UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the Quarterly Period Ended June 30, 2017

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the Transition Period From to

Commission file number 1-8400

American Airlines Group Inc.

(Exact name of registrant as specified in its charter)

Delaware	**75-1825172**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
4333 Amon Carter Blvd., Fort Worth, Texas 76155	**(817) 963-1234**
(Address of principal executive offices, including zip code)	(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	**13-1502798**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
4333 Amon Carter Blvd., Fort Worth, Texas 76155	**(817) 963-1234**
(Address of principal executive offices, including zip code)	(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

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

American Airlines Group Inc.	☒ Large Accelerated Filer	☐ Accelerated Filer	☐ Non-accelerated Filer	☐ Smaller Reporting Company	☐ Emerging Growth Company
American Airlines, Inc.	☐ Large Accelerated Filer	☐ Accelerated Filer	☒ Non-accelerated Filer	☐ Smaller Reporting Company	☐ Emerging Growth Company

If an emerging growth company, indicate by checkmark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

American Airlines Group Inc.	☐
American Airlines, Inc.	☐

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

American Airlines Group Inc.	☐ Yes	☒ No
American Airlines, Inc.	☐ Yes	☒ No

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

American Airlines Group Inc.	☒ Yes	☐ No
American Airlines, Inc.	☒ Yes	☐ No

As of July 21, 2017, there were 487,009,215 shares of American Airlines Group Inc. common stock outstanding.

As of July 21, 2017, there were 1,000 shares of American Airlines, Inc. common stock outstanding, all of which were held by American Airlines Group Inc.

American Airlines Group Inc.
American Airlines, Inc.
Form 10-Q
Quarterly Period Ended June 30, 2017
Table of Contents

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. "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, Inc. (US Airways Group) on December 9, 2013 (the Merger). References to "US Airways Group" and "US Airways," a subsidiary of US Airways Group, represent the entities during the period of time prior to AAG's internal corporate restructuring on December 30, 2015. References in this Quarterly Report on Form 10-Q to "mainline" refer to the operations of American only 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 Securities Act of 1933, as amended (the Securities Act), the Securities Exchange Act of 1934, as amended (the Exchange Act), and 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," "would," "continue," "seek," "target," "guidance," "outlook," "if current trends continue," "optimistic," "forecast" and other similar words. Such statements include, but are not limited to, statements about our plans, objectives, expectations, intentions, estimates and strategies for the future, and other statements that are not historical facts. 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 I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, and Part II, Item 1A. Risk Factors, and other risks and uncertainties listed from time to time in our filings with the Securities and Exchange Commission (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.

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.

ITEM 1A. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES GROUP INC.

AMERICAN AIRLINES GROUP INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except shares and per share amounts)(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Operating revenues:				
Mainline passenger	$ 7,747	$ 7,209	$ 14,353	$ 13,773
Regional passenger	1,835	1,786	3,384	3,309
Cargo	196	174	368	336
Other	1,327	1,194	2,624	2,380
Total operating revenues	11,105	10,363	20,729	19,798
Operating expenses:				
Aircraft fuel and related taxes	1,510	1,314	2,912	2,343
Salaries, wages and benefits	3,003	2,670	5,829	5,322
Regional expenses	1,620	1,518	3,194	2,950
Maintenance, materials and repairs	495	453	987	871
Other rent and landing fees	452	458	892	879
Aircraft rent	294	302	589	609
Selling expenses	376	334	694	642
Depreciation and amortization	418	374	822	729
Special items, net	202	62	320	161
Other	1,200	1,127	2,354	2,205
Total operating expenses	9,570	8,612	18,593	16,711
Operating income	1,535	1,751	2,136	3,087
Nonoperating income (expense):				
Interest income	24	16	45	28
Interest expense, net	(263)	(249)	(520)	(488)
Other, net	(5)	(25)	(5)	(17)
Total nonoperating expense, net	(244)	(258)	(480)	(477)
Income before income taxes	1,291	1,493	1,656	2,610
Income tax provision	488	543	619	960
Net income	$ 803	$ 950	$ 1,037	$ 1,650
Earnings per common share:				
Basic	$ 1.64	$ 1.69	$ 2.08	$ 2.82
Diluted	$ 1.63	$ 1.68	$ 2.07	$ 2.80
Weighted average shares outstanding (in thousands):				
Basic	490,818	563,000	497,360	584,622
Diluted	492,965	566,040	500,381	588,764
Cash dividends declared per common share	$ 0.10	$ 0.10	$ 0.20	$ 0.20

See accompanying notes to condensed consolidated financial statements.

AMERICAN AIRLINES GROUP INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income	$ 803	$ 950	$ 1,037	$ 1,650
Other comprehensive loss, net of tax:				
Pension, retiree medical and other postretirement benefits	(15)	(16)	(29)	(35)
Investments	—	2	—	4
Total other comprehensive loss, net of tax	(15)	(14)	(29)	(31)
Total comprehensive income	$ 788	$ 936	$ 1,008	$ 1,619

See accompanying notes to condensed consolidated financial statements.

AMERICAN AIRLINES GROUP INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions, except shares and par value)

	June 30, 2017 (Unaudited)	December 31, 2016
ASSETS		
Current assets		
Cash	$ 386	$ 322
Short-term investments	6,500	6,037
Restricted cash and short-term investments	554	638
Accounts receivable, net	1,543	1,594
Aircraft fuel, spare parts and supplies, net	1,206	1,094
Prepaid expenses and other	827	639
Total current assets	11,016	10,324
Operating property and equipment		
Flight equipment	39,329	37,028
Ground property and equipment	7,580	7,116
Equipment purchase deposits	1,212	1,209
Total property and equipment, at cost	48,121	45,353
Less accumulated depreciation and amortization	(15,128)	(14,194)
Total property and equipment, net	32,993	31,159
Other assets		
Goodwill	4,091	4,091
Intangibles, net of accumulated amortization of $602 and $578, respectively	2,224	2,173
Deferred tax asset	905	1,498
Other assets	2,107	2,029
Total other assets	9,327	9,791
Total assets	$ 53,336	$ 51,274
LIABILITIES AND STOCKHOLDERS’ EQUITY		
Current liabilities		
Current maturities of long-term debt and capital leases	$ 2,334	$ 1,855
Accounts payable	1,924	1,592
Accrued salaries and wages	1,295	1,516
Air traffic liability	5,222	3,912
Loyalty program liability	3,014	2,789
Other accrued liabilities	2,323	2,208
Total current liabilities	16,112	13,872
Noncurrent liabilities		
Long-term debt and capital leases, net of current maturities	22,525	22,489
Pension and postretirement benefits	7,500	7,842
Other liabilities	3,484	3,286
Total noncurrent liabilities	33,509	33,617
Commitments and contingencies		
Stockholders’ equity		
Common stock, $0.01 par value; 1,750,000,000 shares authorized, 487,661,923 shares issued and outstanding at June 30, 2017; 507,294,153 shares issued and outstanding at December 31, 2016	5	5
Additional paid-in capital	6,245	7,223
Accumulated other comprehensive loss	(5,112)	(5,083)
Retained earnings	2,577	1,640
Total stockholders’ equity	3,715	3,785
Total liabilities and stockholders’ equity	$ 53,336	$ 51,274

See accompanying notes to condensed consolidated financial statements.

AMERICAN AIRLINES GROUP INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)(Unaudited)

	Six Months Ended June 30,	
	2017	2016
Net cash provided by operating activities	$ 3,938	$ 4,833
Cash flows from investing activities:		
Capital expenditures and aircraft purchase deposits	(3,194)	(3,063)
Purchases of short-term investments	(3,829)	(3,605)
Sales of short-term investments	3,373	2,810
Decrease in restricted cash and short-term investments	84	55
Proceeds from sale of property and equipment and sale-leaseback transactions	313	32
Net cash used in investing activities	(3,253)	(3,771)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	1,625	4,522
Payments on long-term debt and capital leases	(1,101)	(2,163)
Deferred financing costs	(39)	(87)
Treasury stock repurchases	(1,013)	(3,236)
Dividend payments	(102)	(119)
Other financing activities	9	77
Net cash used in financing activities	(621)	(1,006)
Net increase in cash	64	56
Cash at beginning of period	322	390
Cash at end of period	$ 386	$ 446
Non-cash investing and financing activities:		
Settlement of bankruptcy obligations	$ —	$ 3
Supplemental information:		
Interest paid, net	516	479
Income taxes paid	9	7

See accompanying notes to condensed consolidated financial statements.

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. (we, us, our and similar terms, or AAG) should be read in conjunction with the consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2016. The accompanying unaudited condensed consolidated financial statements include the accounts of AAG and its wholly-owned subsidiaries. AAG's principal subsidiary is American Airlines, Inc. (American). All significant intercompany transactions have been eliminated.

On December 9, 2013, a subsidiary of AMR Corporation (AMR) merged with and into US Airways Group, Inc. (US Airways Group), a Delaware corporation, which survived as a wholly-owned subsidiary of AAG, and AAG emerged from Chapter 11 (the Merger). Upon closing of the Merger and emergence from Chapter 11, AMR changed its name to American Airlines Group Inc. On December 30, 2015, in order to simplify AAG's internal corporate structure, US Airways, Inc. (US Airways), a wholly-owned subsidiary of US Airways Group, merged with and into American, with American as the surviving corporation.

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 loyalty program, valuation allowance for deferred tax assets, as well as pension and retiree medical and other postretirement benefits. Certain prior period amounts have been reclassified to conform to the current year presentation.

Recent Accounting Pronouncements

Revenue

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). Subsequently, the FASB has issued several additional ASUs to clarify the implementation. The new revenue standard applies to all companies that enter into contracts with customers to transfer goods or services and is effective for public entities for interim and annual reporting periods beginning after December 15, 2017. We will adopt the new revenue standard effective January 1, 2018. Entities have the choice to apply the new revenue standard either retrospectively to each reporting period presented or by recognizing the cumulative effect of applying the new revenue standard at the date of initial application and not adjusting comparative information. We currently expect to adopt the new revenue standard using the full retrospective method.

We are still in the process of evaluating how the adoption of the new revenue standard will impact our condensed consolidated financial statements. We currently expect that the new revenue standard will materially impact our liability for outstanding mileage credits earned by AAdvantage loyalty program members when flying on American. We currently use the incremental cost method to account for this portion of our loyalty program liability, which values these mileage credits based on the estimated incremental cost of carrying one additional passenger. The new revenue standard will require us to change our policy and apply a relative selling price approach whereby a portion of each passenger ticket sale attributable to mileage credits earned will be deferred and recognized in passenger revenue upon future mileage redemption. The carrying value of the earned mileage credits recognized in loyalty program liability is expected to be materially greater under the relative selling price approach than the value attributed to these mileage credits under the incremental cost method. The new revenue standard will also require us to reclassify certain ancillary fees to passenger revenue, which are currently included within other operating revenue.

Leases

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." ASU 2016-02 requires lessees to recognize a lease liability and a right-of-use asset on the balance sheet and aligns many of the underlying principles of the new lessor model with those in Accounting Standards Codification Topic 606, Revenue from Contracts with Customers. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. Entities are required to adopt the new lease standard using a modified retrospective approach for all leases existing at or commencing after the date of initial application with an option to use certain practical expedients.

We are currently evaluating how the adoption of the new lease standard will impact our condensed consolidated financial statements. Interpretations are on-going and could have a material impact on our implementation. Currently, we expect that the adoption of the new lease standard will have a material impact on our condensed consolidated balance sheet due to the recognition of right-of-use assets and lease liabilities principally for certain leases currently accounted for as operating leases.

Statement of Cash Flows

In November 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash." ASU 2016-18 requires that the change in total cash, cash at beginning of period and cash at end of period on the statement of cash flows include restricted cash and restricted cash equivalents. ASU 2016-18 also requires companies who report cash and restricted cash separately on the balance sheet to reconcile those amounts to the statement of cash flows. This standard is to be applied retrospectively to each period presented and is effective for public entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. This standard is not expected to have a material impact on our condensed consolidated financial statements.

Retirement Benefits

In March 2017, the FASB issued ASU 2017-07, "Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost." ASU 2017-07 requires an entity to present the service cost component of net benefit cost in the income statement line items where it reports compensation cost. Entities will present all other components of net benefit cost outside of operating income, if this subtotal is presented. This standard is to be applied retrospectively to each period presented and is effective for public entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. We will adopt this standard on January 1, 2018. The new standard will require all components of our net periodic benefit cost (income), with the exception of service cost, currently reported within operating expenses as salaries, wages and benefits, to be reclassified and reported within nonoperating income (expense). The adoption of this new standard will have no impact on pre-tax income or net income reported. See Note 8 for our current components of net periodic benefit cost (income).

2. Special Items, Net

Special items, net on the condensed consolidated statements of operations consisted of the following (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Merger integration expenses (1)	$ 68	$ 97	$ 130	$ 201
Fleet restructuring expenses (2)	48	15	111	41
Mark-to-market adjustments for bankruptcy obligations and other	38	(56)	20	(61)
Labor contract expenses (3)	45	—	45	—
Other operating charges (credits), net	3	6	14	(20)
Mainline operating special items, net	202	62	320	161
Regional operating special items, net (4)	1	3	4	8
Nonoperating special items, net (5)	2	36	7	36

(1) Merger integration expenses included costs related to information technology, professional fees, re-branding of aircraft and airport facilities and training. Additionally, the 2016 periods also included costs related to alignment of labor union contracts, re-branded uniforms, relocation and severance.

(2) Fleet restructuring expenses driven by the Merger principally included the acceleration of aircraft depreciation and impairments for aircraft grounded or expected to be grounded earlier than planned.

(3) Labor contract expenses primarily included one-time charges to adjust the vacation accruals for pilots and flight attendants as a result of the mid-contract pay rate adjustments effective in the second quarter of 2017.

(4) Regional operating special items, net principally related to Merger integration expenses.

(5) Nonoperating special items, net primarily consisted of debt issuance and extinguishment costs associated with term loan refinancings. Additionally, the 2016 periods included costs associated with a bond refinancing.

3. Earnings Per Common Share

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

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Basic EPS:				
Net income	$ 803	$ 950	$ 1,037	$ 1,650
Weighted average common shares outstanding (in thousands)	490,818	563,000	497,360	584,622
Basic EPS	$ 1.64	$ 1.69	$ 2.08	$ 2.82
Diluted EPS:				
Net income for purposes of computing diluted EPS	$ 803	$ 950	$ 1,037	$ 1,650
Share computation for diluted EPS (in thousands):				
Basic weighted average common shares outstanding	490,818	563,000	497,360	584,622
Dilutive effect of stock awards	2,147	3,040	3,021	4,142
Diluted weighted average common shares outstanding	492,965	566,040	500,381	588,764
Diluted EPS	$ 1.63	$ 1.68	$ 2.07	$ 2.80
Restricted stock unit awards excluded from the calculation of diluted EPS because inclusion would be antidilutive (in thousands)	837	2,601	616	1,845

4. Share Repurchase Programs and Dividends

Since July 2014, our Board of Directors has approved six share repurchase programs aggregating $11.0 billion of authority. As of June 30, 2017, $1.0 billion remained unused under a repurchase program that expires on December 31, 2018. Share repurchases under our share repurchase programs 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. Our share repurchase programs do not obligate us to repurchase any specific number of shares and may be suspended at any time at our discretion.

During the three months ended June 30, 2017, we repurchased 10.0 million shares of AAG common stock for $450 million at a weighted average cost per share of $45.01. During the six months ended June 30, 2017, we repurchased 21.7 million shares of AAG common stock for $962 million at a weighted average cost per share of $44.36. Since the inception of our share repurchase programs in July 2014, we have repurchased 250.0 million shares of AAG common stock for $10.0 billion at a weighted average cost per share of $39.84.

Our Board of Directors declared the following cash dividends during the first six months of 2017:

Period	Per share	For stockholders of record as of	Payable on	Total (millions)
First Quarter	$0.10	February 13, 2017	February 27, 2017	$ 51
Second Quarter	$0.10	May 16, 2017	May 30, 2017	50
Total				$101

Any future dividends that may be declared and paid from time to time will be subject to market and economic conditions, applicable legal requirements and other relevant factors. We are not obligated to continue a dividend for any fixed period, and payment of dividends may be suspended at any time at our discretion.

5. Debt

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

	June 30, 2017	December 31, 2016
Secured		
2013 Credit Facilities, variable interest rate of 3.22%, installments through 2020	$ 1,825	$ 1,843
2014 Credit Facilities, variable interest rate of 3.12%, installments through 2021	735	735
April 2016 Credit Facilities, variable interest rate of 3.72%, installments through 2023	990	1,000
December 2016 Credit Facilities, variable interest rate of 3.66%, installments through 2023	1,250	1,250
Aircraft enhanced equipment trust certificates (EETCs), fixed interest rates ranging from 3.00% to 9.75%, maturing from 2018 to 2029	11,328	10,912
Equipment loans and other notes payable, fixed and variable interest rates ranging from 2.34% to 8.80%, maturing from 2017 to 2029	5,525	5,343
Special facility revenue bonds, fixed interest rates ranging from 5.00% to 8.00%, maturing from 2017 to 2035	891	891
Other secured obligations, fixed interest rates ranging from 3.60% to 12.24%, maturing from 2017 to 2028	804	849
	23,348	22,823
Unsecured		
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	500
	1,750	1,750
Total long-term debt and capital lease obligations	25,098	24,573
Less: Total unamortized debt discount, premium and issuance costs	239	229
Less: Current maturities	2,334	1,855
Long-term debt and capital lease obligations, net of current maturities	$22,525	$22,489

The table below shows availability under revolving credit facilities, all of which were undrawn, as of June 30, 2017 (in millions):

2013 Revolving Facility	$ 1,400
2014 Revolving Facility	1,025
Total	$ 2,425

The April 2016 and December 2016 Credit Facilities each provide for a revolving credit facility that may be established in the future.

2017 Aircraft Financing Activities

2017-1 EETCs

In January 2017, American created three pass-through trusts which issued approximately $983 million aggregate principal amount of Series 2017-1 Class AA, Class A and Class B EETCs (the 2017-1 EETCs) in connection with the financing of 24 aircraft delivered to American through May 2017 (the 2017-1 Aircraft).

As of June 30, 2017, all of the proceeds received from the sale of the 2017-1 EETCs have been used to purchase equipment notes issued by American in connection with the financing of new aircraft on or following the delivery thereof. Interest and principal payments on the equipment notes will be payable semi-annually in February and August of each year, with interest payments beginning in August 2017 and principal payments beginning in February 2018. The equipment notes are secured by liens on the 2017-1 Aircraft.

Certain information regarding the 2017-1 EETC equipment notes, as of June 30, 2017, is set forth in the table below.

	2017-1 EETCs		
	Series AA	Series A	Series B
Aggregate principal issued	$537 million	$248 million	$198 million
Fixed interest rate per annum	3.65%	4.00%	4.95%
Maturity date	February 2029	February 2029	February 2025

2016-3 EETCs

During the first quarter of 2017, all remaining proceeds of the Series 2016-3 Class AA and Class A (the 2016-3 EETCs), in the amount of $109 million, were used to purchase equipment notes issued by American in connection with the financing of new aircraft on or following the delivery thereof. Interest and principal payments on the equipment notes are payable semi-annually in April and October of each year, with interest payments that began in April 2017 and principal payments beginning in October 2017. These equipment notes are secured by liens on the aircraft financed with the proceeds of the 2016-3 EETCs.

Certain information regarding the 2016-3 EETC equipment notes, as of June 30, 2017, is set forth in the table below.

	2016-3 EETCs	
	Series AA	Series A
Aggregate principal issued	$558 million	$256 million
Fixed interest rate per annum	3.00%	3.25%
Maturity date	October 2028	October 2028

Equipment Loans and Other Notes Payable Issued in 2017

In the first six months of 2017, American entered into agreements under which it borrowed $533 million in connection with the financing of certain aircraft. Debt incurred under these agreements matures in 2021 through 2029.

2017 Other Financing Activities

2013 Credit Facilities

In March 2017, American and AAG entered into the Second Amendment to the Amended and Restated Credit and Guaranty Agreement, amending the Amended and Restated Credit and Guaranty Agreement dated May 21, 2015 (which amended and restated the Credit and Guaranty Agreement dated June 27, 2013), as previously amended by the First Amendment to Amended and Restated Credit and Guaranty Agreement dated October 26, 2015, pursuant to which we refinanced the $1.8 billion term loan facility due June 2020 established thereunder (the 2013 Term Loan Facility and, together with the $1.4 billion revolving credit facility established under such agreement, the 2013 Credit Facilities) to reduce the LIBOR margin from 2.50% to 2.00% and the base rate margin from 1.50% to 1.00%. The $1.4 billion revolving credit facility under the 2013 Credit Facilities (the 2013 Revolving Facility) remains unchanged. As of June 30, 2017, approximately $1.8 billion of principal was outstanding under the 2013 Term Loan Facility and there were no borrowings or letters of credit outstanding under the 2013 Revolving Facility.

2014 Credit Facilities

In June 2017, American and AAG entered into the Third Amendment to the Amended and Restated Credit and Guaranty Agreement, amending the Amended and Restated Credit and Guaranty Agreement dated April 20, 2015 (which amended and restated the Credit and Guaranty Agreement dated October 10, 2014), as previously amended by the First Amendment to Amended and Restated Credit and Guaranty Agreement dated October 26, 2015 and the Second Amendment to Amended and Restated Credit and Guaranty Agreement dated September 22, 2016, pursuant to which we refinanced the $735 million term loan facility due October 2021 established thereunder (the 2014 Term Loan Facility and, together with the $1.025 billion revolving credit facility established under such agreement, the 2014 Credit Facilities) to reduce the LIBOR margin from 2.50% to 2.00% and the base rate margin from 1.50% to 1.00%. The $1.025 billion revolving credit facility under the 2014 Credit Facilities (the 2014 Revolving Facility) remains unchanged. As of June 30, 2017, approximately $735 million of principal was outstanding under the 2014 Term Loan Facility and there were no borrowings or letters of credit outstanding under the 2014 Revolving Facility.

6. Income Taxes

At December 31, 2016, we had approximately $10.5 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 2017. The federal NOL Carryforwards will expire beginning in 2022 if unused. We also had approximately $3.7 billion of NOL Carryforwards to reduce future state taxable income at December 31, 2016, which will expire in years 2017 through 2036 if unused.

At December 31, 2016, we had an alternative minimum tax credit carryforward of approximately $339 million available for federal income tax purposes, which is available for an indefinite period.

During the three and six months ended June 30, 2017, we recorded an income tax provision of $488 million and $619 million, respectively, which was substantially non-cash due to the utilization of the NOLs described above. Substantially all of our income before income taxes is attributable to the United States.

7. Fair Value Measurements

Assets Measured at Fair Value on a Recurring Basis

We utilize the market approach to measure fair value for our financial assets. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets. Our short-term investments classified as Level 2 primarily utilize broker quotes in a non-active market for valuation of these securities. No changes in valuation techniques or inputs occurred during the six months ended June 30, 2017.

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

	Fair Value Measurements as of June 30, 2017			
	Total	Level 1	Level 2	Level 3
Short-term investments (1) (2):				
Money market funds	$ 348	$ 348	$ —	$ —
Corporate obligations	3,007	—	3,007	—
Bank notes/certificates of deposit/time deposits	3,095	—	3,095	—
Repurchase agreements	50	—	50	—
	6,500	348	6,152	—
Restricted cash and short-term investments (1)	554	106	448	—
Total	$7,054	$ 454	$6,600	$ —

(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. Our short-term investments mature in one year or less except for $1.7 billion of bank notes/certificates of deposit/time deposits and $441 million of corporate obligations.

Fair Value of Debt

The fair value of our long-term debt was estimated using quoted market prices or discounted cash flow analyses, based on our current estimated incremental borrowing rates for similar types of borrowing arrangements. If our 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 our long-term debt, including current maturities, were as follows (in millions):

	June 30, 2017		December 31, 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt, including current maturities	$24,859	$25,440	$24,344	$24,983

8. Employee Benefit Plans

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

Three Months Ended June 30,	Pension Benefits 2017	Pension Benefits 2016	Retiree Medical and Other Postretirement Benefits 2017	Retiree Medical and Other Postretirement Benefits 2016
Service cost	$ 1	$ 1	$ 1	$ 1
Interest cost	180	188	10	12
Expected return on assets	(197)	(187)	(5)	(5)
Amortization of:				
Prior service cost (benefit)	7	7	(59)	(60)
Unrecognized net loss (gain)	36	31	(6)	(4)
Net periodic benefit cost (income)	$ 27	$ 40	$ (59)	$ (56)

Six Months Ended June 30,	Pension Benefits 2017	Pension Benefits 2016	Retiree Medical and Other Postretirement Benefits 2017	Retiree Medical and Other Postretirement Benefits 2016
Service cost	$ 1	$ 1	$ 2	$ 2
Interest cost	361	375	19	24
Expected return on assets	(394)	(375)	(10)	(10)
Amortization of:				
Prior service cost (benefit)	14	14	(119)	(120)
Unrecognized net loss (gain)	72	63	(11)	(8)
Net periodic benefit cost (income)	$ 54	$ 78	$ (119)	$ (112)

Effective November 1, 2012, substantially all of our defined benefit pension plans were frozen.

In the second quarter of 2017, we contributed $279 million to our defined benefit pension plans, including a supplemental contribution of $254 million in addition to a $25 million minimum required cash contribution.

9. Accumulated Other Comprehensive Loss

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

	Pension, Retiree Medical and Other Postretirement Benefits	Income Tax Benefit (Provision) (1)	Total
Balance at December 31, 2016	$ (4,406)	$ (677)	$ (5,083)
Amounts reclassified from accumulated other comprehensive income (loss)	(44)	15 (2)	(29)
Net current-period other comprehensive income (loss)	(44)	15	(29)
Balance at June 30, 2017	$ (4,450)	$ (662)	$ (5,112)

(1) Relates principally to pension, retiree medical and other postretirement benefits obligations that will not be recognized in net income until the obligations are fully extinguished.

(2) Relates to pension, retiree medical and other postretirement benefits obligations and is recognized within the income tax provision on the condensed consolidated statement of operations.

Reclassifications out of AOCI for the three and six months ended June 30, 2017 and 2016 are as follows (in millions):

AOCI Components	Amounts reclassified from AOCI – Three Months Ended June 30, 2017	2016	Six Months Ended June 30, 2017	2016	Affected line items on the condensed consolidated statements of operations
Amortization of pension, retiree medical and other postretirement benefits:					
Prior service cost (benefit)	$ (33)	$ (33)	$ (67)	$ (67)	Salaries, wages and benefits
Actuarial loss	18	17	38	35	Salaries, wages and benefits
Total reclassifications for the period, net of tax	$ (15)	$ (16)	$ (29)	$ (32)	

10. Regional Expenses

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

	Three Months Ended June 30, 2017	2016	Six Months Ended June 30, 2017	2016
Aircraft fuel and related taxes	$ 329	$ 279	$ 648	$ 498
Salaries, wages and benefits	360	330	705	656
Capacity purchases from third-party regional carriers	413	392	806	786
Maintenance, materials and repairs	65	88	135	183
Other rent and landing fees	156	142	307	270
Aircraft rent	9	9	17	18
Selling expenses	94	88	174	166
Depreciation and amortization	78	72	157	140
Special items, net	1	3	4	8
Other	115	115	241	225
Total regional expenses	$ 1,620	$ 1,518	$ 3,194	$ 2,950

11. Legal Proceedings

Chapter 11 Cases. On November 29, 2011, AMR, American, and certain of AMR's other direct and indirect domestic subsidiaries (the Debtors) filed voluntary petitions for relief under Chapter 11 of the United States 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 approving and confirming the Debtors' fourth amended joint plan of reorganization (as amended, the Plan). On the Effective Date, December 9, 2013, the Debtors consummated their reorganization pursuant to the Plan and completed the Merger.

