

AMR CORPORATION/US AIRWAYS

Moderator: Tom Horton
November 12, 2013
2:00 p.m. ET

Operator: Thank you for joining the America Airlines and US Airways media conference call.

All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question and answer session. All callers are now on listen-only mode.

I would now turn the call over to Mark Trevino.

Michael Trevino: Thanks, (Lisa). Welcome, everyone, and thank you for joining us. We're here to discuss American Airlines' and US Airways' settlement with the US Department of Justice and state attorneys general.

Joining me today are Tom Horton, Chairman, President and CEO of AMR Corporation; and Doug Parker, Chairman and CEO of US Airways. Tom and Doug will make some brief remarks, and then we'll open up the call to take some questions. The following discussion may contain forward-looking statements that are not limited to historical facts and may reflect current objectives, beliefs and expectations regarding future events. Forward looking statements may be identified by words such as may, will, expect, intend, anticipate, believe, estimate, plan, project, could, would, should, continue, seek, target, guidance, outlook, forecast and like words.

All forward-looking statements involve significant risks and uncertainties that could cause actual results and financial position and timing of certain events to differ materially. Examples of such risks and uncertainties include, without

limitation, the challenges and costs of the proposed transaction including integrating operations and achieving anticipated synergies; the effects of divestitures pursuant to the settlement of litigation; the price of, market for and potential market price volatility of the US Airways, AMR and the combined Company's common stock; the significant liquidity requirements and substantial levels of indebtedness of the combined Company after the closing; and other economic business, competitive and/or regulatory factors affecting the business of US Airways and AMR generally and the combined Company after the closing. For other examples of such risks and uncertainties, please see each of the Company's filings with the SEC.

OK. With that, I will now turn the call over to Tom Horton. Tom?

Thomas Horton: Thank you, Mike, you would make a superb lawyer. Thank you all for joining us on such short notice. Today, we announced that we have reached settlement with the US Department of Justice and the state attorneys general allowing us to take the final steps in creating the world's leading airline, which will fly more travelers to more places than ever before.

We also announced that we have reached agreement with the US Department of Transportation, related to small community service from Washington Reagan National Airport. While we still need to obtain some important approvals including the US Bankruptcy Court, we now expect to be able to do that within a few weeks, which is tremendous news for everyone who has worked so hard to reach this point.

And, for the team at American Airlines, this means we are one step closer to completing our restructuring, the most successful restructuring for all constituencies, ever in the airline industry. Today's settlement is a common sense solution, which addresses regulatory concerns, while allowing us to create the world's leading airline, with the world's leading network. This will benefit our customers, our people and our investors. It's a win-win-win, and I would like to thank the Department of Justice and state attorneys general and especially thank the people of both airlines who have worked so hard to get us here.

I'll turn it over to Doug, and we'll be happy to take some questions at the end.

W. Douglas Parker: Great. Thanks, Tom. I just want to follow onto what Tom said and reiterate this is extremely good news for both American, US Airways and for the new American and express our gratitude for all who made it happen. My own view is the reason we've gotten to this settlement today is really three separate reasons. One is the incredible outpouring of support that we have had for this merger from our employees, from elected officials, from communities and customers that has been both rewarding to see and also, I think, important in the process.

And, second, the great work by our litigating team, who unfortunately the world is not going to get to see their work. Rich Parker at O'Melveny & Meyers and John Majoras of Jones Day and their teams have done a phenomenal job of representing our two companies in this lawsuit and letting the facts be known. And we were – we're extremely – and the fact that we had such a strong case I think has been a major factor in getting us to the settlement.

And third, to the department – and third because people were willing to sit down and talk to us and reach a settlement rather than trying to take this all the way to a conclusion that wouldn't have been productive for anyone.

So, for of those three things, we're grateful to all three of those groups, the employees and everyone that supported us, the great team we had working with us on the litigation and third to the Department of Justice and the state attorneys general that Tom mentioned, as well as the Department of Transportation. So, we couldn't be happier about this announcement today. We've been looking so forward to getting this merger now closed and moving forward and getting on with the business of building the new American Airlines, which we been wanting to do for quite some time and are now excited about the prospect of doing so.

So, that's all I have. Operator, I think we're ready for questions.

Operator: At this time, I would like to inform everyone, if you would like to ask a question, please press the star then the number one key on your telephone keypad. We'll pause for just a moment to compile the Q&A roster.

Your first question comes from the line of (Johnson Spears).

(Johnson Spears): (Inaudible) everyone. Congratulations on the news. In a year from now you may look upon this as the easy part of the merger. I wonder if you could reiterate what the first challenges you are going to be addressing will be going forward? And also if you could reiterate what the next steps will be? I know the in the news release you indicated plans for December combination and closing, but if you could explain exactly, given the amount of time that's passed since the last time we've had this discussion, what exactly you see happening going forward at this point, schedule wise?

