Regional PRASM decreased 2.5% to 22.27 cents in the first nine months of 2015 from 22.84 cents in the 2014 period.

Cargo revenue decreased \$75 million, or 11.6%, in the first nine months of 2015 from the 2014 period driven primarily by a decrease in international freight yields.

Operating Expenses

	Nine Months Ended September 30, 2015 2014		Percent Increase (Decrease)
	(In millions, except percentage changes)		
Aircraft fuel and related taxes	\$ 4,912	\$ 8,370	(41.3)

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Salaries, wages and benefits	7,141	6,419	11.3
Maintenance, materials and repairs	1,452	1,528	(5.0)
Other rent and landing fees	1,290	1,297	(0.5)
Aircraft rent	941	937	0.5
Selling expenses	1,051	1,196	(12.1)
Depreciation and amortization	1,013	960	5.5
Special items, net	610	335	82.2
Other	3,278	3,140	4.4
Total mainline operating expenses	21,688	24,182	(10.3)
Regional expenses:			
Fuel	970	1,573	(38.3)
Other	3,566	3,346	6.6
Total regional operating expenses	4,536	4,919	(7.8)
Total operating expenses	\$ 26,224	\$ 29,101	(9.9)

Total operating expenses were \$26.2 billion in the first nine months of 2015, a decrease of \$2.9 billion, or 9.9%, 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 1.49 cents, or 11.1%, from 13.46 cents in the first nine months of 2014 to 11.97 cents in the first nine months of 2015. Excluding special items and aircraft fuel and related taxes, our mainline CASM increased 0.31 cents, or 3.6%, from 8.61 cents in the first nine months of 2014 to 8.92 cents in the first nine months of 2015, primarily due to higher salaries, wages and benefits due to new merger-related labor contracts.

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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 nine months ended September 30, 2015 and 2014:

	Nine Months Ended September 30,		Percent Increase
	2015	2014	(Decrease)
	(In cents, except percentage changes)		
Mainline CASM:			
Aircraft fuel and related taxes	2.71	4.66	(41.8)
Salaries, wages and benefits	3.94	3.57	10.3
Maintenance, materials and repairs	0.80	0.85	(5.8)
Other rent and landing fees	0.71	0.72	(1.4)
Aircraft rent	0.52	0.52	(0.4)
Selling expenses	0.58	0.67	(12.9)
Depreciation and amortization	0.56	0.53	4.6
Special items, net	0.34	0.19	80.6
Other	1.81	1.75	3.5
Total mainline CASM	11.97	13.46	(11.1)
Special items, net	(0.34)	(0.19)	80.6
Aircraft fuel and related taxes	(2.71)	(4.66)	(41.8)
Mainline operating expenses per ASM, excluding special items and aircraft fuel and related taxes ⁽¹⁾	8.92	8.61	3.6

⁽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.

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

Aircraft fuel and related taxes per ASM decreased 41.8% primarily due to a 40.7% decrease in the average price per gallon to \$1.80 in the first nine months of 2015 from an average price per gallon of \$3.03 in the 2014 period.

Salaries, wages and benefits per ASM increased 10.3% primarily due to increased costs associated with the new pilot and flight attendant joint collective bargaining agreements.

Maintenance, materials and repairs per ASM decreased 5.8% primarily due to fewer engine overhauls in the 2015 period, driven by our fleet renewal program.

Selling expenses per ASM decreased 12.9% primarily due to lower contractually negotiated rates for certain commissions and booking fees as well as lower revenues in the 2015 period.

Regional Operating Expenses

Total regional expenses decreased \$383 million, or 7.8%, in the first nine months of 2015 to \$4.5 billion from \$4.9 billion in the 2014 period. The period-over-period decrease was primarily due to a \$603 million, or 38.3%, decrease in fuel costs, offset in part by a \$220 million, or 6.6%, increase in other regional operating expenses. The average price per gallon of fuel decreased 40.9% to \$1.81 in the first nine months of 2015 from \$3.06 in the 2014 period. The increase in other regional operating expenses was principally due to increased flying under capacity purchase agreements.

Table of Contents***Nonoperating Income (Expense)***

	Nine Months Ended September 30,		Percent Increase
	2015	2014	(Decrease)
	(In millions, except percentage changes)		
Interest income	\$ 29	\$ 22	30.3
Interest expense, net of capitalized interest	(651)	(667)	(2.3)
Other, net	(143)	(99)	43.9
Total nonoperating expense, net	\$ (765)	\$ (744)	2.9

Interest income was \$29 million and \$22 million in the first nine months of 2015 and 2014, respectively. Our short-term investments in each period consisted of highly liquid investments that provided nominal returns.

Other nonoperating expense, net in the 2015 nine month period included \$144 million of foreign currency losses driven primarily by the strengthening of the U.S. dollar in foreign currency transactions relative to other currencies during the 2015 nine month period, principally in Latin American and European markets, including a 50% decrease in the value of the Brazilian real, an 8% decrease in the value of the Euro and a 2% decrease in the value of the British pound.

Other nonoperating expense, net in the 2014 nine month period included \$46 million of foreign currency losses and \$54 million in other nonoperating special charges. The foreign currency losses were driven primarily by the strengthening of the U.S. dollar in foreign currency transactions relative to other currencies during the 2014 nine month period, principally in the Latin American market, including a 91% decrease in the value of the Venezuelan bolivar (SICAD1 rate) and a 5% decrease in the value of the Brazilian real. The other nonoperating special charges were primarily due to early debt extinguishment costs related to the prepayment of our 7.50% senior secured notes and other indebtedness.

