

American Airlines Group Inc.

Form 10-Q

April 24, 2015

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the Quarterly Period Ended March 31, 2015

.. **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the Transition Period From _____ to _____

Commission file number 1-8400

American Airlines Group Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

75-1825172

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

4333 Amon Carter Blvd., Fort Worth, Texas 76155

(817) 963-1234

(Address of principal executive offices, including zip code)

(Registrant's telephone number, including area code)

Commission file number 1-2691

American Airlines, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

13-1502798

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

4333 Amon Carter Blvd., Fort Worth, Texas 76155

(817) 963-1234

(Address of principal executive offices, including zip code)

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

American Airlines Group Inc.

☒ Yes ☐ No

American Airlines, Inc.

☒ Yes ☐ No

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

American Airlines Group Inc.

☒ Yes ☐ No

American Airlines, Inc.

☒ Yes ☐ No

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

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

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

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

American Airlines Group Inc. ☐ Yes ☒ No

American Airlines, Inc. ☐ Yes ☒ No

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

American Airlines Group Inc. ☒ Yes ☐ No

American Airlines, Inc. ☒ Yes ☐ No

As of April 17, 2015, there were 692,798,851 shares of American Airlines Group Inc. common stock outstanding.

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

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American Airlines Group Inc.

American Airlines, Inc.

Form 10-Q

Quarterly Period Ended March 31, 2015

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

Note Concerning Forward-Looking Statements

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

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

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

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

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PART I: FINANCIAL INFORMATION

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

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

	Three Months Ended March 31,	
	2015	2014
Operating revenues:		
Mainline passenger	\$ 6,989	\$ 7,258
Regional passenger	1,452	1,407
Cargo	194	206
Other	1,192	1,124
Total operating revenues	9,827	9,995
Operating expenses:		
Aircraft fuel and related taxes	1,544	2,711
Salaries, wages and benefits	2,373	2,119
Regional expenses	1,462	1,594
Maintenance, materials and repairs	494	485
Other rent and landing fees	408	424
Aircraft rent	317	320
Selling expenses	336	401
Depreciation and amortization	336	307
Special items, net	303	(137)
Other	1,038	1,041
Total operating expenses	8,611	9,265
Operating income	1,216	730
Nonoperating income (expense):		
Interest income	10	7
Interest expense, net of capitalized interest	(210)	(243)
Other, net	(73)	(1)
Total nonoperating expense, net	(273)	(237)
Income before income taxes	943	493
Income tax provision	11	13
Net income	\$ 932	\$ 480

Earnings per share:

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Basic	\$	1.34	\$	0.66
Diluted	\$	1.30	\$	0.65
Weighted average shares outstanding (in thousands):				
Basic		696,415		723,971
Diluted		716,930		741,335
Cash dividends declared per common share	\$	0.10	\$	

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2015	2014
Net income	\$ 932	\$ 480
Other comprehensive income (loss), before tax:		
Defined benefit pension plans and retiree medical	(27)	(45)
Derivative financial instruments:		
Change in fair value		(67)
Reclassification into earnings	(6)	7
Unrealized gain on investments:		
Net change in value	2	2
Other comprehensive loss before tax	(31)	(103)
Non-cash tax provision		
Comprehensive income	\$ 901	\$ 377

See accompanying notes to condensed consolidated financial statements.

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AMERICAN AIRLINES GROUP INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except shares and per share amounts)

	March 31, 2015 (Unaudited)	December 31, 2014
ASSETS		
Current assets		
Cash	\$ 1,048	\$ 994
Short-term investments	8,125	6,309
Restricted cash and short-term investments	757	774
Accounts receivable, net	1,826	1,771
Aircraft fuel, spare parts and supplies, net	995	1,004
Prepaid expenses and other	1,378	1,260
Total current assets	14,129	12,112
Operating property and equipment		
Flight equipment	29,273	28,213
Ground property and equipment	6,013	5,900
Equipment purchase deposits	1,265	1,230
Total property and equipment, at cost	36,551	35,343
Less accumulated depreciation and amortization	(12,509)	(12,259)
Total property and equipment, net	24,042	23,084
Other assets		
Goodwill	4,091	4,091
Intangibles, net of accumulated amortization of \$465 and \$447, respectively	2,281	2,240
Other assets	2,211	2,244
Total other assets	8,583	8,575
Total assets	\$ 46,754	\$ 43,771
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current maturities of long-term debt and capital leases	\$ 1,284	\$ 1,708
Accounts payable	1,587	1,377
Accrued salaries and wages	1,009	1,194
Air traffic liability	5,415	4,252
Frequent flyer liability	2,776	2,807
Other accrued liabilities	2,162	2,097

Total current liabilities	14,233	13,435
Noncurrent liabilities		
Long-term debt and capital leases, net of current maturities	17,638	16,196
Pension and postretirement benefits	7,517	7,562
Deferred gains and credits, net	788	829
Bankruptcy settlement obligations	275	325
Other liabilities	3,539	3,403
Total noncurrent liabilities	29,757	28,315
Commitments and contingencies		
Stockholders' equity		
Common stock, \$0.01 par value; 1,750,000,000 shares authorized, 693,800,651 shares issued and outstanding at March 31, 2015; 697,474,535 shares issued and outstanding at December 31, 2014	7	7
Additional paid-in capital	15,049	15,135
Accumulated other comprehensive loss	(4,590)	(4,559)
Accumulated deficit	(7,702)	(8,562)
Total stockholders' equity	2,764	2,021
Total liabilities and stockholders' equity	\$ 46,754	\$ 43,771