Thomas Horton: This is Tom all talk a little bit about the schedule and Doug can jump in on execution, which of course is so critical to getting this right for our customers. The next major milestone in the process is a hearing before the bankruptcy court on November 25. That was scheduled I think earlier today, so we'll have that hearing and, assuming all goes according to plan, we would expect to be able to close the merger in the first half of December.

W. Douglas Parker: Thanks, Tom, this is Doug, and actually also on the line with us is Scott Kirby, who is the President of US Airways, and anyway, Scott, why don't you take the customer milestones that are coming up?

Scott Kirby: OK. I think the first milestones are the legal issues associated with close followed by a number of employee issues in December to get everything working right for employees. It's kind of the first step. On January 7, is going to be a big date for us when we will in many ways become a single airline for customers, at least the first step in being a single airline for customers, where we will have things like reciprocal frequent flyer benefits.

One of the, I suppose, silver linings of the delay is that we're going to have a more seamless, won't be entirely seamless, but a more seamless customer interface when we construct that on January 7. And then we will be in the

normal integration process of putting our systems together, getting to a single operating certificate.

One of the advantages we have in this merger compared to other mergers historically is that our labor deals are largely done. We have an MOU that is signed off on by both pilot unions in particular. And so that process will be much smoother than you've seen in other mergers and have deals done with a number of the other labor groups as well. We hope for a smooth process, and we've used the last three months – the teams have used the last three months to get even further ahead on getting the integration moving from day one.

(Johnson Spears): Just a quick follow-up if I may what about the change in alliance with Star Alliance and OneWorld?

Scott Kirby: We have done a lot of planning for that. We have stopped selling tickets on US Airways tickets in the Star Alliance effective next year. So the customers that already have a ticket we worked out a smooth transition process. Those customers will all be taken care of and accommodated. But we stopped selling new ticket on Star Alliance several months ago so there's not that many customers. And then we'll be working with OneWorld to smoothly integrate US Airways into that and expect that to also be a process that at least the first step happens in the first quarter of next year.

(Johnson Spears): Thank you, both, and congratulations, again.

Scott Kirby: Thank you.

W. Douglas Parker: Thank you.

Operator: Your next question comes from the line of (Justin Fauckland).

(Justin Fauckland): Thanks for the call. This is mainly one for Doug, but, Doug, is there anything substantive as far as concessions that the government got out of this that you feel could be problematic to your plans? And, do you feel like could pose a financial risk? Because it looks like they kind of walked away quietly?

W. Douglas Parker: OK, well look, Justin, absolutely nothing at all that the we view as a financial risk to the Company, or we wouldn't have done this. Again, not to say that we wouldn't have liked to not have done any of these divestitures. Of course we'd like to still have all these assets and fly to all these places. But having done this, we still will have – the new American will have the greatest network in the world, which is great for our customers and our employees.

We also will, as I noted, still have over \$1 billion in net synergies, even after these divestitures, the exact same statement that we made on February 14 when we announced this merger. So that's great for our financial stakeholders that even with these divestitures, we're able to make the same statement we made on the day we announced this transaction. Again, not trying to minimize the fact that we had to give up some divestitures to get this done, but they by no means compromise everything that we talked about on February 14, when we announced this merger, both in terms of the financial impact as well as the great benefits it's going to provide to consumers by providing this great network for customers to fly around the world.

(Justin Fauckland): Yes. Just a quick follow-up that was kind of my point in the question, is there anything that the local carriers that the government expects to come in here. Do you think that they're going to provide a meaningful change or balance for consumers?

W. Douglas Parker: We compete against these same airlines everywhere – everywhere around the United States. And, I don't think it's going to have – it's certainly not a difference to our airlines we look at now this makes the competitive landscape dramatically different if that's the question.

(Justin Fauckland): Yes.

W. Douglas Parker: Low-cost carriers are already pricing every market around the United States, and this we don't think changes that in terms of the competitive dynamic. The real change to the competitive dynamic is we're putting those two airlines together and creating a stronger Company that will be able to take more customers, more places and create a third, global competitor to the other two global networks of United and Delta.

(Justin Fauckland): All right. Thanks a lot.

Thomas Horton: And I think I would just add to that, this is Tom, this makes us a very powerful, global competitor to compete not just with United and Delta but also with all the growing international airlines around the world from the Gulf carriers to the Asians to the Latin carriers and Europeans. And we think the US should have the world's leading airline, and that's what's been created here.

(Justin Fauckland): All right. Thanks a lot.

W. Douglas Parker: Thank you, Justin.

Operator: Your next question comes from the line of (Hannah Sampson).

(Hannah Sampson): Hi, there. Will you – will American and US Airways have any kind of say or be part of a discussion about who these divested gates or slots will go to? Or, is your part just to say, OK, our hands are off, and DOJ and interested parties have at?

