

JP Morgan 2016 Global High Yield and Leveraged Finance Conference

**Tom Weir
Vice President and Treasurer
American Airlines Group Inc.**

February 29, 2016



Cautionary Statement Regarding Forward-Looking Statements and Information



This document includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements may be identified by words such as “may,” “will,” “expect,” “intend,” “anticipate,” “believe,” “estimate,” “plan,” “project,” “could,” “should,” “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 future financial and operating results, the Company’s plans, objectives, estimates, expectations and intentions, and other statements that are not historical facts. These forward-looking statements are based on the Company’s 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 the following: significant operating losses in the future; downturns in economic conditions that adversely affect the Company’s business; the impact of continued periods of high volatility in fuel costs, increased fuel prices and significant disruptions in the supply of aircraft fuel; competitive practices in the industry, including the impact of low cost carriers, airline alliances and industry consolidation; the challenges and costs of integrating operations and realizing anticipated synergies and other benefits of the merger transaction with US Airways Group, Inc.; costs of ongoing data security compliance requirements and the impact of any significant data security breach; the Company’s substantial indebtedness and other obligations and the effect they could have on the Company’s business and liquidity; an inability to obtain sufficient financing or other capital to operate successfully and in accordance with the Company’s current business plan; increased costs of financing, a reduction in the availability of financing and fluctuations in interest rates; the effect the Company’s high level of fixed obligations may have on its ability to fund general corporate requirements, obtain additional financing and respond to competitive developments and adverse economic and industry conditions; the Company’s significant pension and other postretirement benefit funding obligations; the impact of any failure to comply with the covenants contained in financing arrangements; provisions in credit card processing and other commercial agreements that may materially reduce the Company’s liquidity; the impact of union disputes, employee strikes and other labor-related disruptions; any inability to maintain labor costs at competitive levels; interruptions or disruptions in service at one or more of the Company’s hub airports; any inability to obtain and maintain adequate facilities, infrastructure and slots to operate the Company’s flight schedule and expand or change its route network; the Company’s reliance on third-party regional operators or third-party service providers that have the ability to affect the Company’s revenue and the public’s perception about its services; any inability to effectively manage the costs, rights and functionality of third-party distribution channels on which the Company relies; extensive government regulation, which may result in increases in the Company’s costs, disruptions to the Company’s operations, limits on the Company’s operating flexibility, reductions in the demand for air travel, and competitive disadvantages; the impact of the heavy taxation on the airline industry; changes to the Company’s business model that may not successfully increase revenues and may cause operational difficulties or decreased demand; the loss of key personnel or inability to attract and retain additional qualified personnel; the impact of conflicts overseas, terrorist attacks and ongoing security concerns; the global scope of the Company’s business and any associated economic and political instability or adverse effects of events, circumstances or government actions beyond its control, including the impact of foreign currency exchange rate fluctuations and limitations on the repatriation of cash held in foreign countries; the impact of environmental and noise regulation; the impact associated with climate change, including increased regulation to reduce emissions of greenhouse gases; the Company’s reliance on technology and automated systems and the impact of any failure of these technologies or systems; challenges in integrating the Company’s computer, communications and other technology systems; losses and adverse publicity stemming from any accident involving any of the Company’s aircraft or the aircraft of its regional or codeshare operators; delays in scheduled aircraft deliveries, or other loss of anticipated fleet capacity, and failure of new aircraft to perform as expected; the Company’s dependence on a limited number of suppliers for aircraft, aircraft engines and parts; the impact of changing economic and other conditions beyond the Company’s control, including global events that affect travel behavior such as an outbreak of a contagious disease, and volatility and fluctuations in the Company’s results of operations due to seasonality; the effect of a higher than normal number of pilot retirements and a potential shortage of pilots; the impact of possible future increases in insurance costs or reductions in available insurance coverage; the effect on our financial position and liquidity of being party to or involved in litigation; an inability to use net operating losses carried forward from prior taxable years (NOL Carryforwards); any impairment in the amount of goodwill the Company recorded as a result of the application of the acquisition method of accounting and an inability to realize the full value of the Company’s and American Airlines’ respective intangible or long-lived assets and any material impairment charges that would be recorded as a result; price volatility of the Company’s common stock; the effects of the Company’s capital deployment program and the limitation, suspension or discontinuation of the Company’s share repurchase program or dividend payments thereunder; delay or prevention of stockholders’ ability to change the composition of the Company’s board of directors and the effect this may have on takeover attempts that some of the Company’s stockholders might consider beneficial; the effect of provisions of the Company’s Restated Certificate of Incorporation and Amended and Restated Bylaws that limit ownership and voting of its equity interests, including its common stock; the effect of limitations in the Company’s Restated Certificate of Incorporation on acquisitions and dispositions of its common stock designed to protect its NOL Carryforwards and certain other tax attributes, which may limit the liquidity of its common stock; the limitations of our historical consolidated financial information, which is not directly comparable to our financial information for prior or future periods; and other economic, business, competitive, and/or regulatory factors affecting the Company’s business, including those set forth in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015 (especially in Part I, Item 1A, Risk Factors and Part II, Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations) and other risks and uncertainties listed from time to time in the Company’s other filings with the SEC. There may be other factors of which the Company is 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. Any forward-looking statements speak only as of the date hereof or as of the dates indicated in the statements. The Company does 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 these forward-looking statements other than as required by law.