American s Results of Operations

In the third quarter of 2015, American realized operating income of \$1.2 billion and net income of \$1.0 billion. American s third quarter 2015 net income included net special operating charges of \$78 million and total net special charges of \$105 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 third quarter of 2014, American realized operating income of \$698 million and net income of \$465 million. American s third quarter 2014 net income included net special operating charges of \$166 million and total net special charges of \$221 million. Excluding the effects of these special charges, American realized operating income of \$864 million and net income of \$686 million.

In the first nine months of 2015, American realized operating income of \$3.2 billion and net income of \$2.6 billion. American s 2015 nine month period net income included net special operating charges of \$354 million and total net special charges of \$398 million. Excluding the effects of these special charges, American realized operating income of \$3.5 billion and net income of \$3.0 billion.

In the first nine months of 2014, American realized operating income of \$2.0 billion and net income of \$1.1 billion. American's 2014 nine month period net income included net special operating charges of \$131 million and total net special charges of \$569 million. Excluding the effects of these special charges, American realized operating income of \$2.1 billion and net income of \$1.7 billion.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income	\$ 996	\$ 465	\$ 2,617	\$ 1,132
Special items:				
Mainline operating special items, net ⁽¹⁾	77	164	350	127
Regional operating special items, net ⁽²⁾	1	2	4	4
Nonoperating special items, net ⁽³⁾	21	48	24	89
Income tax special items, net ⁽⁴⁾	6	7	20	349
Total special items	105	221	398	569
Net income excluding special items	\$ 1,101	\$ 686	\$ 3,015	\$ 1,701

- ⁽¹⁾ The 2015 third quarter mainline operating special items totaled a net charge of \$77 million, which principally included \$115 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, as well as a \$38 million charge in connection with the dissolution of the Texas Aero Engine Services joint venture. These charges were offset in part by a \$66

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million credit related to proceeds received from a legal settlement. The 2015 nine month period mainline operating special items totaled a net charge of \$350 million, which principally included \$400 million of merger integration expenses as described above, a net \$64 million charge related to American's new pilot joint collective bargaining agreement and a \$38 million charge in connection with the dissolution of the Texas Aero Engine Services joint venture. These charges were offset in part by a net \$75 million credit for bankruptcy related items primarily consisting of fair value adjustments for bankruptcy settlement obligations and a \$66 million credit related to proceeds received from a legal settlement.

The 2014 third quarter mainline operating special items totaled a net charge of \$164 million, which principally included \$103 million of merger integration expenses related to information technology, alignment of labor union contracts, professional fees, severance and retention, share-based compensation, re-branding of aircraft and airport facilities, relocation and training, as well as \$99 million in other special charges, including an \$81 million charge to revise prior estimates of certain aircraft residual values, and other spare parts asset impairments. These charges were offset in part by a net \$40 million credit for bankruptcy related items primarily consisting of fair value adjustments for bankruptcy settlement obligations. The 2014 nine month period mainline operating special items totaled a net charge of \$127 million, which principally included \$337 million of merger integration expenses as described above, \$99 million in other special charges, including an \$81 million charge to revise prior estimates of certain aircraft residual values, and other spare parts asset impairments, as well as \$35 million in charges primarily relating to the buyout of certain aircraft leases. These charges were offset in part by a \$305 million gain on the sale of Slots at DCA and a net \$57 million credit for bankruptcy related items as described above.

- (2) The 2015 and 2014 third quarter and nine month period regional operating special items principally related to merger integration expenses.
- (3) The 2015 third quarter nonoperating special items totaled a net charge of \$21 million, which was primarily due to non-cash write offs of unamortized debt discount and debt issuance costs associated with the purchase and subsequent remarketing of certain special facility revenue bonds. The 2015 nine month period nonoperating special items totaled a net charge of \$24 million, which principally included \$41 million in charges primarily related to non-cash write offs of unamortized debt discount and debt issuance costs associated with refinancing American's secured term loan facilities, prepayments of certain aircraft financings and the purchase and subsequent remarketing of certain special facility revenue bonds. These charges were offset in part by a \$17 million early debt extinguishment gain associated with the repayment of American's AAdvantage loan with Citibank.

The 2014 third quarter nonoperating special items totaled a net charge of \$48 million, which was primarily due to early debt extinguishment costs related to the prepayment of American's 7.50% senior secured notes and other indebtedness. The 2014 nine month period nonoperating special items totaled a net charge of \$89 million, which primarily included \$46 million of early debt extinguishment costs as described above and \$29 million of non-cash interest accretion on the bankruptcy settlement obligations.

- (4) The 2015 third quarter and nine 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 third quarter, American recorded a special \$7 million non-cash deferred income tax provision related to certain indefinite-lived intangible assets. During the 2014 nine month period, 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 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, the 2014 nine month period included a special \$21

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

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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 in evaluating the realizability of its deferred tax assets. Many factors are considered which impact American's projections of future sustained profitability including risks associated with merger integration as well as other conditions which are beyond American's control, such as the health of the economy, the level and volatility of fuel prices and travel demand. American has concluded as of September 30, 2015, that the valuation allowance was still needed on its deferred tax assets based on the weight of the factors described above. However, if for the remainder of 2015, projections for future sustained profitability continue and additional merger integration milestones are completed, American anticipates that it may reverse substantially all of its valuation allowance as early as the end of 2015.

For the three and nine months ended September 30, 2015, American recorded a special \$6 million and \$20 million, respectively, non-cash deferred income tax provision related to certain indefinite-lived intangible assets. In addition, for the three and nine months ended September 30, 2015, American 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.

For the three and nine months ended September 30, 2014, American recorded a special \$7 million and \$21 million, respectively, non-cash deferred income tax provision related to certain indefinite-lived intangible assets. In addition for the 2014 nine month period, American recorded a special \$328 million non-cash tax provision related to the settlement of fuel hedges discussed above and \$3 million of tax expense principally related to certain states and other jurisdictions where NOLs were limited or unavailable to be used.