W. Douglas Parker: Well, we've had discussions with the DOJ about that, and I think we probably just need to leave it at that.

(Hannah Sampson): OK.

Operator: Your next question comes from the line of (Karen Jacobs).

(Karen Jacobs): Yes, hello there. I wanted to ask you a question. That goes to – well, what was the hardest piece of this settlement for you? That is, what part or parts of the settlement stretched you the most?

Thomas Horton: Well, the most significant parts of course are the slots at Reagan and – but it represents about 15 percent of the combined slots between American and US Airways. So, even after the divestiture, the new American will have more flying at Reagan than US Airways did prior to the merger, and US Airways was the largest airline at Reagan. So, we'd rather not have had to divest those slots, but we think this will be the worlds best airline network, and that remains the case even after the divestiture. Doug, would you add anything to that?

W. Douglas Parker: No, that's the answer to the question. The most painful is the slots at Reagan, but again it's – put it in perspective, it's the settlement we're quite happy with.

(Karen Jacobs): Thank you.

Operator: Your next question comes from the line of Dawn Gilbertson with Arizona Republic.

Dawn Gilbertson: The question is for Doug, predictably for a few questions from your almost former headquarters city. In the agreement with the states Attorney Generals talking about the historical levels of service you are to maintain at the hubs for three years. Can you give a little more color on the in terms of is that measured by daily departures, seats, ASM's, employees, nonstop destinations?

W. Douglas Parker: I'll let Scott give the actual details you're asking for, but let me start before he does by telling you, this is one we were happy to give. We have said from the outset that we planned to put these two airlines together and put the two networks together and create a network that is stronger than either of the networks combined. And that is the value of this merger and that we planned, we intend to continue serving all the markets that are served today by the two airlines independently and maintain all the hub service.

So, this is a request by the states that we had to make certain that we have outs for things like material adverse changes, et cetera, because conditions can always change. But, certainly as we sit here today, and where the market – and as we foresee the future, that's always been our intent. So, it gave them comfort that we agreed of this, but this was something we were happy to agree to, because it's always been our intent. Having said that now, Scott, what are the actual details on the commitment?

Scott Kirby: There are no specific metrics. It is what – the exact language, Dawn, repeated which is operate at levels consistent with history.

Dawn Gilbertson: OK, and a follow-up, Doug, you mentioned there are some outs here. One thing I noticed, though, in the settlement, that it does not mention economic

issues and fuel prices which is something – the spike a few years ago is what led to the industry shrinking. Is that – is my read of that correct? Economic issues are not one of those? I can't remember the legal term for it but that you listed in the settlement? That could change these agreements you've agreed to for the five years and the three years?

W. Douglas Parker: I will kick it over to Gary Kennedy; he's our General Counsel here at American, to give you a little more color on that.

Gary Kennedy: Yes, there are provisions in the agreement – there's a force majeure clause that covers sort of what I call sort of the standard force majeure issues, and it would cover, under certain circumstances, if there's a significant change in economic conditions. There is something there in the document called the material adverse change position, and so we are covered in the event that there is a significant problem that falls under that category.

Dawn Gilbertson: Thank you.

Operator: Your next question comes from the line of Ely Portillo with Charlotte Observer.

Ely Portillo: I was on the conference call earlier with Bill Baer, and he was saying of course that the pressure brought by people like the mayors of hub cities and labor didn't have an impact there, and, Doug, you sort of touched on this in your opening remarks. But I was hoping you could elaborate a little more on what you think were the most successful lobbying efforts that you guys were able to pull together here?

W. Douglas Parker: Just the overall outpouring of support was phenomenal, phenomenal efforts, and I couldn't help but be noticed by people all around the country I think. And I don't think anyone anticipated that kind of outpouring of support. In terms of the most noteworthy by far, the employee support which included the rally that they did in Washington but all sorts of other efforts I would put at the top of the list. But right behind that are, in my own – off the top of my head, the letter from the mayors, I thought was incredibly helpful and as was letters from Congressman. I don't want to forget anybody unfortunately, Ely. But the result you can go through and see it was just consistent and

wholesome support and bipartisan, just everywhere and virtually no opposition other than other airlines who have parochial interest to try and compete. Tom?

Thomas Horton: Ely, I would maybe just add, this is Tom, I think great credit goes to Texas Attorney General Greg Abbott who took the first step in reaching a sensible settlement with us which really set the template for the deal we made with the other state attorneys general. And I think in a lot of ways really started the ball rolling.

Ely Portillo: All right, thanks.

W. Douglas Parker: Thanks, Ely.

Thomas Horton: You bet.

Operator: Your next question comes from the line of Greg Karp with Chicago Tribune.