2015 Highlights



Another Outstanding Year

- Record profit of \$6.3 billion*
- Record pretax margin of 15.3 percent*

Integration Has Gone Smoothly

- PSS cutover complete
- Ratified joint contracts with our pilots, flight attendants and customer service agents

Significant Investments in Operation, Product and Fleet

- Took delivery of 127 new aircraft and removed 143 aircraft from the fleet
- Now have the youngest fleet of the four largest carriers

Introducing New Revenue Opportunities

- AAdvantage® program changes
- Product Segmentation

Driving Long-Term Shareholder Value

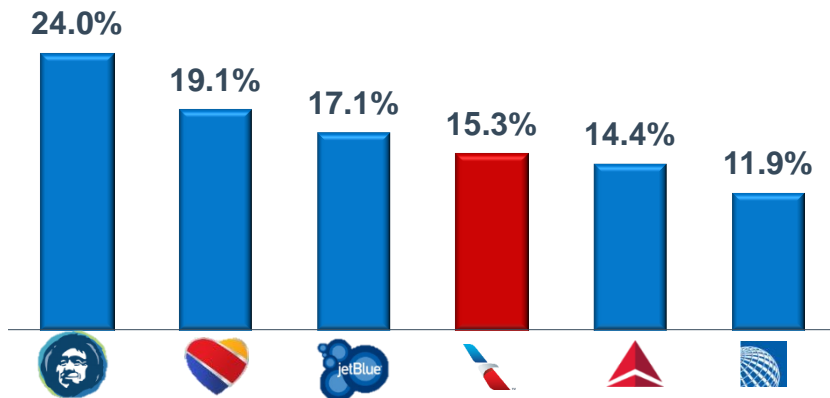
- Repurchased 85.1 million shares for \$3.6 billion
- Paid a total of \$278 million in quarterly dividends

Pretax Margin

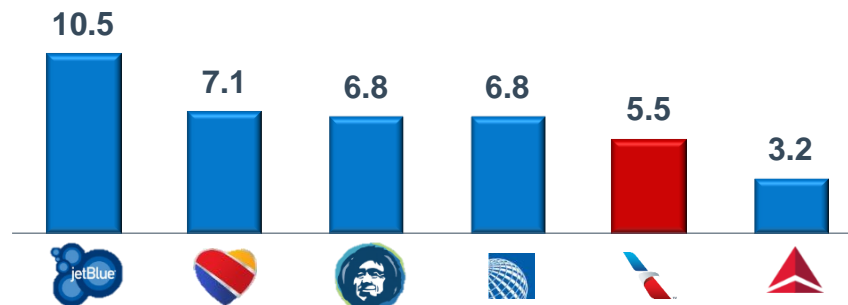


- American's 2015 margin was 15.3 percent, up 5.5 pts. YOY

FY15 Pretax Margin
(ex special items)



FY15 YOY Pretax Margin
(ex special items)
(pts)