Three Months Ended September 30, 2015 Compared to Three Months Ended September 30, 2014**Operating Revenues**

	Three Months Ended September 30, 2015 2014		Percent Increase (Decrease)
	(In millions, except percentage changes)		
Mainline passenger	\$ 4,927	\$ 5,321	(7.4)

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Regional passenger	858	748	14.7
Cargo	150	175	(14.4)
Other	847	811	4.5
Total operating revenues	\$ 6,782	\$ 7,055	(3.9)

Total operating revenues in the third quarter of 2015 decreased \$273 million, or 3.9%, 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 \$394 million, or 7.4%, in the third quarter of 2015 from the 2014 period due to a decrease in yield, offset in part by higher ASMs.

Regional passenger revenues increased \$110 million, or 14.7%, in the third quarter of 2015 from the 2014 period due to higher ASMs, offset in part by a decrease in yield.

Cargo revenue decreased \$25 million, or 14.4%, in the third quarter of 2015 from the 2014 period driven primarily by a decrease in domestic and international freight yields.

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	Three Months Ended		Percent Increase (Decrease)
	September 30,		
	2015	2014	
(In millions, except percentage changes)			
Aircraft fuel and related taxes	\$ 1,065	\$ 1,894	(43.7)
Salaries, wages and benefits	1,563	1,412	10.7
Maintenance, materials and repairs	261	353	(26.0)
Other rent and landing fees	286	279	2.4
Aircraft rent	225	211	6.6
Selling expenses	256	278	(7.8)
Depreciation and amortization	245	230	6.2
Special items, net	77	164	(52.8)
Other	790	746	5.8
Total mainline operating expenses	4,768	5,567	(14.3)
Regional expenses:			
Fuel	166	264	(37.3)
Other	637	526	21.0
Total regional operating expenses	803	790	1.5
Total operating expenses	\$ 5,571	\$ 6,357	(12.4)

Total operating expenses in the third quarter of 2015 decreased \$786 million, or 12.4%, from the 2014 period. Significant changes in the components of mainline operating expenses are as follows:

Aircraft fuel and related taxes decreased \$829 million, or 43.7%, in the third 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 \$151 million, or 10.7%, in the third quarter of 2015 from the 2014 period primarily due to increased costs associated with the new pilot and flight attendant joint collective bargaining agreements.

Maintenance, materials and repairs decreased \$92 million, or 26.0%, in the third quarter of 2015 from the 2014 period primarily due to fewer engine overhauls in the 2015 period, driven by American's fleet renewal program.

Selling expenses decreased \$22 million, or 7.8%, in the third quarter of 2015 from the 2014 period primarily due to lower revenues in the 2015 period.

Other operating expenses increased \$44 million, or 5.8%, in the third quarter of 2015 as compared to the 2014 period primarily due to increases in crew travel, certain professional fees and aircraft food and catering.

Regional Operating Expenses

Total regional expenses increased \$13 million, or 1.5%, in the third quarter of 2015 to \$803 million from \$790 million in the 2014 period. The period-over-period increase was primarily due to a \$111 million, or 21.0%, increase in other regional operating expenses, offset in part by a \$98 million, or 37.3%, decrease in fuel costs. The increase in other regional operating expenses was principally due to increased flying under capacity purchase agreements. The average price per gallon of fuel decreased in the third quarter of 2015 from the 2014 period.

Nonoperating Income (Expense)

	Three Months Ended September 30,		Percent Increase
	2015	2014	(Decrease)
	(In millions, except percentage changes)		
Interest income	\$ 10	\$ 5	84.8
Interest expense, net of capitalized interest	(133)	(136)	(2.0)
Other, net	(83)	(97)	(15.0)
Total nonoperating expense, net	\$ (206)	\$ (228)	(9.6)

Interest income was \$10 million and \$5 million in the third quarter of 2015 and 2014, respectively. American's short-term investments in each period consisted of highly liquid investments that provided nominal returns.

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Other nonoperating expense, net in the third quarter of 2015 included \$59 million of foreign currency losses and \$21 million in other nonoperating special charges. The foreign currency losses were driven primarily by the strengthening of the U.S. dollar in foreign currency transactions relative to other currencies during the third quarter of 2015, principally in Latin American and European markets, including a 30% decrease in the value of the Brazilian real and a 4% decrease in the value of the British pound. The other nonoperating special charges were primarily due to non-cash write offs of unamortized debt discount and debt issuance costs associated with the purchase and subsequent remarketing of certain special facility revenue bonds.

Other nonoperating expense, net in the third quarter of 2014 included \$48 million of foreign currency losses and \$48 million in other nonoperating special charges. The foreign currency losses were driven primarily by the strengthening of the U.S. dollar in foreign currency transactions relative to other currencies during the third quarter of 2014 principally in the Latin American market, including a 13% decrease in the value of the Venezuelan bolivar (SICAD1 rate) and a 12% decrease in the value of the Brazilian real. The other nonoperating special charges were primarily due to early debt extinguishment costs related to the prepayment of American's 7.50% senior secured notes and other indebtedness.

Nine Months Ended September 30, 2015 Compared to Nine Months Ended September 30, 2014**Operating Revenues**

	Nine Months Ended September 30,		Percent Increase (Decrease)
	2015	2014	
	(In millions, except percentage changes)		
Mainline passenger	\$ 14,565	\$ 15,579	(6.5)
Regional passenger	2,399	2,202	9.0
Cargo	472	521	(9.4)
Other	2,533	2,374	6.7
Total operating revenues	\$ 19,969	\$ 20,676	(3.4)

Total operating revenues in the first nine months of 2015 decreased \$707 million, or 3.4%, from the 2014 period principally due to winter storm flight cancellations and 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 \$1.0 billion, or 6.5%, in the first nine months of 2015 from the 2014 period due to a decrease in yield.