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 claims. As of June 30, 2017, there were approximately 25.2 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 stockholders.

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, postemployment benefits 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.

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 are cooperating 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 unlawful agreements with respect to air passenger capacity. The U.S. lawsuits have been consolidated in the Federal District Court for the District of Columbia. On October 28, 2016, the

Court denied a motion by the airline defendants to dismiss all claims in the class actions. Both the DOJ investigation and these lawsuits are in their relatively early stages and we intend to defend these matters 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, alleged that the effect of the Merger may be to create a monopoly in violation of Section 7 of the Clayton Antitrust Act, and sought injunctive relief and/or divestiture. On August 6, 2013, the plaintiffs re-filed their complaint in the Bankruptcy Court, adding AMR and American as defendants. On November 27, 2013, the Bankruptcy Court denied plaintiffs' motion to preliminarily enjoin the Merger. On May 12, 2017, defendants filed a motion for summary judgment. On June 23, 2017, plaintiffs filed an opposition to defendants' motion and cross-motion for summary judgment. We believe this lawsuit is without merit and intend to vigorously defend against the allegations.

DOJ Investigation Related to the United States Postal Service. In April 2015, the DOJ informed us of an inquiry regarding American's 2009 and 2011 contracts with the United States Postal Service for the international transportation of mail by air. In October 2015, we received a CID from the DOJ seeking certain information relating to these contracts and the DOJ has also sought information concerning certain of the airlines that transport mail on a codeshare basis. The DOJ has indicated it is investigating potential violations of the False Claims Act or other statutes. We are cooperating fully with the DOJ with regard to its investigation.

General. In addition to the specifically identified legal proceedings, 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 but could be material. See Part II, Item 1A. Risk Factors – "*We may be a party to litigation in the normal course of business or otherwise, which could affect our financial position and liquidity*" for additional discussion.

12. Subsequent Event

Dividend Declaration

In July 2017, we announced that our Board of Directors had declared a $0.10 per share dividend for stockholders of record on August 14, 2017, and payable on August 28, 2017. Any future dividends that may be declared and paid from time to time will be subject to market and economic conditions, applicable legal requirements and other relevant factors. We are not obligated to continue a dividend for any fixed period, and payment of dividends may be suspended at any time at our discretion.

ITEM 1B. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES, INC.

AMERICAN AIRLINES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions)(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Operating revenues:				
Mainline passenger	$ 7,747	$ 7,209	$14,353	$13,773
Regional passenger	1,835	1,786	3,384	3,309
Cargo	196	174	368	336
Other	1,324	1,191	2,617	2,369
Total operating revenues	11,102	10,360	20,722	19,787
Operating expenses:				
Aircraft fuel and related taxes	1,510	1,314	2,912	2,343
Salaries, wages and benefits	2,999	2,668	5,823	5,318
Regional expenses	1,629	1,510	3,199	2,947
Maintenance, materials and repairs	495	453	987	871
Other rent and landing fees	452	458	892	879
Aircraft rent	294	302	589	609
Selling expenses	376	334	694	642
Depreciation and amortization	418	374	822	729
Special items, net	202	62	320	161
Other	1,200	1,128	2,354	2,208
Total operating expenses	9,575	8,603	18,592	16,707
Operating income	1,527	1,757	2,130	3,080
Nonoperating income (expense):				
Interest income	53	25	102	46
Interest expense, net	(246)	(228)	(488)	(445)
Other, net	(5)	(26)	(5)	(18)
Total nonoperating expense, net	(198)	(229)	(391)	(417)
Income before income taxes	1,329	1,528	1,739	2,663
Income tax provision	502	556	650	980
Net income	$ 827	$ 972	$ 1,089	$ 1,683

See accompanying notes to condensed consolidated financial statements.

AMERICAN AIRLINES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income	$ 827	$ 972	$ 1,089	$ 1,683
Other comprehensive loss, net of tax:				
Pension, retiree medical and other postretirement benefits	(15)	(16)	(29)	(35)
Investments	—	2	—	4
Total other comprehensive loss, net of tax	(15)	(14)	(29)	(31)
Total comprehensive income	$ 812	958	$ 1,060	1,652

See accompanying notes to condensed consolidated financial statements.

AMERICAN AIRLINES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions, except shares and par value)

	June 30, 2017 (Unaudited)	December 31, 2016
ASSETS		
Current assets		
Cash	$ 368	$ 310
Short-term investments	6,498	6,034
Restricted cash and short-term investments	554	638
Accounts receivable, net	1,549	1,599
Receivables from related parties, net	8,029	6,810
Aircraft fuel, spare parts and supplies, net	1,146	1,032
Prepaid expenses and other	817	633
Total current assets	18,961	17,056
Operating property and equipment		
Flight equipment	38,992	36,671
Ground property and equipment	7,362	6,910
Equipment purchase deposits	1,212	1,209
Total property and equipment, at cost	47,566	44,790
Less accumulated depreciation and amortization	(14,842)	(13,909)
Total property and equipment, net	32,724	30,881
Other assets		
Goodwill	4,091	4,091
Intangibles, net of accumulated amortization of $602 and $578, respectively	2,224	2,173
Deferred tax asset	1,287	1,912
Other assets	2,040	1,979
Total other assets	9,642	10,155
Total assets	**$ 61,327**	**$ 58,092**
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities		
Current maturities of long-term debt and capital leases	$ 1,837	$ 1,859
Accounts payable	1,880	1,546
Accrued salaries and wages	1,243	1,460
Air traffic liability	5,222	3,912
Loyalty program liability	3,014	2,789
Other accrued liabilities	2,234	2,106
Total current liabilities	15,430	13,672
Noncurrent liabilities		
Long-term debt and capital leases, net of current maturities	21,252	20,718
Pension and postretirement benefits	7,458	7,800
Other liabilities	3,446	3,253
Total noncurrent liabilities	32,156	31,771
Commitments and contingencies		
Stockholder's equity		
Common stock, $1.00 par value; 1,000 shares authorized, issued and outstanding	—	—
Additional paid-in capital	16,655	16,624
Accumulated other comprehensive loss	(5,211)	(5,182)
Retained earnings	2,297	1,207
Total stockholder's equity	13,741	12,649
Total liabilities and stockholder's equity	**$ 61,327**	**$ 58,092**

See accompanying notes to condensed consolidated financial statements.

AMERICAN AIRLINES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)(Unaudited)

	Six Months Ended June 30,	
	2017	2016
Net cash provided by operating activities	$ 2,787	$ 1,449
Cash flows from investing activities:		
Capital expenditures and aircraft purchase deposits	(3,163)	(3,027)
Purchases of short-term investments	(3,829)	(3,605)
Sales of short-term investments	3,373	2,810
Decrease in restricted cash and short-term investments	84	55
Proceeds from sale of property and equipment and sale-leaseback transactions	312	30
Net cash used in investing activities	(3,223)	(3,737)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	1,625	4,522
Payments on long-term debt and capital leases	(1,101)	(2,163)
Deferred financing costs	(39)	(87)
Other financing activities	9	77
Net cash provided by financing activities	494	2,349
Net increase in cash	58	61
Cash at beginning of period	310	364
Cash at end of period	$ 368	$ 425
Non-cash investing and financing activities:		
Settlement of bankruptcy obligations	$ —	$ 3
Supplemental information:		
Interest paid, net	468	431
Income taxes paid	9	5

See accompanying notes to condensed consolidated financial statements.

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, 2016. American is the principal wholly-owned subsidiary of American Airlines Group Inc. (AAG). All significant intercompany transactions have been eliminated.

On December 9, 2013, a subsidiary of AMR Corporation (AMR) merged with and into US Airways Group, Inc. (US Airways Group), a Delaware corporation, which survived as a wholly-owned subsidiary of AAG, and AAG emerged from Chapter 11 (the Merger). Upon closing of the Merger and emergence from Chapter 11, AMR changed its name to American Airlines Group Inc. On December 30, 2015, in order to simplify AAG's internal corporate structure, US Airways, Inc. (US Airways), a wholly-owned subsidiary of US Airways Group, merged with and into American, with American as the surviving corporation.

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 loyalty program, valuation allowance for deferred tax assets, as well as pension and retiree medical and other postretirement benefits. Certain prior period amounts have been reclassified to conform to the current year presentation.

Recent Accounting Pronouncements

Revenue

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). Subsequently, the FASB has issued several additional ASUs to clarify the implementation. The new revenue standard applies to all companies that enter into contracts with customers to transfer goods or services and is effective for public entities for interim and annual reporting periods beginning after December 15, 2017. American will adopt the new revenue standard effective January 1, 2018. Entities have the choice to apply the new revenue standard either retrospectively to each reporting period presented or by recognizing the cumulative effect of applying the new revenue standard at the date of initial application and not adjusting comparative information. American currently expects to adopt the new revenue standard using the full retrospective method.

American is still in the process of evaluating how the adoption of the new revenue standard will impact its condensed consolidated financial statements. American currently expects that the new revenue standard will materially impact its liability for outstanding mileage credits earned by AAdvantage loyalty program members when flying on American. American currently uses the incremental cost method to account for this portion of its loyalty program liability, which values these mileage credits based on the estimated incremental cost of carrying one additional passenger. The new revenue standard will require American to change its policy and apply a relative selling price approach whereby a portion of each passenger ticket sale attributable to mileage credits earned will be deferred and recognized in passenger revenue upon future mileage redemption. The carrying value of the earned mileage credits recognized in loyalty program liability is expected to be materially greater under the relative selling price approach than the value attributed to these mileage credits under the incremental cost method. The new revenue standard will also require American to reclassify certain ancillary fees to passenger revenue, which are currently included within other operating revenue.

Leases

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." ASU 2016-02 requires lessees to recognize a lease liability and a right-of-use asset on the balance sheet and aligns many of the underlying principles of the new lessor model with those in Accounting Standards Codification Topic 606, Revenue from Contracts with Customers. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. Entities are required to adopt the new lease standard using a modified retrospective approach for all leases existing at or commencing after the date of initial application with an option to use certain practical expedients.

American is currently evaluating how the adoption of the new lease standard will impact its condensed consolidated financial statements. Interpretations are on-going and could have a material impact on American's implementation. Currently, American expects that the adoption of the new lease standard will have a material impact on its condensed consolidated balance sheet due to the recognition of right-of-use assets and lease liabilities principally for certain leases currently accounted for as operating leases.

Statement of Cash Flows

In November 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash." ASU 2016-18 requires that the change in total cash, cash at beginning of period and cash at end of period on the statement of cash flows include restricted cash and restricted cash equivalents. ASU 2016-18 also requires companies who report cash and restricted cash separately on the balance sheet to reconcile those amounts to the statement of cash flows. This standard is to be applied retrospectively to each period presented and is effective for public entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. This standard is not expected to have a material impact on American's condensed consolidated financial statements.

Retirement Benefits

In March 2017, the FASB issued ASU 2017-07, "Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost." ASU 2017-07 requires an entity to present the service cost component of net benefit cost in the income statement line items where it reports compensation cost. Entities will present all other components of net benefit cost outside of operating income, if this subtotal is presented. This standard is to be applied retrospectively to each period presented and is effective for public entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. American will adopt this standard on January 1, 2018. The new standard will require all components of American's net periodic benefit cost (income), with the exception of service cost, currently reported within operating expenses as salaries, wages and benefits, to be reclassified and reported within nonoperating income (expense). The adoption of this new standard will have no impact on pre-tax income or net income reported. See Note 6 for American's current components of net periodic benefit cost (income).

2. Special Items, Net

Special items, net on the condensed consolidated statements of operations consisted of the following (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Merger integration expenses (1)	$ 68	$ 97	$ 130	$ 201
Fleet restructuring expenses (2)	48	15	111	41
Mark-to-market adjustments for bankruptcy obligations and other	38	(56)	20	(61)
Labor contract expenses (3)	45	—	45	—
Other operating charges (credits), net	3	6	14	(20)
Mainline operating special items, net	202	62	320	161
Regional operating special items, net (4)	1	3	4	8
Nonoperating special items, net (5)	2	36	7	36

(1) Merger integration expenses included costs related to information technology, professional fees, re-branding of aircraft and airport facilities and training. Additionally, the 2016 periods also included costs related to alignment of labor union contracts, re-branded uniforms, relocation and severance.

(2) Fleet restructuring expenses driven by the Merger principally included the acceleration of aircraft depreciation and impairments for aircraft grounded or expected to be grounded earlier than planned.

(3) Labor contract expenses primarily included one-time charges to adjust the vacation accruals for pilots and flight attendants as a result of the mid-contract pay rate adjustments effective in the second quarter of 2017.

(4) Regional operating special items, net principally related to Merger integration expenses.

(5) Nonoperating special items, net primarily consisted of debt issuance and extinguishment costs associated with term loan refinancings. Additionally, the 2016 periods included costs associated with a bond refinancing.

3. Debt

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

	June 30, 2017	December 31, 2016
Secured		
2013 Credit Facilities, variable interest rate of 3.22%, installments through 2020	$ 1,825	$ 1,843
2014 Credit Facilities, variable interest rate of 3.12%, installments through 2021	735	735
April 2016 Credit Facilities, variable interest rate of 3.72%, installments through 2023	990	1,000
December 2016 Credit Facilities, variable interest rate of 3.66%, installments through 2023	1,250	1,250
Aircraft enhanced equipment trust certificates (EETCs), fixed interest rates ranging from 3.00% to 9.75%, maturing from 2018 to 2029	11,328	10,912
Equipment loans and other notes payable, fixed and variable interest rates ranging from 2.34% to 8.80%, maturing from 2017 to 2029	5,525	5,343
Special facility revenue bonds, fixed interest rates ranging from 5.00% to 5.50%, maturing from 2017 to 2035	862	862
Other secured obligations, fixed interest rates ranging from 3.60% to 12.24%, maturing from 2017 to 2028	803	848
Total long-term debt and capital lease obligations	23,318	22,793
Less: Total unamortized debt discount, premium and issuance costs	229	216
Less: Current maturities	1,837	1,859
Long-term debt and capital lease obligations, net of current maturities	$ 21,252	$ 20,718

The table below shows availability under revolving credit facilities, all of which were undrawn, as of June 30, 2017 (in millions):

2013 Revolving Facility	$ 1,400
2014 Revolving Facility	1,025
Total	$ 2,425

The April 2016 and December 2016 Credit Facilities each provide for a revolving credit facility that may be established in the future.

2017 Aircraft Financing Activities

2017-1 EETCs

In January 2017, American created three pass-through trusts which issued approximately $983 million aggregate principal amount of Series 2017-1 Class AA, Class A and Class B EETCs (the 2017-1 EETCs) in connection with the financing of 24 aircraft delivered to American through May 2017 (the 2017-1 Aircraft).

As of June 30, 2017, all of the proceeds received from the sale of the 2017-1 EETCs have been used to purchase equipment notes issued by American in connection with the financing of new aircraft on or following the delivery thereof. Interest and principal payments on the equipment notes will be payable semi-annually in February and August of each year, with interest payments beginning in August 2017 and principal payments beginning in February 2018. The equipment notes are secured by liens on the 2017-1 Aircraft.

Certain information regarding the 2017-1 EETC equipment notes, as of June 30, 2017, is set forth in the table below.

	2017-1 EETCs		
	Series AA	Series A	Series B
Aggregate principal issued	$537 million	$248 million	$198 million
Fixed interest rate per annum	3.65%	4.00%	4.95%
Maturity date	February 2029	February 2029	February 2025

2016-3 EETCs

During the first quarter of 2017, all remaining proceeds of the Series 2016-3 Class AA and Class A (the 2016-3 EETCs), in the amount of $109 million, were used to purchase equipment notes issued by American in connection with the financing of new aircraft on or following the delivery thereof. Interest and principal payments on the equipment notes are payable semi-annually in April and October of each year, with interest payments that began in April 2017 and principal payments beginning in October 2017. These equipment notes are secured by liens on the aircraft financed with the proceeds of the 2016-3 EETCs.

Certain information regarding the 2016-3 EETC equipment notes, as of June 30, 2017, is set forth in the table below.

	2016-3 EETCs	
	Series AA	Series A
Aggregate principal issued	$558 million	$256 million
Fixed interest rate per annum	3.00%	3.25%
Maturity date	October 2028	October 2028

Equipment Loans and Other Notes Payable Issued in 2017

In the first six months of 2017, American entered into agreements under which it borrowed $533 million in connection with the financing of certain aircraft. Debt incurred under these agreements matures in 2021 through 2029.

2017 Other Financing Activities

2013 Credit Facilities

In March 2017, American and AAG entered into the Second Amendment to the Amended and Restated Credit and Guaranty Agreement, amending the Amended and Restated Credit and Guaranty Agreement dated May 21, 2015 (which amended and restated the Credit and Guaranty Agreement dated June 27, 2013), as previously amended by the First Amendment to Amended and Restated Credit and Guaranty Agreement dated October 26, 2015, pursuant to which American refinanced the $1.8 billion term loan facility due June 2020 established thereunder (the 2013 Term Loan Facility and, together with the $1.4 billion revolving credit facility established under such agreement, the 2013 Credit Facilities) to reduce the LIBOR margin from 2.50% to 2.00% and the base rate margin from 1.50% to 1.00%. The $1.4 billion revolving credit facility under the 2013 Credit Facilities (the 2013 Revolving Facility) remains unchanged. As of June 30, 2017, approximately $1.8 billion of principal was outstanding under the 2013 Term Loan Facility and there were no borrowings or letters of credit outstanding under the 2013 Revolving Facility.

2014 Credit Facilities

In June 2017, American and AAG entered into the Third Amendment to the Amended and Restated Credit and Guaranty Agreement, amending the Amended and Restated Credit and Guaranty Agreement dated April 20, 2015 (which amended and restated the Credit and Guaranty Agreement dated October 10, 2014), as previously amended by the First Amendment to Amended and Restated Credit and Guaranty Agreement dated October 26, 2015 and the Second Amendment to Amended and Restated Credit and Guaranty Agreement dated September 22, 2016, pursuant to which American refinanced the $735 million term loan facility due October 2021 established thereunder (the 2014 Term Loan Facility and, together with the $1.025 billion revolving credit facility established under such agreement, the 2014 Credit Facilities) to reduce the LIBOR margin from 2.50% to 2.00% and the base rate margin from 1.50% to 1.00%. The $1.025 billion revolving credit facility under the 2014 Credit Facilities (the 2014 Revolving Facility) remains unchanged. As of June 30, 2017, approximately $735 million of principal was outstanding under the 2014 Term Loan Facility and there were no borrowings or letters of credit outstanding under the 2014 Revolving Facility.

4. Income Taxes

At December 31, 2016, American had approximately $11.3 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 2017. American is a member of AAG's consolidated federal and certain state income tax returns. The amount of federal NOL Carryforwards available in those returns is $10.5 billion, substantially all of which is expected to be available for use in 2017. The federal NOL Carryforwards will expire beginning in 2022 if unused. American also had approximately $3.4 billion of NOL Carryforwards to reduce future state taxable income at December 31, 2016, which will expire in years 2017 through 2034 if unused.

At December 31, 2016, American had an alternative minimum tax credit carryforward of approximately $452 million available for federal income tax purposes, which is available for an indefinite period.

During the three and six months ended June 30, 2017, American recorded an income tax provision of $502 million and $650 million, respectively, which was substantially non-cash due to the utilization of the NOLs described above. Substantially all of American's income before income taxes is attributable to the United States.

5. Fair Value Measurements

Assets Measured at Fair Value on a Recurring Basis

American utilizes the market approach to measure fair value for its financial assets. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets. American's short-term investments classified as Level 2 primarily utilize broker quotes in a non-active market for valuation of these securities. No changes in valuation techniques or inputs occurred during the six months ended June 30, 2017.

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

	Fair Value Measurements as of June 30, 2017			
	Total	Level 1	Level 2	Level 3
Short-term investments (1) (2):				
Money market funds	$ 347	$ 347	$ —	$ —
Corporate obligations	3,007	—	3,007	—
Bank notes/certificates of deposit/time deposits	3,094	—	3,094	—
Repurchase agreements	50	—	50	—
	6,498	347	6,151	—
Restricted cash and short-term investments (1)	554	106	448	—
Total	$ 7,052	$ 453	$ 6,599	$ —

(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. American's short-term investments mature in one year or less except for $1.7 billion of bank notes/certificates of deposit/time deposits and $441 million of corporate obligations.

Fair Value of Debt

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

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

	June 30, 2017		December 31, 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt, including current maturities	$ 23,089	$ 23,582	$ 22,577	$ 23,181

6. Employee Benefit Plans

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

Three Months Ended June 30,	Pension Benefits 2017	Pension Benefits 2016	Retiree Medical and Other Postretirement Benefits 2017	Retiree Medical and Other Postretirement Benefits 2016
Service cost	$ —	$ —	$ 1	$ 1
Interest cost	180	187	10	12
Expected return on assets	(196)	(187)	(5)	(5)
Amortization of:				
Prior service cost (benefit)	7	7	(59)	(60)
Unrecognized net loss (gain)	36	31	(6)	(4)
Net periodic benefit cost (income)	$ 27	$ 38	$ (59)	$ (56)

Six Months Ended June 30,	Pension Benefits 2017	Pension Benefits 2016	Retiree Medical and Other Postretirement Benefits 2017	Retiree Medical and Other Postretirement Benefits 2016
Service cost	$ 1	$ 1	$ 2	$ 2
Interest cost	359	373	19	24
Expected return on assets	(393)	(373)	(10)	(10)
Amortization of:				
Prior service cost (benefit)	14	14	(119)	(120)
Unrecognized net loss (gain)	72	63	(11)	(8)
Net periodic benefit cost (income)	$ 53	$ 78	$ (119)	$ (112)

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

In the second quarter of 2017, American contributed $279 million to its defined benefit pension plans, including a supplemental contribution of $254 million in addition to a $25 million minimum required cash contribution.

7. Accumulated Other Comprehensive Loss

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

	Pension, Retiree Medical and Other Postretirement Benefits	Income Tax Benefit (Provision) (1)	Total
Balance at December 31, 2016	$ (4,394)	$ (788)	$ (5,182)
Amounts reclassified from accumulated other comprehensive income (loss)	(44)	15 (2)	(29)
Net current-period other comprehensive income (loss)	(44)	15	(29)
Balance at June 30, 2017	$ (4,438)	$ (773)	$ (5,211)

(1) Relates principally to pension, retiree medical and other postretirement benefits obligations that will not be recognized in net income until the obligations are fully extinguished.

(2) Relates to pension, retiree medical and other postretirement benefits obligations and is recognized within the income tax provision on the condensed consolidated statement of operations.

Reclassifications out of AOCI for the three and six months ended June 30, 2017 and 2016 are as follows (in millions):

AOCI Components	Amounts reclassified from AOCI: Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016	Affected line items on the condensed consolidated statements of operations
Amortization of pension, retiree medical and other postretirement benefits:					
Prior service cost (benefit)	$ (33)	$ (33)	$ (67)	$ (67)	Salaries, wages and benefits
Actuarial loss	18	17	38	35	Salaries, wages and benefits
Total reclassifications for the period, net of tax	$ (15)	$ (16)	$ (29)	$ (32)	

8. Regional Expenses

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Aircraft fuel and related taxes	$ 329	$ 279	$ 648	$ 498
Salaries, wages and benefits	86	83	161	167
Capacity purchases from third-party regional carriers	827	799	1,628	1,613
Maintenance, materials and repairs	2	1	3	2
Other rent and landing fees	150	122	296	231
Aircraft rent	7	7	14	14
Selling expenses	94	88	174	166
Depreciation and amortization	65	58	128	112
Special items, net	1	3	4	8
Other	68	70	143	136
Total regional expenses	$ 1,629	$ 1,510	$ 3,199	$ 2,947

9. Transactions with Related Parties

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

	June 30, 2017	December 31, 2016
AAG (1)	$ 10,191	$ 8,981
AAG's wholly-owned subsidiaries (2)	(2,162)	(2,171)
Total	$ 8,029	$ 6,810

(1) The increase in American's net related party receivable from AAG is primarily due to American providing the cash funding for AAG's share repurchase and dividend programs.

(2) The net payable to AAG's wholly-owned subsidiaries consists primarily of amounts due under regional capacity purchase agreements with AAG's wholly-owned regional airlines operating under the brand name of American Eagle.

10. Legal Proceedings

Chapter 11 Cases. On November 29, 2011, AMR, American, and certain of AMR's other direct and indirect domestic subsidiaries (the Debtors) filed voluntary petitions for relief under Chapter 11 of the United States 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 approving and confirming the Debtors' fourth amended joint plan of reorganization (as amended, the Plan). On the Effective Date, December 9, 2013, the Debtors consummated their reorganization pursuant to the Plan and completed the Merger.

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 claims. As of June 30, 2017, there were approximately 25.2 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 American but rather will be distributed to former AMR stockholders.

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, postemployment benefits 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.

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 is cooperating 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 have been consolidated in the Federal District Court for the District of Columbia. On October 28, 2016, the Court denied a motion by the airline defendants to dismiss all claims in the class actions. Both the DOJ investigation and these lawsuits are in their relatively early stages and American intends to defend these matters 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, alleged that the effect of the Merger may be to create a monopoly in violation of Section 7 of the Clayton Antitrust Act, and sought injunctive relief and/or divestiture. On August 6, 2013, the plaintiffs re-filed their complaint in the Bankruptcy Court, adding AMR and American as defendants. On November 27, 2013, the Bankruptcy Court denied plaintiffs’ motion to preliminarily enjoin the Merger. On May 12, 2017, defendants filed a motion for summary judgment. On June 23, 2017, plaintiffs filed an opposition to defendants’ motion and cross-motion for summary judgment. American believes this lawsuit is without merit and intends to vigorously defend against the allegations.

DOJ Investigation Related to the United States Postal Service. In April 2015, the DOJ informed American of an inquiry regarding American’s 2009 and 2011 contracts with the United States Postal Service for the international transportation of mail by air. In October 2015, American received a CID from the DOJ seeking certain information relating to these contracts and the DOJ has also sought information concerning certain of the airlines that transport mail on a codeshare basis. The DOJ has indicated it is investigating potential violations of the False Claims Act or other statutes. American is cooperating fully with the DOJ with regard to its investigation.

General. In addition to the specifically identified legal proceedings, American 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 American’s control. 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 but could be material. See Part II, Item 1A. Risk Factors – “*We may be a party to litigation in the normal course of business or otherwise, which could affect our financial position and liquidity*” for additional discussion.

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, 2016 (the 2016 Form 10-K). The information contained herein is not a comprehensive discussion and analysis of the financial condition and results of operations of AAG and American, but rather updates disclosures made in the 2016 Form 10-K.

Background

Together with our wholly-owned regional airline subsidiaries and third-party regional carriers operating as American Eagle, American operates an average of nearly 6,700 flights per day to nearly 350 destinations in more than 50 countries. We have hubs in Charlotte, Chicago, Dallas/Fort Worth, Los Angeles, Miami, New York, Philadelphia, Phoenix and Washington, D.C. In the second quarter of 2017, approximately 52 million passengers boarded our mainline and regional flights.

