UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the Quarterly Period Ended September 30, 2024

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the Transition Period From to

Commission file number 1-8400

American Airlines Group Inc.
(Exact name of registrant as specified in its charter)

Delaware	**75-1825172**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1 Skyview Drive, Fort Worth, Texas	**76155**
(Address of principal executive offices)	(Zip code)

(682) 278-9000
(Registrant's telephone number, including area code)

Commission file number 1-2691

American Airlines, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**13-1502798**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1 Skyview Drive, Fort Worth, Texas	**76155**
(Address of principal executive offices)	(Zip code)

(682) 278-9000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value per share	**AAL**	**The Nasdaq Global Select Market**
Preferred Stock Purchase Rights	—	(1)

(1) Attached to the Common Stock

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

American Airlines Group Inc.	☒	Yes	☐	No
American Airlines, Inc.	☒	Yes	☐	No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

American Airlines Group Inc.	☒	Yes	☐	No
American Airlines, Inc.	☒	Yes	☐	No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

American Airlines Group Inc.	☒ Large accelerated filer	☐ Accelerated filer	☐ Non-accelerated filer	☐ Smaller reporting company	☐ Emerging growth company
American Airlines, Inc.	☐ Large accelerated filer	☐ Accelerated filer	☒ Non-accelerated filer	☐ Smaller reporting company	☐ Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

American Airlines Group Inc.	☐
American Airlines, Inc.	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

American Airlines Group Inc.	☐	Yes	☒	No
American Airlines, Inc.	☐	Yes	☒	No

As of October 18, 2024, there were 657,130,996 shares of American Airlines Group Inc. common stock outstanding.

As of October 18, 2024, there were 1,000 shares of American Airlines, Inc. common stock outstanding, all of which were held by American Airlines Group Inc.

American Airlines Group Inc.
American Airlines, Inc.
Form 10-Q
Quarterly Period Ended September 30, 2024
Table of Contents

		Page
	PART I: FINANCIAL INFORMATION	
Item 1A.	Condensed Consolidated Financial Statements of American Airlines Group Inc.	6
	Condensed Consolidated Statements of Operations	6
	Condensed Consolidated Statements of Comprehensive Income (Loss)	7
	Condensed Consolidated Balance Sheets	8
	Condensed Consolidated Statements of Cash Flows	9
	Condensed Consolidated Statements of Stockholders' Deficit	10
	Notes to the Condensed Consolidated Financial Statements	12
Item 1B.	Condensed Consolidated Financial Statements of American Airlines, Inc.	23
	Condensed Consolidated Statements of Operations	23
	Condensed Consolidated Statements of Comprehensive Income (Loss)	24
	Condensed Consolidated Balance Sheets	25
	Condensed Consolidated Statements of Cash Flows	26
	Condensed Consolidated Statements of Stockholder's Equity	27
	Notes to the Condensed Consolidated Financial Statements	28
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	38
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	59
Item 4.	Controls and Procedures	60
	PART II: OTHER INFORMATION	
Item 1.	Legal Proceedings	61
Item 1A.	Risk Factors	61
Item 5.	Other Information	89
Item 6.	Exhibits	90
SIGNATURES		91

General

This report is filed by American Airlines Group Inc. (AAG) and its wholly-owned subsidiary American Airlines, Inc. (American). References in this report to "we," "us," "our," the "Company" and similar terms refer to AAG and its consolidated subsidiaries. References in this report to "mainline" refer to the operations of American only and exclude regional operations.

Note Concerning Forward-Looking Statements

Certain of the statements contained in this report should be considered forward-looking statements within the meaning of the Securities Act of 1933, as amended (the Securities Act), the Securities Exchange Act of 1934, as amended (the Exchange Act), and the Private Securities Litigation Reform Act of 1995. These forward-looking statements may be identified by words such as "may," "will," "expect," "intend," "anticipate," "believe," "estimate," "plan," "project," "could," "should," "would," "continue," "seek," "target," "guidance," "outlook," "if current trends continue," "optimistic," "forecast" and other similar words. Such statements include, but are not limited to, statements about our plans, objectives, expectations, intentions, estimates and strategies for the future, and other statements that are not historical facts. These forward-looking statements are based on our current objectives, beliefs and expectations, and they are subject to significant risks and uncertainties that may cause actual results and financial position and timing of certain events to differ materially from the information in the forward-looking statements. These risks and uncertainties include, but are not limited to, those described below under Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, Part II, Item 1A. Risk Factors and other risks and uncertainties listed from time to time in our filings with the Securities and Exchange Commission (the SEC).

All of the forward-looking statements are qualified in their entirety by reference to the factors discussed in Part II, Item 1A. Risk Factors and elsewhere in this report. There may be other factors of which we are not currently aware that may affect matters discussed in the forward-looking statements and may also cause actual results to differ materially from those discussed. We do not assume any obligation to publicly update or supplement any forward-looking statement to reflect actual results, changes in assumptions or changes in other factors affecting such statements other than as required by law. Any forward-looking statements speak only as of the date of this report or as of the dates indicated in the statements.

Summary of Risk Factors

Our business is subject to a number of risks and uncertainties that may affect our business, results of operations and financial condition, or the trading price of our common stock or other securities. We caution the reader that these risk factors may not be exhaustive. We operate in a continually changing business environment, and new risks and uncertainties emerge from time to time. Management cannot predict such new risks and uncertainties, nor can it assess the extent to which any of the risk factors below or any such new risks and uncertainties, or any combination thereof, may impact our business. These risks are more fully described in Part II, Item 1A. Risk Factors. These risks include, among others, the following:

Risks Related to our Business and Industry

- Downturns in economic conditions could adversely affect our business.
- We will need to obtain sufficient financing or other capital to operate successfully.
- Our high level of debt and other obligations may limit our ability to fund general corporate requirements and obtain additional financing, may limit our flexibility in responding to competitive developments and may cause our business to be vulnerable to adverse economic and industry conditions.
- We have significant pension and other postretirement benefit funding obligations, which may adversely affect our liquidity, results of operations and financial condition.
- If our financial condition worsens, provisions in our credit card processing and other commercial agreements may adversely affect our liquidity.
- The loss of key personnel upon whom we depend on to operate our business or the inability to attract, develop and retain additional qualified personnel could adversely affect our business.
- Our business has been and will continue to be materially affected by many changing economic, geopolitical, commercial, regulatory and other conditions beyond our control, including global events that affect travel behavior, and our results of operations could be volatile and fluctuate materially due to changes in such conditions.
- The airline industry is intensely competitive and dynamic.
- Union disputes, employee strikes and other labor-related disruptions may adversely affect our operations and financial performance.
- If we encounter problems with any of our third-party regional operators or third-party service providers, our operations could be adversely affected by a resulting decline in revenue or negative public perception about our services.
- Any damage to our reputation or brand image could adversely affect our business or financial results.
- Changes to our business model that are designed to increase revenues and reduce costs may not be successful and may cause operational difficulties or decreased demand.
- Our intellectual property rights, particularly our branding rights, are valuable, and any inability to protect them may adversely affect our business and financial results.
- We may be a party to litigation in the normal course of business or otherwise, which could affect our financial position and liquidity.
- Our ability to utilize our NOLs and other carryforwards may be limited, and any new U.S. tax legislation may adversely affect our business and financial results.
- We have a significant amount of goodwill, which is assessed for impairment at least annually. In addition, we may never realize the full value of our intangible assets or long-lived assets, causing us to record material impairment charges.

- The commercial relationships that we have with other companies, including any related equity investments, may not produce the returns or results we expect.
- Our business is very dependent on the price and availability of aircraft fuel. Continued periods of high volatility in fuel costs, increased fuel prices or significant disruptions in the supply of aircraft fuel could have a significant negative impact on consumer demand, our operating results and liquidity.
- Our business is subject to extensive government regulation, which may result in increases in our costs, disruptions to our operations, limits on our operating flexibility, reductions in the demand for air travel, and competitive disadvantages.
- We operate a global business with international operations that are subject to economic and political instability and have been, and in the future may continue to be, adversely affected by numerous events, circumstances or government actions beyond our control.
- We may be adversely affected by conflicts overseas, terrorist attacks or other acts of violence, domestically or abroad; the travel industry continues to face ongoing security concerns.
- We are subject to risks associated with climate change, including increased regulation of our greenhouse gas (GHG) emissions, changing consumer preferences and the potential for increased impacts of severe weather events on our operations and infrastructure.
- A shortage of pilots or other personnel has in the past and could continue to materially adversely affect our business.
- We depend on a limited number of suppliers for aircraft, aircraft engines and parts. Delays in scheduled aircraft deliveries, unexpected grounding of aircraft or aircraft engines whether by regulators or by us, or other loss of anticipated fleet capacity, and failure of new aircraft to receive regulatory approval, be produced or otherwise perform as and when expected, adversely impacts our business, results of operations and financial condition.
- We rely heavily on technology and automated systems to operate our business, and any failure of these technologies or systems could harm our business, results of operations and financial condition.
- Evolving data privacy requirements (in particular, compliance with applicable federal, state and foreign laws relating to handling of personal information about individuals) could increase our costs, and any significant data privacy incident could disrupt our operations, harm our reputation, expose us to legal risks and otherwise materially adversely affect our business, results of operations and financial condition.
- We are exposed to risks from cyberattacks, and any cybersecurity incidents involving us, our third-party service providers, or one of our AAdvantage partners or other business partners, could materially adversely affect our business, results of operations and financial condition.
- We rely on third-party distribution channels and must effectively manage the costs, rights and functionality of these channels.
- If we are unable to obtain and maintain adequate facilities and infrastructure throughout our system and, at some airports, adequate slots, we may be unable to operate our existing flight schedule and to expand or change our route network in the future, which may have a material adverse impact on our operations and interruptions or disruptions in service at one of our key facilities could have a material adverse impact on our operations.
- Increases in insurance costs or reductions in insurance coverage may adversely impact our operations and financial results.

PART I: FINANCIAL INFORMATION

This report on Form 10-Q is filed by both AAG and American and includes the Condensed Consolidated Financial Statements of each company in Item 1A and Item 1B, respectively.

ITEM 1A. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES GROUP INC.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Operating revenues:				
Passenger	$ 12,523	$ 12,421	$ 37,184	$ 36,502
Cargo	202	193	584	613
Other	922	868	2,783	2,611
Total operating revenues	13,647	13,482	40,551	39,726
Operating expenses:				
Aircraft fuel and related taxes	2,874	3,209	8,916	9,098
Salaries, wages and benefits	4,098	3,974	11,917	10,891
Regional expenses	1,264	1,168	3,733	3,463
Maintenance, materials and repairs	989	870	2,823	2,389
Other rent and landing fees	861	745	2,514	2,214
Aircraft rent	303	342	945	1,031
Selling expenses	468	430	1,331	1,357
Depreciation and amortization	479	487	1,424	1,456
Special items, net	554	949	625	962
Other	1,668	1,531	4,843	4,487
Total operating expenses	13,558	13,705	39,071	37,348
Operating income (loss)	89	(223)	1,480	2,378
Nonoperating income (expense):				
Interest income	117	168	363	456
Interest expense, net	(480)	(537)	(1,464)	(1,626)
Other income (expense), net	18	(98)	(20)	(119)
Total nonoperating expense, net	(345)	(467)	(1,121)	(1,289)
Income (loss) before income taxes	(256)	(690)	359	1,089
Income tax provision (benefit)	(107)	(145)	103	286
Net income (loss)	$ (149)	$ (545)	$ 256	$ 803
Earnings (loss) per common share:				
Basic	$ (0.23)	$ (0.83)	$ 0.39	$ 1.23
Diluted	$ (0.23)	$ (0.83)	$ 0.39	$ 1.16
Weighted average shares outstanding (in thousands):				
Basic	657,424	654,119	656,745	653,241
Diluted	657,424	654,119	658,775	719,956

See accompanying notes to condensed consolidated financial statements.

AMERICAN AIRLINES GROUP INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In millions)(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income (loss)	$ (149)	$ (545)	$ 256	$ 803
Other comprehensive income (loss), net of tax:				
Pension, retiree medical and other postretirement benefits	18	(237)	55	(203)
Investments	5	(1)	4	—
Total other comprehensive income (loss), net of tax	23	(238)	59	(203)
Total comprehensive income (loss)	$ (126)	$ (783)	$ 315	$ 600

See accompanying notes to condensed consolidated financial statements.

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

	September 30, 2024 (Unaudited)	December 31, 2023
ASSETS		
Current assets		
Cash	$ 834	$ 578
Short-term investments	7,638	7,000
Restricted cash and short-term investments	752	910
Accounts receivable, net	1,820	2,026
Aircraft fuel, spare parts and supplies, net	2,582	2,400
Prepaid expenses and other	830	658
Total current assets	14,456	13,572
Operating property and equipment		
Flight equipment	43,110	41,794
Ground property and equipment	10,105	10,307
Equipment purchase deposits	1,098	760
Total property and equipment, at cost	54,313	52,861
Less accumulated depreciation and amortization	(23,467)	(22,097)
Total property and equipment, net	30,846	30,764
Operating lease right-of-use assets	7,709	7,939
Other assets		
Goodwill	4,091	4,091
Intangibles, net of accumulated amortization of $839 and $834, respectively	2,046	2,051
Deferred tax asset	2,768	2,888
Other assets	1,612	1,753
Total other assets	10,517	10,783
Total assets	$ 63,528	$ 63,058
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities		
Current maturities of long-term debt and finance leases	$ 5,384	$ 3,632
Accounts payable	2,623	2,353
Accrued salaries and wages	2,484	2,377
Air traffic liability	7,551	6,200
Loyalty program liability	3,584	3,453
Operating lease liabilities	1,173	1,309
Other accrued liabilities	2,733	2,738
Total current liabilities	25,532	22,062
Noncurrent liabilities		
Long-term debt and finance leases, net of current maturities	26,268	29,270
Pension and postretirement benefits	2,568	3,044
Loyalty program liability	6,035	5,874
Operating lease liabilities	6,348	6,452
Other liabilities	1,631	1,558
Total noncurrent liabilities	42,850	46,198
Commitments and contingencies		
Stockholders' equity (deficit)		
Common stock, $0.01 par value; 1,750,000,000 shares authorized, 657,102,842 shares issued and outstanding at September 30, 2024; 654,273,192 shares issued and outstanding at December 31, 2023	7	7
Additional paid-in capital	7,407	7,374
Accumulated other comprehensive loss	(4,835)	(4,894)
Retained deficit	(7,433)	(7,689)
Total stockholders' deficit	(4,854)	(5,202)
Total liabilities and stockholders' equity (deficit)	$ 63,528	$ 63,058

See accompanying notes to condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	2024	2023
Net cash provided by operating activities	$ 3,585	$ 5,154
Cash flows from investing activities:		
Capital expenditures and aircraft purchase deposits	(1,943)	(1,753)
Proceeds from sale-leaseback transactions and sale of property and equipment	598	219
Purchases of short-term investments	(6,528)	(8,323)
Sales of short-term investments	5,901	6,857
Decrease in restricted short-term investments	159	39
Other investing activities	(21)	300
Net cash used in investing activities	(1,834)	(2,661)
Cash flows from financing activities:		
Payments on long-term debt and finance leases	(2,698)	(4,624)
Proceeds from issuance of long-term debt	1,252	2,324
Other financing activities	(53)	(92)
Net cash used in financing activities	(1,499)	(2,392)
Net increase in cash and restricted cash	252	101
Cash and restricted cash at beginning of period	681	586
Cash and restricted cash at end of period [1]	$ 933	$ 687
Non-cash transactions:		
Right-of-use (ROU) assets acquired through operating leases	$ 775	$ 748
Property and equipment acquired through debt, finance leases and other	193	89
Operating leases converted to finance leases	130	—
Finance leases converted to operating leases	33	27
Supplemental information:		
Interest paid, net	1,512	1,711
Income taxes paid	6	4

(1) The following table provides a reconciliation of cash and restricted cash to amounts reported within the condensed consolidated balance sheets:

	2024	2023
Cash	$ 834	$ 577
Restricted cash included in restricted cash and short-term investments	99	110
Total cash and restricted cash	$ 933	$ 687

See accompanying notes to condensed consolidated financial statements.

AMERICAN AIRLINES GROUP INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
(In millions, except share amounts)(Unaudited)

	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Deficit	Total
Balance at December 31, 2023	$ 7	$ 7,374	$ (4,894)	$ (7,689)	$ (5,202)
Net loss	—	—	—	(312)	(312)
Other comprehensive income, net	—	—	17	—	17
Issuance of 1,772,443 shares of AAG common stock pursuant to employee stock plans net of shares withheld for cash taxes	—	(11)	—	—	(11)
Share-based compensation expense	—	28	—	—	28
Modification of share-based awards	—	(20)	—	—	(20)
Balance at March 31, 2024	7	7,371	(4,877)	(8,001)	(5,500)
Net income	—	—	—	717	717
Other comprehensive income, net	—	—	19	—	19
Issuance of 562,167 shares of AAG common stock pursuant to employee stock plans net of shares withheld for cash taxes	—	(3)	—	—	(3)
Share-based compensation expense	—	21	—	—	21
Balance at June 30, 2024	7	7,389	(4,858)	(7,284)	(4,746)
Net loss	—	—	—	(149)	(149)
Other comprehensive income, net	—	—	23	—	23
Issuance of 495,040 shares of AAG common stock pursuant to employee stock plans net of shares withheld for cash taxes	—	(4)	—	—	(4)
Share-based compensation expense	—	22	—	—	22
Balance at September 30, 2024	$ 7	$ 7,407	$ (4,835)	$ (7,433)	$ (4,854)

AMERICAN AIRLINES GROUP INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
(In millions, except share amounts)(Unaudited)

	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Deficit	Total
Balance at December 31, 2022	$ 6	$ 7,291	$ (4,585)	$ (8,511)	$ (5,799)
Net income	—	—	—	10	10
Other comprehensive income, net	—	—	18	—	18
Issuance of 2,175,213 shares of AAG common stock pursuant to employee stock plans net of shares withheld for cash taxes	1	(16)	—	—	(15)
Share-based compensation expense	—	15	—	—	15
Balance at March 31, 2023	7	7,290	(4,567)	(8,501)	(5,771)
Net income	—	—	—	1,338	1,338
Other comprehensive income, net	—	—	17	—	17
Issuance of 469,087 shares of AAG common stock pursuant to employee stock plans net of shares withheld for cash taxes	—	(1)	—	—	(1)
Share-based compensation expense	—	32	—	—	32
Balance at June 30, 2023	7	7,321	(4,550)	(7,163)	(4,385)
Net loss	—	—	—	(545)	(545)
Other comprehensive loss, net	—	—	(238)	—	(238)
Issuance of 217,302 shares of AAG common stock pursuant to employee stock plans net of shares withheld for cash taxes	—	(1)	—	—	(1)
Share-based compensation expense	—	29	—	—	29
Settlement of Single-Dip Unsecured claims held in the Disputed Claims Reserve	—	4	—	—	4
Balance at September 30, 2023	$ 7	$ 7,353	$ (4,788)	$ (7,708)	$ (5,136)

See accompanying notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES GROUP INC.
(Unaudited)

1. Basis of Presentation

(a) Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of American Airlines Group Inc. (we, us, our and similar terms, or AAG) should be read in conjunction with the consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2023. The accompanying unaudited condensed consolidated financial statements include the accounts of AAG and its wholly-owned subsidiaries. AAG's principal subsidiary is American Airlines, Inc. (American). All significant intercompany transactions have been eliminated.

Management believes that all adjustments necessary for the fair presentation of results, consisting of normally recurring items, have been included in the unaudited condensed consolidated financial statements for the interim periods presented. The preparation of financial statements in accordance with accounting principles generally accepted in the United States (GAAP) requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates. The most significant areas of judgment relate to passenger revenue recognition, the loyalty program, deferred tax assets, as well as pension and retiree medical and other postretirement benefits.

(b) Labor Relations

In September 2024, American and the Association of Professional Flight Attendants, the union representing our mainline flight attendants, ratified a new collective bargaining agreement. This five-year agreement provides wage rate increases, quality-of-life benefits and other benefit-related items. The ratified agreement also included a provision for a one-time payment. During the third quarter of 2024, one-time charges resulting from the ratification of this new agreement were recorded as mainline operating special items, net in the condensed consolidated statement of operations, including the one-time payment of $514 million which is expected to be paid in November 2024.

2. Special Items, Net

Special items, net in the condensed consolidated statements of operations consisted of the following (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Labor contract expenses [(1)]	$ 516	$ 983	$ 573	$ 983
Severance expenses	—	—	13	21
Other operating special items, net	38	(34)	39	(42)
Mainline operating special items, net	554	949	625	962
Regional operating special items, net	—	2	—	8
Operating special items, net	554	951	625	970
Mark-to-market adjustments on equity investments, net [(2)]	(27)	59	23	70
Debt refinancing and extinguishment	—	42	7	76
Nonoperating special items, net	(27)	101	30	146

(1) Labor contract expenses for the three months ended September 30, 2024 related to one-time charges resulting from the ratification of a new collective bargaining agreement with our mainline flight attendants, including a one-time payment of $514 million. For the nine months ended September 30, 2024, labor contract expenses related to one-time charges resulting from the ratifications of new collective bargaining agreements with our mainline flight attendants as discussed above and with our mainline passenger service team members.

Labor contract expenses for the three and nine months ended September 30, 2023 related to one-time charges resulting from the ratification of a new collective bargaining agreement with our mainline pilots, including a one-time payment of $754 million as well as adjustments to other benefit-related items of $229 million.

(2) Mark-to-market adjustments on equity investments, net included unrealized gains and losses associated with certain equity investments.

3. Earnings (Loss) Per Common Share

The following table provides the computation of basic and diluted earnings (loss) per common share (EPS) (in millions, except share and per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Basic EPS:				
Net income (loss)	$ (149)	$ (545)	$ 256	$ 803
Weighted average common shares outstanding (in thousands)	657,424	654,119	656,745	653,241
Basic EPS	$ (0.23)	$ (0.83)	$ 0.39	$ 1.23
Diluted EPS:				
Net income (loss)	$ (149)	$ (545)	$ 256	$ 803
Interest expense on 6.50% convertible senior notes	—	—	—	33
Net income (loss) for purposes of computing diluted EPS	$ (149)	$ (545)	$ 256	$ 836
Share computation for diluted EPS (in thousands):				
Basic weighted average common shares outstanding	657,424	654,119	656,745	653,241
Dilutive effect of restricted stock unit awards	—	—	888	1,677
Dilutive effect of certain PSP Warrants and Treasury Loan Warrants	—	—	1,142	3,310
Assumed conversion of 6.50% convertible senior notes	—	—	—	61,728
Diluted weighted average common shares outstanding	657,424	654,119	658,775	719,956
Diluted EPS	$ (0.23)	$ (0.83)	$ 0.39	$ 1.16

The following were excluded from the calculation of diluted EPS because inclusion of such shares would be antidilutive (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
6.50% convertible senior notes	61,728	61,728	61,728	—
Restricted stock unit awards	2,862	3,627	2,717	3,802

In addition, for the three and nine months ended September 30, 2024 and 2023, excluded from the calculation of diluted EPS because inclusion of such shares would be antidilutive, are certain shares underlying the warrants issued pursuant to (i) the payroll support program established under the Coronavirus Aid, Relief, and Economic Security Act (PSP1), (ii) the payroll support program established under the Subtitle A of Title IV of Division N of the Consolidated Appropriations Act, 2021 (PSP2), (iii) the payroll support program established under the American Rescue Plan Act of 2021 (PSP3) (collectively, the PSP Warrants) and (iv) the Loan and Guarantee Agreement with the U.S. Department of Treasury (Treasury Loan Warrants).

The table below provides a summary of the PSP Warrants and the Treasury Loan Warrants:

Warrants	Warrants Issued (shares, in thousands)	Exercise Price ($)	Expiration
PSP1 Warrants	14,048	12.51	April 2025 to September 2025
PSP2 Warrants	6,576	15.66	January 2026 to April 2026
PSP3 Warrants	4,407	21.75	April 2026 to June 2026
Treasury Loan Warrants	4,396	12.51	September 2025

4. Revenue Recognition

Revenue

The following are the significant categories comprising our operating revenues (in millions):

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Passenger revenue:				
Passenger travel	$ 11,539	$ 11,473	$ 34,334	$ 33,821
Loyalty revenue - travel [(1)]	984	948	2,850	2,681
Total passenger revenue	12,523	12,421	37,184	36,502
Cargo	202	193	584	613
Other:				
Loyalty revenue - marketing services	779	732	2,363	2,195
Other revenue	143	136	420	416
Total other revenue	922	868	2,783	2,611
Total operating revenues	$ 13,647	$ 13,482	$ 40,551	$ 39,726

(1) Loyalty revenue included in passenger revenue is principally comprised of mileage credit redemptions, which were earned from travel or co-branded credit card and other partners.

The following is our total passenger revenue by geographic region (in millions):

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Domestic	$ 8,681	$ 8,616	$ 26,285	$ 25,848
Latin America	1,433	1,490	4,897	5,045
Atlantic	2,110	2,056	5,122	4,875
Pacific	299	259	880	734
Total passenger revenue	$ 12,523	$ 12,421	$ 37,184	$ 36,502

We attribute passenger revenue by geographic region based upon the origin and destination of each flight segment.

Contract Balances

Our significant contract liabilities are comprised of (1) outstanding loyalty program mileage credits that may be redeemed for future air travel, non-air travel and other awards, reported as loyalty program liability on the condensed consolidated balance sheets and (2) ticket sales for transportation that has not yet been provided, reported as air traffic liability on the condensed consolidated balance sheets.