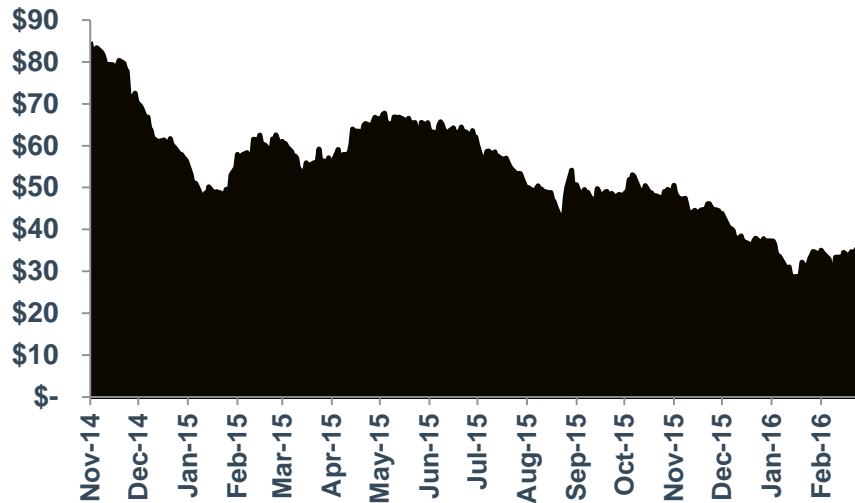


Lower Fuel Prices Provided A Tailwind

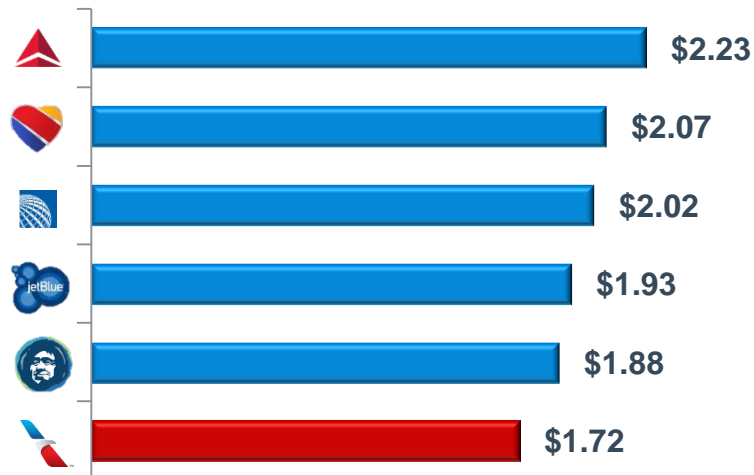


- American has derived significant benefit from its non-hedging strategy

**Brent Crude Oil
(\$/bbl)**



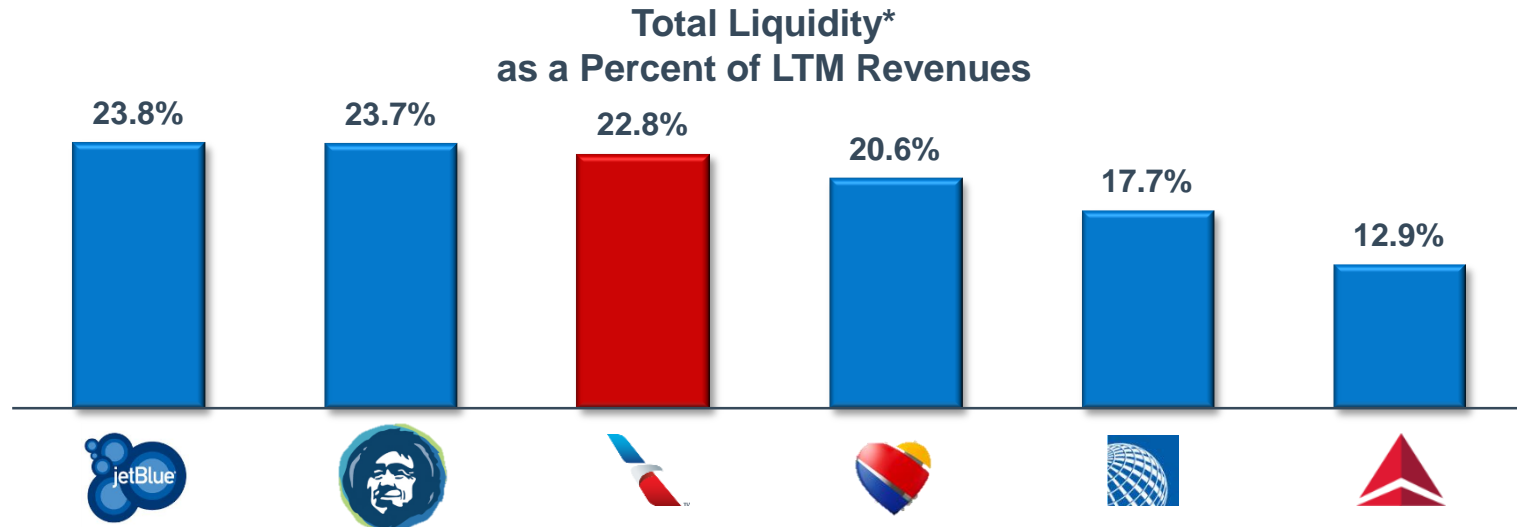
**2015 Average Economic Fuel Price
(\$/gal)**



Liquidity Position Higher Than Peers



- American's liquidity position is the highest of the network airlines, and the Company is committed to maintaining a minimum liquidity level of \$6.5 billion



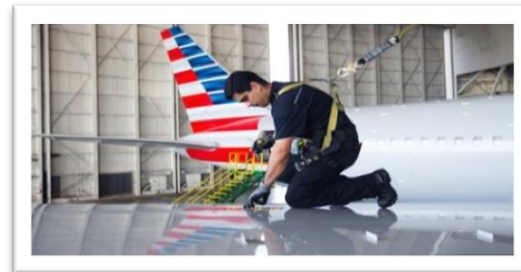
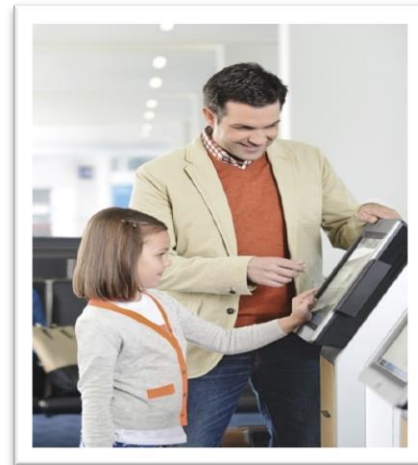
**Includes total cash on balance sheet and available undrawn credit facilities as of 12/31/2015*

