American Airlines Group Inc.
Form 10-K
February 28, 2014

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

FORM 10-K

ý Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Fiscal Year Ended December 31, 2013
¨ 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

American Airlines Group, Inc. was formerly known as AMR Corporation
(Former name, former address and former fiscal year, if changed since last report)
Securities registered pursuant to Section 12(b) of the Act:

	Name of Exchange on Which Registered
Common Stock, $0.01 par value per share	NASDAQ
Series A Convertible Preferred Stock, $0.01 par value per share	NASDAQ

Securities registered pursuant to Section 12(g) of the Act: None

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

Securities registered pursuant to Section 12(b) of the Act: None
Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
American Airlines Group Inc. ý Yes ¨ No

American Airlines, Inc.   ý Yes   ¨ No
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
American Airlines Group Inc.   ¨ Yes   ý No
American Airlines, Inc.   ¨ Yes   ý No
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.   ý Yes   ¨ No
American Airlines, Inc.   ý 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.   ý Yes   ¨ No
American Airlines, Inc.   ý Yes   ¨ No
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. '
American Airlines Group Inc.   ý
American Airlines, Inc.   ý
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act.
American Airlines Group Inc.   ý Large Accelerated Filer   ¨ Accelerated Filer   ¨ Non-accelerated Filer   ¨ Smaller Reporting Company
American Airlines, Inc.   ¨ Large Accelerated Filer   ¨ Accelerated Filer   ý Non-accelerated Filer   ¨ Smaller Reporting Company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).
American Airlines Group Inc.   ¨ Yes   ý No
American Airlines, Inc.   ¨ Yes   ý 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.   ý Yes   ¨ No
American Airlines, Inc.   ý Yes   ¨ No
As of February 21, 2014, there were 471,517,102 shares of American Airlines Group Inc. common stock outstanding. The aggregate market value of the voting stock held by non-affiliates of the registrant as of June 30, 2013, was approximately $1.35 billion.
As of February 21, 2014, there were 1,000 shares of American Airlines, Inc. common stock outstanding, all of which were held by American Airlines Group Inc.
DOCUMENTS INCORPORATED BY REFERENCE
Portions of the proxy statement related to American Airlines Group Inc.'s 2014 Annual Meeting of Stockholders, which proxy statement will be filed under the Securities Exchange Act of 1934 within 120 days of the end of American Airlines Group Inc.'s fiscal year ended December 31, 2013, are incorporated by reference into Part III of this Annual Report on Form 10-K.

American Airlines Group Inc.
American Airlines, Inc.
Form 10-K
Year Ended December 31, 2013
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This combined Annual Report on Form 10-K is filed by American Airlines Group Inc. (formerly named AMR Corporation) (AAG) and its wholly-owned subsidiary American Airlines, Inc. (American). AAG's wholly-owned subsidiaries, US Airways Group, Inc. (together with its consolidated subsidiaries, US Airways Group) and US Airways, Inc. (US Airways) are filing an independent combined Annual Report on Form 10-K for the fiscal year ended December 31, 2013. References in this Annual Report on Form 10-K to "we," "us," "our" and the "Company" refer to AAG and its consolidated subsidiaries, "AMR" refers to the Company during the period of time prior to its emergence from Chapter 11 and AAG's acquisition of US Airways Group. References in this Annual Report on Form 10-K to "mainline" refer to the operations of American and US Airways, Inc., as applicable, and exclude regional operations. As more fully described below, on December 9, 2013, a subsidiary of AMR Corporation merged with and into US Airways Group, which survived as a wholly-owned subsidiary of AMR Corporation. Accordingly, unless otherwise indicated, information in this Annual Report on Form 10-K regarding the Company's consolidated results of operations includes the results of American and American Eagle for the year ended December 31, 2013 and the results of US Airways Group for the 23 days ended December 31, 2013.

Glossary of Terms

For the convenience of the reader, the definitions of certain capitalized industry and other terms used in this report have been consolidated into a Glossary beginning on page 22.

Note Concerning Forward-Looking Statements

Certain of the statements contained in this report should be considered forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements may be identified by words such as "may," "will," "expect," "intend," "anticipate," "believe," "estimate," "plan," "project," "could," "should," "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 the benefits of the business combination transaction involving AAG and US Airways Group, including future financial and operating results, our plans, objectives, expectations and intentions, and other statements that are not historical facts, such as, without limitation, statements that discuss the possible future effects of current known trends or uncertainties, or which indicate that the future effects of known trends or uncertainties cannot be predicted, guaranteed or assured. These forward-looking statements are based on our current objectives, beliefs and expectations, and they are subject to significant risks and uncertainties that may cause actual results and financial position and timing of certain events to differ materially from the information in the forward-looking statements. These risks and uncertainties include, but are not limited to, those described below under Part I, Item 1A. Risk Factors and the following: significant operating losses in the future; downturns in economic conditions that adversely affect our business; the impact of continued periods of high volatility in fuel costs, increased fuel prices and significant disruptions in the supply of aircraft fuel; competitive practices in the industry, including the impact of low cost carriers, airline alliances and industry consolidation; the challenges and costs of integrating operations and realizing anticipated synergies and other benefits of the merger transaction with US Airways Group, Inc.; our substantial indebtedness and other obligations and the effect they could have on our business and liquidity; an inability to obtain sufficient financing or other capital to operate successfully and in accordance with our current business plan; increased costs of financing, a reduction in the availability of financing and fluctuations in interest rates; the effect our high level of fixed obligations may have on our ability to fund general corporate requirements, obtain additional financing and respond to competitive developments and adverse economic and industry conditions; our significant pension and other post-employment benefit funding obligations; the impact of any failure to comply with the covenants contained in financing arrangements; provisions in credit card processing and other commercial agreements that may materially reduce our liquidity; the limitations of our historical consolidated financial information, which is not directly comparable to our financial information for prior or future periods; the impact of union disputes, employee strikes and other labor-related disruptions; any inability to maintain labor costs at competitive levels; interruptions or disruptions in service at one or more of our hub airports; any inability to obtain and maintain adequate facilities, infrastructure and slots to operate our flight schedule and expand or change our route network; our reliance on third-party regional operators or third-party service providers that have the ability to affect our revenue and the public’s perception about our services; any inability to effectively manage the costs, rights and functionality of third-party distribution channels on which we rely; extensive government regulation, which may result in increases in our costs, disruptions to our operations, limits on our operating flexibility, reductions in the demand for air travel, and competitive disadvantages; the impact of the heavy taxation to which the airline industry is subject; changes to our business model that may not successfully increase revenues and may cause operational difficulties or decreased demand; the loss of key personnel or inability to attract and retain additional qualified personnel; the impact of conflicts overseas, terrorist attacks and ongoing security concerns; the global scope of our business and any associated economic and political instability or adverse effects of events, circumstances or government actions beyond our control, including the impact of foreign currency exchange rate fluctuations and limitations on the repatriation of cash held in foreign countries; the impact of environmental regulation; our reliance on technology and automated systems and the impact of any failure of these technologies or systems; challenges in integrating our computer, communications and other technology systems; costs of ongoing data security compliance requirements and the impact of any significant data security breach; losses and adverse publicity stemming from any accident involving any of our aircraft or the aircraft of our regional or codeshare operators; delays in scheduled aircraft deliveries, or other loss of anticipated fleet capacity, and failure of new aircraft to perform as expected; our dependence on a limited number of suppliers for aircraft, aircraft engines and parts; the impact of changing economic and other conditions beyond our control, including global events that affect travel behavior such as an outbreak of a contagious disease, and volatility and fluctuations in our results of operations due to seasonality; the effect of a higher than normal number of pilot retirements and a potential shortage of pilots; the impact of possible future increases in insurance costs or reductions in available insurance coverage; the effect of several lawsuits that were filed in connection with the merger transaction with US Airways Group, Inc. and remain pending; an inability to use NOL carryforwards; any impairment in the amount of goodwill we recorded as a result of the application of the acquisition method of accounting and an inability to realize the full value of AAG’s and American’s respective intangible or long-lived assets and any material impairment charges that would be recorded as a result; price volatility of our common stock; delay or prevention of stockholders’ ability to change the composition of our board of directors and the effect this may have on takeover attempts that some of our stockholders might consider beneficial; the effect of provisions of our Certificate of Incorporation and Bylaws that limit foreign owners’ ability to vote and own our equity interests, including our common stock, our preferred stock and convertible notes; the effect of limitations in our Certificate of Incorporation on acquisitions and dispositions of our common stock designed to protect our NOL carryforwards and certain other tax attributes, which may limit the liquidity of our common stock; other economic, business, competitive, and/or regulatory factors affecting our business, including those set forth in our filings with the Securities and Exchange Commission (the SEC), 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 of this annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and other SEC filings; and other risks and uncertainties listed from time to time in our reports to and filings with the SEC.

All of the forward-looking statements are qualified in their entirety by reference to the factors discussed in Part I, 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 report or as of the dates indicated in the statements.

PART I

ITEM 1. BUSINESS

Overview

American Airlines Group Inc. (AAG) a Delaware corporation, is a holding company and its principal, wholly-owned subsidiaries are American, a Delaware corporation, and, as of December 9, 2013, US Airways Group, a Delaware corporation. AAG was formed in 1982 under the name AMR Corporation (AMR) as the parent company of American which was founded in 1934. US Airways Group was formed in 1982 and its origins trace back to the formation of All American Aviation in 1939. AMR changed its name to American Airlines Group Inc. on December 9, 2013. Virtually all of AAG's operations fall within the airline industry.

AAG's and American's principal executive offices are located at 4333 Amon Carter Boulevard, Fort Worth, Texas 76155. AAG's and American's telephone number is 817-967-1234 and their Internet address is www.aa.com. Information contained on AAG's website is not and should not be deemed a part of this report or any other report or filing filed with or furnished to the SEC.

Chapter 11 Reorganization

On November 29, 2011 (the Petition Date), AMR Corporation (referred to as AMR prior to December 9, 2013), its principal subsidiary, American, and certain of AMR’s other direct and indirect domestic subsidiaries (collectively, the Debtors), filed voluntary petitions for relief (the Chapter 11 Cases) under Chapter 11 of the United States Bankruptcy Code (the Bankruptcy Code) in the United States Bankruptcy Court for the Southern District of New York (the Bankruptcy Court). On October 21, 2013, the Bankruptcy Court entered an order (the Confirmation Order) approving and confirming the Debtors’ fourth amended joint plan of reorganization (as amended, the Plan).

On December 9, 2013 (the Effective Date), the Debtors consummated their reorganization pursuant to the Plan, principally through the transactions contemplated by that certain Agreement and Plan of Merger (as amended, the Merger Agreement), dated as of February 13, 2013, by and among AMR, AMR Merger Sub, Inc. (Merger Sub) and US Airways Group, pursuant to which Merger Sub merged with and into US Airways Group (the Merger), with US Airways Group surviving as a wholly-owned subsidiary of AMR following the Merger. As noted above, immediately following the Merger closing, AMR changed its name to American Airlines Group Inc.

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

Upon emergence from Chapter 11, the Company issued approximately 53 million shares of AAG Common Stock to the Company’s old equity holders and certain of the Debtors’ employees and 168 million shares of AAG Series A Preferred Stock, which is mandatorily convertible into new AAG Common Stock during the 120-day period after the Effective Date, to certain creditors and employees of the Debtors (including shares deposited in the Disputed Claims Reserve (as defined in the Plan)). Holders of AAMRQ received, for each share of AMR common stock, an initial distribution of approximately 0.0665 shares of the AAG Common Stock in connection with the occurrence of the Effective Date. AAMRQ holders, and those deemed to be treated as such in connection with the elections made pursuant to the Plan, have received and may continue to receive additional distributions of shares of AAG Common Stock based on the trading price of AAG Common Stock during the 120 day period after the Effective Date and the total amount of allowed claims, in each case, in accordance with the terms of the Plan. On the Effective Date, the adjusted total Double-Dip General Unsecured Claims (as defined in the Plan) was approximately $2.45 billion, the Allowed Single-Dip General Unsecured Claims (as defined in the Plan) were approximately $2.45 billion and the Disputed Claims Reserve (as defined in the Plan) was approximately $755 million.

During its Chapter 11 restructuring, AMR and the other Debtors took numerous steps to become more cost competitive in the airline industry. These measures included steps to realize labor cost savings and improve managerial efficiencies, to reconfigure their fleet, and to realize other economies. Through the process under Section 1113 of the Bankruptcy Code and consensual negotiations with its labor unions, American and AMR Eagle Holding Corporation (AMR Eagle) entered into new restructured collective bargaining agreements (CBAs) with each of their respective union groups. The Debtors also froze their four defined benefit pension plans, and terminated the pilot variable income retirement plan, putting in their place a revised defined contribution retirement benefit plan. The Debtors also amended the pilots' defined benefit pension plan to eliminate lump-sum and similar installment forms of benefit payments from such plan.

The Debtors also took significant actions to reduce non-labor related liabilities on their balance sheets. Specifically, the Debtors rejected or renegotiated financing on more than 400 aircraft, and evaluated and/or renegotiated over 700 real estate leases and over 9,000 vendor contracts. Importantly, during their restructuring, the Debtors successfully implemented their fleet renewal strategy. The Debtors evaluated their fleet based on then-current rates and market values, required maintenance, and the need to phase out older aircraft to achieve necessary fleet efficiencies.

See Part II, Item 5. Market for Registrant's Common Stock And Related Stockholder Matters, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, Note 2 and Note 4 to AAG's Consolidated Financial Statements in Item 8A and Note 2 to American's Consolidated Financial Statements in Item 8B for further information regarding the Chapter 11 Cases and the Merger.

Merger

Pursuant to the Merger Agreement and consistent with the Plan, each share of common stock, par value $0.01 per share, of US Airways Group was converted into the right to receive one share of AAG Common Stock. The aggregate number of shares of AAG Common Stock issuable in the Merger to holders of US Airways Group equity instruments (including stockholders, holders of convertible notes, optionees, and holders of restricted stock units (RSUs)) represented 28% of the diluted equity ownership of AAG. The remaining 72% diluted equity ownership in AAG (up to approximately 544 million shares) is distributable, pursuant to the Plan (see "Chapter 11 - Emergence" above) to stakeholders, labor unions, and certain employees of AMR and the other Debtors and such 72% of the diluted equity ownership of AAG includes all shares of AAG Common Stock that are or may become issuable upon conversion of shares of AAG Series A Preferred Stock such that the aggregate number of shares of AAG Common Stock issuable under the Plan will not exceed 72% of the diluted equity ownership of AAG as of the time of the Merger.

In connection with the completion of the Merger, the NYSE suspended trading in the US Airways Group common stock, par value $0.01 per share (the US Airways Group Common Stock), prior to the opening of the market on December 9, 2013. The NYSE also filed with the SEC a Form 25 Notification of Removal from Listing and/or Registration under Section 12(b) of the Exchange Act, to delist the US Airways Group Common Stock from the NYSE and terminate registration of the US Airways Group Common Stock under Section 12(b) of the Exchange Act.

Pursuant to the Merger Agreement and in accordance with the Plan, as of the Effective Date, the board of directors of AAG was reconstituted to be comprised of 12 members: (i) Thomas W. Horton, AMR's prior chairman, chief executive officer and president, who currently serves as chairman of AAG and will continue to so serve until the earlier of one year after the closing of the Merger and the day immediately prior to the first annual meeting of stockholders of AAG (provided that such meeting will not occur prior to May 1, 2014), (ii) W. Douglas Parker, formerly chief executive officer of US Airways, Inc., who serves as chief executive officer of AAG and will serve as chairman of AAG following the end of Mr. Horton's term, (iii) two independent directors designated by AMR, Alberto Ibargüen and Ray M. Robinson, (iv) three independent directors designated by US Airways Group, Matthew J. Hart, Richard C. Kraemer, and Denise M. O'Leary, and (v) five independent directors, James F. Albaugh, Jeffrey D. Benjamin, John T. Cahill (lead independent director), Michael J. Embler, and Richard P. Schifter, who were designated by a search committee consisting of representatives of the Official Committee of Unsecured Creditors of the Debtors and certain representatives of creditors signatory to support agreements with AMR.

Further, on the Effective Date, Mr. Horton (formerly president and chief executive officer), Daniel P. Garton (formerly executive vice president), Isabella D. Goren (formerly senior vice president and chief financial officer), Gary F. Kennedy (formerly senior vice president, general counsel, and chief compliance officer) and James B. Ream (formerly senior vice president of operations) ceased to be executive officers of AAG and American and W. Douglas

Parker (chief executive officer of AAG, American, and US Airways Group), J. Scott Kirby (president), Derek J. Kerr (executive vice president and chief financial officer), Robert D. Isom, Jr. (chief operating officer and chief executive officer of US Airways), Elise R. Eberwein (executive vice president - people and communications) and Stephen L. Johnson (executive vice president-corporate affairs) were elected as the executive officers of AAG, American, US Airways Group and US Airways, except as otherwise noted.

On the Effective Date and pursuant to the Plan and in accordance with the Merger Agreement, AAG’s certificate of incorporation and bylaws were amended and restated in their entirety, and an Amended and Restated Certificate of Incorporation (the Certificate of Incorporation) and a Certificate of Designations with respect to the AAG Series A Preferred Stock was filed with the Secretary of State of the State of Delaware immediately prior to the closing of the Merger. Upon issuance of the shares pursuant to the Plan and the Merger Agreement, the Company filed a Certificate of Amendment with Secretary of State of the State of Delaware solely to change its name to American Airlines Group Inc. Thereafter, the Company filed a Restated Certificate of Incorporation, which integrated the Certificate of Incorporation (including the Certificate of Designations) and the Certificate of Amendment, with the Secretary of State of the State of Delaware.

The Merger was intended to qualify, for federal income tax purposes, as a reorganization under the provisions of Section 368(a) of the Internal Revenue Code of 1986, as amended.

The Merger has been accounted for using the acquisition method of accounting with AAG treated as the acquirer for accounting purposes. US Airways Group’s identifiable assets acquired and liabilities assumed were recognized at their estimated fair values as of the Effective Date. Goodwill was measured as the excess of the fair value of the consideration transferred in the Merger over the fair value of the identifiable net assets. Goodwill is not amortized but is tested for impairment at least annually.

See Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations - "AAG Year in Review", Management’s Discussion and Analysis of Financial Condition and Results of Operations - "AAG Results of Operations", Note 2 and Note 4 to AAG's Consolidated Financial Statements in Item 8A and Note 2 to American's Consolidated Financial Statements in Item 8B for further information regarding the Chapter 11 Cases and the Merger.

Airline Operations

As noted above, AAG is a holding company whose primary business activity is the operation of two major network carriers through its principal, wholly-owned subsidiaries: American and, as of December 9, 2013, US Airways. As of December 31, 2013, American, together with American Eagle and the third-party regional carriers that provide regional feed to American, served more than 270 communities in more than 50 countries using a combined network fleet of 903 aircraft. American is a founding member of oneworld® alliance and is one of the largest scheduled air freight carriers in the world, providing a wide range of freight and mail services to shippers throughout its system onboard its passenger fleet. American had approximately 87 million passengers boarding its mainline flights in 2013.

US Airways Group is a holding company whose wholly-owned subsidiaries include US Airways, Piedmont Airlines, Inc. (Piedmont) and PSA Airlines, Inc. (PSA). As of December 31, 2013, those carriers and the third-party regional carriers that provide regional feed to US Airways served more than 207 airports in more than 20 countries using a combined network fleet of 621 aircraft.

Following the Merger, AAG began moving toward operating under the single brand name of "American Airlines" through its mainline operations, American and US Airways. Until a single operating certificate is issued by the Federal Aviation Administration (FAA) and the operational integration is complete, American and US Airways will continue to operate as separate airlines. This process is expected to take 18-24 months. Through its operating subsidiaries, including the operating subsidiaries of US Airways Group, AAG is the largest airline in the world as measured by revenue passenger miles (RPMs) and available seat miles (ASMs). The Company has primary hubs in Charlotte, Chicago, Dallas/Fort Worth, Los Angeles, Miami, New York City, Philadelphia, Phoenix and Washington, D.C. As of December 31, 2013, the combined airline, together with its third-party regional carriers operated nearly 6,700 daily flights to 339 destinations in 54 countries. As of December 31, 2013, American and US Airways operated 965 mainline jets. American continues to be provided with regional feed by American Eagle and third-party regional carriers and US Airways continues to be provided with regional feed by Piedmont, PSA and third-party regional carriers. As of December 31, 2013, the Company's regional subsidiaries and third-party regional carriers that provide it with regional feed operated approximately 519 regional jets and approximately 40 turboprops.

See Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations - "Results of Operations" for a discussion of AAG’s and American’s operating results and operating performance. See Note 15 to AAG's Consolidated Financial Statements in Part II, Item 8A and Note 14 to American's Consolidated Financial Statements in Part II, Item 8B for information regarding our operating segments and operating revenue in principal geographic areas.

Regional Operations

Certain air carriers, including our wholly-owned regional carriers, American Eagle, Piedmont and PSA, and third-party regional carriers, have arrangements with us to provide regional feed under the trade name "American Eagle" or "US Airways Express." As of December 31, 2013, 15 regional aircraft were also provided by a third party operating under the "American Connection" brand, an arrangement that we expect to end during 2014. American Eagle and US Airways Express carriers are an integral component of our operating network. We rely heavily on feeder traffic from these regional carriers, which carry passengers to our hubs from low-density markets that are uneconomical for us to serve with large jets. In addition, regional carriers offer complementary service in our existing mainline markets by operating flights during off-peak periods between mainline flights. During 2013, approximately 22 million passengers boarded our regional, air carriers' planes, approximately 43% of whom connected to or from our mainline flights. Of these passengers, approximately 18 million were enplaned by our wholly owned regional carriers, approximately 4 million were enplaned by third-party regional carriers operating under capacity purchase agreements and less than 1 million were enplaned by carriers operating under prorate agreements, as described below.

The American Eagle and US Airways Express arrangements are principally in the form of capacity purchase agreements. The capacity purchase agreements provide that all revenues, including passenger, mail and freight revenues, go to us. In return, we agree to pay predetermined fees to these airlines for operating an agreed-upon number of aircraft, without regard to the number of passengers on board. In addition, these agreements provide that certain variable costs, such as airport landing fees and passenger liability insurance, will be reimbursed 100% by us. We control marketing, scheduling, ticketing, pricing and seat inventories. A very small number of regional aircraft are operated for us under prorate agreements, under which the regional carriers receive a prorated share of ticket revenue and pay certain service fees to us. The prorate carriers are responsible for all costs incurred operating the applicable aircraft. All American Eagle and US Airways Express carriers have logos, service marks, aircraft paint schemes and uniforms similar to our mainline operations.

Cargo

Our cargo division is one of the largest air cargo operations in the world, with facilities and interline connections available across the globe.

Other revenues

Other revenues include revenue from the marketing services related to the sale of mileage credits in the AAdvantage and Dividend Miles programs as discussed below under "Frequent Flyer Program", membership fees and related revenue from our Admirals Club operations, our US Airways Club operations, and other miscellaneous service revenue, including administrative service charges and baggage handling fees.

The U.S. Airline Industry

In 2013, the U.S. airline industry experienced year-over-year growth in passenger revenues driven by strong demand for air travel.

In its most recent data available, Airlines for America, the trade association for U.S. airlines, reported that annual U.S. industry passenger revenues and yields increased 3.8% and 2.0%, respectively, as compared to 2012. With respect to international versus domestic performance, Airlines for America reported that the Atlantic and Latin America markets outperformed domestic markets in year-over-year growth in passenger revenues while the Pacific market experienced year-over-year declines in passenger revenues.

Throughout 2013, jet fuel prices continued to follow the price of Brent crude oil more closely than the price of West Texas Intermediate crude oil. On average, fuel costs were down slightly in 2013 as compared to 2012. The Brent crude oil average daily spot price was $109 per barrel in 2013 which is slightly lower than the average daily spot price in 2012 of $112 per barrel. However, on a daily basis, prices continued to be volatile. Throughout 2013, daily spot prices fluctuated between a high of $119 per barrel in February to a low of $97 per barrel in April and closed the year at $110 per barrel on December 31, 2013.

While the U.S. airline industry is currently benefiting from a favorable revenue environment and moderating fuel price increases as described above, uncertainty exists regarding the economic conditions driving these factors. See Part I, Item 1A. Risk Factors - "Our business is dependent on the price and availability of aircraft fuel. Continued periods of high volatility in fuel costs, increased fuel prices and significant disruptions in the supply of aircraft fuel could have a significant negative impact on our operating results and liquidity."

Competition

The markets in which we operate are highly competitive. Domestically, any U.S. airline deemed fit by the U.S. Department of Transportation (DOT) is generally free to operate scheduled passenger service between any two points within the U.S. and its possessions, with the exception of certain airports that require landing and take-off rights and authorizations and other facilities (Slots). Price competition occurs on a market-by-market basis through price discounts, changes in pricing structures, fare matching, target promotions and frequent flyer initiatives. On most of our domestic non-stop routes, we currently face competing service from at least one, and sometimes more than one, domestic airline, including: Alaska Airlines, Allegiant Air, Delta Air Lines, Frontier Airlines, Hawaiian Airlines, JetBlue Airways, Southwest Airlines, Spirit Airlines, United Airlines and Virgin America. Competition is even greater between cities that require a connection, where the major airlines compete via their respective hubs. In addition, we face competition on some of our connecting routes from airlines operating point-to-point service on such routes.

We also compete with all-cargo and charter airlines and, particularly on shorter segments, ground and rail transportation.

On all of our routes, pricing decisions are affected, in large part, by the need to meet competition from other airlines. Airlines typically use discount fares and other promotions to stimulate traffic during normally slack travel periods, when they begin service to new cities or when they have excess capacity, to generate cash flow and maximize revenue per ASM and to establish, increase or preserve market share. Discount and promotional fares are generally non-refundable and may be subject to various restrictions such as minimum stay requirements, advance ticketing, limited seating and change fees. We have often elected to match discount or promotional fares initiated by other air carriers in certain markets in order to compete in those markets. Most airlines will quickly match price reductions in a particular market. Our ability to compete on the basis of price is limited by our fixed costs and depends on our ability to manage effectively our operating costs. Some of our competitors have greater financial or other resources and/or lower cost structures than we do. In addition, low fare, low-cost carriers compete in many of the markets in which we operate and competition from these carriers is increasing. These low cost carriers generally have lower cost structures than American and US Airways.

In addition to price competition, airlines compete for market share by increasing the size of their route system and the number of markets they serve. The American Eagle and US Airways Express regional carriers increase the number of markets the Company serves by flying to lower demand markets and providing connections at our hubs. Many of the Company's competitors also own or have marketing agreements with regional airlines which provide similar services at their hubs and other locations. We also compete on the basis of scheduling (frequency and flight times), availability of nonstop flights, on-time performance, type of equipment, cabin configuration, amenities provided to passengers, frequent flyer programs, the automation of travel agent reservation systems, onboard products, markets served and other services. We compete with both major network airlines and low-cost airlines throughout our network.

In addition to our extensive domestic service, we provide international service to Canada, Mexico, Europe, the Middle East, the Caribbean, Central and South America, and Asia. Revenues from foreign operations (flights serving international destinations) were approximately 40% of American's total operating revenues and approximately 24% of US Airways' total operating revenues for 2013. In providing international air transportation, we compete with foreign investor-owned airlines, foreign state-owned airlines, and U.S. airlines that have been granted authority to provide scheduled passenger and cargo service between the U.S. and various overseas locations.

Marketing and Alliance Agreements with Other Airlines

In general, carriers that have the greatest ability to seamlessly connect passengers to and from markets beyond the nonstop city pair have a competitive advantage. In some cases, however, foreign governments limit U.S. air carriers' rights to carry passengers beyond designated gateway cities in foreign countries. To improve access to each other's markets, various U.S. and foreign air carriers - including American and US Airways - have established marketing relationships with other airlines and rail companies. American currently has marketing relationships with Air Berlin, Air Tahiti Nui, Alaska Airlines, British Airways, Cape Air, Cathay Pacific, Dragonair, EL AL, Etihad Airways, Fiji Airways, Finnair, Gulf Air, Hainan Airlines, Hawaiian Airlines, Iberia, Japan Airlines, Jet Airways, JetStar Airways, LAN (includes LAN Airlines, LAN Argentina, LAN Colombia, LAN Ecuador and LAN Peru), Malaysia Airlines, Niki Airlines, Qantas Airways, Qatar Airways, Royal Jordanian, S7 Airlines, Seaborne Airlines, TAM Airlines, and WestJet.

American is also a founding member of the oneworld alliance, which includes AirBerlin, British Airways, Cathay Pacific Airways, Finnair, Iberia, Japan Airlines, LAN Airlines, Malaysia Airlines, Qantas, Qatar Airways, Royal Jordanian, and S7 Airlines. TAM Airlines and SriLankan Airlines are scheduled to join the alliance in the first half of 2014. The oneworld alliance links the networks of the member carriers to enhance customer service and smooth connections to the destinations served by the alliance, including linking the carriers' frequent flyer programs and access to the carriers' airport lounge facilities. Together, oneworld members and members-elect serve 981 destinations with over 14,000 daily flights to 151 countries.