Greg Karp: Hi. Can you talk a little bit about the divestment of gates in Chicago? How does that hurt the ability of the new American to grow in Chicago? And also, was the Chicago as a hub, ever in doubt?

Thomas Horton: This is Tom. The Chicago hub was never in doubt. It's a very important centerpiece of the new American network. And of course with the combination we only get stronger in Chicago. We have, Scott, you can correct me if I'm wrong, American has 69 gates at O'Hare, and I think US Airways has 3, so we're able to provide two per the settlement in a way that doesn't affect our ability to fly at Chicago, the schedule that we have today.

W. Douglas Parker: Right, the schedules both airlines have today. On the gates less two still fly all the flights that American and US Airways fly today on two fewer gates than we have combined. And that will actually give us a larger domestic base than United has in Chicago which we think is important. So, anyway, we look at Chicago as a very important part of the new American, a great growth opportunity for us and while again, while we would like to have more gates there and would have preferred not to be forced to divest two gates there, it's

not going to have a material impact on our ability to fly what we are intended to fly as we put these two airlines together.

Operator: Your next question comes from the line of Doug Cameron with Wall Street Journal.

Doug Cameron: Hello, I thought I'd actually withdrawn, but never mind. I'll carry on, anyway. I got cut off when you talked about, Doug, what happens with Star and potentially joining OneWorld and the joint business agreement. Can you maybe just reprise me on that one?

W. Douglas Parker: It wasn't me, it was Scott – so we'll let Scott

Doug Cameron: I'm sorry.

W. Douglas Parker: It's all right, Doug.

Doug Cameron: I'll take whoever you give me.

Scott Kirby: So, we intend to move out of Star quickly, in fact, started – stopped taking new bookings several months ago for travel in 2014. We'll have a seamless transition for customers in that and hope to move into OneWorld quickly as well in the first quarter of next year. And we're having ongoing discussions about how the joint business arrangement will work, but those aren't finished yet.

Doug Cameron: Any thoughts on timing for the transatlantic JVA?

Scott Kirby: I'm not sure, since we don't have a deal done yet we don't have a timing yet.

Doug Cameron: Yes. OK, thanks, guys.

Operator: Your next question comes from the line of Ted Reed with TheStreet.

Ted Reed: There seems to be an implication on the DOJ call, which I was also on, that, until they filed suit to block it – that after they filed suit to block it that you guys came along in what you were going to offer, that they never would've

gotten any of these divestitures or many of these divestitures without the lawsuit. Is that the way you see it?

Thomas Horton: Well, I'm not sure I would say it that way. It's hard to know but we think we've made a very commonsense deal here with the DOJ which addresses their concerns and allows us to get on with a really great merger.

Ted Reed: Do you think you came a long way from where you were before the lawsuit?

Thomas Horton: I don't think the settlement is a terribly different from what I would have anticipated early on. I'll let Doug speak for himself, but I think it's a reasonable settlement, and it allows us to go build the world's best global network, and it doesn't affect the ability to do that.

W. Douglas Parker: I don't know that it really matters, Ted. We're happy with the settlement, and we're really happy to move forward with the merger. And we – whether we would have agreed to this before or after, I don't know, but what I know is we're really happy to agree to it now and move forward. We felt extremely good about our case, we felt extremely good about what happened from the time lawsuit was filed. And I would note the comments that DOJ was making on the day that they filed the lawsuit versus what they're saying today are dramatically different. And we feel really good about the progress we've made from the time the lawsuit was filed until today and couldn't be happier with the settlement.

Ted Reed: All right. Doug, you haven't talked about this. You guys must have been quite shocked when you found out that they were going to file the lawsuit. Is that the case?

Thomas Horton: Yes.

W. Douglas Parker: We were disappointed let's put it that way.

Ted Reed: All right. And last thing, are any small cities in DCA going to lose service from DCA?

W. Douglas Parker: Ted, we have per this divestiture agreement we're going to have 52 slot pairs that – less than the two airlines have today. So, that's what we know. So, we will need to go do the work of determining what 52 departures that currently exists between the two airlines from DC won't exist out after this. What I can tell you for certain is all the routes that American – the hub to hub flying that American brings is absolutely the best of the flying so that will remain. So you have to figure out where it comes from what's left. And we have work to do on that. We have nothing to announce as yet.

What we did say today is that, when we do know, as we get closer in, we will – we plan to announce what service needs to be reduced prior to the other airlines that are going to be bidding on these slots so that they might be able to consider that as a bid and hopefully reinstate some of the service that we may have – that we're going to have to discontinue.

Ted Reed: Isn't that unlikely because you'll have to discontinue small cities, and they won't want to serve them?

W. Douglas Parker: You got to ask them what they want to serve. We are going to have to go through and do – again, work through and figure out what's best for our network. We'd like to fly them all of course but we can't anymore, so we'll need to go through and determine what maximizes value to our customers, that the now fewer number of slots we have and that will have some impact flying in and out of DC will announce that prior to the other airlines bidding on the flights and they decide if they want to add it or not.

