

AMR CORPORATION
FEBRUARY 4, 2003

MEETING OVERVIEW

- **OUR SITUATION IS URGENT AND TIME IS RUNNING OUT**
- **WE HAVE A STRATEGIC RESTRUCTURING PLAN - ONE THAT WILL POSITION AMERICAN FOR THE FUTURE**
 - **THIS PLAN HAS PRODUCED GREATER COST SAVINGS THAN ANY OTHER AIRLINE**
 - **WE'VE EXHAUSTED ALL POSSIBILITIES BEFORE TURNING TO OUR EMPLOYEES FOR FINANCIAL HELP**
- **THE ESTIMATED \$4 BILLION IN ANNUAL COST SAVINGS WILL ALLOW US TO REMAIN COMPETITIVE OVER LOW-COST CARRIERS WHILE PRESERVING THE AMERICAN ADVANTAGE**
- **WE NOW NEED OUR LABOR LEADERS' AND OUR EMPLOYEES' HELP TO SAVE OUR AIRLINE**
- **BANKRUPTCY IS AVOIDABLE AND NOT IN OUR EMPLOYEES' BEST INTEREST**

TIME IS RUNNING OUT - PERMANENT CHANGES ARE NEEDED

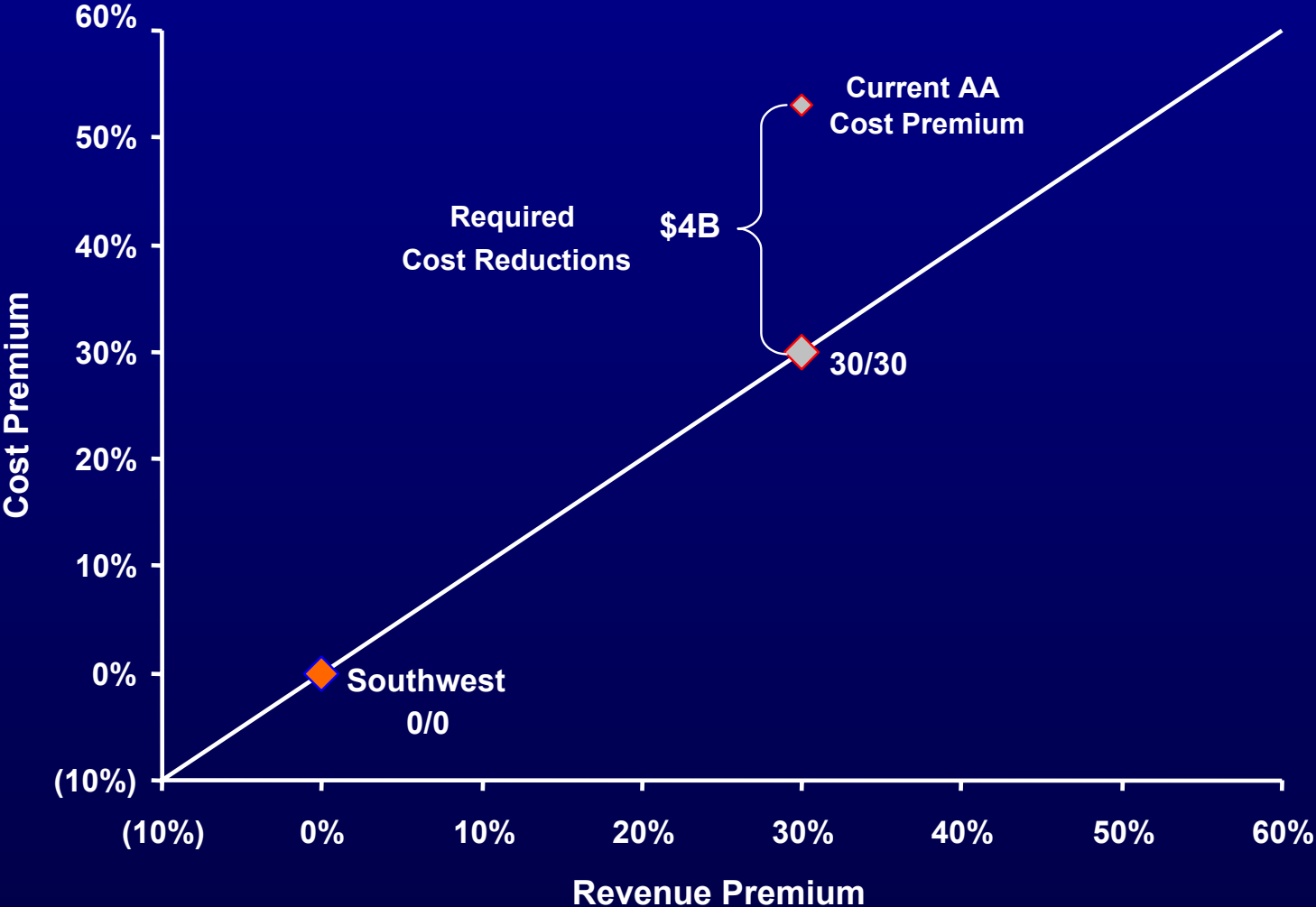
- **SHORT-TERM: FINANCIAL PRESSURES ARE INCREASING AND OUR LOSSES ARE UNSUSTAINABLE**
 - **DROP IN BUSINESS TRAFFIC**
 - **INTERNET FARE SHOPPING**
 - **CASH BURN RATE**
 - **UNENCUMBERED ASSETS**
- **LONG-TERM: RESTRUCTURING IS INEVITABLE AND FUNDAMENTAL TO OUR SURVIVAL - WE MUST TRANSFORM OUR AIRLINE**
 - **THE PRICING PRESSURES OF LOW-COST CARRIERS HAVE PERMANENTLY ALTERED OUR INDUSTRY**