We are committed to consistently delivering safe, reliable and convenient service to our customers in every aspect of our operation, to building the best employee relations in the industry and to providing returns for our stockholders. In January 2017, we were named the 2017 Airline of the Year by *Air Transport World*, which cited the integration work related to the Merger, our operational and customer service improvements and the investments we are making in our product.

Financial Overview

The U.S. Airline Industry

The second quarter of 2017 marked the return to year-over-year unit revenue growth for the U.S. airline industry. Improving yields were primarily driven by strong demand in domestic markets. International markets, particularly Latin America, also contributed to positive unit revenue trends. These revenue improvements were offset in part by higher fuel prices. Jet fuel prices tend to follow the price of Brent crude oil. On average, the price of Brent crude oil per barrel was approximately 9% higher in the second quarter of 2017 as compared to the 2016 period. The average daily spot price for Brent crude oil during the second quarter of 2017 was $50 per barrel as compared to an average daily spot price of $46 per barrel during the second quarter of 2016. On a daily basis, Brent crude oil prices fluctuated during the quarter between a high of $55 per barrel to a low of $44 per barrel, and closed the quarter on June 30, 2017 at $47 per barrel.

See Part II, Item 1A. Risk Factors – *"Downturns in economic conditions could adversely affect our business"* and *"Our business is very dependent on the price and availability of aircraft fuel. Continued periods of high volatility in fuel costs, increased fuel prices or significant disruptions in the supply of aircraft fuel could have a significant negative impact on our operating results and liquidity."*

AAG's Second Quarter 2017 Results

The selected financial data presented below is derived from AAG's unaudited condensed consolidated financial statements included in Part I, Item 1A of this report and should be read in conjunction with those financial statements and the related notes thereto.

	Three Months Ended June 30, 2017	2016	Increase (Decrease)	Percent Increase (Decrease)
	(In millions, except percentage changes)			
Mainline and regional passenger revenues	$ 9,582	$ 8,995	$ 587	6.5
Other operating revenues	1,327	1,194	133	11.1
Total operating revenues	11,105	10,363	742	7.2
Mainline and regional aircraft fuel and related taxes	1,839	1,593	246	15.4
Salaries, wages and benefits	3,003	2,670	333	12.5
Total operating expenses	9,570	8,612	958	11.1
Operating income	1,535	1,751	(216)	(12.3)
Pre-tax income	1,291	1,493	(202)	(13.5)
Income tax provision	488	543	(55)	(10.1)
Net income	803	950	(147)	(15.5)
Pre-tax income	$ 1,291	$ 1,493	$ (202)	(13.5)
Adjusted for: Total pre-tax special items [1]	205	101	104	nm
Pre-tax income excluding special items	$ 1,496	$ 1,594	$ (98)	(6.1)

(1) See below *"Reconciliation of GAAP to Non-GAAP Financial Measures"* and Note 2 to AAG's Condensed Consolidated Financial Statements in Part I, Item 1A for details on the components of special items.

Pre-Tax Income and Net Income

We realized net income of $803 million in the second quarter of 2017 as compared to net income of $950 million in the second quarter of 2016. Pre-tax income was $1.3 billion and $1.5 billion in the second quarters of 2017 and 2016, respectively. Excluding the effects of pre-tax net special items, we recognized pre-tax income of $1.5 billion in the second quarter of 2017 as compared to $1.6 billion in the second quarter of 2016. The quarter-over-quarter declines in our pre-tax income on both a GAAP basis and excluding pre-tax net special items were principally driven by higher salaries, wages and benefits and higher fuel costs. Salaries, wages and benefits costs were higher due to mid-contract pay rate increases for pilots and flight attendants effective in the second quarter of 2017, as well as rate increases for maintenance and fleet service work groups, which became effective in the third quarter of 2016. These increases were offset in part by higher revenues.

Revenue

In the second quarter of 2017, we reported total operating revenues of $11.1 billion, an increase of $742 million, or 7.2%, as compared to the 2016 period. Mainline and regional passenger revenues were $9.6 billion, an increase of $587 million, or 6.5%, as compared to the 2016 period. The increase in mainline and regional passenger revenues was driven by a 4.3% period-over-period increase in consolidated passenger yields. Domestic consolidated yields increased 6.4% and international yields rose 1.3%, due principally to improved revenue performance in Central/South American and Caribbean regions. The second quarter of 2017 marks our third consecutive quarter of period-over-period increasing yields.

Additionally, other revenues increased $133 million primarily due to revenues associated with our loyalty program, principally new co-branded credit card agreements that became effective in the third quarter of 2016. Our mainline and regional total revenue per available seat mile (TRASM) was 15.48 cents in the second quarter of 2017, a 5.7% increase as compared to 14.65 cents in the second quarter of 2016.

Fuel

Our mainline and regional fuel expense totaled $1.8 billion in the second quarter of 2017, which was $246 million, or 15.4%, higher as compared to the 2016 period. This increase was driven by a 14.7% increase in the average price per gallon of fuel to $1.63 in the second quarter of 2017 from $1.42 in the 2016 period.

As of June 30, 2017, 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.

Other Costs

We remain committed to actively managing our 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 2017 second quarter mainline cost per available seat mile (CASM) was 12.51 cents, an increase of 10.6%, from 11.32 cents in 2016. The increase was primarily driven by higher salaries, wages and benefits due to the contract pay rate increases described above and higher fuel costs.

Our 2017 second quarter mainline CASM excluding special items and fuel was 9.82 cents, an increase of 7.6%, as compared to the 2016 period, which was also driven by higher salaries, wages and benefits as described above.

For a reconciliation of mainline CASM excluding special items and fuel, see below *"Reconciliation of GAAP to Non-GAAP Financial Measures."*

Liquidity and Stockholder Returns

As of June 30, 2017, we had approximately $9.3 billion in total available liquidity, consisting of $6.9 billion in unrestricted cash and investments and $2.4 billion in undrawn revolving credit facilities. We also had restricted cash of $554 million.

During the second quarter of 2017, we returned $500 million to our stockholders, including quarterly dividend payments of $50 million and the repurchase of $450 million of common stock, or 10.0 million shares. Since our capital return program commenced in mid-2014, we have returned more than $10.7 billion to stockholders, including $748 million in quarterly dividend payments and $10.0 billion in share repurchases, or 250.0 million shares. In July 2017, our Board of Directors declared a $0.10 per share dividend for stockholders of record on August 14, 2017, and payable on August 28, 2017.

We continue to take advantage of historically low interest rates to finance new aircraft deliveries under our fleet renewal program. During the second quarter of 2017, we issued an aggregate principal amount of $348 million in Enhanced Equipment Trust Certificate (EETC) equipment notes at an average fixed interest rate of 4.00%, as well as $378 million in other equipment notes, which primarily bear interest at variable rates based on LIBOR plus a margin, averaging 2.82% at June 30, 2017. We also raised $267 million in proceeds from aircraft sale-leaseback transactions. Additionally, we repriced a $735 million term loan facility. See Note 5 to AAG's Condensed Consolidated Financial Statements in Part I, Item 1A for additional information on our debt obligations.

As a result of the foregoing factors, we currently have a higher debt level and fewer unencumbered assets than our peers. Accordingly, we believe it is important to retain liquidity levels higher than our network peers given our overall leverage as well as to protect against an adverse economic shock. Our current plan is to maintain minimum total available liquidity of $7.0 billion. We were well above that minimum level at June 30, 2017.

Reconciliation of GAAP to Non-GAAP Financial Measures

We sometimes use financial measures that are derived from the condensed consolidated financial statements but that are not presented in accordance with GAAP to understand and evaluate our current operating performance and to allow for period-to-period comparisons. We believe these non-GAAP financial measures may also provide useful information to investors and others. These non-GAAP measures may not be comparable to similarly titled non-GAAP measures of other companies, and should be considered in addition to and not as a substitute for or superior to, any measure of performance, cash flow or liquidity prepared in accordance with GAAP. We are providing a reconciliation of reported non-GAAP financial measures to their comparable financial measures on a GAAP basis.

The table below presents the reconciliation of pre-tax income (GAAP measure) to pre-tax income excluding special items (non-GAAP measure). Management uses this non-GAAP financial measure to evaluate our current operating performance and to allow for period-to-period comparisons. As special items may vary from period-to-period in nature and amount, the adjustment to exclude special items allows management an additional tool to better understand our core operating performance.

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Reconciliation of Pre-Tax Income Excluding Special Items:				
Pre-tax income	$ 1,291	$ 1,493	$ 1,656	$ 2,610
Pre-tax special items (1):				
Operating special items, net	203	65	324	169
Nonoperating special items, net	2	36	7	36
Total pre-tax special items	205	101	331	205
Pre-tax income excluding special items	$ 1,496	$ 1,594	$ 1,987	$ 2,815

Additionally, the table below presents the reconciliation of mainline operating costs (GAAP measure) to mainline operating costs excluding special items and fuel (non-GAAP measure). Management uses mainline operating costs excluding special items and fuel to evaluate our current operating performance and for period-to-period comparisons. The price of fuel, over which we have no control, impacts the comparability of period-to-period financial performance. The adjustment to exclude aircraft fuel and special items allows management an additional tool to better understand and analyze our non-fuel costs and core operating performance. Amounts may not recalculate due to rounding.

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Reconciliation of Mainline CASM Excluding Special Items and Fuel:				
(In millions)				
Total operating expenses	$ 9,570	$ 8,612	$ 18,593	$ 16,711
Less regional expenses:				
Fuel and related taxes	(329)	(279)	(648)	(498)
Other	(1,291)	(1,239)	(2,546)	(2,452)
Total mainline operating expenses	7,950	7,094	15,399	13,761
Adjusted for: Special items, net (1)	(202)	(62)	(320)	(161)
Adjusted for: Aircraft fuel and related taxes	(1,510)	(1,314)	(2,912)	(2,343)
Mainline operating expenses excluding special items and fuel	$ 6,238	$ 5,718	$ 12,167	$ 11,257
(In millions)				
Available Seat Miles (ASM)	63,520	62,670	120,083	120,234
(In cents)				
Mainline CASM	12.51	11.32	12.82	11.45
Adjusted for: Special items, net per ASM	(0.32)	(0.10)	(0.27)	(0.13)
Adjusted for: Aircraft fuel and related taxes per ASM	(2.38)	(2.10)	(2.42)	(1.95)
Mainline CASM excluding special items and fuel	9.82	9.12	10.13	9.36

(1) See Note 2 to AAG’s Condensed Consolidated Financial Statements in Part I, Item 1A for further information on special items.

AAG's Results of Operations

Operating Statistics

The table below sets forth selected mainline and regional operating data for the three and six months ended June 30, 2017 and 2016.

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Increase (Decrease)	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016	Increase (Decrease)
Mainline						
Revenue passenger miles (millions) [a]	53,177	51,927	2.4 %	98,388	98,147	0.2 %
Available seat miles (millions) [b]	63,520	62,670	1.4 %	120,083	120,234	(0.1) %
Passenger load factor (percent) [c]	83.7	82.9	0.8 pts	81.9	81.6	0.3 pts
Yield (cents) [d]	14.57	13.88	4.9 %	14.59	14.03	4.0 %
Passenger revenue per available seat mile (cents) [e]	12.20	11.50	6.0 %	11.95	11.46	4.3 %
Operating cost per available seat mile (cents) [f]	12.51	11.32	10.6 %	12.82	11.45	12.0 %
Aircraft at end of period	956	947	1.0 %	956	947	1.0 %
Fuel consumption (gallons in millions)	934	931	0.4 %	1,766	1,786	(1.1) %
Average aircraft fuel price including related taxes (dollars per gallon)	1.62	1.41	14.5 %	1.65	1.31	25.7 %
Full-time equivalent employees at end of period	106,100	103,100	2.9 %	106,100	103,100	2.9 %
Total Mainline and Regional						
Revenue passenger miles (millions) [a]	59,564	58,336	2.1 %	110,548	110,106	0.4 %
Available seat miles (millions) [b]	71,743	70,751	1.4 %	136,083	135,815	0.2 %
Passenger load factor (percent) [c]	83.0	82.5	0.5 pts	81.2	81.1	0.1 pts
Yield (cents) [d]	16.09	15.42	4.3 %	16.04	15.51	3.4 %
Passenger revenue per available seat mile (cents) [e]	13.36	12.71	5.0 %	13.03	12.58	3.6 %
Total revenue per available seat mile (cents) [g]	15.48	14.65	5.7 %	15.23	14.58	4.5 %
Aircraft at end of period	1,583	1,547	2.3 %	1,583	1,547	2.3 %
Fuel consumption (gallons in millions)	1,129	1,122	0.6 %	2,143	2,155	(0.6) %
Average aircraft fuel price including related taxes (dollars per gallon)	1.63	1.42	14.7 %	1.66	1.32	26.0 %
Full-time equivalent employees at end of period [h]	128,300	123,500	3.9 %	128,300	123,500	3.9 %

(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) Total revenue per available seat mile (TRASM) – Total revenues divided by total mainline and regional ASMs.

(h) Regional full-time equivalent employees only include our wholly-owned regional airline subsidiaries, Envoy, Piedmont and PSA.

Three Months Ended June 30, 2017 Compared to Three Months Ended June 30, 2016

We realized pre-tax income of $1.3 billion and $1.5 billion in the second quarters of 2017 and 2016, respectively. Excluding the effects of pre-tax net special items, pre-tax income was $1.5 billion and $1.6 billion in the second quarters of 2017 and 2016, respectively.

Our second quarter 2017 pre-tax results on both a GAAP basis and excluding pre-tax net special items were principally driven by higher salaries, wages and benefits and higher fuel costs, which were offset in part by higher revenues.

Operating Revenues

	Three Months Ended June 30,		Increase (Decrease)	Percent Increase (Decrease)
	2017	2016		
	(In millions, except percentage changes)			
Mainline passenger	$ 7,747	$ 7,209	$538	7.5
Regional passenger	1,835	1,786	49	2.8
Cargo	196	174	22	13.1
Other	1,327	1,194	133	11.1
Total operating revenues	$ 11,105	$ 10,363	$742	7.2

This table presents our total passenger revenues and the period-over-period change in certain operating statistics:

	Three Months Ended June 30, 2017	Increase (Decrease) vs. Three Months Ended June 30, 2016					
		Passenger Revenue	RPMs	ASMs	Load Factor	Passenger Yield	PRASM
	(In millions)						
Mainline passenger	$7,747	7.5%	2.4%	1.4%	0.8 pts	4.9%	6.0%
Regional passenger	1,835	2.8%	(0.3)%	1.7%	(1.6)pts	3.1%	1.0%
Total passenger revenues	$9,582	6.5%	2.1%	1.4%	0.5 pts	4.3%	5.0%

Total passenger revenues increased $587 million, or 6.5%, in the second quarter of 2017 from the 2016 period primarily driven by a 4.3% period-over-period increase in consolidated passenger yields. Domestic consolidated yields increased 6.4% and international yields rose 1.3%, due principally to improved revenue performance in Central/South American and Caribbean regions.

Cargo revenue increased $22 million, or 13.1%, in the second quarter of 2017 from the 2016 period primarily driven by an increase in freight volume.

Other revenue primarily includes revenue associated with our loyalty program, baggage fees, ticketing change fees, airport clubs and inflight services. Other revenue increased $133 million, or 11.1%, in the second quarter of 2017 from the 2016 period primarily driven by an increase in loyalty program revenue. In the second quarters of 2017 and 2016, other revenue associated with our loyalty program was $581 million and $461 million, respectively, of which $549 million and $430 million, respectively, related to the marketing component of mileage sales and other marketing related payments. This period-over-period increase was primarily due to revenues associated with our new co-branded credit card agreements that became effective in the third quarter of 2016.

Total operating revenues in the second quarter of 2017 increased $742 million, or 7.2%, from the 2016 period driven principally by a 6.5% increase in total passenger revenues as described above. Our mainline and regional TRASM was 15.48 cents in the second quarter of 2017, a 5.7% increase as compared to 14.65 cents in the 2016 period.

Mainline Operating Expenses

	Three Months Ended June 30, 2017	2016	Increase (Decrease)	Percent Increase (Decrease)
	(In millions, except percentage changes)			
Aircraft fuel and related taxes	$1,510	$1,314	$196	14.9
Salaries, wages and benefits	3,003	2,670	333	12.5
Maintenance, materials and repairs	495	453	42	9.4
Other rent and landing fees	452	458	(6)	(1.2)
Aircraft rent	294	302	(8)	(2.8)
Selling expenses	376	334	42	12.5
Depreciation and amortization	418	374	44	11.5
Special items, net	202	62	140	nm
Other	1,200	1,127	73	6.5
Total mainline operating expenses	$7,950	$7,094	$856	12.1

Mainline operating expenses increased $856 million, or 12.1%, in the second quarter of 2017 from the 2016 period. The increase in operating expenses was primarily driven by higher salaries, wages and benefits as well as higher fuel costs. See detailed explanations below relating to changes in mainline CASM.

Mainline CASM

We sometimes use financial measures that are derived from the condensed consolidated financial statements but that are not presented in accordance with GAAP to understand and evaluate our current operating performance to allow for period-to-period comparisons. We believe these non-GAAP financial measures may also provide useful information to investors and others. These non-GAAP measures may not be comparable to similarly titled non-GAAP measures of other companies, and should be considered in addition to and not as a substitute for or superior to, any measure of performance, cash flow or liquidity prepared in accordance with GAAP. We are providing a reconciliation of reported non-GAAP financial measures to their comparable financial measures on a GAAP basis.

The table below presents the reconciliation of mainline operating expenses (GAAP measure) to mainline operating costs excluding special items and fuel (non-GAAP measure). Management uses mainline operating costs excluding special items and fuel to evaluate our current operating performance and for period-to-period comparisons. The price of fuel, over which we have no control, impacts the comparability of period-to-period financial performance. The adjustment to exclude aircraft fuel and special items allows management an additional tool to better understand and analyze our non-fuel costs and core operating performance.

The major components of our total mainline CASM and our mainline CASM excluding special items and fuel for the three months ended June 30, 2017 and 2016 are as follows (amounts may not recalculate due to rounding):

	Three Months Ended June 30, 2017	2016	Percent Increase (Decrease)
	(In cents, except percentage changes)		
Mainline CASM:			
Aircraft fuel and related taxes	2.38	2.10	13.4
Salaries, wages and benefits	4.73	4.26	11.0
Maintenance, materials and repairs	0.78	0.72	7.9
Other rent and landing fees	0.71	0.73	(2.5)
Aircraft rent	0.46	0.48	(4.1)
Selling expenses	0.59	0.53	11.0
Depreciation and amortization	0.66	0.60	10.0
Special items, net	0.32	0.10	nm
Other	1.89	1.80	5.0
Total mainline CASM	12.51	11.32	10.6
Special items, net	(0.32)	(0.10)	nm
Aircraft fuel and related taxes	(2.38)	(2.10)	13.4
Mainline CASM, excluding special items and fuel	9.82	9.12	7.6

Significant changes in the components of mainline CASM are as follows:

- Aircraft fuel and related taxes per ASM increased 13.4% primarily due to a 14.5% increase in the average price per gallon of fuel to $1.62 in the second quarter of 2017 from $1.41 in the 2016 period.
- Salaries, wages and benefits per ASM increased 11.0% primarily due to mid-contract pay rate increases for pilots and flight attendants effective in the second quarter of 2017, as well as rate increases for maintenance and fleet service work groups, which became effective in the third quarter of 2016.
- Maintenance, materials and repairs per ASM increased 7.9% as compared to the 2016 period primarily due to a contract change impacting the timing of maintenance expenses incurred. Certain flight equipment was transitioned to a new flight hour based contract (referred to as power by the hour) where expense is incurred and recognized based on actual hours flown. Previously this flight equipment was covered by a time and materials based contract where expense is incurred and recognized as maintenance is performed.
- Selling expenses per ASM increased 11.0% primarily due to higher revenues in the second quarter of 2017 as compared to the 2016 period, resulting in higher commissions.
- Depreciation and amortization per ASM increased 10.0% primarily due to aircraft purchased in connection with our fleet renewal program.
- Other operating expenses per ASM increased 5.0% primarily due to expenses associated with improving our product offerings, customer experience and operational reliability.

Operating Special Items, Net

	Three Months Ended June 30,	
	2017	2016
	(In millions)	
Merger integration expenses (1)	$ 68	$ 97
Fleet restructuring expenses (2)	48	15
Mark-to-market adjustments for bankruptcy obligations and other	38	(56)
Labor contract expenses (3)	45	—
Other operating charges, net	3	6
Total mainline operating special items, net	202	62
Regional operating special items, net (4)	1	3
Total operating special items, net	$ 203	$ 65

(1) Merger integration expenses included costs related to information technology, professional fees, re-branding of aircraft and airport facilities and training. Additionally, the 2016 period also included costs related to alignment of labor union contracts, re-branded uniforms, relocation and severance.

(2) Fleet restructuring expenses driven by the Merger principally included the acceleration of aircraft depreciation and impairments for aircraft grounded or expected to be grounded earlier than planned.

(3) Labor contract expenses primarily included one-time charges to adjust the vacation accruals for pilots and flight attendants as a result of the mid-contract pay rate adjustments effective in the second quarter of 2017.

(4) Regional operating special items, net principally related to Merger integration expenses.

Regional Operating Expenses

	Three Months Ended June 30, 2017	2016	Increase (Decrease)	Percent Increase (Decrease)
	(In millions, except percentage changes)			
Aircraft fuel and related taxes	$ 329	$ 279	$ 50	18.0
Other	1,291	1,239	52	4.3
Total regional operating expenses	$ 1,620	$ 1,518	$102	6.8

Regional operating expenses increased $102 million, or 6.8%, in the second quarter of 2017 from the 2016 period. The period-over-period increase was primarily due to a $50 million, or 18.0%, increase in fuel costs and a $52 million, or 4.3%, increase in other regional operating expenses. The average price per gallon of fuel increased 15.9% to $1.69 in the second quarter of 2017 from $1.46 in the 2016 period, on a 1.8% increase in consumption. The increase in other regional operating expenses was primarily driven by a 1.7% increase in capacity, principally from our wholly-owned regional carriers. See Note 10 to AAG's Condensed Consolidated Financial Statements in Part I, Item 1A for further information on regional expenses.

Nonoperating Results

	Three Months Ended June 30, 2017	2016	Increase (Decrease)	Percent Increase (Decrease)
	(In millions, except percentage changes)			
Interest income	$ 24	$ 16	$ 8	52.7
Interest expense, net	(263)	(249)	(14)	5.8
Other, net	(5)	(25)	20	(80.6)
Total nonoperating expense, net	$ (244)	$ (258)	$ 14	(5.5)

Our short-term investments in each period consisted of highly liquid investments that provided relatively nominal returns. Interest income increased $8 million, or 52.7%, principally due to an increase in interest rates, which drove more than a 50 basis point increase in average yields in the second quarter of 2017 as compared to the 2016 period.

Interest expense, net increased $14 million in the second quarter of 2017 as compared to the 2016 period primarily due to higher outstanding debt as a result of aircraft financings associated with our fleet renewal program.

Other nonoperating expense, net in the 2016 period primarily included $36 million of net special charges consisting of debt issuance and extinguishment costs associated with a bond refinancing, offset in part by $17 million of foreign currency gains.

Income Taxes

In the second quarter 2017, we recorded an income tax provision of $488 million, which was substantially non-cash due to utilization of our net operating losses (NOLs). Substantially all of our income before income taxes is attributable to the United States. At December 31, 2016, we had approximately $10.5 billion of gross NOLs to reduce future federal taxable income, substantially all of which are expected to be available for use in 2017.

See Note 6 to AAG's Condensed Consolidated Financial Statements in Part I, Item 1A for additional information on income taxes.

Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016

We realized pre-tax income of $1.7 billion and $2.6 billion in the first six months of 2017 and 2016, respectively. Excluding the effects of pre-tax net special items, pre-tax income was $2.0 billion and $2.8 billion in the first six months of 2017 and 2016, respectively.

Our pre-tax results on both a GAAP basis and excluding pre-tax net special items for the first six months of 2017 were principally driven by higher fuel costs as well as higher salaries, wages and benefits, which were offset in part by higher revenues.

Operating Revenues

	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016	Increase (Decrease)	Percent Increase (Decrease)
	(In millions, except percentage changes)			
Mainline passenger	$ 14,353	$ 13,773	$ 580	4.2
Regional passenger	3,384	3,309	75	2.3
Cargo	368	336	32	9.8
Other	2,624	2,380	244	10.2
Total operating revenues	$ 20,729	$ 19,798	$ 931	4.7

This table presents our total passenger revenues and the period-over-period change in certain operating statistics:

	Six Months Ended June 30, 2017	Increase (Decrease) vs. Six Months Ended June 30, 2016					
	(In millions)	Passenger Revenue	RPMs	ASMs	Load Factor	Passenger Yield	PRASM
Mainline passenger	$ 14,353	4.2%	0.2%	(0.1)%	0.3 pts	4.0%	4.3%
Regional passenger	3,384	2.3%	1.7%	2.7%	(0.8)pts	0.6%	(0.4)%
Total passenger revenues	$ 17,737	3.8%	0.4%	0.2%	0.1 pts	3.4%	3.6%

Total passenger revenues increased $655 million, or 3.8%, in the first six months of 2017 from the 2016 period primarily driven by a 3.4% period-over-period increase in consolidated passenger yields. Domestic consolidated yields increased 4.8% and international yields rose 0.9%, due principally to improved revenue performance in Central/South American and Caribbean regions.

Cargo revenue increased $32 million, or 9.8%, in the first six months of 2017 from the 2016 period primarily driven by an increase in freight volume.

Other revenue primarily includes revenue associated with our loyalty program, baggage fees, ticketing change fees, airport clubs and inflight services. Other revenue increased $244 million, or 10.2%, in the first six months of 2017 from the 2016 period primarily driven by an increase in loyalty program revenue. In the first six months of 2017 and 2016, other revenue associated with our loyalty program was $1.2 billion and $952 million, respectively, of which $1.1 billion and $856 million, respectively, related to the marketing component of mileage sales and other marketing related payments. This period-over-period increase was primarily due to revenues associated with our new co-branded credit card agreements that became effective in the third quarter of 2016.

Total operating revenues in the first six months of 2017 increased $931 million, or 4.7%, from the 2016 period driven principally by a 3.8% increase in total passenger revenues as described above. Our mainline and regional TRASM was 15.23 cents in the first six months of 2017, a 4.5% increase as compared to 14.58 cents in the 2016 period.

Mainline Operating Expenses

	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016	Increase (Decrease)	Percent Increase (Decrease)
	(In millions, except percentage changes)			
Aircraft fuel and related taxes	$ 2,912	$ 2,343	$ 569	24.2
Salaries, wages and benefits	5,829	5,322	507	9.5
Maintenance, materials and repairs	987	871	116	13.3
Other rent and landing fees	892	879	13	1.5
Aircraft rent	589	609	(20)	(3.3)
Selling expenses	694	642	52	8.0
Depreciation and amortization	822	729	93	12.8
Special items, net	320	161	159	99.4
Other	2,354	2,205	149	6.8
Total mainline operating expenses	$ 15,399	$ 13,761	$ 1,638	11.9

Mainline operating expenses increased $1.6 billion, or 11.9%, in the first six months of 2017 from the 2016 period. The increase in operating expenses was primarily driven by higher fuel costs as well as salaries, wages and benefits. See detailed explanations below relating to changes in mainline CASM.