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2015	2014
Net cash provided by operating activities	\$ 2,494	\$ 1,256
Cash flows from investing activities:		
Capital expenditures and aircraft purchase deposits	(1,409)	(1,047)
Purchases of short-term investments	(3,474)	(1,176)
Sales of short-term investments	1,660	882
Decrease in restricted cash and short-term investments	17	88
Net proceeds from slot transaction		307
Proceeds from sale of property and equipment	4	3
Net cash used in investing activities	(3,202)	(943)
Cash flows from financing activities:		
Payments on long-term debt and capital leases	(746)	(501)
Proceeds from issuance of long-term debt	1,766	224
Deferred financing costs	(25)	(7)
Sale-leaseback transactions		165
Exercise of stock options		9
Treasury stock repurchases	(181)	(84)
Dividend payment	(70)	
Other financing activities	18	
Net cash provided by (used in) financing activities	762	(194)
Net increase in cash	54	119
Cash at beginning of period	994	1,140
Cash at end of period	\$ 1,048	\$ 1,259
Non-cash investing and financing activities:		
Settlement of bankruptcy obligations	\$ 35	\$ 3,557
Capital lease obligations	5	122
Supplemental information:		
Interest paid, net of amounts capitalized	219	204
Income taxes paid	3	3

See accompanying notes to condensed consolidated financial statements.

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

(Unaudited)

1. Basis of Presentation

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

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

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

Recent Accounting Pronouncements

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

In April 2015, the FASB issued ASU 2015-03, Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. The update requires debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability instead of being presented as an asset. Debt disclosures will include the face amount of the debt liability and the effective interest rate. The update requires retrospective application and represents a change in accounting principle. The update is effective for fiscal years beginning after December 15, 2015. Early adoption is permitted for financial statements

that have not been previously issued. ASU 2015-03 is not expected to have a material impact on the Company's condensed consolidated financial statements.

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

Chapter 11 Reorganization

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

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

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

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

(Unaudited)

repayment of liabilities preceding the Petition Date generally have been permanently enjoined. Any unresolved claims will continue to be subject to the claims reconciliation process under the supervision of the U.S. Bankruptcy Court. However, certain pending litigation related to pre-petition liabilities may proceed in courts other than the U.S. Bankruptcy Court to the extent the parties to such litigation have obtained relief from the permanent injunction.

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

Upon emergence from Chapter 11, AAG issued approximately 53 million shares of AAG Common Stock to AMR's old equity holders and certain of the Debtors' employees, and issued 168 million shares of AAG Series A Convertible Preferred Stock, par value \$0.01 per share (the AAG Series A Preferred Stock), which was mandatorily convertible into new AAG Common Stock during the 120-day period after the Effective Date, to certain creditors and employees of the Debtors (including shares deposited in the Disputed Claims Reserve (as defined in the Plan)). In accordance with the terms of the Plan, former holders of AMR common stock (previously traded under the symbol AAMRQ) received, for each share of AMR common stock, an initial distribution of approximately 0.0665 shares of the AAG Common Stock as of the Effective Date. Following the Effective Date, former holders of AMR common stock and those deemed to be treated as such in connection with the elections made pursuant to the Plan have received through December 31, 2014, additional aggregate distributions of shares of AAG Common Stock of approximately 0.6776 shares of AAG Common Stock for each share of AMR common stock previously held, and may continue to receive additional distributions. As of the Effective Date, the adjusted total Double-Dip General Unsecured Claims (as defined in the Plan) were approximately \$2.45 billion and the Allowed Single-Dip General Unsecured Claims (as defined in the Plan) were approximately \$2.45 billion.

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

market price in order to fund cash tax obligations resulting from this distribution. As of March 31, 2015, there were approximately 26.0 million shares of AAG Common Stock remaining in the Disputed Claims Reserve. As disputed claims are resolved, the claimants will receive distributions of shares from the Disputed Claims Reserve on the same basis as if such distributions had been made on or about the Effective Date. To the extent that any of the reserved shares remain undistributed upon resolution of all remaining disputed claims, such shares will not be returned to the Company but rather will be distributed to former AMR shareholders as of the Effective Date. The Company is not required to distribute additional shares above the limits contemplated by the Plan.

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

The reconciliation process with respect to the remaining claims will take considerable time post-emergence. The Company's estimate of the amounts of disputed claims that will ultimately become allowed Single-Dip Unsecured Claims are included in bankruptcy settlement obligations on the Company's condensed consolidated balance sheet as of March 31, 2015. As these claims are resolved, or where better information becomes available and is evaluated, the Company will make adjustments to the liabilities recorded on its condensed consolidated financial statements as appropriate. Any such adjustments could be material to the Company's financial position or results of operations in any given period.

Merger

Pursuant to the Merger Agreement and consistent with the Plan, each share of common stock, par value \$0.01 per share, of US Airways Group (the US Airways Group Common Stock) was converted into the right to receive one share of AAG Common Stock. The aggregate number of shares of AAG Common Stock issuable in the Merger to holders of US Airways Group equity instruments (including stockholders, holders of convertible notes, optionees, and holders of restricted stock units (RSUs)) represented 28% of the

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diluted equity ownership of AAG. The remaining 72% diluted equity ownership in AAG (up to approximately 544 million shares) was or is distributable, pursuant to the Plan, to stakeholders, labor unions, certain employees of AMR and the other Debtors, and former holders of AMR common stock (previously traded under the symbol AAMRQ) such that the aggregate number of shares of AAG Common Stock issuable under the Plan will not exceed 72% of the diluted equity ownership of AAG as of the time of the Merger.

Availability and Utilization of Net Operating Losses

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

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

3. Bankruptcy Settlement Obligations

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

	March 31, 2015	December 31, 2014
Single-Dip Equity Obligations	\$ 210	\$ 248
Labor-related deemed claim	65	77
Total	\$ 275	\$ 325

The amount of the remaining Single-Dip Equity Obligations at March 31, 2015 is the Company's estimate of its obligation for disputed claims of \$210 million and is calculated based on the fair value of the shares expected to be issued, measured as if the obligations were settled using the closing price of AAG Common Stock at March 31, 2015.

