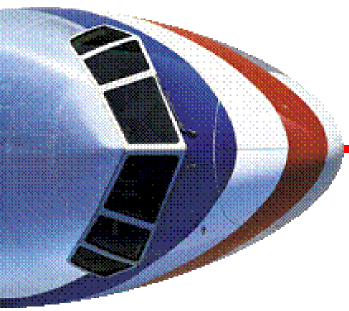
AA/TWU Maintenance & Related Negotiations



April 28, 2011

Introduction

- **The objectives of the company have been and continue to be:**
  - **Reach agreements that are in the best interest of our employees, customers, shareholders, and the communities that we serve**
  - **Position AA for long-term success**
  - **Address areas within the labor agreement that put us at a competitive disadvantage**
  - **Reach a responsible agreement that can be fully supported by the TWU negotiating committee**
- **We have had a chance to thoroughly review the proposal as presented to us by the TWU – M&R committee on March 10, 2011**

Introduction

- In light of our financial position, the AA negotiating committee felt it was important to factually represent the impact such a proposal would have on the company's:
  - Financial bottom line: both current and forecasted
  - Competitive position within the industry in the areas that are important for the success of AA and it's employees:
    - Network
    - Productivity
    - Wages and work rules
    - Benefits
- This presentation will include the comparisons of the March 10, 2011 TWU proposal along side the 2010 Tentative Agreement (TA) and the current AA/TWU agreement

Financial Impact to AA

- **Per the AMR 2010 10K SEC filing, our contractual labor gap is roughly $600M [/1]**
  - **The TA that did not ratify would have increased our 2010 labor cost by approximately $78M [/2]**
  - **The current TWU proposal would substantially hurt AA's competitive position by increasing our annual labor cost by approximately $360M**
    - **2011 impact would add approximately $740M in expense due to lump sum payments related to retroactive pay increases**

AA Labor Costs H/(L) with OA Contracts ($M) [/3]		
($, millions)	Current	TWU Proposal
Wages	(145)	(375)
Benefits	(240)	(370)
Outsourcing	(215)	(215)
Total	(600)	(960)

1/ Does not include pension and retiree medical accounting expense gap of an additional $200M to what is in the contractual gap
2/ Includes 2010 signing bonus and approximately 3 months of higher salaries
3/ OA includes a weighted average of CO/UA, DL, US contracts