Mainline CASM

We sometimes use financial measures that are derived from the condensed consolidated financial statements but that are not presented in accordance with GAAP to understand and evaluate our current operating performance to allow for period-to-period comparisons. We believe these non-GAAP financial measures may also provide useful information to investors and others. These non-GAAP measures may not be comparable to similarly titled non-GAAP measures of other companies, and should be considered in addition to and not as a substitute for or superior to, any measure of performance, cash flow or liquidity prepared in accordance with GAAP. We are providing a reconciliation of reported non-GAAP financial measures to their comparable financial measures on a GAAP basis.

The table below presents the reconciliation of mainline operating expenses (GAAP measure) to mainline operating costs excluding special items and fuel (non-GAAP measure). Management uses mainline operating costs excluding special items and fuel to evaluate our current operating performance and for period-to-period comparisons. The price of fuel, over which we have no control, impacts the comparability of period-to-period financial performance. The adjustment to exclude aircraft fuel and special items allows management an additional tool to better understand and analyze our non-fuel costs and core operating performance.

The major components of our total mainline CASM and our mainline CASM excluding special items and fuel for the six months ended June 30, 2017 and 2016 are as follows (amounts may not recalculate due to rounding):

	Six Months Ended June 30,		Percent Increase (Decrease)
	2017	2016	
	(In cents, except percentage changes)		
Mainline CASM:			
Aircraft fuel and related taxes	2.42	1.95	24.4
Salaries, wages and benefits	4.85	4.43	9.7
Maintenance, materials and repairs	0.82	0.72	13.4
Other rent and landing fees	0.74	0.73	1.6
Aircraft rent	0.49	0.51	(3.2)
Selling expenses	0.58	0.53	8.2
Depreciation and amortization	0.68	0.61	12.9
Special items, net	0.27	0.13	99.7
Other	1.96	1.83	6.9
Total mainline CASM	12.82	11.45	12.0
Special items, net	(0.27)	(0.13)	99.7
Aircraft fuel and related taxes	(2.42)	(1.95)	24.4
Mainline CASM, excluding special items and fuel	10.13	9.36	8.2

Significant changes in the components of mainline CASM are as follows:

- Aircraft fuel and related taxes per ASM increased 24.4% primarily due to a 25.7% increase in the average price per gallon of fuel to $1.65 in the first six months of 2017 from $1.31 in the 2016 period, offset in part by a 1.1% decrease in gallons of fuel consumed.
- Salaries, wages and benefits per ASM increased 9.7% primarily due to mid-contract pay rate increases for pilots and flight attendants effective in the second quarter of 2017, as well as rate increases for maintenance and fleet service work groups, which became effective in the third quarter of 2016.
- Maintenance, materials and repairs per ASM increased 13.4% as compared to the 2016 period primarily due to a contract change impacting the timing of maintenance expenses incurred. Certain flight equipment was transitioned to a new flight hour based contract (referred to as power by the hour) where expense is incurred and recognized based on actual hours flown. Previously this flight equipment was covered by a time and materials based contract where expense is incurred and recognized as maintenance is performed.
- Selling expenses per ASM increased 8.2% primarily due to higher revenues in the first six months of 2017 as compared to the 2016 period, resulting in higher commissions.
- Depreciation and amortization per ASM increased 12.9% primarily due to aircraft purchased in connection with our fleet renewal program.

- Other operating expenses per ASM increased 6.9% primarily due to expenses associated with improving our product offerings, customer experience and operational reliability.

Operating Special Items, Net

	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
	(In millions)	
Merger integration expenses (1)	$ 130	$ 201
Fleet restructuring expenses (2)	111	41
Mark-to-market adjustments for bankruptcy obligations and other	20	(61)
Labor contract expenses (3)	45	—
Other operating charges (credits), net	14	(20)
Total mainline operating special items, net	320	161
Regional operating special items, net (4)	4	8
Total operating special items, net	$ 324	$ 169

(1) Merger integration expenses included costs related to information technology, professional fees, re-branding of aircraft and airport facilities and training. Additionally, the 2016 period also included costs related to alignment of labor union contracts, re-branded uniforms, relocation and severance.

(2) Fleet restructuring expenses driven by the Merger principally included the acceleration of aircraft depreciation and impairments for aircraft grounded or expected to be grounded earlier than planned.

(3) Labor contract expenses primarily included one-time charges to adjust the vacation accruals for pilots and flight attendants as a result of the mid-contract pay rate adjustments effective in the second quarter of 2017.

(4) Regional operating special items, net principally related to Merger integration expenses.

Regional Operating Expenses

	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016	Increase (Decrease)	Percent Increase (Decrease)
	(In millions, except percentage changes)			
Aircraft fuel and related taxes	$ 648	$ 498	$ 150	30.0
Other	2,546	2,452	94	3.8
Total regional operating expenses	$ 3,194	$ 2,950	$ 244	8.3

Regional operating expenses increased $244 million, or 8.3%, in the first six months of 2017 from the 2016 period. The period-over-period increase was primarily due to a $150 million, or 30.0%, increase in fuel costs and a $94 million, or 3.8%, increase in other regional operating expenses. The average price per gallon of fuel increased 27.2% to $1.72 in the first six months of 2017 from $1.35 in the 2016 period, on a 2.2% increase in consumption. The increase in other regional operating expenses was primarily driven by a 2.7% increase in capacity, principally from our wholly-owned regional carriers. See Note 10 to AAG's Condensed Consolidated Financial Statements in Part I, Item 1A for further information on regional expenses.

Nonoperating Results

	Six Months Ended June 30,		Increase	Percent Increase
	2017	2016	(Decrease)	(Decrease)
	(In millions, except percentage changes)			
Interest income	$ 45	$ 28	$ 17	57.7
Interest expense, net	(520)	(488)	(32)	6.6
Other, net	(5)	(17)	12	(69.2)
Total nonoperating expense, net	$ (480)	$ (477)	$ (3)	0.8

Our short-term investments in each period consisted of highly liquid investments that provided relatively nominal returns. Interest income increased $17 million, or 57.7%, principally due to an increase in interest rates, which drove more than a 50 basis point increase in average yields in the first six months of 2017 as compared to the 2016 period.

Interest expense, net increased $32 million in the first six months of 2017 as compared to the 2016 period primarily due to higher outstanding debt as a result of aircraft financings associated with our fleet renewal program.

Other nonoperating expense, net in the 2016 period primarily included $36 million of net special charges consisting of debt issuance and extinguishment costs associated with a bond refinancing, offset in part by $27 million of foreign currency gains.

Income Taxes

In the first six months of 2017, we recorded an income tax provision of $619 million, which was substantially non-cash due to utilization of our NOLs. Substantially all of our income before income taxes is attributable to the United States. At December 31, 2016, we had approximately $10.5 billion of gross NOLs to reduce future federal taxable income, substantially all of which are expected to be available for use in 2017.

See Note 6 to AAG's Condensed Consolidated Financial Statements in Part I, Item 1A for additional information on income taxes.

American's Results of Operations

Three Months Ended June 30, 2017 Compared to Three Months Ended June 30, 2016

American realized pre-tax income of $1.3 billion and $1.5 billion in the second quarters of 2017 and 2016, respectively. Excluding the effects of pre-tax net special items, pre-tax income was $1.5 billion and $1.6 billion in the second quarters of 2017 and 2016, respectively.

American's second quarter 2017 pre-tax results on both a GAAP basis and excluding pre-tax net special items were principally driven by higher salaries, wages and benefits and higher fuel costs, which were offset in part by higher revenues.

Operating Revenues

	Three Months Ended June 30,		Increase	Percent Increase
	2017	2016	(Decrease)	(Decrease)
	(In millions, except percentage changes)			
Mainline passenger	$ 7,747	$ 7,209	$ 538	7.5
Regional passenger	1,835	1,786	49	2.8
Cargo	196	174	22	13.1
Other	1,324	1,191	133	11.2
Total operating revenues	$ 11,102	$ 10,360	$ 742	7.2

Total passenger revenues increased $587 million, or 6.5%, in the second quarter of 2017 from the 2016 period primarily driven by a period-over-period increase in consolidated passenger yields.

Cargo revenue increased $22 million, or 13.1%, in the second quarter of 2017 from the 2016 period primarily driven by an increase in freight volume.

Other revenue primarily includes revenue associated with American's loyalty program, baggage fees, ticketing change fees, airport clubs and inflight services. Other revenue increased $133 million, or 11.2%, in the second quarter of 2017 from the 2016 period primarily driven by an increase in loyalty program revenue. In the second quarters of 2017 and 2016, other revenue associated with American's loyalty program was $581 million and $461 million, respectively, of which $549 million and $430 million, respectively, related to the marketing component of mileage sales and other marketing related payments. This period-over-period increase was primarily due to revenues associated with American's new co-branded credit card agreements that became effective in the third quarter of 2016.

Total operating revenues in the second quarter of 2017 increased $742 million, or 7.2%, from the 2016 period driven principally by a 6.5% increase in total passenger revenues as described above.

Mainline Operating Expenses

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Increase (Decrease)	Percent Increase (Decrease)
	(In millions, except percentage changes)			
Aircraft fuel and related taxes	$ 1,510	$ 1,314	$ 196	14.9
Salaries, wages and benefits	2,999	2,668	331	12.5
Maintenance, materials and repairs	495	453	42	9.4
Other rent and landing fees	452	458	(6)	(1.2)
Aircraft rent	294	302	(8)	(2.8)
Selling expenses	376	334	42	12.5
Depreciation and amortization	418	374	44	11.5
Special items, net	202	62	140	nm
Other	1,200	1,128	72	6.3
Total mainline operating expenses	$ 7,946	$ 7,093	$ 853	12.0

Mainline operating expenses increased $853 million, or 12.0%, in the second quarter of 2017 from the 2016 period. The increase in operating expenses was primarily driven by higher salaries, wages and benefits as well as higher fuel costs. Detailed explanations related to the changes in American's mainline operating expenses are as follows:

- Aircraft fuel and related taxes increased 14.9% primarily due to a 14.5% increase in the average price per gallon of fuel to $1.62 in the second quarter of 2017 from $1.41 in the 2016 period.
- Salaries, wages and benefits increased 12.5% primarily due to mid-contract pay rate increases for pilots and flight attendants effective in the second quarter of 2017, as well as rate increases for maintenance and fleet service work groups, which became effective in the third quarter of 2016.
- Maintenance, materials and repairs increased 9.4% as compared to the 2016 period primarily due to a contract change impacting the timing of maintenance expenses incurred. Certain flight equipment was transitioned to a new flight hour based contract (referred to as power by the hour) where expense is incurred and recognized based on actual hours flown. Previously this flight equipment was covered by a time and materials based contract where expense is incurred and recognized as maintenance is performed.
- Selling expenses increased 12.5% primarily due to higher revenues in the second quarter of 2017 as compared to the 2016 period, resulting in higher commissions.
- Depreciation and amortization increased 11.5% primarily due to aircraft purchased in connection with American's fleet renewal program.
- Other operating expenses increased 6.3% primarily due to expenses associated with improving our product offerings, customer experience and operational reliability.

Operating Special Items, Net

	Three Months Ended June 30, 2017	2016
	(In millions)	
Merger integration expenses [1]	$ 68	$ 97
Fleet restructuring expenses [2]	48	15
Mark-to-market adjustments for bankruptcy obligations and other	38	(56)
Labor contract expenses [3]	45	—
Other operating charges, net	3	6
Total mainline operating special items, net	202	62
Regional operating special items, net [4]	1	3
Total operating special items, net	$ 203	$ 65

(1) Merger integration expenses included costs related to information technology, professional fees, re-branding of aircraft and airport facilities and training. Additionally, the 2016 period also included costs related to alignment of labor union contracts, re-branded uniforms, relocation and severance.

(2) Fleet restructuring expenses driven by the Merger principally included the acceleration of aircraft depreciation and impairments for aircraft grounded or expected to be grounded earlier than planned.

(3) Labor contract expenses primarily included one-time charges to adjust the vacation accruals for pilots and flight attendants as a result of the mid-contract pay rate adjustments effective in the second quarter of 2017.

(4) Regional operating special items, net principally related to Merger integration expenses.

Regional Operating Expenses

	Three Months Ended June 30, 2017	2016	Increase (Decrease)	Percent Increase (Decrease)
	(In millions, except percentage changes)			
Aircraft fuel and related taxes	$ 329	$ 279	$ 50	18.0
Other	1,300	1,231	69	5.6
Total regional operating expenses	$1,629	$1,510	$ 119	7.9

Regional operating expenses increased $119 million, or 7.9%, in the second quarter of 2017 from the 2016 period. The period-over-period increase was primarily due to a $50 million, or 18.0%, increase in fuel costs and a $69 million, or 5.6%, increase in other regional operating expenses. The average price per gallon of fuel increased 15.9% to $1.69 in the second quarter of 2017 from $1.46 in the 2016 period, on a 1.8% increase in consumption. The increase in other regional operating expenses was primarily driven by increased capacity. See Note 8 to American's Condensed Consolidated Financial Statements in Part I, Item 1B for further information on regional expenses.

Nonoperating Results

	Three Months Ended June 30, 2017	2016	Increase (Decrease)	Percent Increase (Decrease)
	(In millions, except percentage changes)			
Interest income	$ 53	$ 25	$ 28	nm
Interest expense, net	(246)	(228)	(18)	8.4
Other, net	(5)	(26)	21	(82.7)
Total nonoperating expense, net	$ (198)	$ (229)	$ 31	(13.4)

American's short-term investments in each period consisted of highly liquid investments that provided relatively nominal returns. Interest income increased $28 million principally due to an increase in interest rates, which drove more than a 50 basis point increase in average yields in the second quarter of 2017 as compared to the 2016 period.

Interest expense, net increased $18 million in the second quarter of 2017 as compared to the 2016 period primarily due to higher outstanding debt as a result of aircraft financings associated with American's fleet renewal program.

Other nonoperating expense, net in the 2016 period primarily included $36 million of net special charges consisting of debt issuance and extinguishment costs associated with a bond refinancing, offset in part by $17 million of foreign currency gains.

Income Taxes

In the second quarter 2017, American recorded an income tax provision of $502 million, which was substantially non-cash due to utilization of its NOLs. Substantially all of American's income before income taxes is attributable to the United States. At December 31, 2016, American had approximately $11.3 billion of gross NOLs to reduce future federal taxable income, substantially all of which are expected to be available for use in 2017.

See Note 4 to American's Condensed Consolidated Financial Statements in Part I, Item 1B for additional information on income taxes.

Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016

American realized pre-tax income of $1.7 billion and $2.7 billion in the first six months of 2017 and 2016, respectively. Excluding the effects of pre-tax net special items, pre-tax income was $2.1 billion and $2.9 billion in the first six months of 2017 and 2016, respectively.

American's pre-tax results on both a GAAP basis and excluding pre-tax net special items for the first six months of 2017 were principally driven by higher fuel costs as well as higher salaries, wages and benefits, which were offset in part by higher revenues.

Operating Revenues

	Six Months Ended June 30,		Increase	Percent Increase
	2017	2016	(Decrease)	(Decrease)
	(In millions, except percentage changes)			
Mainline passenger	$14,353	$13,773	$ 580	4.2
Regional passenger	3,384	3,309	75	2.3
Cargo	368	336	32	9.8
Other	2,617	2,369	248	10.5
Total operating revenues	$20,722	$19,787	$ 935	4.7

Total passenger revenues increased $655 million, or 3.8%, in the first six months of 2017 from the 2016 period primarily driven by a period-over-period increase in consolidated passenger yields.

Cargo revenue increased $32 million, or 9.8%, in the first six months of 2017 from the 2016 period primarily driven by an increase in freight volume.

Other revenue primarily includes revenue associated with American's loyalty program, baggage fees, ticketing change fees, airport clubs and inflight services. Other revenue increased $248 million, or 10.5%, in the first six months of 2017 from the 2016 period primarily driven by an increase in loyalty program revenue. In the first six months of 2017 and 2016, other revenue associated with American's loyalty program was $1.2 billion and $952 million, respectively, of which $1.1 billion and $856 million, respectively, related to the marketing component of mileage sales and other marketing related payments. This period-over-period increase was primarily due to revenues associated with American's new co-branded credit card agreements that became effective in the third quarter of 2016.

Total operating revenues in the first six months of 2017 increased $935 million, or 4.7%, from the 2016 period driven principally by a 3.8% increase in total passenger revenues as described above.

Mainline Operating Expenses

	Six Months Ended June 30, 2017	2016	Increase (Decrease)	Percent Increase (Decrease)
	(In millions, except percentage changes)			
Aircraft fuel and related taxes	$ 2,912	$ 2,343	$ 569	24.2
Salaries, wages and benefits	5,823	5,318	505	9.5
Maintenance, materials and repairs	987	871	116	13.3
Other rent and landing fees	892	879	13	1.5
Aircraft rent	589	609	(20)	(3.3)
Selling expenses	694	642	52	8.0
Depreciation and amortization	822	729	93	12.8
Special items, net	320	161	159	99.4
Other	2,354	2,208	146	6.6
Total mainline operating expenses	$ 15,393	$ 13,760	$ 1,633	11.9

Mainline operating expenses increased $1.6 billion, or 11.9%, in the first six months of 2017 from the 2016 period. The increase in operating expenses was primarily driven by higher fuel costs as well as salaries, wages and benefits. Detailed explanations related to the changes in American's mainline operating expenses are as follows:

- Aircraft fuel and related taxes increased 24.2% primarily due to a 25.7% increase in the average price per gallon of fuel to $1.65 in the first six months of 2017 from $1.31 in the 2016 period, offset in part by a 1.1% decrease in gallons of fuel consumed.
- Salaries, wages and benefits increased 9.5% primarily due to mid-contract pay rate increases for pilots and flight attendants effective in the second quarter of 2017, as well as rate increases for maintenance and fleet service work groups, which became effective in the third quarter of 2016.
- Maintenance, materials and repairs increased 13.3% as compared to the 2016 period primarily due to a contract change impacting the timing of maintenance expenses incurred. Certain flight equipment was transitioned to a new flight hour based contract (referred to as power by the hour) where expense is incurred and recognized based on actual hours flown. Previously this flight equipment was covered by a time and materials based contract where expense is incurred and recognized as maintenance is performed.
- Selling expenses increased 8.0% primarily due to higher revenues in the first six months of 2017 as compared to the 2016 period, resulting in higher commissions.
- Depreciation and amortization increased 12.8% primarily due to aircraft purchased in connection with American's fleet renewal program.
- Other operating expenses increased 6.6% primarily due to expenses associated with improving our product offerings, customer experience and operational reliability.

Operating Special Items, Net

	Six Months Ended June 30, 2017	2016
	(In millions)	
Merger integration expenses (1)	$ 130	$ 201
Fleet restructuring expenses (2)	111	41
Mark-to-market adjustments for bankruptcy obligations and other	20	(61)
Labor contract expenses (3)	45	—
Other operating charges (credits), net	14	(20)
Total mainline operating special items, net	320	161
Regional operating special items, net (4)	4	8
Total operating special items, net	$ 324	$ 169

(1) Merger integration expenses included costs related to information technology, professional fees, re-branding of aircraft and airport facilities and training. Additionally, the 2016 period also included costs related to alignment of labor union contracts, re-branded uniforms, relocation and severance.

(2) Fleet restructuring expenses driven by the Merger principally included the acceleration of aircraft depreciation and impairments for aircraft grounded or expected to be grounded earlier than planned.

(3) Labor contract expenses primarily included one-time charges to adjust the vacation accruals for pilots and flight attendants as a result of the mid-contract pay rate adjustments effective in the second quarter of 2017.

(4) Regional operating special items, net principally related to Merger integration expenses.

Regional Operating Expenses

	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016	Increase (Decrease)	Percent Increase (Decrease)
	(In millions, except percentage changes)			
Aircraft fuel and related taxes	$ 648	$ 498	$ 150	30.0
Other	2,551	2,449	102	4.2
Total regional operating expenses	$3,199	$2,947	$ 252	8.6

Regional operating expenses increased $252 million, or 8.6%, in the first six months of 2017 from the 2016 period. The period-over-period increase was primarily due to a $150 million, or 30.0%, increase in fuel costs and a $102 million, or 4.2%, increase in other regional operating expenses. The average price per gallon of fuel increased 27.2% to $1.72 in the first six months of 2017 from $1.35 in the 2016 period, on a 2.2% increase in consumption. The increase in other regional operating expenses was primarily driven by increased capacity. See Note 8 to American's Condensed Consolidated Financial Statements in Part I, Item 1B for further information on regional expenses.

Nonoperating Results

	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016	Increase (Decrease)	Percent Increase (Decrease)
	(In millions, except percentage changes)			
Interest income	$ 102	$ 46	$ 56	nm
Interest expense, net	(488)	(445)	(43)	9.5
Other, net	(5)	(18)	13	(71.1)
Total nonoperating expense, net	$(391)	$(417)	$ 26	(6.4)

American's short-term investments in each period consisted of highly liquid investments that provided relatively nominal returns. Interest income increased $56 million principally due to an increase in interest rates, which drove more than a 50 basis point increase in average yields in the first six months of 2017 as compared to the 2016 period.

Interest expense, net increased $43 million in the first six months of 2017 as compared to the 2016 period primarily due to higher outstanding debt as a result of aircraft financings associated with American's fleet renewal program.

Other nonoperating expense, net in the 2016 period primarily included $36 million of net special charges consisting of debt issuance and extinguishment costs associated with a bond refinancing, offset in part by $27 million of foreign currency gains.

Income Taxes

In the first six months of 2017, American recorded an income tax provision of $650 million, which was substantially non-cash due to utilization of its NOLs. Substantially all of American's income before income taxes is attributable to the United States. At December 31, 2016, American had approximately $11.3 billion of gross NOLs to reduce future federal taxable income, substantially all of which are expected to be available for use in 2017.

See Note 4 to American's Condensed Consolidated Financial Statements in Part I, Item 1B for additional information on income taxes.

Liquidity and Capital Resources

Liquidity

As of June 30, 2017, AAG had approximately $9.3 billion in total available liquidity and $554 million in restricted cash and short-term investments. Additional detail of our available liquidity is provided in the table below (in millions):

	AAG		American	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Cash	$ 386	$ 322	$ 368	$ 310
Short-term investments	6,500	6,037	6,498	6,034
Undrawn revolving credit facilities	2,425	2,425	2,425	2,425
Total available liquidity	$ 9,311	$ 8,784	$ 9,291	$ 8,769

Share Repurchase Programs

Since July 2014, our Board of Directors has approved six share repurchase programs aggregating $11.0 billion of authority. As of June 30, 2017, $1.0 billion remained unused under a repurchase program that expires on December 31, 2018. Share repurchases under our share repurchase programs 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. Our share repurchase programs do not obligate us to repurchase any specific number of shares and may be suspended at any time at our discretion.

During the three months ended June 30, 2017, we repurchased 10.0 million shares of AAG common stock for $450 million at a weighted average cost per share of $45.01. During the six months ended June 30, 2017, we repurchased 21.7 million shares of AAG common stock for $962 million at a weighted average cost per share of $44.36. Since the inception of our share repurchase programs in July 2014, we have repurchased 250.0 million shares of AAG common stock for $10.0 billion at a weighted average cost per share of $39.84.

Cash Dividends

Our Board of Directors declared the following cash dividends during the first six months of 2017:

Period	Per share	For stockholders of record as of	Payable on	Total (millions)
First Quarter	$ 0.10	February 13, 2017	February 27, 2017	$ 51
Second Quarter	$ 0.10	May 16, 2017	May 30, 2017	50
Total				$ 101

In July 2017, we announced that our Board of Directors had declared a $0.10 per share dividend for stockholders of record on August 14, 2017, and payable on August 28, 2017.

Any future dividends that may be declared and paid from time to time will be subject to market and economic conditions, applicable legal requirements and other relevant factors. We are not obligated to continue a dividend for any fixed period, and payment of dividends may be suspended at any time at our discretion.

Sources and Uses of Cash

AAG

Operating Activities

Our net cash provided by operating activities was $3.9 billion and $4.8 billion for the first six months of 2017 and 2016, respectively, a period-over-period decrease of $895 million. The decrease was primarily due to lower profitability in the first six months of 2017 driven by higher fuel costs as well as salaries, wages and benefits, which were offset in part by higher revenues.

Investing Activities

Our net cash used in investing activities was $3.3 billion and $3.8 billion for the first six months of 2017 and 2016, respectively.

Our principal investing activities in the 2017 period included expenditures of $3.2 billion for property and equipment, primarily 42 aircraft, including 15 Airbus A321 aircraft, 10 Boeing 737-800 aircraft, nine Embraer 175 aircraft, and eight

Boeing 787 aircraft. We also had $456 million in net purchases of short-term investments. These cash outflows were offset in part by $313 million of proceeds from the sale of property and equipment, primarily including cash proceeds from aircraft sale-leaseback transactions.

Our principal investing activities in the 2016 period included expenditures of $3.1 billion for property and equipment, primarily 56 aircraft, including 15 Bombardier CRJ900 aircraft, 13 Airbus A321 aircraft, 12 Embraer 175 aircraft, 10 Boeing 737-800 aircraft, four Boeing 787 aircraft and two Boeing 777 aircraft. We also had $795 million in net purchases of short-term investments.

Financing Activities

Our net cash used in financing activities was $621 million and $1.0 billion for the first six months of 2017 and 2016, respectively.

Our principal financing activities in the 2017 period included proceeds of $1.6 billion from the issuance of debt, primarily the issuance of $1.1 billion of EETCs and $533 million borrowed in connection with the financing of certain aircraft. These cash inflows were offset in part by $1.1 billion in scheduled debt repayments, $1.0 billion in share repurchases and $102 million in dividend payments.

Our principal financing activities in the 2016 period included proceeds of $4.5 billion from the issuance of debt, primarily including the issuance of $1.7 billion of EETCs, $1.0 billion provided under the 2016 Term Loan Facility, an $844 million issuance of special facility revenue refunding bonds related to JFK and an additional $1.0 billion borrowed in connection with the financing of certain aircraft. These cash inflows were offset in part by $3.2 billion in share repurchases, $2.2 million in debt repayments, primarily including the repayment of $588 million in remaining principal of the 2013 Citicorp Credit Facility Tranche B-2 and the refunding of approximately $1.0 billion of special facility revenue bonds related to JFK, and $119 million in dividend payments.

American

Operating Activities

American's net cash provided by operating activities was $2.8 billion and $1.4 billion for the first six months of 2017 and 2016, respectively, a period-over-period increase of $1.3 billion. We have the ability to move funds freely between our subsidiaries to support our cash requirements. The increase in operating cash flows during the first six months of 2017 as compared to the 2016 period was primarily due to a decrease in intercompany cash transfers from American to AAG. This increase in operating cash flows was offset in part by lower profitability in the first six months of 2017 driven by higher fuel costs as well as salaries, wages and benefits, which were offset in part by higher revenues.

Investing Activities

American's net cash used in investing activities was $3.2 billion and $3.7 billion for the first six months of 2017 and 2016, respectively.