American is party to antitrust-immunized cooperation agreements with British Airways, Iberia, Finnair, and Royal Jordanian. Over the last three years, American has also established joint business agreements (JBAs) with British Airways, Iberia, Japan Airlines, Qantas and Finnair that enable the carriers to cooperate on flights between particular destinations, and allow pooling and sharing of certain revenues and costs, enhanced frequent flyer program reciprocity, and cooperation in other areas. American and its joint business partners received regulatory approval to enter into these JBAs. In addition, in December 2012, American signed codeshare agreements with Sao Paulo-based TAM Airlines and Bogota-based LAN Colombia. Generally, under a codeshare arrangement, one carrier places its designator code and sells ticket on flights of another carrier. Once approved in Brazil and Colombia, respectively, these new codeshare relationships will provide expanded opportunities for American to serve new markets in Brazil and Colombia and for TAM Airlines and LAN Colombia to serve new markets in the U.S.

US Airways is currently a member of the Star Alliance®, which offers similar member benefits as those discussed above for the oneworld alliance, and will transition to oneworld on March 31, 2014. As part of this transition, codeshare and frequent flyer reciprocity between US Airways and many members of the Star Alliance will be ending on March 30, 2014. Some of the largest airlines that will be phased out at that time include United Airlines, Lufthansa, Swiss, Brussels Airlines, and All Nippon Airways, while others will be phased out in the following months. We are in negotiations with International Airlines Group (IAG), the parent company of British Airways and Iberia, concerning the terms by which flights operated by US Airways will be added to our existing transatlantic joint business. We have thus far been unable to reach agreement with IAG and are uncertain if we will be able to reach an agreement. US Airways' entry into the JBA and cooperation with other carriers is subject to compliance with all DOT regulations and applicable orders as well as obtaining required DOT approvals. US Airways is expected to enter into codeshare cooperation with selected oneworld member airlines and frequent flyer reciprocity with all other members. US Airways is also expected to enter into marketing relationships with selected other airlines that are currently party to marketing agreements with American.

Industry Regulation and Airport Access

General

Our airlines are subject to extensive domestic and international regulatory requirements. The Airline Deregulation Act of 1978, as amended, eliminated most domestic economic regulation of passenger and freight transportation. However, DOT and the FAA still exercise significant regulatory authority over air carriers. DOT maintains jurisdiction over the approval of domestic and international codeshare agreements, international route authorities, and consumer protection and competition matters, such as advertising, denied boarding compensation and baggage liability.

The FAA regulates flying operations, primarily in the areas of flight operations, maintenance, and other operational and safety areas. Pursuant to these regulations, our airline subsidiaries have FAA-approved maintenance programs for each type of aircraft they operate. The programs provide for the ongoing maintenance of such aircraft, ranging from periodic routine inspections to major overhauls. FAA requirements cover, among other things, retirement and maintenance of older aircraft, safety measures, collision avoidance systems, airborne windshear avoidance systems, noise abatement, other environmental concerns, fuel tank inerting, crew scheduling and aircraft operations. We are also progressing toward the completion of numerous airworthiness directives, a number of which require us to perform significant maintenance work and to incur additional expenses. Based on the current implementation schedule, we expect to be in full compliance with the applicable requirements within the required time periods. Our failure to timely comply with these requirements has in the past and could in the future result in fines and other enforcement actions by the FAA or other regulators. The FAA also operates the air traffic control (ATC) system in the United States.

Additionally, the FAA recently implemented rules on pilot flight and duty times, and finalized rules on minimum requirements for all pilots operating commercial aircraft. Both rules have increased our costs and reduced staffing flexibility, particularly during irregular operations. We are also working with the FAA on integrating US Airways and American into a single operating certificate under the American operations specifications.

Airlines are obligated to collect a federal excise tax, commonly referred to as the "ticket tax," on domestic and international air transportation. Airlines collect the ticket tax, along with certain other U.S. and foreign taxes and user fees on air transportation, and pass along the collected amounts to the appropriate governmental agencies. Although these taxes are not our operating expenses, they represent an additional cost to our customers. See "Industry Regulation and Airport Access - Security," below for a discussion of passenger fees.

Most major U.S. airports impose a passenger facility charge (PFC). The ability of airports to increase this charge (and the ability of airlines to contest such increases) is restricted by federal legislation, DOT regulations and judicial decisions. With certain exceptions, air carriers pass these charges on to passengers. However, our ability to pass through the total amount of the PFC to our customers is subject to various factors, including market conditions and competitive factors. The current cap on the PFC is $4.50 per passenger, but the industry has faced repeated efforts in Congress to raise the cap to a higher level including in the last session of Congress.

DOT consumer rules that took effect in 2010 require procedures for customer handling during long onboard delays, including additional reporting requirements for airlines, that have increased the cost of airline operations and reduced revenues. The DOT has been aggressively investigating alleged violations of these rules. In addition, the DOT finalized a second set of rules that further regulate airline interactions with passengers through the reservations process, at the airport and on board the aircraft. These rules require airlines to display all fares in an "all in" basis, with the price of the air travel and all taxes and government imposed fees rolled into the displayed fare. Enhanced disclosure of ancillary fees such as baggage fees is also required. Other rules apply to post-ticket purchase price increases and an expansion of tarmac delay regulations to international carriers.

We anticipate a third set of consumer rules to be issued by the DOT in 2014 and the DOT continues its efforts to further regulate airlines through increased data reporting requirements, expansion of the Air Carrier Access Act, and greater oversight of the methods airlines use to describe and sell air transportation and other products and services. Each additional regulation or other form of regulatory oversight increases costs and adds greater complexity to our operation. In this environment, no assurance can be given that compliance with these new rules, anticipated rules or other forms of regulatory oversight from the DOJ, the FAA or other regulatory bodies will not have a material adverse effect on our business.

Among its regulatory responsibilities, DOT also enforces equal access to air transportation for disabled passengers. Recently, a number of carriers, including American and US Airways, have entered into consent orders with DOT over their handling of disabled passengers. DOT has been aggressive in prosecuting disability violations and seeks large penalties. We expect to see continued DOT emphasis in this area through both regulation and enforcement.

DOT and the Antitrust Division of the U.S. Department of Justice (DOJ) have jurisdiction over airline antitrust matters. The U.S. Postal Service has jurisdiction over certain aspects of the transportation of mail and related services. Labor relations in the air transportation industry are regulated under the Railway Labor Act, which vests in the National Mediation Board (NMB) certain functions with respect to disputes between airlines and labor unions relating to union representation and CBAs. In addition, as a result of heightened levels of concern regarding data privacy, we are subject to an increasing number of domestic and foreign laws regarding the privacy and security of passenger and employee data.

International

International air transportation is subject to extensive government regulation. 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 European Union (EU), and in some cases, fares and schedules require the approval of 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 periodically subject to renegotiation. 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 open skies agreement between the U.S. and Brazil, which was signed in 2010 and takes full effect in 2015, has resulted in increased competition in the U.S./Brazil market. In addition, at some foreign airports, an air carrier needs Slots and other facilities before the air carrier can introduce new service or increase existing service. The availability of such Slots is not assured and our inability to obtain and retain needed Slots and facilities could therefore inhibit our efforts to compete in certain international markets. Further, pursuant to the Merger clearance process in the EU, we are required to make available to other carriers certain Slots at London Heathrow. See "Industry Regulation and Airport Access - Airport Access and Operations," below.

Security

The Aviation and Transportation Security Act (the Aviation Security Act) was enacted in November 2001. Under the Aviation Security Act, substantially all aspects of civil aviation security screening were federalized, and a new Transportation Security Administration (TSA) under the DOT was created. The TSA was then transferred to the Department of Homeland Security pursuant to the Homeland Security Act of 2002. The Aviation Security Act, among other matters, mandates improved flight deck security; carriage at no charge of federal air marshals; enhanced security screening of passengers, baggage, cargo, mail, employees and vendors; enhanced security training; fingerprint-based background checks of all employees and vendor employees with access to secure areas of airports pursuant to regulations issued in connection with the Aviation Security Act; and the provision of certain passenger data to U.S. Customs and Border Protection. Funding for the TSA is provided by a combination of air carrier fees, passenger fees and taxpayer monies. A "passenger security fee," which is collected by air carriers from their passengers, is currently set at a rate of $2.50 per flight segment but not more than $10 per round trip. However, the Bipartisan Budget Act of 2013 and the Consolidated Appropriations Act of 2014 increased the passenger security fee to $5.60 per one-way trip effective on July 1, 2014. An air carrier fee, or Aviation Security Infrastructure Fee (ASIF), has also been imposed with an annual cap equivalent to the amount that an individual air carrier paid in calendar year 2000 for the screening of passengers and property. The fee was repealed by federal legislation and the repeal will go into effect on October 1, 2014.

Implementation of and compliance with the requirements of the Aviation Security Act have resulted and will continue to result in increased costs for us and our passengers and have resulted and will likely continue to result in service disruptions and delays. As a result of competitive pressure, we and other airlines may be unable to recover all of these additional security costs from passengers through increased fares. In addition, we cannot forecast what new security and safety requirements may be imposed in the future or the costs or financial impact of complying with any such requirements.

Airline Fares

Airlines are permitted to establish their own domestic fares without governmental regulation. DOT maintains authority over certain international fares, rates and charges, but applies this authority on a limited basis. In addition, international fares and rates are sometimes subject to the jurisdiction of the governments of the foreign countries which we serve. While air carriers are required to file and adhere to international fare and rate tariffs, substantial commissions, fare overrides and discounts to travel agents, brokers and wholesalers characterize many international markets.

Airport Access and Operations

Operations at four major domestic airports and certain foreign airports we serve are regulated by governmental entities through allocations 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.

In the U.S., the FAA currently regulates the allocation of Slots, Slot exemptions, operating authorizations, or similar capacity allocation mechanisms at Reagan National in Washington, D.C., LaGuardia and JFK in New York City, and Newark. Our operations at these airports generally require the allocation of Slots or analogous regulatory authorities. Similarly, our operations at Frankfurt, London Heathrow, Paris, Tokyo Narita and certain other international airports are regulated by local Slot coordinators pursuant to the International Air Transport Association's Worldwide Scheduling Guidelines (WSG) and applicable local law. We currently have sufficient Slots or analogous authorizations to operate our existing flights, and we have generally been able to obtain the rights to expand our operations and to change our schedules. There is no assurance, however, that we will be able to do so in the future because, among other reasons, such allocations are often sought after by other airlines, and are subject to changes in governmental policies.

In connection with the settlement of antitrust litigation brought by the DOJ and certain states, we entered into settlement agreements that provide for certain asset divestitures. In the agreement with the United States government, among other things, we agreed to divest and not reacquire for ten years certain rights and assets consisting of 52 Slot pairs at Washington Reagan National Airport and 17 Slot pairs at LaGuardia, in each case together with associated gates and related ground facilities necessary to operate those Slot pairs, and two gates at each of Boston Logan International Airport, Chicago O'Hare International Airport, Dallas Love Field, Los Angeles International Airport and Miami International Airport. The agreement with the plaintiff states requires our airlines, subject to certain conditions and exceptions, to maintain certain hub operations in a manner generally consistent with historical operations and to continue to provide scheduled daily service to certain specified communities, both for limited periods of time. In addition, we entered into a related settlement with the DOT related to small community service from Washington Reagan National Airport. Further, as a consequence of the Merger clearance process in the EU, we are required to make available one pair of London Heathrow Slots for use by another carrier between London and Philadelphia, which the acquiring carrier can deploy on another Heathrow city pair after operating the Slots on London-Philadelphia for a period of not less than three consecutive years, and, along with our JBA partners, we are required to make available for an initial period of up to seven years one pair of Heathrow Slots for service between London and Miami that may be operated via an intermediate point.

Amendments to the Wright Amendment have reduced geographic restrictions on operations at Dallas Love Field (DAL) and in October 2014, will eliminate all such domestic non-stop geographic restrictions on operations there. Southwest has already announced plans to serve new markets throughout the continental United States from DAL in October 2014. Although we held two gates at DAL, we did not operate from there in 2013 and instead operated solely at Dallas Fort Worth. An element of our settlement of the antitrust litigation brought by the U.S. Department of Justice and certain states relating to the Merger included our divestiture of the two gates we held at DAL.

The DOT allows local airport authorities to implement procedures designed to abate special noise problems, provided such procedures do not unreasonably interfere with interstate or foreign commerce or the national transportation system. Certain locales, including Boston, Washington D.C., Chicago, San Diego and San Francisco, among others, have established airport restrictions to limit noise, including restrictions on aircraft types to be used and limits on the number of hourly or daily operations or the time of these operations. In some instances, these restrictions have caused curtailments in service or increases in operating costs, and these restrictions could limit the ability of our airline

subsidiaries to expand their operations at the affected airports. Authorities at other airports may adopt similar noise regulations. See "Industry Regulation and Airport Access - Environmental Matters," below.
Civil Reserve Air Fleet
We are a participant in the Civil Reserve Air Fleet (CRAF) program, which is a voluntary program administered by the U.S. Air Force Air Mobility Command. The General Services Administration of the U.S. Government requires that airlines participate in the Civil Reserve Air Fleet program in order to receive U.S. Government business. We are reimbursed at compensatory rates if aircraft are activated under the Civil Reserve Air Fleet program or when participating in Department of

Defense business. If a substantial number of our aircraft are activated for operation under the CRAF program at a time of war or other national emergency, our business operations and financial condition may be adversely affected. In January 2014, the U.S. Air Force proposed a radical restructuring of the CRAF program to take effect in October 2015. We do not support the new proposals as they could adversely affect our business and, together with other industry participants, we are working with the Air Force to address our concerns.

Environmental Matters

The airline industry is subject to various laws and government regulations concerning environmental matters in the U.S. and other countries. U.S. federal laws that have a particular impact on our operations include the Airport Noise and Capacity Act of 1990 (ANCA), the Clean Air Act, the Resource Conservation and Recovery Act, the Clean Water Act, the Safe Drinking Water Act, and the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA or the Superfund Act). The U.S. Environmental Protection Agency (EPA) and other federal agencies have been authorized to promulgate regulations that have an impact on our operations. In addition to these federal activities, various states have been delegated certain authorities under the aforementioned federal statutes. Many state and local governments have adopted environmental laws and regulations which are similar to or stricter than federal requirements.

The ANCA recognizes the rights of airport operators with noise problems to implement local noise abatement programs so long as they do not interfere unreasonably with interstate or foreign commerce or the national air transportation system. Authorities in several cities have promulgated aircraft noise reduction programs, including the imposition of nighttime curfews. The ANCA generally requires FAA approval of local noise restrictions on aircraft. While we have had sufficient scheduling flexibility to accommodate local noise restrictions imposed to date, our operations could be adversely affected if locally-imposed regulations become more restrictive or widespread.

Many aspects of the Company's operations are subject to increasingly stringent environmental regulations. Concerns about climate change and greenhouse gas emissions, in particular, may result in the imposition of additional international and domestic legislation or regulation. For example, the EU has established the Emissions Trading Scheme (ETS) to regulate carbon dioxide emissions in the EU. The EU adopted a directive under which each EU member state is required to extend the ETS to aviation operations. This directive would have required us, beginning in 2012, in order to operate flights to and from airports in the European Economic Area (EEA), including flights between the U.S. and EU member states, to annually submit emission allowances equal to our total carbon dioxide emissions from those flights. While a certain portion of those allowances are granted to us at no cost, we may potentially need to also purchase allowances in order to cover our emissions total in a given year. However, in an effort to allow ICAO time to propose an alternate scheme to manage global aviation emissions, in April 2013 the EU suspended for one year the ETS' application to flights entering and departing the EEA, limiting its application, for flights flown in 2012, to intra-EEA flights only. In October 2013, the ICAO Assembly adopted a resolution calling for the development through ICAO of a global, market-based scheme for aviation emissions, to be implemented in 2020. Subsequently, the EU has proposed amending the EU ETS so that the monitoring, reporting and submission of allowances for emissions from flights flown in 2013 would continue to be limited to only intra-EEA flights. For flights flown from 2014 to 2020, the scope of coverage under the amendment would include intra-EEA flights and the portion of aviation emissions of flights to and from EU member states that take place in European regional airspace. The EU anticipates approval of this amendment in April 2014. The U.S. enacted legislation in November 2012 which encourages the DOT to seek an international solution through ICAO and that will allow the U.S. Secretary of Transportation to prohibit U.S. airlines from participating in the ETS. While these measures create some uncertainty as to the extent to which we will be required to participate in the ETS going forward, it is nevertheless increasingly likely that in the future we will be required to participate in some form of international arrangement governing aircraft emissions.

In addition, the U.S. Congress has considered legislation on climate change. Although Congress has not passed comprehensive climate change legislation, several states have adopted mechanisms to regulate greenhouse gas emissions. Even without further federal legislation, the EPA may act to regulate greenhouse gas emissions. In 2009, the EPA issued its final Endangerment and Cause or Contribute Findings for Greenhouse Gases, which became effective in January 2010. This regulatory finding sets the foundation for potential future EPA greenhouse gas regulation under the Clean Air Act. Depending on the scope of such regulation, certain of our facilities and operations may be subject to additional operating and other permit requirements, potentially resulting in increased operating costs.

The environmental laws to which we are subject include those related to responsibility for potential soil and groundwater contamination. We are conducting investigation and remediation activities to address soil and groundwater conditions at several sites, including airports and maintenance bases. We anticipate that the ongoing costs of such activities will not have a material impact on our operations. In addition, we have been named as a potentially responsible party (PRP) at certain Superfund sites. Our alleged volumetric contributions at such sites are relatively small in comparison to total contributions of all PRPs; we anticipate that any future payments of costs at such sites will not have a material impact on our operations.

Future Regulatory Developments

Future regulatory developments and actions could affect operations and increase operating costs for the airline industry, including our airline subsidiaries. See Part I, Item 1A. Risk Factors - "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," "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" and "We are subject to many forms of environmental regulation and may incur substantial costs as a result" for additional information.

Employees and Labor Relations

The airline business is labor intensive. In 2013, salaries, wages, and benefits were one of our largest expenses and represented approximately 22% of our operating expenses. The table below presents our approximate number of active full-time equivalent employees as of December 31, 2013.

	American	US Airways	Wholly-owned Regional Carriers	Total
Pilots	7,900	4,100	3,400	15,400
Flight attendants	15,000	7,700	2,100	24,800
Maintenance personnel	11,300	3,100	2,400	16,800
Fleet service personnel	7,400	5,500	1,700	14,600
Passenger service personnel	10,300	6,200	6,400	22,900
Administrative and other	8,200	5,500	2,200	15,900
Total	60,100	32,100	18,200	110,400

As of December 31, 2013, approximately 73% of AAG's active employees were represented by various labor unions and covered by CBAs. Employees of American, US Airways and AAG's regional subsidiaries are covered by labor agreements as set forth in the table below.

Union	Class or Craft	Employees (1)	Contract Amendable Date (2)
American Mainline:			
Allied Pilots Association (APA)	Premerger AA Pilots	7,900	
Association of Professional Flight Attendants (APFA)	Premerger AA Flight Attendants	15,000	
Transport Workers Union (TWU)	Mechanics and Related	9,600	
TWU	Fleet Service	7,400	
TWU	Stock Clerks	1,200	
TWU	Simulator Technicians	80	
TWU	Dispatch	190	
TWU	Flight Crew Training Instructors	180	
TWU	Maintenance Control Technicians	80	
American Eagle:			
Air Line Pilots Association (ALPA)	Pilots	2,600	2/1/2016
AFA	Flight Attendants	1,575	1/1/2016
TWU	Ground School Instructors	10	1/1/2019
TWU	Mechanics & Related	1,590	4/1/2016
TWU	Fleet Service Clerks	2,000	1/1/2019
TWU	Dispatchers	100	1/1/2019
US Airways Mainline:			
US Airline Pilots Association (USAPA)	Premerger US Airways Pilots	2,800	
USAPA	Premerger America West Pilots	1,300	
Transport Workers Union (TWU)	Flight Crew Training Instructors	100	
TWU	Flight Simulator Engineers	50	
Association of Flight Attendants-CWA (AFA)	Flight Attendants	7,700	
International Association of Machinists & Aerospace Workers (IAM)	Mechanics, Stock Clerks and Related	3,100	
IAM	Maintenance Training Instructors	30	
IAM	Fleet Service	5,500	
Airline Customer Service Employee Association - IBT and CWA (the Association)	Passenger Service	6,200	
TWU	Dispatch	200	
Piedmont:			
Air Line Pilots Association (ALPA)	Pilots	300	3/31/2018
AFA	Flight Attendants	150	8/1/2009
International Brotherhood of Teamsters (IBT)	Mechanics	250	8/23/2012
IBT	Stock Clerks	30	4/18/2014
Communications Workers of America (CWA)	Fleet and Passenger Service	2,500	2/05/2017
IBT	Dispatch	20	6/16/2014
PSA:			
ALPA	Pilots	500	4/01/2018
AFA	Flight Attendants	300	4/30/2017
IAM	Mechanics	150	4/24/2016
TWU	Dispatch	20	9/4/2014

(1) Approximate number of active full-time equivalent employees covered by the contract as of December 31, 2013.

(2) See discussion below regarding the process for combining mainline employee groups post-merger.

Relations with such labor organizations are governed by the Railway Labor Act (RLA). Under the RLA, the National Mediation Board (NMB) is responsible for determining which union, if any, is designated to represent employees. In an airline merger, when different unions represent the employees at the merging carrier, a union may file an application with the NMB to represent the combined group of post-merger employees. The application is reviewed by the NMB which considers whether the operations of the merging carriers have been sufficiently integrated to constitute a single transportation system. After the integration process is found to have created a single transportation system, the NMB then conducts an investigation to determine which union, if any, is to be the representative of the post-merger employees. That union then negotiates a joint collective bargaining agreement (JCBA) covering the combined group of post-merger employees.

While the passenger service employees at mainline American are not currently represented by any labor organization, the passenger service employees of mainline US Airways are represented by the Airline Employees Customer Service Association, CWA-IBT (CWA-IBT). When and if the CWA-IBT files a single transportation system application with the NMB, the union is expected to attempt to organize the passenger service employees of both mainline airlines. In the meantime, the US Airways passenger service employees will continue to be represented by the CWA-IBT, and the American passenger service employees will remain unrepresented for labor relations purposes.

Most of the other mainline American ground employees are represented by the Transport Workers Union (TWU) and are covered by existing CBAs. Although those agreements will not become amendable until 2018, the TWU is required under the agreements to file a single transportation system application in order to represent the combined groups of mainline US Airways and mainline American employees. For the fleet service employees, the mechanic and related employees and the stores employees, the TWU may share post-merger representation rights with the International Association of Machinists and Aerospace Workers (IAM). After the NMB has determined that a single transportation system exists and has certified a post-merger representative of the combined employee groups, the process for negotiating new JCBA covering the combined employee groups will commence. That process can take many months or even several years to complete.

Under an agreement reached with the American mainline and the US Airways mainline pilots and a tentative agreement with the American and US Airways mainline flight attendants, a different approach will be used by us to reach JCBAs. The two pilot groups have agreed that, once a post-merger representative has been designated by the NMB, there will be a thirty-day negotiations period, and, if no agreement is reached, a panel of arbitrators will set the remaining terms of the JCBAs that will become amendable on December 31, 2018. The economic terms of the pilot JCBA established by the arbitration panel must conform with the contract that was reached with the two pilot groups. If the tentative agreement with the American mainline and US Airways mainline flight attendants is approved, negotiations over the terms of a JCBA will be conducted for up to 240 days. If no agreement can be reached, a panel of arbitrators will establish the unresolved terms of the JCBA, which is to be set based on economics comparable to those for flight attendants at other legacy airlines.

The merger will have no impact on the CBAs that cover the employees of our wholly-owned subsidiary airlines which are not being merged (American Eagle, Piedmont and PSA). For those employees, the RLA provides that CBAs do not expire, but instead become amendable as of a stated date.

When a RLA CBA becomes amendable, if either party to the agreement wishes to modify its terms, it must notify the other party in the manner prescribed under the RLA and as agreed by the parties. Under the RLA, the parties must meet for direct negotiations, and, if no agreement is reached, either party may request the NMB to appoint a federal mediator. The RLA prescribes no set timetable for the direct negotiation and mediation process. It is not unusual for those processes to last for many months and even for several years. If no agreement is reached in mediation, the NMB in its discretion may declare under the RLA at some time that an impasse exists, and if an impasse is declared, the NMB proffers binding arbitration to the parties. Either party may decline to submit to binding arbitration. If arbitration is rejected by either party, an initial 30-day "cooling off" period commences. Following the conclusion of that 30-day "cooling off" period, if no agreement has been reached, "self-help" (as described below) can begin unless a Presidential Emergency Board (PEB) is established. A PEB examines the parties’ positions and recommends a solution. The PEB process lasts for 30 days and (if no resolution is reached) is followed by another "cooling off" period of 30 days. At the end of a "cooling off" period (unless an agreement is reached, a PEB is established, or action

is taken by Congress), the labor organization may exercise "self-help," such as a strike, and the airline may resort to its own "self-help," including the imposition of any or all of its proposed amendments and the hiring of new employees to replace any striking workers.
The NMB is currently mediating negotiations with the IAM covering the mainline US Airways fleet service employees, the mechanic and related employees, and the store employees, and with the AFA covering the Piedmont flight attendants.

For more discussion, see Part I, Item 1A. Risk Factors - "Union disputes, employee strikes and other labor-related disruptions may adversely affect our operations."

Aircraft Fuel

Our operations and financial results are significantly affected by the availability and price of jet fuel. Based on our 2014 forecasted mainline and regional fuel consumption, we estimate that as of December 31, 2013, a $1 per barrel increase in the price of crude oil would increase our 2014 annual fuel expense by $104 million (excluding the effect of our hedges), and by $87 million (taking into account such hedges).

The following table shows annual aircraft fuel consumption and costs, including taxes, for American, it's third-party regional carriers and American Eagle, for 2011 through 2013. AAG's consolidated fuel requirements in 2014 are expected to increase significantly to approximately 4.4 billion gallons as a result of a full year of US Airways operations.

Year	Gallons Consumed (in millions)	Average Cost Per Gallon	Total Cost (in millions)	Percent of Total Operating Expenses
2011	2,756	$3.01	$8,304	33.2%
2012	2,723	$3.20	$8,717	35.3%
2013	2,806	$3.09	$8,959	35.3%

Total fuel expenses for American Eagle and American's third-party regional carriers operating under capacity purchase agreements for the years ended December 31, 2013, 2012 and 2011 were $1.1 billion, $1.0 billion and $946 million, respectively.

In order to provide a measure of control over price and supply, we trade and ship fuel and maintain fuel storage facilities to support our flight operations. Prior to the Effective Date, we from time to time entered into hedging contracts, which consist primarily of call options, collars (consisting of a purchased call option and a sold put option) and call spreads (consisting of a purchased call option and a sold call option). Heating oil, jet fuel and crude oil are the primary underlying commodities in the hedge portfolio. Depending on movements in the price of fuel, our fuel hedging can result in gains or losses on its fuel hedges. For more discussion see Part I, Item 1A. Risk Factors - "Our business is dependent on the price and availability of aircraft fuel. Continued periods of high volatility in fuel costs, increased fuel prices and significant disruptions in the supply of aircraft fuel could have a significant negative impact on our operating results and liquidity."

As of January 2014, we had hedges covering approximately 19% of estimated consolidated AAG (including the estimated fuel requirements of US Airways) 2014 fuel requirements. The consumption hedged for 2014 is capped at an average price of approximately $2.91 per gallon of jet fuel. One percent of our estimated 2014 fuel requirement is hedged using call spreads with protection capped at an average price of approximately $3.18 per gallon of jet fuel. Eighteen percent of our estimated 2014 fuel requirement is hedged using collars with an average floor price of approximately $2.62 per gallon of jet fuel. The cap and floor prices exclude taxes and transportation costs.

We have not entered into any fuel hedges since the Effective Date and our current policy is not to do so.

See Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations, Item 7(A). Quantitative and Qualitative Disclosures about Market Risk, Note 10 to AAG's Consolidated Financial Statements in Item 8A and Note 9 to American's Consolidated Financial Statements in Item 8B.

Fuel prices have fluctuated substantially over the past several years. 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. See Part I, Item 1A. Risk Factors - "Our business is dependent on the price and availability of aircraft fuel. Continued periods of high volatility in fuel costs, increased fuel prices and significant disruptions in the supply of aircraft fuel could have a significant negative impact on our operating results and liquidity."

Insurance

We maintain insurance of the types that we believe are customary in the airline industry, including insurance for public liability, passenger liability, property damage, and all-risk coverage for damage to its aircraft. Principal coverage includes liability for injury to members of the public, including passengers, damage to property of AAG, its subsidiaries and others, and loss of or damage to flight equipment, whether on the ground or in flight. We also maintain other types of insurance such as workers' compensation and employer's liability, with limits and deductibles that we believe are standard within the industry.

Since September 11, 2001, we and other airlines have been unable to obtain coverage for liability to persons other than employees and passengers for claims resulting from acts of terrorism, war or similar events, which is called war risk coverage, at reasonable rates from the commercial insurance market. We, therefore, purchased our war risk coverage through a special program administered by the FAA, as have most other U.S. airlines. This program, which currently expires September 30, 2014, has been extended numerous times in the past. If this program were not to be extended, we would likely face a material increase in the cost of war risk coverage, and because of competitive pressures in the industry, our ability to pass this additional cost to passengers may be limited. In addition, we have obtained third-party war risk (terrorism) insurance through a special program administered by the FAA, resulting in lower premiums than if we had obtained this insurance in the commercial insurance market. If the federal insurance program terminates, we would likely face a material increase in the cost of war risk insurance. See Part I, Item 1A. Risk Factors - "Increases in insurance costs or reductions in insurance coverage may adversely impact our operations and financial results."