Additional allowed claims will receive 30.7553 shares, subject to reduction for expenses of the Disputed Claims Reserve, including tax liabilities, for each \$1,000 of allowed claims. For accounting purposes, the value of the shares expected to be issued is marked-to-market each period until issued. Accordingly, changes in the value of AAG Common Stock could result in future increases and decreases in this obligation.

In exchange for employees' contributions to the successful reorganization of the Company, including agreeing to reductions in pay and benefits, the Company agreed in the Plan to provide each employee group a deemed claim which was used to provide a distribution of a portion of the equity of the reorganized entity to those employees. Each employee group received a deemed claim amount based upon a fixed percentage of the distributions to be made to general unsecured claimholders. The fair value based on the expected number of shares to be distributed to satisfy this deemed claim, as adjusted, was approximately \$1.5 billion. As of March 31, 2015, the remaining liability to certain AMR labor groups and employees of \$65 million represents the estimated fair value of the remaining shares expected to be issued in satisfaction of such obligation, measured as if the obligation were settled using the closing price of AAG Common Stock at March 31, 2015. For accounting purposes, the value of the remaining shares expected to be issued to satisfy the labor claim is marked-to-market each period until issued. Accordingly, changes in the value of AAG Common Stock could result in future increases and decreases in this obligation.

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

4. Special Items

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

	Three Months Ended March 31,	
	2015	2014
Mainline operating special items, net ^(a)	\$ 303	\$ (137)

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

- (a) The 2015 first quarter mainline operating special items totaled a net charge of \$303 million, which principally included \$216 million of merger integration expenses related to information technology, professional fees, severance, share-based compensation, fleet restructuring, re-branding of aircraft and airport facilities, relocation and training. In addition, the Company recorded a net \$99 million charge principally related to its new pilot joint collective bargaining agreement. These charges were offset in part by a net \$6 million credit for bankruptcy related items primarily consisting of fair value adjustments for bankruptcy settlement obligations.

The 2014 first quarter mainline operating special items totaled a net credit of \$137 million, which principally included a \$309 million gain on the sale of Slots at Ronald Reagan Washington National Airport and a net \$32 million credit for bankruptcy related items primarily consisting of fair value adjustments for bankruptcy settlement obligations. These special credits were offset in part by \$202 million of merger integration expenses related to alignment of labor union contracts, information technology, professional fees, severance and retention, share-based compensation, re-branding of aircraft and airport facilities, relocation and training.

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

	Three Months Ended March 31,	
	2015	2014
Regional operating special items, net ^(a)	\$ 7	\$ 4
Nonoperating special items, net ^(b)	(8)	47
Income tax special items, net ^(c)	9	8

- (a) The 2015 and 2014 first quarter regional operating special items principally related to merger integration expenses.
- (b) The 2015 first quarter nonoperating special items totaled a net credit of \$8 million primarily due to a \$17 million early debt extinguishment gain associated with the repayment of American's AAdvantage loan with Citibank, offset in part by a \$9 million charge principally related to a non-cash write off of unamortized debt discount associated with the prepayment of certain aircraft financings.
- The 2014 first quarter nonoperating special items totaled a net charge of \$47 million principally due to non-cash interest accretion of \$31 million on the bankruptcy settlement obligations and \$13 million for Venezuelan foreign currency losses.
- (c) The 2015 and 2014 first quarter tax special items were the result of a non-cash deferred income tax provision related to certain indefinite-lived intangible assets.

5. Earnings Per Share

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

	Three Months Ended March 31,	
	2015	2014
Basic EPS:		
Net income	\$ 932	\$ 480
Weighted-average common shares outstanding (in thousands)	696,415	723,971
Basic EPS	\$ 1.34	\$ 0.66
Diluted EPS:		
Net income	\$ 932	\$ 480
Change in fair value of conversion feature on 7.25% convertible senior notes ^(a)		5
Net income for purposes of computing diluted EPS	\$ 932	\$ 485
Share computation for diluted earnings per share (in thousands):		
Weighted-average shares outstanding	696,415	723,971
Dilutive effect of stock awards	20,515	13,534
Assumed conversion of convertible senior notes		3,830
Weighted average common shares outstanding	716,930	741,335
Diluted earnings per share	\$ 1.30	\$ 0.65
The following were excluded from the calculation of diluted EPS (in thousands):		
Stock options, SARs and RSUs because inclusion would be antidilutive	1	33

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- (a) In March 2014, the Company notified the holders of US Airways Group's 7.25% convertible senior notes that it had elected to settle all future conversions solely in cash instead of shares of AAG Common Stock in accordance with the related indenture. Thus, the diluted shares included the weighted average impact of the 7.25% convertible senior notes only for the period from January 1, 2014 to March 12, 2014. In addition, under GAAP, the Company was required to adjust the numerator for purposes of calculating diluted earnings per share by the change in fair value of the conversion feature from March 12, 2014 to March 31, 2014, which increased GAAP net income for purposes of computing diluted earnings per share by \$5 million for the three months ended March 31, 2014.

6. Share Repurchase Program and Dividend

On January 27, 2015, the Company announced that its Board of Directors had authorized a new \$2.0 billion share repurchase program to be completed by the end of 2016. Shares repurchased under the program may be made through a variety of methods, which may include open market purchases, privately negotiated transactions, block trades or accelerated share repurchase transactions. Any such repurchases will be made from time to time subject to market and economic conditions, applicable legal requirements and other relevant factors. The program does not obligate the Company to repurchase any specific number of shares and may be suspended at any time at the Company's discretion. During the three months ended March 31, 2015, the Company repurchased 3.8 million shares of AAG Common Stock for \$190 million at a weighted average cost per share of \$49.47.