American's principal investing activities in the 2017 period included expenditures of $3.2 billion for property and equipment, primarily 42 aircraft, including 15 Airbus A321 aircraft, 10 Boeing 737-800 aircraft, nine Embraer 175 aircraft, and eight Boeing 787 aircraft. American also had $456 million in net purchases of short-term investments. These cash outflows were offset in part by $312 million of proceeds from the sale of property and equipment, primarily including cash proceeds from aircraft sale-leaseback transactions.

American's principal investing activities in the 2016 period included expenditures of $3.0 billion for property and equipment, primarily 56 aircraft, including 15 Bombardier CRJ900 aircraft, 13 Airbus A321 aircraft, 12 Embraer 175 aircraft, 10 Boeing 737-800 aircraft, four Boeing 787 aircraft and two Boeing 777 aircraft. American also had $795 million in net purchases of short-term investments.

Financing Activities

American's net cash provided by financing activities was $494 million and $2.3 billion for the first six months of 2017 and 2016, respectively.

American's principal financing activities in the 2017 period included proceeds of $1.6 billion from the issuance of debt, primarily the issuance of $1.1 billion of EETCs and $533 million borrowed in connection with the financing of certain aircraft. These cash inflows were offset in part by $1.1 billion in scheduled debt repayments.

American's principal financing activities in the 2016 period included proceeds of $4.5 billion from the issuance of debt, primarily including the issuance of $1.7 billion of EETCs, $1.0 billion provided under the 2016 Term Loan Facility, an $844 million issuance of special facility revenue refunding bonds related to JFK and an additional $1.0 billion borrowed in connection with the financing of certain aircraft. These cash inflows were offset in part by $2.2 billion in debt repayments, primarily including the repayment of $588 million in remaining principal of the 2013 Citicorp Credit Facility Tranche B-2 and the refunding of approximately $1.0 billion of special facility revenue bonds related to JFK.

Commitments

Significant Indebtedness

As of June 30, 2017, AAG and American had $25.1 billion and $23.3 billion, respectively, including current maturities of $2.3 billion and $1.8 billion, respectively, in long-term debt and capital leases. During the six months ended June 30, 2017, there have been no material changes in our significant indebtedness as discussed in our 2016 Form 10-K, except as discussed in Note 5 to AAG's Condensed Consolidated Financial Statements in Part I, Item 1A and Note 3 to American's Condensed Consolidated Financial Statements in Part I, Item 1B.

Collateral Related Covenants

Certain of our debt financing agreements contain loan to value ratio covenants and require us to appraise the related collateral annually. 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. As of June 30, 2017, we were in compliance with the collateral coverage tests for the 2013 Credit Facilities, the 2014 Credit Facilities, the April 2016 Credit Facilities and the December 2016 Credit Facilities as of the most recent measurement dates.

Credit Ratings

The following table details AAG and American's credit ratings as of June 30, 2017:

	Current Rating
S&P Local Issuer Credit Rating	BB-
Fitch Issuer Default Credit Rating	BB-
Moody's Corporate Family Rating (1)	Ba3

(1) The credit agency does not rate this category for American.

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

Aircraft and Engine Purchase Commitments

As of June 30, 2017, we had definitive purchase agreements with Airbus, Boeing and Embraer for the acquisition of the following mainline and regional aircraft:

	Remainder of 2017	2018	2019	2020	2021	2022 and Thereafter	Total
Airbus							
A320 Family	5	—	—	—	—	—	5
A320neo Family	—	—	25	25	25	25	100
A350 XWB	—	—	—	2	5	15	22
Boeing							
737-800	10	—	—	—	—	—	10
737 MAX Family	4	16	20	20	20	20	100
787 Family	5	6	2	—	—	—	13
Embraer							
ERJ175 (1)	7	—	—	—	—	—	7
Total	31	22	47	47	50	60	257

(1) These aircraft may be operated by wholly-owned regional subsidiaries which would operate the aircraft under capacity purchase arrangements.

We also have agreements for 42 spare engines to be delivered in 2017 and beyond.

As of June 30, 2017, we did not have financing commitments for the following aircraft currently on order and scheduled to be delivered through the end of 2017: three Boeing 737-800 aircraft, five Boeing 787 family aircraft and four Boeing 737 MAX family aircraft. In addition, we do 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”* for additional discussion.

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 discussed in our 2016 Form 10-K.

Labor Contracts

In the second quarter of 2017, we implemented a mid-contract hourly base pay rate adjustment for our flight attendants and pilots of an average of approximately 5% and 8%, respectively. We estimate that this adjustment will result in an increase in our salary and benefits expense of approximately $230 million for 2017 and $350 million for 2018 and 2019. The amendable dates for these workgroups are December 2019 (flight attendants) and January 2020 (pilots).

Contractual Obligations

The following table provides details of our future cash contractual obligations as of June 30, 2017 (in millions):

	Payments Due by Period						
	Remainder of 2017	2018	2019	2020	2021	2022 and Thereafter	Total
American							
Debt and capital lease obligations (1) (3)	$ 820	$2,078	$ 2,105	$ 3,513	$2,778	$12,024	$23,318
Interest obligations (2) (3)	474	927	849	740	608	1,800	5,398
Aircraft and engine purchase commitments (4)	1,778	1,664	2,714	2,837	2,959	3,741	15,693
Operating lease commitments (5)	1,042	2,054	1,838	1,668	1,266	3,987	11,855
Regional capacity purchase agreements (6)	836	1,395	1,284	1,051	858	2,745	8,169
Minimum pension obligations (7)	—	62	1,136	800	793	3,082	5,873
Retiree medical and other postretirement benefits and other obligations (8)	793	1,075	471	136	280	322	3,077
Total American Contractual Obligations	$ 5,743	$9,255	$10,397	$10,745	$9,542	$27,701	$73,383
AAG Parent and Other AAG Subsidiaries							
Debt and capital lease obligations (1)	$ —	$ 500	$ 750	$ 506	$ 2	$ 22	$ 1,780
Interest obligations (2)	48	82	67	14	2	8	221
Operating lease commitments	10	15	9	7	9	16	66
Total AAG Contractual Obligations	$ 5,801	$9,852	$11,223	$11,272	$9,555	$27,747	$75,450

(1) Amounts represent contractual amounts due. Excludes $229 million and $10 million of unamortized debt discount, premium and issuance costs as of June 30, 2017 for American and AAG Parent, respectively. For additional information, see Note 5 and Note 3 to AAG's and American's Condensed Consolidated Financial Statements in Part I, Items 1A and 1B.

(2) For variable-rate debt, future interest obligations are estimated using the current forward rates at June 30, 2017.

(3) Includes $11.3 billion of future principal payments and $2.7 billion of future interest payments, respectively, as of June 30, 2017, related to EETC notes 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 these obligations.

(5) Includes $1.3 billion of future minimum lease payments related to EETC leverage leased financings of certain aircraft as of June 30, 2017.

(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. In the second quarter of 2017, Republic Airways Holdings Inc. (Republic), a third-party regional carrier operating under a capacity purchase agreement with us, emerged from Chapter 11 bankruptcy. In connection with Republic's bankruptcy process, we restructured our contractual relationship with Republic and received an approximate 25% ownership interest in Republic in consideration for our unsecured claim in the case. This ownership interest is accounted for under the equity method and our portion of Republic's financial results are recognized within other, net on the condensed consolidated statement of operations.

(7) Includes minimum pension contributions based on actuarially determined estimates.

(8) Includes retiree medical and other postretirement benefit payments, a $200 million equity investment in China Southern Airlines, the closing of which is dependent upon obtaining regulatory and other approvals, and other minimum purchase obligations.

Capital Raising Activity and Other Possible Actions

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

Our Board of Directors, has from time to time authorized programs to repurchase shares of our common stock, and may authorize additional share repurchase programs in the future.

Critical Accounting Policies and Estimates

In the second quarter of 2017, 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 2016 Form 10-K.

Recent Accounting Pronouncements

See Note 1 to AAG's Condensed Consolidated Financial Statements in Part I, Item 1A and Note 1 to American's Condensed Consolidated Financial Statements in Part I, Item 1B for further information on recent accounting pronouncements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

AAG and American'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 2016 Form 10-K except as updated below.

Aircraft Fuel

As of June 30, 2017, 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 2017 forecasted mainline and regional fuel consumption is presently approximately 4.4 billion gallons, and based on this forecast, a one cent per gallon increase in aviation fuel price would result in a $44 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 and various Latin American currencies, primarily the Brazilian real. We do not currently have a foreign currency hedge program.

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.

Interest

Our earnings and cash flow are affected by changes in interest rates due to the impact those changes have on our interest expense from variable-rate debt instruments and our interest income from short-term investments. If annual interest rates increase 100 basis points, based on our June 30, 2017 variable-rate debt and short-term investments balances, annual interest expense on variable-rate debt would increase by approximately $98 million and annual interest income on short-term investments would increase by approximately $71 million.

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 (the Exchange Act). This term refers to the controls and procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC. An evaluation of the effectiveness of AAG's and American's disclosure controls and procedures as of June 30, 2017 was performed under the supervision and with the participation of AAG's and American's management, including AAG's and American's Chief Executive Officer (CEO) and Chief Financial Officer (CFO). Based on that evaluation, AAG's and American's management, including AAG's and American's CEO and CFO, concluded that AAG's and American's disclosure controls and procedures were effective as of June 30, 2017.

Changes in Internal Control over Financial Reporting

On December 9, 2013, AAG acquired US Airways Group and its subsidiaries. We are still in the process of integrating certain processes, 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. For the quarter ended June 30, 2017, there has been no change in AAG's or American's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, AAG's and American's internal control over financial reporting.

Limitation on the Effectiveness of Controls

We believe that a controls system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives, and the CEO and CFO of AAG and American believe that our disclosure controls and procedures were effective at the "reasonable assurance" level as of June 30, 2017.

PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Chapter 11 Cases. On November 29, 2011, AMR, American, and certain of AMR’s other direct and indirect domestic subsidiaries (the Debtors) filed voluntary petitions for relief under Chapter 11 of the United States 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 approving and confirming the Debtors’ fourth amended joint plan of reorganization (as amended, the Plan). On the Effective Date, December 9, 2013, the Debtors consummated their reorganization pursuant to the Plan and completed the Merger.

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 claims. As of June 30, 2017, there were approximately 25.2 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 stockholders.

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, postemployment benefits 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.

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 are cooperating 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 unlawful agreements with respect to air passenger capacity. The U.S. lawsuits have been consolidated in the Federal District Court for the District of Columbia. On October 28, 2016, the Court denied a motion by the airline defendants to dismiss all claims in the class actions. Both the DOJ investigation and these lawsuits are in their relatively early stages and we intend to defend these matters 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, alleged that the effect of the Merger may be to create a monopoly in violation of Section 7 of the Clayton Antitrust Act, and sought injunctive relief and/or divestiture. On August 6, 2013, the plaintiffs re-filed their complaint in the Bankruptcy Court, adding AMR and American as defendants. On November 27, 2013, the Bankruptcy Court denied plaintiffs’ motion to preliminarily enjoin the Merger. On May 12, 2017, defendants filed a motion for summary judgment. On June 23, 2017, plaintiffs filed an opposition to defendants’ motion and cross-motion for summary judgment. We believe this lawsuit is without merit and intend to vigorously defend against the allegations.

DOJ Investigation Related to the United States Postal Service. In April 2015, the DOJ informed us of an inquiry regarding American’s 2009 and 2011 contracts with the United States Postal Service for the international transportation of mail by air. In October 2015, we received a CID from the DOJ seeking certain information relating to these contracts and the DOJ has also sought information concerning certain of the airlines that transport mail on a codeshare basis. The DOJ has indicated it is investigating potential violations of the False Claims Act or other statutes. We are cooperating fully with the DOJ with regard to its investigation.

General. In addition to the specifically identified legal proceedings, 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 but could be material. See Part II, Item 1A. Risk Factors – "*We may be a party to litigation in the normal course of business or otherwise, which could affect our financial position and liquidity*" for additional discussion.

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 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 AAG and Industry-Related Risks

Downturns in economic conditions could adversely affect our business.

Due to the discretionary nature of business and leisure travel spending and the highly competitive nature of the airline industry, our 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, changes in booking practices and related reactions by our competitors, all of which in turn have had, and may have in the future, a strong negative effect on our revenues. See also *"The airline industry is intensely competitive and dynamic"* below.

Our business is very dependent on the price and availability of aircraft fuel. Continued periods of high volatility in fuel costs, increased fuel prices or 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 highly volatile.

Because of the amount of fuel needed to operate our business, even a relatively small increase or decrease in the price of fuel can have a material effect on our operating results and liquidity. Due to the competitive nature of the airline industry and unpredictability of the market for air travel, 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. Similarly, we cannot predict the effect or the actions of our competitors if the current low fuel prices remain in place for a significant period of time or fuel prices decrease in the future.

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.

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. 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. Accordingly, as of June 30, 2017, 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.

If in the future we enter into derivative contracts to hedge our fuel consumption, 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 materially 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 – *"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, amenities 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, including so-called ultra-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, and represent significant competitors, particularly for customers who fly infrequently and are price sensitive and tend not to be loyal to any one particular carrier. A number of low-cost carriers have announced growth strategies including commitments to acquire significant numbers of aircraft for delivery in the next few years. These low-cost carriers are attempting to continue to increase their market share through growth and, potentially, consolidation, and could continue to have an impact on our revenues and 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 Ronald Reagan Washington National Airport (DCA), a slot-controlled airport. In addition, we and several other large network carriers have announced "basic economy" fares designed to compete against low-cost carriers and we cannot predict whether these initiatives will be successful or the competitive reaction of the low-cost carriers. 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. In providing international air transportation, we compete to provide scheduled passenger and cargo service between the U.S. and various overseas locations with U.S. airlines, 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. Our international service exposes us to foreign economies and the potential for reduced demand, such as we have recently experienced in Brazil and Venezuela, when any foreign countries we serve suffer adverse local economic conditions. In addition, open skies agreements with an increasing number of countries around the world provide international airlines with open access to U.S. markets. See also *"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."*

Certain airline alliances, joint ventures and joint businesses 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 are party to antitrust-immunized cooperation agreements with British Airways, Iberia, Finnair, Royal Jordanian, Japan Airlines, LAN Airlines and LAN Peru. As part of the antitrust-immunized relationships, we have also established joint business agreements (JBAs) with British Airways, Iberia and Finnair, and separately with Japan Airlines. We signed a revised JBA with Qantas Airways and applied for antitrust immunity with the U.S. Department of Transportation (DOT) for the revised relationship, but we withdrew that application in November 2016 after it was tentatively denied by the DOT. However, we expect that more limited cooperation with Qantas will continue, and we intend to file a new application for antitrust immunity with the DOT this year, which, if granted, would allow us to expand that relationship further. In addition, we have signed JBAs with certain air carriers of the LATAM Airlines Group and have applied for approval in the relevant jurisdictions affected by such agreements, which applications have been approved in some cases but are still pending before a number of the relevant regulators. The foregoing arrangements are important aspects of our international network and we are dependent on the performance of the other airlines party to those agreements. 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 any 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.

Ongoing data security requirements and obligations could increase our costs, and any significant data security incident 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, and confidence in the networks and systems that allow us to operate. We cannot be certain that we will not be the target of attacks on our networks and intrusions into our data, particularly given recent advances in technical capabilities, and increased financial and political motivations to carry out cyber-attacks on physical systems, gain unauthorized access to information, and make information unavailable for use through, for example, ransomware or denial-of-service attacks, and otherwise exploit new and existing vulnerabilities in our infrastructure. The risk of a data security incident 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, in response to these threats there has been heightened legislative and regulatory focus on attacks on critical infrastructures, including those in the transportation sector, and on data security in the U.S. and abroad (particularly in the European Union (EU)), including requirements for varying levels of data subject notification in the event of a data security incident.

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 incident or our failure to comply with applicable U.S. or foreign data security regulations or other data security standards may impact our brand and expose us to litigation and regulatory enforcement actions, resulting in fines, sanctions or other penalties. Such actions could further harm our reputation, adversely impact our relationship with our customers, employees, and stockholders, result in material financial impact, and disrupt business operations. Failure to appropriately address these issues could also give rise to similar legal risks and damages.

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

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, particularly relative to competitors with lower relative levels of financial leverage;
- contain covenants requiring us to maintain an aggregate of at least $2.0 billion of unrestricted cash and cash equivalents and amounts available to be drawn under revolving credit facilities;
- 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.

Further, a substantial portion of our indebtedness bears interest at fluctuating interest rates, primarily based on the London interbank offered rate for deposits of U.S. dollars (LIBOR). LIBOR tends to fluctuate based on general economic conditions, general interest rates, rates set by the Federal Reserve and other central banks, and the supply of and demand for credit in the London interbank market. We have not hedged our interest rate exposure with respect to our floating rate debt. Accordingly, our interest expense for any particular period will 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 I, Item 3. Quantitative and Qualitative Disclosures About Market Risk –*"Interest."*

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

Our business plan contemplates significant investments in modernizing our fleet. Significant capital resources will be required to execute this plan. We estimate that, based on our commitments as of June 30, 2017, our planned aggregate expenditures for aircraft purchase commitments and certain engines on a consolidated basis for calendar years 2017-2021 would be approximately $12.0 billion. Accordingly, we will need substantial financing or other capital resources to finance such aircraft. 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 be available only 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.

We have significant pension and other postretirement 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 favorable temporary funding rules that are scheduled to expire at the end of 2017. Our minimum 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 postretirement benefits, the ultimate amount of which depends on, among other things, the outcome of an adversary proceeding related to retiree medical and other postretirement benefits and life insurance obligations filed in the Chapter 11 Cases.

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 credit card processor, 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 credit card processing companies upon the occurrence of specific events, including material adverse changes in our financial condition. An increase in the current holdbacks, 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 2016 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 also Part I, Item 1. Business – “Employees and Labor Relations” in our 2016 Form 10-K.

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 we are in negotiations for some new agreements now and other agreements 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, such as the employee profit sharing program we instituted effective January 1, 2016 and the mid-contract adjustment we provided to our flight attendants and pilots in 2017. As of December 31, 2016, approximately 85% 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 key facilities 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, 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, disruptions at airport facilities or other key facilities used by us to manage our operations, 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.

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 desirable, add service along new or existing routes, we must be able to maintain and/or obtain adequate gates, check-in counters, operations areas, operations control facilities and office space. As airports around the world become more congested, we are not always 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 three 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 Federal Aviation Administration (FAA) currently regulates the allocation of slots or slot exemptions at DCA and two New York City airports: John F. Kennedy International Airport and La Guardia Airport (LGA). In addition to slot restrictions, operations at LGA and DCA are also limited based on the stage length of the flight. Our operations at these airports generally require the allocation of slots or similar regulatory authority. Similarly, our operations at international airports in Beijing, Frankfurt, London Heathrow, Paris, Tokyo and other airports outside the U.S. are regulated by local slot authorities pursuant to the International Airline Trade Association (IATA) Worldwide Scheduling Guidelines and applicable local law. We currently have sufficient slots or analogous authorizations to operate our existing flights and we have generally, but not always, been able to obtain the rights to expand our operations and to change our schedules. However, there is no assurance that we will be able to obtain sufficient slots or analogous authorizations in the future or as to the cost of acquiring such rights because, among other reasons, such allocations are often sought after by other airlines and are subject to changes in governmental policies. 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.

Our ability to provide service can also be impaired at airports, such as Chicago O'Hare International Airport (ORD) 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, or airports such as Dallas Love Field Airport where we have no access to gates at all.

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

If we encounter 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, the inability of third parties to hire or retain necessary personnel, including in particular pilots, and other risk factors, such as an out-of-court or bankruptcy restructuring of any of our regional operators. Many of these third-party regional operators provide significant regional capacity that we would be unable to replace in a short period of time should that operator fail to perform its obligations to us. Volatility in fuel prices, disruptions to capital markets and adverse economic conditions in general have subjected certain of these third-party regional operators to significant financial pressures, which have in the past and may in the future lead to bankruptcies among these operators. For example, one of our significant third-party operators of regional capacity, Republic, commenced a Chapter 11 bankruptcy in 2016. In connection with Republic's bankruptcy process, we restructured our contractual relationship with Republic and received an approximate 25% equity interest in Republic in consideration for our unsecured claim in the case which was settled solely for an equity interest in Republic. 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. 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, or at all. 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, including its booking sites Orbitz and Travelocity, and The Priceline Group), to distribute a significant portion of our airline tickets, and we expect in the future to continue to rely on these channels and hope to expand their ability to distribute and collect revenues for ancillary products (e.g., fees for selective seating). These distribution channels are more expensive and at present have less functionality in respect of ancillary product offerings than those we operate ourselves, such as our call centers and our website. Certain of these distribution channels also effectively restrict the manner in which we distribute our products generally. To remain competitive, we will need to manage successfully our distribution costs and rights, increase our distribution flexibility and improve the functionality of third-party distribution channels, while maintaining an industry-competitive cost structure. These imperatives may affect our relationships with GDSs and OTAs, including as consolidation of OTAs continues or is proposed to continue, and require us to make significant investments in potential new distribution technologies. 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 Transportation Security Administration 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. These requirements can be issued with little or no notice, or can otherwise impact our ability to efficiently or fully utilize our aircraft. Additionally, our failure to comply with such 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 disclosures concerning airline fares and ancillary fees such as baggage fees. The DOT has been aggressively investigating alleged violations of these 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. Present and potential future security requirements can have the effect of imposing costs and inconvenience on travelers, potentially reducing the demand for air travel.

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, joint businesses 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 and in the airspace serving 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 United States National Airspace System (the ATC system) is not successfully managing the growing demand for U.S. air travel. Air traffic controllers rely on outdated procedures and technologies that are routinely overwhelmed and compel airlines to fly inefficient routes or take significant delays on the ground. The ATC system's inability to handle existing travel demand has led government agencies to implement short-term capacity constraints during peak travel periods or adverse weather conditions 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, in 2014 the ATC systems in Chicago took weeks to recover following a fire in the ATC tower at ORD, which resulted in thousands of cancelled flights.

The FAA has embarked on transforming the national airspace system, to include migration from the current radar-based air traffic control system to a GPS-based system. This ATC modernization, generally referred to as "NextGen," has been plagued by delays and cost overruns, and it remains uncertain when the full array of benefits expected from ATC modernization will be available to the public and the airlines. 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. We support legislative efforts that would establish a nimble not-for-profit entity better suited to manage the long-term investments in technology and provide a governance structure needed to successfully implement NextGen and improve the operation of the air traffic control system.

Our operating authority in international markets is subject to aviation agreements between the U.S. and the respective countries or governmental authorities, such as the EU, and in some cases, fares and schedules require the approval of the DOT and/or the relevant foreign governments. Moreover, alliances with international carriers may be subject to the jurisdiction and regulations of various foreign agencies. Bilateral and multilateral agreements among the U.S. and various foreign governments of countries we serve are subject to periodic renegotiation. 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 (LHR). As a result of the agreement, we face increased competition in these markets, including LHR. Changes in U.S. or foreign government aviation policies could result in the alteration or termination of such agreements, diminish the value of route authorities, slots or other assets located abroad, or otherwise adversely affect our international operations. The U.S. government has negotiated "open skies" agreements with many countries, which allow unrestricted route authority access between the U.S. and the foreign markets. While the U.S. has worked to increase the number of countries with which open skies agreements are in effect, a number of markets important to us, including China, do not have open skies agreements.

The airline industry is heavily taxed.

The airline industry is subject to extensive government fees and taxation that negatively impact our revenue and profitability. 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 passenger security fees), and pass along the collected amounts to the appropriate governmental agencies. Although these taxes and fees 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, and we may not be able to recover all of these charges from our customers. 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 instituted, and intend to institute in the future, changes to our business model to increase revenues and offset costs. These measures include premium economy service, basic economy service and 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 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. Implementation of and compliance with increasingly-complex security and customs requirements will continue to result in increased costs for us and our passengers, and have caused and likely will continue to cause periodic service disruptions and delays. We have at times found it necessary or desirable to make significant expenditures to comply with security-related requirements while seeking to reduce their impact on our customers, such as expenditures for automated security screening lines at airports. As a result of competitive pressure, and the need to improve security screening throughput to support the pace of our operations, it is unlikely that we will be able to capture all security-related costs through increased fares. In addition, we cannot forecast what new security requirements may be imposed in the future, or their impact on our business.

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. 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, the performance of our alliance, joint business and codeshare partners in a given market, exchange controls or other restrictions on repatriation of funds, currency and political risks (including changes in exchange rates and currency devaluations), 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.

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.

The United Kingdom held a referendum in June 2016 regarding its membership in the EU in which a majority of the United Kingdom electorate voted in favor of the British government taking the necessary action for the United Kingdom to leave the EU. In March 2017, the United Kingdom served notice of its decision to withdraw to the EU, formally initiating the withdrawal process. Serving this notice began the two-year period for the United Kingdom to negotiate the terms for its withdrawal from the EU. At this time, it is not certain what steps will need to be taken to facilitate the United Kingdom’s exit from the EU. The implications of the United Kingdom withdrawing from the EU are similarly unclear at present because it is unclear what relationship the United Kingdom will have with the EU after withdrawal. We face risks associated with the uncertainty following the referendum and the consequences that may flow from the decision to exit the EU. Among other things, the exit of the United Kingdom from the EU could adversely affect European or worldwide economic or market conditions and could contribute to further instability in global financial markets. In addition, the exit of the United Kingdom from the EU could lead to legal and regulatory uncertainty and potentially divergent treaties, laws and regulations as the United Kingdom determines which EU treaties, laws and regulations to replace or replicate, including those governing aviation, labor, environmental, data protection/privacy, competition and other matters applicable to the provision of air transportation services by us or our alliance, joint business or codeshare partners. The impact on our business of any treaties, laws and regulations that replace the existing EU counterparts cannot be predicted. Any of these effects, and others we cannot anticipate, could materially adversely affect our business, results of operations and financial condition.

We are subject to many forms of environmental and noise 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 and noise reduction, 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.

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 waste directly attributable to us. We have liability for investigation and remediation costs at various sites, although such costs currently are 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.

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.

We are subject to risks associated with climate change, including increased regulation to reduce emissions of greenhouse gases.

There is increasing global regulatory focus on climate change and greenhouse gas (GHG) emissions. For example, in October 2016, International Civil Aviation Organization (ICAO) passed a resolution adopting the ICAO Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), which is a global, market-based emissions offset program to encourage carbon-neutral growth beyond 2020. The CORSIA was supported by the board of Airlines For America (the principal U.S. airline trade association) and IATA (the principal international airline trade association), and by American and many other U.S. and foreign airlines. The CORSIA will increase operating costs for American and most other airlines, including other U.S. airlines that operate internationally, but the implementation of a global program, as compared to regional emission reduction schemes, should help to ensure that these costs will be more predictable and more evenly applied to American and its competitors. The CORSIA is expected to be implemented in phases, beginning in 2021. Certain details still need to be developed and the impact of the CORSIA cannot be fully predicted. While we do not anticipate any significant emissions allowance expenditures in 2017, compliance with the CORSIA or similar emissions-related requirements could significantly increase our operating costs beyond 2017. Further, the potential impact of the CORSIA 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 such emissions-related requirements. These costs have not been completely defined and could fluctuate.