	September 30, 2024	December 31, 2023
	(In millions)	
Loyalty program liability	$ 9,619	$ 9,327
Air traffic liability	7,551	6,200
Total	$ 17,170	$ 15,527

The balance of the loyalty program liability fluctuates based on seasonal patterns, which impact the volume of mileage credits issued through travel or sold to co-branded credit card and other partners (deferral of revenue) and mileage credits redeemed (recognition of revenue). Changes in loyalty program liability are as follows (in millions):

Balance at December 31, 2023	$ 9,327
Deferral of revenue	3,105
Recognition of revenue [1]	(2,813)
Balance at September 30, 2024 [2]	$ 9,619

(1) Principally relates to revenue recognized from the redemption of mileage credits for air travel, non-air travel and other awards. Mileage credits are combined in one homogenous pool and are not separately identifiable. As such, the revenue is comprised of mileage credits that were part of the loyalty program deferred revenue balance at the beginning of the period, as well as mileage credits that were issued during the period.

(2) Mileage credits can be redeemed at any time and generally do not expire as long as that AAdvantage member has any type of qualifying activity at least every 24 months or if the AAdvantage member is the primary holder of a co-branded credit card. As of September 30, 2024, our current loyalty program liability was $3.6 billion and represents our current estimate of revenue expected to be recognized in the next 12 months based on historical trends, with the balance reflected in long-term loyalty program liability expected to be recognized as revenue in periods thereafter.

The air traffic liability principally represents tickets sold for future travel on American and partner airlines. The balance in our air traffic liability also fluctuates with seasonal travel patterns. The contract duration of passenger tickets is generally one year. Accordingly, any revenue associated with tickets sold for future travel will be recognized within 12 months. For the nine months ended September 30, 2024, $4.9 billion of revenue was recognized in passenger revenue that was included in our air traffic liability at December 31, 2023.

5. Debt

Long-term debt included in the condensed consolidated balance sheets consisted of (in millions):

	September 30, 2024	December 31, 2023
Secured		
2013 Term Loan Facility, variable interest rate of 7.96%, installments until due in February 2028	$ 980	$ 990
2014 Term Loan Facility, variable interest rate of 6.45%, installments until due in January 2027	1,171	1,183
2023 Term Loan Facility, variable interest rate of 7.21%, installments beginning in December 2024 until due in June 2029	1,100	1,100
10.75% senior secured IP notes, interest only payments until due in February 2026	1,000	1,000
10.75% senior secured LGA/DCA notes, interest only payments until due in February 2026	200	200
7.25% senior secured notes, interest only payments until due in February 2028	750	750
8.50% senior secured notes, interest only payments until due in May 2029	1,000	1,000
5.50% senior secured notes, installments until due in April 2026 (1)	2,042	2,917
5.75% senior secured notes, installments beginning in July 2026 until due in April 2029 (1)	3,000	3,000
AAdvantage Term Loan Facility, variable interest rate of 10.29%, installments until due in April 2028 (1)	2,625	3,150
Enhanced equipment trust certificates (EETCs), fixed interest rates ranging from 2.88% to 7.15%, averaging 3.88%, maturing from 2024 to 2034	7,637	7,657
Equipment loans and other notes payable, fixed and variable interest rates ranging from 2.55% to 8.57%, averaging 6.70%, maturing from 2024 to 2036	3,812	3,612
Special facility revenue bonds, fixed interest rates ranging from 2.25% to 5.38%, maturing from 2026 to 2036	880	967
	26,197	27,526
Unsecured		
PSP1 Promissory Note, interest only payments until due in April 2030	1,757	1,757
PSP2 Promissory Note, interest only payments until due in January 2031	1,030	1,030
PSP3 Promissory Note, interest only payments until due in April 2031	959	959
6.50% convertible senior notes, interest only payments until due in July 2025	1,000	1,000
3.75% senior notes, interest only payments until due in March 2025	487	487
	5,233	5,233
Total long-term debt	31,430	32,759
Less: Total unamortized debt discount, premium and issuance costs	320	363
Less: Current maturities	5,262	3,501
Long-term debt, net of current maturities	$ 25,848	$ 28,895

(1) Collectively referred to as the AAdvantage Financing.

As of September 30, 2024, the maximum availability under our revolving credit and other facilities is as follows (in millions):

2013 Revolving Facility	$ 500
2014 Revolving Facility	1,500
2023 Revolving Facility	890
Other facilities	400
Total	$ 3,290

In March 2024, American entered into a revolving credit facility that provides for borrowing capacity of up to $350 million, maturing in March 2027 with an option to extend for an additional year. As of September 30, 2024, there were no amounts drawn under this facility. Additionally, American currently has $ 50 million of available borrowing base under a cargo receivables facility that is set to expire in December 2024. As further described below, the aggregate commitments under the 2013, 2014 and 2023 Revolving Facilities are $2.9 billion through June 4, 2029.

Secured financings, including revolving credit and other facilities, are collateralized by assets, consisting primarily of aircraft, engines, simulators, airport gate leasehold rights, route authorities, airport slots, certain receivables, certain intellectual property and certain loyalty program assets.

6.50% Convertible Senior Notes

At September 30, 2024, the if-converted value of the 6.50% convertible senior notes due 2025 (the Convertible Notes) did not exceed the principal amount. The last reported sale price per share of our common stock (as defined in the indenture governing our Convertible Notes, the Convertible Notes Indenture) did not exceed 130% of the conversion price of the Convertible Notes for at least 20 of the 30 consecutive trading days ending on September 30, 2024. Accordingly, pursuant to the terms of the Convertible Notes Indenture, the holders of the Convertible Notes cannot convert at their option at any time during the quarter ending December 31, 2024. Each $1,000 principal amount of Convertible Notes is convertible at a rate of 61.7284 shares of our common stock, subject to adjustment as provided in the Convertible Notes Indenture. We may settle conversions by paying or delivering, as applicable, cash, shares of our common stock or a combination of cash and shares of our common stock, at our election. If certain conditions are not met at maturity, cash settlement is required.

2024 Financing Activities

2013 Credit Facilities – 2013 Revolving Facility

On June 4, 2024, American and AAG entered into the Ninth Amendment to Amended and Restated Credit and Guaranty Agreement (the Ninth Amendment), amending the Amended and Restated Credit and Guaranty Agreement, dated as of May 21, 2015 (as amended, the 2013 Credit Agreement), pursuant to which American terminated all existing revolving commitments and letter of credit commitments available under the 2013 Credit Agreement and established new revolving commitments in an aggregate amount of $500 million (which includes the ability to issue letters of credit in an aggregate amount of $100 million) (the newly established commitments, the 2013 Revolving Facility), which have a maturity date of June 4, 2029. Additionally, as a result of the Ninth Amendment, the 2013 Revolving Facility bears interest at a base rate (subject to a floor of 1.00%) plus an applicable margin of 2.00%, 2.25% or 2.50%, depending on AAG's public corporate credit rating, or, at American's option, the Secured Overnight Financing Rate (SOFR) for a tenor of one, three, or six months, depending on the interest period selected by American (subject to a floor of 0.00%), plus an applicable margin of 3.00%, 3.25% or 3.50%, depending on AAG's public corporate credit rating. Pursuant to the Ninth Amendment, SOFR borrowings under the 2013 Revolving Facility are not subject to a credit spread adjustment.

2014 Credit Facilities – 2014 Revolving Facility

On June 4, 2024, American and AAG entered into the Tenth Amendment to Amended and Restated Credit and Guaranty Agreement (the Tenth Amendment), amending the Amended and Restated Credit and Guaranty Agreement, dated as of April 20, 2015 (as amended, the 2014 Credit Agreement), pursuant to which American terminated all existing revolving commitments and letter of credit commitments available under the 2014 Credit Agreement and established new revolving commitments in an aggregate amount of $1.5 billion (which includes the ability to issue letters of credit in an aggregate amount of $200 million) (the newly established commitments, the 2014 Revolving Facility), which have a maturity date of June 4, 2029. Additionally, as a result of the Tenth Amendment, the 2014 Revolving Facility bears interest at a base rate (subject to a floor of 1.00%) plus an applicable margin of 2.00%, 2.25% or 2.50%, depending on AAG's public corporate credit rating, or, at American's option, the SOFR rate for a tenor of one, three, or six months, depending on the interest period selected by American (subject to a floor of 0.00%), plus an applicable margin of 3.00%, 3.25% or 3.50%, depending on AAG's public corporate credit rating. The Tenth Amendment also reduced the minimum liquidity financial covenant threshold from $2.2 billion to $2.0 billion and reduced the liquidity requirement for making certain restricted payments from $4.2 billion to $4.0 billion. Pursuant to the Tenth Amendment, SOFR borrowings under the 2014 Revolving Facility are not subject to a credit spread adjustment.

2023 Credit Facilities

On June 4, 2024, American and AAG entered into the First Amendment to Credit and Guaranty Agreement (the First Amendment) and the Second Amendment to Credit and Guaranty Agreement (the Second Amendment), each amending the Credit and Guaranty Agreement, dated as of December 4, 2023 (as amended, the 2023 Credit Agreement). Pursuant to the First Amendment, American established a revolving credit facility (the 2023 Revolving Facility) in an aggregate amount of $890 million, maturing June 4, 2029. The 2023 Revolving Facility bears interest at a base rate (subject to a floor of 1.00%) plus an applicable margin of 2.00%, 2.25% or 2.50%, depending on AAG's public corporate credit rating, or, at American's option, the SOFR rate for a tenor of one, three, or six months, depending on the interest period selected by American (subject to a floor of 0.00%), plus an applicable margin of 3.00%, 3.25% or 3.50%, depending on AAG's public corporate credit rating. SOFR borrowings under the 2023 Revolving Facility are not subject to a credit spread adjustment. Pursuant to the Second Amendment, American replaced the $1.1 billion of initial term loans made pursuant to the 2023 Credit Agreement with new term loans in a principal amount of $1.1 billion (such new term loans, the 2023 Term Loan Facility). The 2023 Term Loan Facility bears interest at a base rate (subject to a floor of 1.00%), plus an applicable margin of 1.50% per annum or, at American's option, the SOFR rate for a tenor of one, three, or six months, depending on the interest period selected by American (subject to a floor of 0.00%), plus an applicable margin of 2.50% per annum. SOFR borrowings under the 2023 Term Loan Facility are not subject to a credit spread adjustment.

April 2016 Revolving Facility

On June 4, 2024, American terminated all revolving commitments under the Credit and Guaranty Agreement, dated as of April 29, 2016 (as amended, the April 2016 Credit Agreement). As a result, the April 2016 Credit Agreement was terminated and all liens securing the April 2016 Credit Agreement were released.

EETCs Issued in 2024

In the third quarter of 2024, American entered into agreements under which it borrowed $684 million in connection with the financing of certain aircraft that had been previously delivered. Debt incurred under these agreements is junior to existing equipment notes, matures in 2027 through 2028 and bears interest at fixed rates averaging 7.10%.

Equipment Loans and Other Notes Payable Issued in 2024

During the first nine months of 2024, American entered into agreements under which it borrowed $571 million in connection with the financing of certain aircraft. Debt incurred under these agreements matures in 2030 through 2036 and bears interest at variable rates (comprised of SOFR plus an applicable margin) averaging 6.86% as of September 30, 2024.

6. Income Taxes

At December 31, 2023, we had approximately $13.7 billion of gross federal net operating losses (NOLs) and $4.7 billion of other carryforwards available to reduce future federal taxable income, of which $3.4 billion will expire beginning in 2029 if unused and $15.0 billion can be carried forward indefinitely. We also had approximately $5.5 billion of NOL carryforwards to reduce future state taxable income at December 31, 2023, which will expire in taxable years 2023 through 2043 if unused.

Our ability to use our NOLs and other carryforwards depends on the amount of taxable income generated in future periods. We provide a valuation allowance for our deferred tax assets, which include our NOLs, when it is more likely than not that some portion, or all of our deferred tax assets, will not be realized. We consider all available positive and negative evidence and make certain assumptions in evaluating the realizability of our deferred tax assets. Many factors are considered that impact our assessment of future profitability, including conditions which are beyond our control, such as the health of the economy, the availability and price volatility of aircraft fuel and travel demand. We have determined that positive factors outweigh negative factors in the determination of the realizability of our deferred tax assets. There can be no assurance that an additional valuation allowance on our net deferred tax assets will not be required. Such valuation allowance could be material.

7. Fair Value Measurements

Assets Measured at Fair Value on a Recurring Basis

We utilize the market approach to measure the fair value of our financial assets. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets. Our short-term investments, restricted cash and restricted short-term investments classified as Level 2 utilize significant observable inputs, other than quoted prices in active markets, for valuation of these securities. No changes in valuation techniques or inputs occurred during the nine months ended September 30, 2024.

Assets measured at fair value on a recurring basis are summarized below (in millions):

	Fair Value Measurements as of September 30, 2024			
	Total	Level 1	Level 2	Level 3
Short-term investments (1), (2):				
Money market funds	$ 780	$ 780	$ —	$ —
Corporate obligations	4,154	—	4,154	—
Bank notes/certificates of deposit/time deposits	2,154	—	2,154	—
Repurchase agreements	550	—	550	—
	7,638	780	6,858	—
Restricted cash and short-term investments (1), (3)	752	416	336	—
Long-term investments (4)	141	141	—	—
Total	$ 8,531	$ 1,337	$ 7,194	$ —

(1) All short-term investments are classified as available-for-sale and stated at fair value. Unrealized gains and losses are recorded in accumulated other comprehensive loss at each reporting period. There were no credit losses.

(2) Our short-term investments mature in one year or less.

(3) Restricted cash and short-term investments primarily include collateral held to support workers' compensation obligations and collateral associated with the payment of interest for the AAdvantage Financing. Restricted short-term investments mature in one year or less except for $175 million as of September 30, 2024.

(4) Long-term investments include our equity investments in China Southern Airlines Company Limited (China Southern Airlines), Vertical Aerospace Ltd. (Vertical) and GOL Linhas Aéreas Inteligentes S.A. (GOL). See Note 8 for further information on our equity investments.

Fair Value of Debt

The fair value of our long-term debt was estimated using quoted market prices or discounted cash flow analyses based on our current estimated incremental borrowing rates for similar types of borrowing arrangements. If our long-term debt was measured at fair value, it would have been classified as Level 2 except for $3.7 billion as of September 30, 2024 and December 31, 2023, which would have been classified as Level 3 in the fair value hierarchy with a fair value of $3.4 billion and $3.7 billion, respectively. The fair value of the Convertible Notes, which would have been classified as Level 2, was $1.0 billion and $1.1 billion as of September 30, 2024 and December 31, 2023, respectively.

The carrying value and estimated fair value of our long-term debt, including current maturities, were as follows (in millions):

	September 30, 2024		December 31, 2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt, including current maturities	$ 31,110	$ 30,924	$ 32,396	$ 32,310

8. Investments

To help expand our network and as part of our ongoing commitment to sustainability, we enter into various commercial relationships or other strategic partnerships, including equity investments, with other airlines and companies. Our equity investments are reflected in other assets on our condensed consolidated balance sheets. Our share of equity method investees' financial results and changes in fair value are recorded in nonoperating other income (expense), net on the condensed consolidated statements of operations.

Our equity investment ownership interests and carrying values are as follows:

		Ownership Interest		Carrying Value (in millions)	
	Accounting Treatment	September 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023
Republic Airways Holdings Inc.	Equity Method	25.0 %	25.0 %	$ 247	$ 240
China Southern Airlines	Fair Value	1.5 %	1.5 %	129	115
Other investments (1)	Various			119	186
Total				$ 495	$ 541

(1) Primarily includes our investment in JetSMART Holdings Limited, which is accounted for under the equity method, and our investments in Vertical and GOL, which are each accounted for at fair value.

9. Employee Benefit Plans

The following table provides the components of net periodic benefit cost (income) (in millions):

	Pension Benefits		Retiree Medical and Other Postretirement Benefits	
Three Months Ended September 30,	2024	2023	2024	2023
Service cost	$ —	$ 1	$ 8	$ 4
Interest cost	180	188	17	12
Expected return on assets	(245)	(230)	(2)	(2)
Amortization of:				
Prior service cost (benefit)	—	4	3	(3)
Unrecognized net loss (gain)	26	25	(6)	(10)
Net periodic benefit cost (income)	$ (39)	$ (12)	$ 20	$ 1

	Pension Benefits		Retiree Medical and Other Postretirement Benefits	
Nine Months Ended September 30,	2024	2023	2024	2023
Service cost	$ 1	$ 2	$ 23	$ 10
Interest cost	542	568	51	36
Expected return on assets	(733)	(690)	(7)	(7)
Amortization of:				
Prior service cost (benefit)	—	18	11	(10)
Unrecognized net loss (gain)	79	80	(19)	(27)
Net periodic benefit cost (income)	$ (111)	$ (22)	$ 59	$ 2

Effective November 1, 2012, substantially all of our defined benefit pension plans were frozen.

The service cost component of net periodic benefit cost (income) is included in operating expenses and the other components of net periodic benefit cost (income) are included in nonoperating other income (expense), net in the condensed consolidated statements of operations.

During the first nine months of 2024, we made required contributions of $284 million and a supplemental contribution of $12 million to our defined benefit pension plans.

10. Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss (AOCI) are as follows (in millions):

	Pension, Retiree Medical and Other Postretirement Benefits	Unrealized Gain (Loss) on Investments	Income Tax Provision [1]	Total
Balance at December 31, 2023	$ (3,380)	$ (2)	$ (1,512)	$ (4,894)
Other comprehensive income (loss) before reclassifications	—	5	(1)	4
Amounts reclassified from AOCI	71	—	(16) [2]	55
Net current-period other comprehensive income (loss)	71	5	(17)	59
Balance at September 30, 2024	$ (3,309)	$ 3	$ (1,529)	$ (4,835)

(1) Relates principally to pension, retiree medical and other postretirement benefits obligations that will not be recognized in net income (loss) until the obligations are fully extinguished.

(2) Relates to pension, retiree medical and other postretirement benefits obligations and is recognized within the income tax provision (benefit) on the condensed consolidated statements of operations.

Reclassifications out of AOCI are as follows (in millions):

	Amounts reclassified from AOCI				
	Three Months Ended September 30,		Nine Months Ended September 30,		
AOCI Components	2024	2023	2024	2023	Affected line items on the condensed consolidated statements of operations
Amortization of pension, retiree medical and other postretirement benefits:					
Prior service cost	$ 3	$ 1	$ 9	$ 6	Nonoperating other income (expense), net
Actuarial loss	15	12	46	41	Nonoperating other income (expense), net
Total reclassifications for the period, net of tax	$ 18	$ 13	$ 55	$ 47	

11. Regional Expenses

Our regional carriers provide scheduled air transportation under the brand name “American Eagle.” The American Eagle carriers include our wholly-owned regional carriers as well as third-party regional carriers. Our regional carrier arrangements are in the form of capacity purchase agreements. Expenses associated with American Eagle operations are classified as regional expenses on the condensed consolidated statements of operations.

Regional expenses for the three months ended September 30, 2024 and 2023 include $80 million and $79 million of depreciation and amortization, respectively, and each include $2 million of aircraft rent. Regional expenses for the nine months ended September 30, 2024 and 2023 include $238 million and $239 million of depreciation and amortization, respectively, and $7 million and $5 million of aircraft rent, respectively.

During each of the three months ended September 30, 2024 and 2023, we recognized $153 million of expense under our capacity purchase agreement with Republic Airways Inc. (Republic). During the nine months ended September 30, 2024 and 2023, we recognized $452 million and $489 million, respectively, of expense under our capacity purchase agreement with Republic. We hold a 25% equity interest in Republic Airways Holdings Inc., the parent company of Republic.

12. Legal Proceedings

Government Antitrust Action Related to the Northeast Alliance. On September 21, 2021, the United States Department of Justice, joined by Attorneys General from six states and the District of Columbia, filed an antitrust complaint against American and JetBlue Airways Corporation (JetBlue) in the U.S. District Court for the District of Massachusetts alleging that American and JetBlue violated U.S. antitrust law in connection with the previously disclosed Northeast Alliance arrangement (NEA). On May 19, 2023, the U.S. District Court for the District of Massachusetts issued an order permanently enjoining American and JetBlue from continuing and further implementing the NEA. In June 2023, JetBlue delivered a notice of termination of the NEA, effective July 29, 2023, and the carriers have substantially completed wind-down activities. Following written submissions by the parties and a hearing on July 26, 2023, the U.S. District Court for the District of Massachusetts entered a Final Judgment and Order Entering Permanent Injunction on July 28, 2023. The parties are complying with the terms of the Final Judgment and Order Entering Permanent Injunction, including by completing wind-down activities related to the NEA. American filed a notice of appeal to the U.S. Court of Appeals for the First Circuit on September 25, 2023, and such appeal remains pending.

Private Party Antitrust Actions Related to the Northeast Alliance. On December 5, 2022 and December 7, 2022, two private party plaintiffs filed putative class action antitrust complaints against American and JetBlue in the U.S. District Court for the Eastern District of New York alleging that American and JetBlue violated U.S. antitrust law in connection with the previously disclosed NEA. These actions were consolidated on January 10, 2023. The private party plaintiffs filed an amended consolidated complaint on February 3, 2023. On February 2, 2023 and February 15, 2023, private party plaintiffs filed two additional putative class action antitrust complaints against American and JetBlue in the U.S. District Court for the District of Massachusetts and the U.S. District Court for the Eastern District of New York, respectively. In March 2023, American filed a motion in the U.S. District Court for the District of Massachusetts case asking to transfer the case to the U.S. District Court for the Eastern District of New York and consolidate it with the cases pending in that venue. The U.S. District Court for the District of Massachusetts granted that motion. The remaining cases were consolidated with the other actions in the Eastern District of New York. In June 2023, the private party plaintiffs filed a second amended consolidated complaint, followed by a third amended complaint filed in August 2023. In September 2023, American, together with JetBlue, filed a motion to dismiss the third amended complaint. In September 2024, the court denied that motion. We believe these lawsuits are without merit and are defending against them vigorously.

Securities Litigation. On July 18, 2024, AAG and certain of its current and former officers were named as defendants in a putative class action lawsuit filed in the United States District Court for the Northern District of Texas, captioned *Qawasmi v. American Airlines Group Inc., et al*. The *Qawasmi* plaintiff purports to represent investors who acquired AAG securities between January 25, 2024 and May 28, 2024. On August 28, 2024, AAG and certain of its current and former officers were named as defendants in a second putative class action lawsuit filed in the same court, captioned *Thornburg v. American Airlines Group Inc., et al.* The *Thornburg* plaintiff purports to represent investors who acquired AAG securities between July 20, 2023 and May 28, 2024. Both the *Qawasmi* and *Thornburg* complaints assert violations of Sections 10(b) and 20(a) of the Exchange Act based on allegations that, during the relevant periods, AAG misrepresented and/or omitted material facts related to its financial outlook and certain commercial initiatives. On September 16, 2024, certain purported AAG investors moved for consolidation of the *Qawasmi* and *Thornburg* actions as well as appointment as lead plaintiff, and those motions remain pending.

Additionally, on September 19, 2024, certain of AAG's current and former directors and officers were named as defendants in a shareholder derivative lawsuit (in which AAG is a nominal defendant) filed in the United States District Court for the Northern District of Texas, captioned *Hollin v. Isom, et al.* The *Hollin* complaint asserts violations of Section 10(b) of the Exchange Act, breach of fiduciary duty, and claims for unjust enrichment and corporate waste. On September 26, 2024, a second derivative complaint was filed in the same court, similarly naming certain of AAG's current and former directors and officers (as well as AAG as a nominal defendant), captioned *Leon v. Isom, et al*. The *Leon* complaint asserts violations of Section 14(a) of the Exchange Act, breaches of fiduciary duty, claims of unjust enrichment, abuse of control, gross mismanagement, waste of corporate assets, and a claim for contribution. The *Hollin* and *Leon* complaints generally allege the same purported misconduct as alleged in the securities class actions. We believe both the securities class actions and shareholder derivative lawsuits are without merit and intend to defend against them vigorously.

General. In addition to the specifically identified legal proceedings, we and our subsidiaries are also engaged in other legal proceedings from time to time. Legal proceedings can be complex and take many months, or even years, to reach resolution, with the final outcome depending on a number of variables, some of which are not within our control. Therefore, although we will vigorously defend ourselves in each of the actions described above and such other legal proceedings, their ultimate resolution and potential financial and other impacts on us are uncertain but could be material.

ITEM 1B. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES, INC.

AMERICAN AIRLINES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions)(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Operating revenues:				
Passenger	$ 12,523	$ 12,421	$ 37,184	$ 36,502
Cargo	202	193	584	613
Other	920	867	2,778	2,608
Total operating revenues	13,645	13,481	40,546	39,723
Operating expenses:				
Aircraft fuel and related taxes	2,874	3,209	8,916	9,098
Salaries, wages and benefits	4,096	3,972	11,911	10,885
Regional expenses	1,268	1,149	3,725	3,442
Maintenance, materials and repairs	989	870	2,823	2,389
Other rent and landing fees	861	745	2,514	2,214
Aircraft rent	303	342	945	1,031
Selling expenses	468	430	1,331	1,357
Depreciation and amortization	477	484	1,416	1,449
Special items, net	554	949	625	962
Other	1,665	1,533	4,844	4,488
Total operating expenses	13,555	13,683	39,050	37,315
Operating income (loss)	90	(202)	1,496	2,408
Nonoperating income (expense):				
Interest income	268	297	805	810
Interest expense, net	(505)	(555)	(1,536)	(1,668)
Other income (expense), net	18	(99)	(21)	(119)
Total nonoperating expense, net	(219)	(357)	(752)	(977)
Income (loss) before income taxes	(129)	(559)	744	1,431
Income tax provision (benefit)	(88)	(107)	208	375
Net income (loss)	$ (41)	$ (452)	$ 536	$ 1,056

See accompanying notes to condensed consolidated financial statements.