Regional passenger revenues increased \$197 million, or 9.0%, in the first nine months of 2015 from the 2014 period due to higher ASMs, offset in part by a decrease in yield.

Cargo revenue decreased \$49 million, or 9.4%, in the first nine months of 2015 from the 2014 period driven primarily by a decrease in international freight yields.

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	Nine Months Ended September 30,		Percent Increase
	2015	2014	(Decrease)
	(In millions, except percentage changes)		
Aircraft fuel and related taxes	\$ 3,332	\$ 5,662	(41.1)
Salaries, wages and benefits	4,684	4,251	10.2
Maintenance, materials and repairs	868	1,031	(15.8)
Other rent and landing fees	825	853	(3.4)
Aircraft rent	676	641	5.5
Selling expenses	688	844	(18.4)
Depreciation and amortization	728	664	9.6
Special items, net	350	127	nm
Other	2,323	2,258	2.9
Total mainline operating expenses	14,474	16,331	(11.4)
Regional expenses:			
Fuel	510	787	(35.2)
Other	1,808	1,565	15.5
Total regional operating expenses	2,318	2,352	(1.5)
Total operating expenses	\$ 16,792	\$ 18,683	(10.1)

Total operating expenses in the first nine months of 2015 decreased \$1.9 billion, or 10.1%, from the 2014 period. Significant changes in the components of mainline operating expenses are as follows:

Aircraft fuel and related taxes decreased \$2.3 billion, or 41.1%, in the first nine 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 \$433 million, or 10.2%, in the first nine months of 2015 from the 2014 period primarily due to increased costs associated with the new pilot and flight attendant joint collective bargaining agreements.

Maintenance, materials and repairs decreased \$163 million, or 15.8%, in the first nine months of 2015 from the 2014 period primarily due to fewer engine overhauls in the 2015 period, driven by American's fleet renewal program.

Selling expenses decreased \$156 million, or 18.4%, in the first nine 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 \$64 million, or 9.6%, in the first nine months of 2015 from the 2014 period primarily due to deliveries of new owned aircraft subsequent to the third quarter of 2014 in connection with American's fleet renewal program.

Regional Operating Expenses

Total regional expenses decreased \$34 million, or 1.5%, in the first nine months of 2015 to \$2.3 billion from \$2.4 billion in the 2014 period. The period-over-period decrease was primarily due to a \$277 million, or 35.2%, decrease in fuel costs, offset in part by a \$243 million, or 15.5%, increase in other regional operating expenses. The average price per gallon of fuel decreased in the first nine 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)

	Nine Months Ended		Percent
	September 30,		Increase
	2015	2014	(Decrease)
	(In millions, except percentage changes)		
Interest income	\$ 26	\$ 18	42.8
Interest expense, net of capitalized interest	(396)	(443)	(10.6)
Other, net	(162)	(85)	88.9
Total nonoperating expense, net	\$ (532)	\$ (510)	4.2

Interest income was \$26 million and \$18 million in the first nine months of 2015 and 2014, respectively. American's short-term investments in each period consisted of highly liquid investments that provided nominal returns.

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Other nonoperating expense, net in the 2015 nine month period included \$129 million of foreign currency losses and a net \$24 million in other nonoperating special charges. The foreign currency losses were driven primarily by the strengthening of the U.S. dollar in foreign currency transactions relative to other currencies during the 2015 nine month period, principally in Latin American and European markets, including a 50% decrease in the value of the Brazilian real, an 8% decrease in the value of the Euro and a 2% decrease in the value of the British pound. The other nonoperating special charges were primarily due to \$41 million in non-cash write offs of unamortized debt discount and debt issuance costs associated with refinancing American's secured term loan facilities, prepayments of certain aircraft financings and the purchase and subsequent remarketing of certain special facility revenue bonds. These charges were offset in part by a \$17 million early debt extinguishment gain associated with the repayment of American's AAdvantage loan with Citibank.

Other nonoperating expense, net in the 2014 nine month period included \$33 million of foreign currency losses and \$46 million in other nonoperating special charges. The foreign currency losses were driven primarily by the strengthening of the U.S. dollar in foreign currency transactions relative to other currencies during the 2014 nine month period, principally in the Latin American market, including a 91% decrease in the value of the Venezuelan bolivar (SICAD1 rate) and a 5% decrease in the value of the Brazilian real. The other nonoperating special charges were primarily due to early debt extinguishment costs related to the prepayment of American's 7.50% senior secured notes and other indebtedness.

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

As of September 30, 2015, AAG's total cash, short-term investments and restricted cash and short-term investments was \$9.6 billion, of which \$710 million was restricted. Additional detail is provided in the table below (in millions):

	AAG		American	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Cash	\$ 1,016	\$ 994	\$ 806	\$ 785
Short-term investments.	7,857	6,309	5,405	3,290
Restricted cash and short-term investments ⁽¹⁾	710	774	657	650
Total cash, short-term investments and restricted cash and short-term investments	\$ 9,583	\$ 8,077	\$ 6,868	\$ 4,725

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

As of September 30, 2015, we had approximately \$609 million of unrestricted cash and short-term investments held in Venezuelan bolivars. This balance is valued at 6.3 bolivars to the U.S. dollar, which is the rate that was in effect on the date we submitted each of our repatriation requests to the Venezuelan government. This rate is 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.