In addition, in December 2015, at the 21st Conference of the Parties to the United Nations Framework Convention on Climate Change, over 190 countries, including the United States, reached an agreement (the Paris Agreement) to reduce global greenhouse gas emissions. While the United States has since announced that it will withdraw from the Paris Agreement and there is no express reference to aviation in that agreement, to the extent countries implement that agreement or impose other climate change regulations, either with respect to the aviation industry or with respect to related industries such as the aviation fuel industry, it could have an adverse direct or indirect effect on our business.

The Environmental Protection Agency (EPA) recently issued an endangerment finding that aircraft engine GHG emissions cause or contribute to air pollution that may reasonably be anticipated to endanger public health or welfare, which is a precursor to EPA regulation of aircraft engine GHG emission standards. It is anticipated that any such standards established by the EPA would closely align with emission standards currently being developed by ICAO. In February 2016, the ICAO Committee on Aviation Environmental Protection recommended that ICAO adopt carbon dioxide certification standards that would apply to new type aircraft certified beginning in 2020, and would be phased in for newly manufactured existing aircraft type designs starting in 2023.

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. Depending on the scope of such regulation, certain of our facilities and operations, or the operations of our suppliers, may be subject to additional operating and other permit requirements, likely resulting in increased operating costs.

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.

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 existing and emerging technology and automated systems to operate our business. These technologies and systems include our computerized airline reservation system, 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 and our pilot and fleet scheduling 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.

We cannot assure you that our security measures, change control procedures or disaster recovery plans will be adequate to prevent disruptions or delays in connection with systems integration or replacement. 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 public incident, accident involving our personnel or aircraft or the personnel or aircraft of our regional or codeshare operators.

If our personnel or one of our aircraft, or personnel of, or an aircraft that is operated under our brand by, one of our regional operators or an airline with which we have a marketing alliance, joint business or codeshare relationship, were to be involved in a public incident, accident or catastrophe, we could be exposed to significant reputational harm and potential legal liability. The insurance we carry may be inapplicable or inadequate to cover any such incident, accident or catastrophe. In the event that our insurance is inapplicable or not adequate, we may be forced to bear substantial losses from an incident or accident. In addition, any such incident, accident or catastrophe involving our personnel or one of our aircraft (or personnel and aircraft of our regional operators and our codeshare partners) could create an adverse public perception, which could harm our reputation, result in air travelers being reluctant to fly on our aircraft or those of our regional operators or codeshare partners, and adversely impact our business, results of operations and financial condition.

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

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

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

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

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

Our business, results of operations and financial condition have 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 and political instability;
- changes in consumer preferences, perceptions, spending patterns and 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, Zika virus or any other similar illness, if it were to become associated with air travel or 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, more stringent duty time regulations, increased flight hour requirements for commercial airline pilots and other factors have caused a shortage of pilots which could materially adversely affect our business.

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. Further, in July 2013, the FAA issued regulations that increased the flight hours required for pilots working for airlines certificated under Part 121 of the Federal Aviation Regulations. In addition, on January 4, 2014, more stringent pilot flight and duty time requirements under Part 117 of the Federal Aviation Regulations took effect. These and other factors, including reductions in the number of military pilots being trained by the U.S. armed forces and available as commercial pilots upon their retirement from military service, have contributed to a shortage of qualified, entry-level pilots and increased compensation costs, particularly for our regional subsidiaries and our other regional partners who are being required by market conditions to pay significantly increased wages and large signing bonuses to their pilots in an attempt to achieve desired staffing levels. The foregoing factors have also led to increased competition from large, mainline carriers to hire pilots to replace retiring pilots. We believe that this industry-wide pilot shortage is becoming an increasing problem for airlines in the United States. Our regional partners have recently been unable to hire adequate numbers of pilots to meet their needs, resulting in a reduction in the number of flights offered, disruptions, increased costs of operations, financial difficulties and other adverse effects, and these circumstances may become more severe in the future and thereby cause a material adverse effect on our business.

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 along 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.

We may be a party to litigation in the normal course of business or otherwise, which could affect our financial position and liquidity.

From time to time, we are a party to or otherwise involved in legal proceedings, claims and government inspections or investigations and other legal matters, both inside and outside the United States, arising in the ordinary course of our business or otherwise. We are currently involved in various legal proceedings and claims that have not yet been fully resolved, and additional claims may arise in the future. 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. Litigation is subject to significant uncertainty and may be expensive, time-consuming, and disruptive to our operations. Although we will vigorously defend ourselves in such legal proceedings, their ultimate resolution and potential financial and other impacts on us are uncertain. For these and other reasons, we may choose to settle legal proceedings and claims, regardless of their actual merit. If a legal proceeding is resolved against us, it could result in significant compensatory damages, and in certain circumstances punitive or trebled damages, disgorgement of revenue or profits, remedial corporate measures or injunctive relief imposed on us. If our existing insurance does not cover the amount or types of damages awarded, or if other resolution or actions taken as a result of the legal proceeding were to restrain our ability to operate or market our services, our consolidated financial position, results of operations or cash flows could be materially adversely affected. In addition, legal proceedings, and any adverse resolution thereof, can result in adverse publicity and damage to our reputation, which could adversely impact our business. Additional information regarding certain legal matters in which we are involved can be found in Part II, Item 1. Legal Proceedings.

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, 2016, we had available NOL Carryforwards of approximately $10.5 billion for regular federal income tax purposes which will expire, if unused, beginning in 2022, and approximately $3.7 billion for state income tax purposes which will expire, if unused, between 2017 and 2036. 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 stockholders 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 permitted approximately $9.0 billion (with $8.9 billion of unlimited NOL still remaining at December 31, 2016) of our federal NOL Carryforwards to be utilized without regard to the annual limitation generally imposed by Section 382. If the special rules are determined not to 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 Restated Certificate of Incorporation (Certificate of Incorporation) contains transfer restrictions applicable to certain 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 from occurring, no assurance can be given that an ownership change will not occur even with these restrictions in place.

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.

We have a significant amount of goodwill, which is assessed for impairment at least annually. In addition, we may never realize the full value of our intangible assets or long-lived assets, causing us to record material impairment charges.

Goodwill is not amortized, but is assessed for impairment at least annually. In accordance with applicable accounting standards, we are required to assess our indefinite-lived intangible assets for impairment on an annual basis, or more frequently if conditions indicate that an impairment may have occurred. In addition, we are required to assess certain of our other long-lived assets for impairment if conditions indicate that an impairment may have occurred.

Future impairment of goodwill or other long-lived 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. 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.

The price of AAG 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;
- 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;
- 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, restricted stock unit awards, stock appreciation rights, or similar rights;
- increases or decreases in reported holdings by insiders or other significant stockholders;
- fluctuations in trading volume; and
- changes in market values of airline companies as well as general market conditions.

We cannot guarantee that we will repurchase our common stock pursuant to our share repurchase programs 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.

Since July 2014, as part of our capital deployment program, our Board of Directors has approved six share repurchase programs aggregating $11.0 billion of authority. As of June 30, 2017, $1.0 billion remained unused under a repurchase program that expires on December 31, 2018. Share repurchases under our share repurchase programs may be made through a variety of methods, which may include open market purchases, privately negotiated transactions, block trades or accelerated share repurchase transactions. These share repurchase programs do 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 programs may be limited, suspended or discontinued at any time without prior notice.

Although our Board of Directors commenced declaring quarterly cash dividends in July 2014 as part of our capital deployment program, any future dividends that may be declared and paid from time to time will be subject to market and economic conditions, applicable legal requirements and other relevant factors. We are not obligated 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 programs 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 programs and any future dividends will 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 programs may fluctuate such that our cash flow may be insufficient to fully cover our share repurchases. Although our share repurchase programs are intended to enhance long-term stockholder value, there is no assurance that it will do so because the market price of our common stock may decline below the levels at which we repurchased shares of stock and short-term stock price fluctuations could reduce the program's effectiveness.

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

Certain provisions of our Certificate of Incorporation and Second 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 interest and, in that case, may prevent or discourage attempts to remove and replace incumbent directors. In addition, we are subject to the provisions of Section 203 of the Delaware General Corporation Law, which prohibits business combinations with interested stockholders. Interested stockholders do not include stockholders whose acquisition of our securities is approved by the Board of Directors prior to the investment under Section 203.

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. 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.

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

The following table displays information with respect to our purchases of shares of AAG common stock during the three months ended June 30, 2017.

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plan or program	Maximum dollar value of shares that may be purchased under the plan or program (in millions)
April 2017	5,150,821	$43.31	5,150,821	$1,265
May 2017	2,942,746	$45.19	2,942,746	$1,132
June 2017	1,904,230	$49.33	1,904,230	$1,038

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.

SIGNATURES

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

American Airlines Group Inc.

Date: July 28, 2017

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

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

American Airlines, Inc.

Date: July 28, 2017

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

EXHIBIT INDEX

Exhibit Number	Description
10.1#	Form of Letter Agreement, dated April 25, 2017, by and between American Airlines Group Inc. and each of Robert D. Isom, Jr., Elise Eberwein, Stephen L. Johnson and Derek J. Kerr (incorporated by reference to Exhibit 10.1 to AAG's Current Report on Form 8-K filed on May 1, 2017 (Commission File No. 1-2691)).
10.2	Third Amendment to the Amended and Restated Credit and Guaranty Agreement, dated as of June 14, 2016, amending the Amended and Restated Credit and Guaranty Agreement, dated as of April 20, 2015, among American Airlines, Inc., American Airlines Group Inc., the lenders from time to time party thereto, Citibank N.A., as administrative agent, and certain other parties thereto.
10.3*	Amendment No. 9, dated as of April 24, 2017, to the Amended and Restated Airbus A350 XWB Purchase Agreement, dated as of October 2, 2007, by and between American Airlines, Inc. and Airbus S.A.S.
10.4*	Third Amended and Restated Letter Agreement No. 9, dated as of April 24, 2017 to the Amended and Restated Airbus A350 XWB Purchase Agreement, dated as of October 2, 2007, by and between American Airlines, Inc. and Airbus S.A.S.
10.5*	Supplemental Agreement No. 9, dated as of April 24, 2017, to Purchase Agreement No. 3219 dated as of October 15, 2008, by and between American Airlines, Inc. and The Boeing Company.
10.6*	Supplemental Agreement No. 10, dated as of May 11, 2017, to Purchase Agreement No. 3219 dated as of October 15, 2008, by and between American Airlines, Inc. and The Boeing Company.
12.1	Computation of ratio of earnings to fixed charges of American Airlines Group Inc. for the six months ended June 30, 2017.
12.2	Computation of ratio of earnings to fixed charges of American Airlines, Inc. for the six months ended June 30, 2017.
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	AAG 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	American 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.

\# Indicates management contract or compensatory plan.

Exhibit 10.2

EXECUTION VERSION

THIRD AMENDMENT TO AMENDED AND RESTATED CREDIT AND GUARANTY AGREEMENT

THIRD AMENDMENT TO AMENDED AND RESTATED CREDIT AND GUARANTY AGREEMENT (this "Third Amendment"), dated as of June 14, 2017 among American Airlines, Inc., a Delaware corporation (the "Borrower"), American Airlines Group Inc., a Delaware corporation (the "Parent" or the "Guarantor"), the lenders party hereto with a 2017 Replacement Term Loan Commitment referred to below (the "2017 Replacement Term Lenders"), each other lender party hereto and Citibank N.A. ("Citi"), as administrative agent (in such capacity, the "Administrative Agent") and as the designated lender of 2017 Replacement Term Loans referred to below (in such capacity, the "Designated 2017 Replacement Term Lender"). Unless otherwise indicated, all capitalized terms used herein and not otherwise defined shall have the respective meanings provided such terms in the Credit Agreement referred to below.

W I T N E S S E T H:

WHEREAS, the Borrower, the Guarantor, the lenders from time to time party thereto, the Administrative Agent and certain other parties thereto are parties to that certain Amended and Restated Credit and Guaranty Agreement, dated as of April 20, 2015 (as amended by that certain First Amendment to Amended and Restated Credit and Guaranty Agreement, dated as of October 26, 2015, as further amended by that certain Second Amendment to Amended and Restated Credit and Guaranty Agreement, dated as of September 22, 2016, and as further amended, amended and restated, supplemented or otherwise modified to but not including the Third Amendment Effective Date as defined below, the "Credit Agreement");

WHEREAS, on the date hereof, there are outstanding 2016 Replacement Term Loans under the Credit Agreement (the "Existing Term Loans") in an aggregate principal amount of $735,000,000;

WHEREAS, pursuant to Section 10.08(e) of the Credit Agreement, the Borrower desires to refinance in full the Existing Term Loans with the proceeds of the 2017 Replacement Term Loans (as defined below) (the "Refinancing"); and

WHEREAS, the Borrower, the Administrative Agent, the 2017 Replacement Term Lenders and the other Lenders party hereto wish to amend the Credit Agreement to provide for (i) the Refinancing and (ii) certain other modifications to the Credit Agreement, in each case, on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION ONE—Credit Agreement Amendments. Effective as of the Third Amendment Effective Date (as defined below):

(a) The Credit Agreement is hereby amended as follows:

(i) Section 1.01 of the Credit Agreement is hereby amended by inserting the following definitions in appropriate alphabetical order:

"*2017 Replacement Term Lender*" shall mean each Lender having a Term Loan Commitment to provide 2017 Replacement Term Loans or, as the case may be, with an outstanding 2017 Replacement Term Loan.

"*2017 Replacement Term Loans*" shall be the Term Loans incurred pursuant to the Third Amendment.

"*2017 Replacement Term Loan Commitment*" shall mean the Term Loan Commitment of each 2017 Replacement Term Lender to make 2017 Replacement Term Loans pursuant to the Third Amendment.

"*2017 Replacement Term Loan Commitment Schedule*" shall mean the schedule of 2017 Replacement Term Loan Commitments of each 2017 Replacement Term Lender provided to the Borrower on the Third Amendment Effective Date by the Administrative Agent pursuant to the Third Amendment.

"*Bail-In Action*" means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

"*Bail-In Legislation*" means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

"*EEA Financial Institution*" means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

"*EEA Member Country*" means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

"*EEA Resolution Authority*" means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

"*EU Bail-In Legislation Schedule*" means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

"PAC" shall mean Panum Aviation Consulting.

"*Third Amendment*" shall mean the Third Amendment to First Amended and Restated Credit and Guaranty Agreement, dated as of June 14, 2017, by and among Parent, the Borrower, the Administrative Agent, the 2017 Replacement Term Lenders and Citibank N.A., in its capacity as the designated Lender of 2017 Replacement Term Loans.

"*Third Amendment Effective Date*" shall have the meaning provided in the Third Amendment.

"*Write-Down and Conversion Powers*" means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

(ii) The definition of "*Applicable Margin*" appearing in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"*Applicable Margin*" shall mean (a) with respect to Revolving Loans (i) that are Eurodollar Loans, 3.00% per annum and (ii) that are ABR Loans, 2.00% per annum and (b) with respect to 2017 Replacement Term Loans (i) that are Eurodollar Loans, 2.00% per annum and (ii) that are ABR Loans 1.00% per annum.

(iii) The definition of "Appraisal" is hereby amended by replacing the first paragraph of such definition in its entirety as follows:

"*Appraisal*" shall mean (i) the Initial Appraisal and (ii) any other appraisal, dated the date of delivery thereof, prepared by (a) with respect to any Route Authorities, Slots and/or Gate Leaseholds, at the Borrower's option, MBA, ICF or PAC (provided that such appraiser must be independent) or any other appraiser appointed by the Borrower and reasonably acceptable to the Administrative Agent, (b) with respect to Spare Parts, at the Borrower's option, MBA, ICF, Sage or PAC (provided that such appraiser must be independent) or any other appraiser appointed by the Borrower and reasonably acceptable to the Administrative Agent, (c) with respect to any aircraft, airframe or engine, at the Borrower's option, any of MBA, ICF, Ascend, BK, AISI, AVITAS or PAC (provided that such appraiser must be independent) or any other appraiser appointed by the Borrower and reasonably acceptable to the Administrative Agent, (d) with respect to Real Property Assets, CB Richard Ellis (provided that such appraiser must be independent) or any other appraiser by the Borrower and reasonably acceptable to the Administrative Agent and (e) with respect to any other type of property, at the Borrower's option, MBA, ICF, Sage or PAC (provided that such appraiser must be independent) or any other appraiser appointed by the Borrower and reasonably acceptable to the Administrative Agent (in each case of any appraiser specified above in clauses (a), (b), (c), (d) and (e), including its successor). Any Appraisal with respect to:”

(iv) The first sentence of the definition of “*Class*” is hereby amended by deleting “2016 Replacement Term Loans” where it first appears and replacing such term with “2017 Replacement Term Loans”.

(v) The definition of “Collateral Coverage Ratio” is hereby amended by adding “of determination” after “any date” and after “such date” each place where such term appears.

(vi) The definition of “*Core Collateral*” appearing in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety as follows:

“*Core Collateral*” shall mean any of the following categories of assets, in each case, for which Appraisals have been delivered to the Administrative Agent pursuant to this Agreement:

(a) all of the Spare Parts owned by the Borrower other than Spare Parts of the Borrower with an aggregate Appraised Value less than or equal to $100 million;

(b) a number of FAA Slots (other than any Temporary Slots) held by the Borrower at DCA that is not less than the sum of (1) the product of (I) 66% and (II) the total number of FAA Slots (other than any Temporary Slots) that are Mainline Slots held by the Borrower at DCA and (2) the product of (I) 66% and (II) the total number of FAA Slots (other than any Temporary Slots) that are Commuter Slots held by the Borrower at DCA, in each case, as of the Third Amendment Effective Date based on an Officer’s Certificate of the Borrower delivered to the Administrative Agent on the Third Amendment Effective Date or such later time as the Administrative Agent may agree;

(c) a number of FAA Slots (other than any Temporary Slots) held by the Borrower at LGA that is not less than the product of (I) 66% and (II) the total number of FAA Slots (other than any Temporary Slots) held by the Borrower at LGA as of the Third Amendment Effective Date based on an Officer’s Certificate of the Borrower delivered to the Administrative Agent on the Third Amendment Effective Date or such later time as the Administrative Agent may agree;

(d) a number of FAA Slots (other than any Temporary Slots) held by the Borrower at JFK that is not less than to the product of (I) 66% and (II) the total number of FAA Slots (other than any Temporary Slots) held by the Borrower at JFK as of the Third Amendment

Effective Date based on an Officer's Certificate of the Borrower delivered to the Administrative Agent on the Third Amendment Effective Date or such later time as the Administrative Agent may agree;

(e) (1) a number of Foreign Slots (other than any Temporary Slots) of the Borrower at airports in Asia that is not less than the product of (I) 90% and (II) the total number of Foreign Slots (other than any Temporary Slots) of the Borrower used in any non-stop scheduled service of the Borrower between airports in the United States and airports in Asia and (2) all of the Route Authorities and Foreign Gate Leaseholds (other than Foreign Gate Leaseholds subject to Transfer Restrictions of the type specified in clause (1)(x) of the proviso to Section 1 of the SGR Security Agreement) of the Borrower used in any non-stop scheduled service of the Borrower between airports in the United States and airports in Asia;

(f) (1) a number of Foreign Slots (other than any Temporary Slots) of the Borrower at airports in South America that is not less than the product of (I) 90% and (II) the total number of Foreign Slots (other than any Temporary Slots) of the Borrower used in any non-stop scheduled service of the Borrower between airports in the United States and airports in South America and (2) all of the Route Authorities and Foreign Gate Leaseholds (other than Foreign Gate Leaseholds subject to Transfer Restrictions of the type specified in clause (1)(x) of the proviso to Section 1 of the SGR Security Agreement) of the Borrower used in any non-stop scheduled service of the Borrower between airports in the United States and airports in South America;

(g) (1) a number of Foreign Slots (other than any Temporary Slots) of the Borrower at airports in Central America and Mexico that is not less than the product of (I) 90% and (II) the total number of Foreign Slots (other than any Temporary Slots) of the Borrower used in any non-stop scheduled service of the Borrower between airports in the United States and airports in Central America and Mexico and (2) all of the Route Authorities and Foreign Gate Leaseholds (other than Foreign Gate Leaseholds subject to Transfer Restrictions of the type specified in clause (1)(x) of the proviso to Section 1 of the SGR Security Agreement) of the Borrower used in any non-stop scheduled service of the Borrower between airports in the United States and airports in Central America and Mexico;

(h) a number of Foreign Slots (other than any Temporary Slots) of the Borrower at LHR that is not less than the product of (I) 66% and (II) (x) during the IATA summer season, the total number of IATA summer season Foreign Slots (other than any Temporary Slots) of the Borrower at LHR that are IATA summer season Foreign Slots used in any non-stop scheduled service of the Borrower between airports in the United States and LHR or (y) during the IATA winter season, the total number of IATA winter season Foreign Slots (other than any Temporary Slots) of the Borrower at LHR that are IATA winter season Foreign Slots used in any non-stop scheduled service of the Borrower between airports in the United States and LHR, in each case as of the Third Amendment Effective Date based on an Officer's Certificate of the Borrower delivered to the Administrative Agent on the Third Amendment Effective Date or such later time as the Administrative Agent may agree; or

(i) any Airbus A320 NEO family aircraft, Airbus 320 family aircraft, Airbus A330 family aircraft, Airbus A350 family aircraft, Boeing 737 NG family aircraft, Boeing 737 MAX family aircraft, Boeing 777 family aircraft, Boeing 787 family aircraft and/or any engines, or any combination of the foregoing assets, in each case, the Appraised Value of which is not less than the product of (i) 20% and (ii) of the product of (x) 1.6 and (y) the Total Obligations as of any date of determination; provided, that all such aircraft or engines are of the type described in Section 1110 of the Bankruptcy Code or any analogous successor provision of the Bankruptcy Code.

(vii) The definition of "*Flyer Miles Obligations*" appearing in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"*Flyer Miles Obligations*" shall mean, at any date of determination, all payment and performance obligations of the Borrower under any card marketing agreement with respect to credit cards co branded by the Borrower and a financial institution which may include obligations in respect of the pre-purchase by third parties of frequent flyer miles and any other similar agreements entered into by Parent or any of its Subsidiaries with any bank from time to time.

(viii) The definition of "*LIBO Rate*" is hereby amended by deleting "2016 Replacement Term Loans" and replacing it with "2017 Replacement Term Loans" and by deleting "0.75%" and replacing it with "0.00%".

(ix) The definition of "Officer's Certificate" is hereby amended by adding "any Assistant Secretary," after "the Secretary,".

(x) The definition of "*Permitted Disposition*" is hereby amended by deleting "$25,000,000" where it appears in clause (1) and replacing it with "$50,000,000".

(xi) The definition of "Receivables" is hereby amended by deleting "subset" where it appears and replacing it with "subject" and adding "or another financing transaction" at the end thereof.

(xii) The definition of "*Repricing Event*" is hereby amended by deleting "2016 Replacement Term Loans" each place it appears and replacing it with "2017 Replacement Term Loans".

(xiii) The definition of "*Term Loan*" is hereby amended by deleting "2016 Replacement Term Loans" and replacing it with "2017 Replacement Term Loans".

(xiv) The definition of "*Term Loan Commitment*" appearing in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety as follows:

> "*Term Loan Commitment*" shall mean the commitment of each Term Lender to make Term Loans hereunder and, in the case of the 2017 Replacement Term Loans, in an aggregate principal amount not to exceed the amount set forth under the heading "2017 Replacement Term Loan Commitment" opposite its name in the 2017 Replacement Term Loan Commitment Schedule or in the Assignment and Acceptance pursuant to which such Term Lender became a party hereto, as the same may be changed from time to time pursuant to the terms hereof. The aggregate amount of the Term Loan Commitments as of the Third Amendment Effective Date was $735,000,000. The Term Loan Commitments as of the Third Amendment Effective Date are for 2017 Replacement Term Loans.

(xv) The definition of "*Term Loan Maturity Date*" is hereby amended by deleting "2016 Replacement Term Loans" and replacing it with "2017 Replacement Term Loans".

(xvi) The definition of "US Airways" is hereby amended by adding "which merged with and into the Borrower with the Borrower as the surviving entity" at the end thereof.

(xvii) Section 2.01(b) is hereby amended and restated in its entirety as follows:

> *Term Loan Commitments*. On the Third Amendment Effective Date, each 2017 Replacement Term Lender agrees to make to the Borrower the 2017 Replacement Term Loans denominated in Dollars in an aggregate principal amount equal to such 2017 Replacement Term Lender's 2017 Replacement Term Loan Commitment in accordance with the terms and conditions of the Third Amendment.

(xviii) Section 2.10(b) is hereby amended and restated in its entirety as follows:

> (b) The principal amounts of the 2017 Replacement Term Loans shall be repaid in consecutive annual installments (each, an "*Installment*") of 1.00% of the sum of (i) the original aggregate principal amount of the 2015 Term Loans made on the Restatement Effective Date plus (ii) the original aggregate principal amount of any Incremental Term Loans of the same Class as the 2016

Replacement Term Loans from time to time after the Second Amendment Effective Date plus (iii) the original aggregate principal amount of any Incremental Term Loans of the same Class as the 2017 Replacement Term Loans from time to time after the Third Amendment Effective Date, on each anniversary of the Closing Date occurring prior to the Term Loan Maturity Date with respect to such 2017 Replacement Term Loans. Notwithstanding the foregoing, (1) such Installments shall be reduced in connection with any mandatory or voluntary prepayments of the 2017 Replacement Term Loans in accordance with Sections 2.12 and 2.13, as applicable, and (2) the Term Loans, together with all other amounts owed hereunder with respect thereto, shall, in any event, be paid in full no later than the applicable Term Loan Termination Date.

(xix) Section 2.13(a) is hereby amended by adding the following sentence at the end thereof:

Notwithstanding anything to the contrary above, no notice to the Administrative Agent shall be required in connection with the repayment of the Existing Term Loans (as defined in the Third Amendment) with the proceeds of 2017 Replacement Term Loans incurred on the Third Amendment Effective Date.

(xx) Section 2.13(d) is hereby amended by (A) deleting “2016 Replacement Term Loans” each place it appears and replacing it with “2017 Replacement Term Loans” and (B) deleting “Second Amendment Effective Date” and replacing it with “Third Amendment Effective Date”.

(xxi) Section 2.27(c) is hereby amended by deleting “2016 Replacement Term Loans” each place it appears and replacing it with “2017 Replacement Term Loans”.

(xxii) Section 3.08 is hereby amended by adding the following proviso at the end thereof:

; provided that all proceeds of the 2017 Replacement Term Loans incurred on the Third Amendment Effective Date pursuant to the Third Amendment shall solely be used as provided in the Third Amendment.

(xxiii) Section 3.16 is hereby amended by deleting “and no such reports have been made”.

(xxiv) A new Section 10.19 is added as follows:

Section 10.19 Acknowledgment and Consent to Bail-In of EEA Financial Institutions. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any Lender that is an EEA Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of an EEA

Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any Lender that is an EEA Financial Institution; and

(b) the effects of any Bail-in Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority.

(b) (i) Subject to the satisfaction (or waiver) of the conditions set forth in Section Three hereof, the 2017 Replacement Term Lenders hereby agree to make 2017 Replacement Term Loans (as defined below) to the Borrower on the Third Amendment Effective Date (as defined below) in the aggregate principal amount of $735,000,000, which shall be used solely to refinance in full all outstanding Existing Term Loans and to pay fees and expenses relating to this Third Amendment.