Also on January 27, 2015, the Company announced that its Board of Directors had declared a \$0.10 per share dividend for shareholders of record on February 9, 2015, and payable on February 23, 2015. The total cash payment for dividends during the three months ended March 31, 2015 was \$70 million. Any future dividends that may be declared and paid from time to time under the Company's capital deployment program will be subject to market and economic conditions, applicable legal requirements and other relevant factors. The Company's capital deployment program does not obligate it to continue a dividend for any fixed period, and payment of dividends may be suspended at any time at the Company's discretion.

7. Debt

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

	March 31, 2015	December 31, 2014
<i>Secured</i>		
2013 Credit Facilities, variable interest rate of 3.75%, installments through 2019	\$ 1,867	\$ 1,872
2014 Credit Facilities, variable interest rate of 4.25%, installments through 2021	750	750
	990	990

2013 Citicorp Credit Facility tranche B-1, variable interest rate of 3.50%, installments through 2019		
2013 Citicorp Credit Facility tranche B-2, variable interest rate of 3.00%, installments through 2016	594	594
Aircraft enhanced equipment trust certificates (EETCs), fixed interest rates ranging from 3.38% to 9.75%, maturing from 2015 to 2027	7,912	7,028
Equipment loans and other notes payable, fixed and variable interest rates ranging from 1.50% to 8.48%, maturing from 2015 to 2027	3,025	2,952
Special facility revenue bonds, fixed interest rates ranging from 5.50% to 8.50%, maturing from 2016 to 2035	1,100	1,100
AAAdvantage Loan, effective rate of 8.30%		433
Other secured obligations, fixed interest rates ranging from 3.60% to 12.24%, maturing from 2015 to 2028	983	994
	17,221	16,713
<i>Unsecured</i>		
5.50% senior notes, interest only payments until due in 2019	750	750
6.125% senior notes, interest only payments until due in 2018	500	500
4.625% senior notes, interest only payments until due in 2020	500	
	1,750	1,250
Total long-term debt and capital lease obligations	18,971	17,963
Less: Total unamortized debt discount	49	59
Less: Current maturities	1,284	1,708
Long-term debt and capital lease obligations, net of current maturities	\$ 17,638	\$ 16,196

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2015-1 EETCs

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

As of March 31, 2015, \$1.0 billion of the escrowed proceeds from the 2015-1 EETCs have been used to purchase equipment notes issued by American in two series: Series A equipment notes in the amount of \$796 million bearing interest at 3.375% per annum and Series B equipment notes in the amount of \$223 million bearing interest at 3.70% per annum. Interest and principal payments on the equipment notes are payable semiannually in May and November of each year, beginning in November 2015. The final payments on the Series A and Series B equipment notes will be due in May 2027 and May 2023, respectively. These equipment notes are secured by liens on 19 of the 2015 EETC Aircraft. The remaining \$195 million of escrowed proceeds will be used to purchase equipment notes as the remaining nine new aircraft are delivered.

4.625% Senior Notes

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

Other Aircraft Financing Transactions

In the first quarter of 2015, the Company entered into loan agreements to borrow \$247 million in connection with the financing of certain aircraft deliveries. The notes mature in 2025 through 2027 and bear interest at a rate of LIBOR plus an applicable margin.

AAdvantage Loan

American had the right to repay in cash, without premium or penalty, any or all of the amounts owed to Citibank under the AAdvantage Loan. Effective January 2, 2015, American exercised its loan repayment right with respect to the full value of the outstanding balance to Citibank for \$400 million. In connection with the repayment, in the first quarter of 2015, American recognized an early debt extinguishment gain of approximately \$17 million.

8. Income Taxes

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

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

The Company provides a valuation allowance for deferred tax assets when it is more likely than not that some portion, or all of its deferred tax assets, will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. The Company considers all available positive and negative evidence and makes certain assumptions. The Company considers many factors in evaluating the realizability of its deferred tax assets including risks associated with merger integration as well as other factors, which continue to be affected by conditions beyond its control, such as the condition of the economy, the level and volatility of fuel prices and travel demand. The Company has concluded as of March 31, 2015 that the valuation allowance was still needed on its deferred tax asset based on the weight of the factors described above.

For the three months ended March 31, 2015, the Company recorded a special \$9 million non-cash deferred income tax provision related to certain indefinite-lived intangible assets and \$2 million of state and international income tax expense related to certain states and countries where NOLs were limited or unavailable to be used.

For the three months ended March 31, 2014, the Company recorded a special \$8 million non-cash deferred income tax provision related to certain indefinite-lived intangible assets and \$5 million of state and international income tax expense related to certain states and countries where NOLs were limited or unavailable to be used.

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

The Company utilizes the market approach to measure fair value for its financial assets and liabilities. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The Company's short-term investments classified as Level 2 primarily utilize broker quotes in a non-active market for valuation of these securities. No changes in valuation techniques or inputs occurred during the three months ended March 31, 2015.

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

	Fair Value Measurements as of March 31, 2015			
	Total	Level 1	Level 2	Level 3

Short-term investments ^{(1), (2)} :				
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Money market funds	\$ 1,130	\$ 1,130	\$	\$
Government agency investments	101		101	
Repurchase agreements	46		46	
Corporate obligations	4,110		4,110	
Bank notes / certificates of deposit / time deposits	2,738		2,738	
	8,125	1,130	6,995	
Restricted cash and short-term investments ⁽¹⁾	757	757		
Total	\$ 8,882	\$ 1,887	\$ 6,995	\$

- (1) Unrealized gains or losses on short-term investments and restricted cash and short-term investments are recorded in accumulated other comprehensive loss at each measurement date.
- (2) The Company's short-term investments mature in one year or less except for \$1.0 billion of corporate obligations and \$990 million of bank notes/certificates of deposit/time deposits.

There were no Level 1 to Level 2 transfers during the three months ended March 31, 2015.

All short-term investments are classified as available-for-sale and stated at fair value. Unrealized gains and losses are reflected as a component of accumulated other comprehensive loss.