In addition, insurers significantly increased the premiums for aviation insurance in general following September 11, 2001. While the price of commercial insurance has declined since the period immediately after the terrorist attacks of September 11, 2001, if commercial insurance carriers further reduce the amount of insurance coverage available to the Company or significantly increase its cost, the Company would be materially adversely affected.

Customer Service

We are committed to consistently deliver safe, reliable and convenient service to our customers in every aspect of our operation. Our 2013 operating performance was negatively impacted by more severe summer weather conditions as compared to 2012. We reported the following operating statistics to the DOT for American's mainline operations for the years ended December 31, 2013 and 2012:

	2013		2012		Better (Worse)	
On-time performance (a)	77.6	%	76.9	%	0.7	pts
Completion factor (b)	98.2	%	98.2	%	—	
Mishandled baggage (c)	3.02		2.92		(3.4)%	
Customer complaints (d)	1.99		1.80		(10.6)%	

(a) Percentage of reported flight operations arriving on time as defined by the DOT.
(b) Percentage of scheduled flight operations completed.
(c) Rate of mishandled baggage reports per 1,000 passengers.
(d) Rate of customer complaints filed with the DOT per 100,000 enplanements.

Frequent Flyer Programs

American established AAdvantage® to develop passenger loyalty by offering awards to travelers for their continued patronage. We believe that the AAdvantage program is one of our competitive strengths. AAdvantage benefits from a growing base of approximately 74 million members with desirable demographics who have demonstrated a strong willingness to collect AAdvantage miles over other loyalty program incentives and are generally disposed to adjusting their purchasing behavior in order to earn additional AAdvantage miles. AAdvantage members earn mileage credits by flying on American, the American Eagle carriers, the third-party regional carriers and other participating airlines or by using services of other participants in the AAdvantage program. Mileage credits can be redeemed for free, discounted or upgraded travel on American, the American Eagle carriers or other participating airlines, or for other awards. Once a member accrues sufficient mileage for an award, the member may book award travel. Most travel awards are subject to capacity-controlled seating. A member's mileage credit does not expire as long as that member has any type of qualifying activity at least once every 18 months.

American sells mileage credits and related services to other participants in the AAdvantage program. There are over 1,000 program participants, including a leading credit card issuer (Citibank), hotels, car rental companies and other products and services companies in the AAdvantage program. We believe that program participants benefit from the sustained purchasing behavior of AAdvantage members, which translates into a recurring stream of revenues for AAdvantage. Under our agreements with AAdvantage members and program participants, we reserve the right to change the AAdvantage program at any time without notice, and may end the program with six months notice. As of December 31, 2013, AAdvantage had approximately 74 million total members, and 622.3 billion outstanding award miles. During 2013, AAdvantage issued approximately 202.8 billion miles, of which approximately 64% were sold to program participants. See Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations - "Critical Accounting Policies and Estimates" for more information on AAdvantage.

US Airways offers a similar frequent flyer program under the Dividend Miles brand that allows participants to earn mileage credits for each paid flight segment on US Airways and certain other airlines that participate in the program. Participants flying in first class or US Airways' international business class (Envoy class) may receive additional mileage credits. Participants can also receive mileage credits through special promotions that US Airways periodically offers and may also earn mileage credits by utilizing certain credit cards and purchasing services from non-airline partners such as hotels and rental car agencies. US

Airways sells mileage credits to credit card companies, hotels, car rental agencies and others that participate in the Dividend Miles program. Mileage credits can be redeemed for travel awards on US Airways or other participating airlines.

US Airways and the other participating airline partners limit the number of seats per flight that are available for redemption by award recipients by using various inventory management techniques. Award travel is generally not permitted on blackout dates, which correspond to certain holiday periods or peak travel dates. We charge various fees for issuing awards dependent upon destination and booking method and for issuing awards within 21 days of the travel date. We reserve the right to terminate Dividend Miles or portions of the program at any time. Program rules, partners, special offers, blackout dates, awards and requisite mileage levels for awards are subject to change.

Effective January 7, 2014, AAdvantage and Dividend Miles members can earn and redeem miles when traveling across either airline's network. All travel on eligible tickets on both airlines will count toward qualification for elite status in the customer's program of choice. Elite members of each airline can enjoy select reciprocal benefits of both the AAdvantage and Dividend Miles programs, including First and Business Class check-in, priority security and priority boarding, complimentary access to Preferred Seats, priority baggage delivery, and checked bags at no charge, consistent with the current baggage policies for each carrier.

The US Airways Dividend Miles program will transition to the AAdvantage frequent flyer program as soon as commercially feasible.

Ticket Distribution

Passengers can book tickets for travel on American or US Airways through several distribution channels including their direct websites (www.aa.com and www.usairways.com), our reservations centers and third-party distribution channels, including those provided by or through global distribution systems (e.g., Amadeus, Sabre and Travelport), conventional travel agents and online travel agents (e.g., Expedia, Orbitz and Travelocity). 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. For more discussion, see Part I, Item 1A. Risk Factors - "We rely on third party distribution channels and must manage effectively the costs, rights and functionality of these channels."

Seasonality and Other Factors

Due to the greater demand for air and leisure travel during the summer months, revenues in the airline industry in the second and third quarters of the year tend to be greater than revenues in the first and fourth quarters of the year. General economic conditions, fears of terrorism or war, fare initiatives, fluctuations in fuel prices, labor actions, weather, natural disasters, outbreaks of disease, and other factors could impact this seasonal pattern. Accordingly, the results of operations for any interim period are not necessarily indicative of those for the entire year.

Unaudited quarterly financial data for the two-year period ended December 31, 2013 is included in Note 16 to AAG's Consolidated Financial Statements in Part II, Item 8A and Note 15 to American's Consolidated Financial Statements in Part II, Item 8B.

Available Information

The SEC allows AAG and American to incorporate information by reference into this Form 10-K. This means that AAG and American can disclose important information to you by referring you to another document filed separately with the SEC. Any information incorporated by reference into this Form 10-K is considered to be a part of this Form 10-K, except for any information that is superseded by information that is included directly in this Form 10-K or incorporated by reference subsequent to the date of this Form 10-K. AAG and American do not incorporate the contents of their website into this Form 10-K.

A copy of this Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), are available free of charge at www.aa.com as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC and at the website maintained by the SEC at www.sec.gov. In addition, additional information is available regarding US Airways Group and US Airways in the Annual Report on Form 10-K for the year ended December 31, 2013 that US Airways Group and US Airways filed with the SEC, which is available free of charge at www.usairways.com as soon as reasonably practicable after they electronically file such material with the SEC and at the website maintained by the SEC at www.sec.gov.

AAG has made and expects to make public disclosures of certain information regarding AAG and its subsidiaries to investors and the general public by means of social media sites, including, but not limited to, Facebook and Twitter and a website maintained by us to provide information regarding AAG’s reorganization pursuant its plan of reorganization under Chapter 11 of the United States Bankruptcy Code. Investors are encouraged to (i) follow American (@AmericanAir) on Twitter, (ii) "like"

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American (www.facebook.com/AmericanAirlines) on its Facebook page, (iii) follow American (www.google.com/+americanairlines) on Google+; (iv) follow American (www.pinterest.com/ americanair) on Pinterest; (v) follow American (www.instagram.com/americanair) on Instagram; (vi) "like" American (www.foursquare.com/americanair) on Foursquare; (vii) follow American (www.linkedin.com/company/american-airlines) on LinkedIn; (viii) subscribe to American (www.youtube.com/user/americanairlines) on YouTube; (ix) visit http://www.aa.com/arriving or usairways.com/arriving for updated information regarding AAG, US Airways Group and the Merger and (x) visit www.amrcaseinfo.com for updated information regarding AAG and certain of its subsidiaries' plan of reorganization under Chapter 11 of the United States Bankruptcy Code. Neither AAG nor American incorporates the contents of its social media posts or websites into this Form 10-K.

GLOSSARY OF TERMS

"1998 Plan" means the AMR 1998 Long Term Incentive Plan.
"2003 Plan" means the AMR 2003 Employee Stock Incentive Plan.
"2009 Plan" means the AMR 2009 Long Term Incentive Plan.
"2011 Plan" means the US Airways Group 2011 Incentive Award Plan.
"2013 Citicorp Credit Facility" means the $1.6 billion term loan facility provided for by the loan agreement, as amended, entered into May 23, 2013 among US Airways, certain affiliates of US Airways and certain lenders.
"2013 IAP" means AAG 2013 Incentive Award Plan.
"AAdvantage" means the AAdvantage® frequent flyer program.
"AAG" means American Airlines Group Inc. (formerly named AMR Corporation).
"AAG Common Stock" means AAG's common stock, par value $0.01 per share.
"AAG Series A Preferred Stock" means AAG's Series A Convertible Preferred Stock, with a stated value $25.00 per share, and issued in accordance with the Plan.
"ABA" means American Beacon Advisors, Inc.
"ABO" means accumulated benefit obligation.
"Act" means Wright Amendment Reform Act of 2006.
"AFA" means Association of Flight Attendants-CWA.
"Air Wisconsin" means Air Wisconsin Airlines Corporation.
"ALPA" means Air Line Pilots Association.
"American" means American Airlines, Inc.
"American Eagle" means American Eagle Airlines, Inc.
"AMR" means AMR Corporation and is used to reference AAG prior to December 9, 2013.
"AMR Eagle" means AMR Eagle Holding Corporation.
"AMT" means alternative minimum tax.
"ANCA" means Airport Noise and Capacity Act of 1990.
"APA" means Allied Pilots Association.
"APBO" means accumulated postretirement benefit obligation.
"APFA" means Association of Professional Flight Attendants.
"ASIF" means Aviation Security Infrastructure Fee.
"ASM" means available seat mile and is a basic measure of production. One ASM represents one seat flown one mile.
"ATC" means air traffic control.
"Average stage length" means the average of the distances flown on each segment of every route.
"Aviation Act" means subtitle VII of Title 49 of the United States Code, as amended.
"Aviation Security Act" means the Aviation and Transportation Security Act enacted in November 2001.
"Bankruptcy Code" means Chapter 11 of the United States Bankruptcy Code.
"Bankruptcy Court" means the United States Bankruptcy Court for the Southern District of New York.
"Block hours" means the hours measured from the moment an aircraft first moves under its own power, including taxi time, for the purposes of flight until the aircraft is docked at the next point of landing and its power is shut down.

"CASM" means operating cost per available seat mile and is equal to operating expenses divided by ASMs.
"CBAs" means collective bargaining agreements.
"CERCLA" or the "Superfund Act" means Comprehensive Environmental Response, Compensation and Liability Act.
"Certificate of Incorporation" means AAG’s Amended and Restated Certificate of Incorporation.
"CFTC" means Commodity Futures Trading Commission.
"Chapter 11 Cases" means the voluntary petitions for relief filed on November 29, 2011 by the Debtors.
"Chautauqua" means Chautauqua Airlines, Inc.
"Company" means AAG and its consolidated subsidiaries.
"Confirmation Order" means the confirmation order entered by the Bankruptcy Court October 21, 2013 in connection with the Chapter 11 Cases.
"CRAF" means U.S. Civil Reserve Air Fleet.
"Credit Facilities" mean the $1.9 billion term loan facility and the $1.0 billion revolving credit facility provided for by the credit and guaranty agreement, as amended, entered into June 27, 2013 between AAG, American and certain lenders.
"CRSUs" means cash-settled restricted stock unit awards.
"CSARs" means cash-settled stock appreciation rights.
"CWA" means Communications Workers of America.
"Debtor" means AMR Corporation.
"Debtors" means American, and certain of AMR’s other direct and indirect domestic subsidiaries.
"Disputed Claims Reserve" means shares of AAG Common Stock held in reserve for payment to holders of disputed claims at the Effective Date, to the extent such disputed claims become allowed Single-Dip Unsecured Claims after the Effective Date.
"DOJ" means the U.S. Department of Justice.
"Double-Dip Unsecured Claims" means claims of all creditors holding general unsecured claims against American that are guaranteed by AAG and general unsecured claims against AAG that are guaranteed by American.
"DOT" means the U.S. Department of Transportation.
"EETC" means enhanced equipment trust certificate.
"Effective Date" means December 9, 2013.
"Embraer" means Embraer S.A.
"Envoy class" means US Airways’ international business class.
"EPA" means the U.S. Environmental Protection Agency.
"Ethics Standards" means AAG’s and American’s Standards of Business Conduct.
"ETS" means EU emissions trading scheme.
"EU" means European Union.
"ExpressJet" means ExpressJet, Inc.
"FAA" means Federal Aviation Administration.
"IAM" means International Association of Machinists & Aerospace Workers.
"IBT" means International Brotherhood of Teamsters.
"ICAO" means International Civil Aviation Organization.
"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended.

"JBAs" means joint business agreements.
"LIBOR" means the London interbank offered rate for deposits of U.S. dollars.
"Mainline" means the operations of American and US Airways, as applicable, and exclude regional operations.
"Merger" means the merger of Merger Sub with and into US Airways Group in accordance with the Merger Agreement.
"Merger Agreement" means Agreement and Plan of Merger dated as of February 13, 2013, as amended.
"Merger Sub" means AMR Merger Sub, Inc.
"Mesa" means Mesa Airlines, Inc.
"MOU" means memorandum of understanding.
"MSC" means Material Services Company, Inc.
"NASDAQ" means NASDAQ Global Select Market.
"NMB" means National Mediation Board.
"NOL" means net operating loss.
"NOL Carryforwards" means a deduction in any taxable year for net operating losses carried over from prior taxable years.
"NYSE" means New York Stock Exchange.
"OCI" means other comprehensive income.
"Passenger enplanements" means the number of passengers on board an aircraft, including local, connecting and through passengers.
"Passenger load factor" means the percentage of available seats that are filled with revenue passengers.
"PBO" means projected benefit obligation.
"PEB" means Presidential Emergency Board.
"PFC" means passenger facility charge.
"Piedmont" means Piedmont Airlines, Inc.
"Plan" means the Debtors’ fourth amended joint plan of reorganization.
"PRASM" means passenger revenue per available seat mile and is equal to passenger revenues divided by ASMs.
"Proxy Statement" means American Airlines Group Inc.’s Proxy Statement for the 2014 Annual Meeting of Stockholders of American Airlines Group Inc.
"PSA" means PSA Airlines, Inc.
"RASM" means the total revenue per available seat mile and is equal to the total revenues divided by total mainline and third-party regional carrier ASMs.
"Republic" means Republic Airline, Inc.
"RLA" means Railway Labor Act.
"RPM" means revenue passenger mile and is a basic measure of sales volume. One RPM represents one passenger flown one mile.
"RSUs" means restricted stock units.
"S&P" means Standard and Poor's Financial Services, LLC.
"Sabre" means Sabre Holdings Corporation, Sabre Inc. and Sabre Travel International Limited.
"SARs" means stock-settled stock appreciation rights.
"SEC" means Securities and Exchange Commission.
"Second Circuit" means the United States Court of Appeals for the Second Circuit.

"Section 382" means Section 382 of the Internal Revenue Code.
"Securities Act" means Securities Act of 1933, as amended.
"Senior Secured Notes" means 7.5% Senior Secured Notes due 2016.
"SkyWest" means SkyWest Airlines, Inc.
"Slots" means landing and take-off rights and authorizations and other facilities.
"Stabilization Act" means Air Transportation Safety and System Stabilization Act.
"Standards of Business Conduct" means AAG’s code of ethics.
"TSA" means Transportation Security Administration.
"TWU" means Transport Workers Union.
"USAPA" means US Airline Pilots Association.
"US Airways" means US Airways, Inc.
"US Airways Group" means US Airways Group, Inc. and its consolidated subsidiaries.
"US Airways Group Code" means US Airways Group Code of Business Conduct and Ethics.
"US Airways Group Common Stock" means US Airways Group common stock, par value $0.01 per share.
"VIEs" means variable interest entities.
"WSG" means International Air Transport Association’s Worldwide Scheduling Guidelines.
"Yield" means a measure of airline revenue derived by dividing passenger revenue by RPMs.

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.

Risk Factors Relating to the Company and Industry-Related Risks

We could experience significant operating losses in the future.

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

Downturns in economic conditions adversely affect our business.

Due to the discretionary nature of business and leisure travel spending, airline industry revenues are heavily influenced by the condition of the U.S. economy and economies in other regions of the world. Unfavorable conditions in these broader economies have resulted, and may result in the future, in decreased passenger demand for air travel and changes in booking practices, both of which in turn have had, and may have in the future, a strong negative effect on our revenues. In addition, during challenging economic times, actions by our competitors to increase their revenues can have an adverse impact on our revenues. See "The airline industry is intensely competitive and dynamic" below.

Certain labor agreements to which we are a party limit our ability to reduce the number of aircraft in operation, and the utilization of such aircraft, below certain levels. As a result, we may not be able to optimize the number of aircraft in operation in response to a decrease in passenger demand for air travel.

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

Our operating results are materially impacted by changes in the availability, price volatility and cost of aircraft fuel, which represents one of the largest single cost items in our business. Jet fuel market prices have fluctuated substantially over the past several years and prices continued to be volatile in 2013.

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

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

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

Our aviation fuel purchase contracts generally do not provide meaningful price protection against increases in fuel costs. Prior to the closing of the Merger, we sought to manage the risk of fuel price increases by using derivative contracts. There can be no assurance that, at any given time, we will have derivatives in place to provide any particular level of protection against increased fuel costs or that our counterparties will be able to perform under our derivative contracts. To the extent we use derivative contracts that have the potential to create an obligation to pay upon settlement if prices decline significantly, such derivative contracts may limit our ability to benefit from lower fuel costs in the future. Also, a rapid decline in the projected price of fuel at a time when we have fuel hedging contracts in place could adversely impact our short-term liquidity, because

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hedge counterparties could require that we post collateral in the form of cash or letters of credit. See also the discussion in Part II, Item 7A. Quantitative and Qualitative Disclosures About Market Risk - "AAG Market Risk Sensitive Instruments and Positions - Aircraft Fuel" and "American Airlines Market Risk Sensitive Instruments and Positions - Aircraft Fuel."

In addition, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and regulations promulgated by the Commodity Futures Trading Commission (CFTC) introduce new requirements for centralized clearing for over-the-counter derivatives. This may include our fuel derivative contracts. Our board of directors has approved our election of the CFTC’s end-user exemption, which permits us as a non-financial end user of derivatives to hedge commercial risk and be exempt from the CFTC mandatory clearing requirements. However, depending on the final regulations adopted by the CFTC and other regulators, our derivative contract counterparties may be subject to regulatory requirements and resulting new practices that may raise their costs. Those increased costs may in turn be passed on to us, resulting in increased transaction costs to execute derivative contracts and lower credit thresholds to post collateral.

We have not entered into any fuel hedges since the Effective Date and our current policy is not to do so. Assuming we continue to pursue this policy, once our existing hedge contracts expire or otherwise terminate, we will be fully exposed to fluctuations in fuel prices.

The airline industry is intensely competitive and dynamic.

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

Low-cost carriers have a profound impact on industry revenues. Using the advantage of low unit costs, these carriers offer lower fares in order to shift demand from larger, more established airlines. Some low-cost carriers, which have cost structures lower than ours, have better recent financial performance and have announced growth strategies including commitments to acquire significant numbers of aircraft for delivery in the next few years. These low-cost carriers are expected to continue to increase their market share through growth and, potentially, consolidation, and could continue to have an impact on our overall performance. For example, amendments to the Wright Amendment have reduced geographic restrictions on operations by Southwest Airlines and other carriers at DAL and will eliminate all domestic non-stop geographic restrictions on operations there in October 2014. This has increased low-cost carrier competition for our operations at Dallas/Fort Worth (DFW). In addition, we expect that the two gates at DAL that we divested as part of our settlement of antitrust litigation related to the Merger will be allocated to 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.

Certain airline alliances have been, or may in the future be, granted immunity from antitrust regulations by governmental authorities for specific areas of cooperation, such as joint pricing decisions. To the extent alliances formed by our competitors can undertake activities that are not available to us, our ability to effectively compete may be hindered.

We have implemented a JBA with British Airways, Iberia and Finnair, and antitrust-immunized cooperation with British Airways, Iberia, Finnair and Royal Jordanian. We are in negotiations with IAG concerning the terms by which flights operated by US Airways will be added to our existing transatlantic joint business. We have thus far been unable to reach agreement with IAG and are uncertain if we will be able to reach an agreement. Failure to reach an agreement could have a material adverse effect on the JBA or cause its dissolution, which could also have a material adverse effect on our results of operations or financial position. In addition, we have implemented an antitrust-immunized JBA with Japan Airlines and a JBA with Qantas. No assurances can be given as to any other arrangements that may ultimately be implemented or any benefits that we may derive from such arrangements.

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

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

The Merger involves the combination of two companies that operated as independent public companies prior to the Merger, and each of which operated its own international network airline. Historically, the integration of separate airlines has often proven to be more time consuming and to require more resources than initially estimated. We must devote significant management attention and resources to integrating our business practices, cultures and operations. Potential difficulties we may encounter as part of the integration process include the following:

- the inability to successfully combine our businesses in a manner that permits us to achieve the synergies and other benefits anticipated to result from the Merger;
- the challenge of integrating complex systems, operating procedures, regulatory compliance programs, technology, aircraft fleets, networks, and other assets in a manner that minimizes any adverse impact on customers, suppliers, employees, and other constituencies;
- the effects of divestitures and other operational commitments in connection with the settlement of the litigation brought by the DOJ and certain states prior to the closing of the Merger;
- the challenge of forming and maintaining an effective and cohesive management team;
- the diversion of the attention of our management and other key employees;
- the challenge of integrating workforces while maintaining focus on providing consistent, high quality customer service and running an efficient operation;
- the risks relating to integrating various computer, communications and other technology systems, including designing and implementing an integrated customer reservations system, that will be necessary to operate American and US Airways as a single airline and to achieve cost synergies by eliminating redundancies in the businesses;
- the disruption of, or the loss of momentum in, our ongoing business;
- the branding or rebranding initiatives may involve substantial costs and may not be favorably received by customers; and
- the potential unknown liabilities, liabilities that are significantly larger than we currently anticipate and unforeseen increased expenses or delays associated with the Merger, including costs in excess of the cash transition costs that we currently anticipate.

We have submitted to the FAA a transition plan for merging the day-to-day operations of American and US Airways under a single operating certificate. The issuance of a single operating certificate will occur when the FAA agrees that we have achieved a level of integration that can be safely managed under one certificate. While the parties currently believe that such approval can be obtained within two years from the closing of the Merger, the actual time required and cost incurred to receive this approval cannot be predicted. Any delay in the grant of such approval or increase in costs beyond those presently expected could have a material adverse effect on the completion date of our integration plan and receipt of the benefits expected from that plan.

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

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

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

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

- limit our ability to obtain additional funding for working capital, to withstand operating risks that are customary in the industry, 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 and catastrophic external events;
- contain restrictive covenants that could:

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

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

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

Our business plan contemplates significant investments in modernizing our fleet and integrating the American and US Airways businesses. Significant capital resources will be required to execute this plan, and, as a result, we estimate that, based on our commitments as of December 31, 2013, our planned aggregate expenditures for aircraft purchase commitments and certain engines on a consolidated basis for calendar years 2014-2018 would be approximately $19.5 billion of which $16.3 billion represents commitments by American. We also currently anticipate cash transition costs to integrate our businesses following the Merger to be approximately $1.2 billion, and these costs could exceed our expectations. Accordingly, we will need substantial financing or other capital resources. In addition, as of the date of this report, we had not secured financing commitments for some of the aircraft that we have on order, and we cannot be assured of the availability or cost of that financing. In particular, we do not have financing commitments for the following aircraft currently on order and scheduled to be delivered through 2016: 16 Airbus 320 family aircraft, 10 Boeing 777-300ER aircraft and 18 Boeing 787 aircraft. In addition, we do not have financing commitments in place for the majority of aircraft currently on order and scheduled to be delivered in 2017 and beyond. The number of aircraft for which we do not have financing may change as we exercise purchase options or otherwise change our purchase and delivery schedules. If we are unable to arrange financing for such aircraft at customary advance rates and on terms and conditions acceptable to us, we may need to use cash from operations or cash on hand to purchase such aircraft or may seek to negotiate deferrals for such aircraft with the aircraft manufacturers. Depending on numerous factors, many of which are out of our control, such as the state of the domestic and global economies, the capital and credit markets' view of our prospects and the airline industry in general, and the general availability of debt and equity capital at the time we seek capital, the financing or other capital resources that we will need may not be available to us, or may only be available on onerous terms and conditions. There can be no assurance that we will be successful in obtaining financing or other needed sources of capital to operate successfully. An inability to obtain necessary financing on acceptable terms would have a material adverse impact on our business, results of operations and financial condition.

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

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

Further, a substantial portion of our indebtedness bears interest at fluctuating interest rates, primarily based on the London interbank offered rate for deposits of U.S. dollars (LIBOR). LIBOR tends to fluctuate based on general economic conditions, general interest rates, rates set by the Federal Reserve and other central banks, and the supply of and demand for credit in the London interbank market. We have not hedged our interest rate exposure with respect to our 2013 Citicorp Credit Facility, the Credit Facilities and other of our floating rate debt, and accordingly, our interest expense for any particular period may fluctuate based on LIBOR and other variable interest rates. To the extent these interest rates increase, our interest expense will increase, in which event we may have difficulties making interest payments and funding our other fixed costs, and our available cash flow for general corporate requirements may be adversely affected. See also the discussion of interest rate risk in Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk "AAG Market Risk Sensitive Instruments and Positions - Interest" and "American Airlines Market Risk Sensitive Instruments and Positions - Interest."

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

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

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

- a decrease in revenues results in a disproportionately greater percentage decrease in earnings;
- we may not have sufficient liquidity to fund all of these fixed obligations if our revenues decline or costs increase; and
- we may have to use our working capital to fund these fixed obligations instead of funding general corporate requirements, including capital expenditures.

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

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

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

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

The terms of our 2013 Citicorp Credit Facility and the Credit Facilities require us to ensure that AAG and its restricted subsidiaries maintain consolidated unrestricted cash and cash equivalents and amounts available to be drawn under revolving credit facilities in an aggregate amount not less than $2.0 billion, and the 2013 Citicorp Credit Facility also requires us and the other obligors thereunder to hold not less than $750 million (subject to partial reductions upon certain reductions in the outstanding amount of the loan) of that amount in accounts subject to control agreements. Our ability to comply with these liquidity covenants while paying the fixed costs associated with our contractual obligations and our other expenses, including significant pension and other post-employment funding obligations and cash transition costs associated with the Merger, will depend on our operating performance and cash flow, which are seasonal, as well as factors including fuel costs and general economic and political conditions.

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

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

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

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

The historical consolidated financial information contained in this report is not directly comparable to our financial information for prior or future periods.

A number of factors render our historical consolidated financial information not directly comparable to our financial information for prior or future periods, including:

- because the Merger was completed on December 9, 2013, AAG's consolidated results of operations include the results of US Airways Group and its subsidiaries only for 23 days of 2013;
- the Merger was accounted for using the acquisition method of accounting with AAG as the acquiring entity, resulting in an adjustment to the carrying values of the assets and liabilities of US Airways Group compared to its historical carrying values;
- during the course of our Chapter 11 Cases and in connection with our emergence from Chapter 11 and the effectiveness of the Plan, we recorded material expenses, charges, costs and other accounting entries related to our restructuring process, many of which generally had not been incurred in the past and are not expected to be incurred in the future; and
- certain prior accounting presentations, including the manner in which we report our regional operations, have been changed and historical results restated to conform to the current presentation.

Due to these and other factors largely related to the Merger and the Plan, investors are cautioned as to the limitations of our historical financial statements and urged to review carefully Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

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, 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).

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.

We are currently in negotiations with the IAM with respect to US Airways mechanics, stock clerks and related employees, and fleet service employees, and the AFA with respect to Piedmont flight attendants.

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

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

Currently, we believe our labor costs are competitive relative to the other large network carriers. However, we cannot provide assurance that labor costs going forward will remain competitive because some of our agreements are amendable now and others may become amendable, competitors may significantly reduce their labor costs or we may agree to higher-cost provisions in our current or future labor negotiations. As of December 31, 2013, approximately 73% 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 related to wages. Unions may also bring court actions and may seek to compel us to engage in bargaining processes where we believe we have no such obligation. If successful, there is a risk these judicial or arbitral avenues could create material additional costs that we did not anticipate.

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

We operate principally through hubs in Charlotte, Chicago, Dallas/Fort Worth, Los Angeles, Miami, New York City, Philadelphia, Phoenix and Washington, D.C. Substantially all of our flights either originate in or fly into one of these locations.

A significant interruption or disruption in service at one of our hubs resulting from ATC delays, weather conditions, natural disasters, growth constraints, relations with third-party service providers, failure of computer systems, facility disruptions, labor relations, power supplies, fuel supplies, terrorist activities or otherwise could result in the cancellation or delay of a significant portion of our flights and, as a result, could have a severe impact on our business, results of operations and financial condition.