(ii) As of the Third Amendment Effective Date, immediately prior to the effectiveness of the Third Amendment, the Administrative Agent has prepared and provided a true and correct copy to the Borrower of a schedule (the "2017 Replacement Term Loan Commitments Schedule") which sets forth the allocated commitments received by it (the "2017 Replacement Term Loan Commitments") from the Lenders providing the 2017 Replacement Term Loans (the "2017 Replacement Term Lenders"). The Administrative Agent has notified each 2017 Replacement Term Lender of its allocated 2017 Replacement Term Loan Commitment, and each of the 2017 Replacement Term Lenders is listed as a signatory to this Third Amendment. On the Third Amendment Effective Date, all Existing Term Loans shall be refinanced in full as follows:

(w) the outstanding aggregate principal amount of Existing Term Loans of each Lender which does not have a 2017 Replacement Term Loan Commitment (each, a "Non-Converting Term Lender") shall be repaid in full in cash;

(x) to the extent any Lender has a 2017 Replacement Term Loan Commitment that is less than the full outstanding aggregate principal amount of

Existing Term Loans of such Lender, such Lender shall be repaid in cash in an amount equal to the difference between the outstanding aggregate principal amount of Existing Term Loans of such Lender and such Lender's 2017 Replacement Term Loan Commitment (the "Non-Converting Term Portion");

(y) the outstanding aggregate principal amount of Existing Term Loans of each Lender which has a 2017 Replacement Term Loan Commitment (each, a "Converting Term Lender," and, together with the Non-Converting Term Lenders, the "Existing Term Lenders") shall automatically be converted into 2017 Replacement Term Loans (a "Converted 2017 Replacement Term Loan") in a principal amount equal to such Converting Term Lender's Existing Term Loans outstanding on the Third Amendment Effective Date immediately prior to such conversion, less an amount equal to any Non-Converting Term Portion; and

(z) (1) each 2017 Replacement Term Lender that is not an Existing Term Lender (each, a "New Term Lender") and (2) each Converting Term Lender with a 2017 Replacement Term Loan Commitment in an amount in excess of the aggregate principal amount of Existing Term Loans of such Converting Term Lender (such difference, the "New Term Commitment"), agrees to make to the Borrower a new Term Loan (each, a "New Term Loan" and, collectively, the "New Term Loans" and, together with the Converted 2017 Replacement Term Loans, the "2017 Replacement Term Loans") in a principal amount equal to such Converting Term Lender's New Term Commitment or such New Term Lender's 2017 Replacement Term Loan Commitment, as the case may be, on the Third Amendment Effective Date, which 2017 Replacement Term Loans shall be subject to the terms of the Credit Agreement after giving effect to this Third Amendment.

(iii) On the Third Amendment Effective Date, each 2017 Replacement Term Lender hereby agrees to fund its 2017 Replacement Term Loans in an aggregate principal amount equal to such 2017 Replacement Term Lender's 2017 Replacement Term Loan Commitment as follows: (x) each Converting Term Lender shall fund its 2017 Replacement Term Loans to the Borrower by converting its then outstanding principal amount of Existing Term Loans into 2017 Replacement Term Loans in an equal principal amount as provided in clause (ii)(y) above, (y) (1) each Converting Term Lender with a New Term Commitment shall fund in cash an amount equal to its New Term Commitment to the Designated 2017 Replacement Term Lender and (2) each New Term Lender shall fund in cash an amount equal to its 2017 Replacement Term Loan Commitment to the Designated 2017 Replacement Term Lender, and (z) the Designated 2017 Replacement Term Lender shall fund in cash to the Borrower an amount equal to the New Term Commitment of each Converting Term Lender and the 2017 Replacement Term Loan Commitment of each New Term Lender.

(iv) All outstanding Borrowings of Existing Term Loans shall continue in effect for the equivalent principal amount of 2017 Replacement Term Loans after the Third Amendment Effective Date and each resulting "borrowing" of 2017 Replacement Term Loans shall be deemed to constitute a new deemed "borrowing" under the Credit Agreement and be subject to the same Interest Period (and the same LIBO Rate) applicable to the Existing Term

Loans to which it relates immediately prior to the Third Amendment Effective Date, which Interest Period shall continue in effect (until such Interest Periods expire, at which time subsequent Interest Periods shall be determined in accordance with the provisions of Section 2.05 of the Credit Agreement). New Term Loans shall be initially incurred as Eurodollar Loans and shall be allocated ratably to the outstanding deemed "borrowings" of 2017 Replacement Term Loans on the Third Amendment Effective Date. Each such Borrowing of New Term Loans shall be subject to (x) an Interest Period which commences on the Third Amendment Effective Date and ends on the last day of the Interest Period applicable to the Existing Term Loans and (y) the same LIBO Rate applicable to the 2017 Replacement Term Loans. The 2017 Replacement Term Loans of each 2017 Replacement Term Lender shall be allocated ratably to such Interest Periods (based upon the relative principal amounts of Borrowings of Existing Term Loans subject to such Interest Periods immediately prior to the Third Amendment Effective Date), with the effect being that Existing Term Loans which are converted into Converted 2017 Replacement Term Loans hereunder shall continue to be subject to the same Interest Periods and any 2017 Replacement Term Loans that are funded in cash on the Third Amendment Effective Date shall be ratably allocated to the various Interest Periods as described above.

(v) On the Third Amendment Effective Date, the Borrower shall pay in cash (a) all interest accrued on the Existing Term Loans through the Third Amendment Effective Date and (b) to each Non-Converting Term Lender and each Converting Term Lender with a Non-Converting Term Portion, any breakage loss or expenses due under Section 2.15 of the Credit Agreement (it being understood that existing Interest Periods of the Existing Term Loans held by 2017 Replacement Term Lenders prior to the Third Amendment Effective Date shall continue on and after the Third Amendment Effective Date and shall accrue interest in accordance with Section 2.07 of the Credit Agreement on and after the Third Amendment Effective Date). Each Converting Term Lender hereby waives any entitlement to any breakage loss or expenses due under Section 3.15 of the Credit Agreement with respect to the repayment of that portion of its Existing Term Loans with the proceeds of Converted 2017 Replacement Term Loans.

(vi) On the Third Amendment Effective Date, all promissory notes, if any, evidencing the Existing Term Loans shall be automatically cancelled, and any 2017 Replacement Term Lender may request that its 2017 Replacement Term Loan be evidenced by a promissory pursuant to Section 2.10(f) of the Credit Agreement.

SECTION TWO—Titles and Roles. The parties hereto agree that, as of the Third Amendment Effective Date and in connection with the Third Amendment:

(a) each of Citi, Barclays, CS Securities, DBSI, GSLP, JPMS, ML, MS, BNP Securities, CA-CIB, ICBC and US Bank (each as defined in the Engagement Letter dated May 31, 2017, by and between, *inter alios*, the Borrower and the Lead Arrangers (as defined below) (the "Engagement Letter")) and any permitted assignees under the Engagement Letter, shall be designated as, and perform the roles associated with, a joint lead arranger and bookrunner (in such capacity, collectively, the "Lead Arrangers");

(b) each of Citi, Barclays, CS Securities, DBSI, GSLP, JPMS, ML and MS shall be designated as, and perform the roles associated with, a syndication agent (in such capacity, collectively, the "Syndication Agents"); and

(c) each of BNP Securities, CA-CIB, ICBC and US Bank shall be designated as, and perform the roles associated with, a documentation agent (in such capacity, collectively, the "Documentation Agents").

For the avoidance of doubt, the provisions of Section 10.04 of the Credit Agreement shall apply to, and inure to the benefit of, each Lead Arranger, each Syndication Agent and each Documentation Agent in connection with their respective roles hereunder.

SECTION THREE—Conditions to Effectiveness. The provisions of Section One of this Third Amendment shall become effective on the date (the "Third Amendment Effective Date") when each of the following conditions specified below shall have been satisfied:

(a) The Borrower, the Guarantor, the Administrative Agent, the 2017 Designated Replacement Term Lender and the 2017 Replacement Term Lenders and such other lenders constituting the Required Lenders shall have signed a counterpart hereof (whether the same or different counterparts) and shall have delivered the same to Milbank, Tweed, Hadley & McCloy LLP, 28 Liberty Street, New York, NY 10005, attention: ###;

(b) all reasonable invoiced out-of-pocket expenses incurred by the Lenders and the Administrative Agent pursuant to Section 10.04 of the Credit Agreement or the Engagement Letter (including the reasonable and documented fees, charges and disbursements of counsel) and all accrued and unpaid fees, owing and payable (including any fees agreed to in connection with this Third Amendment) shall have been paid to the extent invoiced at least two (2) Business Days prior to the Third Amendment Effective Date (or such shorter period as may be agreed by the Borrower);

(c) the Administrative Agent shall have received an Officer's Certificate certifying as to the Collateral Coverage Ratio in accordance with Section 4.02(d) of the Credit Agreement;

(d) the Administrative Agent shall have received a customary written opinion of Latham & Watkins LLP, special counsel for the Borrower and the Guarantor addressed to the Administrative Agent and the 2017 Replacement Term Lenders party hereto, and dated the Third Amendment Effective Date;

(e) the Administrative Agent shall have received a certificate of the Secretary or Assistant Secretary (or similar Responsible Officer), dated the Third Amendment Effective Date (i) certifying as to the incumbency and specimen signature of each Responsible Officer of the Borrower and the Guarantor executing this Third Amendment or any other document delivered by it in connection herewith (such certificate to contain a certification of another Responsible Officer of that entity as to the incumbency and signature of the Responsible Officer signing the certificate referred to in this clause (e)), (ii) attaching each constitutional document of each Loan Party or certifying that each constitutional document of each Loan Party previously delivered to the Administrative Agent has not been amended, supplemented, rescinded or otherwise modified and remains in full force and effect as of the date hereof, (iii) attaching resolutions of each Loan Party approving the transactions contemplated by the Third Amendment and (iv) attaching a certificate of good standing for the Borrower and the Guarantor of the state of such entity's incorporation or formation, dated as of a recent date, as to the good standing of that entity (to the extent available in the applicable jurisdiction);

(f) the Administrative Agent shall have received an Officer's Certificate certifying (A) the truth in all material respects of the representations and warranties set forth in the Credit Agreement and the other Loan Documents (other than representations and warranties set forth in Sections 3.05(b), 3.06, 3.09(a) and 3.19 of the Credit Agreement) as though made on the date hereof, or, in the case of any such representation and warranty that relates to a specified date, as though made as of such date; provided, that any representation or warranty that is qualified by materiality (it being understood that any representation or warranty that excludes circumstances that would not result in a "Material Adverse Change" or "Material Adverse Effect" shall not be considered (for purposes of this proviso) to be qualified by materiality; and provided, further, that for purposes of this Section 3(f), the representations and warranties contained in Sections 3.04(a) and 3.05(a) of the Credit Agreement shall be deemed to refer to the audited consolidated financial statements of Parent and its Subsidiaries for the fiscal year ended December 31, 2016, included in Parent's Annual Report on Form 10-K for 2016 (as amended) and the unaudited consolidated financial statements of Parent and its Subsidiaries for the fiscal quarter ended March 31, 2017, Annual Report on Form 10-K for 2016 and Quarterly Reports on Form 10-Q, or Current Reports on Form 8-K that have been filed after December 31, 2016 by Parent with the SEC) shall be true and correct in all respects as of the applicable date, before and after giving effect to this Third Amendment and (B) as to the absence of any event occurring and continuing, or resulting from this Third Amendment on, the Third Amendment Effective Date, that constitutes a Default or Event of Default; and

(g) the Administrative Agent shall have received a Loan Request delivered in compliance with Section 2.03(b) of the Credit Agreement not later than 1:00 p.m. New York City time one (1) Business Day before the Third Amendment Effective Date or such shorter time as the Administrative Agent may agree.

SECTION FOUR—No Default; Representations and Warranties. In order to induce the 2017 Replacement Term Lenders and the Administrative Agent to enter into this Third Amendment, the Borrower represents and warrants to each of the 2017 Replacement Term Lenders and the Administrative Agent that, on and as of the date hereof after giving effect to this Third Amendment, (i) no Default or Event of Default has occurred and is continuing or would result from giving effect to this Third Amendment and (ii) the representations and warranties contained in the Credit Agreement and the other Loan Documents (other than representations and warranties set forth in Sections 3.05(b), 3.06, 3.09(a) and 3.19 of the Credit Agreement) are true and correct in all material respects on and as of the date hereof with the same effect as if made on and as of the date hereof or, in the case of any representations and warranties that expressly relate to an earlier date, as though made as of such date; provided, that any representation or warranty that is qualified by materiality (it being understood that any representation or warranty that excludes circumstances that would not result in a "Material Adverse Change" or "Material Adverse Effect" shall not be considered (for purposes of this proviso) to be qualified by materiality; and provided, further, that for purposes of this Section 4, the representations and warranties contained in Sections 3.04(a) and 3.05(a) of the Credit Agreement shall be deemed to refer to the audited consolidated financial statements of Parent and its Subsidiaries for the fiscal year ended December 31, 2016, included in Parent's Annual

Report on Form 10-K for 2016 (as amended) and the unaudited consolidated financial statements of Parent and its Subsidiaries for the fiscal quarter ended March 31, 2017, Annual Report on Form 10-K for 2016 and Quarterly Reports on Form 10-Q, or Current Reports on Form 8-K that have been filed after December 31, 2016 by Parent with the SEC) shall be true and correct in all respects as of the applicable date, before and after giving effect to this Third Amendment.

SECTION FIVE—Confirmation. The Borrower and the Guarantor hereby confirm that all of their obligations under the Credit Agreement (as amended hereby) are, and shall continue to be, in full force and effect. The parties hereto (i) confirm and agree that the term "Obligations" and "Guaranteed Obligations" as used in the Credit Agreement and the other Loan Documents shall include, without limitation, all obligations of the Borrower with respect to the 2017 Replacement Term Loans (after giving effect to this Third Amendment) and all obligations of the Guarantor with respect to the guarantee of such obligations, respectively, and (ii) reaffirm the grant of Liens on the Collateral to secure the Obligations (including the Obligations under the 2017 Replacement Term Loans incurred pursuant to this Third Amendment) pursuant to the Collateral Documents.

SECTION SIX—Reference to and Effect on the Credit Agreement. On and after the Third Amendment Effective Date, each reference in the Credit Agreement to "this Agreement," "hereunder," "hereof" or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement as amended by this Third Amendment. The Credit Agreement and each of the other Loan Documents, as specifically amended by this Third Amendment, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed. This Third Amendment shall be deemed to be a "Loan Document" for all purposes of the Credit Agreement (as amended hereby) and the other Loan Documents. The execution, delivery and effectiveness of this Third Amendment shall not, except as expressly provided herein, operate as an amendment or waiver of any right, power or remedy of any Lender or any Agent under any of the Loan Documents, nor constitute an amendment or waiver of any provision of any of the Loan Documents.

SECTION SEVEN—Execution in Counterparts. This Third Amendment may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Third Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Third Amendment by facsimile or electronic .pdf copy shall be effective as delivery of a manually executed counterpart of this Third Amendment.

SECTION EIGHT—Governing Law. THIS THIRD AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS THIRD AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION NINE—Miscellaneous. (a) The provisions set forth in Sections 10.03, 10.04, 10.05(b)-(d), 10.09, 10.10, 10.11, 10.13, 10.15, 10.16 and 10.17 of the Credit Agreement are hereby incorporated mutatis mutandis herein by reference thereto as fully and to the same extent as if set forth herein.

(b) For purposes of determining withholding Taxes imposed under FATCA, from and after the effective date of this Third Amendment, the Borrower and the Administrative Agent shall treat (and the Lenders party hereto hereby authorize the Administrative Agent to treat) the Term Loan Facility as not qualifying as a “grandfathered obligation” within the meaning of Treasury Regulation Section 1.1471-2(b)(2)(i).

[REMAINDER OF THIS PAGE IS LEFT BLANK INTENTIONALLY]

IN WITNESS WHEREOF, the parties hereto have caused this Third Amendment to be duly executed and delivered as of the day and year first above written.

AMERICAN AIRLINES, INC., as the Borrower

By: /s/ Thomas T. Weir
Name: Thomas T. Weir
Title: Vice President and Treasurer

AMERICAN AIRLINES GROUP INC., as Parent and Guarantor

By: /s/ Thomas T. Weir
Name: Thomas T. Weir
Title: Vice President and Treasurer

CITIBANK N.A.,
as Administrative Agent

By: /s/ Matthew S. Burke
Name: Matthew S. Burke
Title: Vice President

CITIBANK, N.A.,
as the Designated 2017 Replacement Term Lender, a 2017 Replacement Term Lender, and as a Revolving Lender

By: /s/ Matthew S. Burke
Name: Matthew S. Burke
Title: Vice President

Amendment No. 9

to the

Amended and Restated Airbus A350 XWB Purchase Agreement

dated as of October 2, 2007

between

AIRBUS S.A.S.

and

AMERICAN AIRLINES, INC.

This Amendment No. 9 to the Amended and Restated Airbus A350 XWB Purchase Agreement between Airbus S.A.S. and American Airlines, Inc. (as successor in interest to US Airways, Inc.) (this "Amendment") is entered into as of April 24, 2017 by and between Airbus S.A.S., a *société par actions simplifiée*, organized and existing under the laws of the Republic of France, having its registered office located at 1, rond-point Maurice Bellonte, 31700 Blagnac, France (the "Seller"), and American Airlines, Inc., a corporation organized and existing under the laws of the State of Delaware, United States of America, having its principal corporate offices located at 4333 Amon Carter Boulevard, Fort Worth, Texas 76155, U.S.A., as successor by merger to US Airways, Inc. (the "Buyer").

W I T N E S S E T H

WHEREAS, the Buyer and the Seller entered into an Amended and Restated Airbus A350 XWB Purchase Agreement, dated as of October 2, 2007 (together with all Exhibits, Appendices and Letter Agreements attached thereto and as amended, modified or supplemented from time to time, hereinafter called the "Agreement");

WHEREAS, the Buyer and the Seller entered into an Airbus A320 Family Aircraft Purchase Agreement, dated as of July 20, 2011 (together with all Exhibits, Appendices and Letter Agreements attached thereto and as amended, modified or supplemented from time to time, hereinafter called the "Airbus A320 Agreement");

WHEREAS, the Buyer and the Seller have agreed to amend the Scheduled Delivery Months applicable to the Aircraft as set forth herein; and

WHEREAS, the Buyer and the Seller have agreed to amend certain additional terms of the Agreement as set forth herein.

NOW, THEREFORE, IT IS AGREED AS FOLLOWS:

Capitalized terms used herein and not otherwise defined in this Amendment will have the meanings assigned to them in the Agreement. The terms "herein," "hereof," and "hereunder" and words of similar import refer to this Amendment.

1. DELIVERY

1.1 The Seller and the Buyer agree to reschedule the Scheduled Delivery Month of each of the ten (10) Aircraft identified in Clause 9.1.1 of the Agreement with [*CTR].

1.2 Clause 9.1.1 of the Agreement is hereby deleted and restated to read in its entirety as follows:

QUOTE

9.1.1 Subject to any delay contemplated by Clauses 2, 7, 8, 10, 11.2, 18 or 21.2.1 of this Agreement, the Seller will have the Aircraft Ready for Delivery at the Delivery Location within the following months (each, a "Scheduled Delivery Month").

Year	Original CAC ID Number	New CAC ID Number	Aircraft	Scheduled Delivery Month
2020	[*CTR] [*CTR]	[*CTR] [*CTR]	A350-900 XWB Aircraft A350-900 XWB Aircraft	[*CTR] [*CTR]
2021	[*CTR] [*CTR] [*CTR] [*CTR] [*CTR]	[*CTR] [*CTR] [*CTR] [*CTR] [*CTR]	A350-900 XWB Aircraft A350-900 XWB Aircraft A350-900 XWB Aircraft A350-900 XWB Aircraft A350-900 XWB Aircraft	[*CTR] [*CTR] [*CTR] [*CTR] [*CTR]
2022	[*CTR] [*CTR] [*CTR] [*CTR] [*CTR]	[*CTR] [*CTR] [*CTR] [*CTR] [*CTR]	A350-900 XWB Aircraft A350-900 XWB Aircraft A350-900 XWB Aircraft A350-900 XWB Aircraft A350-900 XWB Aircraft	[*CTR] [*CTR] [*CTR] [*CTR] [*CTR]
2023	[*CTR] [*CTR] [*CTR] [*CTR] [*CTR]	[*CTR] [*CTR] [*CTR] [*CTR] [*CTR]	A350-900 XWB Aircraft A350-900 XWB Aircraft A350-900 XWB Aircraft A350-900 XWB Aircraft A350-900 XWB Aircraft]	[*CTR] [*CTR] [*CTR] [*CTR] [*CTR]
2024	[*CTR] [*CTR] [*CTR] [*CTR] [*CTR]	[*CTR] [*CTR] [*CTR] [*CTR] [*CTR]	A350-900 XWB Aircraft A350-900 XWB Aircraft A350-900 XWB Aircraft A350-900 XWB Aircraft A350-900 XWB Aircraft	[*CTR] [*CTR] [*CTR] [*CTR] [*CTR]
TOTAL	22			

UNQUOTE

1.3 Appendix B to the Amended and Restated Letter Agreement No. 12 to the Agreement dated as of December 20, 2013 is hereby deleted in its entirety and replaced with the Appendix B attached hereto as Exhibit A.

[*CTR]=[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

2. PREDELIVERY PAYMENTS

2.1 The parties agree that effective as of the date of this Amendment, the [*CTR] in accordance with Clause 2.2, below.

2.2 The Seller has [*CTR], in respect of the Aircraft. Of such [*CTR],

(i) [*CTR] in accordance with clause 5.2.3 of the Agreement,

(ii) [*CTR] (as such term is defined in the Airbus A320 Agreement):

a. [*CTR]
b. [*CTR]
c. [*CTR]; and

(iii) [*CTR]:

a. [*CTR]
b. [*CTR]
c. [*CTR]
d. [*CTR]
e. [*CTR]
f. [*CTR]
g. [*CTR].

3. ESCALATION CAP

Paragraph 2.1 of Third Amended and Restated Letter Agreement No. 5 is hereby deleted in its entirety and restated to read as follows:

QUOTE

[*CTR]

UNQUOTE

[*CTR]=[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

4. [*CTR]

4.1 Notwithstanding Paragraph 17 of Amended and Restated Letter Agreement No. 7, the [*CTR].

4.2 Notwithstanding Paragraph 18 of Amended and Restated Letter Agreement No. 7, the [*CTR].

5. <u>CUSTOMIZATION</u>

A new Clause 2.5 that reads as follows is hereby added to the Agreement:

QUOTE

2.5 Continued Customization

Notwithstanding the fact that the parties have already achieved Contractual Definition Freeze in accordance with Clause 2.2 of the Agreement, the Buyer shall [*CTR] prior to the Scheduled Delivery Month of the first Aircraft.

UNQUOTE

6. <u>EFFECT OF AMENDMENT</u>

6.1 Upon execution, this Amendment will constitute a valid amendment to the Agreement and the Agreement will be deemed to be amended to the extent herein provided and, except as specifically amended hereby, will continue in full force and effect in accordance with its original terms. This Amendment supersedes any previous understandings, commitments or representations whatsoever, whether oral or written, related to the subject matter of this Amendment.

6.2 Both parties agree that this Amendment will constitute an integral, nonseverable part of the Agreement, that the provisions of the Agreement are hereby incorporated herein by reference, and that this Amendment will be governed by the provisions of the Agreement, except that if the Agreement and this Amendment have specific provisions that are inconsistent, the specific provisions contained in this Amendment will govern.

7. <u>CONFIDENTIALITY</u>

This Amendment is subject to the confidentiality provisions set forth in Clause 22.7 of the Agreement.

8. <u>GOVERNING LAW</u>

The governing law shall be as set forth in Clause 22.4 of the Agreement.

[*CTR]=[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

9. COUNTERPARTS

This Amendment may be signed in any number of separate counterparts. Each counterpart, when signed and delivered (including counterparts delivered by facsimile transmission), will be an original, and the counterparts will together constitute one and the same instrument.

If the foregoing correctly sets forth your understanding, please execute the original and one (1) copy hereof in the space provided below and return a copy to the Seller.

AMERICAN AIRLINES, INC.

By: /s/ Thomas T. Weir

Its:

AIRBUS S.A.S.

By: /s/ Christophe Mourey

Its: Senior Vice President Contracts

APPENDIX B TO
THE AMENDED AND RESTATED LETTER AGREEMENT NO. 12

Planning for the delivery of the A350-900/Trent XWB 84,000 lb aircraft:

Scheduled Delivery Quarter	Year	Quantity
[*CTR]	[*CTR]	[*CTR]
[*CTR]	[*CTR]	[*CTR]
[*CTR]	[*CTR]	[*CTR]
[*CTR]	[*CTR]	[*CTR]
[*CTR]	[*CTR]	[*CTR]
[*CTR]	[*CTR]	[*CTR]
[*CTR]	[*CTR]	[*CTR]
[*CTR]	[*CTR]	[*CTR]
[*CTR]	[*CTR]	[*CTR]
[*CTR]	[*CTR]	[*CTR]
[*CTR]	[*CTR]	[*CTR]
[*CTR]	[*CTR]	[*CTR]
[*CTR]	[*CTR]	[*CTR]
[*CTR]	[*CTR]	[*CTR]
[*CTR]	[*CTR]	[*CTR]
[*CTR]	[*CTR]	[*CTR]
[*CTR]	[*CTR]	[*CTR]
[*CTR]	[*CTR]	[*CTR]
[*CTR]		[*CTR]

[*CTR]=[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

THIRD AMENDED AND RESTATED
LETTER AGREEMENT NO. 9
TO THE AMENDED AND RESTATED AIRBUS A350 XWB PURCHASE AGREEMENT
Dated as of October 2, 2007

As of April 24, 2017

American Airlines, Inc.
4333 Amon Carter Boulevard
Fort Worth, Texas 76155

Re: [*CTR]

Ladies and Gentlemen,

American Airlines, Inc. (the "Buyer") and Airbus S.A.S. (the "Seller") have entered into an Amended and Restated Airbus A350 XWB Purchase Agreement dated as of October 2, 2007, as amended, supplemented or otherwise modified to and including the date hereof (the "Agreement"), which covers, among other things, the sale by the Seller and the purchase by the Buyer of certain Aircraft, under the terms and conditions set forth in said Agreement. The Second Amended and Restated Letter Agreement No. 9 dated as of December 20, 2013 to the Agreement is hereby amended and restated to read in its entirety as set forth herein.

Capitalized terms used herein and not otherwise defined in this Third Amended and Restated Letter Agreement No. 9 (this "Letter Agreement") have the meanings assigned thereto in the Agreement. The terms "herein," "hereof" and "hereunder" and words of similar import refer to this Letter Agreement.

The parties agree that this Letter Agreement constitutes an integral, non-severable part of said Agreement, that the provisions of said Agreement are hereby incorporated herein by reference, and that this Letter Agreement is governed by the provisions of said Agreement, except that if the Agreement and this Letter Agreement have specific provisions that are inconsistent, the specific provisions contained in this Letter Agreement will govern.

[*CTR]=[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

1. [*CTR]

[*CTR]

2. EXCUSABLE DELAY AND TOTAL LOSS

Clause 10.1 to the Agreement is deleted in its entirety and replaced with the following quoted text:

QUOTE

10.1 Scope of Excusable Delay

Neither the Seller nor any Affiliate of the Seller will be responsible for or be deemed to be in default on account of delays in delivery or failure to deliver or otherwise in the performance of this Agreement or any part hereof due to causes reasonably beyond the Seller's control or not occasioned by the Seller's fault or negligence ("Excusable Delay"), including, but not limited to: (i) [*CTR]; (ii) [*CTR]; (iii) [*CTR]; and (iv) [*CTR].