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES GROUP INC.****(Unaudited)*****Venezuela Cash and Short-term Investments***

As of March 31, 2015, the Company had approximately \$644 million of unrestricted cash and short-term investments held in Venezuelan bolivars. This balance includes approximately \$621 million valued at 6.3 bolivars to the U.S. dollar and approximately \$23 million valued at 12.0 bolivars to the U.S. dollar, with the rate depending on the date the Company submitted its repatriation request to the Venezuelan government. These rates are materially more favorable than the exchange rates currently prevailing for other transactions conducted outside of the Venezuelan government's currency exchange system. The Company's cash balance held in Venezuelan bolivars decreased \$12 million from the December 31, 2014 balance of \$656 million, due to payments made in bolivars for local operating expenditures.

During 2014, the Company significantly reduced capacity in the Venezuelan market and is no longer accepting bolivars as payment for airline tickets. The Company is monitoring this situation closely and continues to evaluate its holdings of Venezuelan bolivars for additional foreign currency losses or other accounting adjustments, which could be material, particularly in light of the additional uncertainty posed by the February 2015 changes to the foreign exchange regulations and the continued deterioration of economic conditions in Venezuela. More generally, fluctuations in foreign currencies, including devaluations, cannot be predicted by the Company and can significantly affect the value of the Company's assets located outside the United States. These conditions, as well as any further delays, devaluations or imposition of more stringent repatriation restrictions, may materially adversely affect the Company's business, results of operations and financial condition. See Part II, Item 1A. Risk Factors *We operate a global business with international operations that are subject to economic and political instability and have been, and in the future may continue to be, adversely affected by numerous events, circumstances or government actions beyond our control* for additional discussion of this and other currency risks.

Fair Value of Debt

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

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

	March 31, 2015		December 31, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt, including current maturities	\$ 18,922	\$ 19,640	\$ 17,904	\$ 18,542

10. Retirement Benefits

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

Three Months Ended March 31,	Pension Benefits		Retiree Medical and Other Benefits	
	2015	2014	2015	2014
Service cost	\$ 1	\$	\$ 1	\$
Interest cost	184	186	13	15
Expected return on assets	(213)	(196)	(5)	(5)
Settlements		2		
Amortization of:				
Prior service cost (benefit) ⁽¹⁾	7	7	(61)	(61)
Unrecognized net loss (gain)	28	11	(2)	(2)
Net periodic benefit cost	\$ 7	\$ 10	\$ (54)	\$ (53)

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

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

The Company is required to make minimum contributions to its defined benefit pension plans under the minimum funding requirements of the Employee Retirement Income Security Act of 1974 (ERISA), the Pension Funding Equity Act of 2004, the Pension Protection Act of 2006, the Pension Relief Act of 2010 and the Moving Ahead for Progress in the 21st Century Act of 2012. Based on current funding assumptions, the Company has no minimum required contributions until 2019. Currently, American's minimum funding obligation for its pension plans is subject to temporary favorable rules that are scheduled to expire at the end of

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2017. Upon expiration of these rules, American's funding obligations are likely to increase materially. The amount of these obligations will depend on the performance of the Company's investments held in trust by the pension plans, interest rates for determining liabilities and the Company's actuarial experience.

11. Accumulated Other Comprehensive Income (Loss)

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

	Pension and Retiree Medical Liability	Unrealized Gain/(Loss) on Investments	Derivative Financial Instruments	Income Tax Benefit (Expense)	Total
Balance at December 31, 2014	\$ (3,683)	\$ (5)	\$ 9	\$ (880)	\$ (4,559)
Other comprehensive income (loss) before reclassifications					
Amounts reclassified from accumulated other comprehensive income (loss)	(27)	2	(6)		(31)
Net current-period other comprehensive income (loss)	(27)	2	(6)		(31)
Balance at March 31, 2015	\$ (3,710)	\$ (3)	\$ 3	\$ (880)	\$ (4,590)

Reclassifications out of accumulated other comprehensive income (loss) for the three months ended March 31, 2015 and 2014 are as follows (in millions):

	Amount reclassified from accumulated other comprehensive income (loss)		
	Three Months Ended March 31,		Affected line item in the statement
Details about accumulated other comprehensive income (loss) components	2015	2014	where net income (loss) is presented
Amortization of pension and retiree medical liability:			
Prior service cost	\$ (53)	\$ (54)	Wages, salaries and benefits
Actuarial loss	26	9	Wages, salaries and benefits
Derivative financial instruments:			

Cash flow hedges	(6)	7	Aircraft fuel and related taxes
Net unrealized change on investments:			
Net change in value	2	2	Other, net
Total reclassifications for the period	\$ (31)	\$ (36)	

12. Regional Expenses

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

	Three Months Ended March 31,	
	2015	2014
Aircraft fuel and related taxes	\$ 311	\$ 500
Salaries, wages and benefits	292	265
Capacity purchases from third-party regional carriers	379	347
Maintenance, materials and repairs	75	87
Other rent and landing fees	106	96
Aircraft rent	9	14
Selling expenses	77	72
Depreciation and amortization	58	53
Special items, net	7	4
Other	148	156
Total regional expenses	\$ 1,462	\$ 1,594

13. Legal Proceedings

Chapter 11 Cases. As previously disclosed, on the Petition Date, November 29, 2011, the Debtors filed the Chapter 11 Cases. On October 21, 2013, the Bankruptcy Court entered the Confirmation Order confirming the Plan. On the Effective Date, December 9, 2013, the Debtors consummated their reorganization pursuant to the Plan, principally through the transactions contemplated by the Merger Agreement pursuant to which Merger Sub merged with and into US Airways Group, with US Airways Group surviving as a wholly-owned subsidiary of AAG. From the Petition Date through the Effective Date, pursuant to automatic stay provisions under the Bankruptcy Code and orders granted by the Bankruptcy Court, actions to enforce or otherwise effect repayment of liabilities preceding

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(Unaudited)

the Petition Date as well as all pending litigation against the Debtors generally were stayed. Following the Effective Date, actions to enforce or otherwise effect repayment of liabilities preceding the Petition Date, generally have been permanently enjoined. Any unresolved claims will continue to be subject to the claims reconciliation process under the supervision of the Bankruptcy Court. However, certain pending litigation related to pre-petition liabilities may proceed in courts other than the Bankruptcy Court to determine the amount, if any, of such litigation claims for purposes of treatment under the Plan.

