

Media Background Information for AMR's Q2 2010 Results

NOTE: AMR Chairman and Chief Executive Officer Gerard Arpey and President Tom Horton will make a presentation to analysts during a teleconference on Wednesday, July 21, starting at 1 p.m. CT. Immediately after the analysts' call, they will hold a question-and-answer conference call for media. *The conference number is (612) 234-9960, the password is Travel Choices.* **Note: This dial-in information is for media use only to ensure there are enough phone lines available for the call.**

AMR Reduces Net Loss Amid Higher Fuel Costs

AMR showed notable progress in its results for the second quarter, reporting a \$10.7 million net loss compared to a \$390 million net loss a year ago – resulting in an improvement of more than \$379 million. This result came despite fuel prices that drove \$334 million more in jet fuel costs during the quarter than the company would have paid at prevailing prices in the same period last year.

It is also worth noting that trans-Atlantic cancellations caused by the eruption of the Icelandic volcano reduced operating earnings by an estimated \$17 million.

Notable results:

- Mainline unit revenue and other revenue rose **16.8 percent** and **10.2 percent**, respectively, compared to the same quarter last year, with international unit revenue increasing **20.9 percent**.
- American's yield rose **14 percent** while load factor **set a Q2 record at 83.9 percent** and tied the overall record.
- Cash and short-term investments finished the quarter at **\$5.5 billion** versus \$3.3 billion at the end of the quarter last year.

More New 737s on Order: Also, today AMR announced it is ordering **35 additional Boeing 737-800s**, to be delivered in 2011 and 2012, as part of a fleet renewal plan designed to replace MD-80s with more fuel-efficient aircraft that have additional customer amenities (**see attached separate news release**).

Later today you'll hear additional first-quarter highlights from Mr. Arpey and Mr. Horton, including more on revenue and cost performance as well as capacity management. Meantime, as you report on AMR's results and prepare for the media call, below is relevant background information.

Q2 2010 Highlights

Revenue Performance Improves

- Mainline unit revenue, or revenue per available seat mile (RASM), rose **16.8 percent** to 11.14 cents, driven by improving economic conditions and tight capacity control that produced higher load factors. Consolidated unit revenue grew **16.7 percent**.
- Consolidated revenue rose **\$785 million**, or **16 percent**, to nearly \$5.7 billion.
- Yields, or average fares paid, rose **14 percent**, with international levels rising **15.1 percent**.
- Capacity management, which has been important to the airline as it manages through the oil-price surge and economic downturn in recent years, continued with a **0.4 percent reduction** in mainline available seat miles versus the second quarter last year.

Other Revenue Continues Uptick

AMR has continued to show improvement in generating ancillary revenue, a major focus of Mr. Arpey since assuming leadership of the company in spring 2003. Other revenue – from sources such as confirmed flight changes, purchased upgrades, Buy-on-Board food services and baggage service charges – continues to rise, as it has each year since 2002. The second-quarter 2010 rise was **10.2 percent** to **\$625 million**.

International Revenue Improves

- Second-quarter international unit revenue **increased 20.9 percent** versus the same period last year, with double-digit increases in each region. RASM rose the most in the Atlantic region – **28.3 percent** compared to the year-ago period, followed by the Pacific at **25.3 percent**. The Atlantic region also saw a **21.9 percent rise in yield**, with international yield overall increasing **15.1 percent** for the period.

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Load Factor Sets Record

- Mainline load factor, or percentage of seats filled, **increased 2 points to 83.9 percent** for the quarter, marking a record for the second quarter and tying the record (set in Q3 2007 and Q3 2009) for any quarter.
- International loads increased **3.8 points** overall and in all three regions, with the Pacific region rising the most, at 6 points, to **86.3 percent**.

Reinforced Cash Position

- AMR ended the second quarter with **\$5.5 billion** in cash and short-term investments, including a restricted balance of \$461 million, versus a balance of \$3.3 billion in cash and short-term investments, including a restricted balance of \$460 million, at the end of the quarter last year.
- Net Debt, which AMR defines as Total Debt less unrestricted cash and short-term investments, was \$11 billion at the end of the second quarter, compared to \$11.4 billion in Q2 2009.

Fuel Cost Still Historically High

- American's average mainline fuel price per gallon for the quarter rose **25.5 percent** versus last year, and this quarter's cost of **\$2.37** per gallon approaches **three times** the **83 cents** per gallon American paid for jet fuel in Q2 2003, the quarter Mr. Arpey became CEO of AMR.
- In the second quarter of 2003, fuel expense represented **19.8 percent** of total operating expenses. In contrast, in Q2 2010 it was **30.2 percent**.
- Fuel expense this quarter was just **\$60 million** shy of eclipsing wages, salaries and benefits as the company's largest cost.
- Including the impact of fuel hedging, AMR paid nearly **\$334 million more** for jet fuel in the second quarter, at an average of \$2.37 per gallon, than it would have paid at prices prevailing during the second quarter of 2009, when it paid \$1.90 per gallon.

Fuel Smart Brings More Savings

AMR continues its Fuel Smart program, resulting from employees who saw an opportunity to safely reduce fuel consumption, as a proactive step the company is taking to combat rising oil prices.

- In 2010, the program aims to reach an annual fuel savings of **120 million gallons** and reduce carbon dioxide emissions by 2.5 billion pounds. At AMR's projected average system price of \$2.29 for 2010, that would represent savings of \$275 million.

Customer Experience Improvement

- American continues to make progress in improving the customer experience with **more than 250 teams** across its network working to identify issues and develop solutions, driven by technology investment.
- In 2010, American's progress in this area has been validated in independent studies by JD Power and the American Customer Satisfaction Index (ACSI). American saw **sizeable improvements** in customer satisfaction, ranking **third** among competitors in the JD Power study and **second** among network airlines in the ACSI study.
 - In the JD Power study – from May 2009 through April 2010 – American improved **24 points** year over year versus a 15-point average industry increase for network carriers.
- American's technology advances are having a positive financial impact. For example, just three of the technologies deployed during the last two years – Ramp-Link, Taxi Monitor and YADA – are generating a valuable reduction in fuel usage, block time and missed bags, as well as playing an important role in generating incremental revenue.