Source: Company reports

Integration Update



- Opened the Company's new state-of-the-art Robert W. Baker Integrated Operations Center
- Reached JCBAs with our pilots, flight attendants and customer service and reservations agents
- Merged frequent flyer programs
- Received a single operations certificate from the FAA
- Optimized flight schedules at DFW and O'Hare
- Introduced bag tracking technology, allowing customers to track baggage in real time
- Co-located operations at 140 airports

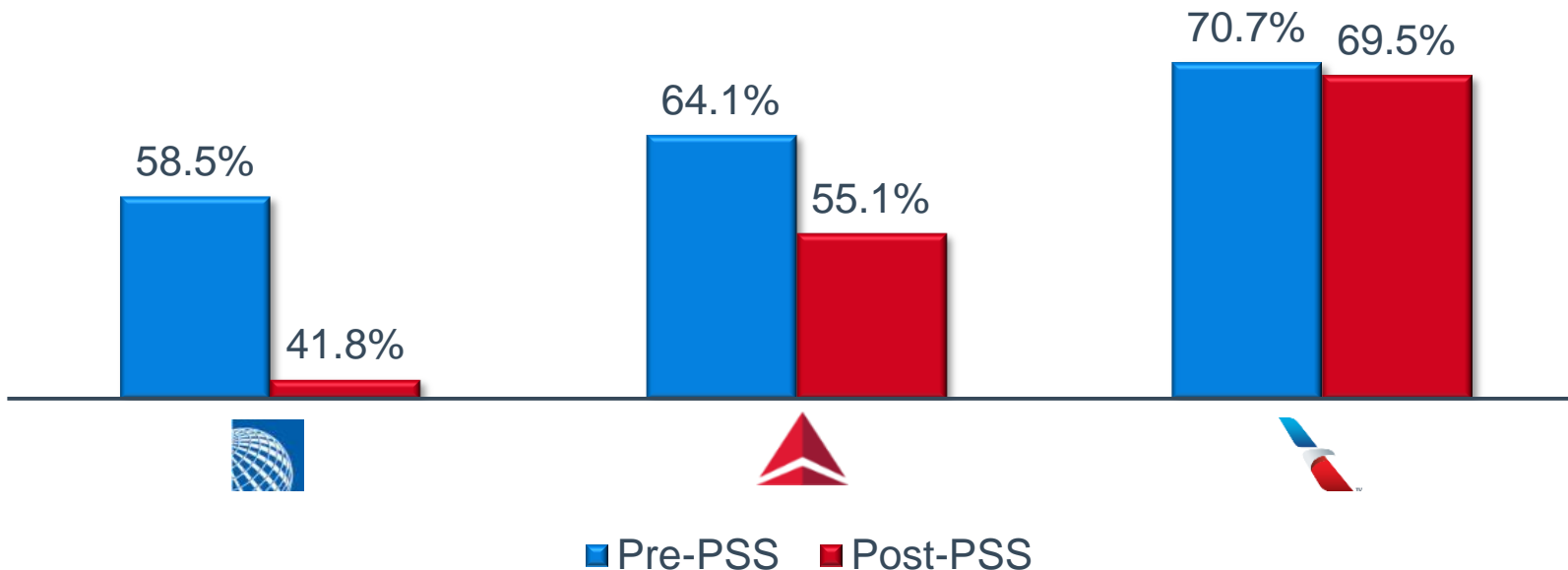


Successful Reservation System Migration



- American's cutover performance metrics exceeded those of other recent mergers

On Time Departures (D0) For One Month Before and After PSS Cutover



Further Integration Items, 2016 and Beyond...



Single Flight Operating System



- Aircraft and crews become interchangeable
- Requires extensive data migration, coding and testing

Labor Agreements



- Single seniority list for pilots
- Combined contracts for ramp and mechanic employees

Livery & Uniforms



- Entire fleet will be repainted by 2018
- New uniforms will provide a consistent look across the airline

Customer Service Alignment and HR



- Consistent staffing policies across the network
- New HR tools eliminate duplication

Tech Ops



- Currently separate labor groups and multiple systems
- Ultimately will have one labor group using a unified interface

Investing In Our Operation



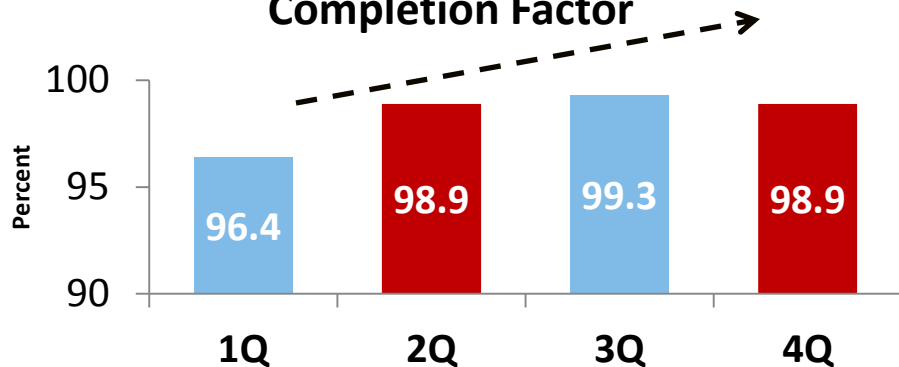
- We made significant investments in our operation during 2015:
 - Opened the new Robert W. Baker integrated operations center at a cost of \$120 million
 - All dispatchers and flight operational teams are now located in one state of the art facility at our Fort Worth headquarters
 - Spent \$140 million upgrading ground support equipment, including the purchase of:
 - 129 de-icers
 - 144 pushout tractors
 - 95 Power Stows
 - 161 bag tractors
 - 466 bag carts, and more....