Line AMT Wages

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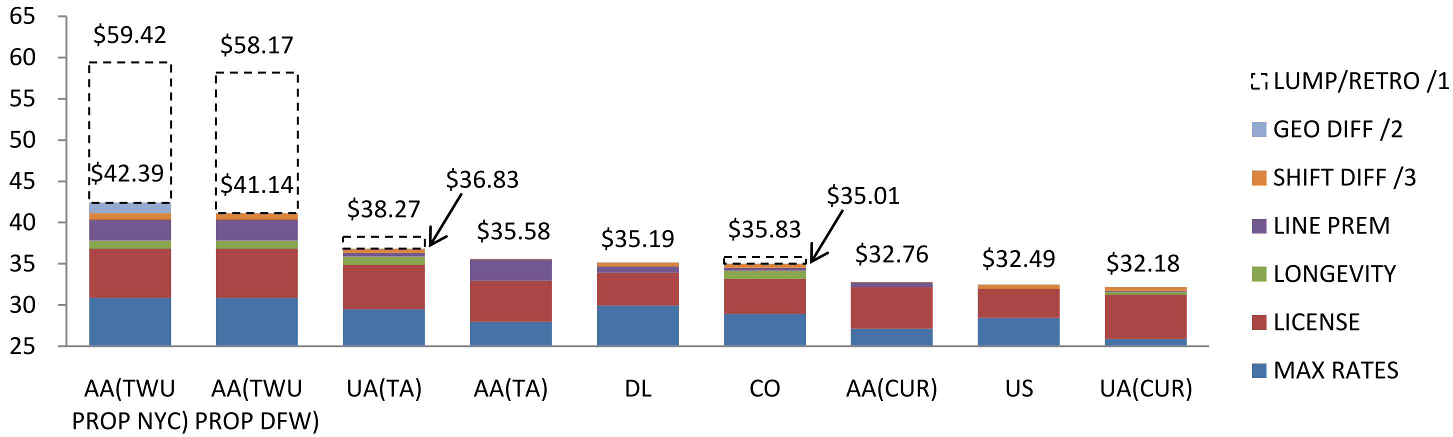
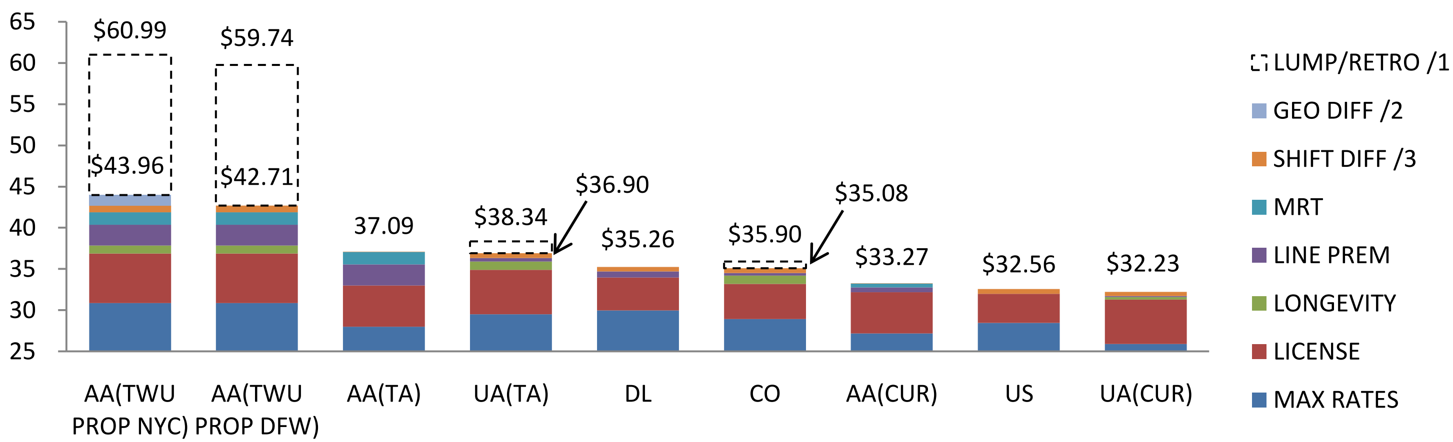
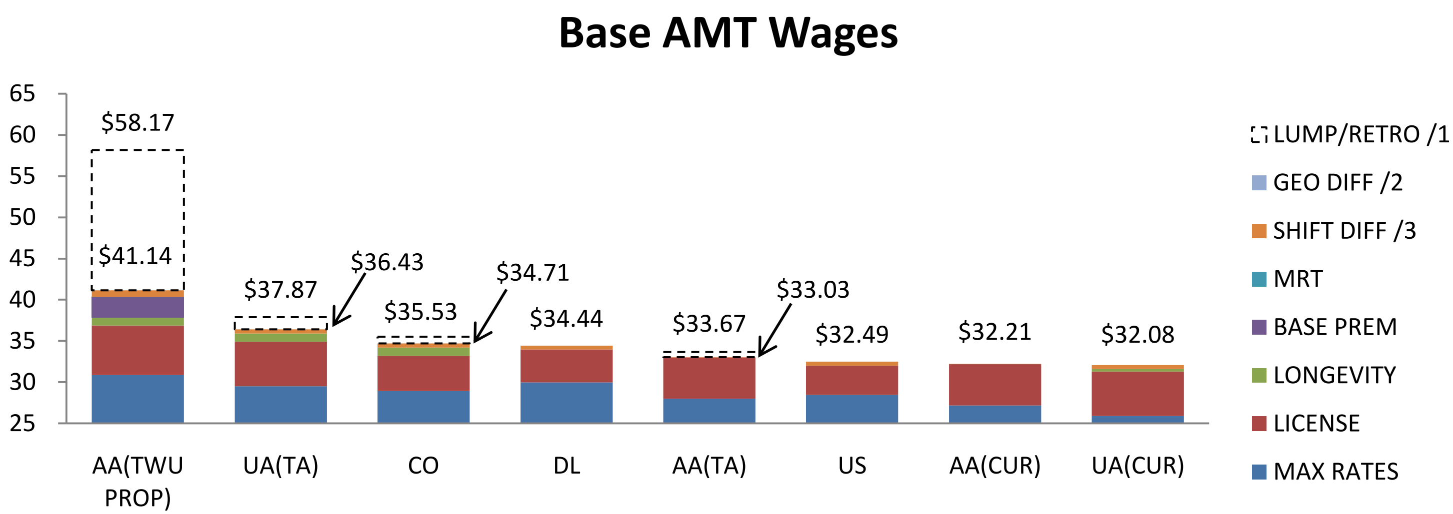