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

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

In addition, operations at four major domestic airports, certain smaller domestic airports and certain foreign airports served by us are regulated by governmental entities through the use of Slots or similar regulatory mechanisms which limit the rights of carriers to conduct operations at those airports. Each Slot represents the authorization to land at or take off from the particular airport during a specified time period and may have other operational restrictions as well. In the U.S., the FAA currently regulates the allocation of Slot or Slot exemptions at Ronald Reagan Washington National Airport and three New York City airports: Newark, JFK and LaGuardia. Our operations at these airports generally require the allocation of Slots or similar regulatory authority. Similarly, our operations at international airports in Frankfurt, London Heathrow, Paris and other airports outside the U.S. are regulated by local Slot authorities pursuant to the International Air Transport Association's Worldwide Scheduling Guidelines and applicable local law. We cannot provide any assurance that regulatory changes regarding the allocation of Slots or similar regulatory authority will not have a material adverse impact on our operations. For example, the FAA is planning a new rulemaking in 2014 to modify the current rules limiting flight operations at New York City's JFK and LaGuardia airports.

In connection with the settlement of litigation relating to the Merger brought by the DOJ and certain states, we entered into settlement agreements that provide for certain asset divestitures. In the agreement with the United States government, among other things, we agreed to divest and not reacquire for ten years certain rights and assets consisting of 52 Slot pairs at Washington Reagan National Airport, and 17 Slot pairs at LaGuardia, in each case together with and associated gates and related ground facilities necessary to operate those Slot pairs, and two gates at each of Boston Logan International Airport, Chicago O'Hare International Airport, Dallas Love Field, Los Angeles International Airport and Miami International Airport. The agreement with the plaintiff states requires our airlines, subject to certain conditions and exceptions, to maintain certain hub operations in a manner generally consistent with historical operations and to continue to provide scheduled daily service to certain specified communities, both for limited periods of time. In addition, we entered into a related settlement with the DOT related to small community service from Washington Reagan National Airport. Further, as a consequence of the Merger clearance process in the EU, we are required to make available one pair of London Heathrow Slots for use by another carrier between London and Philadelphia, which the acquiring carrier can deploy on another Heathrow city pair after operating the Slots on London-Philadelphia for a period of not less than three consecutive years, and, along with our JBA partners, we are required to make available for an initial period of up to seven years one pair of Heathrow Slots for service between London and Miami that may be operated via an intermediate point.

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

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

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

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

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

We rely on third-party distribution channels, including those provided by or through global distribution systems, or GDSs (e.g., Amadeus, Sabre and Travelport), conventional travel agents and online travel agents, or OTAs (e.g., Expedia, Orbitz and Travelocity), 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. 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 DOT, the FAA, the TSA and the Department of Homeland Security have issued a number of directives and other regulations, that affect the airline industry. These requirements impose substantial costs on us and restrict the ways we may conduct our business.

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

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

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

The results of our operations, demand for air travel, and the manner in which we conduct business each may be affected by changes in law and future actions taken by governmental agencies, including:

- changes in law which affect the services that can be offered by airlines in particular markets and at particular airports, or the types of fees that can be charged to passengers;
- the granting and timing of certain governmental approvals (including antitrust or foreign government

approvals) needed for codesharing alliances and other arrangements with other airlines;

- restrictions on competitive practices (for example, court orders, or agency regulations or orders, that would curtail an airline's ability to respond to a competitor);
- the adoption of new passenger security standards or regulations that impact customer service standards (for example, a "passenger bill of rights");
- restrictions on airport operations, such as restrictions on the use of Slots at airports or the auction or reallocation of Slot rights currently held by us; and
- the adoption of more restrictive locally-imposed noise restrictions.

Each additional regulation or other form of regulatory oversight increases costs and adds greater complexity to airline operations and, in some cases, may reduce the demand for air travel. There can be no assurance that our compliance with new rules, anticipated rules or other forms of regulatory oversight will not have a material adverse effect on us.
In April 2013, the FAA announced the imposition of furloughs that resulted in reduced staffing, including among air traffic controllers, in connection with its implementation of budget reductions related to the federal government's response to the so-called "sequester" of government funding. These furloughs have been suspended as a result of Congressional legislation. However, we cannot predict whether there will be further furloughs or the impact of any such furloughs on our business. Any significant reduction in air traffic capacity at key airports in the U.S. could have a material adverse effect on our business, results of operations and financial condition. We also experienced delays in routine non-operational interactions with the FAA as a result of the government shut-down in 2013, and we may experience delays again in the event of any future government shut-down.
In addition, the ATC system is not successfully managing the growing demand for U.S. air travel. Air traffic controllers rely on outdated technologies that routinely overwhelm the system and compel airlines to fly inefficient, indirect routes. On February 14, 2012, the FAA Modernization and Reform Act of 2012 was signed. The law provides funding for the FAA to rebuild its ATC system, including switching from radar to a GPS-based system. It is uncertain when any improvements to the ATC system will take effect. Failure to update the ATC system in a timely manner and the substantial funding requirements that may be imposed on airlines of a modernized ATC system may have a material adverse effect on our business.
The ability of U.S. airlines to operate international routes is subject to change because the applicable arrangements between the U.S. and foreign governments may be amended from time to time and appropriate Slots or facilities may not be made available. We currently operate on 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's Heathrow Airport. As a result of the agreement, we face increased competition in these markets, including Heathrow Airport. In addition, the open skies agreement between the U.S. and Brazil, which was signed in 2010 and takes full effect in 2015, has resulted in increased competition in the U.S./Brazil market.
The airline industry is heavily taxed.
The airline industry is subject to extensive government fees and taxation that negatively impact our revenue. The U.S. airline industry is one of the most heavily taxed of all industries. These fees and taxes have grown significantly in the past decade for domestic flights, and various U.S. fees and taxes also are assessed on international flights. For example, as permitted by federal legislation, most major U.S. airports impose a passenger facility charge per passenger on us. In addition, the governments of foreign countries in which we operate impose on U.S. airlines, including us, various fees and taxes, and these assessments have been increasing in number and amount in recent years. Moreover, we are obligated to collect a federal excise tax, commonly referred to as the "ticket tax," on domestic and international air transportation. We collect the excise tax, along with certain other U.S. and foreign taxes and user fees on air transportation (such as a per-ticket tax on passengers to fund the TSA, which fee is scheduled to increase

effective July 1, 2014), and pass along the collected amounts to the appropriate governmental agencies. Although these taxes are not operating expenses, they represent an additional cost to our customers. There are continuing efforts in Congress and in other countries to raise different portions of the various taxes, fees, and charges imposed on airlines and their passengers. Increases in such taxes, fees and charges could negatively impact our business, results of operations and financial condition.

Under DOT regulations, all governmental taxes and fees must be included in the prices we quote or advertise to our customers. Due to the competitive revenue environment, many increases in these fees and taxes have been absorbed by the airline industry rather than being passed on to the customer. Further increases in fees and taxes may reduce demand for air travel, and thus our revenues. For example, in January 2014, Congress restructured the September 11 security fee, which will increase the fee on some customers.

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 implemented several new measures designed to increase revenue and offset costs. These measures include charging separately for services that had previously been included within the price of a ticket and increasing other pre-existing fees. We may introduce additional initiatives in the future; however, as time goes on, we expect that it will be more difficult to identify and implement additional initiatives. We cannot assure you that these new measures or any future initiatives will be successful in increasing our revenues. Additionally, the implementation of these initiatives creates logistical challenges that could harm the operational performance of our airline. Also, the 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 continue to 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 and attempted attacks materially impacted and continue to impact air travel. Increased security procedures introduced at airports since the attacks and other such measures as 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 U.S. Customs and enhanced background checks. A concurrent increase in airport security charges and procedures, such as restrictions on carry-on baggage, has also had and may continue to have a disproportionate impact on short-haul travel, which constitutes a significant portion of our flying and revenue.

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

We operate a global business with operations outside of the U.S. from which American derived approximately 40% of its operating revenues and US Airways derived approximately 24% of its operating revenues in 2013, as measured and reported to the DOT. Our current international activities and prospects have been and in the future could be adversely affected by reversals or delays in the opening of foreign markets, exchange controls or other restrictions on repatriation of funds, currency and political risks (including changes in exchange rates and currency devaluations, which are more likely in countries with exchange controls such as Venezuela and Argentina), environmental regulation, increases in taxes and fees and changes in international government regulation of our operations, including the inability to obtain or retain needed route authorities and/or Slots.

In particular, fluctuations in foreign currencies, including devaluations, and exchange controls and other restrictions on the repatriation of funds, have significantly affected and may continue to significantly affect our operating performance, liquidity and the value of any cash held outside the U.S. in local currency. For example, the business environment in Venezuela has been challenging, with economic uncertainty fueled by currency devaluation, high inflation and governmental restrictions, including currency exchange and payment controls, price controls and the possibility of expropriation of property or other resources. As of December 31, 2013, approximately $710 million of our unrestricted cash balance was held as Venezuelan bolivars, valued at a weighted average rate of 6.04 bolivars to the dollar. The period of time to exchange those funds into dollars and repatriate them has been increasing and is presently more than a year. On January 23, 2014, the Venezuelan government issued a regulation to implement a new system for determining the exchange rate based on the result of limited periodic sales of dollars known as Sicad auctions (currently 11.80 to the dollar based on the February 21, 2014 Sicad auction) for repatriation of income from future ticket sales, and introduced new procedures for approval of conversion and repatriation of local currency. The government also enacted a new law effective February 19, 2014 that authorizes additional methods of exchanging Venezuelan bolivars at rates other than the controlled base rate of 6.3 to the dollar or the existing Sicad auction rate, but the regulations necessary to implement the law are still pending and it is not clear at this point whether or how the new methods may impact the pending balances of Venezuelan bolivars held by airlines. We are working with Venezuelan authorities regarding the timing and exchange rate applicable to the repatriation of funds held in local currency. Further, the current, devalued rates may have an ongoing adverse effect on our reported results if we are unable to fully adjust prices on flights to and from Venezuela, of which there can be no assurance. More generally, fluctuations in foreign currencies, including devaluations, cannot be predicted by the Company and can significantly affect the value of our assets located outside the United States. These conditions, as well as any further delays, devaluations or imposition of more stringent repatriation restrictions, may materially adversely affect our business, results of operations and financial condition.

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

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

The EPA has proposed changes to underground storage tank regulations that could affect certain airport fuel hydrant systems. Airport systems that fall within threshold requirements would need to be modified in order to comply with applicable regulations. Additionally, the EPA has proposed the draft 2013 National Pollutant Discharge Elimination System General Permit for Stormwater Discharges from Industrial Activities. This permit would impose new limitations on certain discharges along with mandatory best management practices. Concurrently, California has proposed the State Final Draft Industrial General Permit for stormwater discharges. This permit employs the use of benchmark values to trigger response actions when exceeding those limits and eliminates group monitoring. These permits have not been finalized, and cost estimates have not been defined, but American and US Airways along with other airlines would share a portion of these costs at applicable airports. In addition to the proposed EPA and state regulations, several U.S. airport authorities are actively engaged in efforts to limit discharges of de-icing fluid to the environment, often by requiring airlines to participate in the building or reconfiguring of airport de-icing facilities. Such efforts are likely to impose additional costs and restrictions on airlines using those airports. We do not believe, however, that such environmental developments will have a material impact on our capital expenditures or otherwise materially adversely affect our operations, operating costs or competitive position.

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

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

There is increasing global regulatory focus on climate change and greenhouse gas emissions. For example, the EU has established the Emissions Trading Scheme (ETS) to regulate carbon dioxide emissions in the EU. The EU adopted a directive under which each EU member state is required to extend the ETS to aviation operations. This directive would have required us, beginning in 2012, to annually submit emission allowances in order to operate flights to and from airports in the European Economic Area (EEA), including flights between the U.S. and EU member states. However, in an effort to allow ICAO time to propose an alternate scheme to manage global aviation emissions, in April 2013 the EU suspended for one year the ETS' application to flights entering and departing the EEA, limiting its application, for flights flown in 2012, to intra-EEA flights only. In October 2013, the ICAO Assembly adopted a resolution calling for the development through ICAO of a global, market-based scheme for aviation emissions, to be implemented in 2020. Subsequently, the EU has proposed amending the EU ETS so that the monitoring, reporting and submission of allowances for emissions from flights flown in 2013 would continue to be limited to only intra-EEA flights. For flights flown from 2014 to 2020, the scope of coverage under the amendment would include intra-EEA flights and the portion of aviation emissions of flights to and from EU member states that take place in European regional airspace. The U.S. enacted legislation in November 2012 which encourages the DOT to seek an international solution through ICAO and that will allow the U.S. Secretary of Transportation to prohibit U.S. airlines from participating in the ETS. Ultimately, the scope and application of ETS or other emissions trading schemes to our operations, now or in the near future, remains uncertain. We do not anticipate any significant emissions allowance expenditures in 2014. Beyond 2014, compliance with the ETS or similar emissions-related requirements could significantly increase our operating costs. Further, the potential impact of ETS or other emissions-related requirements on our costs will ultimately depend on a number of factors, including baseline emissions, the price of emission allowances and the number of future flights subject to ETS or other emissions-related requirements. These costs have not been completely defined and could fluctuate.

Similarly, within the U.S., there is an increasing trend toward regulating greenhouse gas emissions directly under the Clean Air Act. While the EPA's recent regulatory activity in this area has focused on industries other than aviation, it is possible that future EPA regulations, or new legislation, could impact airlines. Several states are also considering initiatives to regulate emissions of greenhouse gases, primarily through the planned development of greenhouse gas emissions inventories and/or regional greenhouse gas cap and trade programs. These regulatory efforts, both internationally and in the U.S. at the federal and state levels, are still developing, and we cannot yet determine what the final regulatory programs will be in the U.S., the EU or in other areas in which we do business. However, such climate change-related regulatory activity in the future may adversely affect our business and financial results by requiring us to reduce our emissions, purchase allowances or otherwise pay for our emissions. Such activity may also impact us indirectly by increasing our operating costs, including fuel costs.

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

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

We are highly dependent on technology and automated systems to operate our business and achieve low operating costs. These technologies and systems include our computerized airline reservation systems, flight operations systems, financial planning, management and accounting systems, telecommunications systems, website, maintenance systems and check-in kiosks. In order for our operations to work efficiently, our website and reservation system must be able to accommodate a high volume of traffic, maintain secure information and deliver flight information, as well as issue electronic tickets and process critical financial information in a timely manner. Substantially all of our tickets are issued to passengers as electronic tickets. We depend on our reservation system, which is hosted and maintained under a long-term contract by a third-party service provider, to be able to issue, track and accept these electronic tickets. If our automated systems are not functioning or if our third-party service providers were to fail to adequately provide technical support, system maintenance or timely software upgrades for any one of our key existing systems, we could experience service disruptions or delays, which could harm our business and result in the loss of important data, increase our expenses and decrease our revenues. In the event that one or more of our primary technology or systems vendors goes into bankruptcy, ceases operations or fails to perform as promised, replacement services may not be readily available on a timely basis, at competitive rates or at all, and any transition time to a new system may be significant. Our automated systems cannot be completely protected against other events that are beyond our control, including natural disasters, power failures, terrorist attacks, cyber-attacks, data theft, equipment and software failures, computer viruses or telecommunications failures. Substantial or sustained system failures could cause service delays or failures and result in our customers purchasing tickets from other airlines. We cannot assure you that our security measures, change control procedures or disaster recovery plans are adequate to prevent disruptions or delays. Disruption in or changes to these systems could result in a disruption to our business and the loss of important data. Any of the foregoing could result in a material adverse effect on our business, results of operations and financial condition.

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

Among the principal risks of integrating our businesses and operations are the risks relating to integrating various computer, communications and other technology systems, including designing and implementing an integrated customer reservations system, that will be necessary to operate US Airways and American as a single airline and to achieve cost synergies by eliminating redundancies in the businesses. The integration of these systems in a number of prior airline mergers has taken longer, been more disruptive and cost more than originally forecast. The implementation process to integrate these various systems will involve a number of risks that could adversely impact our business, results of operations and financial condition.

New systems will replace multiple legacy systems and the related implementation will be a complex and time-consuming project involving substantial expenditures for implementation consultants, system hardware, software and implementation activities, as well as the transformation of business and financial processes.

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

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

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

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

Failure to comply with the Payment Card Industry Standards or other privacy and data use and security requirements of our partners or related laws, rules and regulations to which we are subject may expose us to claims for contract breach, fines, sanctions or other penalties, which could materially and adversely affect our business, results of operations and financial condition. In addition, failure to address these issues appropriately could also give rise to additional legal risks, which, in turn, could increase the size and number of litigation claims and damages asserted or subject us to enforcement actions, fines and penalties and cause us to incur further related costs and expenses.

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

If one of our aircraft, an aircraft that is operated under our brand by one of our regional operators or an aircraft that is operated by an airline with which we have a marketing alliance or codeshare relationship were to be involved in an accident, we could be exposed to significant tort liability. The insurance we carry to cover damages arising from any future accidents may be inadequate. In the event that our insurance is not adequate, we may be forced to bear substantial losses from an accident. In addition, any accident involving an aircraft that we operate, an aircraft that is operated under our brand by one of our regional operators or an aircraft that is operated by an airline that is one of our codeshare partners could create a public perception that our aircraft or those of our regional operators or codeshare partners are not safe or reliable, which could harm our reputation, result in air travelers being reluctant to fly on our aircraft or those of our regional operators or codeshare partners and adversely impact our business, results of operations and financial condition.

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

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

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

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

Our business, results of operations and financial condition has been and will continue to be affected by many changing economic and other conditions beyond our control, including, among others:

- actual or potential changes in international, national, regional, and local economic, business and financial conditions, including recession, inflation, higher interest rates, wars, terrorist attacks, or political instability;
- changes in consumer preferences, perceptions, spending patterns, or demographic trends;
- changes in the competitive environment due to industry consolidation, changes in airline alliance affiliations, and other factors;
- actual or potential disruptions to the ATC systems, including as a result of "sequestration" or any other interruption in government funding;
- 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 Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu, or any other influenza-type illness, if it were to persist for an extended period, could materially affect the airline industry and us by reducing revenues and adversely impacting our operations and passengers' travel behavior. As a result of these or other conditions beyond our control, our results of operations could be volatile and subject to rapid and unexpected change. In addition, due to generally weaker demand for air travel during the winter, our revenues in the first and fourth quarters of the year could be weaker than revenues in the second and third quarters of the year.

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

We currently have a higher than normal number of pilots eligible for retirement. Among other things, the extension of pilot careers facilitated by the FAA's 2007 modification of the mandatory retirement age from age 60 to age 65 has now been fully implemented, resulting in large numbers of pilots in the industry approaching the revised mandatory retirement age. If pilot retirements were to exceed normal levels in the future, it may adversely affect us. The FAA also recently issued regulations that increase the flight experience required for pilots working for airlines certificated under Part 121 of the Federal Aviation Regulations. These and other factors could contribute to a shortage of qualified pilots, which could adversely affect us.

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. In addition, we have obtained third-party war risk (terrorism) insurance through a special program administered by the FAA, resulting in lower premiums than if we had obtained this insurance in the commercial insurance market. The program has been extended, with the same conditions and premiums, until September 30, 2014. If the federal insurance program terminates, we would likely face a material increase in the cost of war risk insurance. The failure of one or more of our insurers could result in a lack of coverage for a period of time. Additionally, severe disruptions in the domestic and global financial markets could adversely impact the claims paying ability of some insurers. Future downgrades in the ratings of enough insurers could adversely impact both the availability of appropriate insurance coverage and its cost. Because of competitive pressures in our industry, our ability to pass additional insurance costs to passengers is limited. As a result, further increases in insurance costs or reductions in available insurance coverage could have an adverse impact on our financial results.

Several lawsuits were filed in connection with the Merger and remain pending, and these lawsuits could have a material adverse impact on our business.

US Airways Group, as well as the members of US Airways Group's board of directors, were named as defendants in a lawsuit brought by a purported class of US Airways Group's stockholders challenging the Merger and seeking a declaration that the Merger Agreement is unenforceable, an injunction against the Merger (or rescission in the event it has been consummated), imposition of a constructive trust, an award of fees and costs, including attorneys' and experts' fees, and other relief. US Airways Group, US Airways, AMR and American were also named as defendants in a private antitrust lawsuit. The complaint alleges that the effect of the Merger may be to substantially lessen competition or tend to create a monopoly in violation of Section 7 of the Clayton Antitrust Act. The relief sought in the complaint includes an injunction against the Merger, or divestiture. In January 2014, the complaint was amended to add a claim for money damages and to request injunctive relief requiring the carriers to hold separate their assets. Such private lawsuits could result in an obligation to pay damages or terms, conditions, requirements, limitations, costs or restrictions that would impose additional material costs on or materially limit our revenues, or materially limit some of the synergies and other benefits we anticipate following the Merger. See Part I, Item 3. Legal Proceedings - "Merger Class Action" below.

Our ability to utilize our net operating loss (NOL) carryforwards may be limited.

Under the Internal Revenue Code of 1986, as amended (the Internal Revenue Code), a corporation is generally allowed a deduction in any taxable year for NOLs carried over from prior taxable years (NOL Carryforwards). As of December 31, 2013, we had available NOL Carryforwards of approximately $10.6 billion for regular federal income tax purposes which will expire, if unused, beginning in 1/1/2022, and approximately $4.7 billion for state income tax purposes which will expire, if unused, between 1/1/2014 and 12/31/2033. The amount of NOL Carryforwards for state income tax purposes that will expire, if unused, in 2014 is $106 million. Our NOL Carryforwards are subject to adjustment on audit by the Internal Revenue Service and the respective state taxing authorities.

A corporation's ability to deduct its federal NOL Carryforwards and to utilize certain other available tax attributes can be substantially constrained under the general annual limitation rules of Section 382 of the Internal Revenue Code (Section 382) if it undergoes an "ownership change" as defined in Section 382 (generally where cumulative stock ownership changes among material shareholders exceed 50 percent during a rolling three-year period). We experienced an ownership change in connection with our emergence from bankruptcy 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. While we anticipate taking advantage of certain special rules for federal income tax purposes that would permit approximately $9.0 billion of our federal NOL Carryforwards to be utilized without regard to the annual limitation generally imposed by Section 382, there can be no assurance that these special rules will apply to the ownership change we experienced upon our emergence from bankruptcy, including that we may ultimately elect not to apply them. If the special rules do not apply, our ability to utilize such federal NOL Carryforwards may be subject to limitation. Substantially all of our remaining federal NOL Carryforwards (attributable to US Airways Group and its subsidiaries) are subject to limitation under Section 382 as a result of the Merger; however, our ability to utilize such NOL Carryforwards is not anticipated to be effectively constrained as a result of such limitation. Similar limitations may apply for state income tax purposes.

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

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

The application of the acquisition method of accounting resulted in AAG recording a significant amount of goodwill, which amount is tested for impairment at least annually. In addition, AAG and American may never realize the full

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

occurred. In addition, AAG and American are required to test certain of their other assets for impairment if conditions indicate that an impairment may have occurred.

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

Risks Relating to AAG's Common Stock

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

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

- AAG's operating and financial results failing to meet the expectations of securities analysts or investors;
- changes in financial estimates or recommendations by securities analysts;
- material announcements by us or our competitors;
- movements in fuel prices;
- new regulatory pronouncements and changes in regulatory guidelines;
- general and industry-specific economic conditions;
- the success or failure of AAG's integration efforts;
- changes in our key personnel;
- the conversion of AAG Series A Preferred Stock issued pursuant to AAG's plan of reorganization;
- distributions of shares of our common stock pursuant to our plan of reorganization, including upon the conversion of AAL Preferred Stock and 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 our common stock or issuances of our common stock upon the exercise or conversion of convertible securities, options, warrants, RSUs, SARs, or similar rights;
- increases or decreases in reported holdings by insiders or other significant stockholders;
- fluctuations in trading volume; and
- changes in market values of airline companies as well as general market conditions.

Certain provisions of AAG's Certificate of Incorporation and Amended and Restated Bylaws (the 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 AAG's Certificate of Incorporation and Bylaws may have the effect of delaying or preventing changes in control if our board of directors determines that such changes in control are not in our best interest and the best interest of our stockholders. These provisions include, among other things, the following:

- advance notice procedures for stockholder proposals to be considered at stockholders' meetings;
- the ability of our board of directors to fill vacancies on the board;
- a prohibition against stockholders taking action by written consent;
- a prohibition against stockholders calling special meetings of stockholders;
- a requirement that holders of at least 80% of the voting power of the shares entitled to vote in the election of directors approve any amendment of our Bylaws submitted to stockholders for approval; and
- super-majority voting requirements to modify or amend specified provisions of our Certificate of Incorporation.

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

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

AAG’s Certificate of Incorporation and Bylaws include certain provisions that limit voting and ownership and disposition of our equity interests, including AAG Common Stock, AAG Series A Preferred Stock and convertible notes. See Part II, Item 5. Market for Registrant’s Common Stock and Related Stockholder Matters - "Ownership Restrictions." These restrictions may adversely affect the ability of certain holders of our common stock and other equity interests to vote such interests and adversely affect the ability of persons to acquire shares of our common stock and other equity interests.

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

To reduce the risk of a potential adverse effect on our ability to use our NOL Carryforwards and certain other tax attributes for federal income tax purposes, AAG's Certificate of Incorporation contains certain restrictions on the acquisition and disposition of AAG's common stock by substantial stockholders. These restrictions may adversely affect the ability of certain holders of AAG's common stock to dispose of or acquire shares of AAG's common stock. Although the purpose of these transfer restrictions is to prevent an "ownership change" (as defined in Section 382 of the Internal Revenue Code) from occurring, no assurance can be given that an ownership change will not occur even with these restrictions in place. See AAG's Restated Certificate of Incorporation which is filed as Exhibit 3.1 hereto.

ITEM 1B. UNRESOLVED STAFF COMMENTS

The Company had no unresolved Securities and Exchange Commission staff comments at December 31, 2013.

ITEM 2. PROPERTIES

Flight Equipment

As of December 31, 2013, American and US Airways operated a mainline fleet of 627 and 343 aircraft, respectively. During 2013, American took delivery of 59 new aircraft and retired 46 aircraft and US Airways took delivery of 23 new aircraft and retired 20 aircraft. We are supported by our regional airline subsidiaries and third-party regional carriers operating as American Eagle and US Airways Express under capacity purchase agreements. American Eagle operated 281 regional jets at December 31, 2013 and US Airways Express operated 238 regional jets and 40 turboprops at December 31, 2013.

Operating

As of December 31, 2013, American's and US Airways' combined mainline fleet consisted of the following aircraft:

	Average Seating Capacity	Operating Aircraft				Average Age (Years)	In Temporary Storage[1]	Non-Operating Aircraft[2]
		Owned	Capital Leased	Operating Leased	Total			
Airbus A319	125	3	—	105	108	11	—	—
Airbus A320	150	11	—	59	70	15	—	—
Airbus A321	183	72	—	24	96	5	—	—
Airbus A330-200	258	9	—	3	12	3	—	—
Airbus A330-300	291	4	—	5	9	13	—	—
Boeing 737-400	144	—	—	14	14	24	—	—
Boeing 737-800	150	86	—	140	226	6	—	1
Boeing 757-200	181	71	2	44	117	19	3	12
Boeing 767-200 ER	186	1	8	11	20	26	1	3
Boeing 767-300 ER	218	45	—	13	58	20	—	—
Boeing 777-200 ER	247	44	3	—	47	13	—	—
Boeing 777-300 ER	310	5	—	5	10	1	—	—
Embraer ERJ 190	99	20	—	—	20	6	—	—
McDonnell Douglas MD-80	140	104	15	44	163	22	1	19
Total [3]		475	28	467	970	13	5	35

(1) Aircraft in temporary storage are included in the count of operating aircraft.

(2) As of December 31, 2013, all non-operating aircraft are owned.

(3) Included in the totals above, aircraft operated by US Airways consist of 93 A319s, 70 A320s, 91 A321s, 12 A330-200s, 9 A330-300s, 14 B737-400s, 24 B757-200s, 10 B767-200ERs and 20 ERJ 190s, of which 123 are owned and 220 are leased.

As of December 31, 2013, the fleet of our wholly-owned regional subsidiary and the wholly-owned regional subsidiaries of US Airways Group consisted of the following aircraft:

	Average Seating Capacity	Operating Aircraft				Average Age (Years)	In Temporary Storage	Non-Operating Aircraft[1]
		Owned	Capital Leased	Operating Leased	Total			
Bombardier CRJ 200	50	12	—	23	35	10	—	—
Bombardier CRJ 700	65	54	—	7	61	8	—	—
De Havilland Dash 8-100	37	29	—	—	29	24	—	—
De Havilland Dash 8-300	50	—	—	11	11	22	—	—
Embraer ERJ 140	44	59	—	—	59	12	—	—
Embraer ERJ 145	50	118	—	—	118	12	—	—
Saab 340B	34	—	—	—	—	—	—	41
Total [2]		272	—	41	313	12	—	41

(1) As of December 31, 2013, all non-operating aircraft are owned.

(2) Included in the totals above, aircraft operated by wholly-owned regional subsidiaries of US Airways Group consist of 35 CRJ 200s, 14 CRJ 700s, 29 De Havilland Dash 8-100s, and 11 De Havilland Dash 8-300s, of which 48 are owned and 41 are leased.

Our committed mainline and regional aircraft orders and scheduled lease expirations, for the capital and operating leased flight equipment included in the table above, as of December 31, 2013, are presented in the table below.