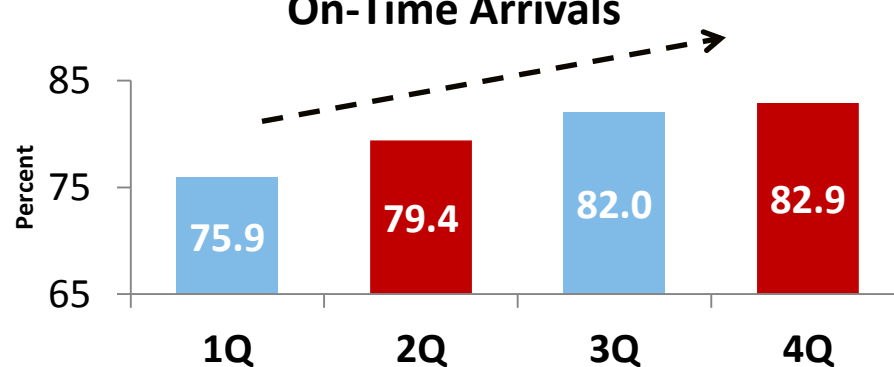
American Performance Showing Improvement



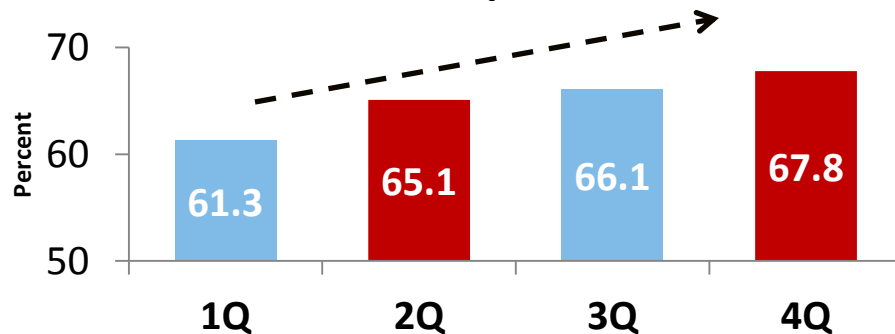
Completion Factor



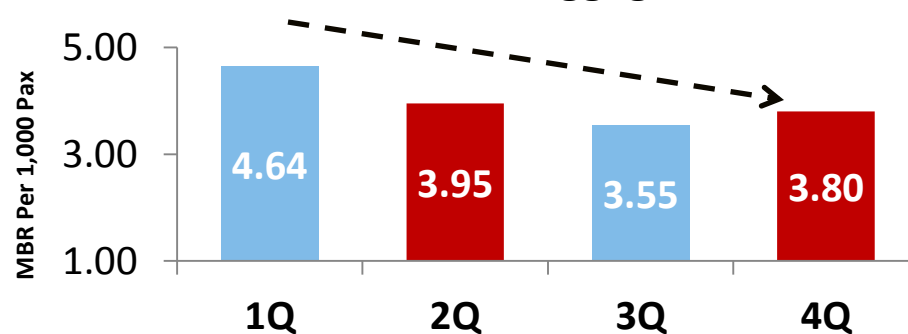
On-Time Arrivals



On-Time Departures



Mishandled Baggage



Investing In Our Product



Refreshed gate areas



Newly redesigned clubs



Announcing Orlando and Houston clubs



Investing In Our Product



- Improving our product and adding density drives economic returns

2015

763 retrofit is complete



2017

772 & 757 will finish next year



2017 +

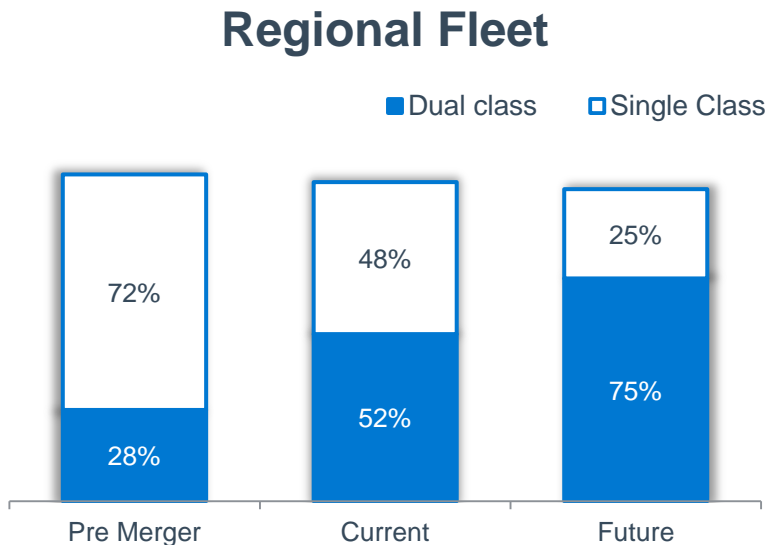
New 789/772 seat supplier



Refreshed Regional Experience



- Half of our regional fleet has 2-class configuration, this will be as much as three-fourths by 2018



Fleet Replacement Plan



- American is making significant investments in its fleet...



	2016	2017	2018	Beyond 2018	Total
A320 Family / Neo	25	20	-	100	145
A350-900	-	4	10	8	22
B737-800 / Max	20	24	16	80	140
B777-300ER	2	-	-	-	2
B787 Family	8	13	8	-	29
Mainline Total	55	61	34	188	338