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Share Repurchase Program

On January 27, 2015, we announced that our Board of Directors had authorized a \$2.0 billion share repurchase program, which was completed in the third quarter of 2015. In July 2015, we announced that our Board of Directors had authorized an additional \$2.0 billion share repurchase program to be completed by the end of 2016. Share repurchases 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 September 30, 2015, we repurchased 38.4 million shares of AAG Common Stock for \$1.6 billion at a weighted average cost per share of \$40.56. During the nine months ended September 30, 2015, we repurchased 59.5 million shares of AAG Common Stock for \$2.5 billion at a weighted average cost per share of \$42.00.

In October 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 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.

Cash Dividends Paid

In January 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.

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.

The total cash payment for dividends during the three and nine months ended September 30, 2015 was \$67 million and \$206 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 October 2015, we announced that our Board of Directors had declared a \$0.10 per share dividend for shareholders of record on November 5, 2015, and payable on November 19, 2015.

Sources and Uses of Cash

AAG

Operating Activities

Net cash provided by operating activities was \$6.0 billion and \$2.3 billion for the first nine months of 2015 and 2014, respectively, a period-over-period increase of \$3.7 billion. The increase was primarily due to increased profitability driven by substantially lower fuel costs and a decrease in pension contributions in the 2015 period. In the 2014 period, we contributed \$781 million to fund its domestic defined benefit pension plans resulting in no additional minimum required contributions until 2019, when we will be required to make contributions relating to the 2018 fiscal year.

Investing Activities

Net cash used in investing activities was \$6.0 billion and \$2.1 billion for the first nine months of 2015 and 2014, respectively.

Principal investing activities in the 2015 period included expenditures of \$4.6 billion for property and equipment, consisting primarily of the purchase of 84 newly delivered aircraft, including 24 Airbus A321 family aircraft, 15 Embraer 175 aircraft, 14 Bombardier CRJ900 aircraft, 12 Boeing 737 aircraft, 11 Boeing 787 aircraft, seven Airbus A319 aircraft and one Boeing 777 aircraft, the purchase of five Boeing 757 aircraft previously being leased, as well as \$1.6 billion in net purchases of short-term investments.

Principal investing activities in the 2014 period included expenditures of \$4.0 billion for property and equipment, consisting primarily of the purchase of 51 newly delivered aircraft, including 23 Airbus A320 family aircraft, 13 Boeing 737 family aircraft, eight Bombardier CRJ900 aircraft, four Boeing 777 aircraft and three A330 aircraft, the purchase of aircraft previously being leased,

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including five A320 family aircraft, three A330 aircraft and three Boeing 777 aircraft, as well as pre-delivery deposits for certain aircraft on order. These cash outflows were offset in part by \$1.4 billion in net sales of short-term investments, \$307 million in proceeds from the sale of DCA Slots and a \$160 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 \$33 million for the first nine months of 2015 as compared to net cash used in financing activities of \$113 million for the first nine months of 2014.

Principal financing activities in the 2015 period included proceeds from the issuance of \$4.5 billion of debt, including \$2.3 billion in issuances of EETC equipment notes and the \$500 million issuance of 4.625% senior notes. These cash inflows were offset in part by share repurchases of \$2.4 billion, debt repayments of \$1.8 billion, including the \$400 million repayment of American's AAdvantage loan with Citibank and \$206 million in dividend payments.

Principal financing activities in the 2014 period included debt repayments of \$2.8 billion, including the \$1.0 billion prepayment of American's 7.50% senior secured notes, the \$355 million prepayment of certain airport facility revenue bonds, the \$175 million cash settlement of US Airways Group's 7.25% convertible notes and the \$113 million prepayment of outstanding debt secured by certain aircraft. These cash outflows were offset in part by proceeds from the issuance of debt of \$2.4 billion primarily from the 5.50% senior notes, certain EETC equipment notes and other aircraft related financings, as well as \$531 million of proceeds from sale-leaseback transactions related to the financing of 13 Boeing 737 family aircraft.

American**Operating Activities**

Net cash provided by operating activities was \$4.1 billion and \$2.0 billion for the first nine months of 2015 and 2014, respectively, a period-over-period increase of \$2.1 billion. The increase was primarily due to increased profitability driven by substantially lower fuel costs and a decrease in pension contributions in the 2015 period. In the 2014 period, American contributed \$781 million to fund its domestic defined benefit pension plans resulting in no additional minimum required contributions until 2019, when American will be required to make contributions relating to the 2018 fiscal year.

Investing Activities

Net cash used in investing activities was \$6.1 billion and \$1.2 billion for the first nine months of 2015 and 2014, respectively.

Principal investing activities in the 2015 period included expenditures of \$4.0 billion for property and equipment, consisting primarily of the purchase of 72 newly delivered aircraft, including 15 Embraer 175 aircraft, 14 Bombardier CRJ900 aircraft, 12 Airbus A321 family aircraft, 12 Boeing 737 aircraft, 11 Boeing 787 aircraft, seven Airbus A319 aircraft and one Boeing 777 aircraft, as well as \$2.1 billion in net purchases of short-term investments.

Principal investing activities in the 2014 period included expenditures of \$2.7 billion for property and equipment, consisting primarily of the purchase of 32 newly delivered aircraft including, 13 Boeing 737 family aircraft, eight Bombardier CRJ900 aircraft, seven Airbus A320 family aircraft and four Boeing 777 aircraft, the purchase of aircraft

previously being leased, including five Airbus A320 family and three Boeing 777 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 \$1.4 billion in net sales of short-term investments, \$299 million in proceeds from the sale of DCA Slots and a \$50 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 \$2.0 billion as compared to net cash used in financing activities of \$628 million for the first nine months of 2015 and 2014, respectively.

Principal financing activities in the 2015 period included proceeds from the issuance of \$3.6 billion of debt, including \$2.3 billion in issuances of EETC equipment notes. These cash inflows were offset in part by debt repayments of \$1.5 billion, including the \$400 million repayment of American's AAdvantage loan with Citibank.