Line AMT Wages - Midnight Shift



1/ Includes lump sum and retroactive pay amortized over the term of the contract
2/ DFW includes no geographic premiums
3/ Shift differential is for afternoon shift and midnight shift respectively and is additive to MRT premium

Base AMT Wages



AA & OA Outsourcing Profiles

	% Total Maintenance Outsourcing /2	# of Base Employees
AA	12%	5,776
CO	44%	660
DL	49%	2,500
UA	41%	2,100
US	60%	775

1/ Includes lump sum and retroactive pay amortized over the term of the contract
2/ Form 41 Y/E 3Q2010, outsourcing expense as % of total maintenance expense

Outsourcing

- **Outsourcing by other airlines gives them a considerable cost advantage, particularly when it comes to airframe heavy equipment checks**
  - **For example, DL outsources 92% [/1] of airframe heavy checks**
  - **Similarly, UA/CO outsources roughly 50% [/1] of airframe heavy work**

- **Assuming no change to the current scope language, AA could save approximately $180M by matching the <u>average</u> outsourcing levels of our network competitors**

	M&E Employees per Aircraft [/2]
AA	20.7
DL	14.8
CO	11.5
UA	10.8
US	10.4

1/ AeroStrategy analysis, 3/11/2011
2/ 2009 DOT data, includes Title II in M&E

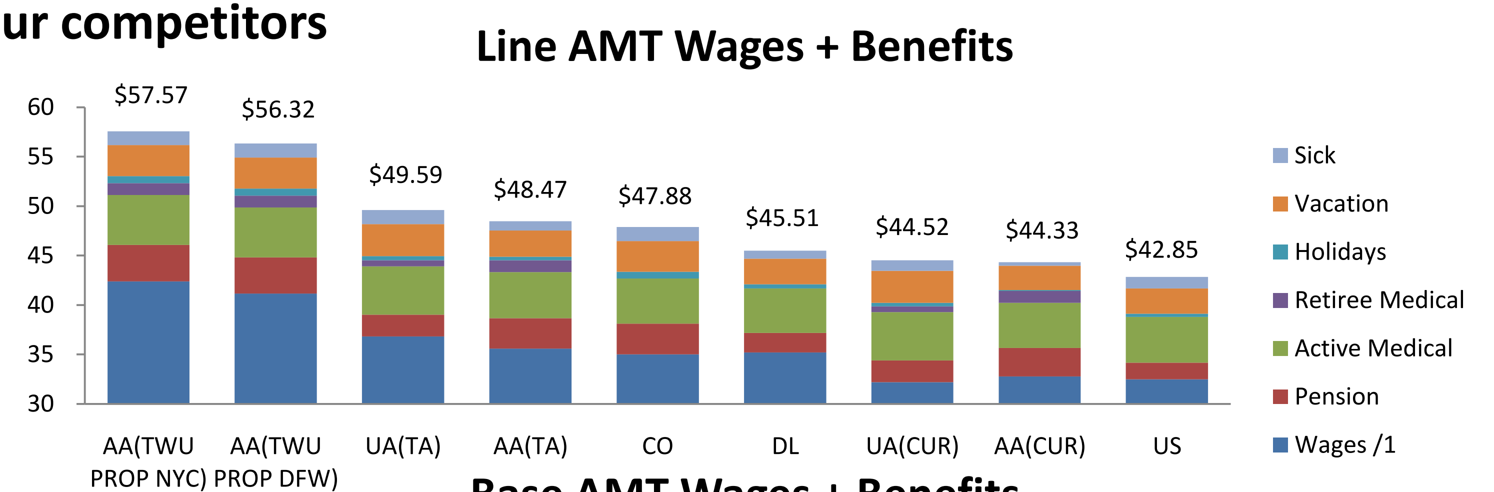
Benefits Comparison

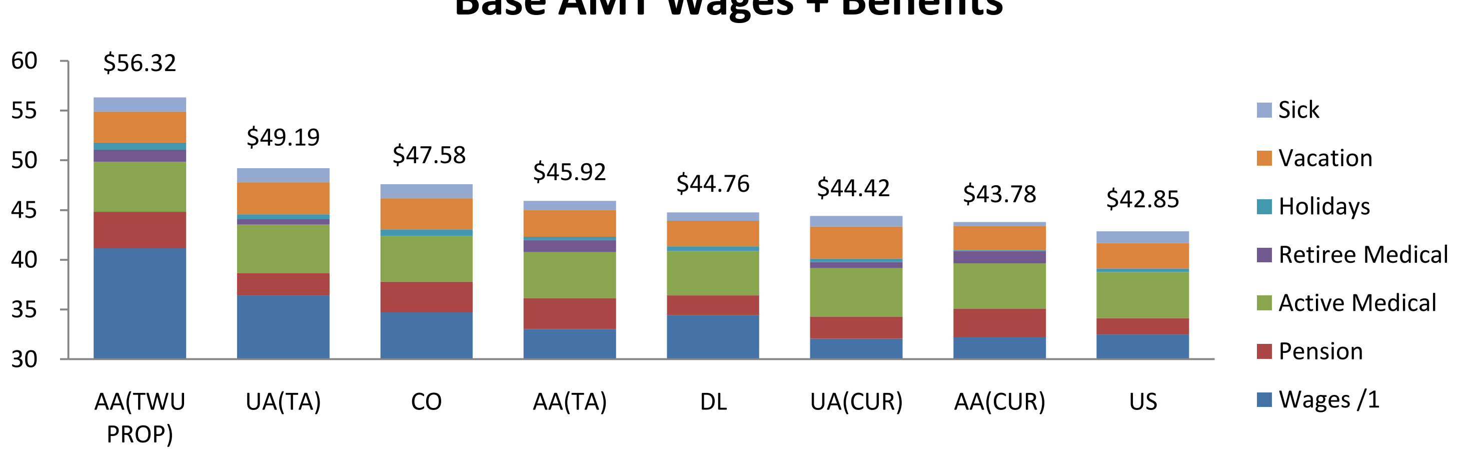
		AA(TWU PROP)	UA(TA)	CO	AA(TA)	DL	UA(CUR)	AA(CUR)	US
Personal Days	Holidays (pay rate)	11 (2.5x)	10 (2.5x)	10 (2.5x)	8 (2.0x)	10 (2.0x)	8 (2.0x)	5 (1.5x)	8 (2.0x)
	VC Days, min-max	10-35	10-35	5-35	7-32	10-20	10-35	5-30	10-20