	2014	2015	2016	2017	2018	2019 and Thereafter
Firm orders[1]:						
American	78	102	84	74	49	175
US Airways	20	13	—	6	10	6
Total	98	115	84	80	59	181
Scheduled mainline lease expirations:						
American	28	20	10	15	8	194
US Airways	34	27	5	26	11	117
Total	62	47	15	41	19	311
Scheduled wholly-owned regional subsidiaries lease expirations	—	—	—	3	3	35

(1) Includes orders for regional jets as follows: 15 in 2014, 39 in 2015, 24 in 2016, and 12 in 2017. These aircraft may be operated by wholly-owned subsidiaries or leased to third-party regional carriers which would operate the aircraft under capacity purchase arrangements.

See Note 8 to AAG's Consolidated Financial Statements in Part II, Item 8A and Note 7 to American's Consolidated Financial Statements in Part II, Item 8B for additional information on aircraft acquisition commitments, payments and options.

Third-Party Regional Carriers

As of December 31, 2013, aircraft contractually obligated to American and US Airways with third-party regional carriers included:

	Number of Aircraft		Type of
Carrier	American	US Airways	Aircraft
Air Wisconsin	—	70	regional jets
Chautauqua	15	—	regional jets
ExpressJet	11	—	regional jets
Mesa	—	47	regional jets
Republic	19	58	regional jets
SkyWest	12	14	regional jets
	57	189	

ExpressJet and Republic began service for American on February 14, 2013 and August 1, 2013, respectively. Of the aircraft listed above, one SkyWest aircraft was on operational reserve as of December 31, 2013.

See Note 8 to AAG's Consolidated Financial Statements in Part II, Item 8A and Note 7 to American's Consolidated Financial Statements in Part II, Item 8B, for additional information on our capacity purchase agreements with third-party regional carriers.

Other Information

We have agreements for 44 spare engines to be delivered in 2014 and beyond.

For information concerning the estimated useful lives and residual values for owned aircraft, lease terms for leased aircraft and amortization relating to aircraft under capital leases, see Note 5 and Note 8 to AAG's Consolidated Financial Statements in Part II, Item 8A and Note 4 and Note 7 to American's Consolidated Financial Statements in Part II, Item 8B.

Ground Properties

At each airport where we conduct flight operations, we lease passenger, operations and baggage handling space, generally from the airport operator, but in some cases on a subleased basis from other airlines. Our main operational facilities are associated with our hubs. At those locations and in other cities we serve, we maintain administrative offices, terminal, catering, cargo, training facilities, maintenance facilities and other facilities, in each case as necessary to support our operations in the particular city.

We lease, or have built as leasehold improvements on leased property, most of our airport and terminal facilities in the U.S. and overseas, US Airways' corporate office building in Tempe, Arizona, our training facilities in Fort Worth, Texas, our principal overhaul and maintenance base in Tulsa, Oklahoma, our regional reservation offices, and local ticket and administration offices throughout the system. Our US Airways Operations Control Center is located near Pittsburgh, Pennsylvania, in a facility leased from the Allegheny County Airport Authority.

We own our corporate headquarters building in Fort Worth, Texas.

For information concerning the estimated lives and residual values for owned ground properties, lease terms and amortization relating to ground properties under capital leases, and acquisitions of ground properties, see Note 5 and Note 8 to AAG's Consolidated Financial Statements in Part II, Item 8A and Note 4 and Note 7 to American's Consolidated Financial Statements in Part II, Item 8B.

Terminal Construction Projects

We use public airports for our flight operations under lease or use arrangements with the municipalities or governmental agencies that own or control them and lease certain other ground equipment for use at such facilities. From time to time, airports undertake projects to improve or construct new facilities, which are typically funded through proceeds from special or general purpose bond offerings made by the respective airport governmental entity. Our airport lease and operating agreements typically provide that any costs for these new or improved airport facilities are passed through to us in the form of higher occupancy costs based on our relative percentage of occupancy at the airport. In certain circumstances, we agree to manage these airport projects.

American has entered into agreements with the Tulsa Municipal Airport Trust; the Alliance Airport Authority, Fort Worth, Texas; the New York City Industrial Development Agency; and the Dallas/Fort Worth, Chicago O'Hare, Newark, San Juan, and Los Angeles airport authorities pursuant to which such entities issued special facility revenue bonds, the proceeds of which were used to pay a portion of the cost of constructing, improving and modifying facilities and acquiring equipment which are leased by us. Prior to the Chapter 11 Cases, we entered into agreements with certain airport authorities pursuant to which such entities issued special facility revenue bonds, the proceeds of which were used to pay a portion of the cost of constructing, improving and modifying facilities and acquiring equipment leased by the Company. The special facility revenue bonds are non-recourse to the issuer. Pursuant to the Plan, claims relating to special facility revenue bonds in connection with Alliance Airport, John F. Kennedy International Airport (certain bond issuances only), Dallas-Fort Worth International Airport, Chicago O'Hare, Newark Airport, and Luis Munoz Marin International Airport in San Juan, Puerto Rico were treated as general unsecured claims.

ITEM 3. LEGAL PROCEEDINGS

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

Pursuant to rulings of the Bankruptcy Court, the Plan has established a disputed claim reserve to hold shares of AAG Series A Preferred Stock and AAG Common Stock reserved for issuance to disputed claimholders that ultimately become allowed Single-Dip general unsecured claimholders after emergence. The shares provided for under the Plan are determined based upon a disputed claim reserve amount of approximately $755 million. As disputed claims are resolved, the claimants receive distributions of shares from the reserve on the same basis as if such distributions had been made on or about the Effective Date. To the extent that any of the reserved shares remain undistributed upon resolution of the remaining disputed claims, such shares will not be returned to AAG but rather will be distributed by priority first, if necessary, to satisfy unsecured claims or labor-related obligations, and then to former AMR shareholders as of the Effective Date. AAG is not required to distribute additional shares above the 756 million shares contemplated by the Plan, even if the shares remaining for distribution are not sufficient to fully pay all allowed unsecured claims. However, resolution of disputed claims could have a material effect on Single-Dip creditor recoveries under the Plan and the amount of additional share distributions, if any, that are made to former AMR shareholders as the total number of shares of AAG Common Stock that remain available for distribution upon resolution of disputed claims is limited pursuant to the Plan.

There is also pending in the Bankruptcy Court an adversary proceeding relating to an action brought by American to seek a determination that certain non-pension, post-employee benefits are not vested benefits and thus may be terminated without liability to American. The Bankruptcy Court has not yet ruled on this matter and we cannot predict whether American will receive relief from any of these obligations.

Government Antitrust Actions. On August 13, 2013, the U.S. government, along with the States of Arizona, Florida, Tennessee and Texas, the Commonwealths of Pennsylvania and Virginia, and the District of Columbia (collectively, the plaintiff states), filed a complaint against US Airways Group and AMR in the U.S. District Court for the District of Columbia. The plaintiffs alleged, among other things, that the proposed Merger would substantially lessen competition in violation of Section 7 of the Clayton Act and sought to permanently enjoin the transaction. On September 5, 2013, the plaintiffs filed an amended complaint, adding the State of Michigan as a plaintiff. On October

1, 2013, the State of Texas entered into an agreement with US Airways Group and AMR that resolved that state’s objections to the Merger, and its claims were dismissed with prejudice on October 7, 2013. On November 11, 2013, US Airways and American entered into agreements with the U.S. government and the plaintiff states resolving all claims in the litigation. The agreement with the U.S. government requires the carriers to divest assets at certain airports and remains subject to public comment and court approval. In the agreement with the United States government, among other things, we agreed to divest and not reacquire for ten years certain rights and assets consisting of 52 Slot pairs at Washington Reagan National Airport, and 17 Slot pairs at LaGuardia, in each case together with and associated gates and related ground facilities necessary to operate those Slot pairs, and two gates at each of Boston Logan International Airport, Chicago O’Hare International Airport, Dallas Love Field, Los Angeles International Airport and Miami International

Airport. The agreement with the plaintiff states, which was entered by the court on November 12, 2013, requires our airlines, subject to certain conditions and exceptions, to maintain certain hub operations in a manner generally consistent with historical operations and to continue to provide scheduled daily service to certain specified communities, both for limited periods of time. In addition, we entered into a related settlement with the DOT related to small community service from Washington Reagan National Airport

Merger Class Action. On March 1, 2013, a complaint captioned Plumbers & Steamfitters Local Union No. 248 Pension Fund v. US Airways Group, Inc., et al., No. CV2013-051605, was filed as a putative class action on behalf of the stockholders of US Airways Group in the Superior Court for Maricopa County, Arizona. On July 3, 2013, an amended complaint, captioned Dennis Palkon, et al. v. US Airways Group, Inc., et al., No. CV2013-051605, was filed with the same court. The amended complaint names as defendants US Airways Group and the members of its board of directors, and alleges that the directors failed to maximize the value of US Airways Group in connection with the Merger and that US Airways Group aided and abetted those breaches of fiduciary duty. The relief sought in the amended complaint includes an injunction against the Merger, or rescission in the event it has been consummated. The court in the above-referenced action denied the plaintiff's motion for a temporary restraining order that had sought to enjoin the US Airways Group Annual Meeting of Stockholders. The above-referenced action was stayed pending the outcome of the antitrust lawsuit filed by the U.S. government and various states on August 13, 2013 (described above). This stay has now been lifted and a motion to dismiss this action filed by US Airways Group is pending before the court. We believe this lawsuit is without merit and intend to vigorously defend against the allegations.

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 names as defendants US Airways Group and US Airways, and alleges that the effect of the Merger may be to substantially lessen competition or tend to create a monopoly in violation of Section 7 of the Clayton Antitrust Act. The relief sought in the complaint includes an injunction against the Merger, or divestiture. On August 6, 2013, the plaintiffs re-filed their complaint in the Bankruptcy Court, adding AMR and American as defendants, and on October 2, 2013, dismissed the initial California action. The Bankruptcy Court denied plaintiffs' motion to preliminarily enjoin the Merger. On January 10, 2014, the Plaintiffs moved to amend their complaint to add a claim for money damages and to request injunctive relief requiring the carriers to hold separate their assets. Trial is set for June 2014. We believe this lawsuit is without merit and intend to vigorously defend against the allegations.

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

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

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

PART II

ITEM 5. MARKET FOR AMERICAN AIRLINES GROUP'S COMMON STOCK, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Pursuant to the Plan and in accordance with the Merger Agreement, effective December 9, 2013, all existing shares of AMR Corporation common stock (OTCQB: AAMRQ) were canceled and ceased trading on the OTCQB market. The newly authorized and issued common stock of AAG began trading on the NASDAQ Global Select Market (NASDAQ) on December 9, 2013 under the symbol "AAL." There is no trading market for the common stock of American, which is a wholly-owned subsidiary of AAG.

As of February 21, 2014, the closing price of AAG Common Stock on NASDAQ was $36.17. As of February 21, 2014, there were 13,277 holders of record of the AAG Common Stock.

In the past three years, no cash or other dividends have been declared on the AAG Common Stock. Under the provisions of certain debt agreements our ability to pay dividends on or repurchase our common stock is restricted. Any future determination to pay cash dividends will be at the discretion of our board of directors, subject to applicable limitations under Delaware law, and will depend upon our results of operations, financial condition, contractual restrictions and other factors deemed relevant by our board of directors. See Part I, Item 1A. Risk Factors - "Our indebtedness and other obligations are substantial and could adversely affect our business and liquidity" and "Any failure to comply with the covenants contained in our financing arrangements may have a material adverse effect on our business, results of operations and financial condition," Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations - "Liquidity and Capital Resources" and See Note 9 to AAG's Consolidated Financial Statements in Part II, Item 8A and Note 9 to American's Consolidated Financial Statements in Part II.

Information on securities authorized for issuance under our equity compensation plans the information required by this Item will be set forth in the Proxy Statement under the caption "Equity Compensation Plan Information" and is incorporated by reference into this Annual Report on Form 10-K.

Ownership Restrictions

AAG's Certificate of Incorporation and Bylaws provide that, consistent with the requirements of Subtitle VII of Title 49 of the United States Code, as amended, or as the same may be from time to time amended (the Aviation Act), any persons or entities who are not a "citizen of the United States" (as defined under the Aviation Act and administrative interpretations issued by the DOT, its predecessors and successors, from time to time), including any agent, trustee or representative of such persons or entities (a non-citizen), shall not, in the aggregate, own (beneficially or of record) and/or control more than (a) 24.9% of the aggregate votes of all of our outstanding equity securities (as defined, which definition includes our capital stock, securities convertible into or exchangeable for shares of our capital stock, including our outstanding convertible notes, and any options, warrants or other rights to acquire capital stock) (the voting cap amount) or (b) 49.0% of our outstanding equity securities (the absolute cap amount). If non-citizens nonetheless at any time own and/or control more than the voting cap amount, the voting rights of the equity securities in excess of the voting cap amount shall be automatically suspended in accordance with the provisions of our Certificate of Incorporation and Bylaws. Voting rights of equity securities, if any, owned (beneficially or of record) by non-citizens shall be suspended in reverse chronological order based upon the date of registration in the foreign stock record. Further, if at any time a transfer of equity securities to a non-citizen would result in non-citizens owning more than the absolute cap amount, such transfer shall be void and of no effect, in accordance with provisions of AAG's Certificate of Incorporation and Bylaws. In the event that we determine that the equity securities registered on the foreign stock record or the stock records of the Company exceed the absolute cap amount, sufficient shares shall be removed from the foreign stock record and the stock records of the Company so that the number of shares entered therein does not exceed the absolute cap amount. Shares of equity securities shall be removed from the foreign stock record and the stock records of the Company in reverse chronological order based on the date of registration in the foreign stock record and the stock records of the Company (subject to Article XIII, Section 6 of our Bylaws, which provides special rules applicable to equity securities issued upon effectiveness of our plan of reorganization and consummation of the Merger). Certificates for AAG's equity securities must bear a legend set forth in our Certificate of Incorporation stating that such equity securities are subject to the foregoing restrictions. Under our Bylaws, it is the duty of each stockholder who is a non-citizen to register his, her or its equity securities on our foreign stock record. In addition, our Bylaws provide that in the event that non-citizens shall own (beneficially or of record) or have voting control over any equity securities, the voting rights of such persons shall be subject to automatic suspension to the extent required to ensure that we are in compliance with applicable provisions of law and regulations relating to ownership or control of a U.S. air carrier. See AAG’s Restated Certificate of Incorporation and Amended and Restated Bylaws, which are filed at Exhibits 3.1 and 3.2 hereto.

In addition, to reduce the risk of a potential adverse effect on our ability to use our NOL Carryforwards and certain other tax attributes for federal income tax purposes, our Certificate of Incorporation contains certain restrictions on the acquisition and disposition of our common stock by substantial stockholders (generally holders of more than 4.75%). See Part I, Item 1A. Risk Factors - "AAG's Certificate of Incorporation and Bylaws include provisions limiting voting and acquisition and disposition of our equity interests", and "In order to protect our NOL carryforwards and certain other tax attributes, our Certificate of Incorporation includes certain limitations on acquisitions and dispositions of our common stock, which may limit the liquidity of our common stock."

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

Selected Consolidated Financial Data of AAG

The selected consolidated financial data presented below under the captions "Consolidated Statements of Operations data" and "Consolidated Balance Sheet data" for the years ended December 31, 2013, 2012 and 2011 and as of December 31, 2013 and 2012 are derived from AAG's Consolidated Financial Statements included elsewhere in this report. The selected consolidated financial data for the years ended December 31, 2010 and 2009 and as of December 31, 2011, 2010 and 2009 are derived from AAG's audited Consolidated Financial Statements not included in this report. To conform to current year presentation, certain operating revenue and expenses in prior years have been reclassified. As a result, prior year amounts may not agree to the amounts previously reported. See Note 4 to AAG's Consolidated Financial Statements in Part II, Item 8A for additional information. The selected consolidated financial data should be read in conjunction with AAG's Consolidated Financial Statements for the respective periods, the related notes and the related reports of Ernst & Young LLP, an independent registered public accounting firm. AAG's Consolidated Financial Statements and statistical data provided in the tables below include the results of US Airways Group for the post-merger period from December 9, 2013 to December 31, 2013.

	Year Ended December 31,				
	2013	2012	2011	2010	2009
	(In millions, except share and per share data)				
Consolidated Statements of Operations data:					
Total operating revenues	$26,743	$24,855	$23,979	$22,170	$19,917
Total operating expenses	25,344	24,707	25,016	21,808	20,959
Operating income (loss)	$1,399	$148	$(1,037)	$362	$(1,042)
Reorganization items, net [1]	$(2,655)	$(2,208)	$(118)	$—	$—
Net income (loss)	$(1,834)	$(1,876)	$(1,979)	$(471)	$(1,468)
Earnings (loss) per common share:					
Basic	$(11.25)	$(14.98)	$(15.83)	$(3.78)	$(13.37)
Diluted	$(11.25)	$(14.98)	$(15.83)	$(3.78)	$(13.37)
Shares used for computation (in thousands):					
Basic	163,046	125,231	124,985	124,395	109,831
Diluted	163,046	125,231	124,985	124,395	109,831
Consolidated Balance Sheet data (at end of period):					
Total assets	$42,278	$23,510	$23,848	$25,088	$25,438
Long-term debt and capital leases, net of current maturities	15,353	7,116	6,702	9,253	10,583
Pension and postretirement benefits [2]	5,828	6,780	9,204	7,877	7,397
Mandatorily convertible preferred stock and other bankruptcy settlement obligations	5,928	—	—	—	—
Liabilities subject to compromise	—	6,606	4,843	—	—
Stockholders' equity (deficit) [2]	(2,731)	(7,987)	(7,111)	(3,945)	(3,489)
Consolidated statements of operations data excluding special items [3]:					
Operating income (loss) excluding special items	$1,935	$535	$(238)	$444	$(687)
Net income (loss) excluding special items	1,244	(130)	(1,062)	(389)	(1,361)

(1) Reorganization items refer to revenues, expenses (including professional fees), realized gains and losses and provisions for losses that are realized or incurred as a direct result of the Chapter 11 Cases. See Note 2 in Part II, Item 8A to AAG's Consolidated Financial Statements for further information on reorganization items.

(2) American's defined benefit pension plans were frozen effective November 1, 2012 and the Pilot B Plan, a defined contribution plan, was terminated on November 30, 2012. Further, American significantly modified its retiree medical plans in 2012 resulting in the recognition of a negative plan amendment. See Note 13 in Part II, Item 8A to AAG's Consolidated Financial Statements for further information on retirement benefits, including the financial impact of these plan changes.

(3) See reconciliation of GAAP to non-GAAP financial measures below.

No cash dividends on common stock were declared for any period presented above.

A number of factors render AAG's historical consolidated financial information not directly comparable to our financial information for prior or future periods. See Part I, Item 1A. Risk Factors - "The historical consolidated financial information contained in this report is not directly comparable to our financial information for prior or future periods," and Item 7. Management's Discussion and Analysis and the notes to AAG's Consolidated Financial Statements in Part II, Item 8A.

Reconciliation of GAAP to Non-GAAP Financial Measures

We are providing disclosure of the reconciliation of reported non-GAAP financial measures to their comparable financial measures on a GAAP basis. We believe that the non-GAAP financial measures provide investors the ability to measure financial performance excluding special items, which is more indicative of our ongoing performance and is more comparable to measures reported by other major airlines.

	Year Ended December 31,				
	2013	2012	2011	2010	2009
	(In millions)				
Operating income (loss) - GAAP	$1,399	$148	$(1,037)	$362	$(1,042)
Operating special items, net [1]	536	387	799	82	355
Operating income (loss) excluding special items	$1,935	$535	$(238)	$444	$(687)
Net income (loss) - GAAP	$(1,834)	$(1,876)	$(1,979)	$(471)	$(1,468)
Operating special items, net [1]	536	387	799	82	355
Nonoperating special items, net [2]	211	(280)	—	—	—
Reorganization items, net [3]	2,655	2,208	118	—	—
Income tax special items [4]	(324)	(569)	—	—	(248)
Net income (loss) excluding special items	$1,244	$(130)	$(1,062)	$(389)	$(1,361)

(1) Includes the following operating special charges (credits):

- In 2013, special charges consisted primarily of a $192 million charge related to US Airways' pilot MOU that became effective upon the close of the Merger, $96 million related to professional fees and fees for US Airways to exit the Star Alliance, a $107 million charge related to the American's pilot long-term disability obligation, $58 million in severance, $56 million related to employee awards granted in connection with the Merger, a $43 million charge for workers' compensation claims, and a $33 million impairment charge associated with certain Boeing 757 aircraft held for sale. These charges were offset in part by a $31 million special credit related to a change in accounting method resulting from the modification of American's AAdvantage miles agreement with Citibank, a $67 million gain on the sale of slots at LaGuardia Airport as a result of the settlement reached with the DOJ and the cancellation of equity awards in connection with the Merger.
- In 2012, special charges consisted of $387 million of severance and related charges and write-off of leasehold improvements on aircraft and airport facilities that were rejected during the Chapter 11 process.
- In 2011, special charges consisted primarily of $725 million related to the impairment of certain aircraft and gates, $31 million of non-recurring non-cash charges related to certain sale/leaseback transactions, and a $43 million revenue reduction as a result of a decrease in the breakage assumption related to the AAdvantage frequent flyer liability.
- In 2010, special charges consisted primarily of the impairment of certain route authorities in Latin America and losses on Venezuelan currency remeasurement.
- In 2009, special charges consisted of restructuring charges of $171 million primarily consisted of the grounding of the Airbus A300 fleet and the impairment of Embraer RJ-135 aircraft. Special items in 2009 consisted of $184 million and include the impairment of certain route and slot authorities, primarily in Latin America, and losses on certain sale-leaseback transactions.

(2) Includes the following nonoperating special charges (credits):

- In 2013, special charges consisted of interest charges of $157 million to recognize post-petition interest expense on unsecured obligations pursuant to the Plan, a $54 million charge related to the premium on tender for existing enhanced equipment trust certificates (EETCs) financings and the write-off of debt issuance costs and $19 million in charges related to the repayment of existing EETC financings.

- In 2012, special charges consisted of a $280 million benefit resulting from a settlement of a commercial dispute.

(3) Includes the following reorganization items, net resulting from the filing of voluntary petitions for reorganization under Chapter 11 by certain of the Company's direct and indirect U.S. subsidiaries on November 29, 2011:

- In 2013, special charges consisted primarily of a $1.7 billion deemed claim to employees pursuant to the Plan as well as professional fees and estimated allowed claim amounts.
- In 2012, and 2011 special charges consisted primarily of estimated claims associated with restructuring the financing arrangements for certain debt, aircraft leases, and rejecting certain special facility revenue bonds, as well as professional fees.

(4) Includes the following income tax special charges (credits):

- In 2013, special charges consisted of a $538 million non-cash income tax benefit resulting from gains recorded in Other Comprehensive Income, which was offset by a $214 million non-cash charge related to additional valuation allowance required to reduce deferred tax assets to the amount we believe is more likely than not to be realized.
- In 2012, special charges consisted of a $569 million non-cash income tax benefit resulting from gains recorded in Other Comprehensive Income.
- In 2009, special charges consisted of a $248 million non-cash income tax benefit resulting from gains recorded in Other Comprehensive Income.

Selected Consolidated Financial Data of American

The selected consolidated financial data presented below under the captions "Consolidated Statements of Operations data" and "Consolidated Balance Sheet data" for the years ended December 31, 2013, 2012 and 2011 and as of December 31, 2013 and 2012 are derived from American's Consolidated Financial Statements included elsewhere in this report. The selected consolidated financial data for the years ended December 31, 2010 and 2009 and as of December 31, 2011, 2010 and 2009 are derived from American's audited Consolidated Financial Statements not included in this report. To conform to current year presentation, certain operating revenue and expenses in prior years have been reclassified. As a result, prior year amounts may not agree to the amounts previously reported. See Note 4 to American's Consolidated Financial Statements in Part II, Item 8B for additional information. The selected consolidated financial data should be read in conjunction with American's Consolidated Financial Statements for the respective periods, the related notes and the related reports of Ernst & Young LLP, an independent registered public accounting firm.

	Year Ended December 31,					
	2013 [1]		2012 [1,4]	2011 [1,5]	2010 [1]	2009 [1,4]
	(In millions, except share and per share data)					
Consolidated Statements of Operations data:						
Total operating revenues	$25,760		$24,825	$23,957	$22,151	$19,898
Total operating expenses	24,226		24,743	25,111	21,945	21,099
Operating income (loss)	$1,534		$82	$(1,154)	$206	$(1,201)
Reorganization items, net [2]	$(2,640)		$(2,179)	$(116)	$—	$—
Net income (loss)	$(1,526)		$(1,926)	$(1,965)	$(469)	$(1,474)
Consolidated Balance Sheet data (at end of period):						
Total assets	$25,612	276,000	$23,264	$23,589	$22,422	$22,964
Long-term debt and capital leases, net of current maturities	9,852		7,143	6,729	6,592	7,984
Pension and postretirement benefits [3,5]	5,693		6,780	9,204	7,876	7,397
Liabilities subject to compromise	—		5,694	3,952	—	—
Stockholder's equity (deficit) [3,5]	(9,660)		(9,962)	(9,037)	(6,336)	(5,878)

(1) Includes special charges and other items, as follows:

- In 2013, special charges consisted primarily of a $107 million charge related to American's pilot long-term disability obligation, $47 million in severance and professional fees, $56 million related to employee equity awards granted in connection with the merger, a $43 million charge for workers' compensation claims, and a $33 million impairment charge associated with certain Boeing 757 aircraft held for sale. These charges were offset in part by a $31 million special credit related to a change in accounting method resulting from the modification of American's AAdvantage miles agreement with Citibank and a $67 million gain on the sale of slots at LaGuardia Airport as a result of the settlement reached with the DOJ and the cancellation of equity awards in connection with the Merger.

- In 2012, special charges consisted of $386 million of severance and related charges and write-off of leasehold improvements on aircraft and airport facilities that were rejected during the Chapter 11 process. American's 2012 results also include a $280 million benefit from a settlement of a commercial dispute.
- In 2011, special charges and other items consisted primarily of $725 million related to the impairment of certain aircraft and gates, $31 million of non-recurring non-cash charges related to certain sale/leaseback transactions, and a $43 million revenue reduction as a result of a decrease in the breakage assumption related to the AAdvantage frequent flyer liability.
- In 2010, special items consisted of $81 million and include the impairment of certain route authorities in Latin America and losses on Venezuelan currency remeasurement.
- In 2009, restructuring charges of $171 million primarily consisted of the grounding of the Airbus A300 fleet and the impairment of Embraer RJ-135 aircraft. Special items in 2009 consisted of $184 million and include the impairment of certain route and slot authorities, primarily in Latin America, and losses on certain sale-leaseback transactions.

(2) Reorganization items refer to revenues, expenses (including professional fees), realized gains and losses and provisions for losses that are realized or incurred as a direct result of the Chapter 11 Cases. See Note 2 to American's Consolidated Financial Statements in Part II, Item 8B for further information on reorganization items.

(3) American's defined benefit pension plans were frozen effective November 1, 2012 and the Pilot B Plan, a defined contribution plan, was terminated on November 30, 2012. Further, American significantly modified its retiree medical plans in 2012 resulting in the recognition of a negative plan amendment. See Note 12 to American's Consolidated Financial Statements in Part II, Item 8B for further information on retirement benefits, including the financial impact of these plan changes.

(4) Includes the impact of a $569 million and $248 million tax benefit related to the allocation of tax expense to other comprehensive income items recognized in 2012 and 2009, respectively.

(5) As a result of actuarial changes in the discount rate, the Company recorded a $1.3 billion increase in pension and retiree medical and other benefits obligations and a corresponding decrease in stockholder's equity in 2011.

No cash dividends on common stock were declared for any period presented above.

A number of factors render American’s historical consolidated financial information not directly comparable to our financial information for prior or future periods. See Part I, Item 1A. Risk Factors - "The historical consolidated financial information contained in this report is not directly comparable to our financial information for prior or future periods," and Part II, Item 7. Management’s Discussion and Analysis and the notes to American's Consolidated Financial Statements in Part II, Item 8B.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

American Airlines Group

Background

As previously discussed, the Merger was consummated on December 9, 2013. Accordingly, the Company’s consolidated results include American and American Eagle for the year ended December 31, 2013 and the results of US Airways Group for the 23 days ended December 31, 2013.

Following the Merger, AAG began moving toward operating under the single brand name of "American Airlines" through its mainline operations, American and US Airways. Until a single operating certificate is issued by the Federal Aviation Administration (FAA) and the operational integration is complete, American and US Airways will continue to operate as separate airlines. This process is expected to take 18-24 months. Through its operating subsidiaries, including the operating subsidiaries of US Airways Group, AAG is the largest airline in the world as measured by revenue passenger miles (RPMs) and available seat miles (ASMs). The Company has primary hubs in Charlotte, Chicago, Dallas/Fort Worth, Los Angeles, Miami, New York City, Philadelphia, Phoenix and Washington, D.C. As of December 31, 2013, the combined airline operated nearly 6,700 daily flights to 339 destinations in 54 countries. As of December 31, 2013, American and US Airways operated 965 mainline jets. American continues to be provided with regional feed by American Eagle and third-party regional carriers and US Airways continues to be provided with regional feed by Piedmont, PSA and third-party regional carriers. As of December 31, 2013, the Company’s regional subsidiaries and the third-party regional carriers that provide it with regional feed operated approximately 519 regional jets and approximately 40 turboprops.

See Part I, Item 1. Business - "Chapter 11 Reorganization" and "Merger" for more information related to our emergence from Chapter 11 and Merger.

