

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

| | Year Ended December 31, | | |
|--|-------------------------|-----------------|-----------------|
| | 2016 | 2015 | 2014 |
| Operating revenues: | | | |
| Mainline passenger | \$ 27,909 | \$ 29,037 | \$ 30,802 |
| Regional passenger | 6,670 | 6,475 | 6,322 |
| Cargo | 700 | 760 | 875 |
| Other | 4,901 | 4,718 | 4,651 |
| Total operating revenues | 40,180 | 40,990 | 42,650 |
| Operating expenses: | | | |
| Aircraft fuel and related taxes | 5,071 | 6,226 | 10,592 |
| Salaries, wages and benefits | 10,890 | 9,524 | 8,508 |
| Regional expenses | 6,044 | 5,983 | 6,516 |
| Maintenance, materials and repairs | 1,834 | 1,889 | 2,051 |
| Other rent and landing fees | 1,772 | 1,731 | 1,727 |
| Aircraft rent | 1,203 | 1,250 | 1,250 |
| Selling expenses | 1,323 | 1,394 | 1,544 |
| Depreciation and amortization | 1,525 | 1,364 | 1,295 |
| Special items, net | 709 | 1,051 | 800 |
| Other | 4,525 | 4,374 | 4,118 |
| Total operating expenses | 34,896 | 34,786 | 38,401 |
| Operating income | 5,284 | 6,204 | 4,249 |
| Nonoperating income (expense): | | | |
| Interest income | 63 | 39 | 31 |
| Interest expense, net of capitalized interest | (991) | (880) | (887) |
| Other, net | (57) | (747) | (181) |
| Total nonoperating expense, net | (985) | (1,588) | (1,037) |
| Income before income taxes | 4,299 | 4,616 | 3,212 |
| Income tax provision (benefit) | 1,623 | (2,994) | 330 |
| Net income | <u>\$ 2,676</u> | <u>\$ 7,610</u> | <u>\$ 2,882</u> |
| Earnings per common share: | | | |
| Basic | \$ 4.85 | \$ 11.39 | \$ 4.02 |
| Diluted | \$ 4.81 | \$ 11.07 | \$ 3.93 |
| Weighted average shares outstanding (in thousands): | | | |
| Basic | 552,308 | 668,393 | 717,456 |
| Diluted | 556,099 | 687,355 | 734,016 |
| Cash dividends declared per common share | \$ 0.40 | \$ 0.40 | \$ 0.20 |

See accompanying notes to consolidated financial statements.

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

| | December 31, | |
|---|------------------|------------------|
| | 2016 | 2015 |
| ASSETS | | |
| Current assets | | |
| Cash | \$ 322 | \$ 390 |
| Short-term investments | 6,037 | 5,864 |
| Restricted cash and short-term investments | 638 | 695 |
| Accounts receivable, net | 1,594 | 1,425 |
| Aircraft fuel, spare parts and supplies, net | 1,094 | 863 |
| Prepaid expenses and other | 639 | 748 |
| Total current assets | 10,324 | 9,985 |
| Operating property and equipment | | |
| Flight equipment | 37,028 | 33,185 |
| Ground property and equipment | 7,116 | 6,402 |
| Equipment purchase deposits | 1,209 | 1,067 |
| Total property and equipment, at cost | 45,353 | 40,654 |
| Less accumulated depreciation and amortization | (14,194) | (13,144) |
| Total property and equipment, net | 31,159 | 27,510 |
| Other assets | | |
| Goodwill | 4,091 | 4,091 |
| Intangibles, net of accumulated amortization of \$578 and \$502, respectively | 2,173 | 2,249 |
| Deferred tax asset | 1,498 | 2,477 |
| Other assets | 2,029 | 2,103 |
| Total other assets | 9,791 | 10,920 |
| Total assets | \$ 51,274 | \$ 48,415 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Current maturities of long-term debt and capital leases | \$ 1,855 | \$ 2,231 |
| Accounts payable | 1,592 | 1,563 |
| Accrued salaries and wages | 1,516 | 1,205 |
| Air traffic liability | 3,912 | 3,747 |
| Loyalty program liability | 2,789 | 2,525 |
| Other accrued liabilities | 2,208 | 2,334 |
| Total current liabilities | 13,872 | 13,605 |
| Noncurrent liabilities | | |
| Long-term debt and capital leases, net of current maturities | 22,489 | 18,330 |
| Pension and postretirement benefits | 7,842 | 7,450 |
| Deferred gains and credits, net | 526 | 667 |
| Other liabilities | 2,760 | 2,728 |
| Total noncurrent liabilities | 33,617 | 29,175 |
| Commitments and contingencies (Note 11) | | |
| Stockholders' equity | | |
| Common stock, \$0.01 par value; 1,750,000,000 shares authorized, 507,294,153 shares issued and outstanding at December 31, 2016; 624,622,381 shares issued and outstanding at December 31, 2015 | 5 | 6 |
| Additional paid-in capital | 7,223 | 11,591 |
| Accumulated other comprehensive loss | (5,083) | (4,732) |
| Retained earnings (deficit) | 1,640 | (1,230) |
| Total stockholders' equity | 3,785 | 5,635 |
| Total liabilities and stockholders' equity | \$ 51,274 | \$ 48,415 |