	SK Day (avg pay rate)	12 (1.0x)	12 (1.0x)	12 (1.0x)	8 (1.0x)	7 (1.0x)	12 (0.76x)	5 (0.61x)	10 (1.0x)
	IOD Policy	Full salary continuance for first 80 days of injury	8 hours per month accrued IOD time to a max of 700 hours or 87.5 days /8	8 hours per month accrued IOD time to a max of 700 hours or 87.5 days /8	Full salary continuance for first 10 days of injury	None	None	Full salary continuance for first 10 days of injury	None
Retirement	Estimated Annual Cost /1	8.7%+	5.0%	8.8%	8.7%	5.5%	5.0%	8.7%	5.1%
	Defined Benefit	1.67% X FAE X YOS /2	Terminated	1.19% X FAE X YOS + 0.45 X FAE over SS wage base X YOS based on regular pay /3	1.67% X FAE X YOS /4	Frozen	Terminated	1.67% X FAE X YOS	No plan
	Defined Contribution	No plan	6.0% of pay to DC plan /5	Match varies by YOS; max match is 50% to 6% of pay	Automatic 2.5% plus 100% match up to 5.5% /6	Automatic 2% plus 100% match up to add'l 5%	5.0% of pay to DC plan	No plan	$1.60 per worked hour (est. 5.21%)
	Active Medical EE Contribution Rates	9.7%	13.4%	18.7%	19.1%	20.8%	13.4%	19.1%	17.9%
Retiree Medical	Retiree Cost Sharing Percentage	<10% through pre-funding /7	40% to 80% based on seniority	100% (may use sick bank to offset premiums)	For ages 50+, <10% through pre-funding /7; For ages <50, 25% (may use sick bank to offset premiums)	100%	40% to 80% based on seniority	<10% through pre-funding	80% to 100% based on plan (may use sick bank to offset premiums)
	Over 65 eligible?	Yes	Yes	No	No	Yes	Yes	Yes	No
	Sick trade available?	No	No	Yes	Yes	No	No	No	Yes