AMERICAN AIRLINES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In millions)(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income (loss)	$ (41)	$ (452)	$ 536	$ 1,056
Other comprehensive income (loss), net of tax:				
Pension, retiree medical and other postretirement benefits	18	(237)	55	(203)
Investments	5	(1)	4	—
Total other comprehensive income (loss), net of tax	23	(238)	59	(203)
Total comprehensive income (loss)	$ (18)	$ (690)	$ 595	$ 853

See accompanying notes to condensed consolidated financial statements.

AMERICAN AIRLINES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions, except share and par value amounts)

	September 30, 2024 (Unaudited)	December 31, 2023
ASSETS		
Current assets		
Cash	$ 825	$ 567
Short-term investments	7,635	6,998
Restricted cash and short-term investments	752	910
Accounts receivable, net	1,790	1,995
Receivables from related parties, net	7,558	7,070
Aircraft fuel, spare parts and supplies, net	2,424	2,266
Prepaid expenses and other	733	561
Total current assets	21,717	20,367
Operating property and equipment		
Flight equipment	42,748	41,440
Ground property and equipment	9,622	9,848
Equipment purchase deposits	1,098	760
Total property and equipment, at cost	53,468	52,048
Less accumulated depreciation and amortization	(22,928)	(21,588)
Total property and equipment, net	30,540	30,460
Operating lease right-of-use assets	7,648	7,886
Other assets		
Goodwill	4,091	4,091
Intangibles, net of accumulated amortization of $839 and $834, respectively	2,046	2,051
Deferred tax asset	2,364	2,589
Other assets	1,490	1,630
Total other assets	9,991	10,361
Total assets	$ 69,896	$ 69,074
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities		
Current maturities of long-term debt and finance leases	$ 3,903	$ 3,625
Accounts payable	2,544	2,232
Accrued salaries and wages	2,312	2,210
Air traffic liability	7,551	6,200
Loyalty program liability	3,584	3,453
Operating lease liabilities	1,162	1,292
Other accrued liabilities	2,618	2,605
Total current liabilities	23,674	21,617
Noncurrent liabilities		
Long-term debt and finance leases, net of current maturities	22,524	24,050
Pension and postretirement benefits	2,548	3,020
Loyalty program liability	6,035	5,874
Operating lease liabilities	6,298	6,416
Other liabilities	1,594	1,520
Total noncurrent liabilities	38,999	40,880
Commitments and contingencies		
Stockholder's equity		
Common stock, $1.00 par value; 1,000 shares authorized, issued and outstanding	—	—
Additional paid-in capital	17,386	17,335
Accumulated other comprehensive loss	(4,940)	(4,999)
Retained deficit	(5,223)	(5,759)
Total stockholder's equity	7,223	6,577
Total liabilities and stockholder's equity	$ 69,896	$ 69,074

See accompanying notes to condensed consolidated financial statements.

AMERICAN AIRLINES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)(Unaudited)

	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Net cash provided by operating activities	$ 3,517	$ 5,081
Cash flows from investing activities:		
Capital expenditures and aircraft purchase deposits	(1,900)	(1,718)
Proceeds from sale-leaseback transactions and sale of property and equipment	598	219
Purchases of short-term investments	(6,527)	(8,322)
Sales of short-term investments	5,901	6,857
Decrease in restricted short-term investments	159	39
Other investing activities	(21)	300
Net cash used in investing activities	(1,790)	(2,625)
Cash flows from financing activities:		
Payments on long-term debt and finance leases	(2,691)	(4,604)
Proceeds from issuance of long-term debt	1,252	2,324
Other financing activities	(34)	(74)
Net cash used in financing activities	(1,473)	(2,354)
Net increase in cash and restricted cash	254	102
Cash and restricted cash at beginning of period	670	575
Cash and restricted cash at end of period [1]	$ 924	$ 677
Non-cash transactions:		
Right-of-use (ROU) assets acquired through operating leases	$ 754	$ 742
Property and equipment acquired through debt, finance leases and other	193	89
Operating leases converted to finance leases	130	—
Finance leases converted to operating leases	33	27
Supplemental information:		
Interest paid, net	1,391	1,589
Income taxes paid	6	4

(1) The following table provides a reconciliation of cash and restricted cash to amounts reported within the condensed consolidated balance sheets:

	2024	2023
Cash	$ 825	$ 567
Restricted cash included in restricted cash and short-term investments	99	110
Total cash and restricted cash	$ 924	$ 677

See accompanying notes to condensed consolidated financial statements.

AMERICAN AIRLINES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY
(In millions)(Unaudited)

	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Deficit	Total
Balance at December 31, 2023	$ —	$ 17,335	$ (4,999)	$ (5,759)	$ 6,577
Net loss	—	—	—	(216)	(216)
Other comprehensive income, net	—	—	17	—	17
Share-based compensation expense	—	27	—	—	27
Modification of share-based awards	—	(20)	—	—	(20)
Intercompany equity transfer	—	1	—	—	1
Balance at March 31, 2024	—	17,343	(4,982)	(5,975)	6,386
Net income	—	—	—	793	793
Other comprehensive income, net	—	—	19	—	19
Share-based compensation expense	—	20	—	—	20
Intercompany equity transfer	—	1	—	—	1
Balance at June 30, 2024	—	17,364	(4,963)	(5,182)	7,219
Net loss	—	—	—	(41)	(41)
Other comprehensive income, net	—	—	23	—	23
Share-based compensation expense	—	21	—	—	21
Intercompany equity transfer	—	1	—	—	1
Balance at September 30, 2024	$ —	$ 17,386	$ (4,940)	$ (5,223)	$ 7,223

	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Deficit	Total
Balance at December 31, 2022	$ —	$ 17,230	$ (4,690)	$ (6,947)	$ 5,593
Net income	—	—	—	85	85
Other comprehensive income, net	—	—	18	—	18
Share-based compensation expense	—	14	—	—	14
Balance at March 31, 2023	—	17,244	(4,672)	(6,862)	5,710
Net income	—	—	—	1,423	1,423
Other comprehensive income, net	—	—	17	—	17
Share-based compensation expense	—	32	—	—	32
Balance at June 30, 2023	—	17,276	(4,655)	(5,439)	7,182
Net loss	—	—	—	(452)	(452)
Other comprehensive loss, net	—	—	(238)	—	(238)
Share-based compensation expense	—	28	—	—	28
Intercompany equity transfer	—	5	—	—	5
Balance at September 30, 2023	$ —	$ 17,309	$ (4,893)	$ (5,891)	$ 6,525

See accompanying notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF AMERICAN AIRLINES, INC.
(Unaudited)

1. Basis of Presentation

(a) Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of American Airlines, Inc. (American) should be read in conjunction with the consolidated financial statements contained in American's Annual Report on Form 10-K for the year ended December 31, 2023. American is the principal wholly-owned subsidiary of American Airlines Group Inc. (AAG). All significant intercompany transactions have been eliminated.

Management believes that all adjustments necessary for the fair presentation of results, consisting of normally recurring items, have been included in the unaudited condensed consolidated financial statements for the interim periods presented. The preparation of financial statements in accordance with accounting principles generally accepted in the United States (GAAP) requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates. The most significant areas of judgment relate to passenger revenue recognition, the loyalty program, deferred tax assets, as well as pension and retiree medical and other postretirement benefits.

(b) Labor Relations

In September 2024, American and the Association of Professional Flight Attendants, the union representing American's mainline flight attendants, ratified a new collective bargaining agreement. This five-year agreement provides wage rate increases, quality-of-life benefits and other benefit-related items. The ratified agreement also included a provision for a one-time payment. During the third quarter of 2024, one-time charges resulting from the ratification of this new agreement were recorded as mainline operating special items, net in the condensed consolidated statement of operations, including the one-time payment of $514 million which is expected to be paid in November 2024.

2. Special Items, Net

Special items, net in the condensed consolidated statements of operations consisted of the following (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Labor contract expenses (1)	$ 516	$ 983	$ 573	$ 983
Severance expenses	—	—	13	21
Other operating special items, net	38	(34)	39	(42)
Mainline operating special items, net	554	949	625	962
Mark-to-market adjustments on equity investments, net (2)	(27)	59	23	70
Debt refinancing and extinguishment	—	42	7	76
Nonoperating special items, net	(27)	101	30	146

(1) Labor contract expenses for the three months ended September 30, 2024 related to one-time charges resulting from the ratification of a new collective bargaining agreement with American's mainline flight attendants, including a one-time payment of $514 million. For the nine months ended September 30, 2024, labor contract expenses related to one-time charges resulting from the ratifications of new collective bargaining agreements with American's mainline flight attendants as discussed above and with American's mainline passenger service team members.

Labor contract expenses for the three and nine months ended September 30, 2023 related to one-time charges resulting from the ratification of a new collective bargaining agreement with American's mainline pilots, including a one-time payment of $754 million as well as adjustments to other benefit-related items of $229 million.

(2) Mark-to-market adjustments on equity investments, net included unrealized gains and losses associated with certain equity investments.

3. Revenue Recognition

Revenue

The following are the significant categories comprising American's operating revenues (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Passenger revenue:				
Passenger travel	$ 11,539	$ 11,473	$ 34,334	$ 33,821
Loyalty revenue - travel (1)	984	948	2,850	2,681
Total passenger revenue	12,523	12,421	37,184	36,502
Cargo	202	193	584	613
Other:				
Loyalty revenue - marketing services	779	732	2,363	2,195
Other revenue	141	135	415	413
Total other revenue	920	867	2,778	2,608
Total operating revenues	$ 13,645	$ 13,481	$ 40,546	$ 39,723

(1) Loyalty revenue included in passenger revenue is principally comprised of mileage credit redemptions, which were earned from travel or co-branded credit card and other partners.

The following is American's total passenger revenue by geographic region (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Domestic	$ 8,681	$ 8,616	$ 26,285	$ 25,848
Latin America	1,433	1,490	4,897	5,045
Atlantic	2,110	2,056	5,122	4,875
Pacific	299	259	880	734
Total passenger revenue	$ 12,523	$ 12,421	$ 37,184	$ 36,502

American attributes passenger revenue by geographic region based upon the origin and destination of each flight segment.

Contract Balances

American's significant contract liabilities are comprised of (1) outstanding loyalty program mileage credits that may be redeemed for future air travel, non-air travel and other awards, reported as loyalty program liability on the condensed consolidated balance sheets and (2) ticket sales for transportation that has not yet been provided, reported as air traffic liability on the condensed consolidated balance sheets.

	September 30, 2024	December 31, 2023
	(In millions)	
Loyalty program liability	$ 9,619	$ 9,327
Air traffic liability	7,551	6,200
Total	$ 17,170	$ 15,527

The balance of the loyalty program liability fluctuates based on seasonal patterns, which impact the volume of mileage credits issued through travel or sold to co-branded credit card and other partners (deferral of revenue) and mileage credits redeemed (recognition of revenue). Changes in loyalty program liability are as follows (in millions):

Balance at December 31, 2023	$	9,327
Deferral of revenue		3,105
Recognition of revenue [1]		(2,813)
Balance at September 30, 2024 [2]	$	9,619

(1) Principally relates to revenue recognized from the redemption of mileage credits for air travel, non-air travel and other awards. Mileage credits are combined in one homogenous pool and are not separately identifiable. As such, the revenue is comprised of mileage credits that were part of the loyalty program deferred revenue balance at the beginning of the period, as well as mileage credits that were issued during the period.

(2) Mileage credits can be redeemed at any time and generally do not expire as long as that AAdvantage member has any type of qualifying activity at least every 24 months or if the AAdvantage member is the primary holder of a co-branded credit card. As of September 30, 2024, American's current loyalty program liability was $3.6 billion and represents American's current estimate of revenue expected to be recognized in the next 12 months based on historical trends, with the balance reflected in long-term loyalty program liability expected to be recognized as revenue in periods thereafter.

The air traffic liability principally represents tickets sold for future travel on American and partner airlines. The balance in American's air traffic liability also fluctuates with seasonal travel patterns. The contract duration of passenger tickets is generally one year. Accordingly, any revenue associated with tickets sold for future travel will be recognized within 12 months. For the nine months ended September 30, 2024, $4.9 billion of revenue was recognized in passenger revenue that was included in American's air traffic liability at December 31, 2023.

4. Debt

Long-term debt included in the condensed consolidated balance sheets consisted of (in millions):

	September 30, 2024	December 31, 2023
Secured		
2013 Term Loan Facility, variable interest rate of 7.96%, installments until due in February 2028	$ 980	$ 990
2014 Term Loan Facility, variable interest rate of 6.45%, installments until due in January 2027	1,171	1,183
2023 Term Loan Facility, variable interest rate of 7.21%, installments beginning in December 2024 until due in June 2029	1,100	1,100
10.75% senior secured IP notes, interest only payments until due in February 2026	1,000	1,000
10.75% senior secured LGA/DCA notes, interest only payments until due in February 2026	200	200
7.25% senior secured notes, interest only payments until due in February 2028	750	750
8.50% senior secured notes, interest only payments until due in May 2029	1,000	1,000
5.50% senior secured notes, installments until due in April 2026 (1)	2,042	2,917
5.75% senior secured notes, installments beginning in July 2026 until due in April 2029 (1)	3,000	3,000
AAdvantage Term Loan Facility, variable interest rate of 10.29%, installments until due in April 2028 (1)	2,625	3,150
Enhanced equipment trust certificates (EETCs), fixed interest rates ranging from 2.88% to 7.15%, averaging 3.88%, maturing from 2024 to 2034	7,637	7,657
Equipment loans and other notes payable, fixed and variable interest rates ranging from 2.55% to 8.57%, averaging 6.70%, maturing from 2024 to 2036	3,812	3,612
Special facility revenue bonds, fixed interest rates ranging from 2.25% to 5.38%, maturing from 2026 to 2036	880	967
Total long-term debt	26,197	27,526
Less: Total unamortized debt discount, premium and issuance costs	313	349
Less: Current maturities	3,775	3,501
Long-term debt, net of current maturities	$ 22,109	$ 23,676

(1) Collectively referred to as the AAdvantage Financing.

As of September 30, 2024, the maximum availability under American's revolving credit and other facilities is as follows (in millions):

2013 Revolving Facility	$ 500
2014 Revolving Facility	1,500
2023 Revolving Facility	890
Other facilities	400
Total	$ 3,290

In March 2024, American entered into a revolving credit facility that provides for borrowing capacity of up to $350 million, maturing in March 2027 with an option to extend for an additional year. As of September 30, 2024, there were no amounts drawn under this facility. Additionally, American currently has $ 50 million of available borrowing base under a cargo receivables facility that is set to expire in December 2024. As further described below, the aggregate commitments under the 2013, 2014 and 2023 Revolving Facilities are $2.9 billion through June 4, 2029.

Secured financings, including revolving credit and other facilities, are collateralized by assets, consisting primarily of aircraft, engines, simulators, airport gate leasehold rights, route authorities, airport slots, certain receivables, certain intellectual property and certain loyalty program assets.

2024 Financing Activities

2013 Credit Facilities – 2013 Revolving Facility

On June 4, 2024, American and AAG entered into the Ninth Amendment to Amended and Restated Credit and Guaranty Agreement (the Ninth Amendment), amending the Amended and Restated Credit and Guaranty Agreement, dated as of May 21, 2015 (as amended, the 2013 Credit Agreement), pursuant to which American terminated all existing revolving commitments and letter of credit commitments available under the 2013 Credit Agreement and established new revolving commitments in an aggregate amount of $500 million (which includes the ability to issue letters of credit in an aggregate amount of $100 million) (the newly established commitments, the 2013 Revolving Facility), which have a maturity date of June 4, 2029. Additionally, as a result of the Ninth Amendment, the 2013 Revolving Facility bears interest at a base rate (subject to a floor of 1.00%) plus an applicable margin of 2.00%, 2.25% or 2.50%, depending on AAG's public corporate credit rating, or, at American's option, the Secured Overnight Financing Rate (SOFR) for a tenor of one, three, or six months, depending on the interest period selected by American (subject to a floor of 0.00%), plus an applicable margin of 3.00%, 3.25% or 3.50%, depending on AAG's public corporate credit rating. Pursuant to the Ninth Amendment, SOFR borrowings under the 2013 Revolving Facility are not subject to a credit spread adjustment.

2014 Credit Facilities – 2014 Revolving Facility

On June 4, 2024, American and AAG entered into the Tenth Amendment to Amended and Restated Credit and Guaranty Agreement (the Tenth Amendment), amending the Amended and Restated Credit and Guaranty Agreement, dated as of April 20, 2015 (as amended, the 2014 Credit Agreement), pursuant to which American terminated all existing revolving commitments and letter of credit commitments available under the 2014 Credit Agreement and established new revolving commitments in an aggregate amount of $1.5 billion (which includes the ability to issue letters of credit in an aggregate amount of $200 million) (the newly established commitments, the 2014 Revolving Facility), which have a maturity date of June 4, 2029. Additionally, as a result of the Tenth Amendment, the 2014 Revolving Facility bears interest at a base rate (subject to a floor of 1.00%) plus an applicable margin of 2.00%, 2.25% or 2.50%, depending on AAG's public corporate credit rating, or, at American's option, the SOFR rate for a tenor of one, three, or six months, depending on the interest period selected by American (subject to a floor of 0.00%), plus an applicable margin of 3.00%, 3.25% or 3.50%, depending on AAG's public corporate credit rating. The Tenth Amendment also reduced the minimum liquidity financial covenant threshold from $2.2 billion to $2.0 billion and reduced the liquidity requirement for making certain restricted payments from $4.2 billion to $4.0 billion. Pursuant to the Tenth Amendment, SOFR borrowings under the 2014 Revolving Facility are not subject to a credit spread adjustment.

2023 Credit Facilities

On June 4, 2024, American and AAG entered into the First Amendment to Credit and Guaranty Agreement (the First Amendment) and the Second Amendment to Credit and Guaranty Agreement (the Second Amendment), each amending the Credit and Guaranty Agreement, dated as of December 4, 2023 (as amended, the 2023 Credit Agreement). Pursuant to the First Amendment, American established a revolving credit facility (the 2023 Revolving Facility) in an aggregate amount of $890 million, maturing June 4, 2029. The 2023 Revolving Facility bears interest at a base rate (subject to a floor of 1.00%) plus an applicable margin of 2.00%, 2.25% or 2.50%, depending on AAG's public corporate credit rating, or, at American's option, the SOFR rate for a tenor of one, three, or six months, depending on the interest period selected by American (subject to a floor of 0.00%), plus an applicable margin of 3.00%, 3.25% or 3.50%, depending on AAG's public corporate credit rating. SOFR borrowings under the 2023 Revolving Facility are not subject to a credit spread adjustment. Pursuant to the Second Amendment, American replaced the $1.1 billion of initial term loans made pursuant to the 2023 Credit Agreement with new term loans in a principal amount of $1.1 billion (such new term loans, the 2023 Term Loan Facility). The 2023 Term Loan Facility bears interest at a base rate (subject to a floor of 1.00%), plus an applicable margin of 1.50% per annum or, at American's option, the SOFR rate for a tenor of one, three, or six months, depending on the interest period selected by American (subject to a floor of 0.00%), plus an applicable margin of 2.50% per annum. SOFR borrowings under the 2023 Term Loan Facility are not subject to a credit spread adjustment.

April 2016 Revolving Facility

On June 4, 2024, American terminated all revolving commitments under the Credit and Guaranty Agreement, dated as of April 29, 2016 (as amended, the April 2016 Credit Agreement). As a result, the April 2016 Credit Agreement was terminated and all liens securing the April 2016 Credit Agreement were released.

EETCs Issued in 2024

In the third quarter of 2024, American entered into agreements under which it borrowed $684 million in connection with the financing of certain aircraft that had been previously delivered. Debt incurred under these agreements is junior to existing equipment notes, matures in 2027 through 2028 and bears interest at fixed rates averaging 7.10%.

Equipment Loans and Other Notes Payable Issued in 2024

During the first nine months of 2024, American entered into agreements under which it borrowed $571 million in connection with the financing of certain aircraft. Debt incurred under these agreements matures in 2030 through 2036 and bears interest at variable rates (comprised of SOFR plus an applicable margin) averaging 6.86% as of September 30, 2024.

5. Income Taxes

At December 31, 2023, American had approximately $13.7 billion of gross federal net operating losses (NOLs) and $3.6 billion of other carryforwards available to reduce future federal taxable income, of which $3.8 billion will expire beginning in 2033 if unused and $13.5 billion can be carried forward indefinitely. American is a member of AAG's consolidated federal and certain state income tax returns. American also had approximately $ 5.3 billion of NOL carryforwards to reduce future state taxable income at December 31, 2023, which will expire in taxable years 2023 through 2043 if unused.

American's ability to use its NOLs and other carryforwards depends on the amount of taxable income generated in future periods. American provides a valuation allowance for its deferred tax assets, which include the NOLs, when it is more likely than not that some portion, or all of its deferred tax assets, will not be realized. American considers all available positive and negative evidence and makes certain assumptions in evaluating the realizability of its deferred tax assets. Many factors are considered that impact American's assessment of future profitability, including conditions which are beyond its control, such as the health of the economy, the availability and price volatility of aircraft fuel and travel demand. American has determined that positive factors outweigh negative factors in the determination of the realizability of its deferred tax assets. There can be no assurance that an additional valuation allowance on American's net deferred tax assets will not be required. Such valuation allowance could be material.

6. Fair Value Measurements

Assets Measured at Fair Value on a Recurring Basis

American utilizes the market approach to measure the fair value of its financial assets. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets. American's short-term investments, restricted cash and restricted short-term investments classified as Level 2 utilize significant observable inputs, other than quoted prices in active markets, for valuation of these securities. No changes in valuation techniques or inputs occurred during the nine months ended September 30, 2024.

Assets measured at fair value on a recurring basis are summarized below (in millions):

	Fair Value Measurements as of September 30, 2024			
	Total	Level 1	Level 2	Level 3
Short-term investments [1], [2]:				
Money market funds	$ 778	$ 778	$ —	$ —
Corporate obligations	4,154	—	4,154	—
Bank notes/certificates of deposit/time deposits	2,153	—	2,153	—
Repurchase agreements	550	—	550	—
	7,635	778	6,857	—
Restricted cash and short-term investments [1], [3]	752	416	336	—
Long-term investments [4]	141	141	—	—
Total	$ 8,528	$ 1,335	$ 7,193	$ —

[1] All short-term investments are classified as available-for-sale and stated at fair value. Unrealized gains and losses are recorded in accumulated other comprehensive loss at each reporting period. There were no credit losses.

(2) American's short-term investments mature in one year or less.

(3) Restricted cash and short-term investments primarily include collateral held to support workers' compensation obligations and collateral associated with the payment of interest for the AAdvantage Financing. Restricted short-term investments mature in one year or less except for $175 million as of September 30, 2024.

(4) Long-term investments include American's equity investments in China Southern Airlines Company Limited (China Southern Airlines), Vertical Aerospace Ltd. (Vertical) and GOL Linhas Aéreas Inteligentes S.A. (GOL). See Note 7 for further information on American's equity investments.

Fair Value of Debt

The fair value of American's long-term debt was estimated using quoted market prices or discounted cash flow analyses based on American's current estimated incremental borrowing rates for similar types of borrowing arrangements. If American's long-term debt was measured at fair value, it would have been classified as Level 2.

The carrying value and estimated fair value of American's long-term debt, including current maturities, were as follows (in millions):

	September 30, 2024		December 31, 2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt, including current maturities	$ 25,884	$ 26,040	$ 27,177	$ 27,008

7. Investments

To help expand American's network and as part of its ongoing commitment to sustainability, American enters into various commercial relationships or other strategic partnerships, including equity investments, with other airlines and companies. American's equity investments are reflected in other assets on its condensed consolidated balance sheets. American's share of equity method investees' financial results and changes in fair value are recorded in nonoperating other income (expense), net on the condensed consolidated statements of operations.

American's equity investment ownership interests and carrying values are as follows:

		Ownership Interest		Carrying Value (in millions)	
	Accounting Treatment	September 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023
Republic Airways Holdings Inc.	Equity Method	25.0 %	25.0 %	$ 247	$ 240
China Southern Airlines	Fair Value	1.5 %	1.5 %	129	115
Other investments (1)	Various			119	186
Total				$ 495	$ 541

(1) Primarily includes American's investment in JetSMART Holdings Limited, which is accounted for under the equity method, and American's investments in Vertical and GOL, which are each accounted for at fair value.

8. Employee Benefit Plans

The following table provides the components of net periodic benefit cost (income) (in millions):

	Pension Benefits		Retiree Medical and Other Postretirement Benefits	
Three Months Ended September 30,	2024	2023	2024	2023
Service cost	$ —	$ —	$ 8	$ 4
Interest cost	178	187	17	12
Expected return on assets	(243)	(228)	(2)	(2)
Amortization of:				
Prior service cost (benefit)	—	4	3	(3)
Unrecognized net loss (gain)	26	25	(6)	(10)
Net periodic benefit cost (income)	$ (39)	$ (12)	$ 20	$ 1

	Pension Benefits		Retiree Medical and Other Postretirement Benefits	
Nine Months Ended September 30,	2024	2023	2024	2023
Service cost	$ 1	$ 1	$ 23	$ 10
Interest cost	539	564	51	36
Expected return on assets	(729)	(685)	(7)	(7)
Amortization of:				
Prior service cost (benefit)	—	18	11	(10)
Unrecognized net loss (gain)	79	80	(19)	(27)
Net periodic benefit cost (income)	$ (110)	$ (22)	$ 59	$ 2

Effective November 1, 2012, substantially all of American's defined benefit pension plans were frozen.

The service cost component of net periodic benefit cost (income) is included in operating expenses and the other components of net periodic benefit cost (income) are included in nonoperating other income (expense), net in the condensed consolidated statements of operations.

During the first nine months of 2024, American made required contributions of $280 million and a supplemental contribution of $12 million to its defined benefit pension plans.

9. Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss (AOCI) are as follows (in millions):

	Pension, Retiree Medical and Other Postretirement Benefits	Unrealized Gain (Loss) on Investments	Income Tax Provision [1]	Total
Balance at December 31, 2023	$ (3,376)	$ (2)	$ (1,621)	$ (4,999)
Other comprehensive income (loss) before reclassifications	—	5	(1)	4
Amounts reclassified from AOCI	71	—	(16) [2]	55
Net current-period other comprehensive income (loss)	71	5	(17)	59
Balance at September 30, 2024	$ (3,305)	$ 3	$ (1,638)	$ (4,940)

(1) Relates principally to pension, retiree medical and other postretirement benefits obligations that will not be recognized in net income (loss) until the obligations are fully extinguished.

(2) Relates to pension, retiree medical and other postretirement benefits obligations and is recognized within the income tax provision (benefit) on the condensed consolidated statements of operations.

Reclassifications out of AOCI are as follows (in millions):

	Amounts reclassified from AOCI				
	Three Months Ended September 30,		Nine Months Ended September 30,		
AOCI Components	2024	2023	2024	2023	Affected line items on the condensed consolidated statements of operations
Amortization of pension, retiree medical and other postretirement benefits:					
Prior service cost	$ 3	$ 1	$ 9	$ 6	Nonoperating other income (expense), net
Actuarial loss	15	12	46	41	Nonoperating other income (expense), net
Total reclassifications for the period, net of tax	$ 18	$ 13	$ 55	$ 47	

10. Regional Expenses

American's regional carriers provide scheduled air transportation under the brand name "American Eagle." The American Eagle carriers include AAG's wholly-owned regional carriers as well as third-party regional carriers. American's regional carrier arrangements are in the form of capacity purchase agreements. Expenses associated with American Eagle operations are classified as regional expenses on the condensed consolidated statements of operations.

Regional expenses for the three months ended September 30, 2024 and 2023 include $70 million and $67 million of depreciation and amortization, respectively, and each include $2 million of aircraft rent. Regional expenses for the nine months ended September 30, 2024 and 2023 include $208 million and $203 million of depreciation and amortization, respectively, and $7 million and $5 million of aircraft rent, respectively.

During each of the three months ended September 30, 2024 and 2023, American recognized $153 million of expense under its capacity purchase agreement with Republic Airways Inc. (Republic). During the nine months ended September 30, 2024 and 2023, American recognized $452 million and $489 million, respectively, of expense under its capacity purchase agreement with Republic. American holds a 25% equity interest in Republic Airways Holdings Inc., the parent company of Republic.

11. Transactions with Related Parties

The following represents the net receivables (payables) to related parties (in millions):

	September 30, 2024	December 31, 2023
AAG	$ 9,648	$ 9,144
AAG's wholly-owned subsidiaries [1]	(2,090)	(2,074)
Total	$ 7,558	$ 7,070

[1] The net payable to AAG's wholly-owned subsidiaries consists primarily of amounts due under regional capacity purchase agreements with AAG's wholly-owned regional airlines operating under the brand name of American Eagle.

12. Legal Proceedings

Government Antitrust Action Related to the Northeast Alliance. On September 21, 2021, the United States Department of Justice, joined by Attorneys General from six states and the District of Columbia, filed an antitrust complaint against American and JetBlue Airways Corporation (JetBlue) in the U.S. District Court for the District of Massachusetts alleging that American and JetBlue violated U.S. antitrust law in connection with the previously disclosed Northeast Alliance arrangement (NEA). On May 19, 2023, the U.S. District Court for the District of Massachusetts issued an order permanently enjoining American and JetBlue from continuing and further implementing the NEA. In June 2023, JetBlue delivered a notice of termination of the NEA, effective July 29, 2023, and the carriers have substantially completed wind-down activities. Following written submissions by the parties and a hearing on July 26, 2023, the U.S. District Court for the District of Massachusetts entered a Final Judgment and Order Entering Permanent Injunction on July 28, 2023. The parties are complying with the terms of the Final Judgment and Order Entering Permanent Injunction, including by completing wind-down activities related to the NEA. American filed a notice of appeal to the U.S. Court of Appeals for the First Circuit on September 25, 2023, and such appeal remains pending.

Private Party Antitrust Actions Related to the Northeast Alliance. On December 5, 2022 and December 7, 2022, two private party plaintiffs filed putative class action antitrust complaints against American and JetBlue in the U.S. District Court for the Eastern District of New York alleging that American and JetBlue violated U.S. antitrust law in connection with the previously disclosed NEA. These actions were consolidated on January 10, 2023. The private party plaintiffs filed an amended consolidated complaint on February 3, 2023. On February 2, 2023 and February 15, 2023, private party plaintiffs filed two additional putative class action antitrust complaints against American and JetBlue in the U.S. District Court for the District of Massachusetts and the U.S. District Court for the Eastern District of New York, respectively. In March 2023, American filed a motion in the U.S. District Court for the District of Massachusetts case asking to transfer the case to the U.S. District Court for the Eastern District of New York and consolidate it with the cases pending in that venue. The U.S. District Court for the District of Massachusetts granted that motion. The remaining cases were consolidated with the other actions in the Eastern District of New York. In June 2023, the private party plaintiffs filed a second amended consolidated complaint, followed by a third amended complaint filed in August 2023. In September 2023, American, together with JetBlue, filed a motion to dismiss the third amended complaint. In September 2024, the court denied that motion. American believes these lawsuits are without merit and is defending against them vigorously.

Securities Litigation. On July 18, 2024, AAG and certain of its current and former officers were named as defendants in a putative class action lawsuit filed in the United States District Court for the Northern District of Texas, captioned *Qawasmi v. American Airlines Group Inc., et al*. The *Qawasmi* plaintiff purports to represent investors who acquired AAG securities between January 25, 2024 and May 28, 2024. On August 28, 2024, AAG and certain of its current and former officers were named as defendants in a second putative class action lawsuit filed in the same court, captioned *Thornburg v. American Airlines Group Inc., et al*. The *Thornburg* plaintiff purports to represent investors who acquired AAG securities between July 20, 2023 and May 28, 2024. Both the *Qawasmi* and *Thornburg* complaints assert violations of Sections 10(b) and 20(a) of the Exchange Act based on allegations that, during the relevant periods, AAG misrepresented and/or omitted material facts related to its financial outlook and certain commercial initiatives. On September 16, 2024, certain purported AAG investors moved for consolidation of the *Qawasmi* and *Thornburg* actions as well as appointment as lead plaintiff, and those motions remain pending.

Additionally, on September 19, 2024, certain of AAG's current and former directors and officers were named as defendants in a shareholder derivative lawsuit (in which AAG is a nominal defendant) filed in the United States District Court for the Northern District of Texas, captioned *Hollin v. Isom, et al.* The *Hollin* complaint asserts violations of Section 10(b) of the Exchange Act, breach of fiduciary duty, and claims for unjust enrichment and corporate waste. On September 26, 2024, a second derivative complaint was filed in the same court, similarly naming certain of AAG's current and former directors and officers (as well as AAG as a nominal defendant), captioned *Leon v. Isom, et al*. The *Leon* complaint asserts violations of Section 14(a) of the Exchange Act, breaches of fiduciary duty, claims of unjust enrichment, abuse of control, gross mismanagement, waste of corporate assets, and a claim for contribution. The *Hollin* and *Leon* complaints generally allege the same purported misconduct as alleged in the securities class actions. American believes both the securities class actions and shareholder derivative lawsuits are without merit and intends to defend against them vigorously.

General. In addition to the specifically identified legal proceedings, American and its subsidiaries are also engaged in other legal proceedings from time to time. Legal proceedings can be complex and take many months, or even years, to reach resolution, with the final outcome depending on a number of variables, some of which are not within American's control. Therefore, although American will vigorously defend itself in each of the actions described above and such other legal proceedings, their ultimate resolution and potential financial and other impacts on American are uncertain but could be material.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Part I, Item 2 of this report should be read in conjunction with Part II, Item 7 of AAG's and American's Annual Report on Form 10-K for the year ended December 31, 2023 (the 2023 Form 10-K). The information contained herein is not a comprehensive discussion and analysis of the financial condition and results of operations of AAG and American, but rather updates disclosures made in the 2023 Form 10-K.

Financial Overview

AAG's Third Quarter 2024 Results

The selected financial data presented below is derived from AAG's unaudited condensed consolidated financial statements included in Part I, Item 1A of this report and should be read in conjunction with those financial statements and the related notes thereto.

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Increase (Decrease)	Percent Increase (Decrease)
	(In millions, except percentage changes)			
Passenger revenue	$ 12,523	$ 12,421	$ 102	0.8
Cargo revenue	202	193	9	5.0
Other operating revenue	922	868	54	6.0
Total operating revenues	13,647	13,482	165	1.2
Aircraft fuel and related taxes	2,874	3,209	(335)	(10.4)
Salaries, wages and benefits	4,098	3,974	124	3.1
Total operating expenses	13,558	13,705	(147)	(1.1)
Operating income (loss)	89	(223)	(312)	nm [2]
Pre-tax loss	(256)	(690)	(434)	(62.9)
Income tax benefit	(107)	(145)	(38)	(26.0)
Net loss	(149)	(545)	(396)	(72.7)
Pre-tax loss – GAAP	$ (256)	$ (690)	$ (434)	(62.9)
Adjusted for: pre-tax net special items [1]	527	1,052	(525)	(49.9)
Pre-tax income excluding net special items	$ 271	$ 362	$ (91)	(25.2)

(1) See *"Reconciliation of GAAP to Non-GAAP Financial Measures"* below and Note 2 to AAG's Condensed Consolidated Financial Statements in Part I, Item 1A for details on the components of net special items.

(2) Not meaningful or greater than 100% change.

<u>*Pre-Tax Loss and Net Loss*</u>

Pre-tax loss and net loss were $256 million and $149 million, respectively, in the third quarter of 2024. This compares to third quarter of 2023 pre-tax loss and net loss of $690 million and $545 million, respectively. The period-over-period decrease in pre-tax loss on a GAAP basis was principally driven by a decrease in pre-tax net special items and lower costs for aircraft fuel and related taxes, offset in part by increases in certain operating expenses including salaries, wages and benefits, maintenance, materials and repairs and other expenses.

Excluding the effects of pre-tax net special items, pre-tax income was $271 million and $362 million in the third quarters of 2024 and 2023, respectively. The period-over-period decrease in our pre-tax income excluding pre-tax net special items was principally driven by increases in certain operating expenses as mentioned above, offset by lower costs for aircraft fuel and related taxes.

In September 2024, American and the Association of Professional Flight Attendants (APFA), the union representing our mainline flight attendants, ratified a new collective bargaining agreement. This five-year agreement provides wage rate increases, quality-of-life benefits and other benefit-related items. The ratified agreement also included a provision for a one-time payment. During the third quarter of 2024, one-time charges resulting from the ratification of this new agreement were recorded as mainline operating special items, net in the condensed consolidated statement of operations, including the one-time payment of $514 million which is expected to be paid in November 2024.

Revenue

In the third quarter of 2024, we reported total operating revenues of $13.6 billion, an increase of $165 million, or 1.2%, as compared to the third quarter of 2023. Passenger revenue was $12.5 billion and remained relatively flat as compared to the third quarter of 2023. In the third quarter of 2024, we experienced a 5.2% decrease in passenger yield on a 3.2% capacity growth year-over-year, as measured by available seat miles (ASMs). Load factor was 86.6% for the third quarter of 2024, compared to 84.0% for the third quarter of 2023. Our passenger revenue performance improved through the third quarter of 2024 as industry domestic capacity growth decelerated from July 2024. While we continue to see the impact of certain commercial initiatives we had previously deployed, we have made progress to regain our share of revenue lost as we continue to reset these initiatives.

Cargo revenue increased $9 million, or 5.0%, in the third quarter of 2024 from the third quarter of 2023, primarily due to a 10.5% increase in cargo ton miles, offset in part by a 5.0% decrease in cargo yield driven by increased air freight capacity.

Other operating revenue increased $54 million, or 6.0%, in the third quarter of 2024 from the third quarter of 2023, driven primarily by higher revenue associated with our loyalty program. During the three months ended September 30, 2024 and 2023, cash payments from co-branded credit card and other partners were $1.4 billion and $1.3 billion, respectively.

Our total revenue per available seat mile (TRASM) was 18.04 cents in the third quarter of 2024, a 2.0% decrease as compared to 18.40 cents in the third quarter of 2023.

Fuel

Aircraft fuel and related taxes was $2.9 billion in the third quarter of 2024, which was $335 million, or 10.4%, lower as compared to the third quarter of 2023. This was primarily due to a 14.0% decrease in the average price per gallon of aircraft fuel including related taxes to $2.50 in the third quarter of 2024 from $2.91 in the third quarter of 2023, offset in part by a 4.1% increase in gallons of fuel consumed due to increased capacity.

As of September 30, 2024, we did not have any fuel hedging contracts outstanding to hedge our fuel consumption. Our current policy is not to enter into transactions to hedge our fuel consumption, although we review this policy from time to time based on market conditions and other factors. As such, and assuming we do not enter into any future transactions to hedge our fuel consumption, we will continue to be fully exposed to fluctuations in fuel prices. See Part II, Item 1A. Risk Factors – *"Our business is very dependent on the price and availability of aircraft fuel. Continued periods of high volatility in fuel costs, increased fuel prices or significant disruptions in the supply of aircraft fuel could have a significant negative impact on consumer demand, our operating results and liquidity."*

Other Costs

We remain committed to actively managing our cost structure, which we believe is necessary in an industry whose economic prospects are heavily dependent upon two variables we cannot control: general economic conditions and the price of fuel.

Our 2024 third quarter total operating cost per available seat mile (CASM) was 17.92 cents, a decrease of 4.2% from 18.70 cents in the third quarter of 2023.

Our 2024 third quarter CASM excluding net special items and fuel was 13.39 cents, an increase of 2.8% from 13.02 cents in the third quarter of 2023.

For a reconciliation of CASM to CASM excluding net special items and fuel, see *"Reconciliation of GAAP to Non-GAAP Financial Measures"* below.

Liquidity

As of September 30, 2024, we had $11.8 billion in total available liquidity, consisting of $8.5 billion in unrestricted cash and short-term investments, and $3.3 billion in total undrawn capacity under revolving credit and other facilities.

During the first nine months of 2024, we completed the following financing transactions (see Note 5 to AAG's Condensed Consolidated Financial Statements in Part I, Item 1A for further information on 2024 financing activities):

- entered into a revolving credit facility that provides for borrowing capacity of up to $350 million, maturing in March 2027 with an option to extend for an additional year;
- amended the 2013, 2014 and 2023 Credit Agreements to reduce the applicable interest rate margins, and terminated all revolving commitments under the April 2016 Credit Agreement, increasing overall available revolving credit capacity from $2.8 billion to $2.9 billion, maturing in June 2029;
- amended the 2023 Term Loan Facility to reduce the applicable interest rate margin;
- issued $684 million of enhanced equipment trust certificates (EETCs) in connection with the financing of certain aircraft that had been previously delivered; and
- issued $571 million of equipment loans and other notes payable in connection with the financing of certain aircraft.

Reconciliation of GAAP to Non-GAAP Financial Measures

We sometimes use financial measures that are derived from the condensed consolidated financial statements but that are not presented in accordance with accounting principles generally accepted in the U.S. (GAAP) to understand and evaluate our current operating performance and to allow for period-to-period comparisons. We believe these non-GAAP financial measures may also provide useful information to investors and others. These non-GAAP measures may not be comparable to similarly titled non-GAAP measures of other companies, and should be considered in addition to, and not as a substitute for or superior to, any measure of performance, cash flow or liquidity prepared in accordance with GAAP. We are providing a reconciliation of reported non-GAAP financial measures to their comparable financial measures on a GAAP basis.

The following table presents the reconciliation of pre-tax income (loss) (GAAP measure) to pre-tax income excluding net special items (non-GAAP measure). Management uses this non-GAAP financial measure to evaluate our current operating performance and to allow for period-to-period comparisons. As net special items may vary from period-to-period in nature and amount, the adjustment to exclude net special items allows management an additional tool to understand our core operating performance.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(In millions)			
Reconciliation of Pre-Tax Income Excluding Net Special Items:				
Pre-tax income (loss) – GAAP	$ (256)	$ (690)	$ 359	$ 1,089
Pre-tax net special items [1]:				
Mainline operating special items, net	554	949	625	962
Regional operating special items, net	—	2	—	8
Nonoperating special items, net	(27)	101	30	146
Total pre-tax net special items	527	1,052	655	1,116
Pre-tax income excluding net special items	$ 271	$ 362	$ 1,014	$ 2,205

(1) See Note 2 to AAG's Condensed Consolidated Financial Statements in Part I, Item 1A for further information on net special items.

Additionally, the table below presents the reconciliation of total operating costs (GAAP measure) to total operating costs excluding net special items and fuel (non-GAAP measure) and CASM to CASM excluding net special items and fuel. Management uses total operating costs excluding net special items and fuel and CASM excluding net special items and fuel to evaluate our current operating performance and for period-to-period comparisons. The price of fuel, over which we have no control, impacts the comparability of period-to-period financial performance. The adjustment to exclude net special items and fuel allows management an additional tool to understand and analyze our non-fuel costs and core operating performance. Amounts may not recalculate due to rounding.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Reconciliation of CASM Excluding Net Special Items and Fuel:				
(In millions)				
Total operating expenses – GAAP	$ 13,558	$ 13,705	$ 39,071	$ 37,348
Operating net special items [1]:				
Mainline operating special items, net	(554)	(949)	(625)	(962)
Regional operating special items, net	—	(2)	—	(8)
Aircraft fuel and related taxes	(2,874)	(3,209)	(8,916)	(9,098)
Total operating expenses, excluding net special items and fuel	$ 10,130	$ 9,545	$ 29,530	$ 27,280
Total available seat miles (ASM)	75,665	73,285	221,445	207,950
(In cents)				
CASM	17.92	18.70	17.64	17.96
Operating net special items per ASM [1]:				
Mainline operating special items, net	(0.73)	(1.29)	(0.28)	(0.46)
Regional operating special items, net	—	—	—	—
Aircraft fuel and related taxes per ASM	(3.80)	(4.38)	(4.03)	(4.38)
CASM, excluding net special items and fuel	13.39	13.02	13.34	13.12

(1) See Note 2 to AAG's Condensed Consolidated Financial Statements in Part I, Item 1A for further information on net special items.

AAG's Results of Operations

Operating Statistics

The table below sets forth selected operating data for the three and nine months ended September 30, 2024 and 2023. Amounts may not recalculate due to rounding.

	Three Months Ended September 30,		Increase (Decrease)	Nine Months Ended September 30,		Increase (Decrease)
	2024	2023		2024	2023	
Revenue passenger miles (millions) [a]	65,502	61,561	6.4%	188,120	173,595	8.4%
Available seat miles (millions) [b]	75,665	73,285	3.2%	221,445	207,950	6.5%
Passenger load factor (percent) [c]	86.6	84.0	2.6pts	85.0	83.5	1.5pts
Yield (cents) [d]	19.12	20.18	(5.2)%	19.77	21.03	(6.0)%
Passenger revenue per available seat mile (cents) [e]	16.55	16.95	(2.3)%	16.79	17.55	(4.3)%
Total revenue per available seat mile (cents) [f]	18.04	18.40	(2.0)%	18.31	19.10	(4.1)%
Fuel consumption (gallons in millions)	1,147	1,102	4.1%	3,322	3,107	6.9%
Average aircraft fuel price including related taxes (dollars per gallon)	2.50	2.91	(14.0)%	2.68	2.93	(8.3)%
Total operating cost per available seat mile (cents) [g]	17.92	18.70	(4.2)%	17.64	17.96	(1.8)%
Aircraft at end of period [h]	1,546	1,499	3.1%	1,546	1,499	3.1%
Full-time equivalent employees at end of period	134,200	132,800	1.1%	134,200	132,800	1.1%

(a) Revenue passenger mile (RPM) – A basic measure of sales volume. One RPM represents one passenger flown one mile.

(b) Available seat mile (ASM) – A basic measure of production. One ASM represents one seat flown one mile.

(c) Passenger load factor – The percentage of available seats that are filled with revenue passengers.

(d) Yield – A measure of airline revenue derived by dividing passenger revenue by RPMs.

(e) Passenger revenue per available seat mile (PRASM) – Passenger revenue divided by ASMs.

(f) Total revenue per available seat mile (TRASM) – Total revenues divided by ASMs.

(g) Total operating cost per available seat mile (CASM) – Total operating expenses divided by ASMs.

(h) Includes aircraft owned and leased by American as well as aircraft operated by third-party regional carriers under capacity purchase agreements. Excluded from the aircraft count above are 52 regional aircraft in temporary storage as of September 30, 2024 as follows: 51 Embraer 145 and one Embraer 170.

Three Months Ended September 30, 2024 Compared to Three Months Ended September 30, 2023

Operating Revenues

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Increase	Percent Increase
	(In millions, except percentage changes)			
Passenger	$ 12,523	$ 12,421	$ 102	0.8
Cargo	202	193	9	5.0
Other	922	868	54	6.0
Total operating revenues	$ 13,647	$ 13,482	$ 165	1.2

This table presents our passenger revenue and the period-over-period change in certain operating statistics:

	Three Months Ended September 30, 2024 (In millions)	Increase (Decrease) vs. Three Months Ended September 30, 2023: RPMs	ASMs	Load Factor	Passenger Yield	PRASM
Passenger revenue	$ 12,523	6.4%	3.2%	2.6pts	(5.2)%	(2.3)%

Passenger revenue remained relatively flat in the third quarter of 2024 from the third quarter of 2023. In the third quarter of 2024, we experienced a 5.2% decrease in passenger yield on a 3.2% capacity growth year-over-year, as measured by ASMs. Load factor was 86.6% for the third quarter of 2024, compared to 84.0% for the third quarter of 2023. Our passenger revenue performance improved through the third quarter of 2024 as industry domestic capacity growth decelerated from July 2024. While we continue to see the impact of certain commercial initiatives we had previously deployed, we have made progress to regain our share of revenue lost as we continue to reset these initiatives.

Cargo revenue increased $9 million, or 5.0%, in the third quarter of 2024 from the third quarter of 2023, primarily due to a 10.5% increase in cargo ton miles, offset in part by a 5.0% decrease in cargo yield driven by increased air freight capacity.

Other operating revenue increased $54 million, or 6.0%, in the third quarter of 2024 from the third quarter of 2023, driven primarily by higher revenue associated with our loyalty program. During the three months ended September 30, 2024 and 2023, cash payments from co-branded credit card and other partners were $1.4 billion and $1.3 billion, respectively.

Total operating revenues increased $165 million, or 1.2%, in the third quarter of 2024 from the third quarter of 2023. Our TRASM was 18.04 cents in the third quarter of 2024, a 2.0% decrease as compared to 18.40 cents in the third quarter of 2023.

Operating Expenses

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Increase (Decrease)	Percent Increase (Decrease)
	(In millions, except percentage changes)			
Aircraft fuel and related taxes	$ 2,874	$ 3,209	$ (335)	(10.4)
Salaries, wages and benefits	4,098	3,974	124	3.1
Regional expenses	1,264	1,168	96	8.2
Maintenance, materials and repairs	989	870	119	13.8
Other rent and landing fees	861	745	116	15.5
Aircraft rent	303	342	(39)	(11.4)
Selling expenses	468	430	38	8.8
Depreciation and amortization	479	487	(8)	(1.5)
Mainline operating special items, net	554	949	(395)	(41.6)
Other	1,668	1,531	137	8.8
Total operating expenses	$ 13,558	$ 13,705	$ (147)	(1.1)

Aircraft fuel and related taxes decreased $335 million, or 10.4%, in the third quarter of 2024 from the third quarter of 2023, primarily due to a 14.0% decrease in the average price per gallon of aircraft fuel including related taxes to $2.50 in the third quarter of 2024 from $2.91 in the third quarter of 2023, offset in part by a 4.1% increase in gallons of fuel consumed due to increased capacity.

Regional expenses increased $96 million, or 8.2%, in the third quarter of 2024 from the third quarter of 2023, primarily due to an increase in regional flight operations at our wholly-owned regional carriers and higher maintenance, materials and repair costs driven by an increase in the volume of engine overhauls and airframe heavy checks.

Maintenance, materials and repairs increased $119 million, or 13.8%, in the third quarter of 2024 from the third quarter of 2023, primarily due to increased costs for engine overhauls and component part repairs driven by higher volume, as well as airframe heavy checks.

Other rent and landing fees increased $116 million, or 15.5%, in the third quarter of 2024 from the third quarter of 2023, primarily driven by rate increases at certain airports as a result of extensive redevelopment projects at various airports and a 7.6% increase in the number of departures.

Aircraft rent decreased $39 million, or 11.4%, in the third quarter of 2024 from the third quarter of 2023, primarily due to decreased rental payments associated with aircraft operating lease extensions.

Selling expenses increased $38 million, or 8.8%, in the third quarter of 2024 from the third quarter of 2023, primarily due to increases in commissions and advertising expenses.

Other operating expenses increased $137 million, or 8.8%, in the third quarter of 2024 from the third quarter of 2023, primarily driven by increased costs for passenger accommodation, onboard food and catering, crew travel, ground handling and airport lounge operations, as well as certain general and administrative expenses.

Operating Special Items, Net

	Three Months Ended September 30,	
	2024	2023
	(In millions)	
Labor contract expenses [1]	$ 516	$ 983
Other operating special items, net	38	(34)
Mainline operating special items, net	554	949
Regional operating special items, net	—	2
Operating special items, net	$ 554	$ 951

(1) Labor contract expenses for the three months ended September 30, 2024 related to one-time charges resulting from the ratification of a new collective bargaining agreement with our mainline flight attendants, including a one-time payment of $514 million.

Labor contract expenses for the three months ended September 30, 2023 related to one-time charges resulting from the ratification of a new collective bargaining agreement with our mainline pilots, including a one-time payment of $754 million as well as adjustments to other benefit-related items of $229 million.