Pursuant to rulings of the Bankruptcy Court, the Plan established the Disputed Claims Reserve to hold shares of AAG Common Stock reserved for issuance to disputed claimholders at the Effective Date that ultimately become holders of allowed Single-Dip Unsecured Claims. The shares provided for under the Plan were determined based upon a Disputed Claims Reserve amount of claims of approximately \$755 million, representing the maximum amount of additional distributions to subsequently allowed Single-Dip Unsecured Claims under the Plan. As of December 31, 2014, the Disputed Claims Reserve held 26.8 million shares of AAG Common Stock pending distribution of those shares in accordance with the Plan. On February 10, 2015, approximately 0.8 million shares of AAG Common Stock held in the Disputed Claims Reserve were distributed to holders of allowed Single-Dip Unsecured Claims, to holders of certain labor-related deemed claims, and to holders of certain non-management, non-union employee deemed claims as specified in the Plan, and the Company repurchased less than 0.1 million shares of AAG Common Stock for an aggregate of \$4 million from the Disputed Claims Reserve at the then prevailing market price in order to fund cash tax obligations resulting from this distribution. As of March 31, 2015, there were approximately 26 million shares of AAG Common Stock remaining in the Disputed Claims Reserve. As disputed claims are resolved, the claimants will receive distributions of shares from the Disputed Claims Reserve on the same basis as if such distributions had been made on or about the Effective Date. However, the Company is not required to distribute additional shares above the limits contemplated by the Plan, even if the shares remaining for distribution are not sufficient to fully pay any additional allowed unsecured claims. To the extent that any of the reserved shares remain undistributed upon resolution of all remaining disputed claims, such shares will not be returned to the Company but rather will be distributed to former AMR shareholders as of the Effective Date. However, resolution of disputed claims could have a material effect on recoveries by holders of additional allowed Single-Dip Unsecured Claims under the Plan and the amount of additional share distributions, if any, that are made to former AMR shareholders as the total number of shares of AAG Common Stock that remain available for distribution upon resolution of disputed claims is limited pursuant to the Plan.

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

that American was successful in its Chapter 11 with respect to matters related to OPEB and, accordingly, by operation of the underlying collective bargaining agreements, American's prior contributions to certain OPEB prefunding trusts attributable to active employees should be returned to those active employees. These amounts aggregate approximately \$212 million. The Company has denied both grievances and intends to defend these matters vigorously.

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

US Airways Sabre Matter. On April 21, 2011, US Airways filed an antitrust lawsuit against Sabre Holdings Corporation, Sabre Inc. and Sabre Travel International Limited (collectively, Sabre) in the Federal District Court for the Southern District of New York. The lawsuit, as amended to date, alleges, among other things, that Sabre has engaged in anticompetitive practices to preserve its market

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(Unaudited)

power by restricting the Company's ability to distribute its products to its customers. The lawsuit also alleges that these actions have permitted Sabre to charge supracompetitive booking fees and to use technologies that are not as robust and as efficient as alternatives in a competitive market. The lawsuit seeks money damages. Sabre filed a motion to dismiss the case, which the court denied in part and granted in part in September 2011, allowing two of the four counts in the complaint to proceed. In January 2015, the court denied in part and granted in part Sabre's motions for summary judgment. A trial date is expected to be set soon. The Company intends to pursue its claims against Sabre vigorously, but there can be no assurance of the outcome of this litigation.

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

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

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

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

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

	Three Months Ended March 31, 2015					
	American Airlines Group (Parent Company Only)	American	US Airways Group (Parent Company Only)	US Airways	Non-Guarantor Subsidiaries	American Airlines Group Inc. Consolidated
					Eliminations and Reclassifications	
Operating revenues:						
Mainline passenger	\$	\$ 4,690	\$	\$ 2,299	\$	\$ 6,989
Regional passenger		699		753		1,452
Cargo		162		32		194
Other		818		389	726 (741)	1,192
Total operating revenues		6,369		3,473	726 (741)	9,827
Operating expenses:						
Aircraft fuel and related taxes		1,070		474		1,544
Salaries, wages and benefits		1,585		786	193 (191)	2,373
Regional expenses		728		765	(31)	1,462
Maintenance, materials and repairs		304		190	75 (75)	494
Other rent and landing fees		270		138	10 (10)	408
Aircraft rent		225		92	32 (32)	317
Selling expenses		235		101		336
Depreciation and amortization		236		100	11 (11)	336
Special items, net		198		105	4 (4)	303
Other	1	758		281	385 (387)	1,038
Total operating expenses	1	5,609		3,032	710 (741)	8,611
Operating income (loss)	(1)	760		441	16	1,216
Nonoperating income (expense):						
Interest income	2	6		4	(2)	10
Interest expense, net	(13)	(126)	(9)	(64)	2	(210)

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Equity in earnings of subsidiaries	944		251			(1,195)	
Other, net		(63)		(11)	1		(73)
Total nonoperating income (expense), net	933	(183)	242	(71)	1	(1,195)	(273)
Income before income taxes	932	577	242	370	17	(1,195)	943
Income tax provision		8		131	3	(131)	11
Net income	\$ 932	\$ 569	\$ 242	\$ 239	\$ 14	\$ (1,064)	\$ 932