AA'S UNIQUE VALUE PROPOSITION PRESERVED AND PROMOTED IN THE RESTRUCTURING PLAN

- **WE HAVE NOT DECIDED TO SIMPLY MOVE TO A LCC PRODUCT MODEL**
 - **AA HAS TREMENDOUS PRODUCT LOYALTY AND BRAND STRENGTH THAT WE CAN USE TO OUR ADVANTAGE**
 - * **ACCORDING TO 4Q02 SURVEY AMERICA, GIVEN THE SAME FARE AND SCHEDULE ON ANY AIRLINE, 71% OF COACH PASSENGERS FLYING AMERICAN WOULD PREFER TO FLY AMERICAN AGAIN VS. ONLY 41% FOR SOUTHWEST**
 - **THIS PRODUCT LOYALTY AND BRAND STRENGTH WOULD BE PUT AT SIGNIFICANT RISK IF WE SIMPLY COPIED SOUTHWEST'S OR OTHER LCC PRODUCT OFFERINGS**
 - * **THIS WOULD RAPIDLY DIMINISH OUR REVENUE PREMIUM**

STRATEGIC RESTRUCTURING PLAN

- WE NEED AN ESTIMATED \$4 BILLION IN ANNUAL, PERMANENT SAVINGS TO ALIGN COSTS WITH OUR LONG-TERM SUSTAINABLE REVENUE PREMIUM



STRATEGIC RESTRUCTURING PLAN

- OF THIS AMOUNT, WE HAVE IDENTIFIED \$2 BILLION IN LONG-TERM STRUCTURAL SAVINGS
 - IN 2002, WE ACHIEVED \$1.1 BILLION AND THE REMAINING SAVINGS WILL PHASE-IN OVER TIME

	<u>SAVINGS (\$MILLIONS)</u>		
	<u>2003</u>	<u>2004</u>	<u>2005</u> <u>STEADY-STATE</u>
SCHEDULE EFFICIENCY	\$ 45	\$ 51	\$ 72
FLEET SIMPLIFICATION	35	119	208
CUSTOMER INTERACTION	141	220	269
PRICING AND DISTRIBUTION	288	362	450
IN-FLIGHT PRODUCTS	200	233	233
OPERATIONS	133	133	133
HEADQUARTERS / ADMINISTRATION	<u>538</u>	<u>595</u>	<u>651</u>
NET SAVINGS	\$ 1,380	\$ 1,713	\$ 2,016