Nonoperating Results

	Three Months Ended September 30,		Increase (Decrease)	Percent Increase (Decrease)
	2024	2023		
	(In millions, except percentage changes)			
Interest income	$ 117	$ 168	$ (51)	(30.3)
Interest expense, net	(480)	(537)	57	(10.7)
Other income (expense), net	18	(98)	116	nm
Total nonoperating expense, net	$ (345)	$ (467)	$ 122	(26.2)

Interest income decreased $51 million, or 30.3%, in the third quarter of 2024 from the third quarter of 2023, primarily due to a decrease in short-term investments subsequent to the third quarter of 2023. Interest expense, net decreased $57 million, or 10.7%, in the third quarter of 2024 from the third quarter of 2023, primarily due to lower outstanding debt subsequent to the third quarter of 2023.

In the third quarter of 2024, other nonoperating income, net primarily included $27 million of non-service related pension and other postretirement benefit plan income and $27 million of net special credits for mark-to-market net unrealized gains associated with certain equity investments, offset in part by $21 million of foreign currency losses.

In the third quarter of 2023, other nonoperating expense, net primarily included $101 million of net special charges for mark-to-market net unrealized losses associated with certain equity investments and debt extinguishments, offset in part by $16 million of non-service related pension and other postretirement benefit plan income.

Income Taxes

In the third quarter of 2024, we recorded an income tax benefit of $107 million. Substantially all of our loss before income taxes is attributable to the United States.

See Note 6 to AAG’s Condensed Consolidated Financial Statements in Part I, Item 1A for additional information on income taxes.

Nine Months Ended September 30, 2024 Compared to Nine Months Ended September 30, 2023

Operating Revenues

	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023	Increase (Decrease)	Percent Increase (Decrease)
	(In millions, except percentage changes)			
Passenger	$ 37,184	$ 36,502	$ 682	1.9
Cargo	584	613	(29)	(4.7)
Other	2,783	2,611	172	6.5
Total operating revenues	$ 40,551	$ 39,726	$ 825	2.1

This table presents our passenger revenue and the period-over-period change in certain operating statistics:

	Nine Months Ended September 30, 2024	Increase (Decrease) vs. Nine Months Ended September 30, 2023: RPMs	ASMs	Load Factor	Passenger Yield	PRASM
	(In millions)					
Passenger revenue	$ 37,184	8.4%	6.5%	1.5pts	(6.0)%	(4.3)%

Passenger revenue increased $682 million, or 1.9%, in the first nine months of 2024 from the first nine months of 2023. In the first nine months of 2024, we experienced a 6.0% decrease in passenger yield on a 6.5% capacity growth year-over-year, as measured by ASMs. Load factor was 85.0% for the first nine months of 2024, compared to 83.5% for the first nine months of 2023. Our passenger revenue performance improved through the first nine months of 2024 as industry domestic capacity growth decelerated from July 2024. While we continue to see the impact of certain commercial initiatives we had previously deployed, we have made progress to regain our share of revenue lost as we continue to reset these initiatives.

Cargo revenue decreased $29 million, or 4.7%, in the first nine months of 2024 from the first nine months of 2023, primarily due to a 17.2% decrease in cargo yield driven by increased air freight capacity, offset in part by a 15.1% increase in cargo ton miles.

Other operating revenue increased $172 million, or 6.5%, in the first nine months of 2024 from the first nine months of 2023, driven primarily by higher revenue associated with our loyalty program. During the nine months ended September 30, 2024 and 2023, cash payments from co-branded credit card and other partners were $4.4 billion and $4.0 billion, respectively.

Total operating revenues increased $825 million, or 2.1%, in the first nine months of 2024 from the first nine months of 2023, driven primarily by the increase in passenger revenue as described above. Our TRASM was 18.31 cents in the first nine months of 2024, a 4.1% decrease as compared to 19.10 cents in the first nine months of 2023.

Operating Expenses

	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023	Increase (Decrease)	Percent Increase (Decrease)
	(In millions, except percentage changes)			
Aircraft fuel and related taxes	$ 8,916	$ 9,098	$ (182)	(2.0)
Salaries, wages and benefits	11,917	10,891	1,026	9.4
Regional expenses	3,733	3,463	270	7.8
Maintenance, materials and repairs	2,823	2,389	434	18.2
Other rent and landing fees	2,514	2,214	300	13.5
Aircraft rent	945	1,031	(86)	(8.3)
Selling expenses	1,331	1,357	(26)	(1.9)
Depreciation and amortization	1,424	1,456	(32)	(2.2)
Mainline operating special items, net	625	962	(337)	(35.1)
Other	4,843	4,487	356	7.9
Total operating expenses	$ 39,071	$ 37,348	$ 1,723	4.6

Aircraft fuel and related taxes decreased $182 million, or 2.0%, in the first nine months of 2024 from the first nine months of 2023, primarily due to an 8.3% decrease in the average price per gallon of aircraft fuel including related taxes to $2.68 in the first nine months of 2024 from $2.93 in the first nine months of 2023, offset in part by a 6.9% increase in gallons of fuel consumed due to increased capacity.

Salaries, wages and benefits increased $1.0 billion, or 9.4%, in the first nine months of 2024 from the first nine months of 2023, primarily driven by higher wage rates and costs for benefit-related items associated with the ratification of a new collective bargaining agreement with our mainline pilots in August 2023.

Regional expenses increased $270 million, or 7.8%, in the first nine months of 2024 from the first nine months of 2023, primarily due to an increase in regional flight operations at our wholly-owned regional carriers and higher maintenance, materials and repair costs driven by an increase in the volume of engine overhauls and airframe heavy checks.

Maintenance, materials and repairs increased $434 million, or 18.2%, in the first nine months of 2024 from the first nine months of 2023, primarily due to increased costs for engine overhauls, airframe heavy checks and component part repairs driven by higher volume.

Other rent and landing fees increased $300 million, or 13.5%, in the first nine months of 2024 from the first nine months of 2023, primarily driven by rate increases at certain airports as a result of extensive redevelopment projects at various airports and an 8.3% increase in the number of departures, as well as incremental engine leases.

Aircraft rent decreased $86 million, or 8.3%, in the first nine months of 2024 from the first nine months of 2023, primarily due to decreased rental payments associated with aircraft operating lease extensions.

Selling expenses decreased $26 million, or 1.9%, in the first nine months of 2024 from the first nine months of 2023, primarily due to a decrease in commissions expense, offset in part by higher credit card fees driven by the overall increase in passenger revenues, and an increase in advertising expense.

Other operating expenses increased $356 million, or 7.9%, in the first nine months of 2024 from the first nine months of 2023, primarily driven by the increase in flight operations, including increased costs for onboard food and catering, crew travel, passenger accommodation, ground handling and airport lounge operations, as well as certain general and administrative expenses.

Operating Special Items, Net

	Nine Months Ended September 30, 2024	2023
	(In millions)	
Labor contract expenses [1]	$ 573	$ 983
Severance expenses	13	21
Other operating special items, net	39	(42)
Mainline operating special items, net	625	962
Regional operating special items, net	—	8
Operating special items, net	$ 625	$ 970

(1) Labor contract expenses for the nine months ended September 30, 2024 related to one-time charges resulting from the ratification of a new collective bargaining agreement with our mainline flight attendants, including a one-time payment of $514 million, and from the ratification of a new collective bargaining agreement with our mainline passenger service team members.

Labor contract expenses for the nine months ended September 30, 2023 related to one-time charges resulting from the ratification of a new collective bargaining agreement with our mainline pilots, including a one-time payment of $754 million as well as adjustments to other benefit-related items of $229 million.

Nonoperating Results

	Nine Months Ended September 30, 2024	2023	Increase (Decrease)	Percent Decrease
	(In millions, except percentage changes)			
Interest income	$ 363	$ 456	$ (93)	(20.4)
Interest expense, net	(1,464)	(1,626)	162	(10.0)
Other expense, net	(20)	(119)	99	(83.0)
Total nonoperating expense, net	$ (1,121)	$ (1,289)	$ 168	(13.0)

Interest income decreased $93 million, or 20.4%, in the first nine months of 2024 from the first nine months of 2023, primarily due to a decrease in short-term investments subsequent to the third quarter of 2023. Interest expense, net decreased $162 million, or 10.0%, in the first nine months of 2024 from the first nine months of 2023, primarily due to lower outstanding debt subsequent to the third quarter of 2023.

In the first nine months of 2024, other nonoperating expense, net included $31 million of foreign currency losses and $30 million of net special charges primarily for mark-to-market net unrealized losses associated with certain equity investments, offset in part by $76 million of non-service related pension and other postretirement benefit plan income.

In the first nine months of 2023, other nonoperating expense, net primarily included $146 million of net special charges for debt refinancings and extinguishments and mark-to-market net unrealized losses associated with certain equity investments, offset in part by $32 million of non-service related pension and other postretirement benefit plan income.

Income Taxes

In the first nine months of 2024, we recorded an income tax provision of $103 million. Substantially all of our income before income taxes is attributable to the United States.

See Note 6 to AAG's Condensed Consolidated Financial Statements in Part I, Item 1A for additional information on income taxes.

American's Results of Operations

Three Months Ended September 30, 2024 Compared to Three Months Ended September 30, 2023

Operating Revenues

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Increase	Percent Increase
	(In millions, except percentage changes)			
Passenger	$ 12,523	$ 12,421	$ 102	0.8
Cargo	202	193	9	5.0
Other	920	867	53	6.0
Total operating revenues	$ 13,645	$ 13,481	$ 164	1.2

Passenger revenue remained relatively flat in the third quarter of 2024 from the third quarter of 2023. In the third quarter of 2024, American experienced a decrease in passenger yield on higher capacity growth year-over-year, as measured by ASMs. American's passenger revenue performance improved through the third quarter of 2024 as industry domestic capacity growth decelerated from July 2024. While American continues to see the impact of certain commercial initiatives it had previously deployed, American has made progress to regain its share of revenue lost as it continues to reset these initiatives.

Cargo revenue increased $9 million, or 5.0%, in the third quarter of 2024 from the third quarter of 2023, primarily due to an increase in cargo ton miles, offset in part by a decrease in cargo yield driven by increased air freight capacity.

Other operating revenue increased $53 million, or 6.0%, in the third quarter of 2024 from the third quarter of 2023, driven primarily by higher revenue associated with American's loyalty program. During the three months ended September 30, 2024 and 2023, cash payments from co-branded credit card and other partners were $1.4 billion and $1.3 billion, respectively.

Total operating revenues increased $164 million, or 1.2%, in the third quarter of 2024 from the third quarter of 2023.

Operating Expenses

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Increase (Decrease)	Percent Increase (Decrease)
	(In millions, except percentage changes)			
Aircraft fuel and related taxes	$ 2,874	$ 3,209	$ (335)	(10.4)
Salaries, wages and benefits	4,096	3,972	124	3.1
Regional expenses	1,268	1,149	119	10.3
Maintenance, materials and repairs	989	870	119	13.8
Other rent and landing fees	861	745	116	15.5
Aircraft rent	303	342	(39)	(11.4)
Selling expenses	468	430	38	8.8
Depreciation and amortization	477	484	(7)	(1.5)
Mainline operating special items, net	554	949	(395)	(41.6)
Other	1,665	1,533	132	8.6
Total operating expenses	$ 13,555	$ 13,683	$ (128)	(0.9)

Aircraft fuel and related taxes decreased $335 million, or 10.4%, in the third quarter of 2024 from the third quarter of 2023, primarily due to a 14.0% decrease in the average price per gallon of aircraft fuel including related taxes to $2.50 in the third quarter of 2024 from $2.91 in the third quarter of 2023, offset in part by a 4.1% increase in gallons of fuel consumed due to increased capacity.

Regional expenses increased $119 million, or 10.3%, in the third quarter of 2024 from the third quarter of 2023, primarily due to an increase in regional flight operations and costs at American's regional carriers.

Maintenance, materials and repairs increased $119 million, or 13.8%, in the third quarter of 2024 from the third quarter of 2023, primarily due to increased costs for engine overhauls and component part repairs driven by higher volume, as well as airframe heavy checks.

Other rent and landing fees increased $116 million, or 15.5%, in the third quarter of 2024 from the third quarter of 2023, primarily driven by rate increases at certain airports as a result of extensive redevelopment projects at various airports and an increase in the number of departures.

Aircraft rent decreased $39 million, or 11.4%, in the third quarter of 2024 from the third quarter of 2023, primarily due to decreased rental payments associated with aircraft operating lease extensions.

Selling expenses increased $38 million, or 8.8%, in the third quarter of 2024 from the third quarter of 2023, primarily due to increases in commissions and advertising expenses.

Other operating expenses increased $132 million, or 8.6%, in the third quarter of 2024 from the third quarter of 2023, primarily driven by increased costs for passenger accommodation, onboard food and catering, crew travel, ground handling and airport lounge operations, as well as certain general and administrative expenses.

Operating Special Items, Net

	Three Months Ended September 30,	
	2024	2023
	(In millions)	
Labor contract expenses [(1)]	$ 516	$ 983
Other operating special items, net	38	(34)
Mainline operating special items, net	$ 554	$ 949

(1) Labor contract expenses for the three months ended September 30, 2024 related to one-time charges resulting from the ratification of a new collective bargaining agreement with American's mainline flight attendants, including a one-time payment of $514 million.

Labor contract expenses for the three months ended September 30, 2023 related to one-time charges resulting from the ratification of a new collective bargaining agreement with American's mainline pilots, including a one-time payment of $754 million as well as adjustments to other benefit-related items of $229 million.

Nonoperating Results

	Three Months Ended September 30,		Increase (Decrease)	Percent Increase (Decrease)
	2024	2023		
	(In millions, except percentage changes)			
Interest income	$ 268	$ 297	$ (29)	(9.8)
Interest expense, net	(505)	(555)	50	(9.1)
Other income (expense), net	18	(99)	117	nm
Total nonoperating expense, net	$ (219)	$ (357)	$ 138	(38.7)

Interest income decreased $29 million, or 9.8%, in the third quarter of 2024 from the third quarter of 2023, primarily due to a decrease in short-term investments subsequent to the third quarter of 2023. Interest expense, net decreased $50 million, or 9.1%, in the third quarter of 2024 from the third quarter of 2023, primarily due to lower outstanding debt subsequent to the third quarter of 2023.

In the third quarter of 2024, other nonoperating income, net primarily included $27 million of non-service related pension and other postretirement benefit plan income and $27 million of net special credits for mark-to-market net unrealized gains associated with certain equity investments, offset in part by $21 million of foreign currency losses.

In the third quarter of 2023, other nonoperating expense, net primarily included $101 million of net special charges for mark-to-market net unrealized losses associated with certain equity investments and debt extinguishments, offset in part by $15 million of non-service related pension and other postretirement benefit plan income.

Income Taxes

American is a member of AAG's consolidated federal and certain state income tax returns.

In the third quarter of 2024, American recorded an income tax benefit of $88 million. Substantially all of American's income before income taxes is attributable to the United States.

See Note 5 to American's Condensed Consolidated Financial Statements in Part I, Item 1B for additional information on income taxes.

Nine Months Ended September 30, 2024 Compared to Nine Months Ended September 30, 2023

Operating Revenues

	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023	Increase (Decrease)	Percent Increase (Decrease)
	(In millions, except percentage changes)			
Passenger	$ 37,184	$ 36,502	$ 682	1.9
Cargo	584	613	(29)	(4.7)
Other	2,778	2,608	170	6.5
Total operating revenues	$ 40,546	$ 39,723	$ 823	2.1

Passenger revenue increased $682 million, or 1.9%, in the first nine months of 2024 from the first nine months of 2023. In the first nine months of 2024, American experienced a decrease in passenger yield on higher capacity growth year-over-year, as measured by ASMs. American's passenger revenue performance improved through the first nine months of 2024 as industry domestic capacity growth decelerated from July 2024. While American continues to see the impact of certain commercial initiatives it had previously deployed, American has made progress to regain its share of revenue lost as it continues to reset these initiatives.

Cargo revenue decreased $29 million, or 4.7%, in the first nine months of 2024 from the first nine months of 2023, primarily due to a decrease in cargo yield driven by increased air freight capacity, offset in part by an increase in cargo ton miles.

Other operating revenue increased $170 million, or 6.5%, in the first nine months of 2024 from the first nine months of 2023, driven primarily by higher revenue associated with American's loyalty program. During the nine months ended September 30, 2024 and 2023, cash payments from co-branded credit card and other partners were $4.4 billion and $4.0 billion, respectively.

Total operating revenues increased $823 million, or 2.1%, in the first nine months of 2024 from the first nine months of 2023, driven primarily by the increase in passenger revenue as described above.

Operating Expenses

	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023	Increase (Decrease)	Percent Increase (Decrease)
	(In millions, except percentage changes)			
Aircraft fuel and related taxes	$ 8,916	$ 9,098	$ (182)	(2.0)
Salaries, wages and benefits	11,911	10,885	1,026	9.4
Regional expenses	3,725	3,442	283	8.2
Maintenance, materials and repairs	2,823	2,389	434	18.2
Other rent and landing fees	2,514	2,214	300	13.5
Aircraft rent	945	1,031	(86)	(8.3)
Selling expenses	1,331	1,357	(26)	(1.9)
Depreciation and amortization	1,416	1,449	(33)	(2.3)
Mainline operating special items, net	625	962	(337)	(35.1)
Other	4,844	4,488	356	7.9
Total operating expenses	$ 39,050	$ 37,315	$ 1,735	4.6

Aircraft fuel and related taxes decreased $182 million, or 2.0%, in the first nine months of 2024 from the first nine months of 2023, primarily due to an 8.3% decrease in the average price per gallon of aircraft fuel including related taxes to $2.68 in the first nine months of 2024 from $2.93 in the first nine months of 2023, offset in part by a 6.9% increase in gallons of fuel consumed due to increased capacity.

Salaries, wages and benefits increased $1.0 billion, or 9.4%, in the first nine months of 2024 from the first nine months of 2023, primarily driven by higher wage rates and costs for benefit-related items associated with the ratification of a new collective bargaining agreement with American's mainline pilots in August 2023.

Regional expenses increased $283 million, or 8.2%, in the first nine months of 2024 from the first nine months of 2023, primarily due to an increase in regional flight operations and costs at American's regional carriers.

Maintenance, materials and repairs increased $434 million, or 18.2%, in the first nine months of 2024 from the first nine months of 2023, primarily due to increased costs for engine overhauls, airframe heavy checks and component part repairs driven by higher volume.

Other rent and landing fees increased $300 million, or 13.5%, in the first nine months of 2024 from the first nine months of 2023, primarily driven by rate increases at certain airports as a result of extensive redevelopment projects at various airports and an increase in the number of departures, as well as incremental engine leases.

Aircraft rent decreased $86 million, or 8.3%, in the first nine months of 2024 from the first nine months of 2023, primarily due to decreased rental payments associated with aircraft operating lease extensions.

Selling expenses decreased $26 million, or 1.9%, in the first nine months of 2024 from the first nine months of 2023, primarily due to a decrease in commissions expense, offset in part by higher credit card fees driven by the overall increase in passenger revenues, and an increase in advertising expense.

Other operating expenses increased $356 million, or 7.9%, in the first nine months of 2024 from the first nine months of 2023, primarily driven by the increase in flight operations, including increased costs for onboard food and catering, crew travel, passenger accommodation, ground handling and airport lounge operations, as well as certain general and administrative expenses.

Operating Special Items, Net

	Nine Months Ended September 30,	
	2024	2023
	(In millions)	
Labor contract expenses [1]	$ 573	$ 983
Severance expenses	13	21
Other operating special items, net	39	(42)
Mainline operating special items, net	$ 625	$ 962

(1) Labor contract expenses for the nine months ended September 30, 2024 related to one-time charges resulting from the ratification of a new collective bargaining agreement with American's mainline flight attendants, including a one-time payment of $514 million, and from the ratification of a new collective bargaining agreement with American's mainline passenger service team members.

Labor contract expenses for the nine months ended September 30, 2023 related to one-time charges resulting from the ratification of a new collective bargaining agreement with American's mainline pilots, including a one-time payment of $754 million as well as adjustments to other benefit-related items of $229 million.

Nonoperating Results

	Nine Months Ended September 30,		Increase (Decrease)	Percent Decrease
	2024	2023		
	(In millions, except percentage changes)			
Interest income	$ 805	$ 810	$ (5)	(0.7)
Interest expense, net	(1,536)	(1,668)	132	(7.9)
Other expense, net	(21)	(119)	98	(82.3)
Total nonoperating expense, net	$ (752)	$ (977)	$ 225	(23.0)

Interest expense, net decreased $132 million, or 7.9%, in the first nine months of 2024 from the first nine months of 2023 primarily due to lower outstanding debt subsequent to the third quarter of 2023.

In the first nine months of 2024, other nonoperating expense, net included $31 million of foreign currency losses and $30 million of net special charges primarily for mark-to-market net unrealized losses associated with certain equity investments, offset in part by $75 million of non-service related pension and other postretirement benefit plan income.

In the first nine months of 2023, other nonoperating expense, net primarily included $146 million of net special charges for debt refinancings and extinguishments and mark-to-market net unrealized losses associated with certain equity investments, offset in part by $31 million of non-service related pension and other postretirement benefit plan income.

Income Taxes

American is a member of AAG's consolidated federal and certain state income tax returns.

In the first nine months of 2024, American recorded an income tax provision of $208 million. Substantially all of American's income before income taxes is attributable to the United States.

See Note 5 to American's Condensed Consolidated Financial Statements in Part I, Item 1B for additional information on income taxes.

Liquidity and Capital Resources

Liquidity

At September 30, 2024, AAG had $11.8 billion in total available liquidity and $752 million in restricted cash and short-term investments. Additional detail regarding our available liquidity is provided in the table below (in millions):

	AAG		American	
	September 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023
Cash	$ 834	$ 578	$ 825	$ 567
Short-term investments	7,638	7,000	7,635	6,998
Undrawn facilities	3,290	2,862	3,290	2,862
Total available liquidity	$ 11,762	$ 10,440	$ 11,750	$ 10,427

In the ordinary course of our business, we or our affiliates may, at any time and from time to time, seek to prepay, retire or repurchase our outstanding debt through cash purchases and/or exchanges for equity or debt, in open-market purchases, privately negotiated transactions or otherwise. Such repurchases, prepayments, retirements or exchanges, if any, will be conducted on such terms and at such prices as we may determine, and will depend on prevailing market conditions, our liquidity requirements, legal and contractual restrictions and other factors. The amounts involved may be material.

Certain Covenants

Our debt agreements contain customary terms and conditions as well as various affirmative, negative and financial covenants that, among other things, may restrict the ability of us and our subsidiaries to incur additional indebtedness, pay dividends or repurchase stock. Our debt agreements also contain customary change of control provisions, which may require us to repay or redeem such indebtedness upon certain events constituting a change of control under the relevant agreement, in certain cases at a premium. Additionally, certain of our debt financing agreements (including our secured notes, term loans, revolving credit facilities and spare engine EETCs) contain loan to value (LTV) or collateral coverage ratio covenants and certain agreements require us to appraise the related collateral annually or semiannually. Pursuant to such agreements, if the applicable LTV or collateral coverage ratio exceeds or falls below a specified threshold, as the case may be, we will be required, as applicable, to pledge additional qualifying collateral (which in some cases may include cash or investment securities), withhold additional cash in certain accounts, or pay down such financing, in whole or in part, or the interest rate for the relevant financing will be increased. Additionally, a significant portion of our debt financing agreements contain covenants requiring us to maintain an aggregate of at least $2.0 billion of unrestricted cash and cash equivalents and amounts available to be drawn under revolving credit facilities, and our 5.50% senior secured notes due 2026, 5.75% senior secured notes due 2029 and AAdvantage Term Loan Facility (collectively, the AAdvantage Financing) contain a peak debt service coverage ratio, pursuant to which failure to comply with a certain threshold may result in early repayment, in whole or in part, of the AAdvantage Financing. As of the most recent applicable measurement dates, we were in compliance with each of the foregoing covenants.

Sources and Uses of Cash

<u>*AAG*</u>

Operating Activities

Our net cash provided by operating activities was $3.6 billion and $5.2 billion for the first nine months of 2024 and 2023, respectively, a period-over-period decrease of $1.6 billion. This decrease in operating cash flows from the 2023 period to the 2024 period was due to lower profitability in the first nine months of 2024 and net working capital changes. In addition, we contributed $296 million to our defined benefit pension plans in the first nine months of 2024 as compared to $68 million in the first nine months of 2023.

Investing Activities

Our net cash used in investing activities was $1.8 billion and $2.7 billion for the first nine months of 2024 and 2023, respectively.

Our principal investing activities in the first nine months of 2024 included $1.9 billion of capital expenditures, which primarily related to the purchase of 12 Embraer 175 aircraft, three Boeing 737 MAX aircraft, three Boeing 737-800 aircraft lease repurchases, two Airbus A321neo aircraft, 39 aircraft engines and aircraft purchase deposits. Additionally, we had $627 million in net purchases of short-term investments. These cash outflows were offset in part by $598 million of proceeds from sale-leaseback transactions and sale of property and equipment, which primarily related to the modernization of Terminals 4 and 5 at Los Angeles International Airport (LAX).

Our principal investing activities in the first nine months of 2023 included $1.8 billion of capital expenditures, which primarily related to the purchase of 11 Boeing 737 MAX aircraft, six Embraer 175 aircraft, three used Bombardier CRJ 900 aircraft, two Airbus A321neo aircraft and 22 spare engines. Additionally, we had $1.5 billion in net purchases of short-term investments. These cash outflows were offset in part by $219 million of proceeds from sale-leaseback transactions and sale of property and equipment.

Financing Activities

Our net cash used in financing activities was $1.5 billion and $2.4 billion for the first nine months of 2024 and 2023, respectively.