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

Three Months Ended March 31, 2014						
	American Airlines Group (Parent Company Only)	American	US Airways Group (Parent Company Only)	US Airways	Non-Guarantor Subsidiaries	American Airlines Group Inc. Consolidated
					Eliminations and Reclassifications	
Operating revenues:						
Mainline passenger	\$	\$ 4,906	\$	\$ 2,352	\$	\$ 7,258
Regional passenger		669		738		1,407
Cargo		168		38		206
Other		726		418	744 (764)	1,124
Total operating revenues		6,469		3,546	744 (764)	9,995
Operating expenses:						
Aircraft fuel and related taxes		1,871		840		2,711
Salaries, wages and benefits		1,398		719	197 (195)	2,119
Regional expenses		758		828	8	1,594
Maintenance, materials and repairs		332		153	85 (85)	485
Other rent and landing fees		285		139	7 (7)	424
Aircraft rent		216		104	21 (21)	320
Selling expenses		284		117		401
Depreciation and amortization		214		95	10 (12)	307
Special items, net	24	(216)		55	3 (3)	(137)
Other	2	749		308	431 (449)	1,041
Total operating expenses	26	5,891		3,358	754 (764)	9,265
Operating income (loss)	(26)	578		188	(10)	730
Nonoperating income (expense):						
Interest income	2	7		1	1 (4)	7
Interest expense, net	(4)	(168)	(10)	(65)	4	(243)
Equity in earnings of subsidiaries	453		118			(571)

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Other, net		(5)	(56)	3	1	56	(1)
Total nonoperating income (expense), net	451	(166)	52	(61)	2	(515)	(237)
Income (loss) before income taxes	425	412	52	127	(8)	(515)	493
Income tax provision	1	11		1			13
Net income (loss)	\$ 424	\$ 401	\$ 52	\$ 126	\$ (8)	\$ (515)	\$ 480

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

	Three Months Ended March 31, 2015						
	American Airlines Group (Parent Company Only)		US Airways Group (Parent Company Only)		Non-Guarantor Subsidiaries		American Airlines Group Inc. Consolidated
		American		US Airways		Reclassification	
Net income	\$ 932	\$ 569	\$ 242	\$ 239	\$ 14	\$ (1,064)	\$ 932
Other comprehensive income (loss) before tax:							
Defined benefit pension plans and retiree medical		(26)		(1)			(27)
Derivative financial instruments:							
Change in fair value							
Reclassification into earnings		(6)					(6)
Unrealized gain on investments:							
Net change in value		1		1			2
Other comprehensive loss before tax		(31)					(31)
Non-cash tax provision							
Comprehensive income	\$ 932	\$ 538	\$ 242	\$ 239	\$ 14	\$ (1,064)	\$ 901

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

	Three Months Ended March 31, 2014						
	American Airlines Group (Parent Company Only)	American	US Airways Group (Parent Company Only)	US Airways	Non- Guarantor Subsidiaries	Eliminations and Reclassifications	American Airlines Group Inc. Consolidated
Net income (loss)	\$ 424	\$ 401	\$ 52	\$ 126	\$ (8)	\$ (515)	\$ 480
Other comprehensive loss before tax:							
Defined benefit pension plans and retiree medical		(44)		(1)			(45)
Derivative financial instruments:							
Change in fair value		(67)					(67)
Reclassification into earnings		7					7
Unrealized gain on investments:							
Net change in value		2					2
Other comprehensive loss before tax		(102)		(1)			(103)
Non-cash tax provision							
Comprehensive income (loss)	\$ 424	\$ 299	\$ 52	\$ 125	\$ (8)	\$ (515)	\$ 377

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES GROUP INC.****(Unaudited)****AMERICAN AIRLINES GROUP INC.****CONDENSED CONSOLIDATING BALANCE SHEET****(In millions)(Unaudited)****March 31, 2015**

	American Airlines Group (Parent Company Only)	American	US Airways Group (Parent Company Only)	US Airways	Non- Guarantor Subsidiaries	Eliminations and Reclassifications	American Airlines Group Inc. Consolidated
ASSETS							
Current assets							
Cash	\$ 1	\$ 884	\$ 5	\$ 153	\$ 5	\$	\$ 1,048
Short-term investments		4,853		3,270	2		8,125
Restricted cash and short-term investments		646		111			757
Accounts receivable, net		1,437		383	19	(13)	1,826
Receivables from related parties, net	2,409			242		(2,651)	
Aircraft fuel, spare parts and supplies, net		623		298	74		995
Prepaid expenses and other	79	635		623	41		1,378
Total current assets	2,489	9,078	5	5,080	141	(2,664)	14,129
Operating property and equipment							
		17,130		6,627	285		24,042
Other assets							
Investments in subsidiaries	1,636		7,145			(8,781)	
Goodwill				4,089		2	4,091
Intangibles, net of accumulated amortization		872		1,409			2,281
Other assets	58	1,885		256	47	(35)	2,211
Total other assets	1,694	2,757	7,145	5,754	47	(8,814)	8,583

Total assets	\$ 4,183	\$ 28,965	\$ 7,150	\$ 17,461	\$ 473	\$ (11,478)	\$ 46,754
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LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

Current liabilities

Current maturities of long-term debt and capital leases	\$	\$ 802	\$	\$ 482	\$	\$	\$ 1,284
Accounts payable		1,175		362	52	(2)	1,587
Payables to related parties, net		2,168	480		3	(2,651)	
Air traffic liability		3,691		1,724			5,415
Frequent flyer liability		2,776					2,776
Other accrued liabilities	39	1,835	11	1,164	124	(2)	3,171
Total current liabilities	39	12,447	491	3,732	179	(2,655)	14,233

Noncurrent liabilities

Long-term debt and capital leases, net of current maturities	1,257	10,972	524	4,919		(34)	17,638
Pension and postretirement benefits		7,355		122	40		7,517
Bankruptcy settlement obligations		275					275
Other liabilities	123	2,868		1,599	44	(307)	4,327
Total noncurrent liabilities	1,380	21,470	524	6,640	84	(341)	29,757