Ted Reed: All right, thank you very much.

Operator: Once again, if you would like to ask a question, please press star and the number one on your telephone keypad.

Your next question comes from the line of Aaron Karp with Air Transport World.

Aaron Karp: Yes, I mean you were pretty adamant a few months ago that giving up the slots at national wasn't good overall policy, would lead to a loss of service.

Do you still think there will be lost service? And, at the end of the day, was the divestitures just necessary so you could get on with the overall merger?

Thomas Horton: Well, the answer to that is, yes, it was necessary to get on with the merger. I would reiterate what Doug said that the impact is mostly going to be regional flying to smaller markets which will be redeployed elsewhere in our network so, we think the financial synergies are intact. You never like to sell or the best assets but, the merger value and the network strength are very much intact.

Operator: Your next question comes from the line of Linda Lloyd with Field Inquirer.

Linda Lloyd: Thanks for taking my call. All along you've pledged to keep all the airline hubs. In today's Press Release and the agreement with the Justice Department you agreed to keep the hubs for three years with no promise further into the future. So, we, in Philadelphia, would like to know if you plan to keep the Philadelphia hub for three years or for a lot longer.

W. Douglas Parker: Thanks, Linda for asking. I don't know, I guess an unfortunate piece of coming to an agreement. Of course we do. The intent is to maintain all of our hubs forever. That's what – we've got a network now that we're putting together that we believe is the strongest network in the world, and we plan to build upon it. The fact that we agreed to three years is simply because it was a negotiated agreement, and so we negotiated to a three-year term. But by no means should someone look at that and say at the end of three years we want to change it. It simply that was negotiated.

So, anyway, I'm glad you asked, because I think that same line of questioning was somewhat embedded in some of Dawn's questions about Phoenix. No one should read into the fact that we've agreed to three years to mean that we plan to make changes after three years, quite to the contrary. We were willing to agree to three years, because we fully intend to keep the hub and spoke structure in place that we have forever. But, of course, conditions could change, and you can't agree to forever so we agreed to three years, because that is what the states asked for.

Linda Lloyd: OK, thank you.

W. Douglas Parker: I might add to that, companies do what they're financially motivated to do, and in our case the new American is going to have a very good cost structure, a strong balance sheet, a lot of new fuel-efficient airplanes on the way and a great network. So it's built for success. And those hubs that we talked about are successful today, and we think they'll only become more successful with the merger.

Linda Lloyd: OK, thank you. Thank you.

Operator: Your next question comes from the line of Kyle Arnold with Tulsa World.

Kyle Arnold: Congratulations on the news today. I think it's been touched on a little, but there were six other state attorney generals that were part of this lawsuit. Can you talk a little bit about meeting their concerns and if you think there will be any change in how you're going to address their concerns?

Thomas Horton: Well, first of all, this is Tom, I'd like to thank Oklahoma Attorney General Pruitt who's been helpful and supportive the whole way and I think saw the wisdom of the deal. So that's been great. I think, as I said earlier, the Texas Attorney General, Greg Abbott, helped lay down a template that formed the basis for our settlement with all of the other states. And obviously, there was a lot of discussion went back and forth, a bit of horse trading. But, in the end, I think we got to a settlement that makes a lot of sense and really affirms the things that we intended to do anyway, which are indeed good for consumers, good for our employees, and good for the communities we serve. And I think that was the interest that the Attorney Generals had.

Kyle Arnold: Thanks, guys.

Thomas Horton: You bet, thanks.

Operator: Your next question comes from the line of Hugo Martin with Los Angeles Times.

Hugo Martin: Hi, guys. So, I was on the conference call earlier with Bill Baer as well, and one of the things that they repeatedly said is they think this deal will be good

for the general traveling public. You guys have commented about what this deal will mean to your shareholders and your employees and your passengers, but can you comment about what you think the overall impact will be on the traveling public in the US, given that we still will have three major airlines controlling most of the domestic travel?

W. Douglas Parker: We think the merger is fantastic for the traveling public, as we've said from the outset. And, by putting these two airlines together, we can put two networks together and create an even stronger one that will allow more people to fly to more places and provide consumer value. As we've happily committed here doing so while still maintaining service to communities we serve, maintaining hubs that we've always planned to maintain, that we've always planned to maintain so, we think that's great for the consumer.

Now, if you're asking is today is settlement even better for consumer I would say no. I happen to believe the best thing for the consumer would've been to have the merger go through without these divestitures, but that was – the Department of Justice had a different view. And, rather than go to a lawsuit that had some risk to it, we chose to make a settlement instead. I don't think it has a material impact on, as Tom has already noted, a large material impact on what it's going to mean to our customers. But I think it would – the real value for consumers is the merger and getting the merger done, and that's what we can now do, and we feel very good about that.