STRATEGIC RESTRUCTURING PLAN

- **AS PART OF THE \$2.0 BILLION, WE HAVE MADE LIMITED SERVICE AND PRODUCT CHANGES, FOR EXAMPLE:**
 - **HOT FOOD**
 - **COMMISSIONS**
 - **INTERNATIONAL FIRST CLASS**
- **WHILE WE CONTINUE TO EVALUATE CHANGES TO SERVICE AND PRODUCT FEATURES, INCREMENTAL SAVINGS ARE QUITE LIMITED DUE TO THE CUSTOMER VALUE TRADEOFF**
 - **MOREOVER, LCCs OFFER SOME OF OUR KEY PRODUCT FEATURES**
 - * **JET BLUE OFFERS IFE AND PRE-RESERVED SEATS**
 - * **AIRTRAN OFFERS FIRST CLASS**
 - * **SOUTHWEST AND OTHERS OFFER A FREQUENT FLYER PROGRAM**

STRATEGIC PLAN RESULTS

UNIT COST IMPROVEMENTS

- OUR COST CUTTING INITIATIVES TO DATE ARE REFLECTED IN OUR 4Q02 UNIT COST IMPROVEMENT

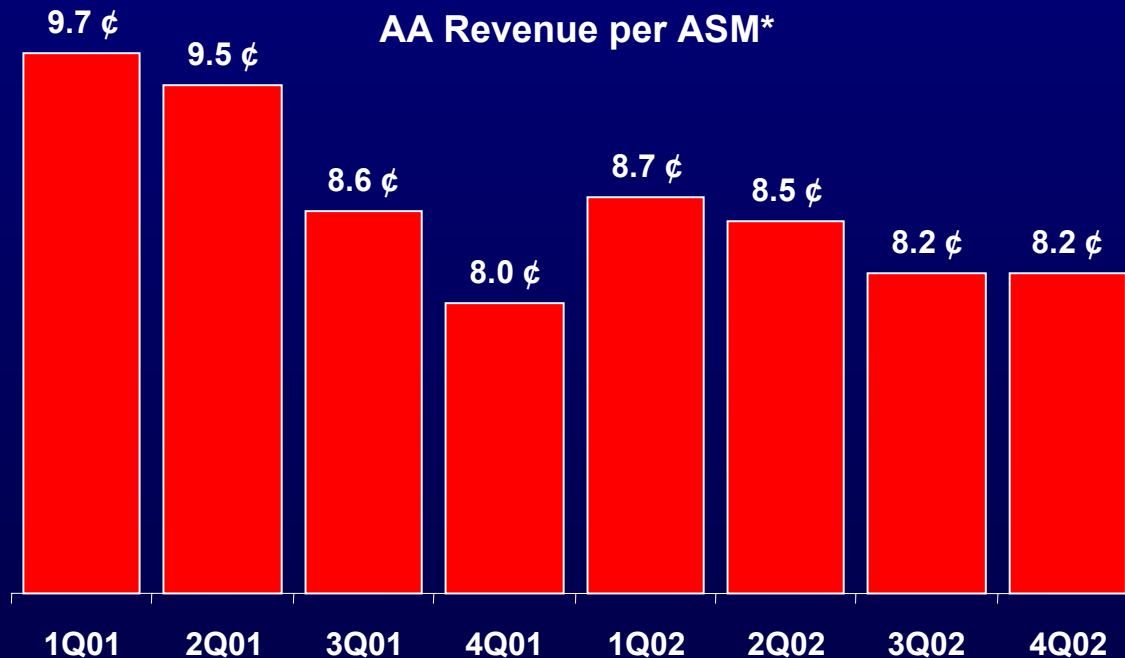
Cost per ASM*

	<u>4Q02</u>	<u>YOY</u>
AA	10.7 ¢	5.3%
CO	9.3 ¢	4.1%
DL	10.0 ¢	2.2%
NW	9.8 ¢	0.6%
UA	11.7 ¢	(7.4%)