Stockholders' equity (deficit)

Common stock	7						7
Additional paid-in capital	15,049	10,714	4,727	5,566	199	(21,206)	15,049
Accumulated other comprehensive loss	(4,590)	(4,676)	(16)	(8)	(12)	4,712	(4,590)
Retained earnings (deficit)	(7,702)	(10,990)	1,424	1,531	23	8,012	(7,702)
Total stockholders' equity (deficit)	2,764	(4,952)	6,135	7,089	210	(8,482)	2,764

Total liabilities and

stockholders' equity (deficit)	\$ 4,183	\$ 28,965	\$ 7,150	\$ 17,461	\$ 473	\$ (11,478)	\$ 46,754
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Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES GROUP INC.****(Unaudited)****AMERICAN AIRLINES GROUP INC.****CONDENSED CONSOLIDATING BALANCE SHEET****(In millions)(Unaudited)****December 31, 2014**

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

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

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

Noncurrent liabilities

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

Stockholders' equity (deficit)

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

Total liabilities and

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

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

(Unaudited)

AMERICAN AIRLINES GROUP INC.

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

(In millions)(Unaudited)

	Three Months Ended March 31, 2015					
	American Airlines Group (Parent Company Only)	American Airlines Group (Parent Company Only)	US Airways (Parent Company Only)	US Airways	Non-Guarantor Subsidiaries	Eliminations and Reclassifications
Net cash provided by (used in) operating activities	\$ (242)	\$ 2,285	\$ 3	\$ 430	\$ 18	\$ 2,494
Cash flows from investing activities:						
Capital expenditures and aircraft purchase deposits		(1,160)		(229)	(20)	(1,409)
Purchases of short-term investments		(1,945)		(1,529)		(3,474)
Sales of short-term investments		382		1,278		1,660
Decrease in restricted cash and short-term investments		4		13		17
Proceeds from sale of property and equipment		4				4
Net cash used in investing activities		(2,715)		(467)	(20)	(3,202)
Cash flows from financing activities:						
Payments on long-term debt and capital leases		(680)		(66)		(746)
Proceeds from issuance of long-term debt	500	1,227		39		1,766
Deferred financing costs	(7)	(18)				(25)
Treasury stock repurchases	(181)					(181)
Dividend payment	(70)					(70)
Other financing activities				18		18

Net cash provided by (used in) financing activities	242	529	(9)	762		
Net increase (decrease) in cash		99	3	(46)	(2)	54
Cash at beginning of period	1	785	2	199	7	994
Cash at end of period	\$ 1	\$ 884	\$ 5	\$ 153	\$ 5	\$ 1,048

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

	Three Months Ended March 31, 2014					
	American Airlines Group (Parent Company Only)	American Airlines Group (Parent Company Only)	US Airways (Parent Company Only)	US Airways	Non-Guarantor Subsidiaries	American Airlines Group Inc. Consolidated
Net cash provided by (used in) operating activities	\$ (9)	\$ 742	\$	\$ 515	\$ 8	\$ 1,256
Cash flows from investing activities:						
Capital expenditures and aircraft purchase deposits		(722)		(316)	(9)	(1,047)
Purchases of short-term investments		(499)		(677)		(1,176)
Sales of short-term investments		682		200		882
Decrease in restricted cash and short-term investments		3		85		88
Net proceeds from slot transaction		299		8		307
Proceeds from sale of property and equipment		3				3
Net cash used in investing activities		(234)		(700)	(9)	(943)
Cash flows from financing activities:						
Payments on long-term debt and capital leases		(430)		(71)		(501)
Proceeds from issuance of long-term debt				224		224
Deferred financing costs		(5)		(2)		(7)
Sale-leaseback transactions		165				165
Exercise of stock options	9					9

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Treasury stock repurchases	(84)					(84)
Funds transferred from (to) affiliates, net	84	(84)				
Net cash provided by (used in) financing activities	9	(354)		151		(194)
Net increase (decrease) in cash		154		(34)	(1)	119
Cash at beginning of period	1	829	1	303	6	1,140
Cash at end of period	\$ 1	\$ 983	\$ 1	\$ 269	\$ 5	\$ 1,259

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

(Unaudited)

15. Subsequent Events

Dividend Declaration

In April 2015, the Company announced that its Board of Directors had declared a \$0.10 per share dividend for shareholders of record on May 4, 2015, and payable on May 18, 2015. Any future dividends that may be declared and paid from time to time under the Company's capital deployment program will be subject to market and economic conditions, applicable legal requirements and other relevant factors. The Company's capital deployment program does not obligate it to continue a dividend for any fixed period, and payment of dividends may be suspended at any time at the Company's discretion.

Refinancing of 2014 Credit Facilities

On April 20, 2015, American refinanced its \$750 million term loan facility (the new 2015 Term Loan Facility and together with a \$400 million revolving credit facility, the 2014 Credit Facilities) to reduce the LIBOR margin from 3.50% to 3.00% and entered into certain amendments to reflect the release of certain existing collateral and the addition of certain new collateral and to allow American to make future modifications to the collateral pledged. For more information on these amendments, see Part II, Item 5. Other Information.

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

	Three Months Ended March 31,	
	2015	2014
Operating revenues:		
Mainline passenger	\$ 4,690	\$ 4,906
Regional passenger	699	669
Cargo	162	168
Other	818	726
Total operating revenues	6,369	6,469
Operating expenses:		
Aircraft fuel and related taxes	1,070	1,871
Salaries, wages and benefits	1,585	1,398
Regional expenses	728	758
Maintenance, materials and repairs	304	332
Other rent and landing fees	270	285
Aircraft rent	225	216
Selling expenses	235	