See accompanying notes to consolidated financial statements.

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

| | December 31, | | |
|---|---------------|---------------|---------------|
| | 2016 | 2015 | 2014 |
| Cash flows from operating activities: | | | |
| Net income | \$ 2,676 | \$ 7,610 | \$ 2,882 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 1,818 | 1,609 | 1,513 |
| Debt discount and lease amortization | (119) | (122) | (171) |
| Special items, non-cash | 270 | 273 | 52 |
| Pension and postretirement | (68) | (193) | (163) |
| Deferred income tax provision (benefit) | 1,611 | (3,014) | 346 |
| Share-based compensation | 100 | 284 | 304 |
| Other, net | (18) | (12) | 3 |
| Changes in operating assets and liabilities: | | | |
| Decrease (increase) in accounts receivable | (160) | 352 | (160) |
| Increase in other assets | (184) | (27) | (168) |
| Increase in accounts payable and accrued liabilities | 307 | 173 | 110 |
| Increase (decrease) in air traffic liability | 164 | (505) | (97) |
| Increase (decrease) in loyalty program liability | 264 | (295) | (229) |
| Contributions to pension plans | (32) | (6) | (810) |
| Increase (decrease) in other liabilities | (105) | 122 | (332) |
| Net cash provided by operating activities | 6,524 | 6,249 | 3,080 |
| Cash flows from investing activities: | | | |
| Capital expenditures and aircraft purchase deposits | (5,731) | (6,151) | (5,311) |
| Purchases of short-term investments | (6,241) | (8,126) | (5,380) |
| Sales of short-term investments | 6,092 | 8,517 | 7,179 |
| Decrease in restricted cash and short-term investments | 57 | 79 | 261 |
| Net proceeds from slot transaction | — | — | 307 |
| Proceeds from sale of an investment | — | 52 | — |
| Proceeds from sale of property and equipment | 123 | 35 | 33 |
| Other investing activities | 2 | — | — |
| Net cash used in investing activities | (5,698) | (5,594) | (2,911) |
| Cash flows from financing activities: | | | |
| Payments on long-term debt and capital leases | (3,827) | (2,153) | (3,132) |
| Proceeds from issuance of long-term debt | 7,701 | 5,009 | 3,302 |
| Deferred financing costs | (77) | (87) | (106) |
| Sale-leaseback transactions | 5 | 43 | 811 |
| Exercise of stock options | — | — | 10 |
| Treasury stock repurchases | (4,500) | (3,846) | (1,062) |
| Dividend payments | (224) | (278) | (144) |
| Other financing activities | 28 | 53 | 6 |
| Net cash used in financing activities | (894) | (1,259) | (315) |
| Net decrease in cash | (68) | (604) | (146) |
| Cash at beginning of year | 390 | 994 | 1,140 |
| Cash at end of year | <u>\$ 322</u> | <u>\$ 390</u> | <u>\$ 994</u> |

See accompanying notes to consolidated financial statements.