1/ Assumes 80% participation in 401k matching plans
2/ FAE determined by highest non-consecutive 48 months of service
3/ Regular pay does not include Overtime, Shift Premiums, Profit Sharing, or any special forms of pay
4/ Current employees keep DB plan; New employees move to DC plan
5/ Transitional unit merged with CO
6/ New hires only have this option
7/ Estimate of 2009 TWU draw down as a percentage of retiree medical expenses
8/ Rapid re-accrual for catastrophic illness/injury

Wages + Benefits

- **Despite AA employing many more mechanics than any other carrier, the wages and benefits in the TWU proposal far exceed the market rates of our competitors**



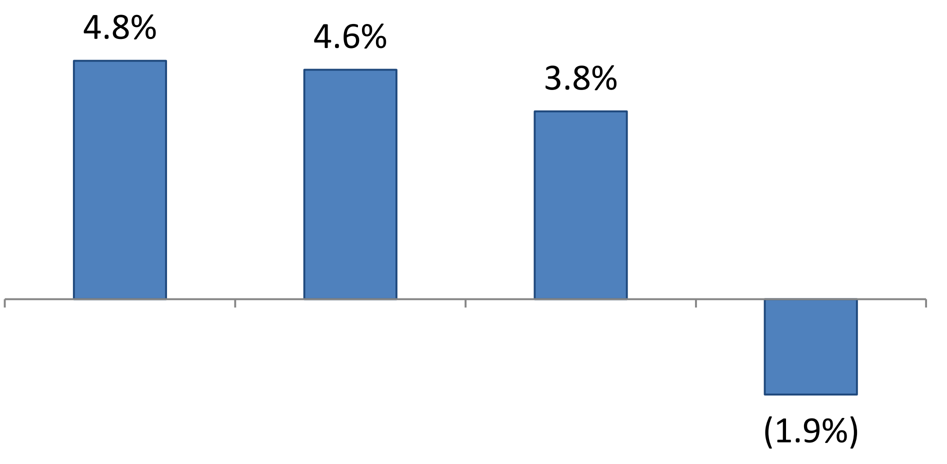


1/ Excludes lump sum and retroactive pay

AMR 2010 Financial Results versus Industry

- **In 2010, AA competitors outperformed our results by 6.5 points of corporate pre-tax profit margin, equating to roughly $1.45B in earnings**

Corporate Pre-Tax Margin /1



	UA/CO	DL	US	AA
AA Margin Gap H/(L)	(6.7%)	(6.5%)	(5.7%)	-

1/ Excludes special items and unrealized gains or losses from hedging; Source: Company SEC filings

AMR 2010 Financial Results

- **AA's financial results lag the industry due largely to lower costs achieved by other airlines in bankruptcy, including outsourcing and labor cost reductions**
  - **The 2010 TA would have put further pressure on our costs**
- **The current TWU proposal would make AA's competitive position unsustainable**

($, millions) /1	2010 Actual	2010 w/ M&R TA	2010 w/M&R TWU Proposal /2
Revenue	22,170	22,170	22,170
Operating Expense	(21,781)	(21,859)	(22,141)
Operating Income/ (Loss)	389	311	29
Interest Expense/ Other /3	(778)	(778)	(778)
Net Income/ (Loss)	(389)	(467)	(749)

1/ Excludes special items
2/ 2010 AMR results including 1st year of March 2011 TWU proposal excluding lump sum and retroactive pay
3/ Includes special tax benefit

Summary

- Although the TWU proposal makes it difficult to find a path forward, all parties need to continue to have discussions to find a solution

- Since there has been success closing sections of the Agreement using language from the prior TA, our intention is to continue to use this document as the basis for future proposals

  - While finding common solutions is important, the new Agreement must allow American to be competitive with other carriers

- Furthermore, the economic situation is extremely difficult and is deteriorating so it is imperative that we balance this challenge along with the employee contributions and the need to have a competitive, viable company