UNQUOTE

3. TERMINATION

3.1 Clause 21.1 of the Agreement is deleted in its entirety and replaced with the following quoted text:

QUOTE

21.1 Termination Events

Each of the following will constitute a **"**Termination Event":

(1) The Buyer commences in any jurisdiction any case, proceeding or other action with respect to the Buyer or its properties relating to bankruptcy, insolvency, reorganization, winding-up, liquidation, dissolution or other relief from, or with respect to, or readjustment of, its debts or obligations.

(2) An action is commenced in any jurisdiction seeking the appointment of a receiver, trustee, custodian or other similar official for the Buyer or for all or any substantial part of its assets, and such action remains unstayed, undismissed or undischarged for [*CTR], or the Buyer makes a general assignment for the benefit of its creditors.

(3) An action is commenced in any jurisdiction against the Buyer seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets, and such action remains unstayed, undismissed or undischarged for [*CTR].

(4) The Buyer becomes the object, in any jurisdiction, of a case, proceeding or action similar or analogous to any of the events mentioned in Clause 21.1(1), (2) or (3).

(5) The Buyer is generally not, or is unable to, or admits in writing its inability to, pay its debts as they become due.

(6) The Buyer or any of its respective Affiliates fails to make (i) [*CTR].

(7) The Buyer repudiates, cancels or terminates this Agreement in whole or in part.

(8) The Buyer defaults in its obligation to take delivery of an Aircraft as provided in Clause 9.

(9) The Buyer or any of its Affiliates defaults in the observance or performance of any other covenant, undertaking or obligation contained in this Agreement or any other material agreement between the Buyer or its Affiliates, on the one hand, and the Seller or its Affiliates, on the other hand, [*CTR].

(10) Any other event that the parties will have agreed in writing constitutes a Termination Event hereunder.

UNQUOTE

3.2 Clause 21.2 of the Agreement is deleted in its entirety and replaced with the following quoted text:

QUOTE

21.2.1 [*CTR]

(1) [*CTR];

(2) [*CTR]

(A) the [*CTR] of

(i) [*CTR], and

(ii) the [*CTR] of

(a) all Predelivery Payments [*CTR] under this Agreement with respect to such [*CTR] Aircraft [*CTR], and

(b) the amount set forth as follows:

1. if the Applicable Date (as defined below) occurs [*CTR] for each such Aircraft [*CTR], with respect to such Aircraft,

2. if the Applicable Date occurs [*CTR] for each such Aircraft [*CTR], with respect to such Aircraft,

3. if the Applicable Date occurs [*CTR] for each such Aircraft [*CTR], with respect to such Aircraft,

4. if the Applicable Date occurs [*CTR] for each such Aircraft [*CTR], with respect to such Aircraft,

5. if the Applicable Date occurs [*CTR] for each such Aircraft [*CTR], with respect to such Aircraft, and

6. if the Applicable Date occurs [*CTR] for each such Aircraft [*CTR],

[*CTR]

(B) [*CTR].

21.2.2 [*CTR]

21.2.3 [*CTR]

UNQUOTE

3.3 Clause 21.3 of the Agreement is deleted in its entirety and replaced with the following quoted text:

QUOTE

[*CTR]:

(i) [*CTR].

(ii) [*CTR],

(ii) [*CTR], and

(iii) [*CTR].

UNQUOTE

4. ASSIGNMENT

Except as set forth in Clause 20.2 of the Agreement, this Letter Agreement and the rights and obligations of the Buyer hereunder will not be assigned or transferred in any manner without the prior written consent of the Seller, and any attempted assignment or transfer in contravention of the provisions of this Paragraph 4 will be void and of no force or effect.

5. COUNTERPARTS

This Letter Agreement may be signed in any number of separate counterparts. Each counterpart, when signed and delivered (including counterparts delivered by facsimile transmission), will be an original, and the counterparts will together constitute one and the same instrument.

If the foregoing correctly sets forth your understanding, please sign two (2) counterparts hereof in the space provided below and return one (1) such counterpart to the Seller.

AMERICAN AIRLINES, INC.

By: /s/ Thomas T. Weir
Name:
Title:

AIRBUS S.A.S.

By: /s/ Christophe Mourey
Name: Christophe Mourey
Title: Senior Vice President Contracts

SUPPLEMENTAL AGREEMENT NO. 9

to

Purchase Agreement No. 3219

between

THE BOEING COMPANY

and

AMERICAN AIRLINES, INC.

Relating to Boeing Model 787 Aircraft

THIS SUPPLEMENTAL AGREEMENT No. 9 (***SA-9***) is made between THE BOEING COMPANY, a Delaware corporation with offices in Seattle, Washington (***Boeing***), and AMERICAN AIRLINES, INC, a Delaware corporation with offices in Fort Worth, Texas, together with its successors and permitted assigns (***Customer***);

WHEREAS, Boeing and Customer entered into Purchase Agreement No. 3219 dated October 15, 2008, relating to Boeing Model 787 aircraft, as amended and supplemented (***Purchase Agreement***) and capitalized terms used herein without definitions shall have the meanings specified in such Purchase Agreement;

WHEREAS, Boeing and Customer entered into Purchase Agreement No. 03735 dated February 1, 2013, relating to Boeing Model 737 MAX aircraft, as amended and supplemented (***MAX Purchase Agreement***); and

WHEREAS, Boeing and Customer desire to [*CTR] of delivery of the [*CTR] 787-9 aircraft delivering in [*CTR] currently with manufacturer serial numbers [*CTR] respectively, to [*CTR] respectively (collectively the [*CTR] ***787-9 Aircraft***).

NOW, THEREFORE, the parties agree that the Purchase Agreement is amended as set forth below and otherwise agree as follows:

1. Table of Contents.

The Table of Contents referencing SA-8 in the footer is deleted in its entirety and is replaced with the new Table of Contents (attached hereto) referencing SA-9 in the footer. Such

[*CTR]=[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

new Table of Contents is hereby incorporated into the Purchase Agreement in replacement of its predecessor.

2. Tables.

Table 1(R6). Table 1(R5) entitled "787-9 Aircraft –Delivery, Description, Price and Advance Payments" referencing SA-7 in the footer is deleted in its entirety and is replaced with the similarly titled Table 1(R6) (attached hereto) referencing SA-9 in the footer. Table 1(R6) is hereby incorporated into the Purchase Agreement in replacement of Table 1(R5).

3. Letter Agreements.

Revisions to Attachment C to LA 6-1162-TRW-0667R2. Attachment C: Delivery Schedule for Covered Aircraft to Letter Agreement 6-1162-TRW-0667R2 is deleted in its entirety and replaced with Attachment C(R1): Delivery Schedule for Covered Aircraft (***Revised Schedule C***). Revised Schedule C is hereby made a part of the Purchase Agreement in replacement of its predecessor.

4. [*CTR**].**

4.1 [*CTR]. Upon execution of this SA-9, Boeing shall [*CTR] Customer the [*CTR]. The parties agree that the [*CTR]. Boeing will [*CTR] pursuant to the [*CTR], as follows:

	[*CTR]	[*CTR]
[*CTR] 2017	[*CTR]	[*CTR]
[*CTR] 2017	[*CTR]	[*CTR]

4.2 Future [*CTR]. The [*CTR] in accordance with Section 1.4 of Letter Agreement 6-1662-CLO-1047R3 entitled "[*CTR]". For the avoidance of doubt, [*CTR] as follows:

[*CTR]

[*CTR]

[*CTR]=[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

5. Effect on Purchase Agreement.

5.1 Table 1 Reference Clarifications. The following references in the Purchase Agreement and the associated exhibits, supplemental exhibits, and letter agreements to the Purchase Agreement to “Table 1(R5)” is now deemed to refer to “Table 1(R6)”. Specifically:

Location of References
Articles 1, 2, 3 (all sections), 4 (all sections), and Section 5.1 of the Basic Articles
Exhibit C(R1), Definitions of “Aircraft” and “Engine”
Section 1 of Supplemental Exhibit AE1
Section 1 of Supplemental Exhibit EE1
Section 1 (definition of “Firm Aircraft”) of Letter Agreement 6-1162-TRW-0664R1 entitled “Aircraft Purchase Rights and Substitution Rights”
Section 1.1 of LA 6-1162-TRW-0672R1 entitled “[*CTR]”
Section 3 of Letter Agreement 6-1162-TRW-0674R3 entitled “Business Considerations”

5.2 Except as expressly set forth herein, all terms and provisions contained in the Purchase Agreement shall remain in full force and effect. This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersedes all previous proposals, and agreements, understandings, commitments or representations whatsoever, oral or written, with respect to the subject matter hereof and may be changed only in writing signed by authorized representatives of the parties.

[*CTR]=[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

AGREED AND ACCEPTED

April 24, 2017
Date

THE BOEING COMPANY	AMERICAN AIRLINES, INC.
/s/ The Boeing Company	/s/ American Airlines, Inc.
Signature	Signature
The Boeing Company	American Airlines, Inc.
Printed name	Printed name
Attorney-in-Fact	VP and Treasurer
Title	Title

TABLE OF CONTENTS

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Table 1(R6) To Purchase Agreement No. PA-03219
787-9 Aircraft Delivery, Description, Price and Advance Payments
[*CTR]

Airframe Model/MTOW:	787-9	553,000 pounds	**Detail Specification:**	[*CTR]	
Engine Model/Thrust:	GENX-1B74/75	74,100 pounds	**Airframe Price Base Year/Escalation Formula:**	[*CTR]	[*CTR]
Airframe Price:		$[*CTR]	**Engine Price Base Year/Escalation Formula:**	[*CTR]	[*CTR]
Optional Features:		$[*CTR]			
Sub-Total of Airframe and Features:		$[*CTR]	**Airframe Escalation Data:**		
Engine Price (Per Aircraft):		$[*CTR]	**Base Year Index (ECI):**	[*CTR]	
Aircraft Basic Price (Excluding BFE/SPE):		$[*CTR]	**Base Year Index (CPI):**	[*CTR]	
Buyer Furnished Equipment (BFE) Estimate:		$[*CTR]	**Engine Escalation Data:**		
In-Flight Entertainment (IFE) Estimate:		$[*CTR]	**Base Year Index (ECI):**	[*CTR]	
Fixed Price Options		$[*CTR]	**Base Year Index (CPI):**	[*CTR]	
Deposit per Aircraft:		$[*CTR]			

Delivery Date	Number of Aircraft	Escalation Factor (Airframe)	Escalation Factor (Engine)	Manufacturer Serial Number	Escalation Estimate Adv Payment Base Price Per A/P	Advance Payment Per Aircraft (Amts. Due/Mos. Prior to Delivery): [*CTR]	[*CTR]	[*CTR]	Total [*CTR]
[*CTR]-2016	1	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]
[*CTR]-2016	1	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]
[*CTR]-2016	1	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]
[*CTR]-2016	1	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]
[*CTR]-2017	1	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]
[*CTR]-2017	1	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]
[*CTR]-2017	1	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]
[*CTR]-2017	1	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]
[*CTR]-2017	1	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]
[*CTR]-2017	1	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]
[*CTR]-2017	1	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]
[*CTR]-2017	1	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]
[*CTR]-2017	1	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]

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Table 1(R6) To Purchase Agreement No. PA-03219
787-9 Aircraft Delivery, Description, Price and Advance Payments
[*CTR]

Delivery Date	Number of Aircraft	Escalation Factor (Airframe)	Escalation Factor (Engine)	Manufacturer Serial Number	Escalation Estimate Adv Payment Base Price Per A/P	Advance Payment Per Aircraft (Amts. Due/Mos. Prior to Delivery): [*CTR]	[*CTR]	[*CTR]	Total [*CTR]
[*CTR]-2017	1	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]
[*CTR]-2018	1	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]
[*CTR]-2018	1	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]
[*CTR]-2018	1	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]
[*CTR]-2018	1	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]
[*CTR]-2018	1	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]
[*CTR]-2018	1	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]
[*CTR]-2019	1	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]
[*CTR]-2019	1	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]

Total: 22

***Note: [*CTR]**

[*CTR]=[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Attachment C(R1): Delivery Schedule for Covered Aircraft

Aircraft	Delivery Date
[*CTR]	[*CTR]
[*CTR]	[*CTR]
[*CTR]	[*CTR]
[*CTR]	[*CTR]
[*CTR]	[*CTR]
[*CTR]	[*CTR]
[*CTR]	[*CTR]
[*CTR]	[*CTR]
[*CTR]	[*CTR]
[*CTR]	[*CTR]
[*CTR]	[*CTR]
[*CTR]	[*CTR]
[*CTR]	[*CTR]
[*CTR]	[*CTR]
[*CTR]	[*CTR]
[*CTR]	[*CTR]
[*CTR]	[*CTR]
[*CTR]	[*CTR]
[*CTR]	[*CTR]
[*CTR]	[*CTR]
[*CTR]	[*CTR]
[*CTR]	[*CTR]

[*CTR]=[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

SUPPLEMENTAL AGREEMENT NO. 10

to

Purchase Agreement No. 3219

between

THE BOEING COMPANY

and

AMERICAN AIRLINES, INC.

Relating to Boeing Model 787 Aircraft

THIS SUPPLEMENTAL AGREEMENT No. 10 (***SA-10***) is made between THE BOEING COMPANY, a Delaware corporation with offices in Seattle, Washington (***Boeing***), and AMERICAN AIRLINES, INC, a Delaware corporation with offices in Fort Worth, Texas, together with its successors and permitted assigns (***Customer***);

WHEREAS, Boeing and Customer entered into Purchase Agreement No. 3219 dated October 15, 2008, relating to Boeing Model 787 aircraft, as amended and supplemented (***Purchase Agreement***) and capitalized terms used herein without definitions shall have the meanings specified in such Purchase Agreement; and

WHEREAS, Boeing and Customer desire to add Letter Agreement AAL-PA-03219-LA-1701988 entitled "[*CTR]" ***(New 787 [*CTR] Letter Agreement***); and

NOW, THEREFORE, the parties agree that the Purchase Agreement is amended as set forth below and otherwise agree as follows:

1. Table of Contents.

The Table of Contents referencing SA-9 in the footer is deleted in its entirety and is replaced with the new Table of Contents (attached hereto) referencing SA-10 in the footer. Such new Table of Contents is hereby incorporated into the Purchase Agreement in replacement of its predecessor.

2. Tables.

Table 1(R7). Table 1(R6) entitled "787-9 Aircraft – Delivery, Description, Price and Advance Payments" referencing SA-9 in the footer is deleted in its entirety and is replaced with

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the similarly titled Table 1(R7) (attached hereto) referencing SA-10 in the footer. Table 1(R7) is hereby incorporated into the Purchase Agreement in replacement of Table 1(R6).

3. Letter Agreements.

3.1 New [*CTR] Letter Agreement. The New 787 [*CTR] Letter Agreement is added to the Purchase Agreement. The New 787 [*CTR] Letter Agreement is hereby made a part of the Purchase Agreement.

4. Effect on Purchase Agreement.

4.1 Table 1 Reference Clarifications. The following references in the Purchase Agreement and the associated exhibits, supplemental exhibits, and letter agreements to the Purchase Agreement to “Table 1(R6)” is now deemed to refer to “Table 1(R7)”. Specifically:

Location of References
Articles 1, 2, 3 (all sections), 4 (all sections), and Section 5.1 of the Basic Articles
Exhibit C(R1), Definitions of “Aircraft” and “Engine”
Section 1 of Supplemental Exhibit AE1
Section 1 of Supplemental Exhibit EE1
Section 1 (definition of “Firm Aircraft”) of Letter Agreement 6-1162-TRW-0664R1 entitled “Aircraft Purchase Rights and Substitution Rights”
Section 1.1 of LA 6-1162-TRW-0672R1 entitled “[*CTR]”
Section 3 of Letter Agreement 6-1162-TRW-0674R3 entitled “Business Considerations”

4.2 Except as expressly set forth herein, all terms and provisions contained in the Purchase Agreement shall remain in full force and effect. This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersedes all previous proposals, and agreements, understandings, commitments or representations whatsoever, oral or written, with respect to the subject matter hereof and may be changed only in writing signed by authorized representatives of the parties.

[*CTR]=[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

AGREED AND ACCEPTED

May 11, 2017
Date

THE BOEING COMPANY	**AMERICAN AIRLINES, INC.**
/s/ The Boeing Company	/s/ American Airlines, Inc.
Signature	Signature
The Boeing Company	American Airlines, Inc.
Printed name	Printed name
Attorney-in-Fact	VP and Treasurer
Title	Title

TABLE OF CONTENTS

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TABLE OF CONTENTS, continued

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Table 1(R7) To Purchase Agreement No. PA-03219
787-9 Aircraft Delivery, Description, Price and Advance Payments
[*CTR]

Airframe Model/MTOW:	787-9	553,000 pounds	**Detail Specification:**	[*CTR]	
Engine Model/Thrust:	GENX-1B74/75	74,100 pounds	**Airframe Price Base Year/Escalation Formula:**	[*CTR]	[*CTR]
Airframe Price:		$[*CTR]	**Engine Price Base Year/Escalation Formula:**	[*CTR]	[*CTR]
Optional Features:		$[*CTR]			
Sub-Total of Airframe and Features:		$[*CTR]	**Airframe Escalation Data:**		
Engine Price (Per Aircraft):		$[*CTR]	**Base Year Index (ECI):**		[*CTR]
Aircraft Basic Price (Excluding BFE/SPE):		$[*CTR]	**Base Year Index (CPI):**		[*CTR]
Buyer Furnished Equipment (BFE) Estimate:		$[*CTR]	**Engine Escalation Data:**		
In-Flight Entertainment (IFE) Estimate:		$[*CTR]	**Base Year Index (ECI):**		[*CTR]
Fixed Price Options		$[*CTR]	**Base Year Index (CPI):**		[*CTR]
Deposit per Aircraft:		$[*CTR]			

Delivery Date	Number of Aircraft	Escalation Factor (Airframe)	Escalation Factor (Engine)	Manufacturer Serial Number	Escalation Estimate Adv Payment Base Price Per A/P	Advance Payment Per Aircraft (Amts. Due/Mos. Prior to Delivery): [*CTR]	[*CTR]	[*CTR]	Total [*CTR]
[*CTR]-2016	1	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]
[*CTR]-2016	1	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]
[*CTR]-2016	1	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]
[*CTR]-2016	1	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]
[*CTR]-2017	1	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]
[*CTR]-2017	1	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]
[*CTR]-2017	1	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]
[*CTR]-2017	1	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]
[*CTR]-2017	1	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]
[*CTR]-2017	1	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]
[*CTR]-2017	1	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]
[*CTR]-2017	1	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]
[*CTR]-2017	1	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]

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Table 1(R7) To Purchase Agreement No. PA-03219
787-9 Aircraft Delivery, Description, Price and Advance Payments
[*CTR]

Delivery Date	Number of Aircraft	Escalation Factor (Airframe)	Escalation Factor (Engine)	Manufacturer Serial Number	Escalation Estimate Adv Payment Base Price Per A/P	Advance Payment Per Aircraft (Amts. Due/Mos. Prior to Delivery): [*CTR]	[*CTR]	[*CTR]	Total [*CTR]
[*CTR]-2017	1	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]
[*CTR]-2018	1	[*CTR]	[*CTR]	**[*CTR]**	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]
[*CTR]-2018	1	[*CTR]	[*CTR]	**[*CTR]**	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]
[*CTR]-2018	1	[*CTR]	[*CTR]	**[*CTR]**	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]
[*CTR]-2018	1	[*CTR]	[*CTR]	**[*CTR]**	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]
[*CTR]-2018	1	[*CTR]	[*CTR]	**[*CTR]**	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]
[*CTR]-2018	1	[*CTR]	[*CTR]	**[*CTR]**	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]
[*CTR]-2019	1	[*CTR]	[*CTR]	**[*CTR]**	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]
[*CTR]-2019	1	[*CTR]	[*CTR]	**[*CTR]**	[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]

Total: 22

[*CTR]=[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

AAL-PA-3219-LA-1701988

American Airlines, Inc.
P.O. Box 619616
Dallas-Fort Worth Airport, Texas 75261-9616

Subject: [*CTR]

Reference: Purchase Agreement No. PA-3219 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and American Airlines, Inc. (**Customer**) relating to Model 787 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) is entered into on the date below and amends and supplements the Purchase Agreement referenced above. All capitalized terms used in but not otherwise defined in this Letter Agreement shall have the same meaning as in the Purchase Agreement.

Customer and Boeing previously entered into the [*CTR] Letter Agreement which [*CTR] described in Attachment A to the [*CTR] Letter Agreement (collectively referred to as [*CTR] or [*CTR]). Customer has requested and Boeing agrees to the [*CTR].

In order to accomplish this [*CTR], Customer and Boeing agree that [*CTR] (as defined below) will be utilized for the [*CTR] identified in Attachment A hereto that will be [*CTR].

In order to document the use of the [*CTR], the parties agree as follows:

1. <u>Revisions to the [*CTR] Letter Agreement</u>. [*CTR], the [*CTR] Letter Agreement is revised as follows:

1.1 Section 1.1.5 is deleted in its entirety and replaced with the following:

"1.1.5 [*CTR], but such [*CTR]:

1.1.5.1 specify that [*CTR];

1.1.5.2 specify the [*CTR];

1.1.5.3 require [*CTR]; and

1.1.5.4 require [*CTR];"

1.2 Section 1.1.6 is deleted in its entirety and replaced with the following:

[*CTR]=[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

"1.1.6 Intentionally Omitted"

1.3 Section 1.2.4 is deleted in its entirety and replaced with the following:

"1.2.4 place, [*CTR] and which shall also include a statement that [*CTR]; additionally the [*CTR];"

1.4 Sections 1.2.5 through 1.2.8 are renumbered so that Section 1.2.5 becomes 1.2.7, Section 1.2.6 becomes Section 1.2.8, Section 1.2.7 becomes Section 1.2.9, and Section 1.2.8 becomes Section 1.2.10.

1.5 After Section 1.2.4, the following new sections are added:

"1.2.5 notify Customer as soon as possible [*CTR];

1.2.6 manage all [*CTR],"

1.6 Section 4.1.1 is amended by replacing the words "the [*CTR]" with "the [*CTR]."

1.7 Section 6.1 is amended by replacing the words "[*CTR]" with "[*CTR]."

1.8 Section 8.1 is deleted in its entirety and replaced with the following:

"8.1 [*CTR]. An [*CTR] for each Aircraft. Boeing and Customer agree that the [*CTR] for such Aircraft."

1.9 Section 8.2 is deleted in its entirety and replaced with the following:

"8.2 Aircraft [*CTR]. The Aircraft [*CTR] for the [*CTR].."

1.10 Section 10 is deleted in its entirety and replaced with the following:

"10. [*CTR]. [*CTR] will at all times [*CTR] with Customer [*CTR] and Boeing will have [*CTR] would have, but will not be [*CTR]."

[*CTR]=[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

2. Confidential Treatment.

Customer and Boeing understand and agree that the information contained herein represents confidential business information and has value precisely because it is not generally available to other parties. This Letter Agreement shall be subject to the terms and conditions of Letter Agreement 6-1162-TRW-0673R1 entitled "Confidentiality".

If the foregoing correctly sets forth your understanding of our agreement with respect to the matters treated above, please indicate your acceptance and approval below.

[*CTR]=[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Very truly yours,

THE BOEING COMPANY

By /s/ The Boeing Company

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: May 11, 2017

AMERICAN AIRLINES, INC.

By /s/ American Airlines, Inc.

Its VP and Treasurer

Attachments

[*CTR]=[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Attachment A
[*CTR]

[*CTR]	[*CTR]	[*CTR]	[*CTR]	[*CTR]
[*CTR]				
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	11	[*CTR]	[*CTR]	[*CTR]

CONFIDENTIAL TREATMENT REQUESTED
CONFIDENTIAL TREATMENT REQUESTED

[*CTR]=[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

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[*CTR]=[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

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[*CTR]=[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

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[*CTR]=[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

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[*CTR]=[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Exhibit 12.1

American Airlines Group Inc.
Computation of Ratio of Earnings to Fixed Charges
(In millions)

	Six Months Ended June 30, 2017
Income before income taxes	$ 1,656
Add: Total fixed charges (per below)	1,038
Less: Interest capitalized	(24)
Total earnings before income taxes	$ 2,670
Fixed charges:	
Interest	$ 544
Portion of rental expense representative of the interest factor	494
Total fixed charges	$ 1,038
Ratio of earnings to fixed charges	2.6

American Airlines, Inc.
Computation of Ratio of Earnings to Fixed Charges
(In millions)

	Six Months Ended June 30, 2017
Income before income taxes	$ 1,739
Add: Total fixed charges (per below)	1,002
Less: Interest capitalized	(24)
Total earnings before income taxes	$ 2,717
Fixed charges:	
Interest	$ 512
Portion of rental expense representative of the interest factor	490
Total fixed charges	$ 1,002
Ratio of earnings to fixed charges	2.7

Exhibit 31.1

CEO CERTIFICATION

I, W. Douglas Parker, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of American Airlines Group Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 28, 2017

/s/ W. Douglas Parker
Name: W. Douglas Parker
Title: Chief Executive Officer

Exhibit 31.2

CFO CERTIFICATION

I, Derek J. Kerr, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of American Airlines Group Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 28, 2017

/s/ Derek J. Kerr
Name: Derek J. Kerr
Title: Executive Vice President and Chief Financial Officer

Exhibit 31.3

CEO CERTIFICATION

I, W. Douglas Parker, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of American Airlines, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 28, 2017

/s/ W. Douglas Parker
Name: W. Douglas Parker
Title: Chief Executive Officer

Exhibit 31.4

CFO CERTIFICATION

I, Derek J. Kerr, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of American Airlines, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 28, 2017

/s/ Derek J. Kerr
Name: Derek J. Kerr
Title: Executive Vice President and Chief Financial Officer

Exhibit 32.1

Certification of CEO and CFO Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of American Airlines Group Inc. (the “Company”) for the quarterly period ended June 30, 2017 (the “Report”), W. Douglas Parker, as Chief Executive Officer of the Company, and Derek J. Kerr, as Executive Vice President and Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ W. Douglas Parker
Name: W. Douglas Parker
Title: Chief Executive Officer
Date: July 28, 2017

/s/ Derek J. Kerr
Name: Derek J. Kerr
Title: Executive Vice President and Chief Financial Officer
Date: July 28, 2017

This certification is being furnished to accompany the Report pursuant to 18 U.S.C. § 1350 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Exhibit 32.2

Certification of CEO and CFO Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of American Airlines, Inc. (the “Company”) for the quarterly period ended June 30, 2017 (the “Report”), W. Douglas Parker, as Chief Executive Officer of the Company, and Derek J. Kerr, as Executive Vice President and Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ W. Douglas Parker
Name: W. Douglas Parker
Title: Chief Executive Officer
Date: July 28, 2017

/s/ Derek J. Kerr
Name: Derek J. Kerr
Title: Executive Vice President and Chief Financial Officer
Date: July 28, 2017

This certification is being furnished to accompany the Report pursuant to 18 U.S.C. § 1350 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.