Our principal financing activities in the first nine months of 2024 included $2.7 billion in scheduled repayments of debt and finance lease obligations. These cash outflows were offset in part by $1.3 billion of proceeds from issuance of long-term debt, consisting of $684 million from the issuance of EETCs in connection with the financing of certain aircraft that had been previously delivered and $571 million from the issuance of equipment loans and other notes payable.

Our principal financing activities in the first nine months of 2023 included $2.3 billion in net repayments of debt and finance lease obligations primarily due to scheduled debt repayments. We refinanced approximately $1.8 billion in aggregate principal amount of term loans outstanding under the 2013 Term Loan Facility by extending the maturity of $1.0 billion in term loans under the 2013 Term Loan Facility and issuing $750 million in aggregate principal amount of the 7.25% Senior Secured Notes. In addition, we borrowed $663 million in connection with the financing of certain aircraft and repurchased $552 million of secured and unsecured notes in the open market.

American

Operating Activities

American’s net cash provided by operating activities was $3.5 billion and $5.1 billion for the first nine months of 2024 and 2023, respectively, a period-over-period decrease of $1.6 billion. This decrease in operating cash flows from the 2023 period to the 2024 period was due to lower profitability in the first nine months of 2024 and net working capital changes. In addition, American contributed $292 million to its defined benefit pension plans in the first nine months of 2024 as compared to $67 million in the first nine months of 2023.

Investing Activities

American’s net cash used in investing activities was $1.8 billion and $2.6 billion for the first nine months of 2024 and 2023, respectively.

American’s principal investing activities in the first nine months of 2024 included $1.9 billion of capital expenditures, which primarily related to the purchase of 12 Embraer 175 aircraft, three Boeing 737 MAX aircraft, three Boeing 737-800 aircraft lease repurchases, two Airbus A321neo aircraft, 39 aircraft engines and aircraft purchase deposits. Additionally, American had $626 million in net purchases of short-term investments. These cash outflows were offset in part by $598 million of proceeds from sale-leaseback transactions and sale of property and equipment, which primarily related to the modernization of Terminals 4 and 5 at LAX.

American’s principal investing activities in the first nine months of 2023 included $1.7 billion of capital expenditures, which primarily related to the purchase of 11 Boeing 737 MAX aircraft, six Embraer 175 aircraft, three used Bombardier CRJ 900 aircraft, two Airbus A321neo aircraft and 22 spare engines. Additionally, American had $1.5 billion in net purchases of short-term investments. These cash outflows were offset in part by $219 million of proceeds from sale-leaseback transactions and sale of property and equipment.

Financing Activities

American's net cash used in financing activities was $1.5 billion and $2.4 billion for the first nine months of 2024 and 2023, respectively.

American's principal financing activities in the first nine months of 2024 included $2.7 billion in scheduled repayments of debt and finance lease obligations. These cash outflows were offset in part by $1.3 billion of proceeds from issuance of long-term debt, consisting of $684 million from the issuance of EETCs in connection with the financing of certain aircraft that had been previously delivered and $571 million from the issuance of equipment loans and other notes payable.

American's principal financing activities in the first nine months of 2023 included $2.3 billion in net repayments of debt and finance lease obligations primarily due to scheduled debt repayments. American refinanced approximately $1.8 billion in aggregate principal amount of term loans outstanding under the 2013 Term Loan Facility by extending the maturity of $1.0 billion in term loans under the 2013 Term Loan Facility and issuing $750 million in aggregate principal amount of the 7.25% Senior Secured Notes. In addition, American borrowed $663 million in connection with the financing of certain aircraft and repurchased $539 million of secured notes in the open market.

Commitments

Significant Indebtedness

As of September 30, 2024, AAG had $31.4 billion in long-term debt, including current maturities of $5.3 billion. As of September 30, 2024, American had $26.2 billion in long-term debt, including current maturities of $3.8 billion. All material changes in our significant indebtedness since our 2023 Form 10-K are discussed in Note 5 to AAG's Condensed Consolidated Financial Statements in Part I, Item 1A and Note 4 to American's Condensed Consolidated Financial Statements in Part I, Item 1B.

Aircraft and Engine Purchase Commitments

As of September 30, 2024, we had definitive purchase agreements for the acquisition of the following new aircraft [(1)]:

	Remainder of 2024	2025	2026	2027	2028	2029 and Thereafter	Total
Airbus							
A320neo Family	3	7	28	34	14	64	150
Boeing							
737 MAX Family [(2)]	—	17	23	—	20	95	155
787 Family	1	10	4	5	5	5	30
Embraer							
175	3	15	18	15	15	30	96
Total	7	49	73	54	54	194	431

(1) Delivery schedule represents our best estimate as of the date of this report as described in footnote (d) to the *"Contractual Obligations"* table below. Actual delivery dates are subject to change, which could be material, based on various potential factors including production delays by the manufacturer and regulatory concerns. See Part II, Item 1A. Risk Factors – *"We depend on a limited number of suppliers for aircraft, aircraft engines and parts. Delays in scheduled aircraft deliveries, unexpected grounding of aircraft or aircraft engines whether by regulators or by us, or other loss of anticipated fleet capacity, and failure of new aircraft to receive regulatory approval, be produced or otherwise perform as and when expected, adversely impacts our business, results of operations and financial condition."*

(2) As of the date of this report, due to a strike action affecting certain of its production facilities, The Boeing Company (Boeing) has suspended production of 737 MAX Family aircraft.

In addition, we have committed to purchase 14 used Bombardier CRJ 900 aircraft which are scheduled to be delivered from 2024 through 2026. We also have agreements for 61 spare engines to be delivered in the fourth quarter of 2024 and beyond. The *"Contractual Obligations"* table below reflects these commitments.

We currently have financing commitments in place for all new aircraft scheduled to be delivered in 2024. Our ability to draw on the financing commitments we have in place is subject to (1) the satisfaction of various terms and conditions including, in some cases, on our acquisition of the aircraft by a certain date and (2) the performance by the relevant financing counterparty of its obligations thereunder.

Off-Balance Sheet Arrangements

An off-balance sheet arrangement is any transaction, agreement or other contractual arrangement involving an unconsolidated entity under which a company has (1) made guarantees, (2) a retained or a contingent interest in transferred assets, (3) an obligation under derivative instruments classified as equity or (4) any obligation arising out of a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to us, or that engages in leasing, hedging or research and development arrangements with us.

There have been no material changes in our off-balance sheet arrangements as discussed in our 2023 Form 10-K.

Labor Contracts

In January 2024, a new five-year collective bargaining agreement was ratified by the Communications Workers of America and International Brotherhood of Teamsters for our mainline passenger service team members, which is amendable in 2029.

In September 2024, a new five-year collective bargaining agreement was ratified by the APFA for our mainline flight attendants, which is amendable in 2029.

Also in September 2024, the Transport Workers Union and International Association of Machinists & Aerospace Workers announced a tentative agreement for a two-year contract extension for our mainline maintenance and fleet service team members. The tentative agreement remains subject to ratification by the union’s membership, which we expect to occur in the fourth quarter of 2024.

Contractual Obligations

The following table provides details of our estimated material cash requirements from contractual obligations as of September 30, 2024 (in millions). The table does not include commitments that are contingent on events or other factors that are uncertain or unknown at this time and is subject to other conventions as set forth in the applicable accompanying footnotes.

	Payments Due by Period						
	Remainder of 2024	2025	2026	2027	2028	2029 and Thereafter	Total
American							
Long-term debt:							
Principal amount [(a), (c)]	$ 979	$ 3,866	$ 4,748	$ 4,957	$ 5,278	$ 6,369	$ 26,197
Interest obligations [(b), (c)]	379	1,429	1,088	786	500	553	4,735
Finance lease obligations	45	155	129	89	54	198	670
Aircraft and engine purchase commitments [(d)]	328	2,774	4,044	3,505	3,365	12,396	26,412
Operating lease commitments	427	1,652	1,495	1,325	1,188	4,452	10,539
Regional capacity purchase agreements [(e)]	616	2,001	1,708	1,477	697	1,343	7,842
Minimum pension obligations [(f)]	—	251	244	165	140	65	865
Retiree medical and other postretirement benefits	31	131	137	137	135	606	1,177
Other purchase obligations [(g)]	1,109	2,611	1,557	1,073	264	3,300	9,914
Total American Contractual Obligations	3,914	14,870	15,150	13,514	11,621	29,282	88,351
AAG Parent and Other AAG Subsidiaries							
Long-term debt:							
Principal amount [(a)]	—	1,487	—	—	—	3,746	5,233
Interest obligations [(b)]	—	145	152	188	190	392	1,067
Operating lease commitments	5	13	13	8	7	46	92
Minimum pension obligations [(f)]	—	2	2	1	1	3	9
Total AAG Contractual Obligations	$ 3,919	$ 16,517	$ 15,317	$ 13,711	$ 11,819	$ 33,469	$ 94,752

(a) Amounts represent contractual amounts due. Excludes $313 million and $7 million of unamortized debt discount, premium and issuance costs as of September 30, 2024 for American and AAG Parent, respectively. For additional information, see Note 5 and Note 4 to AAG's and American's Condensed Consolidated Financial Statements in Part I, Items 1A and 1B, respectively.

(b) For variable-rate debt, future interest obligations are estimated using the current forward rates at September 30, 2024.

(c) Includes $7.6 billion of future principal payments and $948 million of future interest payments as of September 30, 2024, related to EETCs associated with mortgage financings of certain aircraft and spare engines.

(d) See "*Aircraft and Engine Purchase Commitments*" above for additional information about the firm commitment aircraft delivery schedule, in particular the footnotes to the table thereunder as to potential changes to such delivery schedule. Due to uncertainty surrounding the timing of delivery of certain aircraft, the amounts in the table represent our most current estimate based on contractual delivery schedules adjusted for updates and revisions to such schedules communicated to management by the applicable equipment manufacturer. However, the actual delivery schedule may differ, potentially materially, based on various potential factors including production delays by the manufacturer and regulatory concerns. Additionally, the amounts in the table exclude one and four Boeing 787 Family aircraft scheduled to be delivered in 2024 and 2025, respectively, in each case for which we have obtained committed lease financing. This financing is reflected in the operating lease commitments line above.

(e) Represents minimum payments under capacity purchase agreements with third-party regional carriers. These commitments are estimates of costs based on assumed minimum levels of flying under the capacity purchase agreements and American's actual payments could differ materially. Rental payments under operating leases for certain aircraft flown under these capacity purchase agreements are reflected in the operating lease commitments line above.

(f) Represents minimum pension contributions based on actuarially determined estimates as of December 31, 2023 and is based on estimated payments through 2033. During the first nine months of 2024, we made required contributions of $284 million and a supplemental contribution of $12 million to our defined benefit pension plans.

(g) Includes purchase commitments for aircraft fuel, flight equipment maintenance and information technology support and excludes obligations under certain fuel offtake agreements or other agreements for which the timing of the related expenditure is uncertain, or which are subject to material contingencies, such as the construction of a production facility.

Capital Raising Activity and Other Possible Actions

In light of our significant financial commitments related to, among other things, the servicing and amortization of existing debt and equipment leasing arrangements and new flight equipment, we and our subsidiaries will regularly consider, and enter into negotiations related to, capital raising and liability management activity, which may include the entry into leasing transactions and future issuances of, and transactions designed to manage the timing and amount of, secured or unsecured debt obligations or additional equity or equity-linked securities in public or private offerings or otherwise. The cash available from operations (if any) and these sources, however, may not be sufficient to cover our cash obligations because economic factors may reduce the amount of cash generated by operations or increase costs. For instance, an economic downturn or general global instability caused by military actions, terrorism, disease outbreaks (such as the COVID-19 pandemic), natural disasters or other causes could reduce the demand for air travel, which would reduce the amount of cash generated by operations. See Part II, Item 1A. Risk Factors – *"Downturns in economic conditions could adversely affect our business"* for additional discussion. An increase in costs, either due to an increase in borrowing costs caused by a reduction in credit ratings or a general increase in interest rates, or due to an increase in the cost of fuel, maintenance, aircraft, aircraft engines or parts, could decrease the amount of cash available to cover cash contractual obligations. Moreover, certain of our financing arrangements contain significant minimum cash balance or similar liquidity requirements. As a result, we cannot use all of our available cash to fund operations, capital expenditures and cash obligations without violating these requirements.

In the past, we have from time to time refinanced, redeemed or repurchased our debt and taken other steps to reduce or otherwise manage the aggregate amount and cost of our debt, lease and other obligations or otherwise improve our balance sheet. Going forward, depending on market conditions, our cash position and other considerations, we may continue to take such actions, and the amounts involved may be material.

Critical Accounting Policies and Estimates

For information regarding our critical accounting policies and estimates, see disclosures in the Consolidated Financial Statements and accompanying notes contained in our 2023 Form 10-K.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

AAG's and American's Market Risk Sensitive Instruments and Positions

Our primary market risk exposures include the price of aircraft fuel, foreign currency exchange rates and interest rate risk. Our exposure to these market risks has not changed materially from our exposure discussed in our 2023 Form 10-K except as updated below.

Aircraft Fuel

As of September 30, 2024, we did not have any fuel hedging contracts outstanding to hedge our fuel consumption. Our current policy is not to enter into transactions to hedge our fuel consumption, although we review this policy from time to time based on market conditions and other factors. As such, and assuming we do not enter into any future transactions to hedge our fuel consumption, we will continue to be fully exposed to fluctuations in fuel prices. Based on our 2024 forecasted fuel consumption, we estimate that a one cent per gallon increase in the price of aircraft fuel would increase our 2024 annual fuel expense by approximately $45 million. See Part II, Item 1A. Risk Factors – *"Our business is very* *dependent on the price and availability of aircraft fuel. Continued periods of high volatility in fuel costs, increased fuel prices or significant disruptions in the supply of aircraft fuel could have a significant negative impact on consumer demand, our operating results and liquidity."*

Foreign Currency

We are exposed to the effect of foreign exchange rate fluctuations on the U.S. dollar value of foreign currency-denominated transactions. Our largest exposure comes from the Euro, Canadian dollar, British pound sterling and various Latin American currencies (primarily the Brazilian real). We do not currently have a foreign currency hedge program.

Generally, fluctuations in foreign currencies, including devaluations, cannot be predicted by us and can significantly affect the value of our assets located outside the United States. These conditions, as well as any further delays, devaluations or imposition of more stringent repatriation restrictions, may materially adversely affect our business, results of operations and financial condition. See Part II, Item 1A. Risk Factors – *"We operate a global business with international operations that are subject to economic and political instability and have been, and in the future may continue to be, adversely affected by numerous events, circumstances or government actions beyond our control"* for additional discussion of this and other currency risks.

Interest

Our earnings and cash flow are affected by changes in interest rates due to the impact those changes have on our interest expense from variable-rate debt instruments and our interest income from short-term, interest-bearing investments. If annual interest rates increase 100 basis points, based on our September 30, 2024 variable-rate debt and short-term investments balances, annual interest expense on variable rate debt would increase by approximately $90 million and annual interest income on short-term investments would increase by approximately $80 million.

ITEM 4. CONTROLS AND PROCEDURES

Management's Evaluation of Disclosure Controls and Procedures

The term "disclosure controls and procedures" is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act). This term refers to the controls and procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms, and is accumulated and communicated to the company's management, including the principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. An evaluation of the effectiveness of AAG's and American's disclosure controls and procedures as of September 30, 2024 was performed under the supervision and with the participation of AAG's and American's management, including AAG's and American's principal executive officer, the Chief Executive Officer (CEO), and principal financial officer, the Chief Financial Officer (CFO). Based on that evaluation, AAG's and American's management, including AAG's and American's CEO and CFO, concluded that AAG's and American's disclosure controls and procedures were effective as of September 30, 2024 at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

During the quarter ended September 30, 2024, there have been no changes in AAG's or American's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, AAG's and American's internal control over financial reporting.

Limitation on the Effectiveness of Controls

We believe that a controls system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives, and, as noted above, the CEO and CFO of AAG and American believe that our disclosure controls and procedures were effective at the reasonable assurance level as of September 30, 2024.

PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Note 12 to each of AAG and American's Condensed Consolidated Financial Statements in Part I, Item 1A and Part I, Item 1B, respectively, for information on legal proceedings.

ITEM 1A. RISK FACTORS

Below are certain risk factors that may affect our business, results of operations and financial condition, or the trading price of our common stock or other securities. We caution the reader that these risk factors may not be exhaustive. We operate in a continually changing business environment, and new risks and uncertainties emerge from time to time. Management cannot predict such new risks and uncertainties, nor can it assess the extent to which any of the risk factors below or any such new risks and uncertainties, or any combination thereof, may impact our business.

Risks Related to our Business and Industry

Downturns in economic conditions could adversely affect our business.

Due to the discretionary nature of business and leisure travel spending and the highly competitive nature of the airline industry, our revenues are heavily influenced by the condition of the U.S. economy and economies in other regions of the world. Unfavorable conditions in these broader economies have resulted, and may result in the future, in decreased passenger demand for air travel, changes in booking practices and related reactions by our competitors, all of which in turn have had, and may have in the future, a strong negative effect on our business. For example, the COVID-19 pandemic and associated decline in economic activity and increase in unemployment levels had a severe and prolonged effect on the global economy generally and, in turn, resulted in a prolonged period of depressed demand for air travel. In addition, a rapid economic expansion following the height of the COVID-19 pandemic resulted in significant inflationary pressures and volatility in certain currencies, which have increased our costs for aircraft fuel, wages and benefits and other goods and services we require to operate our business, as well as increasing the interest expense on our variable-rate indebtedness.

We will need to obtain sufficient financing or other capital to operate successfully.

Our business plan contemplates continued significant investments related to our fleet, improving the experience of our customers and updating our facilities. Significant capital resources will be required to execute this plan. We estimate that, based on our commitments as of September 30, 2024, our planned aggregate expenditures for aircraft purchase commitments and certain engines on a consolidated basis for the remainder of 2024 through 2028 would be approximately $14.0 billion. We may also require financing to refinance maturing obligations and to provide liquidity to fund other corporate requirements. Accordingly, we will need substantial liquidity, financing or other capital resources to finance such aircraft and engines and meet such other liquidity needs. If needed, it may be difficult for us to raise additional capital on acceptable terms, or at all, due to, among other factors: our substantial level of existing indebtedness, particularly following transactions we completed in response to the impact of the COVID-19 pandemic; our non-investment grade credit rating; volatile or otherwise unfavorable market conditions; and the availability of assets to use as collateral for loans or other indebtedness, which has been reduced significantly as a result of certain financing transactions we have undertaken since the beginning of 2020 and may be further reduced. If we are unable to arrange any such required financing at customary advance rates and on terms and conditions acceptable to us, we may need to use cash from operations or cash on hand to purchase aircraft and engines or fund our other corporate requirements, or may seek to negotiate deferrals for such aircraft and engines with the applicable manufacturers or otherwise defer corporate obligations. Depending on numerous factors applicable at the time we seek capital, many of which are out of our control, such as the state of the domestic and global economies, the capital and credit markets' view of our prospects and the airline industry in general, and the general availability of debt and equity capital, the financing or other capital resources that we will need may not be available to us, or may be available only on onerous terms and conditions. Furthermore, we hold significant balances of cash and short-term investments, including as necessary to conduct our day-to-day operations, some of which are held in deposit accounts at commercial banks in excess of the government-provided deposit insurance. There can be no assurance that we will be successful in obtaining financing or other needed sources of capital to operate successfully or to fund our committed expenditures. An inability to obtain necessary financing on acceptable terms would limit our ability to execute necessary capital projects and would have a material adverse impact on our business, results of operations and financial condition.

Our high level of debt and other obligations may limit our ability to fund general corporate requirements and obtain additional financing, may limit our flexibility in responding to competitive developments and may cause our business to be vulnerable to adverse economic and industry conditions.

We have significant amounts of indebtedness and other financial obligations, including pension obligations, obligations to make future payments on flight equipment and property leases related to airport and other facilities, and substantial non-cancelable obligations under aircraft and related spare engine purchase agreements. Moreover, currently a very significant portion of our assets are pledged to secure our indebtedness. Our substantial indebtedness and other obligations, which are generally greater than the indebtedness and other obligations of our competitors, could have important consequences. For example, they may:

- make it more difficult for us to satisfy our obligations under our indebtedness;
- limit our ability to obtain additional funding for working capital, capital expenditures, acquisitions, investments and general corporate purposes, and adversely affect the terms on which such funding can be obtained;
- require us to dedicate a substantial portion of our liquidity or cash flow from operations to payments on our indebtedness and other obligations, thereby reducing the funds available for other purposes;
- make us more vulnerable to economic downturns, industry conditions and catastrophic external events, particularly relative to competitors with lower relative levels of financial leverage;
- significantly constrain our ability to respond, or respond quickly, to unexpected disruptions in our own operations, the U.S. or global economies, or the businesses in which we operate, or to take advantage of opportunities that would improve our business, operations, or competitive position versus other airlines;
- limit our ability to withstand competitive pressures and reduce our flexibility in responding to changing business and economic conditions;
- bear interest at floating rates, subjecting us to volatility in interest expenses as interest rates fluctuate;
- contain financial covenants, including the requirement to maintain an aggregate of at least $2.0 billion of unrestricted cash and cash equivalents and amounts available to be drawn under revolving credit facilities, as well as collateral coverage ratios and peak debt service coverage ratios;
- impact availability of borrowings under revolving lines of credit; and
- contain restrictive covenants that could, among other things:
    - limit our ability to merge, consolidate, sell assets, incur additional indebtedness, issue preferred stock, make investments and pay dividends; and
    - if breached, result in an event of default under our other indebtedness.

In addition, during the COVID-19 pandemic we were required to obtain a significant amount of additional financing from a variety of sources and we cannot guarantee that we will not need to obtain additional financing in the future. Such financing may include the issuance of additional unsecured or secured debt securities, equity securities and equity-linked securities as well as additional bilateral and syndicated secured and/or unsecured credit facilities, among other items. There can be no assurance as to the timing of any such financing transactions, which may be in the near term, or that we will be able to obtain such additional financing on favorable terms, or at all. Any such actions may be material in nature, could result in the incurrence and issuance of significant additional indebtedness or equity and could impose significant covenants and restrictions to which we are not currently subject. Moreover, as a result of the financing activities we undertook in response to the COVID-19 pandemic, the number of financings with respect to which such covenants and provisions apply has increased, thereby subjecting us to more substantial risk of cross-default and cross-acceleration in the event of breach, and additional covenants and provisions could become binding on us should we seek additional liquidity in the future.

The obligations discussed above, including those imposed as a result of any additional financings we may undertake, could also impact our ability to obtain additional financing, if needed, and our flexibility in the conduct of our business, and could materially adversely affect our liquidity, results of operations and financial condition.

Further, a substantial amount of our long-term indebtedness bears interest at floating interest rates, which tend to fluctuate based on general short-term interest rates, rates set by the U.S. Federal Reserve and other central banks, the supply of and demand for credit in treasury repurchase or other markets and general economic conditions. We have not hedged our interest rate exposure with respect to our floating rate debt. Accordingly, our interest expense for any particular period will fluctuate based on the relevant benchmark rate and other variable interest rates. In 2022 and 2023, in response to rising inflation which coincided with a rapid rebound of economic activity as governments lifted restrictions and economies reopened following the COVID-19 pandemic, central banks around the world—including the U.S. Federal Reserve, the European Central Bank and the Bank of England—undertook a cycle of raising interest rates, which has consequently increased the interest we pay on our floating-rate indebtedness. To the extent the interest rates applicable to our floating rate debt remain elevated or continue to increase, our interest expense will increase, in which event we may have difficulties making interest payments and funding our other fixed costs, and our available cash flow for general corporate requirements may be adversely affected.

We have significant pension and other postretirement benefit funding obligations, which may adversely affect our liquidity, results of operations and financial condition.

Our pension funding obligations are significant. The amount of our pension funding obligations will depend on the performance of investments held in trust by the pension plans, interest rates for determining liabilities and actuarial experience. We also have significant obligations for retiree medical and other postretirement benefits.

Additionally, we participate in the IAM National Pension Fund (the IAM Pension Fund). The funding status of the IAM Pension Fund is subject to the risk that other employers may not meet their obligations, which under certain circumstances could cause our obligations to increase. On March 29, 2019, the actuary for the IAM Pension Fund certified that the fund was in “endangered” status despite reporting a funded status of over 80%. Additionally, the IAM Pension Fund’s Board voluntarily elected to enter into “critical” status on April 17, 2019. Upon entry into critical status, the IAM Pension Fund was required by law to adopt a rehabilitation plan aimed at restoring the financial health of the pension plan and did so on April 17, 2019 (the Rehabilitation Plan). Under the Rehabilitation Plan, American was subject to an immaterial contribution surcharge, which ceased to apply on June 14, 2019 upon American’s mandatory adoption of a contribution schedule under the Rehabilitation Plan. The contribution schedule requires 2.5% annual increases to its contribution rate. This contribution schedule will remain in effect through the earlier of December 31, 2031 or the date the IAM Pension Fund emerges from critical status. Furthermore, if we were to withdraw from the IAM Pension Fund, if the IAM Pension Fund were to terminate, or if the IAM Pension Fund were to undergo a mass withdrawal, we could be subject to liability as imposed by law.

If our financial condition worsens, provisions in our credit card processing and other commercial agreements may adversely affect our liquidity.

We have agreements with companies that process customer credit card transactions for the sale of air travel and other services. These agreements allow these credit card processing companies, under certain conditions (including, with respect to certain agreements, our failure to maintain certain levels of liquidity), to hold an amount of our cash (referred to as a holdback) equal to some or all of the advance ticket sales that have been processed by that credit card processor, but for which we have not yet provided the air transportation. Additionally, such credit card processing companies may require cash or other collateral reserves to be established. These credit card processing companies are not currently entitled to maintain any holdbacks pursuant to these requirements. These holdback requirements can be implemented at the discretion of the credit card processing companies upon the occurrence of specific events, including material adverse changes in our financial condition or the triggering of a liquidity covenant. The imposition of holdback requirements, up to and including 100% of relevant advanced ticket sales, would materially reduce our liquidity. Likewise, other of our commercial agreements contain provisions that allow counterparties to impose less-favorable terms, including the acceleration of amounts due, in the event of material adverse changes in our financial condition. For example, we maintain certain letters of credit as well as insurance- and surety-related agreements under which counterparties may require collateral, including cash collateral.

