

Mileage credits sold to co-branded credit cards and other partners

We sell mileage credits to participating airline partners and non-airline business partners, including our co-branded credit card partners, under contracts with terms extending generally for one to seven years. Consideration received from the sale of mileage credits is variable and payment terms typically are within 30 days subsequent to the month of mileage sale. Sales of mileage credits to non-airline business partners are comprised of two components, transportation and marketing. We allocate the consideration received from these sales of mileage credits based on the relative selling price of each product or service delivered.

Our most significant partner agreements are our co-branded credit card agreements with Citi and Barclaycard US that we entered into in 2016. We identified the following revenue elements in these co-branded credit card agreements: the transportation component; and the use of intellectual property, including the American brand and access to loyalty program member lists, which is the predominant element in the agreements, as well as advertising (collectively, the marketing component). Accordingly, we recognize the marketing component in other revenue in the period of the mileage sale following the sales-based royalty method.

The transportation component represents the estimated selling price of future travel awards and is determined using the same equivalent ticket value approach described above. The portion of each mileage credit sold attributable to transportation is initially deferred and then recognized in passenger revenue when mileage credits are redeemed and transportation is provided.

For the portion of our outstanding mileage credits that we estimate will not be redeemed, we recognize the associated value proportionally as the remaining mileage credits are redeemed. Our estimates are based on analysis of historical redemptions. For the year ended December 31, 2019, a hypothetical 10% increase in our estimate of miles not expected to be redeemed would have increased revenues by approximately \$95 million.

Cargo Revenue

Cargo revenue is recognized when we provide the transportation.

Other Revenue

Other revenue includes revenue associated with our loyalty program, which is comprised principally of the marketing component of mileage sales to co-branded credit card and other partners and other marketing related payments. The accounting and recognition for the loyalty program marketing services are discussed above in *"Loyalty Revenue."* The remaining amounts included within other revenue relate to airport clubs, advertising and vacation-related services.

Long-lived Assets

Long-lived assets consist of flight equipment, as well as other fixed assets and definite-lived intangible assets such as certain domestic airport slots, customer relationships, marketing agreements, tradenames and airport gate leasehold rights. In addition to the original cost, the recorded value of our fixed assets is impacted by a number of estimates made, including estimated useful lives, salvage values and our determination as to whether aircraft are temporarily or permanently grounded. Definite-lived intangible assets are originally recorded at their acquired fair values and are subsequently amortized over their estimated useful lives. See Note 1 to AAG's Consolidated Financial Statements in Part II, Item 8A and Note 1 to American's Consolidated Financial Statements in Part II, Item 8B for further information.

We assess impairment of long-lived assets used in operations when events and circumstances indicate that the assets may be impaired. An asset or group of assets is considered impaired when the undiscounted cash flows estimated to be generated by the assets are less than the carrying amount of the assets and the net book value of the assets exceeds their estimated fair value. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Estimates of fair value represent management's best estimate based on appraisals, industry trends and reference to market rates and transactions.

The majority of American's aircraft fleet types are depreciated over 25-30 years. It is possible that the ultimate lives of our aircraft will be significantly different than the current estimate due to unforeseen events in the future that impact our fleet plan.