Principal financing activities in the 2014 period included debt repayments of \$2.2 billion, including the \$1.0 billion prepayment of American's 7.50% senior secured notes, the \$282 million prepayment of certain airport facility revenue bonds and the \$61 million prepayment of outstanding debt secured by certain aircraft. These cash outflows were offset in part by proceeds from the issuance of debt of \$1.1 billion, primarily from the issuance of certain EETC equipment notes and other aircraft related financings, as well as \$531 million of proceeds from sale-leaseback transactions related to the financing of 13 Boeing 737 family aircraft.

Table of Contents***Commitments*****Significant Indebtedness**

As of September 30, 2015, AAG and American had \$20.6 billion and \$13.3 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 September 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 September 30, 2015, there were no borrowings or letters of credit outstanding under the 2013 Revolving Facility.

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 September 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 September 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.

Table of Contents**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 September 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.

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. As of September 30, 2015, the applicable LIBOR margin was 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*.

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 September 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 September 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

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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 September 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 (the 2015-1 EETCs) in connection with the financing of 28 aircraft owned by American (the 2015 EETC Aircraft).

As of September 30, 2015, the entire \$1.2 billion of the proceeds from the sale of the 2015-1 EETCs has been used to purchase equipment notes issued by American in two series: Series A equipment notes in the amount of \$948 million bearing interest at 3.375% per annum and Series B equipment notes in the amount of \$266 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 the 2015 EETC Aircraft.

2015-2 EETCs

In September 2015, American created three pass-through trusts which issued approximately \$1.1 billion aggregate face amount of Series 2015-2 Class AA, Class A and Class B EETCs (the 2015-2 EETCs) in connection with the financing of 21 aircraft owned by American (the 2015-2 EETC Aircraft).

As of September 30, 2015, the entire \$1.1 billion of the proceeds from the sale of the 2015-2 EETCs has been used to purchase equipment notes issued by American in three series: Series AA equipment notes in the amount of \$583 million bearing interest at 3.60% per annum, Series A equipment notes in the amount of \$239 million bearing interest at 4.00% per annum and Series B equipment notes in the amount of \$239 million bearing interest at 4.40% per annum. Interest and principal payments on the equipment notes are payable semi-annually in March and September of each year, with interest payments beginning in March 2016 and principal payments beginning in September 2016. The final

payments on the Series AA and Series A equipment notes will be in September 2027 and the final payments on the Series B equipment notes will be in September 2023. These equipment notes are secured by liens on the 2015-2 EETC Aircraft.

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, which began 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.

Table of Contents**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 bear interest at 5.0% per annum 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 for purchase by American. 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 September 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 related to the John F. Kennedy International Airport, which were bearing interest at 8.50% per annum. In August 2015, these bonds were purchased by American and subsequently remarketed. The remarketed bonds bear interest at 2.00% per annum from the date of initial issuance and delivery of the bonds in August 2015, until August 2016, when the bonds will be subject to mandatory tender for purchase by American. In connection with this transaction, American recorded a special nonoperating charge of \$20 million related primarily to non-cash write offs of unamortized debt discount and debt issuance costs. The \$365 million obligation is reflected in current maturities of long-term debt on American's condensed consolidated balance sheet as of September 30, 2015.

Other Aircraft Financing Transactions

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

In the first nine months of 2015, we entered into loan agreements to borrow \$1.3 billion in connection with the financing of certain aircraft. The notes mature in 2022 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, 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 September 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.

Table of Contents***Aircraft and Engine Purchase Commitments***

As of September 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
Airbus							
A320 Family	7	25	20				52
A320neo Family					25	75	100
A350 XWB			6	10	6		22
Boeing							
737 Family	5	20	20				45
737 MAX Family			3	17	20	60	100
777-300 ER	1	2					3
787 Family	2	8	13	8			31
Bombardier							
CRJ900 ⁽¹⁾	4	20					24
Embraer							
ERJ175 ⁽¹⁾	9	24	12				45
Total	28	99	74	35	51	135	422

⁽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 62 spare engines to be delivered in 2015 and beyond. Under all of our aircraft and engine purchase agreements, our total future commitments as of September 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⁾	\$ 1,240	\$ 4,450	\$ 4,034	\$ 1,911	\$ 2,601	\$ 7,163	\$ 21,399
Payments for US Airways aircraft commitments and certain engines ⁽¹⁾	\$ 21	\$ 118	\$ 753	\$ 1,019	\$ 568	\$	\$ 2,479

⁽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 September 30, 2015.

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 September 30, 2015, we did not have financing commitments for the following aircraft currently on order and scheduled to be delivered through 2017: 52 Airbus A320 family aircraft, 30 Boeing 737 family aircraft, 23 Boeing 787 family 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 substantially all 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.

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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, 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. Our pension funding obligations are likely to increase materially beginning in 2019, when we will be required to make contributions relating to the 2018 fiscal year. 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 December 18, 2014, we reached a joint collective bargaining agreement (JCBA) with the Association of Professional Flight Attendants (APFA). On December 23, 2014, the APFA JCBA pay rates were increased by 4% due to a corporate wide initiative announced on that day. The new agreement did not require ratification and was effective immediately with the wage increases under the JCBA becoming effective January 1, 2015. We estimate that our total flight attendant costs in 2015 will be approximately \$200 million higher as a result of this new agreement.

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 nine months of 2015 in the condensed consolidated statement of operations.

In September 2015, we reached a tentative agreement with the Communications Workers of America and International Brotherhood of Teamsters (CWA-IBT) for a new joint collective bargaining agreement applicable to passenger service employees. Subject to ratification by the CWA-IBT membership, the contract would provide significant pay increases for combined airport and ticket agents, premium service representatives, reservations representatives and travel center representatives.