Hugo Martin: OK, great.

Operator: Your next question comes from the line of Kathy Wolfe with Politico.

Kathy Wolfe: Thanks for taking my call. So, you talked a little bit earlier about the fact that there's going to be necessarily be some changes to service to small communities with your slot divestitures. But a piece of the problem that includes the small community service with your commuter slots. So what I'd ask you is – it's being presented as something that might blunt those impacts. And can you just walk me through how you would expect to use, to actuate this agreement?

W. Douglas Parker: Yes, sure. I'll do a little bit, and I'm going to turn it over to Steve Johnson who is also on the line. So, the commuter slots issue first off understand that DC they're – and Steve will say this better than I do. But anyway, there are commuter slots and then there are I think they're called air 21 slots, for larger airplane slots. The commuter slots, while they really limit the size of aircraft, not the size of the market those aircraft fly. So we have a number of those commuter slots, American had some. What we have agreed to in this agreement is that we – those – the total number of commuter slots the two airlines have we will serve at least that many small and medium-size communities, which we planned to do even post investiture. Now, that is not the same number of small and medium communities we serve today, by the way, we serve more than that, but we've agreed we won't service less than the total number of commuter slots.

So, again another agreement that we're pleased to make, because we do intend to continue our commitment to serving small and medium communities. We may not have the ability to serve as many as we would like, because there are not as many slots anymore. So, Steve Johnson is on here, but I should have, in addition to noting our great outside legal team, really should note the work that Steve Johnson on US Airways' behalf and Gary Kennedy on Americans' behalf did leading this effort in getting us to this conclusion. But Steve is on so, Steve, excuse this opportunity, I wanted to thank you in front of everybody but also give you a chance to add onto that and clear up anything else we might have – you might want to talk about so far?

Stephen Johnson: Thanks. Doug, can you hear me?

W. Douglas Parker: Hear you fine.

Stephen Johnson: Great. Hi, Kathy. First of all, thanks for the shout out, and second I don't really have anything to add other than just one tiny technical point that's the commuter slots were the subject of the question in the discussion. The other slots, the ones that we can use to fly mainliner big airplanes are actually just called air carriers not air 21.

W. Douglas Parker: Thank you.

Stephen Johnson: Doug, just one point, one of the early questions someone asked about whether we have influence or whether we are going to participate in the determination of who acquires the slots that are to be divested. And I – guess just to clarify, we expect that the way this will work is that the DOJ will provide us with a list of qualified buyers. We anticipate that that list will be only the low-cost carriers probably seven or eight of the low-cost carriers that I think everyone knows. And we don't expect that the list will include any of the legacy carriers. And once we have that list, there is no specific process for sales. We are allowed to negotiate sales of the slots with any of those qualified buyers as we see fit.

I expect that the DOJ will require that the slots be bundled in some way, so that we don't sell them individually, we sell them in groups of 6 or 8 or 10 or something like that. My guess is the DOJ will require that we can't sell all the slots to one buyer, but other than that, after the DOJ gives us the qualified list, we're allowed to go make deals with the airlines ourselves.

W. Douglas Parker: Great. Thanks for that.

Operator: Your next question comes from the line of Mary Schlangenstein with Bloomberg News.

Mary Schlangenstein: I wanted to just clarify, Doug, when you were talking earlier about sort of realigning your flights out of DCA after the divestitures, you talked about reducing service. Are you saying that you won't end service to any cities? There would only be reductions in maybe frequencies?

W. Douglas Parker: I did not say that. So I don't know the answer to that question> We still have to go through that work. What – again I think maybe is the source of confusion. There may be cities that no longer have service from DC to those cities. There won't be any cities that won't have any service from the new American the has service today. So, to the extent there are any markets, for example, that lose service because we simply can no longer provide it, because we don't have enough slots from DC to that city, we'll still serve those cities as we do already over Charlotte primarily or Philadelphia. Does that make sense, Mary?

Mary Schlangenstein: OK. Yes. I'm ...

W. Douglas Parker: We'll continue to serve all the cities we serve – all the dots on the map, if you will. There may be some lines that go away, because we don't have the ability to fly to DC anymore.

Mary Schlangenstein: OK I also wanted to ask, when the complaint was filed, there was a huge portion of it that dealt with advantage fares, and advantage fares are not really mentioned in the settlement. So I wanted to just ask what your take is on why did fall to the wayside as a concern? Did you give us a government that their argument there was spurious, or what happened to that issue? Or to that issue?

W. Douglas Parker: Steve?

Stephen Johnson: I'd just suggest you ask the Department of Justice that question.

Mary Schlangenstein: Right but you clearly had to have held discussions with them on that issue. Can you give us any insight into what those discussions were, or how about came to be dropped from the settlement?