The loss of key personnel upon whom we depend on to operate our business or the inability to attract, develop and retain additional qualified personnel could adversely affect our business.

We believe that our future success will depend in large part on our ability to attract, develop and retain highly qualified management, technical and other personnel. We may not be successful in attracting, developing or retaining key personnel or other highly qualified personnel. In addition, competition for skilled personnel has intensified and may continue to intensify if overall industry capacity continues to increase and/or we were to incur attrition at levels higher than we have historically. Any inability to attract, develop and retain significant numbers of qualified management and other personnel would have a material adverse effect on our business, results of operations and financial condition.

Our business has been and will continue to be materially affected by many changing economic, geopolitical, commercial, regulatory and other conditions beyond our control, including global events that affect travel behavior, and our results of operations could be volatile and fluctuate materially due to changes in such conditions.

Our business, results of operations and financial condition have been and will continue to be affected by many changing economic, geopolitical, commercial, regulatory and other conditions beyond our control, including, among others:

- actual or potential changes in international, national, regional and local economic, business and financial conditions, including recession, inflation and elevated interest rates;
- the occurrence of wars, conflicts, terrorist attacks and geopolitical instability;
- changes in consumer preferences, perceptions, spending patterns and demographic trends;
- changes in the competitive environment due to industry consolidation, changes in airline alliance affiliations, changes in our commercial strategy or that of our competitors and other factors;
- delays in scheduled aircraft deliveries, unexpected grounding of aircraft or aircraft engines whether by regulators or by us, or other loss of anticipated fleet capacity, and failure of new aircraft or aircraft-related equipment to receive regulatory approval, be produced or otherwise perform as and when expected;
- actual or potential disruptions to the U.S. National Airspace System (the ATC system);
- increases in costs of safety, security and environmental measures or costs of complying with new or more onerous consumer protection laws or regulations;
- increases in costs related to meeting our climate goals or obligations, including in respect of the costs to be incurred to migrate to increased use of sustainable aviation fuel (SAF) in lieu of conventional aviation fuel;
- outbreaks of diseases or other public health or safety concerns that affect travel behavior, such as occurred during the COVID-19 pandemic; and
- weather and natural disasters, including increases in frequency, severity or duration of such disasters, and related costs caused by more severe weather due to climate change.

A potential resurgence of COVID-19, or an outbreak of another contagious disease, such as has occurred in the past with the Ebola virus, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu, Zika virus or any other similar illness, if it were to become associated with air travel or persist for an extended period, could materially affect the airline industry and us by reducing revenues and adversely impacting our operations and passengers' travel behavior. Governments could implement travel restrictions, including testing regimes, "stay at home" and quarantine orders, limitations on public gatherings, cancellation of public events or take or mandate other actions which could result in significant declines in demand for both domestic and international business and leisure travel. There can be no assurance that any mitigating actions we take in response will be sufficient to avert a deterioration in our business, financial condition and results of operations. As a result of these or other conditions beyond our control, our results of operations could be volatile and subject to rapid and unexpected change.

Additionally, the COVID-19 pandemic necessitated changes in business practices which may persist. For example, businesses and other travelers may continue to forego air travel in favor of remote or flexible working policies and communication alternatives such as videoconferencing. In addition, businesses may seek to reduce travel costs by requiring the purchase of less expensive tickets, thereby potentially impacting our average revenue per available seat mile.

In addition, due to generally weaker demand for air travel during the winter, our revenues in the first and fourth quarters of the year could be weaker than revenues in the second and third quarters of the year.

The airline industry is intensely competitive and dynamic.

Our competitors include other major domestic airlines and foreign, regional and new entrant airlines, as well as joint ventures formed by some of these airlines, many of which have greater financial or other resources and/or lower cost structures than ours, as well as other forms of transportation, such as rail and private automobiles or alternatives to commuting or business travel including remote or flexible working policies and communication alternatives such as videoconferencing. In many of our markets, we compete with at least one low-cost carrier (including so-called ultra-low-cost carriers). Our revenues are sensitive to the actions of other carriers in many areas, including pricing, scheduling, capacity, fees (including cancellation, change and baggage fees), amenities, loyalty benefits and promotions, which can have a substantial adverse impact not only on our revenues, but on overall industry revenues. These factors may become even more significant in periods when the industry experiences large losses (such as occurred during the COVID-19 pandemic), as airlines under financial stress, or in bankruptcy, may institute pricing or fee structures intended to attract more customers to achieve near-term survival at the expense of long-term viability.

Low-cost carriers (including so-called ultra-low-cost carriers) have a profound impact on industry revenues. Using the advantage of low unit costs, these carriers offer lower fares in order to shift demand from larger, more established airlines, and represent significant competitors, particularly for customers who fly infrequently or are price sensitive and therefore tend not to be loyal to any one particular carrier. Many of these carriers, including several that have recently commenced operations, have announced growth strategies including commitments to acquire significant numbers of new aircraft for delivery in the next few years. These low-cost carriers are attempting to continue to increase their market share through growth and consolidation, and are expected to continue to have an impact on our revenues and overall performance. We and several other large network carriers have implemented “Basic Economy” fares designed to more effectively compete against low-cost carriers, but we cannot predict whether these initiatives will be successful. Low-cost carriers may also implement, and in some cases have implemented, changes to their strategies or business models that could, and in some cases have, put them in more direct competition with network carriers. While historically these carriers have provided competition in domestic markets, we have recently experienced new competition from low-cost carriers on international routes, including low-cost airlines executing international long-haul expansion strategies, a trend likely to continue, in particular with the planned introduction of long-range narrowbody aircraft in coming years. Additionally, other carriers focused on premium passenger travel are attempting to implement growth strategies. The actions of existing or future carriers, including those described above, could have a material adverse effect on our operations and financial performance.

In certain instances, other air carriers are operating scheduled service with a business model that relies on the Federal Aviation Administration (FAA) Part 135, a regulatory environment that is generally less stringent than the rules applicable to our airline and similar airlines that operate under FAA Part 121 and which provides those airlines certain competitive advantages that Part 121 airlines cannot replicate. We have objected to the United States Department of Transportation (DOT) and the Transportation Security Administration (TSA) that the less stringent Part 135 rules were never intended as a basis for scheduled passenger service and that business model should not be permissible, and the agencies’ review is ongoing. While both the DOT and TSA are actively reviewing these operations, if they ultimately allow scheduled passenger service in any form under Part 135 and the actions of existing or future carriers using that business model, including those described above, it could adversely impact our business, financial condition and results of operations.

We provide air travel internationally, directly as well as through joint businesses, strategic alliances, codeshare and similar arrangements to which we are a party. While our network is comprehensive, compared to some of our key global competitors, we generally have somewhat greater relative exposure to certain regions (for example, Latin America) and somewhat lower relative exposure to others (for example, Asia). Our financial performance relative to our key competitors will therefore be influenced significantly by macro-economic conditions in particular regions around the world and the relative exposure of our network to the markets in those regions, including the duration of any declines in demand for travel to specific regions as a result of health emergencies (such as during the COVID-19 pandemic), geopolitical instability or other factors, and the speed with which demand for travel to these regions returns.

Our international service exposes us to foreign economies and the potential for reduced demand when any foreign country we serve suffers adverse local economic conditions or if governments restrict commercial air service to or from any of these markets. For example, the COVID-19 pandemic resulted in a precipitous and prolonged decline in demand for air travel, in particular international travel, in part as a result of the imposition by the U.S. and foreign governments of restrictions on travel from certain regions. In addition, “open skies” agreements, which are now in place with a substantial number of countries around the world, provide international airlines with open access to U.S. markets, potentially subjecting us to increased competition on our international routes. See also *“Our business is subject to extensive* *government regulation, which may result in increases in our costs, disruptions to our operations, limits on our operating flexibility, reductions in the demand for air travel, and competitive disadvantages."*

To the extent alliances formed by our competitors can undertake activities that are not available to us, including as to regulatory approvals, access slots, gates and routes and other matters, our ability to effectively compete may be hindered. Our ability to attract and retain customers is dependent upon, among other things, our ability to offer our customers convenient access to desired markets. Our business could be adversely affected if we are unable to maintain or obtain alliance and marketing relationships with other air carriers in desired markets.

American has established a transatlantic joint business with British Airways, Aer Lingus, Iberia and Finnair, a transpacific joint business with Japan Airlines and a joint business relating to Australia and New Zealand with Qantas. We have also established a strategic alliance with Alaska Airlines relating to certain routes on the West Coast of the United States and a strategic alliance relating to the Middle East with Qatar Airways. In July 2010, in connection with a regulatory review related to our transatlantic joint business, we provided certain commitments to the European Commission (EC) regarding, among other things, the availability of take-off and landing slots at London Heathrow (LHR) or London Gatwick airports. The commitments accepted by the EC were binding for 10 years. In anticipation of both the exit of the United Kingdom (UK) from the European Union (EU), commonly referred to as Brexit, and the expiry of the EC commitments in July 2020, the United Kingdom Competition and Markets Authority (CMA), in October 2018, opened an investigation into the transatlantic joint business. In September 2020 and April 2022, the CMA adopted interim measures that effectively extend the EC commitments until March 2026 in light of the uncertainty and other impacts resulting from the COVID-19 pandemic. The CMA restarted its investigation in September 2023 after a pause related to the COVID-19 pandemic and plans to complete the investigation before the scheduled expiration of the interim measures in March 2026. We continue to cooperate fully with the CMA. The foregoing arrangements are important aspects of our international network and we are dependent on the performance and continued cooperation of the other airlines party to those arrangements.

On May 19, 2023, the U.S. District Court for the District of Massachusetts issued an order permanently enjoining American and JetBlue from continuing and further implementing the Northeast Alliance arrangement (NEA). In June 2023, JetBlue delivered a notice of termination of the NEA, effective July 29, 2023, and the carriers have substantially completed wind-down activities. American has appealed the District Court's decision to the U.S. Court of Appeals for the First Circuit; such appeal remains pending. Separately, in December 2022, two putative class action lawsuits were filed in the U.S. District Court for the Eastern District of New York alleging that American and JetBlue violated U.S. antitrust law in connection with the previously disclosed NEA. In February 2023, private party plaintiffs filed two additional putative class action antitrust complaints against American and JetBlue in the U.S. District Court for the District of Massachusetts and the U.S. District Court for the Eastern District of New York, respectively. All cases have since been consolidated in the U.S. District Court for the Eastern District of New York. We believe these complaints are without merit and are defending against them vigorously.

No assurances can be given as to any benefits that we may derive from any of the foregoing arrangements or any other arrangements that may ultimately be implemented, or whether regulators will, or if granted continue to, approve or impose material conditions on our business activities.

Other mergers and other forms of airline partnerships, including regulatory approvals such as antitrust immunity grants, may take place and may not involve us as a participant, or could result in unforeseen impacts on the industry generally and our company in particular. Depending on which carriers combine or integrate and which assets, if any, are sold or otherwise transferred to other carriers in connection with any such transactions, our competitive position relative to the post-transaction carriers or other carriers that acquire such assets could be harmed. In addition, as carriers combine through traditional mergers or integrate their operations through other arrangements, their route networks will grow, and that growth will result in greater overlap with our network, which in turn could decrease our overall market share and revenues. Such combination or collaboration is not limited to the U.S., but could include further transactions among international carriers in Europe and elsewhere that result in broader networks offered by rival airlines.

Additionally, our AAdvantage program, which is an important element of our business, faces significant and increasing competition from the loyalty programs offered by other travel companies, as well as from similar loyalty benefits offered by banks and other financial services companies. Competition among loyalty programs is intense regarding the rewards, fees, required usage, and other terms and conditions of these programs. In addition, we have used certain assets from our AAdvantage program as collateral for the AAdvantage Financing, which contains covenants that impose restrictions on certain amendments or changes to certain of our AAdvantage program agreements provided as collateral under the AAdvantage Financing and other aspects of the AAdvantage program. These competitive factors and covenants (to the extent applicable) may affect our ability to attract and retain customers, increase usage of our loyalty program and maximize the revenue generated by our loyalty program.

We may also be impacted by competition regulations affecting certain of our major commercial partners, including our co-branded credit card partners or our loyalty program. For example, there has been bipartisan legislation proposed in Congress called the Credit Card Competition Act designed to increase credit card transaction routing options for merchants which, if enacted, could result in a reduction of the fees levied on credit card transactions. If this legislation or any similar legislation or regulation were enacted, it could fundamentally alter the profitability of our agreements with co-branded credit card partners and the benefits we provide to our consumers through the co-branded credit cards issued by these partners. Additionally, the DOT recently launched an inquiry into certain airline loyalty programs, including AAdvantage, to investigate potential competition or consumer protection issues in airlines' administration of these programs, and draft legislation introduced in Congress called the Protect Your Points Act similarly aims to regulate the management of these programs. If regulatory or legislative efforts to impose restrictions on airline loyalty programs were successful, they could materially reduce the revenues we derive from the AAdvantage program and adversely impact our results of operations.

Union disputes, employee strikes and other labor-related disruptions may adversely affect our operations and financial performance.

Relations between air carriers and labor unions in the U.S. are governed by the Railway Labor Act (RLA). Under the RLA, collective bargaining agreements (CBAs) generally contain "amendable dates" rather than expiration dates, and the RLA requires that a carrier maintain the existing terms and conditions of employment following the amendable date through a multi-stage and usually lengthy series of bargaining processes overseen by the National Mediation Board (NMB). As of December 31, 2023, approximately 87% of our employees were represented for collective bargaining purposes by labor unions, and 34% were covered by CBAs that are currently amendable or that will become amendable within one year. For the dates that the CBAs with our major work groups become amendable under the RLA, see *"Labor Relations"* under Part I, Item 1. Business – "*Sustainability – Our People"* in our 2023 Form 10-K.

In the case of a CBA that is amendable under the RLA, if no agreement is reached during direct negotiations between the parties, either party may request that the NMB appoint a federal mediator. The RLA prescribes no timetable for the direct negotiation and mediation processes, and it is not unusual for those processes to last for many months or even several years. If no agreement is reached in mediation, the NMB in its discretion may declare that an impasse exists and proffer binding arbitration to the parties. Either party may decline to submit to arbitration, and if arbitration is rejected by either party, a 30-day "cooling off" period commences. During or after that period, a Presidential Emergency Board (PEB) may be established, which examines the parties' positions and recommends a solution. The PEB process lasts for 30 days and is followed by another 30-day "cooling off" period. At the end of this "cooling off" period, unless an agreement is reached or action is taken by Congress, the labor organization may exercise "self-help," such as a strike, which could materially adversely affect our business, results of operations and financial condition.

None of the unions representing our employees presently may lawfully engage in concerted slowdowns or refusals to work, such as strikes, sick-outs or other similar activity, against us. Nonetheless, there is a risk that employees, either with or without union involvement, could engage in one or more concerted refusals to work that could individually or collectively harm the operation of our airline and impair our financial performance. Additionally, some of our unions have brought and may continue to bring grievances to binding arbitration, including those related to wages. If successful, there is a risk these arbitral avenues could result in material additional costs that we did not anticipate.

Personnel shortages, and general wage inflation have impacted and are expected to continue to impact our labor costs. We recently reached agreements with the unions representing mainline pilots, flight attendants and passenger service team members, and in September 2024, we reached a tentative agreement for a two-year contract extension with the union representing our mainline mechanic and fleet service workgroups. These agreements include significant increases in pay and benefits, in many cases in line with agreements recently concluded by our large network competitors with their unions. We remain in negotiations for other new labor agreements and anticipate that any new contracts we agree to with our labor groups will include increases in salaries and other benefits, which will increase our labor expense.

If we encounter problems with any of our third-party regional operators or third-party service providers, our operations could be adversely affected by a resulting decline in revenue or negative public perception about our services.

A significant portion of our regional operations are conducted by third-party operators on our behalf and are provided for under capacity purchase agreements. Due to our reliance on third parties to provide these essential services, we are subject to the risk of disruptions to their operations, which has in the past and may in the future result from many of the same risk factors disclosed in this report, such as the impact of adverse economic conditions, the inability of third parties to hire or retain skilled personnel, including in particular pilots and mechanics, and other risk factors, such as an out-of-court or bankruptcy restructuring of any of our regional operators. Several of these third-party regional operators provide significant regional capacity that we would be unable to replace in a short period of time should that operator fail to perform its obligations to us. Disruptions to capital markets, shortages of pilots, mechanics and other skilled personnel and adverse economic conditions in general have subjected certain of these third-party regional operators to significant financial pressures, which have in the past and may in the future lead to bankruptcies among these operators. In particular, the severe decline in demand for air travel resulting from the COVID-19 pandemic and related governmental restrictions on travel materially impacted demand for services provided by our regional carriers and, as a result, we temporarily significantly reduced our regional capacity. Further, as airlines restored capacity in line with increased demand for air travel following the height of the COVID-19 pandemic, these third-party operators experienced difficulties in recruiting and retaining sufficient personnel to operate significantly increased schedules, and have in some instances been required to offer significant increases in pay and other benefits to recruit and retain pilots and other personnel. Periods of volatility in travel demand have the potential to adversely affect our regional operators, some of whom may experience significant financial stress, declare bankruptcy or otherwise cease to operate. We may also experience disruption to our regional operations or incur financial damages if we terminate the capacity purchase agreement with one or more of our current operators or transition the services to another provider. Any significant disruption to our regional operations would have a material adverse effect on our business, results of operations and financial condition.

In addition, our reliance upon others to provide essential services on our behalf in our operations may result in our relative inability to control the efficiency and timeliness of contract services. We have entered into agreements with contractors to provide various facilities and services required for our operations, including distribution and sale of airline seat inventory, reservations, provision of information technology and services, regional operations, aircraft maintenance, fueling, catering, ground services and facilities and baggage handling. Similar agreements may be entered into in any new markets we decide to serve. These agreements are generally subject to termination after notice by the third-party service provider. We are also at risk should one of these service providers cease operations, and there is no guarantee that we could replace these providers on a timely basis with comparably priced providers, or at all. These third parties have faced challenges retaining and recruiting people with the appropriate skills to meet our requirements. We rely on the operation of complex supply chains and a large number of third parties for the procurement and fulfillment of parts, components, consumable or disposable goods and other products and services essential to our business. The COVID-19 pandemic also caused significant disruption in global supply chains and staffing shortages, which affected and, if there is a resurgence, or similar event in the future, may affect the availability and timely delivery and fulfillment of many goods, including certain of those that we purchase directly or which are required by third parties to perform contracted services for us. Following a faster than expected return of demand for air travel as COVID-19 cases declined worldwide and governments lifted travel restrictions, suppliers and many of the airports we serve experienced acute shortages of personnel, resulting in increased delays, cancellations and, in certain cases, restrictions on passenger numbers or the number of flights to or from certain airports. We cannot guarantee that, as a result of ongoing or future supply chain disruptions or staffing shortages, we, our third-party partners, or the airports we serve will be able to timely source all of the products and services we require in the course of our business, or that we will be successful in procuring suitable alternatives. Any material problems with the adequacy, efficiency and timeliness of contract services, resulting from financial hardships, personnel shortages or otherwise, could have a material adverse effect on our business, results of operations and financial condition.

Any damage to our reputation or brand image could adversely affect our business or financial results.

Maintaining a good reputation globally is critical to our business. Our reputation or brand image could be adversely impacted by, among other things, any failure to maintain high ethical, social and environmental sustainability practices for all of our operations and activities, our impact on the environment, public pressure from investors or policy groups to change our policies, such as movements to institute a "living wage," customer perceptions of our advertising campaigns, sponsorship arrangements or marketing programs, customer perceptions of our use of social media, customer concerns in the nature of "greenwashing" allegations that may surround any of our advertising campaigns, marketing programs or commercial offerings related to our sustainability initiatives, or customer perceptions of statements made by us, our employees and executives, agents or other third parties. In addition, we operate in a highly visible industry that has significant exposure to social media. Negative publicity, including as a result of misconduct by our customers, vendors or employees, can spread rapidly through social media. Should we not respond in a timely and appropriate manner to address negative publicity, our brand and reputation may be significantly harmed. Damage to our reputation or brand image or loss of customer confidence in our services could adversely affect our business and financial results, as well as require additional resources to rebuild our reputation.

Moreover, an outbreak and spread of an infectious disease could adversely impact consumer perceptions of the health and safety of travel, and in particular airline travel, such as occurred during the COVID-19 pandemic. Actual or perceived risk of infection on our flights could have a material adverse effect on the public's perception of us and may harm our reputation and business. We have in the past, and may in the future be required to take extensive measures to reassure our team members and the traveling public of the safety of air travel, and we could incur significant costs implementing safety, hygiene-related or other actions to limit the actual or perceived threat of infection among our employees and passengers. However, we cannot assure that any actions we might take in response to an infectious disease outbreak will be sufficient to restore the confidence of consumers in the safety of air travel. In addition, as a result of mask mandates and other mitigating measures that airports and carriers were required by law to implement to limit the spread of COVID-19, we experienced an increase in the incidence of aggressive customer behavior and physical confrontation on our flights, certain of which resulted in injuries to our personnel. While the rate of these incidents declined following the lifting of mask mandates and other COVID-19 measures, if our employees feel unsafe or believe that we are not doing enough to prevent and prosecute such incidents, we could experience higher rates of employee absence or attrition and we may suffer reputational harm which could make it more difficult to attract and retain employees, and which could in turn negatively affect our business, financial condition and results of operations.

We are at risk of losses and adverse publicity stemming from any public incident involving our company, our people or our brand, including any accident or other public incident involving our personnel or aircraft, or the personnel or aircraft of our regional, codeshare or joint business operators.

We are at risk of adverse publicity stemming from any public incident involving our company, our people or our brand, particularly given the ease with which individuals can now capture and rapidly disseminate information via social media. Such an incident could involve the actual or alleged behavior of any of our employees, contractors or passengers. Further, if our personnel, one of our aircraft, a type of aircraft in our fleet, or personnel of, or an aircraft that is operated under our brand by, one of our regional operators or an airline with which we have a marketing alliance, joint business or codeshare relationship, were to be involved in a public incident, accident, catastrophe or regulatory enforcement action, we could be exposed to significant reputational harm and potential legal liability. The insurance we carry may be inapplicable or inadequate to cover any such incident, accident, catastrophe or action. In the event that our insurance is inapplicable or inadequate, we may be forced to bear substantial losses from an incident or accident. In addition, any such incident, accident, catastrophe or action involving our personnel, one of our aircraft (or personnel and aircraft of our regional operators and our codeshare partners), or a type of aircraft in our fleet could create an adverse public perception, which could harm our reputation, result in air travelers being reluctant to fly on our aircraft or those of our regional operators or codeshare partners, and adversely impact our business, results of operations and financial condition.

Changes to our business model that are designed to increase revenues and reduce costs may not be successful and may cause operational difficulties or decreased demand.

We have in the past instituted, and intend to institute in the future, changes to our business model designed to increase revenues and offset costs. These measures include further segmentation of the classes of service we offer, such as Premium Economy service and Basic Economy service, enhancements to our AAdvantage program, charging separately for services that had previously been included within the price of a ticket, changes to our practices and contracts with providers of distribution systems to provide additional content flexibility, commercial practices related to ticket distribution channels, including efforts by us to migrate an increasing portion of our customers to our modern, direct distribution channels in lieu of third party channels, changing (whether it be increasing, decreasing or eliminating) other pre-existing fees, reconfiguration of our aircraft cabins, and efforts to optimize our network including by focusing growth on a limited number of large hubs and entering into agreements with other airlines. For example, in 2020, we eliminated change fees for most domestic and international tickets, which has reduced our change fee revenue, a trend which is expected to continue assuming this policy remains in place. In addition, as previously reported, during the second quarter of 2024 we concluded that certain changes to our distribution strategy contributed to softness in customer bookings relative to our expectations and we reversed many of these measures late in the quarter. We may introduce additional initiatives in the future; however, as time goes on, we expect that it will be more difficult to identify and implement additional initiatives. We cannot assure that these measures or any future initiatives will be successful in increasing our revenues or offsetting our costs. Additionally, the implementation of these initiatives may create logistical challenges that could harm the operational performance of our airline or result in decreased demand. Also, our implementation of any new or increased fees, or changes to the operation of or benefits offered by our loyalty program, could reduce the demand for air travel on our airline or across the industry in general, particularly if weakened economic conditions make our customers more sensitive to increased travel costs or provide a significant competitive advantage to other carriers that determine not to institute similar changes. Such changes could result in adverse brand perceptions, reputational harm or regulatory scrutiny. For example, the DOT recently launched an inquiry into certain airline loyalty programs, including our AAdvantage program, to investigate potential competition or consumer protection issues in airlines' administration of these programs, and draft legislation introduced in Congress called the Protect Your Points Act similarly aims to regulate the management of these programs. If regulatory or legislative efforts to impose restrictions on airline loyalty programs were successful, they could materially reduce the revenues we derive from the AAdvantage program and adversely impact our results of operations.

Our intellectual property rights, particularly our branding rights, are valuable, and any inability to protect them may adversely affect our business and financial results.

We consider our intellectual property rights, particularly our branding rights such as our trademarks applicable to our airline and AAdvantage program, to be a significant and valuable aspect of our business. We protect our intellectual property rights through a combination of trademark, copyright and other forms of legal protection, contractual agreements and policing of third-party misuses of our intellectual property. Our failure to obtain or adequately protect our intellectual property or any change in law that lessens or removes the current legal protections of our intellectual property may diminish our competitiveness and adversely affect our business and financial results. Any litigation or disputes regarding intellectual property may be costly and time-consuming and may divert the attention of our management and key personnel from our business operations, either of which may adversely affect our business and financial results.