CRJ-700	7	-	-	-	7
CRJ-900	18	-	-	-	18
E175	24	12	-	-	36
Regional Total	49	12	-	-	61

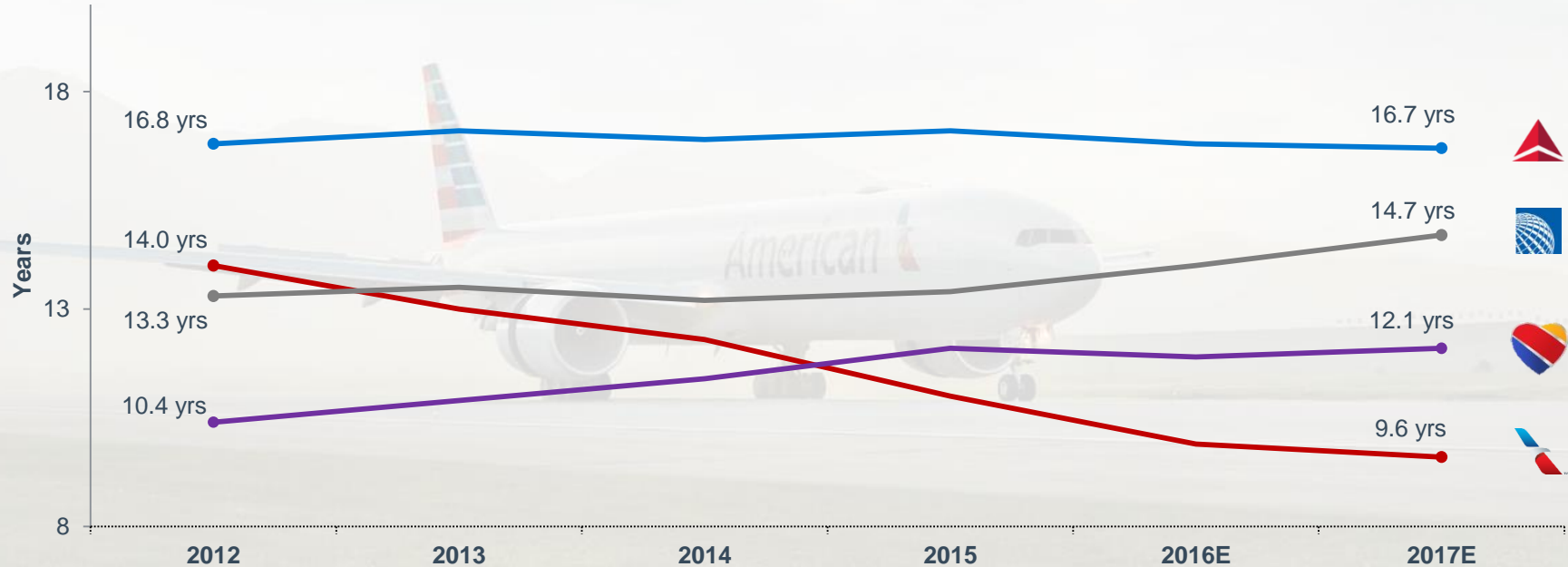
Note: New aircraft deliveries by type. Regional inductions include aircraft owned by third party operators

Fleet Replacement Plan



- ... Resulting in one of the youngest and most fuel efficient fleets in the industry

Average Fleet Age



Source: SEC Form 10-K and Ascend Fleets data base; projected data based on internal Industry fleet plan outlook estimates

AAdvantage® Program Redesign



- Incentivizing our most valuable customers based on spend (2H 2016)

Regular	Gold	Platinum	Exec Platinum
5 miles / \$	7 miles / \$	8 miles / \$	11 miles / \$



Segmentation of Our Product



- Generates higher ancillary for price sensitive customers



First	Business	Premium Economy	Economy	Basic Economy
Lie-Flat All Aisle Access Premium Markets	Lie-Flat Privacy Premium Service	More Room Amenities Better Seat	Customizable Preferred Seats Food & Bag Options	To be rolled out in 2H 2016