Stephen Johnson: No. Can't do that.

Mary Schlangenstein: OK. All right, thank you.

Operator: Your next question comes from the line of Taylor Batten with Charlotte Observer.

Taylor Batten: Hi. You are divesting these gates at these other airports but nothing in Charlotte. So, can you talk about why passengers originating in Charlotte should feel good about this, given the 90 percent plus of the gates you control here? And just talk about also how this will affect Charlotte Douglas in general?

W. Douglas Parker: It's fantastic news for Charlotte. Charlotte is a critical part of the US Airways network and now will be a critical part of a much bigger network, the new American and that means more places around the world for people of Charlotte to be able to fly to on one airline and the ability to use your

frequent-flier miles to fly to more places, to be part of the OneWorld alliance to get around the globe. And it's just – and the commitment in here which was easy to make, which is to maintain the Charlotte have at historical levels that US Airways has had which is always been our intent. So I think it's great for Charlotte. Charlotte is going to just be – the Charlotte hub is going to be an important part of a bigger airline now.

Taylor Batten: OK, but what about passengers who would've liked to who would've liked to have seen more low-cost carriers come in here?

W. Douglas Parker: There's no constraints on low-cost carriers adding flights to Charlotte today. And, indeed we at US Airways compete for those customers against low-cost competition over all sorts of markets if not all of them in Charlotte. So, if the low-cost carriers see opportunities in Charlotte they can add those today. There's no constraints to growth.

Taylor Batten: OK. Thanks.

Operator: Your next question comes from the line of (Steve Croft) with (KSAP).

(Steve Croft): My question is sort of customer centric. We've been talking a lot about how this is going to benefit both of your corporations, but I'm wondering for the average person who gets on board one of planes going forward how the flight experience is going to be improved specifically because of this merger. Is it going to be mean more room for seats? Are you going to drop bag fees? What are you going to do to make life more pleasant for the passenger? Because it hasn't always been the highest rated experience on either of your respective airlines.

Thomas Horton: Steve, I'll start with that, and I'll let Doug chime in. As you probably know within the process of not only restructuring our Company but renewing it in a very profound way with hundreds of new airplanes on order, industry-leading products on board our airplanes. And we've been doing that very consciously, and our customers are taking notice. And we have seen it in a lot of our survey data. But to do that obviously we need to be financially strong. And the restructuring has restored American to competitiveness and national strength, and the merger will only make us that much stronger and more

competitive and able to continue to make those sorts of investments, across a bigger and broader network. I think that's great news for customers, and I think a bigger and broader network is great news for customers. But the fact that we're doing that with a lot of product enhancements underway I think is really pretty exciting. Doug would you?

W. Douglas Parker: Yes just a couple of things. Was one, first off I do think now with three US-based global carriers that now have similar abilities to take people around the globe, the in-flight product will become more of a competitive feature that you see airlines focus on – compete upon instead of just relying entirely on schedule. I think you're beginning to see a lot of that today, including some of what Tom noted as all of us are working harder to improve the product.

The other point I'd make is a big part of the in-flight product and the entire flight experience is employee attitude, and, given what airline employees have gone through for so many years, I think it's fair to say sometimes the customer – what the customer service from airline employees hasn't been up to where any of us would like it, not because of anything other than the financial strain this industry has been under for so long.

So, as we recover out of that, and things like this merger creates stronger airlines, you have already seen the employees support for this merger. I think you'll see an improvement in the service level from employees, because they now have a better work environment. And we're happy to be able to do that.

Thomas Horton: Well as an addendum to that, at American we're hiring 1,500 new flight attendants this year which has been great to – it's been great for the customer service experience, great to have new flight attendants on the decks. And we're hiring over 1,000 new reps and agents this year, and we're on the verge of beginning to hire new pilots for the first time in a decade. And what that means is more opportunity for the folks who are here to advance their careers as well. So, all of that, taken together really helps improve the experience, I think.

(Steve Croft): Thank you.

Thomas Horton: Thank you.

Operator: Your next question comes from the line of (Eric Stenberg) with (Charlotte Business).

(Eric Stenberg): Doug, congratulations. I wanted to ask you a little about the Charlotte hub in terms of you said that the commitment is there, but I think earlier you had made the remark that it is likely to see some expansion of flights and employees. Can you give any outlook on that?

And secondly could you clarify from a couple weeks ago, you made some remarks about Jerry Orr that people interpreted as asking for him to come back and then the airline later said, no, that's not it so, which is it, please?

W. Douglas Parker: We are going to keep this call to the merger and not the Charlotte situation if that's OK with you. And, as it relates to this merger, in Charlotte, again what I said and I'll say again is Charlotte, this merger is really good for Charlotte, because Charlotte is a huge part of US Airways. It will be a huge part of the combined airline and I didn't – certainly didn't mean to commit to growing although I certainly hope that's where we end up. What I believe as we put these two networks together, we're going to create an airline that will—we will want to grow as the economy grows. But, mostly what this is, is about taking the two networks that exist today, putting them together and providing a lot more utility for the customers that re flying the independent airlines today.