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 Form 10-K.

Table of Contents**AAG Contractual Obligations**

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

	Payments Due by Period							Total
	Remainder of 2015	2016	2017	2018	2019	2020 and Thereafter		
<i>American</i>								
Debt and capital lease obligations ^{(1), (3)}	\$ 144	\$ 1,217	\$ 1,114	\$ 1,009	\$ 1,132	\$ 8,625	\$ 13,241	
Interest obligations ^{(2), (3)}	97	547	523	499	452	1,434	3,552	
Commitments for aircraft and engine purchases ⁽⁴⁾	1,240	4,450	4,034	1,911	2,601	7,163	21,399	
Operating lease commitments ⁽⁵⁾	367	1,441	1,385	1,262	1,169	5,354	10,978	
Regional capacity purchase agreements ⁽⁶⁾	144	591	464	446	408	2,211	4,264	
Minimum pension obligations ⁽⁷⁾					853	3,606	4,459	
Retiree medical and other purchase obligations	227	314	221	193	169	374	1,498	
Total American Contractual Obligations	\$ 2,219	\$ 8,560	\$ 7,741	\$ 5,320	\$ 6,784	\$ 28,767	\$ 59,391	
<i>AAG Parent, US Airways Group and Other AAG Subsidiaries</i>								
Debt and capital lease obligations ^{(1), (3)}	\$ 213	\$ 1,003	\$ 436	\$ 1,075	\$ 2,196	\$ 2,429	\$ 7,352	
Interest obligations ^{(2), (3)}	128	325	298	267	203	319	1,540	
Commitments for aircraft and engine purchases ⁽⁴⁾	21	118	753	1,019	568		2,479	
Operating lease commitments ⁽⁵⁾	130	732	681	561	471	840	3,415	
Regional capacity purchase agreements ⁽⁶⁾	274	1,059	1,051	791	675	1,109	4,959	
Retiree medical and other purchase obligations	2	9	9	9	7	35	71	
Total AAG Contractual Obligations	\$ 2,987	\$ 11,806	\$ 10,969	\$ 9,042	\$ 10,904	\$ 33,499	\$ 79,207	

(1) Amounts represent contractual amounts due. Excludes \$16 million and \$16 million of unamortized debt discount for American and US Airways Group, respectively, as of September 30, 2015.

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

(3) For American, includes \$6.3 billion of future principal payments and \$1.6 billion of future interest payments, respectively, and for US Airways Group, includes \$2.6 billion of future principal payments and \$780 million of future interest payments, respectively, as of September 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 \$1.6 billion of future minimum lease payments related to EETCs associated with leveraged lease financings of certain aircraft as of September 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

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decrease the amount of cash available to cover cash contractual obligations. Moreover, the 2013 Credit Facilities, the 2014 Credit 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 third 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 issued ASU 2015-14, which deferred the effective date of this new standard to periods beginning after 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.

Table of Contents**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 Form 10-K except as updated below.

Aircraft Fuel

As of September 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 September 30, 2015, we had approximately \$609 million of unrestricted cash and short-term investments held in Venezuelan bolivars. This balance is valued at 6.3 bolivars to the U.S. dollar, which is the rate that was in effect on the date we submitted each of our repatriation requests to the Venezuelan government. This rate is 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 Form 10-K except as updated below.

Aircraft Fuel

As of September 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.

Table of Contents***Foreign Currency***

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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 Securities Exchange Act of 1934, as amended (Exchange Act). This term refers to the controls and procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission. An evaluation of the effectiveness of AAG's and American's disclosure controls and procedures as of September 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 September 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 September 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 September 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 and completed 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, 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. 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 of September 30, 2015, there were approximately 25.3 million shares of AAG Common Stock remaining in the Disputed Claims Reserve. 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 Antitrust 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 litigation filed in Canada, Air Canada, have been named as defendants in approximately 100 putative class action lawsuits alleging

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unlawful agreements with respect to air passenger capacity. The U.S. lawsuits were the subject of multiple motions to consolidate them in a single forum, and they have now been consolidated in the Federal District Court for the District of Columbia. 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. On November 27, 2013, the Bankruptcy Court denied plaintiffs' motion to preliminarily enjoin the Merger. On August 19, 2015, after three previous largely unsuccessful attempts to amend their complaint, plaintiffs filed a fourth motion for leave to file an amended and supplemental complaint to add a claim for damages and demand for jury trial, as well as claims similar to those in the putative class action lawsuits regarding air passenger capacity. Thereafter, plaintiffs filed a request with the Judicial Panel on Multidistrict Litigation (JPML) to consolidate the Fjord matter with the putative class action lawsuits. The JPML denied that request on October 15, 2015. Plaintiffs have indicated that they will seek further relief from the JPML. We believe this lawsuit is without merit and intend to vigorously defend against the allegations.

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.

Risks 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.

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 prices 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.

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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. As of September 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's Market Risk Sensitive Instruments and Positions Aircraft Fuel* and *American's 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 of 2006 reduced, and has now eliminated all, domestic non-stop geographic restrictions on operations by Southwest Airlines and other carriers at Dallas Love Field Airport (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 International Airport. The actions of the low-cost carriers, including those described above, could have a material adverse effect on our operations and financial performance.

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.

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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;

the risks relating to integrating various computer, communications and other technology systems 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.