Reducing Average Cost of Debt



- We have paid down approximately \$3.6 billion in high cost debt since the merger closed in December 2013

Transaction	Amt Paid Off (\$M)	Date expected to be paid off under normal debt payment schedule	Avg. Coupon
7.5% Senior Secured Notes	\$ 1,000	3/15/2016	7.500%
Aircraft Leases	\$ 1,053	Various	6.547%
AAdvantage	\$ 433	1/1/2017	
Aircraft Debt	\$ 199	Various	6.748%
Airport Bonds	\$ 898	Various	7.422%
Total	\$ 3,584		

- 2016 and 2017 expected to be peak years of capital expenditures
 - Maintain minimum liquidity of \$6.5 billion
 - In 2018 expect total capital expenditures to be on a normalized run rate of approximately \$3.8 billion

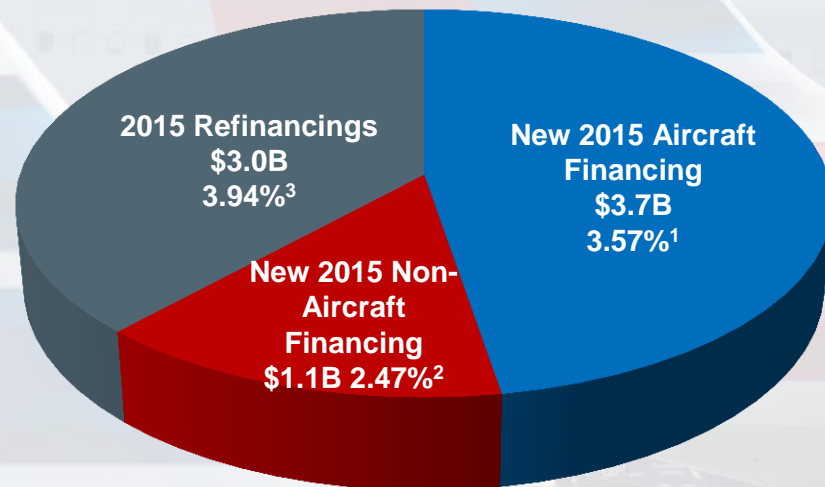
Financing Transactions



2015 Financings

- The Company raised \$4.5 billion of new, low-cost financing
- Re-priced two term loans and saw annualized interest savings of approximately \$14 million
- Added \$625 million to the revolving credit facility, bringing the total to \$2.425 billion

Financing Transactions



¹ Weighted average rate for A and B tranches of 2015-1 EETC, AA, A and B tranches of 2015-2 EETC and private aircraft financing.

² Includes revolving credit facility increase of \$625 million.

³ Refinancing of existing Term Loans and JFK 2002 Bonds at lower rates. Term Loan rate based on 5yr swap.

Financing Transactions



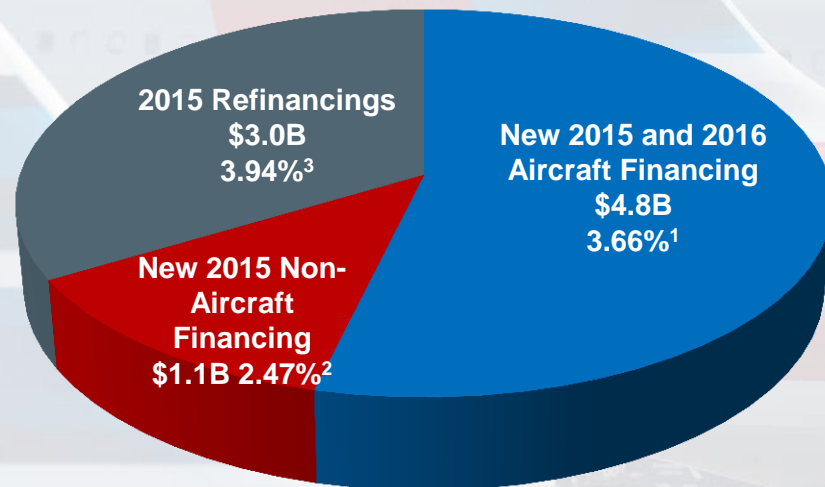
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- Added \$625 million to the revolving credit facility, bringing the total to \$2.425 billion

2016 Financings

- \$1.1 billion EETC that priced at a blended cost of 3.967%

Financing Transactions



¹ Weighted average rate for A and B tranches of 2015-1 EETC, AA, A and B tranches of 2015-2 EETC and 2016-1 EETC and private aircraft financing.