Year in Review

The U.S. Airline Industry

In 2013, the U.S. airline industry experienced year-over-year growth in passenger revenues driven by strong demand for air travel.

In its most recent data available, Airlines for America, the trade association for U.S. airlines, reported that annual U.S. industry passenger revenues and yields increased 3.8% and 2.0%, respectively, as compared to 2012. With respect to international versus domestic performance, Airlines for America reported that the Atlantic and Latin America markets outperformed domestic markets in year-over-year growth in passenger revenues while the Pacific market experienced year-over-year declines in passenger revenues.

Throughout 2013, jet fuel prices continued to follow the price of Brent crude oil more closely than the price of West Texas Intermediate crude oil. On average, fuel costs were down slightly in 2013 as compared to 2012. The Brent crude oil average daily spot price was $109 in 2013 which approximates the average daily spot price in 2012. However, on a daily basis, prices continued to be volatile. Throughout 2013, daily spot prices fluctuated between a high of $119 per barrel in February to a low of $97 per barrel in April and closed the year at $110 per barrel on December 31, 2013.

While the U.S. airline industry is currently benefiting from a favorable revenue environment and moderating fuel prices as described above, uncertainty exists regarding the economic conditions driving these factors. See Part I, Item 1A. Risk Factors - "Downturns in economic conditions adversely affect our business" and "Our business is dependent on the price and availability of aircraft fuel. Continued periods of high volatility in fuel costs, increased fuel prices and significant disruptions in the supply of aircraft fuel could have a significant negative impact on our operating results and liquidity."

American Airlines Group

In 2013, we realized operating income of $1.4 billion and a net loss of $1.8 billion. We completed our merger with US Airways Group on December 9, 2013, and accordingly these results include results of US Airways Group for the 23 day post-merger period, December 9, 2013, to December 31, 2013. The information in the following paragraph and under "Revenue", "Fuel", "Capacity" and "Cost Control" excludes the post-merger results of US Airways Group.

Excluding the results of US Airways Group, we recognized operating income of $1.6 billion in 2013 which compares to operating income of $148 million in 2012, a $1.4 billion improvement. This year-over-year improvement was driven by growth in operating revenues of $957 million resulting from strong demand for air travel and a $471 million reduction in operating expenses primarily as a result of steps taken in our Chapter 11 restructuring. Our standalone net loss was $1.6 billion in 2013 which compares to a net loss of $1.9 billion in 2012. Our net loss was impacted by the recognition of net special charges of $2.8 billion and $1.7 billion in 2013 and 2012, respectively, principally the result of reorganization expenses related to the recognition of allowed claims. See "AAG's Results of Operations" below for a reconciliation of the impact on American Airlines Group of the post-merger results of US Airways Group and net special charges.

Revenue

Mainline and regional passenger revenues increased $864 million, or 4.0%, as compared to 2012. The growth in revenues was driven by a 1.7% increase in revenue passenger miles and a 2.3% increase in yield, as total capacity increased 1.3% as compared to 2012. Our mainline and regional passenger revenue per available seat mile (PRASM) was 13.38 cents in 2013, a 2.7% increase, as compared to 13.03 cents in 2012.

Fuel

Mainline and regional fuel expense was relatively flat at $8.7 billion in each of 2013 and 2012. The average mainline and regional price per gallon of fuel was $3.09 in 2013 as compared to an average price per gallon of $3.20 in 2012, a decrease of 3.3%. The decrease in fuel price per gallon was offset by a 3.1% increase in consumption due in part to increased capacity and a shift from turboprop to regional jet aircraft.

Capacity

Total system capacity for 2013 increased 1.3% primarily due to our ongoing fleet replacement programs where we are replacing older aircraft with larger gauge, more modern aircraft.

Cost Control

AAG is committed to maintaining a low cost structure, which we believe is necessary in an industry whose economic prospects are heavily dependent upon two variables we cannot control: the health of the economy and the price of fuel. Our mainline costs per available seat mile (CASM) excluding special items, fuel and profit sharing decreased 0.40 cents or 4.5% from 8.90 cents in 2012 to 8.50 cents in 2013. This decrease was primarily due to cost reductions achieved in our Chapter 11 restructuring to become more cost competitive.

The table below details our mainline CASM excluding special items, fuel and profit sharing for the years ended December 31, 2013 and 2012:

	2013	2012	Percent Increase (Decrease)
	(In cents)		
Total mainline CASM	13.67	14.20	(3.7)
Less: Special items, net	(0.18)	(0.25)	(28.0)
Less: Aircraft fuel and related taxes	(4.94)	(5.05)	(2.2)
Less: Profit sharing	(0.05)	—	nm
Total mainline CASM excluding special items, fuel and profit sharing [1]	8.50	8.90	(4.5)

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

Customer Service

We are committed to consistently deliver safe, reliable and convenient service to our customers in every aspect of our operation. Our 2013 operating performance was negatively impacted by more severe summer weather conditions as compared to 2012. We reported the following operating statistics to the DOT for American's mainline operations for the years ended December 31, 2013 and 2012:

	2013	2012	Better (Worse)
On-time performance (a)	77.6 %	76.9 %	0.7 pts
Completion factor (b)	98.2 %	98.2 %	—
Mishandled baggage (c)	3.02	2.92	(3.4)%
Customer complaints (d)	1.99	1.8	(10.6)%

(a) Percentage of reported flight operations arriving on time as defined by the DOT.
(b) Percentage of scheduled flight operations completed.
(c) Rate of mishandled baggage reports per 1,000 passengers.
(d) Rate of customer complaints filed with the DOT per 100,000 enplanements.

Liquidity Position

As of December 31, 2013, AAG's total cash and short-term investments was $10.3 billion, of which $1.0 billion was restricted. Additional detail is provided in the table below (in millions):

	December 31, 2013	2012
Cash	$ 1,140	$ 480
Short-term investments	8,111	3,412
Restricted cash and short-term investments [1]	1,035	850
Total cash and short-term investments	$ 10,286	$ 4,742

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

The improvement in our liquidity is due primarily to the acquisition of US Airways Group which had a cash and short-term investments balance of $3.3 billion at December 31, 2013 as well as proceeds from our $1.9 billion Term Loan Facility, which we entered into in June 2013. We also obtained a $1.0 billion revolving credit facility. To date, we have not drawn any amounts under the revolving credit facility.

Pursuant to the Plan of Reorganization and the related Merger Agreement, the Company issued a portion of its shares of common stock at emergence to certain employees. In December of 2013, the Company withheld the issuance of a portion of these shares and instead used approximately $300 million of cash in satisfaction of employee tax obligations.

As of December 31, 2013, approximately $783 million of our cash and short-term investments balances were held in foreign bank accounts, of which $710 million was held as Venezuela bolivars.

The business environment in Venezuela has been challenging, with economic uncertainty fueled by currency devaluation, high inflation and governmental restrictions, including currency exchange and payment controls, price controls and the possibility of expropriation of property or other resources. As of December 31, 2013, approximately $710 million of our unrestricted cash balance was held as Venezuelan bolivars, valued at a weighted average rate of 6.04 bolivars to the dollar. The period of time to exchange those funds into dollars and repatriate them has been increasing and is presently more than a year. On January 23, 2014, the Venezuelan government issued a regulation to implement a new system for determining the exchange rate based on the result of limited periodic sales of dollars known as Sicad auctions (currently 11.80 to the dollar based on the February 21, 2014 Sicad auction) for repatriation of income from future ticket sales, and introduced new procedures for approval of conversion and repatriation of local currency. The government also enacted a new law effective February 19, 2014 that authorizes additional methods of exchanging Venezuelan bolivars at rates other than the controlled base rate of 6.3 to the dollar or the existing Sicad auction rate, but the regulations necessary to implement the law are still pending and it is not clear at this point whether or how the new methods may impact the pending balances of Venezuelan bolivars held by airlines. We are working with Venezuelan authorities regarding the timing and exchange rate applicable to the repatriation of funds held in local

currency. Further, the current, devalued rates may have an ongoing adverse effect on our reported results if we are unable to fully adjust prices on flights to and from Venezuela, of which there can be no assurance. More generally, fluctuations in foreign currencies, including devaluations, cannot be predicted by the Company 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 I - 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 on currency risks.

2014 Outlook

We have taken significant actions in the last year, including the completion of our restructuring and merger with US Airways Group, to restore our competitiveness. Although it is difficult to predict the price of oil or the strength of the economy, we believe that our 2013 financial results are evidence of the strong foundation we have in place and can build on.

AAG's Results of Operations

In 2013, we realized operating income of $1.4 billion and a net loss of $1.8 billion. We completed our merger with US Airways Group on December 9, 2013, and accordingly the results of US Airways Group are included for the 23 day post-merger period from December 9, 2013 to December 31, 2013. Excluding the results of US Airways Group, we recognized operating income of $1.6 billion and a net loss of $1.6 billion. Excluding the effects of net special items we recognized standalone net income of $1.2 billion. In 2013 we experienced growth in revenues due to the strong demand for air travel and a reduction in operating costs as a result of steps taken in our Chapter 11 restructuring.

In 2012, we realized operating income of $148 million and a net loss of $1.9 billion. Excluding the effects of net special items we recognized a net loss of $130 million.

In 2011, we realized an operating loss of $1.0 billion and a net loss of $2.0 billion. Excluding the effects of net special items we recognized a net loss of $1.1 billion. We filed for Chapter 11 on November 29, 2011.

The following table presents our 2013 standalone Operating income (loss), Net loss, net special charges and net income excluding special charges:

	2013	Less 23 days US Airways Group	Stand Alone 2013	2012	2011
Operating income (loss)	$1,399	$(177)	$1,576	$148	$(1,037)
Net loss	(1,834)	(196)	(1,638)	(1,876)	(1,979)
Net special charges	3,078	277	2,801	1,746	917
Net income (loss) excluding special charges	$1,244	$81	$1,163	$(130)	$(1,062)

(1) To conform to current year presentation, certain operating revenue and expenses in prior years have been reclassified. As a result, prior year amounts may not agree to the amounts previously reported. See Note 5 to AAG's Consolidated Financial Statements in Part II, Item 8A for additional information.

(2) We are providing disclosure of the reconciliation of reported non-GAAP financial measures to their comparable financial measures on a GAAP basis. We believe that the non-GAAP financial measures provide investors the ability to measure financial performance excluding special items, which is more indicative of our ongoing performance and is more comparable to measures reported by other major airlines.

The components of our net special charges, excluding the results of US Airways Group for the 23 day post-merger period, are as follows (in millions):

	Year Ended December 31,		
	2013	2012	2011
Mainline operating special items, net [1]	$251	$386	$799
Regional operating special items, net	8	1	—
Nonoperating special items, net [2]	211	(280)	—
Reorganization items, net	2,655	2,208	118
Income tax special items, net [3]	(324)	(569)	—
Total	$2,801	$1,746	$917

(1) In 2013, special charges consisted primarily of a $107 million charge related to the American's pilot long-term disability obligation, $58 million in severance and professional fees, $56 million related to employee awards granted in connection with the Merger, a $43 million charge for workers' compensation claims, and a $33 million impairment charge associated with certain Boeing 757 aircraft held for sale. These charges were offset in part by a $67 million gain on the sale of slots at LaGuardia Airport as a result of the settlement reached with the DOJ and a $31 million credit resulting from the modification of American's AAdvantage miles agreement with Citibank.

In 2012, special charges consisted of $387 million of severance and related charges and write-off of leasehold improvements on aircraft and airport facilities that were rejected during the Chapter 11 process.

In 2011, special charges consisted primarily of $725 million related to the impairment of certain aircraft and gates, $31 million of non-cash charges related to certain sale/leaseback transactions, and a $43 million revenue reduction as a result of a decrease in the breakage assumption related to the AAdvantage frequent flyer liability.

(2) In 2013, special charges consisted of interest charges of $157 million to recognize post-petition interest expense on unsecured obligations pursuant to the Plan, a $54 million charge related to the premium on tender for existing secured notes and EETC financings and the write-off of debt issuance costs and $19 million in charges related to the repayment of existing secured notes and EETC financings.

In 2012, special charges consisted of a $280 million benefit resulting from a settlement of a commercial dispute.

(3) In 2013 and 2012, special charges included, respectively, a $538 million and a $569 million non-cash income tax benefit from continuing operations. The Company is required to consider all items (including items recorded in other comprehensive income) in determining the amount of tax benefit that results from a loss from continuing operations and that should be allocated to continuing operations. As a result, the Company recorded a tax benefit on the loss from continuing operations for the year, which was exactly offset by income tax expense on other comprehensive income. However, while the income tax benefit from continuing operations is reported on the income statement, the income tax expense on other comprehensive income is recorded directly to Accumulated other comprehensive income (loss), which is a component of stockholders' equity. Because the income tax expense on other comprehensive income is equal to the income tax benefit from continuing operations, the Company's year-end net deferred tax position is not impacted by this tax allocation. The 2013 tax benefit was offset in part by a $214 million tax charge attributable to additional valuation allowance required to reduce deferred tax assets to the amount the Company believes is more likely than not to be realized.

Operating Statistics

The table below sets forth selected mainline and regional operating data for the years ended December 31, 2013, 2012 and 2011. The 2013 operating data does not include the results of US Airways Group for the 23 day post-merger period from December 9, 2013 to December 31, 2013.

	Year Ended December 31,			Increase (Decrease) 2013-2012	Increase (Decrease) 2012-2011
	2013	2012	2011		
Mainline					
Revenue passenger miles (millions) (a)	128,413	126,406	126,491	1.6 %	(0.1)%
Available seat miles (millions) (b)	154,499	152,628	154,321	1.2 %	(1.1)%
Passenger load factor (c)	83.1 %	82.8 %	82.0 %	0.3 pts	0.9 pts
Yield (cents) (d)	15.26	14.83	14.19	2.9 %	4.5 %
Passenger revenue per available seat mile (cents) (e)	12.68	12.28	11.63	3.3 %	5.6 %
Operating expenses per available seat mile (cents) (f)	13.67	14.20	14.26	(3.7)%	(0.4)%
Passenger enplanements (thousands) (g)	87,002	86,465	86,042	0.6 %	0.3 %
Departures (thousands)	681	664	671	2.7 %	(1.1)%
Block hours (thousands) (h)	2,207	2,141	2,150	3.1 %	(0.4)%
Average stage length (miles) (i)	1,310	1,304	1,429	0.5 %	(8.7)%
Fuel consumption (gallons, in millions)	2,464	2,410	2,445	2.3 %	(1.5)%
Average aircraft fuel price including related taxes (per gallon)	$3.10	$3.20	$3.01	(3.2)%	6.3 %
Operating aircraft at end of period	627	614	608	2.1 %	1.0 %
Full-time equivalent employees at end of period	59,550	64,550	66,975	(7.7)%	(2.9)%
Regional (j)					
Revenue passenger miles (millions) (a)	10,465	10,214	9,895	2.5 %	3.2 %
Available seat miles (millions) (b)	13,841	13,595	13,507	1.8 %	0.7 %
Passenger load factor (c)	75.6 %	75.1 %	73.3 %	0.5 pts	1.9 pts
Yield (cents) (d)	27.97	28.53	27.53	(1.9)%	3.6 %
Passenger revenue per available seat mile (cents) (e)	21.15	21.43	20.19	(1.3)%	6.1 %
Operating cost per available seat mile (cents) (f)	22.48	22.27	22.61	1.0 %	(1.5)%
Passenger enplanements (thousands) (g)	21,734	21,488	21,237	1.1 %	1.2 %
Operating aircraft at end of period	281	292	314	(3.8)%	(7.0)%
Fuel consumption (gallons, in millions)	342	313	311	9.1 %	0.6 %
Average aircraft fuel price including related taxes (per gallon)	$3.09	$3.23	$3.04	(4.4)%	6.3 %
Total Mainline and Regional					
Revenue passenger miles (millions) (a)	138,878	136,620	136,386	1.7 %	0.2 %
Available seat miles (millions) (b)	168,340	166,223	167,828	1.3 %	(1.0)%
Cargo ton miles (millions) (k)	1,828	1,761	1,783	3.8 %	(1.2)%
Passenger load factor (c)	82.5 %	82.2 %	81.3 %	0.3 pts	0.9 pts
Yield (cents) (d)	16.22	15.85	15.16	2.3 %	4.6 %
Passenger revenue per available seat mile (cents) (e)	13.38	13.03	12.32	2.7 %	5.8 %
Total revenue per available seat mile (cents) (l)	15.33	14.95	14.29	2.5 %	4.7 %

Cargo revenue yield per ton mile (cents) (m)	36.95	38.33	39.75	(3.6)%	(3.6)%
Passenger enplanements (thousands) (g)	108,736	107,953	107,232	0.7 %	0.5 %
Operating aircraft at end of period	908	906	922	0.2 %	(1.7)%
Fuel consumption (gallons, in millions)	2,806	2,723	2,756	3.1 %	0.2 %
Average aircraft fuel price including related taxes (per gallon)	$3.09	$3.20	$3.01	(3.3)%	6.3 %

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

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

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

(d) Yield — A measure of airline revenue derived by dividing passenger revenue by RPMs.
(e) Passenger revenue per available seat mile (PRASM) — Passenger revenues divided by ASMs.
(f) Operating cost per available seat mile (CASM) — Operating expenses divided by ASMs.
(g) Passenger enplanements — The number of passengers on board an aircraft, including local, connecting and through passengers.
(h) Block hours — The hours measured from the moment an aircraft first moves under its own power, including taxi time, for the purposes of flight until the aircraft is docked at the next point of landing and its power is shut down.
(i) Average stage length — The average of the distances flown on each segment of every route.
(j) Regional statistics include AMR Eagle, as well as operating and financial results from American's capacity purchase agreements with Chautauqua, ExpressJet, Republic and SkyWest.
(k) Cargo ton miles — A basic measure of cargo transportation. One cargo ton mile represents one ton of cargo transported one mile.
(l) Total revenue per available seat mile (RASM) — Total revenues divided by total mainline and regional ASMs.
(m) Cargo yield per ton mile — Cargo revenues divided by total mainline and regional cargo ton miles.

2013 Compared to 2012

Operating Revenues

	2013	2012	$ Change	$ Change Due to Merger	Change Excluding Merger Impact $	%
	(In millions, except percentage changes)					
Mainline passenger	$20,218	$18,743	$1,475	$624	$851	4.5
Regional passenger	3,131	2,914	217	204	13	0.5
Cargo	685	675	10	9	1	0.1
Other	2,709	2,523	186	94	92	3.6
Total operating revenues	$26,743	$24,855	$1,887	$931	$957	3.8

The following discussion of operating revenues is for AAG on a standalone basis and excludes the results of US Airways Group for the post-merger period from December 9, 2013 to December 31, 2013 in order to make the year-over-year comparison more meaningful.

Total operating revenues in 2013 were $25.8 billion as compared to $24.9 billion in 2012, an increase of $957 million or 3.8%, which was driven by strong demand for air travel. Significant changes in the components of operating revenues are as follows:

- Mainline passenger revenues increased 4.5% to $19.6 billion in 2013 as compared to $18.7 billion in 2012. Mainline RPMs increased 1.6%, as mainline capacity, as measured by ASMs, increased 1.2% resulting in a 0.3 point increase in load factor to 83.1%. Mainline passenger yield increased 2.9% to 15.26 cents in 2013 from 14.83 cents in 2012. Mainline PRASM increased 3.3% to 12.68 cents in 2013 from 12.28 cents in 2012.
- Regional passenger revenues were $2.9 billion which was relatively flat as compared to 2012. Regional RPMs increased 2.5%, as regional capacity, as measured by ASMs, increased 1.8% resulting in a 0.5 point increase in load factor. Regional passenger yield decreased 1.9% to 27.97 cents in 2013 from 28.53 cents in 2012. Regional PRASM decreased 1.3% to 21.15 cents in 2013 from 21.43 cents in 2012.
- Other revenues were $2.6 billion in 2013, an increase of $92 million, or 3.6%, primarily due to increased revenues associated with the sale of AAdvantage frequent flyer mileage credits and a $31 million special credit related to a change in accounting method resulting from the modification of the Company's AAdvantage miles agreement with Citibank.

We derived approximately 60% of our total passenger revenues from domestic operations and approximately 40% from international operations (flights serving international destinations). Additional information regarding our domestic and international PRASM and capacity, excluding the impact of the Merger, is presented below:

	Year ended December 31, 2013			
	PRASM (cents)	Y-O-Y Change	ASMs (billions)	Y-O-Y Change
DOT Domestic	12.56	3.1 %	89.3	(0.6)%

International	12.85	3.5	65.2	3.9
DOT Latin America	14.13	2.0	33.5	7.0
DOT Atlantic	12.23	9.5	22.1	(0.8)
DOT Pacific	9.77	(6.6)	9.6	5.1

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Operating Expenses

	2013	2012	$ Change	$ Change Due to Merger	Change Excluding Merger Impact $	%
	(In millions, except percentage changes)					
Aircraft fuel and related taxes	$7,839	$7,705	$134	$211	$(77)	(1.0)
Salaries, wages and benefits	5,460	6,217	(757)	184	(941)	(15.1)
Maintenance, materials and repairs	1,260	1,158	102	38	64	5.5
Other rent and landing fees	1,152	1,083	69	35	34	3.2
Aircraft rent	768	553	215	25	190	34.4
Selling expenses	1,158	1,058	100	31	69	6.5
Depreciation and amortization	853	845	8	23	(15)	(1.7)
Special items, net	559	386	173	277	(104)	(26.9)
Other	2,969	2,674	295	70	225	8.4
Total mainline operating expenses	$22,018	$21,679	$339	$894	$(555)	(2.6)
Regional operating expenses	$3,326	$3,028	$298	$214	$84	2.8
Total operating expenses	$25,344	$24,707	$637	$1,108	$(471)	(1.9)

The following discussion of operating expenses and mainline operating expenses per ASM is for AAG on a standalone basis and excludes the results of US Airways Group for the post-merger period from December 9, 2013 to December 31, 2013 in order to make the year-over-year comparison more meaningful.

Total operating expenses in 2013 were $24.2 billion as compared to $24.7 billion in 2012, a decrease of $471 million, or 1.9%. The decrease in operating expenses was primarily driven by a $941 million, or 15.1% decrease in salaries, wages and benefits due to the results of voluntary and involuntary terminations in connection with the 2012 restructuring plan as well as effects related to the freezing of American's pension plans in 2012. This decrease was offset in part by a $190 million, or 34.4% increase in aircraft rent as a result of new aircraft deliveries in 2013 as we continue our fleet renewal program, a $69 million, or 6.5% increase in selling expenses due to higher passenger revenues and other operating expenses, which increased $225 million, or 8.4%, primarily due to higher costs associated with outsourced services and enhanced customer product offerings. See detailed explanations below relating to other changes in operating expenses.

Mainline Operating Expenses per ASM:

Our mainline CASM, excluding the results of US Airways Group for the post-merger period, decreased 0.53 cents, or 3.7%, from 14.20 cents in 2012 to 13.67 cents in 2013. Excluding special items, fuel and profit sharing, our mainline CASM decreased 0.40 cents, or 4.5%, from 8.90 cents in 2012 to 8.50 cents in 2013, while mainline capacity increased 1.2%.

The table below sets forth the major components of our total mainline CASM and our mainline CASM excluding special items, fuel and profit sharing for the years ended December 31, 2013 and 2012:

	2013	2012	Percent Increase (Decrease)
	(In cents)		
Mainline CASM:			
Aircraft fuel and related taxes	4.94	5.05	(2.2)
Salaries, wages and benefits	3.41	4.07	(16.2)
Maintenance, materials and repairs	0.79	0.76	3.9
Other rent and landing fees	0.72	0.71	1.4
Aircraft rent	0.48	0.36	33.3
Selling expenses	0.73	0.69	5.8
Depreciation and amortization	0.54	0.55	(1.8)
Special items, net	0.18	0.25	nm
Other	1.88	1.75	7.4
Total mainline CASM	13.67	14.20	(3.7)
Less: Special items, net	(0.18)	(0.25)	
Less: Aircraft fuel and related taxes	(4.94)	(5.05)	
Less: Profit sharing	(0.05)	—	
Total mainline CASM excluding special items, fuel and profit sharing [1]	8.50	8.90	(4.5)

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

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

- Aircraft fuel and related taxes per ASM decreased 2.2% primarily due to a 3.2% decrease in the average price per gallon of fuel, net of the effects of hedging, to $3.10 in 2013 from $3.20 in 2012, which was offset in part by an increase in gallons consumed.
- Salaries, wages and benefits per ASM decreased 16.2% primarily due to the results of voluntary and involuntary terminations in connection with the 2012 restructuring plan as well as effects related to the freezing of American's pension plan in 2012.
- Aircraft rent per ASM increased 33.3% as a result of new aircraft deliveries in 2013 as we continue our fleet renewal program.
- Selling expenses per ASM increased 5.8% as a result of higher commissions and credit card fees related to the increase in passenger revenues.
- Other operating expenses per ASM increased 7.4% due to increases in outsourced services, costs associated with enhanced customer product offerings.

Regional Operating Expenses:

Total regional expenses increased $84 million, or 2.8%, in 2013 to $3.1 billion from $3.0 billion in 2012. The year-over-year increase was primarily driven by a $44 million, or 4.4%, increase in fuel costs and a $40 million, or 2.0% increase in other costs on a 1.8% increase in capacity. The increase in fuel costs was driven by higher fuel consumption due to the transition from turboprop to regional jet aircraft.

Nonoperating Income (Expense)

	2013	2012	$ Change	$ Change Due to Merger	Change Excluding Merger Impact $	%
	(In millions, except percentage changes)					
Interest income	$20	$26	$(6)	$—	$(6)	(21.8)
Interest expense, net of capitalized interest	(856)	(632)	(224)	(20)	(204)	32.3
Other, net	(88)	221	(309)	1	(310)	nm
Total nonoperating expense, net	$(924)	$(385)	$(539)	$(19)	$(520)	nm

The following discussion of interest expense is for AAG on a standalone basis and excludes the results of US Airways Group for the post-merger period from December 9, 2013 to December 31, 2013 in order to make the year-over-year comparison more meaningful.

Interest expense, net of capitalized interest increased $204 million, or 32.3%, to $836 million in 2013 from $632 million in 2012 primarily due to special charges of $157 million to recognize post-petition interest expense on unsecured obligations pursuant to the Plan.

Other nonoperating expense, net of $89 million in 2013 consists principally of net foreign currency losses of $56 million. Other nonoperating income in 2012 consisted principally of a $280 million special credit related to the settlement of a commercial dispute partially offset by net foreign currency losses.

Reorganization Items, Net

Reorganization items refer to revenues, expenses (including professional fees), realized gains and losses and provisions for losses that are realized or incurred as a direct result of the Chapter 11 Cases, which were filed in November of 2011. The following table summarizes the components included in reorganization items, net on AAG's Consolidated Statements of Operations for the years ended December 31, 2013 and 2012 (in millions):

	2013	2012
Pension and postretirement benefits	$—	$(66)
Labor-related claim [1]	1,733	—
Aircraft and facility financing renegotiations and rejections [2, 3]	325	1,950
Fair value of conversion discount [4]	218	—
Professional fees	199	229
Other	180	95
Total reorganization items, net	$2,655	$2,208

(1) In exchange for employees' contributions to the successful reorganization of the Company, including agreeing to reductions in pay and benefits, the Company agreed in the Plan to provide each employee group a deemed claim which was used to provide a distribution of a portion of the equity of the reorganized entity to those employees. Each employee group received a deemed claim amount based upon a portion of the value of cost savings provided by that group through reductions to pay and benefits as well as through certain work rule changes. The total value of this deemed claim was approximately $1.7 billion.

(2) Amounts include allowed claims (claims approved by the Bankruptcy Court) and estimated allowed claims relating to (i) the rejection or modification of financings related to aircraft and (ii) entry of orders treated as unsecured claims with respect to facility agreements supporting certain issuances of special facility revenue bonds. The Debtors recorded an estimated claim associated with the rejection or modification of a financing when the applicable motion was filed with the Bankruptcy Court to reject or modify such financing or facility agreement and the Debtors believed that it was probable the motion would be approved, and there was sufficient information to estimate the claim. See Note 2 to AAG's Consolidated Financial Statements in Part II, Item 8A for further information.

(3) Pursuant to the Plan, the Debtors agreed to allow certain post-petition unsecured claims on obligations. As a result, during the year ended December 31, 2013, the Company recorded reorganization charges to adjust estimated allowed claim amounts previously recorded on rejected special facility revenue bonds of $180 million, allowed general unsecured claims related to the 1990 and 1994 series of special facility revenue bonds that financed certain improvements at JFK and rejected bonds that financed certain improvements at ORD, which are included in the

table above.

(4) The Plan allows unsecured creditors receiving Preferred Stock a conversion discount of 3.5%. Accordingly, the Company recorded the fair value of such discount upon the confirmation of the Plan by the Bankruptcy Court.

Income Tax Benefit

During 2013, the Company generated a pre-tax loss of approximately $2.2 billion and other comprehensive income before tax of approximately $1.5 billion. In accordance with accounting standards, the Company must record a net zero tax provision which is required to be allocated between operating loss and Accumulated other comprehensive income. Application of this guidance required the recognition of a non-cash income tax benefit of $538 million in operating results, offset by a $538 million charge to other comprehensive income for the year. See Note 11 to AAG’s Consolidated Financial Statements in Part II, Item 8A for additional information regarding the allocation of income tax benefit to Operating income and Accumulated other comprehensive income. The Company recorded a similar non-cash income tax benefit of $569 million in operating results in 2012, offset by a $569 million charge to other comprehensive income for the year, as discussed in Note 11 to AAG’s Consolidated Financial Statements in Part II, Item 8A.