* Excludes Special Items

STRATEGIC PLAN REVENUE IMPROVEMENTS

- WE CONTINUE EFFORTS TO IMPROVE OUR REVENUE PERFORMANCE
 - CAPACITY REDUCTIONS AND ADJUSTMENTS
 - FARE RESTRUCTURING INITIATIVES
- IN SPITE OF THESE EFFORTS, UNIT REVENUE IS NOT IMPROVING SO ALLEVIATING COST PRESSURE NOW IS EVEN MORE CRITICAL



*Includes TW from 1Q01

WORK CONTINUES TO CLOSE THE GAP FURTHER ACTIONS ANNOUNCED TODAY

- **TODAY WE WILL ANNOUNCE OUR INTENT TO NEGOTIATE WITH OTHER STAKE-HOLDERS**
 - **CREDITORS**
 - **LESSORS**
 - **KEY SUPPLIERS**

- **IN ADDITION, WE WILL ANNOUNCE THE LATEST STEPS WE ARE TAKING TOWARDS STRUCTURAL COST SAVINGS**
 - **CLOSE THE LVRO AND NRO RESERVATION CENTERS**
 - * **UNFORTUNATELY, THIS WILL IMPACT 910 RESERVATIONS JOBS**

EMPLOYEE CONTRIBUTION

- **TO ENSURE AMERICAN'S SHORT-TERM SURVIVAL AND LONG-TERM SUCCESS, WE NEED \$1.8 BILLION IN PERMANENT, ANNUAL EMPLOYEE COST SAVINGS AND WE NEED IT NOW**
 - **THE RECENT EXPERIENCE OF OTHER HIGH-COST CARRIERS DEMONSTRATES THAT THE LONGER WE WAIT TO TAKE ACTION, THE SIZE OF THE ACTION THAT IS NEEDED INCREASES**

EMPLOYEE COST CONTRIBUTION

- TO REACH THE TOTAL GOAL, WE HAVE ALLOCATED REDUCTIONS TO EACH GROUP BASED ON
 - OUR STRATEGIC PLAN
 - INDUSTRY COMPETITIVE WAGES
 - COMPETITIVE CORPORATE AND INDUSTRY BENEFITS

TARGETS BY LABOR GROUP (\$MILLIONS)

PILOTS	\$	660
FLIGHT ATTENDANTS		340
TWU REPRESENTED EMPLOYEES		620
AGENTS		80
MANAGEMENT / SUPPORT		100
TOTAL SAVINGS	\$	1,800

WHY WE WANT TO AVOID BANKRUPTCY

- **BANKRUPTCY IS NOT THE PREFERRED OPTION**
 - **BANKRUPTCY AND DELAY WILL INCREASE COST REDUCTION REQUIREMENTS**
 - **LOSS OF CONTROL**
 - **RISK OF LIQUIDATION**
 - **PENSION UNCERTAINTY**
 - **GREATER DOWNSIZING**
 - **FEWER JOBS**
- **BANKRUPTCY IS AVOIDABLE IF WE ACT NOW**

WHAT'S NEXT

- WE ARE COMMITTED TO CONSTRUCTIVE LABOR AND EMPLOYEE RELATIONS
 - **SHARED** - ALL EMPLOYEE GROUPS, INCLUDING MANAGEMENT
 - **COLLABORATIVE** - WORK TOGETHER TO DETERMINE HOW BEST TO MEET TARGETS
 - **FAIR** - ALLOCATIONS FOR ALL GROUPS BASED ON MARKET RATES
 - **FLEXIBLE** - CHANGES IN A MUTUALLY DETERMINED COMBINATION OF PAY, BENEFITS, WORK RULES
 - **TRANSPARENT** - CONTINUED ACCESS TO INFORMATION
 - **RESPONSIBLE** - ALL STAKEHOLDERS