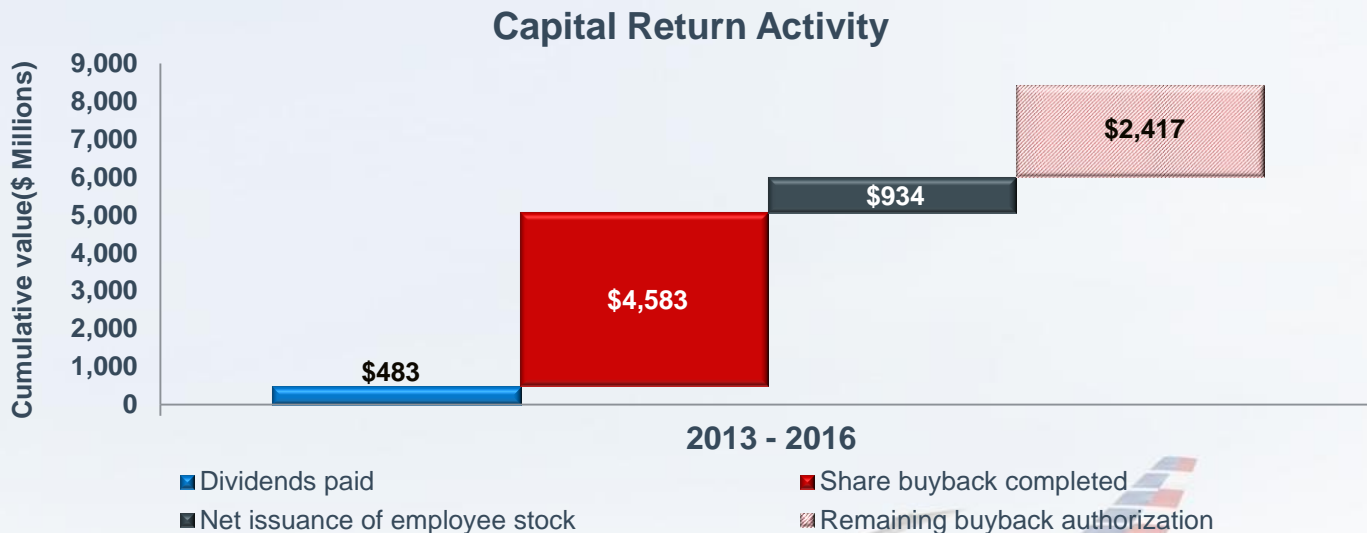
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³ Refinancing of existing Term Loans and JFK 2002 Bonds at lower rates. Term Loan rate based on 5yr swap.

Returning Value To Shareholders



- In 2014, began paying the first dividend since 1980
 - Since Q3 2014, paid \$483 million to shareholders
- Repurchased approximately \$4.6 billion of shares since 3Q 2014



Conclusion



- **American continued to make great progress in 2015**
 - Record profits
 - Critical integration milestones achieved successfully
 - Completed the most successful reservation system migration in history
 - Reached joint collective bargaining agreements with pilots and Customer Service and Reservations Agents
- **But we still have a lot of work to do**
 - Flight Operating System, crew scheduling, and other back of the house systems
 - Aggressively pursue commercial opportunities offered by a single reservation system
- **Focus in 2016 will be on creating long-term value for our investors, with investments in**
 - Operating reliability
 - Product / fleet
 - People



Appendix



GAAP to non-GAAP Reconciliation



Reconciliation of Income Before Income Taxes Excluding Special Items	3 Months Ended December 31,		Percent Change	12 Months Ended December 31,		Percent Change
	2015	2014		2015	2014	
	(In millions, except per share amounts)			(In millions, except per share amounts)		
Income before income taxes as reported	\$ 244	\$ 567		\$ 4,616	\$ 3,212	
Special items:						
Special items, net	441	466		1,051	800	
Regional operating special items, net	9	16		29	24	
Nonoperating special items, net	592	31		594	132	
Income before income taxes as adjusted for special items	\$ 1,286	\$ 1,080	19%	\$ 6,290	\$ 4,168	51%
Calculation of Pre-Tax Margin Excluding Special Items						
Income before income taxes as adjusted for special items	\$ 1,286	\$ 1,080		\$ 6,290	\$ 4,168	
Total operating revenues	\$ 9,630	\$ 10,160		\$ 40,990	\$ 42,650	
Pre-tax margin excluding special items	13.4%	10.6%		15.3%	9.8%	
Reconciliation of Net Income Excluding Special Items						
Net income as reported	\$ 3,281	\$ 597		\$ 7,610	\$ 2,882	
Special items:						
Special items, net	441	466		1,051	800	
Regional operating special items, net	9	16		29	24	
Nonoperating special items, net	592	31		594	132	
Non-cash income tax provision (benefit)	(3,037)	(6)		(3,015)	346	
Net income as adjusted for special items	\$ 1,286	\$ 1,104	17%	\$ 6,269	\$ 4,184	50%

An American Airlines airplane is shown from a high-angle perspective, flying through a sky filled with soft, white clouds. The aircraft is white with a dark blue upper fuselage and wings. The tail features the classic American Airlines "flag" design with red and white stripes and a blue field with white stars. The word "American" is visible in blue lettering on the side of the fuselage. The word "Questions?" is superimposed in a large, white, sans-serif font across the center of the image, partially overlapping the aircraft.

Questions?