The Company has evaluated the realization of its deferred tax assets in accordance with the principles provided in ASC 740. In connection with AMR’s fourth quarter 2013 emergence from bankruptcy and related accounting for the acquisition of US Airways, the Company determined that an additional valuation allowance of approximately $214 million is required to reduce the Company’s deferred tax assets to the amount that the Company believes to be more likely than not to be realized. This $214 million results in a charge to tax expense in continuing operations for the period. The Company’s assessment of the realization of its deferred tax assets is based primarily on the future reversal of its existing taxable temporary differences. The Company is not relying on projections of future income for the realization of deferred tax assets. See Note 11 to AAG’s Consolidated Financial Statements in Part II, Item 8A for additional information regarding deferred taxes.

The Company has also recorded an income tax expense credit of approximately $22 million in 2013 resulting from the Company’s anticipated election under Section 3081 of the Housing and Economic Recovery Act of 2008 (as extended by the American Taxpayer Relief Act of 2012), allowing corporations a refund of certain research and alternative minimum tax (AMT) credit carryforwards in lieu of applicable bonus depreciation on certain qualifying capital investments.

2012 Compared to 2011

Operating Revenues

	2012	2011	Percent Increase (Decrease)
	(In millions)		
Mainline passenger	$ 18,743	$ 17,947	4.4
Regional passenger	2,914	2,724	7.0
Cargo	675	709	(4.8)
Other	2,523	2,599	(2.9)
Total operating revenues	$ 24,855	$ 23,979	3.7

Total operating revenues in 2012 were $24.9 billion as compared to $24.0 billion in 2011, an increase of $876 million or 3.7%, driven by the strong revenue demand environment. Significant changes in the components of operating revenues are as follows:

- Mainline passenger revenues increased 4.4% to $18.7 billion in 2012 as compared to $17.9 billion in 2011. The benefits of the strong demand environment were offset in part by labor related operational disruptions and disruptions associated with Hurricane Sandy and the early November snowstorm in the Northeast United States, which had an estimated impact on the Company's 2012 passenger revenues of $120 million and $65 million, respectively. Mainline RPMs decreased 0.1%, as mainline capacity, as measured by ASMs, decreased 1.1% resulting in a 0.9 point increase in load factor to 82.8%. Mainline passenger yield increased 4.5% to 14.83 cents in 2012 from 14.19 cents in 2011. Mainline PRASM increased 5.6% to 12.28 cents in 2012 from 11.63 cents in 2011.
- Regional passenger revenues were $2.9 billion as compared to $2.7 billion in 2011, an increase of $190 million or 7.0%. Regional RPMs increased 3.2%, as regional capacity, as measured by ASMs increased 0.7% resulting in a 1.9

point increase in load factor. Regional passenger yield increased 3.6% to 28.53 cents in 2012 from 27.53 cents in 2011. Regional PRASM increased 6.1% to $21.43 cents in 2012 from $20.19 cents in 2011.

- Cargo revenues were $675 million in 2012, a decrease of $34 million, or 4.8%, primarily as a result of decreased freight and mail traffic and yields.
- Other revenues were $2.5 billion in 2012, a decrease of $76 million, or 2.9%, primarily due to decreased revenue associated with the sale of mileage credits in the AAdvantage frequent flyer program and decreases in certain passenger service charge volumes and fees.

We derived approximately 60% of passenger revenues from domestic operations and approximately 40% from international operations (flights serving international destinations). Additional information regarding our domestic and international RASM and capacity is presented below:

	Year ended December 31, 2012			
	PRASM (cents)	Y-O-Y Change	ASMs (billions)	Y-O-Y Change
DOT Domestic	12.19	5.5 %	89.9	(1.9)%
International	12.41	5.7	62.7	0.1
DOT Latin America	13.86	3.8	31.3	4.4
DOT Atlantic	11.17	5.9	22.3	(6.6)
DOT Pacific	10.45	9.6	9.1	3.5

Operating Expenses

	2012	2011	Percentage Change
	(In millions)		
Aircraft fuel and related taxes	$7,705	$7,358	4.7
Salaries, wages and benefits	6,217	6,361	(2.3)
Maintenance, materials and repairs	1,158	1,039	11.5
Other rent and landing fees	1,083	1,194	(9.3)
Aircraft rent	553	645	(14.3)
Selling expenses	1,058	1,102	(4.0)
Depreciation and amortization	845	915	(7.7)
Special items, net	386	756	(48.9)
Other	2,674	2,637	1.4
Total mainline operating expenses	$21,679	$22,007	(1.5)
Regional operating expenses	$3,028	$3,009	0.6
Total operating expenses	$24,707	$25,016	(1.2)

Total operating expenses in 2012 were $24.7 billion as compared to $25.0 billion in 2011, a decrease of $309 million or 1.2%. The decrease in operating expenses was primarily driven by a $370 million or 48.9% decrease in special items, net. In 2011, we incurred a $725 million charge related to the impairment of certain aircraft and gates. See Note 6 to AAG's Consolidated Financial Statements in Part II, Item 8A for more information relating to special items. See detailed explanations below relating to other changes in operating expenses.

Mainline Operating Expenses per ASM:
Our mainline CASM was relatively flat year-over-year, decreasing 0.05 cents, or 0.4%, from 14.25 cents in 2011 to 14.20 cents in 2012. Excluding special items, fuel and profit sharing, our mainline CASM decreased 0.09 cents, or 1.0%, from 8.99 cents in 2011 to 8.90 cents in 2012, while mainline capacity decreased 1.1%.
The table below sets forth the major components of our total mainline CASM and our mainline CASM excluding special items, fuel and profit sharing for the years ended December 31, 2012 and 2011:

	2012	2011	Percent Increase (Decrease)
	(In cents)		
Mainline CASM:			
Aircraft fuel and related taxes	5.05	4.77	5.9
Salaries, wages and benefits	4.07	4.12	(1.2)
Maintenance, materials and repairs	0.76	0.67	13.4
Other rent and landing fees	0.71	0.77	(7.8)
Aircraft rent	0.36	0.42	(14.3)
Selling expenses	0.69	0.71	(2.8)
Depreciation and amortization	0.55	0.59	(6.8)
Special items, net	0.25	0.49	(49.0)
Other	1.75	1.71	2.3
Total mainline CASM	14.20	14.25	(0.4)
Less: Special items, net	(0.25)	(0.49)	
Less: Aircraft fuel and related taxes	(5.05)	(4.77)	
Total mainline CASM excluding special items, fuel and profit sharing [1]	8.90	8.99	(1.0)

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

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

- Aircraft fuel and related taxes per ASM increased 5.9% primarily due to a 6.3% increase in the average price per gallon of fuel, net of the effects of hedging, to $3.20 in 2012 from $3.01 in 2011.
- Maintenance, materials and repairs per ASM increased 13.4% primarily due to the timing of materials and repairs expenses.
- Other rent and landing fees per ASM decreased 7.8% primarily due to the rejection of bonds in connection with the Company's Chapter 11 Cases as described in Note 2 to AAG's Consolidated Financial Statements in Part II, Item 8A.
- Aircraft rent per ASM decreased 14.3% primarily as a result of the Company's Chapter 11 Cases as described in Note 2 to AAG's Consolidated Financial Statements in Part II, Item 8A.
- Depreciation and amortization per ASM decreased 6.8% as a result of certain aircraft impairment and obsolescence adjustments recorded in 2011.

Regional Operating Expenses:
Total regional expenses of $3.0 billion were relatively flat and only increased $19 million, or 0.6% as compared to 2011.
Nonoperating Income (Expense)

	2012	2011	Percent Increase (Decrease)
	(In millions)		
Interest income	$26	$26	(1.7)
Interest expense, net of capitalized interest	(632)	(811)	(22.1)
Other, net	221	(39)	nm
Total nonoperating expense, net	$(385)	$(824)	(53.2)

Interest expense, net of capitalized interest decreased $179 million, or 22.1% to $632 million in 2012 from $811 million in 2011 primarily as a result of the Company's Chapter 11 Cases as described in Note 2 in Part II, Item 8A.
Other nonoperating expense, net of $221 million in 2012 consists principally of a $280 million special credit related to the settlement of a commercial dispute, which was offset in part by foreign currency losses of $41 million.
Reorganization Items, Net
Reorganization items refer to revenues, expenses (including professional fees), realized gains and losses and provisions for losses that are realized or incurred as a direct result of the Chapter 11 Cases, which were filed in November of 2011. The following table summarizes the components included in reorganization items, net on AAG's Consolidated Statements of Operations for the years ended December 31, 2012 and 2011 (in millions):

	2012	2011
Pension and postretirement benefits	$(66)	$—
Aircraft and facility financing renegotiations and rejections [1]	1,950	102
Professional fees	229	14
Other	95	2
Total reorganization items, net	$2,208	$118

(1) Amounts include allowed claims (claims approved by the Bankruptcy Court) and estimated allowed claims relating to (i) the rejection or modification of financings related to aircraft and (ii) entry of orders treated as unsecured claims with respect to facility agreements supporting certain issuances of special facility revenue bonds. The Debtors recorded an estimated claim associated with the rejection or modification of a financing when the applicable motion was filed with the Bankruptcy Court to reject or modify such financing or facility agreement and the Debtors believed that it was probable the motion would be approved, and there was sufficient information to estimate the claim. See Note 2 to AAG's Consolidated Financial Statements in Part II, Item 8A for further information.

Income Tax Benefit
During 2012, the Company generated a pre-tax loss of approximately $2.4 billion and other comprehensive income before tax of approximately $1.6 billion. In accordance with accounting standards, the Company's net zero tax provision is required to be allocated between operating loss and accumulated other comprehensive income. Application of this guidance required the recognition of a non-cash income tax benefit of $569 million in operating results, offset by a $569 million charge to other comprehensive income for the year. See Note 11 to AAG’s Consolidated Financial Statements in Part II, Item 8A for additional information regarding the allocation of income tax benefit to Operating income and Accumulated other comprehensive income. The Company did not record a net tax provision (benefit) associated with its net loss for 2011 due to the Company providing a valuation allowance, as discussed in Note 11 to AAG’s Consolidated Financial Statements in Part II, Item 8A.

American's Results of Operations

In 2013, American recognized operating income of $1.5 billion, which compares to operating income of $82 million in 2012 and constitutes a $1.5 billion improvement that was driven by growth in operating revenues resulting from strong demand for air travel. American's net loss was $1.5 billion in 2013 which compares to a net loss of $1.9 billion in 2012. American's net loss was impacted by the recognition of net special charges of $2.8 billion and $1.7 billion in 2013 and 2012, respectively. To conform to current year presentation, certain operating revenues and expenses in prior years have been reclassified. As a result, prior year amounts may not agree to the amounts previously reported. See Note 4 to American's Consolidated Financial Statements in Part II, Item 8B for additional information.

In 2011, American realized an operating loss of $1.2 billion and a net loss of $2.0 billion. American's 2011 net loss was impacted by the recognition of $915 million in net special charges.

The table below presents American's net special charges (in millions):

	Year Ended December 31,		
	2013	2012	2011
Mainline operating special items, net [1]	$251	$386	$799
Nonoperating special items, net [2]	222	(280)	—
Reorganization items, net	2,640	2,179	116
Income tax special items, net [3]	(324)	(569)	—
Total	$2,789	$1,716	$915

(1) In 2013, special charges consisted primarily of a $107 million charge related to American's pilot long-term disability obligation, $47 million in severance and professional fees, $56 million related to employee awards granted in connection with the Merger, a $43 million charge for workers' compensation claims, and a $33 million impairment charge associated with certain Boeing 757 aircraft held for sale. These charges were offset in part by a $67 million gain on the sale of slots at LaGuardia Airport as a result of the settlement reached with the DOJ and a $31 million credit related to a change in accounting method resulting from the modification of American's AAdvantage miles agreement with Citibank.

In 2012, special charges consisted of $386 million of severance and related charges and write-off of leasehold improvements on aircraft and airport facilities that were rejected during the Chapter 11 process.

In 2011, special charges and other items consisted primarily of $725 million related to the impairment of certain aircraft and gates, $31 million of non-cash charges related to certain sale/leaseback transactions, and a $43 million revenue reduction as a result of a decrease in the breakage assumption related to the AAdvantage frequent flyer liability.

(2) In 2013, special charges consisted of interest charges of $68 million to recognize post-petition interest expense on unsecured obligations pursuant to the Plan, a $54 million charge related to the premium on tender for existing EETC financings and the write-off of debt issuance costs and $19 million in charges related to the repayment of existing EETC financings.

In 2012, special charges consisted of a $280 million benefit resulting from a settlement of a commercial dispute.

(3) In 2013 and 2012, special charges included, respectively, a $538 million and a $569 million non-cash income tax benefit from continuing operations. American is required to consider all items (including items recorded in other comprehensive income) in determining the amount of tax benefit that results from a loss from continuing operations and that should be allocated to continuing operations. As a result, American recorded a tax benefit on the loss from continuing operations for the year, which was exactly offset by income tax expense on other comprehensive income. However, while the income tax benefit from continuing operations is reported on the income statement, the income tax expense on other comprehensive income is recorded directly to Accumulated other comprehensive income (loss), which is a component of stockholder's equity. Because the income tax expense on other comprehensive income is equal to the income tax benefit from continuing operations, American's year-end net deferred tax position is not impacted by this tax allocation. The 2013 tax benefit was offset in part by a $214 million tax charge attributable to additional valuation allowance required to reduce deferred tax assets to the amount the Company believes is more likely than not to be realized.

2013 Compared to 2012

Operating Revenues

	2013	2012	Percent Increase (Decrease)
	(In millions)		
Mainline passenger	$ 19,594	$ 18,743	4.5
Regional passenger	2,927	2,914	0.5
Cargo	676	675	—
Other	2,563	2,493	2.8
Total operating revenues	$ 25,760	$ 24,825	3.8

Total operating revenues in 2013 were $25.8 billion as compared to $24.8 billion in 2012, an increase of $935 million or 3.8%, which was driven by strong demand for air travel. Significant changes in the components of operating revenues are as follows:

- Mainline passenger revenues increased 4.5% to $19.6 billion in 2013 as compared to $18.7 billion in 2012. Mainline RPMs increased 1.6%, as mainline capacity, as measured by ASMs, increased 1.2% resulting in a 0.3 point increase in load factor to 83.1%. Mainline passenger yield increased 2.9% to 15.26 cents in 2013 from 14.83 cents in 2012. Mainline PRASM increased 3.3% to 12.68 cents in 2013 from 12.28 cents in 2012.
- Regional passenger revenues were $2.9 billion which was relatively flat as compared to 2012. Regional RPMs increased 2.5%, as regional capacity, as measured by ASMs, increased 1.8% resulting in a 0.5 point increase in load factor. Regional passenger yield decreased 1.9% to 27.97 cents in 2013 from 28.53 cents in 2012. Regional PRASM decreased 1.3% to 21.15 cents in 2013 from 21.43 cents in 2012.
- Other revenues were $2.6 billion in 2013, an increase of $70 million, or 2.8%, primarily due to increased revenues associated with the sale of AAdvantage frequent flyer mileage credits and a $31 million special credit related to a change in accounting method resulting from the modification of American's AAdvantage miles agreement with Citibank.

American derived approximately 60% of its total passenger revenues from domestic operations and approximately 40% from international operations (flights serving international destinations). Additional information regarding American's domestic and international PRASM and capacity is presented below:

	Year ended December 31, 2013			
	PRASM (cents)	Y-O-Y Change	ASMs (billions)	Y-O-Y Change
DOT Domestic	12.55	3.1 %	89.3	(0.6)%
International	12.86	3.5	65.2	3.9
DOT Latin America	14.16	2.0	33.5	7.0
DOT Atlantic	12.23	9.4	22.1	(0.8)
DOT Pacific	9.76	(6.6)	9.6	5.1

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Operating Expenses

	2013	2012	Percent Increase (Decrease)
	(In millions)		
Aircraft fuel and related taxes	$7,628	$7,705	(1.0)
Salaries, wages and benefits	5,267	6,208	(15.2)
Maintenance, materials and repairs	1,222	1,158	5.5
Other rent and landing fees	1,117	1,083	3.2
Aircraft rent	743	554	34.2
Selling expenses	1,128	1,059	6.5
Depreciation and amortization	830	845	(1.7)
Special items, net	282	386	(26.9)
Other	2,935	2,696	8.9
Total mainline operating expenses	$21,152	$21,694	(2.5)
Regional expenses	$3,074	$3,049	0.8
Total operating expenses	$24,226	$24,743	(2.1)

Total operating expenses in 2013 were $24.2 billion as compared to $24.7 billion in 2012, a decrease of $517 million or 2.1%. The decrease in operating expenses was primarily driven by a $941 million, or 15.2% decrease in salaries, wages and benefits due to the results of voluntary and involuntary terminations in connection with the 2012 restructuring plan, as well as effects related to the freezing of American's pension plan in 2012. This decrease was offset in part by a $189 million, or 34.2% increase in aircraft rent as a result of new aircraft deliveries in 2013 as American continues its fleet renewal program, a $69 million, or 6.5% increase in selling expenses due to higher passenger revenues and a $239 million, or 8.9% increase in other operating expenses primarily due to higher costs associated with outsourced services and enhanced customer product offerings. See detailed explanations below relating to other changes in operating expenses.

Regional Operating Expenses

Total regional expenses increased $25 million, or 0.8%, in 2013 to $3.1 billion from $3.0 billion in 2012. The year-over-year increase was primarily driven by a $42 million, or 4.2%, increase in fuel costs driven by higher fuel consumption due to the transition from turboprop to regional jet aircraft, partially offset by a decrease in other regional expenses.

Nonoperating Income (Expense)

	2013	2012	Percent Increase (Decrease)
	(In millions)		
Interest income	$20	$25	(21.3)
Interest expense, net of capitalized interest	(700)	(633)	10.6
Related party interest, net	(10)	(13)	24.4
Other, net	(84)	223	nm
Total nonoperating expense, net	$(774)	$(398)	(94.2)

Interest expense, net of capitalized interest increased $67 million, or 10.6% to $700 million in 2013 from $633 million in 2012 primarily due to special charges of $68 million to recognize post-petition interest expense on unsecured obligations pursuant to the Plan.

Other nonoperating expense, net of $84 million in 2013 consists principally of net foreign currency losses of $55 million. Other nonoperating income in 2012 consisted principally of a $280 million special credit related to the settlement of a commercial dispute partially offset by net foreign currency losses.

Reorganization Items, Net

Reorganization items refer to revenues, expenses (including professional fees), realized gains and losses and provisions for losses that are realized or incurred as a direct result of the Chapter 11 Cases, which were filed in November of 2011. The following table summarizes the components included in reorganization items, net on American's Consolidated Statements of Operations for the years ended December 31, 2013 and 2012 (in millions):

	2013	2012
Pension and postretirement benefits	$—	$(66)
Labor-related claim [1]	1,733	—
Aircraft and facility financing renegotiations and rejections [2, 3]	320	1,951
Fair value of conversion discount [4]	218	—
Professional fees	199	227
Other	170	67
Total reorganization items, net	$2,640	$2,179

(1) In exchange for employees' contributions to the successful reorganization of the Company, including agreeing to reductions in pay and benefits, the Company agreed in the Plan to provide each employee group a deemed claim which was used to provide a distribution of a portion of the equity of the reorganized entity to those employees. Each employee group received a deemed claim amount based upon a portion of the value of cost savings provided by that group through reductions to pay and benefits as well as through certain work rule changes. The total value of this deemed claim was approximately $1.7 billion.

(2) Amounts include allowed claims (claims approved by the Bankruptcy Court) and estimated allowed claims relating to (i) the rejection or modification of financings related to aircraft and (ii) entry of orders treated as unsecured claims with respect to facility agreements supporting certain issuances of special facility revenue bonds. The Debtors recorded an estimated claim associated with the rejection or modification of a financing when the applicable motion was filed with the Bankruptcy Court to reject or modify such financing or facility agreement and the Debtors believed that it was probable the motion would be approved, and there was sufficient information to estimate the claim. See Note 2 to American's Consolidated Financial Statements in Part II, Item 8B for further information.

(3) Pursuant to the Plan, the Debtors agreed to allow certain post-petition unsecured claims on obligations. As a result, during the year ended December 31, 2013, American recorded reorganization charges to adjust estimated allowed claim amounts previously recorded on rejected special facility revenue bonds of $180 million, allowed general unsecured claims related to the 1990 and 1994 series of special facility revenue bonds that financed certain improvements at JFK and rejected bonds that financed certain improvements at ORD, which are included in the table above.

(4) The Plan allows unsecured creditors receiving Preferred Stock a conversion discount of 3.5%. Accordingly, American recorded the fair value of such discount upon the confirmation of the Plan by the Bankruptcy Court.

Income Tax Benefit

During 2013, American generated a pre-tax loss of approximately $1.9 billion and other comprehensive income before tax of approximately $1.5 billion. In accordance with accounting standards, American must record a net zero tax provision which is required to be allocated between operating loss and accumulated other comprehensive income. Application of this guidance required the recognition of a non-cash income tax benefit of $538 million in operating results, offset by a $538 million charge to other comprehensive income for the year. See Note 10 to American's Consolidated Financial Statements in Part II, Item 8B for additional information regarding the allocation of income tax benefit to Operating income and Accumulated other comprehensive income. American recorded a similar non-cash income tax benefit of $569 million in operating results for 2012, offset by a $569 million charge to other comprehensive income for the year, as discussed in Note 10 to American's Consolidated Financial Statements in Part II, Item 8B.

American has evaluated the realization of its deferred tax assets in accordance with the principles provided in ASC 740. In connection with AMR's fourth quarter emergence 2013 from bankruptcy and related accounting for the acquisition of US Airways, American determined that an additional valuation allowance of approximately $214 million is required to reduce its deferred tax assets to the amount that it believes to be more likely than not to be realized. This $214 million results in a charge to tax expense in continuing operations for the period. American’s assessment of the realization of its deferred tax assets is based primarily on the future reversal of American's existing taxable temporary differences. American is not relying on projections of future income for the realization of deferred tax assets. See Note 10 to American's Consolidated Financial Statements in Part II, Item 8B for additional information regarding deferred taxes.

American has also recorded an income tax expense credit of approximately $30 million in 2013 resulting from its anticipated election under Section 3081 of the Housing and Economic Recovery Act of 2008 (as extended by the American Taxpayer Relief Act of 2012), allowing corporations a refund of certain research and alternative minimum tax (AMT) credit carryforwards in lieu of applicable bonus depreciation on certain qualifying capital investments.

2012 Compared to 2011

Operating Revenues

	2012	2011	Percent Increase (Decrease)	
	(In millions)			
Mainline passenger	$ 18,743	$ 17,947	4.4	
Regional passenger	2,914	2,724	7.0	
Cargo	675	709	(4.8	)
Other	2,493	2,577	(3.3	)
Total operating revenues	$ 24,825	$ 23,957	3.6	

Total operating revenues in 2012 were $24.8 billion as compared to $24.0 billion in 2011, an increase of $868 million or 3.6%, driven by the strong revenue demand environment. Significant changes in the components of operating revenues are as follows:

- Mainline passenger revenues increased 4.4% to $18.7 billion in 2012 as compared to $17.9 billion in 2011. The benefits of the strong demand environment were offset in part by labor related operational disruptions and disruptions associated with Hurricane Sandy and the early November snowstorm in the Northeast United States, which had an estimated impact on the Company's 2012 passenger revenues of $120 million and $65 million, respectively. Mainline RPMs decreased 0.1%, as mainline capacity, as measured by ASMs, decreased 1.1% resulting in a 0.9 point increase in load factor to 82.8%. Mainline passenger yield increased 4.5% to 14.83 cents in 2012 from 14.19 cents in 2011. Mainline PRASM increased 5.6% to 12.28 cents in 2012 from 11.63 cents in 2011.
- Regional passenger revenues were $2.9 billion in 2012 as compared to $2.7 billion in 2011, an increase of $190 million or 7.0%. Regional RPMs increased 3.2%, as regional capacity, as measured by ASMs increased 0.7% resulting in a 1.9 point increase in load factor. Regional passenger yield increased 3.6% to 28.53 cents in 2012 from 27.53 cents in 2011. Regional PRASM increased 6.1% to 21.43 cents in 2012 from 20.19 cents in 2011.
- Cargo revenues were $675 million in 2012, a decrease of $34 million, or 4.8%, primarily as a result of decreased freight and mail traffic and yields.
- Other revenues were $2.5 billion in 2012, a decrease of $84 million, or 3.3%, primarily due to decreased revenue associated with the sale of mileage credits in the AAdvantage frequent flyer program and decreases in certain passenger service charge volumes and fees.

American derived approximately 60% of passenger revenues from domestic operations and approximately 40% from international operations (flights serving international destinations). Additional information regarding American's domestic and international RASM and capacity is presented below:

	Year ended December 31, 2012					
	PRASM (cents)	Y-O-Y Change		ASMs (billions)	Y-O-Y Change	
DOT Domestic	12.18	5.5	%	89.9	(1.9	)%
International	12.42	5.7		62.7	0.1	
DOT Latin America	13.89	3.8		31.3	4.4	
DOT Atlantic	11.17	5.9		22.3	(6.6	)
DOT Pacific	10.45	9.6		9.1	3.5	

Operating Expenses

	2012	2011	Percentage Change
	(In millions)		
Aircraft fuel and related taxes	$7,705	$7,358	4.7
Salaries, wages and benefits	6,208	6,353	(2.3)
Maintenance, materials and repairs	1,158	1,038	11.6
Other rent and landing fees	1,083	1,194	(9.3)
Aircraft rent	554	645	(14.2)
Selling expenses	1,059	1,103	(4.0)
Depreciation and amortization	845	915	(7.7)
Special items, net	386	756	(48.9)
Other	2,696	2,650	1.7
Total mainline operating expenses	$21,694	$22,012	(1.4)
Regional operating expenses	$3,049	$3,099	(1.6)
Total operating expenses	$24,743	$25,111	(1.5)

Total operating expenses in 2012 were $24.7 billion as compared to $25.1 billion in 2011, a decrease of $368 million or 1.5%. The decrease in operating expenses was primarily driven by a $370 million or 48.9% decrease in special items, net. In 2011, American incurred a $725 million charge related to the impairment of certain aircraft and gates. See Note 5 to American's Consolidated Financial Statements in Part II, Item 8B for more information relating to special items. See detailed explanations below relating to other changes in operating expenses.

Regional Operating Expenses:

Total regional expenses decreased $50 million, or 1.6%, in 2012 to $3.0 billion from $3.1 billion in 2011. The year-over-year decrease was primarily driven by a $135 million, or 6.3% decrease in other regional expenses, partially offset by a 6.3% increase in the average price per gallon of fuel to $3.23 in 2012 from $3.04 in 2011.

Nonoperating Income (Expense)

	2012	2011	Percent Increase (Decrease)
	(In millions)		
Interest income	$25	$25	(0.5)%
Interest expense, net of capitalized interest	(633)	(672)	(5.8)
Related-party interest, net	(13)	(14)	(4.0)
Other, net	223	(34)	nm
Total nonoperating expense, net	$(398)	$(695)	(50.9)

Interest expense, net of capitalized interest decreased $39 million, or 5.8% to $633 million in 2012 from $672 million in 2011 primarily as a result of the Company's Chapter 11 Cases as described in Note 2 to American's Consolidated Financial Statements in Part II, Item 8B.

Other nonoperating expense, net of $223 million in 2012 consisted of a $280 million special credit related to the settlement of a commercial dispute, which was offset in part by foreign currency losses of $41 million.

Reorganization Items, Net

Reorganization items refer to revenues, expenses (including professional fees), realized gains and losses and provisions for losses that are realized or incurred as a direct result of the Chapter 11 Cases, which were filed in November of 2011. The following table summarizes the components included in reorganization items, net on American's Consolidated Statements of Operations for the years ended December 31, 2012 and 2011 (in millions):

	2012	2011
Pension and postretirement benefits	$(66)	$—
Aircraft and facility financing renegotiations and rejections [1]	1,951	102
Professional fees	227	14
Other	67	—
Total reorganization items, net	$2,179	$116

(1) Amounts include allowed claims (claims approved by the Bankruptcy Court) and estimated allowed claims relating to (i) the rejection or modification of financings related to aircraft and (ii) entry of orders treated as unsecured claims with respect to facility agreements supporting certain issuances of special facility revenue bonds. The Debtors recorded an estimated claim associated with the rejection or modification of a financing when the applicable motion was filed with the Bankruptcy Court to reject or modify such financing or facility agreement and the Debtors believed that it was probable the motion would be approved, and there was sufficient information to estimate the claim. See Note 2 to American's Consolidated Financial Statements in Part II, Item 8B for further information.

Income Tax Benefit

During 2012, the Company generated a pre-tax loss of approximately $2.5 billion and other comprehensive income before tax of approximately $1.6 billion. In accordance with accounting standards, the Company's net zero tax provision is required to be allocated between operating loss and accumulated other comprehensive income. Application of this guidance required the recognition of a non-cash income tax benefit of $569 million in operating results, offset by a $569 million charge to other comprehensive income for the year. See Note 10 to American's Consolidated Financial Statements in Part II, Item 8B for additional information regarding the allocation of income tax benefit to Operating income and Accumulated other comprehensive income. The Company did not record a net tax provision (benefit) associated with its net loss for 2011 due to the Company providing a valuation allowance, as discussed in Note 10 to American's Consolidated Financial Statements in Part II, Item 8B.