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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 the American and US Airways businesses. Significant capital resources will be required to execute this plan. We estimate that, based on our commitments as of September 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 \$16.7 billion, of which \$14.2 billion represents commitments by American. We also currently anticipate cash transition costs to integrate our and US Airways 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 September 30, 2015, we did not have financing commitments for the following aircraft currently on order and scheduled to be delivered through 2017: 52 Airbus A320 family aircraft, 30 Boeing 737 family aircraft, 23 Boeing 787 family 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 substantially all aircraft currently on order and 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.

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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 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 the \$1.9 billion term loan facility and the \$1.4 billion revolving credit facility provided for by the credit and guaranty agreement, as amended, entered into June 27, 2013 between AAG, American and certain lenders (the 2013 Credit Facilities), the \$750 million term loan facility and the \$400 million revolving credit facility entered into October 10, 2014 between AAG and American and certain lenders (the 2014 Credit Facilities) 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. See also the discussion of interest rate risk in Part II, Item 7A. Quantitative and Qualitative Disclosures About Market Risk *AAG's Market Risk Sensitive Instruments and Positions Interest* and *American's Market Risk Sensitive Instruments and Positions Interest* in our 2014 Form 10-K.

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. Our pension funding obligations are likely to increase materially beginning in 2019, when we will be required to make contributions relating to the 2018 fiscal year. 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.

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 the 2013 Credit Facilities, the 2013 Citicorp Credit Facility and the 2014 Credit Facilities require AAG and American 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 AAG 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.

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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 (CBAs) 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). For the dates that the CBAs with our major work groups become amendable under the RLA, see Part I, Item 1. Business *Employees and Labor Relations* in our 2014 Form 10-K.

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 Form 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 air traffic control (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 International Airport, John F. Kennedy International Airport and LaGuardia Airport (LGA). 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 LGA 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. The settlement agreements also require us 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 DOT related to small community service from DCA. Further, as a consequence of the Merger clearance process in the European Union (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 International Airport and Los Angeles International Airport, 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

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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.

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 the future, new regulatory requirements 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 Chicago O'Hare International Airport, which resulted in thousands of cancelled flights.

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.

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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 Airport. As a result of the agreement, we face increased competition in these markets, including London Heathrow Airport.

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), 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 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

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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 we derived approximately 33% of our 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 September 30, 2015, we had approximately \$609 million of unrestricted cash and short-term investments held in Venezuelan bolivars. This balance is valued at 6.3 bolivars to the U.S. dollar, which is the rate that was in effect on the date we submitted each of our repatriation requests to the Venezuelan government. This rate is 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 199 bolivars to the dollar as of September 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.

In June 2015, the U.S. Environmental Protection Agency (EPA) issued revised underground storage tank regulations that could affect airport fuel hydrant systems, as certain of those systems may need to be modified in order to comply with applicable portions of the revised regulations. Additionally, on June 4, 2015, the EPA reissued the Multi-Sector General Permit for Stormwater Discharges from Industrial Activities. Among other revisions, the reissued permit incorporates the EPA's previously issued Airport Deicing Effluent Limitation Guidelines and New Source Performance Standards. In addition, California adopted a revised State Industrial General Permit for Stormwater Discharges on April 1, 2014, which became 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

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airlines would share a portion of these costs at applicable airports. In addition to the 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, in some cases 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 engine 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 was held in August 2015. If the EPA finalizes the endangerment finding, the EPA is obligated under the CAA to set aircraft engine GHG emission standards. 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 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. While we have to date successfully integrated several of our systems including our customer reservations system, we still have to complete several additional important system integration projects. 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 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.

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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. In addition, in July 2013, the FAA issued regulations 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.

Table of Contents***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 net operating losses (NOLs) carried over from prior taxable years (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.

In connection with the integration of American and US Airways, American may take actions not to American's advantage as a standalone airline.

The integration of the business and operations of American and US Airways has begun while they are separate, wholly-owned subsidiaries of AAG. As part of this integration, American may take actions intended to benefit the overall business and operations of the combined airline operations of American and US Airways that may not be to American's advantage as a stand-alone airline.

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, which was completed in the third quarter of 2015. In July 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 October 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, July 2015 and October 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 Restated Certificate of Incorporation (Certificate of Incorporation) and Amended and Restated Bylaws (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

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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.

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 September 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)
July 2015	9,706,872 ^(b)	\$ 40.55	9,655,878	\$ 2,666
August 2015	13,453,872	\$ 40.29	13,453,872	\$ 2,124
September 2015	15,309,182	\$ 40.82	15,309,182	\$ 1,499

^(a) On January 27, 2015, we announced that our Board of Directors had authorized a \$2.0 billion share repurchase program, which was completed in the third quarter of 2015. In addition, in July 2015, our Board of Directors authorized an additional \$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. 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.

- (b) Separate from our share repurchase program, in July 2015 we repurchased 50,994 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 distributions by the Disputed Claims Reserve.

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: October 22, 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: October 22, 2015

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

Table of Contents**EXHIBIT INDEX**

Exhibit Number	Description
10.1	Second Amended and Restated Letter Agreement No. 6, dated as of July 7, 2015 to the Amended and Restated Airbus A350 XWB Purchase Agreement, dated as of October 2, 2007, between US Airways, Inc. and Airbus S.A.S.*
10.2	Supplemental Agreement No. 37, dated as of July 31, 2015, to Purchase Agreement No. 1980 dated as of October 31, 1997, between American Airlines, Inc. and The Boeing Company.*
10.3	Amendment No. 9, dated as of September 23, 2015, to the A320 Family Aircraft Purchase Agreement, dated as of July 20, 2011, between American Airlines, Inc. and Airbus S.A.S.*
12.1	Computation of ratio of earnings to fixed charges of American Airlines Group Inc. for the three and nine months ended September 30, 2015 and 2014.
12.2	Computation of ratio of earnings to fixed charges of American Airlines, Inc. for the three and nine months ended September 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).
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.