(Eric Stenberg): And, just a quick follow-up, I know you want to keep to the merger but just in general terms of how the hub is operating now, here, you would say what?

W. Douglas Parker: It's a fantastic airport, and I think a model for airports around the United States and the world on how – and a model for communities on how, when you have a really efficient airport, that can provide the kind of level of service the Charlotte airport that Charlotte Douglas has done over its history, you can actually build an entire business environment around it and attract fortune 500 companies that would not be there otherwise that go there because they want to be in a place where there is a hub and spoke airline that can provide them nonstop service from Charlotte.

With the model that Charlotte has put in place is one that – there's just been this very nice circle of economic growth where the airport expands to provide more flights, which gets more business to come to the city which provides an incentive to add more flights. I think that's a great model. And they do it very efficiently.

(Eric Stenberg): Thank you.

W. Douglas Parker: Yes.

Operator: Your next question comes from the line of Nick Blumberg with KJZZ.

Nick Blumberg: I wanted to ask you when the merger was first announced earlier this year it was valued at \$11 billion. Will these divestitures change that figure significantly? And also, will the new American, do you expect it to still be the largest airline in terms of traffic?

Thomas Horton: Well, I'll take the last one first. I see Doug's got his calculator out here. We do expect to be the largest airline in the world with some 6,700 flights per day to 336 destinations around the world in I think 56 countries. So, it's going to be a great global network that will allow us to take our customers everywhere they want to go around the world in concert with our OneWorld partners, who we feel strongly are the best airline partners in the world. (Brem), (Flag), British Airways, Cathay and Qantas, Japan Airlines, (Lufthan) – these are the world's leading airline brands but also have a presence in the most important markets around the world, so we're really excited about the network reach that we'll be able to provide our customers. And on the value of the combined Company, you're right, when we announced the merger with something, \$11.5 billion is that what you said?

Nick Blumberg: Yes, I believe that the figure.

W. Douglas Parker: At today's market values, of the US Airways stock, which is per the terms of the merger agreement, 28 percent of the total market of the Company, the actual market cap of the combined airlines will be over \$17 billion. So much higher than where we announced this, the market has obviously been highly supportive of this transaction and the value we can create by putting the two

companies together. So the value of these combined companies is now over \$17 billion based on today's US Airways trading process.

Thomas Horton: Yes. As you know from the American standpoint, because the owners of American, creditors and shareholders, will own 72 percent of the combined Company, it's created a very unusual outcome and a restructuring where all of the creditors get full recovery par plus accrued interest, and indeed there will be very substantial value left over for the old AMR equity holders. In fact, if you look at today's stock priced at American, it's now right around \$12. That equates to a market capitalization of about \$4 billion, which is really quite an extraordinary outcome in a restructuring. So, a great result for both companies.

Michael Trevino: Operator, we have time for one more question.

Operator: Your final question comes from the line of Tom Fontaine with Pittsburgh Tribune.

Tom Fontaine: Hi. Something that Attorney General Kane, her office and other officials here had expressed some concerns about employment impact in Pittsburgh when the lawsuit was filed. What's the latest on what the future holds for the heavy maintenance base and flight operations center?

W. Douglas Parker: We don't have anything new to report on those at this time.

Tom Fontaine: Are they in jeopardy, then? I mean, I guess we had heard that flight operations center here potentially is not needed in Pittsburgh?

W. Douglas Parker: What we said in the past – that's why say it's no change – what we said previously is the flight operations center is much like a corporate headquarters function. It happens to be at US Airways separate from the corporate headquarters, and it's in Pittsburgh. But, in most airlines you find it part of the headquarters, because there are management people running the day-to-day airline operations. So, at American Airlines that function is in Dallas, at US Airways is in Pittsburgh.

As we put the two companies together, we will need to decide where it will be consolidated. We haven't come to that conclusion yet, but, as we have indeed noted to our employees there, that there's a large operation in American already, and it's going to be a decision that is years away. We don't get there until we have – get to one operating certificate. And we'll work with our employees and make sure that everyone understands the decision-making process as we go through it. So nothing to announce yet, but something we are going to have to address just as we addressed the headquarters in Phoenix.

Nick Blumberg: Thank you.

W. Douglas Parker: Thank you.

Operator: Thank you. That concludes the question and answer portion of today's call. I would now turn the call over to the speakers for any concluding remarks.

Thomas Horton: OK, everyone, thanks again for joining us on this important and exciting day. We look forward to talking to you again soon. Thanks.

Operator: This concludes today's conference call. You may now disconnect.

END