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Liquidity and Capital Resources

Cash, Short-Term Investments and Restricted Assets

As of December 31, 2013, AAG's total cash, short-term investments and restricted cash and short-term investments was $10.3 billion, of which $1.0 billion was restricted. This includes American's total cash and short-term investments of $6.7 billion ($702 million restricted) and US Airways Group's cash and short-term investments of $3.6 billion ($333 million restricted). Additional detail is provided in the table below (in millions):

	AAG		American	
	December 31,		December 31,	
	2013	2012	2013	2012
Cash	$ 1,140	$ 480	$ 829	$ 474
Short-term investments	8,111	3,412	5,162	3,408
Restricted cash and short-term investments [1]	1,035	850	702	850
Total cash, short-term investments and restricted cash and short-term investments	$ 10,286	$ 4,742	$ 6,693	$ 4,732

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

As of December 31, 2013, approximately $783 million of American's cash and short-term investments balances were held in foreign bank accounts, of which $710 million is held as Venezuela bolivars.

The business environment in Venezuela has been challenging, with economic uncertainty fueled by currency devaluation, high inflation and governmental restrictions, including currency exchange and payment controls, price controls and the possibility of expropriation of property or other resources. As of December 31, 2013, approximately $710 million of our unrestricted cash balance was held as Venezuelan bolivars, valued at a weighted average rate of 6.04 bolivars to the dollar. The period of time to exchange those funds into dollars and repatriate them has been increasing and is presently more than a year. On January 23, 2014, the Venezuelan government issued a regulation to implement a new system for determining the exchange rate based on the result of limited periodic sales of dollars known as Sicad auctions (currently 11.80 to the dollar based on the February 21, 2014 Sicad auction) for repatriation of income from future ticket sales, and introduced new procedures for approval of conversion and repatriation of local currency. The government also enacted a new law effective February 19, 2014 that authorizes additional methods of exchanging Venezuelan bolivars at rates other than the controlled base rate of 6.3 to the dollar or the existing Sicad auction rate, but the regulations necessary to implement the law are still pending and it is not clear at this point whether or how the new methods may impact the pending balances of Venezuelan bolivars held by airlines. We are working with Venezuelan authorities regarding the timing and exchange rate applicable to the repatriation of funds held in local currency. Further, the current, devalued rates may have an ongoing adverse effect on our reported results if we are unable to fully adjust prices on flights to and from Venezuela, of which there can be no assurance. More generally, fluctuations in foreign currencies, including devaluations, cannot be predicted by the Company 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 I - 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 on currency risks.

Our unrestricted short-term investment portfolio consists of a variety of what we believe are highly liquid, lower risk instruments including money market funds, government agency investments, repurchase agreements, short-term obligations, corporate obligations, bank notes, certificates of deposit and time deposits. Our objectives for our investment portfolio are (1) the safety of principal, (2) liquidity maintenance, (3) yield maximization and (4) the full investment of all available funds. Our risk management policy further emphasizes superior credit quality (primarily based on short-term ratings by nationally recognized statistical rating organizations) in selecting and maintaining investments in our portfolio and enforce limits on the proportion of funds invested with one issuer, one industry or one type of instrument. We regularly assess the market risks of our portfolio.

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Sources and Uses of Cash
AAG
2013 Compared to 2012
Operating Activities
Net cash provided by operating activities was $675 million and $1.3 billion in 2013 and 2012, respectively, a year-over-year decrease of $610 million. This year-over-year decrease was primarily due to the inclusion of US Airways Group's net cash used in operating activities of $327 million, for the post-merger period from December 9, 2013 to December 31, 2013, and our emergence from bankruptcy in 2013 which triggered cash payments for certain liabilities.
Investing Activities
Net cash used in investing activities was $3.8 billion and $1.6 billion in 2013 and 2012, respectively.
Principal investing activities in 2013 included expenditures of $3.1 billion for property and equipment and consisted primarily of the purchases of 31 Boeing 737 aircraft and eight Boeing 777 aircraft and pre-delivery deposits for aircraft on order and $1.2 billion in net purchases of short-term investments. These cash outflows were offset in part by proceeds from the sale of certain property and equipment and a $147 million decrease in restricted cash and short-term investments. Additionally, in connection with the Merger, the Company acquired the $206 million cash balance of US Airways Group.
Principal investing activities in 2012 included expenditures of $1.9 billion for property and equipment and consisted primarily of the purchase of 28 Boeing 737 aircraft and two Boeing 777 aircraft and pre-delivery deposits for aircraft on order and $112 million from an increase in restricted cash and short-term investments. These cash outflows were offset in part by cash proceeds of $306 million from net sales of short-term investments and $123 million in proceeds from the sale of certain property and equipment.
Financing Activities
Net cash provided by financing activities was $3.8 billion and $483 million in 2013 and 2012, respectively.
Principal financing activities in 2013 included proceeds of $6.8 billion and consisted primarily of the issuance of debt of $5.1 billion, including the $1.9 billion Term Loan Facility and proceeds from sale-leaseback transactions of $1.7 billion. These cash inflows were offset in part by debt repayments of $2.9 billion.
Principal financing activities in 2012 included proceeds of $1.8 billion and consisted primarily of $1.5 billion in proceeds from sale-leaseback transactions. These proceeds were offset in part by debt repayments of $1.3 billion.
2012 Compared to 2011
Operating Activities
Net cash provided by operating activities was $1.3 billion and $743 million in 2012 and 2011, respectively, a year-over-year improvement of $542 million. This increase was primarily the result of a stronger revenue environment and cost savings resulting from our Chapter 11 Cases as described in Note 2 to AAG's Consolidated Financial Statements in Part II, Item 8A.
Investing Activities
Net cash used in investing activities was $1.6 billion and $1.3 billion in 2012 and 2011, respectively.
Principal investing activities in 2012 included expenditures of $1.9 billion for property and equipment and consisted primarily of the purchase of 28 Boeing 737 aircraft and two Boeing 777 aircraft and pre-delivery deposits for aircraft on order and $112 million from an increase in restricted cash and short-term investments. These cash outflows were offset in part by cash proceeds of $306 million from net sales of short-term investments and $123 million in proceeds from the sale of certain property and equipment.
Principal investing activities in 2011 included expenditures of $1.6 billion for property and equipment and new aircraft, consisting primarily of the purchase of 15 Boeing 737 aircraft and certain aircraft modifications, including pre-delivery deposits for aircraft on order of $630 million and $288 million from an increase in restricted cash and short-term investments. These cash outflows were partially offset by proceeds from the net sales of short-term investments of $610 million.

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Financing Activities

Net cash provided by financing activities was $483 million and $664 million in 2012 and 2011, respectively.

Principal financing activities in 2012 included proceeds of $1.8 billion and consisted primarily of $1.5 billion in proceeds from sale-leaseback transactions. These proceeds were offset in part by debt repayments of $1.3 billion.

Principal financing activities in 2011 included proceeds of $2.6 billion related to the issuance of debt and $703 million related to sale-leaseback transactions. These proceeds were offset by payments on existing debt and capital leases of $2.5 billion.

American

2013 Compared to 2012

Operating Activities

Net cash provided by operating activities was $949 million and $1.2 billion in 2013 and 2012, respectively, a year-over-year decrease of $205 million. This decrease was due principally to emergence from bankruptcy in 2013, which triggered payments for several liabilities.

Investing Activities

Net cash used in investing activities was $4.5 billion and $1.6 billion in 2013 and 2012, respectively.

Principal investing activities in 2013 included expenditures of $3.0 billion for property and equipment and consisted primarily of the purchases of 31 Boeing 737 aircraft and eight Boeing 777 aircraft and pre-delivery deposits for aircraft on order and $1.8 billion in net purchases of short-term investments. These cash outflows were offset in part by $115 million in proceeds from the sale of certain property and equipment and a $148 million decrease in restricted cash and short-term investments.

Principal investing activities in 2012 included expenditures of $1.9 billion for property and equipment and consisted primarily of the purchase of 28 Boeing 737 aircraft and 2 Boeing 777 aircraft and pre-delivery deposits for aircraft on order. These cash outflows were offset in part by cash proceeds of $306 million from net sales of marketable securities and $124 million obtained in the sale of certain property and equipment.

Financing Activities

Net cash provided by financing activities was $3.9 billion and $592 million in 2013 and 2012, respectively.

Principal financing activities in 2013 included proceeds of $6.6 billion and consisted primarily of the issuance of debt of $4.8 billion, including the $1.9 billion Term Loan and several EETC financings, and proceeds from sale-leaseback transactions of $1.7 billion. These cash inflows were offset in part by debt repayments of $2.6 billion.

Principal financing activities in 2012 included proceeds of $1.8 billion and consisted primarily of $1.5 billion in proceeds from sale-leaseback transactions. These proceeds were offset in part by debt repayments of $1.3 billion.

2012 Compared to 2011

Operating Activities

Net cash provided by operating activities was $1.2 billion and $760 million in 2012 and 2011, respectively, a year-over-year improvement of $394 million. This increase was primarily the result of a stronger revenue environment and cost savings resulting from our Chapter 11 Cases as described in Note 2 to AAG's Consolidated Financial Statements in Part II, Item 8B.

Investing Activities

Net cash used in investing activities was $1.6 billion and $1.1 billion in 2012 and 2011, respectively.

Principal investing activities in 2012 included expenditures of $1.9 billion for property and equipment and consisted primarily of the purchase of 28 Boeing 737 aircraft and 2 Boeing 777 aircraft and pre-delivery deposits for aircraft on order. These cash outflows were offset in part by cash proceeds of $306 million from net sales of marketable securities and $124 million obtained in the sale of certain property and equipment.

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Principal investing activities in 2011 included expenditures of $1.4 billion for new aircraft consisting of 15 Boeing 737 aircraft and certain aircraft modifications, including pre-delivery deposits for aircraft on order of $630 million and $288 million from an increase in restricted cash and short-term investments. These cash outflows were offset in part by $608 million in proceeds from the sale of short-term investments.

Financing Activities

Net cash provided by financing activities was $592 million and $471 million in 2012 and 2011, respectively.

Principal financing activities in 2012 included proceeds of $1.8 billion and consisted primarily of $1.5 billion in proceeds from sale-leaseback transactions. These proceeds were offset by payments on existing debt and capital leases of $1.3 billion.

Principal financing activities in 2011 included proceeds of $2.4 billion related to the issuance of debt and $703 million related to sale-leaseback transactions. These proceeds were offset by payments on existing debt and capital leases of $2.2 billion and funds transferred from affiliates of $311 million.

Commitments

Significant Indebtedness

As of December 31, 2013, AAG and American had $16.8 billion and $10.8 billion, respectively, in long-term debt and capital leases (including current maturities and before debt discount). Our significant indebtedness includes the following agreements:

Credit Facilities (American)

On June 27, 2013, American and AAG entered into a Credit and Guaranty Agreement (as amended, the Credit Agreement) with certain lenders. The Credit Agreement provides for a $1.9 billion term loan facility (the Term Loan Facility) and a $1.0 billion revolving credit facility (the Revolving Facility and, together with the Term Loan Facility, the Credit Facilities). As of December 31, 2013, American had borrowed $1.9 billion under the Term Loan Facility. The Credit Facilities are secured obligations of American and guaranteed by AAG. The Revolving Facility provides that American may from time to time borrow, repay and reborrow loans thereunder and have letters of credit issued thereunder in an aggregate amount outstanding at any time of up to $1.0 billion. As of December 31, 2013, there were no borrowings outstanding under the Revolving Facility.

Upon consummation of the Merger, US Airways Group and US Airways joined the Credit Facilities as guarantors. Following the joinder, certain minimum dollar-thresholds under the negative and financial covenants in the Credit Facilities were automatically increased. The Term Loan Facility and Revolving Facility mature on June 27, 2019 and June 27, 2018, respectively, unless otherwise extended by the applicable parties. The Term Loan Facility is repayable in quarterly installments in an amount equal to 0.25% of the original principal amount thereof with any unpaid balance due on the maturity date of the Term Loan Facility.

Voluntary prepayments may be made by American at any time, with a premium of 1.00% applicable to certain prepayments made prior to the date that is six months following December 27, 2013. Mandatory prepayments at par of term loans and revolving loans are required to the extent necessary to comply with American's covenants regarding the collateral coverage ratio and certain dispositions of collateral. In addition, if a "change of control" (as defined in the Credit Agreement) occurs, American will, absent an amendment or waiver, be required to repay at par the loans outstanding under the Credit Facilities and terminate the Revolving Facility.

The Credit Facilities bear interest at an index rate plus an applicable index margin or, at American's option, LIBOR (subject to a floor of 0.75%, with respect to the Term Loan) plus an applicable LIBOR margin. The applicable LIBOR margin is 3.00% for borrowings under both the Term Loan Facility and the Revolving Facility. Subject to certain limitations and exceptions, the Credit Facilities are secured by certain collateral, including liens on certain route authorities to operate between certain specified cities, certain take-off and landing rights at certain airports and American is required to maintain a certain minimum ratio of appraised value of the collateral to the outstanding loans under the Credit Facilities as more fully described below in "Collateral Related Covenants".

The Credit Facilities contain events of default customary for similar financings, including cross default to other material indebtedness. Upon the occurrence of an event of default, the outstanding obligations under the Credit Facilities may be accelerated and become due and payable immediately. The Credit Facilities also include covenants that, among other things, require AAG to maintain a minimum aggregate liquidity (as defined in the Credit Facilities) of not less than $2.0 billion, and limit the ability of AAG and its restricted subsidiaries to pay dividends and make certain other payments, make certain investments, incur additional indebtedness, incur liens on the collateral, dispose of the collateral, enter into certain affiliate transactions and engage in certain business activities, in each case subject to certain exceptions.

Senior Secured Notes (American)

In March 2011, American issued $1.0 billion aggregate principal amount of senior secured notes due 2016 (the Senior Secured Notes) guaranteed on an unsecured basis by AAG. In connection with the closing of the Merger, US Airways and US Airways Group entered into a First Supplemental Indenture, dated as of December 9, 2013, pursuant to which US Airways and US Airways Group became guarantors. The Senior Secured Notes bear interest at a rate of 7.50% per annum, payable semi-annually on March 15 and September 15 of each year, beginning September 15, 2011. As is customary for financings of this nature, the indebtedness evidenced by the Senior Secured Notes may be accelerated upon the occurrence of events of default under the related indenture. Subject to certain limitations and exceptions, the Senior Secured Notes are secured by certain route authorities, airport landing and takeoff slots, and rights to use or occupy space in airport terminals, in each case that American uses to operate non-stop services between certain airports and American is required maintain a certain minimum ratio of appraised value of the collateral to the outstanding amounts under the Senior Secured Notes as more fully described below in "Collateral Related Covenants."

American, at its option, may redeem some or all of the Senior Secured Notes at any time on or after March 15, 2013, at specified redemption prices, plus accrued and unpaid interest, if any. In addition, at any time prior to March 15, 2014, American, at its option, may redeem (1) up to 35% of the aggregate principal amount of the Senior Secured Notes with the proceeds of certain equity offerings at a redemption price of 107.5% of their principal amount, plus accrued and unpaid interest, if any, and (2) during any 12-month period, up to 10% of the original aggregate principal amount of the Senior Secured Notes at a redemption price of 103% of their principal amount, plus accrued and unpaid interest, if any. If American sells certain assets or if a "change of control" (as defined in the indenture) occurs, American must offer to repurchase the Senior Secured Notes at prices specified in the indenture.

The indenture for the Senior Secured Notes includes covenants that, among other things, limit the ability of the Company and its subsidiaries to merge, consolidate, sell assets, incur additional indebtedness, issue preferred stock, make investments and pay dividends. The indenture for the Senior Secured Notes also contains events of default customary for similar financings, including cross-default to certain material indebtedness of American. Upon the occurrence of certain events of default, the Senior Secured Notes may be accelerated and become due and payable.

2013 Citicorp Credit Facility (US Airways)

US Airways Group and certain other subsidiaries of US Airways Group are guarantors of the 2013 Citicorp Credit Facility agreement dated as of May 23, 2013. In connection with the closing of the Merger, AAG and American entered into a joinder to the 2013 Citicorp credit facility loan agreement pursuant to which AAG and American became guarantors under such agreement.

The 2013 Citicorp Credit Facility consists of $1.0 billion of tranche B-1 term loans (Tranche B-1) and $600 million of tranche B-2 term loans (Tranche B-2). Voluntary prepayments may be made by US Airways Group at any time, with a premium of 1.00% applicable to certain prepayments made prior to the date that is six months following January 16, 2014. Mandatory prepayments of the term loans are required to the extent necessary to comply with US Airways Group’s covenants regarding the collateral coverage ratio and certain dispositions of collateral. In addition, under the 2013 Citicorp Credit Facility agreement, if a "change of control" (as defined in the 2013 Citicorp Credit Facility agreement) occurs, US Airways will (absent an amendment or waiver) be required to repay the outstanding loans in full together with accrued interest thereon to the date of such prepayment.

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

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

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

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

See Note 9 to AAG's Consolidated Financial Statements in Part II, Item 8A and Note 8 to American's Consolidated Financial Statements in Part II, Item 8B for further information on all indebtedness as of December 31, 2013.

Collateral Related Covenants

Certain of American's and US Airways' debt financing agreements contain loan to value ratio covenants and require American and US Airways under their respective financing agreements to periodically appraise the collateral. Pursuant to such agreements, if the loan to value ratio exceeds a specified threshold, American or US Airways is required, as applicable, to subject additional qualifying collateral (which in some cases may include cash collateral), or pay down such financing, in whole or in part, with premium (if any), or pay additional interest on the related indebtedness, as described below.

Specifically, American is required to meet certain collateral coverage tests on a periodic basis on two financing transactions: (1) the Senior Secured Notes and (2) the Credit Facilities, and US Airways is required to meet a collateral coverage test on a periodic basis on the 2013 Citicorp Credit Facility, in each case, as described below:

	Senior Secured Notes	Credit Facilities	2013 Citicorp Credit Facility
Frequency of Appraisals of Appraised Collateral	Semi-Annual (June and December)	Semi-Annual (June and December)	Once per Fiscal Year [1]
LTV Requirement	1.5x Collateral valuation to amount of debt outstanding (equivalent to maximum LTV of 67%); failure to meet collateral test results in American paying 2% additional interest until the ratio is at least 1.5x; additional collateral can be posted, or debt repaid, to meet this test	1.6x Collateral valuation to amount of debt outstanding (equivalent to maximum LTV of 62.5%); if collateral test is not met, American must post additional collateral and/or repay debt until the test is met	1.5x Collateral valuation to amount of debt outstanding (equivalent to maximum LTV of 67%); if collateral test is not met, US Airways must deposit additional unrestricted cash, post additional collateral, repay debt or any combination of the foregoing until the test is met
LTV as of Last Measurement Date	38.8%	33.8%	60.7%
Collateral Description	Generally, certain route authorities, Slots, and rights to airport facilities used by American to operate certain services between the U.S. and London Heathrow, Tokyo Narita/Haneda, and China	Generally, certain route authorities, Slots, and rights to airport facilities used by American to operate all services between the U.S. and South America	Generally, certain route authorities, certain Slots (e.g., Washington Reagan, LaGuardia and London), accounts receivable, certain engines, certain spare parts and ground service equipment, certain simulators, certain leasehold real estate assets and cash

(1) With respect to spare parts, one physical appraisal and one desktop appraisal are required in each fiscal year.

As of December 31, 2013, the Company, American and US Airways were in compliance with the most recently completed collateral coverage test for the Senior Secured Notes, Credit Facilities and the 2013 Citicorp Credit Facility, as applicable.

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Credit Ratings

The following table details our credit ratings as of December 31, 2013:

	S&P Local Issuer Credit Rating	Fitch Issuer Default Credit Rating	Moody's Corporate Family Rating
American Airlines Group	B	B+	B1
American Airlines	B	B+	*
US Airways Group	*	B+	B1
US Airways	B	B+	*

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

A decrease in our credit ratings could cause our borrowing costs to increase, which would increase our interest expense and could affect our net income, and our credit ratings could adversely affect our ability to obtain additional financing. If our financial performance or industry conditions worsen, we may face future downgrades, which could negatively impact our borrowing costs and the prices of our equity or debt securities. In addition, any downgrade of our credit ratings may indicate a decline in our business and in our ability to satisfy our obligations under our indebtedness. See Note 9 to AAG's Consolidated Financial Statements in Part II, Item 8A and Note 8 to American's Consolidated Financial Statements in Part II, Item 8B for further information on all indebtedness as of December 31, 2013.

Aircraft and Engine Purchase Commitments

We have definitive purchase agreements with Airbus, Boeing and other manufacturers for the acquisition of an aggregate of 617 mainline and regional aircraft. We also have agreements for 44 spare engines to be delivered in 2014 and beyond. Under all of our aircraft and engine purchase agreements, our total future commitments as of December 31, 2013 are expected to be as follows (approximately, in millions):

	2014	2015	2016	2017	2018	2019 and Thereafter	Total
Payments for American aircraft commitments and certain engines [1]	$2,817	$2,965	$3,275	$3,204	$4,018	$15,794	$32,073
Payments for US Airways aircraft commitments and certain engines	$977	$560	$107	$679	$943	$552	$3,818

(1) These amounts are net of purchase deposits currently held by the manufacturers and include all commitments for regional aircraft. American has granted Boeing a security interest in American's purchase deposits with Boeing. The Company's purchase deposits totaled $1.1 billion as of December 31, 2013.

We do not have financing commitments for the following aircraft currently on order and scheduled to be delivered through 2016: sixteen Airbus 320 family aircraft, 10 Boeing 777-300ER aircraft and 18 Boeing 787 aircraft. In addition, we do not have financing commitments in place for the majority of aircraft currently on order and scheduled to be delivered in 2017 and beyond. See Part I, Item 1A, Risk Factors - "We will need to obtain sufficient financing or other capital to operate successfully."

Credit Card Processing and Other Reserves

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

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Pension Funding Obligation

We are required to make minimum contributions to our defined benefit pension plans under the minimum funding requirements of ERISA, the Pension Funding Equity Act of 2004, the Pension Protection Act of 2006, the Pension Relief Act of 2010, and the Moving Ahead for Progress in the 21st Century Act of 2012. In 2013 we contributed $489 million to our defined benefit pension plans, which covered minimum contributions for periods prior to our Chapter 11 filing and periods thereafter (see Note 2 to AAG's Consolidated Financial Statements in Part II, Item 8A and Note 2 to American's Consolidated Financial Statements in Part II, Item 8A for further information), as well as certain interest and penalty interest due with respect to contributions for pre-petition periods.

American's minimum required contribution to our pension plans for 2014 is $120 million. Currently, our minimum funding obligation for our pension plans is subject to temporary favorable rules that are scheduled to expire at the end of 2017. Upon expiration of these rules, our funding obligations are likely to increase materially.

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.

We have no off-balance sheet arrangements of the types described in the first three categories above that we believe may have a material current or future effect on financial condition, liquidity or results of operations. Certain guarantees that we do not expect to have a material current or future effect on our financial condition, liquidity or results of operations are disclosed in Note 8 to AAG's Consolidated Financial Statements included in Part II, Item 8A and Note 7 to American's Consolidated Financial Statements included in Part II, Item 8B of this report.

Special Facility Revenue Bonds

Certain special facility revenue bonds were issued by certain municipalities primarily to purchase equipment and improve airport facilities that are leased by American and accounted for as operating leases. In accordance with various orders of the Bankruptcy Court and/or the Plan, special facility revenue bond claims in connection with the Alliance Airport, Dallas-Fort Worth International Airport, Chicago O'Hare International Airport, Luis Munoz Marin International Airport in San Juan, and certain special revenue bond claims in relation to the John F. Kennedy International Airport were treated as general unsecured claims. In addition, pursuant to the Plan, the agreements with respect to the special facility revenue bonds relating to the Tulsa International Airport have remained in full force and effect, in accordance with their original terms and conditions, and constitute ongoing obligations of American or AAG, as reflected in the particular agreement. Approximately $498 million of the special facility revenue bonds (with total future payments of approximately $715 million as of December 31, 2013) are guaranteed by AAG, American, US Airways Group or US Airways. Approximately $112 million of these special facility revenue bonds contain mandatory tender provisions that require American to make operating lease payments sufficient to repurchase the bonds in 2014. Although American has the right to remarket the bonds, there can be no assurance that these bonds will be successfully remarketed. Any payments to redeem or purchase bonds that are not remarketed would generally reduce existing rent leveling accruals or are considered prepaid facility rentals and would reduce future operating lease commitments.

Pass-Through Trusts

We have financed certain aircraft and engines with pass-through trust certificates, or enhanced equipment trust certificates (EETCs), issued by pass-through trusts. These trusts are off-balance sheet entities, the primary purpose of which is to finance our acquisition of flight equipment. Rather than finance each aircraft separately when such aircraft is purchased, delivered or refinanced, these trusts allow American and US Airways to raise the financing for several aircraft at one time and place such funds in escrow pending the purchase, delivery or refinancing of the relevant aircraft. The trusts were also structured to provide for certain credit enhancements, such as liquidity facilities to cover certain interest payments, that reduce the risks to the purchasers of the trust certificates and, as a result, reduce the cost of aircraft financing to American and US Airways.

Each trust covered a set amount of aircraft scheduled to be delivered or refinanced within a specific period of time. At the time of each covered aircraft financing, the relevant trust used the funds in escrow to purchase equipment notes relating to the financed aircraft. The equipment notes were issued, at American or US Airways' election, in connection with a mortgage financing of the aircraft or, in certain cases, by a separate owner trust in connection with a leveraged lease financing of the aircraft. In the case of a leveraged lease financing, the owner trust then leased the aircraft to American or US Airways. In both cases, the equipment notes are secured by a security interest in the aircraft. The pass-through trust certificates are not direct obligations of, nor are they guaranteed by, AAG, American, US Airways Group or US Airways. However, in the case of mortgage financings, the equipment notes issued to the trusts are direct obligations of American or US Airways and, in certain instances, are guaranteed by AAG or US Airways Group as applicable. As of December 31, 2013, $6.0 billion associated with these mortgage financings is reflected as debt in the accompanying consolidated balance sheet.

With respect to leveraged leases, American or US Airways evaluated whether the leases had characteristics of a variable interest entity. American or US Airways concluded the leasing entities met the criteria for variable interest entities. American and US Airways generally are not the primary beneficiary of the leasing entities if the lease terms are consistent with market terms at the inception of the lease and do not include a residual value guarantee, fixed-price purchase option or similar feature that obligates American or US Airways to absorb decreases in value or entitles American or US Airways to participate in increases in the value of the aircraft. American and US Airways do not provide residual value guarantees to the bondholders or equity participants in the trusts. Each lease does have a fair market value or a fixed price purchase option that allows American or US Airways to purchase the aircraft at or near the end of the lease term; the fixed price approximates an estimate of the aircraft's fair value at the option date. Under this feature, American and US Airways do not participate in any increases in the value of the aircraft. American and US Airways concluded it was not the primary beneficiary under these arrangements. Therefore, American and US Airways account for their EETC leveraged lease financings as operating leases. American and US Airways' total future obligations under these leveraged lease financings are $2.1 billion as of December 31, 2013.

Income Taxes

We experienced a statutory "ownership change" on December 9, 2013 as defined for purposes of Section 382 of the Internal Revenue Code in connection with our emergence from bankruptcy and US Airways Group experienced an ownership change in connection with the Merger. When a company undergoes such an ownership change, Section 382 limits the company’s future ability to utilize any NOL generated before the ownership change and certain subsequently recognized "built-in" losses and deductions, if any, existing as of the date of the ownership change. The general limitation rules for a debtor in a bankruptcy case are liberalized where an ownership change occurs upon emergence from bankruptcy. We anticipate taking advantage of these certain special rules which will permit approximately $9.0 billion of our federal NOL carryforwards to be utilized without regard to the annual limitation generally imposed by Section 382. At December 31, 2013, the Company inherited the US Airways Group approximate $1.6 billion of NOLs ($1.4 billion of which is subject to Section 382 limitation due to the ownership change) to reduce the Company’s future taxable income. The majority of American Airlines Group Inc.’s NOLs are expected to be available to reduce federal taxable income in the calendar year 2014. The Company’s ability to utilize any new NOL arising after the ownership change is not affected.

AAG Contractual Obligations

The following table summarizes AAG's obligations and commitments as of December 31, 2013. The table does not include commitments that are contingent on events or other factors that are uncertain or unknown at this time.

	Payments due by Period						
	2014	2015	2016	2017	2018	2019 and Thereafter	Total
	(In millions)						
Debt and capital lease obligations [1]	$1,446	$1,325	$2,733	$1,223	$1,756	$8,412	$16,895
Interest obligations [2]	830	787	660	585	556	1,392	4,810
Commitments for aircraft and engine purchases and operating leases [3,4]	6,061	5,459	5,132	5,532	6,387	23,010	51,581
Regional capacity purchase agreements [5]	1,666	1,678	1,537	1,249	1,061	5,005	12,196
Other purchase obligations and long-term liabilities [6,7]	443	325	299	278	274	3,962	5,581
Total AAG Contractual Obligations [8]	$10,446	$9,574	$10,361				