In addition, we have used certain of our branding and AAdvantage program intellectual property as collateral for various financings (including the AAdvantage Financing), which contain covenants that impose restrictions on the use of such intellectual property and, in the case of the AAdvantage Financing, on certain amendments or changes to our AAdvantage program. These covenants may have an adverse effect on our ability to use such intellectual property.

We may be a party to litigation in the normal course of business or otherwise, which could affect our financial position and liquidity.

From time to time, we are a party to or otherwise involved in legal proceedings, claims and government inspections or investigations and other legal matters, both inside and outside the United States, arising in the ordinary course of our business or otherwise. We are currently involved in various legal proceedings and claims that have not yet been fully resolved, and additional claims may arise in the future. Legal proceedings can be complex and take many months, or even years, to reach resolution, with the final outcome depending on a number of variables, some of which are not within our control. Litigation is subject to significant uncertainty and may be expensive, time-consuming, and disruptive to our operations. Although we will vigorously defend ourselves in such legal proceedings, their ultimate resolution and potential financial and other impacts on us are uncertain. For these and other reasons, we may choose to settle legal proceedings and claims, regardless of their actual merit. If a legal proceeding is resolved against us, it could result in significant compensatory damages, and in certain circumstances punitive or trebled damages, disgorgement of revenue or profits, remedial corporate measures or injunctive relief imposed on us. If our existing insurance does not cover the amount or types of damages awarded, or if other resolution or actions taken as a result of the legal proceeding were to restrain our ability to operate or market our services, our consolidated financial position, results of operations or cash flows could be materially adversely affected. In addition, legal proceedings, and any adverse resolution thereof, can result in adverse publicity and damage to our reputation, which could adversely impact our business. Additional information regarding certain legal matters in which we are involved can be found in Note 12 to each of AAG's and American's Condensed Consolidated Financial Statements in Part I, Item 1A and Part I, Item 1B, respectively.

Our ability to utilize our NOLs and other carryforwards may be limited.

Under the Internal Revenue Code of 1986, as amended (the Code), a corporation is generally allowed a deduction for net operating losses (NOLs) carried over from prior taxable years. At December 31, 2023, we had approximately $13.7 billion of gross federal NOLs and $4.7 billion of other carryforwards available to reduce future federal taxable income, of which $3.4 billion will expire beginning in 2029 if unused and $15.0 billion can be carried forward indefinitely. We also had approximately $5.5 billion of NOL carryforwards to reduce future state taxable income at December 31, 2023, which will expire in taxable years 2023 through 2043 if unused. Our NOL carryforwards are subject to adjustment on audit by the Internal Revenue Service and the respective state taxing authorities. Additionally, due to the impact of the COVID-19 pandemic and other economic factors, certain of the NOL carryforwards may expire before we can generate sufficient taxable income to use them.

Our ability to use our NOLs and other carryforwards depends on the amount of taxable income generated in future periods. There can be no assurance that an additional valuation allowance on our net deferred tax assets will not be required should our financial performance be negatively impacted in the future. Such valuation allowance could be material.

A corporation's ability to deduct its federal NOL carryforwards and to utilize certain other available tax attributes can be substantially constrained under the general annual limitation rules of Section 382 of the Code (Section 382) if it undergoes an "ownership change" as defined in Section 382 (generally where cumulative stock ownership changes among material stockholders exceed 50% during a rolling three-year period). In 2013, we experienced an ownership change in connection with our emergence from bankruptcy and US Airways Group, Inc. (US Airways Group) experienced an ownership change in connection with the merger of US Airways Group and AMR Corporation (the Merger). The general limitation rules for a debtor in a bankruptcy case are liberalized where the ownership change occurs upon emergence from bankruptcy. We elected to be covered by certain special rules for federal income tax purposes that permitted approximately $9.0 billion (with $3.0 billion of unlimited NOLs still remaining at December 31, 2023) of our federal NOL carryforwards to be utilized without regard to the annual limitation generally imposed by Section 382. If the special rules are determined not to apply, our ability to utilize such federal NOL carryforwards may be subject to limitation. Potential future transactions involving warrants, stock options, common or preferred stock or other equity, may increase the possibility that the Company will experience a future "ownership change" under Section 382. Substantially all of our remaining federal NOL carryforwards attributable to US Airways Group and its subsidiaries are subject to limitation under Section 382 as a result of the Merger; however, our ability to utilize such NOL carryforwards is not anticipated to be effectively constrained as a result of such limitation. Similar limitations may apply for state income tax purposes.

Notwithstanding the foregoing, an ownership change may severely limit or effectively eliminate our ability to utilize our NOL carryforwards and other tax attributes. In connection with the expiration in December 2021 of certain transfer restrictions applicable to substantial shareholders contained in our Certificate of Incorporation, the Board of Directors of AAG adopted a tax benefits preservation plan (the Tax Benefit Preservation Plan) in order to preserve our ability to use our NOLs and certain other tax attributes to reduce potential future income tax obligations. The Tax Benefit Preservation Plan was subsequently ratified by our stockholders at the 2022 Annual Meeting of Stockholders of AAG and will expire in December 2024 unless extended by our Board of Directors. The Tax Benefit Preservation Plan is designed to reduce the likelihood that we experience an ownership change by deterring certain acquisitions of AAG common stock. There is no assurance, however, that the deterrent mechanism will be effective, and such acquisitions may still occur. In addition, the Tax Benefit Preservation Plan may adversely affect the marketability of AAG common stock by discouraging existing or potential investors from acquiring AAG common stock or additional shares of AAG common stock, because any non-exempt third party that acquires 4.9% or more of the then-outstanding shares of AAG common stock would suffer substantial dilution of its ownership interest in AAG.

New U.S. tax legislation may adversely affect our financial condition, results of operations and cash flows.

We are subject to taxation at the federal, state and local levels in the United States. The U.S. government may enact significant changes to the taxation of business entities. For example, on August 16, 2022, the Inflation Reduction Act was signed into law, introducing, among other changes, a corporate minimum tax on certain corporations and an excise tax on certain stock repurchases by certain corporations. With numerous provisions of the Tax Cuts and Jobs Act set to expire in 2025, we expect that consideration of legislation related to tax laws is likely in coming quarters, but the likelihood of any proposed changes to the tax law being enacted or implemented is unclear, and we are currently unable to predict whether such changes will occur. If changes to tax laws are implemented, we are currently unable to predict the ultimate impact on our business and therefore there can be no assurance our business will not be adversely affected.

We have a significant amount of goodwill, which is assessed for impairment at least annually. In addition, we may never realize the full value of our intangible assets or long-lived assets, causing us to record material impairment charges.

Goodwill and indefinite-lived intangible assets are not amortized, but are assessed for impairment at least annually, or more frequently if conditions indicate that an impairment may have occurred. In accordance with applicable accounting standards, we first assess qualitative factors to determine whether it is necessary to perform a quantitative impairment test. In addition, we are required to assess certain of our other long-lived assets for impairment if conditions indicate that an impairment may have occurred.

Future impairment of goodwill, intangible assets or other long-lived assets could be recorded in results of operations as a result of changes in assumptions, estimates, or circumstances, some of which are beyond our control. There can be no assurance that a material impairment charge of goodwill or tangible or intangible assets will be avoided. The value of our aircraft could be impacted in future periods by changes in supply and demand for these aircraft. Such changes in supply and demand for certain aircraft types could result from grounding of aircraft by us or other airlines, including as a result of significant or prolonged declines in demand for air travel and corresponding reductions to capacity. We can provide no assurance that a material impairment loss of tangible or intangible assets will not occur in a future period; we have previously incurred significant impairment charges associated with our decision to retire certain aircraft as a result of the severe decline in demand for air travel due to the COVID-19 pandemic, and the risk of future material impairments remains uncertain. Such impairment charges could have a material adverse effect on our business, results of operations and financial condition.

The commercial relationships that we have with other companies, including any related equity investments, may not produce the returns or results we expect.

An important part of our strategy to expand our network has been to initiate or expand our commercial relationships with other airlines, such as by entering into global alliance, joint business and codeshare relationships, and, in certain instances, including China Southern Airlines Company Limited, GOL Linhas Aéreas Inteligentes S.A. (GOL) and JetSMART Holdings Limited, by making an equity investment in another airline in connection with initiating or expanding such a commercial relationship. We may explore additional investments in, and joint ventures and strategic alliances with, other carriers as part of our global business strategy. We face competition in forming and maintaining these commercial relationships since there are a limited number of potential arrangements and other airlines are looking to enter into similar relationships, and our inability to form or maintain these relationships, or inability to form as many of these relationships as our competitors, may have an adverse effect on our business. Any such existing or future investment could involve significant challenges and risks, including that we may not realize a satisfactory return on our investment, if any, or that they may not generate the expected revenue synergies, and they may distract management focus from our operations or other strategic options. We may also be subject to consequences from any illegal conduct of joint business partners as well as to any political or regulatory change that negatively impacts or prohibits our arrangements with any such business partners. In addition, volatility in demand for air travel, such as occurred during the COVID-19 pandemic, could materially disrupt our partners' abilities to provide air service, the timely execution of our strategic operating plans, including the finalization, approval and implementation of new strategic relationships or the maintenance or expansion of existing relationships. If any carriers with which we partner or in which we hold an equity stake were to cease trading or be declared insolvent, we could lose the value of any such investment or experience significant operational disruption, which is a risk that we are subject to with respect to our investment in and commercial arrangements with GOL in light of its commencement in January 2024 of bankruptcy proceedings in the U.S. Federal Bankruptcy Court for the Southern District of New York. These events could have a material adverse effect on our business, results of operations and financial condition.

We may also from time to time pursue commercial relationships with companies outside the airline industry, which relationships may include equity investments or other financial commitments. Any such relationship or related investment could involve unique risks, particularly where these relationships involve new industry participants, emerging technologies or industries with which we are unfamiliar.

Our business is very dependent on the price and availability of aircraft fuel. Continued periods of high volatility in fuel costs, increased fuel prices or significant disruptions in the supply of aircraft fuel could have a significant negative impact on consumer demand, our operating results and liquidity.

Our operating results are materially impacted by changes in the availability, price volatility and cost of aircraft fuel, which represents one of the largest single cost items in our business and thus is a significant factor in the price of airline tickets. Market prices for aircraft fuel have fluctuated substantially over the past several years and prices continue to be highly volatile, with market spot prices ranging from a low of approximately $1.32 per gallon to a high of approximately $4.40 per gallon during the period from January 1, 2021 to September 30, 2024. Aircraft fuel prices reflect not only the price of underlying crude oil, but also the price charged to refine crude oil into aircraft fuel (often referred to as the "crack spread"), transportation costs, handling costs and taxes, and increases in any of these underlying components would increase the price we ultimately pay for aircraft fuel.

Because of the amount of fuel needed to operate our business, even a relatively small increase or decrease in the price of fuel can have a material effect on our operating results and liquidity. Due to the competitive nature of the airline industry and unpredictability of the market for air travel, we can offer no assurance that we may be able to increase our fares, impose fuel surcharges or otherwise increase revenues or decrease other operating costs sufficiently to offset fuel price increases. Similarly, we cannot predict actions that may be taken by our competitors in response to changes in fuel prices.

We cannot predict the future availability, price volatility or cost of aircraft fuel. Natural disasters (including hurricanes or similar events in the U.S. Southeast and on the Gulf Coast where a significant portion of domestic refining capacity is located), political disruptions or armed conflicts involving oil-producing countries or impacting global trade routes, changes in production levels of individual nations or associations of oil-producing states, economic sanctions imposed against oil-producing countries or specific industry participants, changes in fuel-related governmental policy, the strength of the U.S. dollar against foreign currencies, changes in the cost to transport or store petroleum products and any related staffing or transportation equipment shortages, changes in access to petroleum product pipelines and terminals, speculation in the energy futures markets, changes in aircraft fuel production capacity, environmental concerns and other unpredictable events, may result in fuel supply shortages, variations in the applicable crack spread, distribution challenges, additional fuel price volatility and cost increases in the future. Any of these factors or events could cause a disruption in or increased demands on oil production, refinery operations, pipeline capacity or terminal access and possibly result in significant increases in the price of aircraft fuel and diminished availability of aircraft fuel supply.

Our aviation fuel purchase contracts generally do not provide meaningful price protection against increases in fuel costs. Our current policy is not to enter into transactions to hedge our fuel consumption, although we review this policy from time to time based on market conditions and other factors. Accordingly, as of September 30, 2024, we did not have any fuel hedging contracts outstanding to hedge our fuel consumption. As such, and assuming we do not enter into any future transactions to hedge our fuel consumption, we will continue to be fully exposed to fluctuations in fuel prices. See also the discussion in Part I, Item 3. Quantitative and Qualitative Disclosures About Market Risk – *"Aircraft Fuel."*

In addition, as part of our emissions reduction goals, we and other airlines have publicly announced long-term targets for the increased use of SAF in our fleet. Currently, industrial production of SAF is small in scale and inadequate to meet growing industry demand, and while additional production capacity is expected to become operational in the coming years, we anticipate that competition for SAF among industry participants will remain intense. As a result, SAF may be significantly more costly than conventional jet fuel. To secure future SAF supply, we have entered into multiple agreements for the purchase of future SAF production, and we continue to engage with producers regarding potential future SAF purchases, which may include investments and other commitments to support these producers. Certain existing or potential future agreements pertain to SAF production from facilities that are planned but not yet financed, and which may utilize technology that has not been proven at commercial scale. There is no assurance that these facilities will be built or that they will meet contracted production timelines and volumes. In the event that the SAF is not delivered on schedule or in sufficient volumes, there can be no assurance that we will be able to source a supply of SAF sufficient to meet our stated goals, or that we will be able to do so on favorable economic terms.

Our business is subject to extensive government regulation, which may result in increases in our costs, disruptions to our operations, limits on our operating flexibility, reductions in the demand for air travel, and competitive disadvantages.

Airlines are subject to extensive domestic and international regulatory requirements. In the last several years, Congress and state and local governments have passed laws and regulatory initiatives, and the DOT, the FAA, the TSA, the Centers for Disease Control and several of their respective international counterparts have issued regulations and a number of other directives that affect the airline industry. These requirements impose substantial costs on us and restrict the ways we may conduct our business.

For example, the FAA from time to time issues directives and other regulations relating to the maintenance and operation of aircraft that require significant expenditures or operational restrictions. These requirements can be issued with little or no notice, or can otherwise impact our ability to efficiently or fully utilize our aircraft, and in some instances have resulted in the temporary and prolonged grounding of aircraft or engine types altogether including, for example, the March 2019 grounding of all Boeing 737 MAX Family aircraft, which was not lifted in the United States until November 2020, the January 2024 grounding of 737-9 MAX aircraft (a model that we do not operate), and the significant limitations imposed on the use of Pratt & Whitney GTF aircraft engines on certain Airbus aircraft (an engine that we do not use in our fleet), or otherwise caused substantial disruption and resulted in material costs to us and lost revenues. The recent telecom industry roll-out of 5G technology, and concerns regarding its possible interference with aircraft navigation systems, also resulted in regulatory uncertainty and the potential for operational impacts, including possible suspension of service to certain airports or the operation of certain aircraft, though the issue has since been resolved. See "*We rely heavily on technology and automated systems to operate our business, and any failure of these technologies or systems* *could harm our business, results of operations and financial condition."* The FAA also exercises comprehensive regulatory authority over nearly all technical aspects of our operations. Our failure to comply with such requirements has in the past and may in the future result in fines and other enforcement actions by the FAA or other regulators. In the future, any new regulatory requirements, particularly requirements that limit our ability to operate or price our products, could have a material adverse effect on us and the industry.

In May 2024, Congress passed a five-year funding authorization for the FAA (FAA Authorization Renewal). Among other things, the FAA Authorization Renewal increased the authorized funding level for the FAA and required the hiring of additional air traffic controllers, an effort to address staffing and resource shortages and improve the operation of the ATC system in the U.S. The FAA Authorization Renewal also codified several consumer protection rulemakings that could be challenging to implement and have negative financial impacts. Any new or enhanced requirements resulting from the FAA Authorization Renewal, including any new fees, costs we may be required to incur to comply with new rules and compensation or other penalties we may be required to pay for violations of such rules, have the potential to increase our costs or adversely impact our operation.

DOT consumer rules, and rules promulgated by certain analogous agencies in other countries we serve, dictate procedures for many aspects of our customer's journey, including at the time of ticket purchase, at the airport and onboard the aircraft. In April 2024, the DOT issued a final rule mandating refunds in certain circumstances, and a final rule requiring disclosure of certain ancillary fees by air carriers and travel agents. In August 2024, the U.S. Court of Appeals for the Fifth Circuit granted the airline associations and individual airlines' motion for a stay of the ancillary fee rule. Also in August 2024, the DOT issued a proposed rulemaking on family seating, which would require airlines to seat children aged 13 and under adjacent to at least one accompanying adult at no additional cost beyond the fare, subject to limited exceptions. We are still evaluating the impacts of this proposed rule. Finally, the DOT has continued to work through proposals for a number of disability regulations that will impact us, including penalties for wheelchair loss or damage and prompt wheelchair assistance.

The Aviation and Transportation Security Act mandates the federalization of certain airport security procedures and imposes additional security requirements on airports and airlines, most of which are funded by a per-ticket tax on passengers and a tax on airlines. Present and potential future security requirements can have the effect of imposing costs and inconvenience on travelers, potentially reducing the demand for air travel.

Similarly, there are a number of legislative and regulatory initiatives and reforms at the state and local levels in the U.S. These initiatives include increasingly stringent laws to protect the environment, wage/hour requirements, mandatory paid sick or family leave and healthcare mandates. These laws could affect our relationship with our workforce and the vendors that serve our airline and cause our expenses to increase without an ability to pass through these costs. In recent years, the airline industry has experienced an increase in litigation over the application of state and local employment laws, particularly in California. Application of these laws may result in operational disruption, increased litigation risk and impact our negotiated labor agreements. For example, we are currently involved in legal proceedings in California concerning alleged violations of the state's labor code including, among other things, violations of certain meal and rest break laws, and an adverse determination in any of these cases could adversely impact our operational flexibility and result in the imposition of damages and fines, which could potentially be significant. We recently settled a class litigation brought by flight attendants in California, which covered all wage and hour claims brought by the class through January 1, 2024. In addition, legislation passed by the California legislature in March 2023 should effectively foreclose future meal and rest break claims from flight attendants in California. However, there is still risk of future litigation from flight attendants and other work groups involving other types of wage and hour laws in California and other jurisdictions which have or could seek to implement similar laws.

The results of our operations, demand for air travel and the manner in which we conduct business each may be affected by changes in law and future actions taken by governmental agencies, including:

- changes in law that affect the services that can be offered by airlines in particular markets and at particular airports, or the types of fares offered or fees that can be charged to passengers;
- the granting and timing of certain governmental approvals (including antitrust or foreign government approvals) needed for codesharing alliances, joint businesses and other arrangements with other airlines, and the imposition of regulatory investigations or commencement of litigation related to any of the foregoing;

- restrictions on competitive practices (for example, court orders, or agency regulations or orders, that would curtail an airline's ability to respond to a competitor);
- the adoption of new passenger security standards or regulations that impact customer service standards;
- restrictions on airport operations, such as restrictions on the use of slots at airports or the auction or reallocation of slot rights currently held by us;
- the adoption of more restrictive locally-imposed noise restrictions; and
- restrictions on travel or special guidelines regarding aircraft occupancy or hygiene in response to outbreaks of illness, such as occurred during the COVID-19 pandemic, including the imposition of preflight testing regimes or vaccination confirmation requirements which have in the past and may in the future have the effect of reducing demand for air travel in the markets where such requirements are imposed.

Each additional regulation or other form of regulatory oversight increases costs and adds greater complexity to airline operations and, in some cases, may reduce the demand for air travel. There can be no assurance that the increased costs or greater complexity associated with our compliance with new rules, anticipated rules or other forms of regulatory oversight will not have a material adverse effect on us.

Any significant reduction in air traffic capacity at and in the airspace serving key airports in the U.S. or overseas could have a material adverse effect on our business, results of operations and financial condition. In addition, the ATC system is not successfully modernizing to meet the growing demand for U.S. air travel. Air traffic controllers rely on outdated procedures and technologies that routinely compel airlines, including ourselves, to fly inefficient routes or take significant delays on the ground. The ATC system's inability to manage existing travel demand, including due to significant staffing shortages, has led government agencies to implement short-term capacity constraints during peak travel periods or adverse weather conditions in certain markets, resulting in delays and disruptions of air traffic. The outdated technologies also cause the ATC system to be less resilient in the event of a failure, and past system disruptions have resulted in large-scale flight cancellations and delays. We experienced this challenge in January 2023 when an outage in the ATC Notice to Air Missions system led to a nationwide ground-stop for nearly two hours, resulting in significant operational disruption throughout the day.

In the early 2000s, the FAA embarked on a path to modernize the national airspace system, including migration from the current radar-based ATC system to a GPS-based system. This modernization of the ATC system, generally referred to as "NextGen," has been plagued by delays and cost overruns, and it remains uncertain when the full array of benefits expected from this modernization will be available to the public and the airlines, including ourselves. Failure to update the ATC system and the substantial costs that may be imposed on airlines, including ourselves, to fund a modernized ATC system may have a material adverse effect on our business.

Further, our business has been adversely impacted when government agencies have ceased to operate as expected, including due to partial shutdowns, sequestrations or similar events and the COVID-19 pandemic. These events have resulted in, among other things, reduced demand for air travel, an actual or perceived reduction in air traffic control and security screening resources and related travel delays, as well as disruption in the ability of the FAA to grant required regulatory approvals, such as those that are involved when a new aircraft is first placed into service.

Our operating authority in international markets is subject to aviation agreements between the U.S. and the respective countries or governmental authorities, such as the EU, and in some cases, fares and schedules require the approval of the DOT and/or the relevant foreign governments. Moreover, alliances with international carriers may be subject to the jurisdiction and regulations of various foreign agencies. The U.S. government has negotiated "open skies" agreements with more than 130 trading partners, which agreements allow unrestricted route authority access between the U.S. and the foreign markets. While the U.S. has worked to increase the number of countries with which open skies agreements are in effect, a number of markets important to us, including China, do not have open skies agreements. For example, the open skies air services agreement between the U.S. and the EU, which took effect in March 2008, provides airlines from the U.S. and EU member states open access to each other's markets, with freedom of pricing and unlimited rights to fly from the U.S. to any airport in the EU. As a result of the agreement and a subsequent open skies agreement involving the U.S. and the United Kingdom, which was agreed in anticipation of Brexit, we face increased competition in these markets, including LHR. Bilateral and multilateral agreements among the U.S. and various foreign governments of countries we serve but which are not covered by an open skies treaty are subject to periodic renegotiation. We currently operate a number of international routes under government arrangements that limit the number of airlines permitted to operate on the route, the capacity of the airlines providing services on the route, or the number of airlines allowed access to particular airports. If an open skies policy were to be adopted for any of these markets, it could adversely impact us and could result in impairments of our related tangible and intangible assets. In addition, competition from foreign airlines, revenue-sharing joint ventures, joint business agreements, and other alliance arrangements by and among other airlines could impair the value of our business and assets on the open skies routes.

On May 1, 2021 the EU and United Kingdom entered into a new trade and cooperation agreement (the EU-UK Trade and Cooperation Agreement) to govern certain aspects of their relationship following Brexit. We continue to face risks associated with Brexit, notably given the extent of our passenger and cargo traffic and that of our joint business partners that flows through LHR in the United Kingdom. The EU-UK Trade and Cooperation Agreement includes provisions in relation to commercial air service that we expect to be sufficient to sustain our current services under the transatlantic joint business. However, the scope of traffic rights under the EU-UK Trade and Cooperation Agreement is less extensive than before Brexit and therefore the full impact of the EU-UK Trade and Cooperation Agreement is uncertain. As a result, the continuation of our current services, and those of our partners could be disrupted. This could materially adversely affect our business, results of operations and financial condition. The recent change in government in the United Kingdom may lead to new aviation policies that could materially adversely affect our business, results of operations and financial condition. More generally, changes in U.S. or foreign government aviation policies could result in the alteration or termination of such agreements, diminish the value of route authorities, slots or other assets located abroad, or otherwise adversely affect our international operations.

We operate a global business with international operations that are subject to economic and political instability and have been, and in the future may continue to be, adversely affected by numerous events, circumstances or government actions beyond our control.

We operate a global business with significant operations outside of the U.S. Our current international activities and prospects have been, and in the future could be, adversely affected by government policies, reversals or delays in the opening of foreign markets, increased competition in international markets, the performance of our alliance, joint business and codeshare partners in a given market, exchange controls or other restrictions on repatriation of funds, currency and political risks (including changes in exchange rates and currency devaluations), environmental regulation, increases in taxes and fees and changes in international governmental regulation of our operations, including the inability to obtain or retain needed route authorities and/or slots, and new or evolved policies related to consumer protections. In particular, the COVID-19 pandemic severely impacted the demand for international travel for a prolonged period, and resulted in the imposition of significant governmental restrictions on commercial air service to or from certain regions. We responded by temporarily suspending a significant portion of our long-haul international flights and delaying the introduction of certain new long-haul international routes. In spite of the elimination of COVID-19 related travel restrictions, we can provide no assurance as to when demand for international travel will return to pre-COVID-19 pandemic levels in certain markets, if at all, or whether certain international destinations we previously served will be economical in the future.

We are subject to varying registration requirements and ongoing reporting obligations in the countries where we operate. Our permission to continue doing business in these countries may depend on our ability to timely fulfil or remedy any noncompliance with these and other governmental requirements. We may also be subject to the risk that relevant government agencies will be delayed in granting or renewing required approvals, including as a result of shutdowns (such as occurred in certain jurisdictions during the COVID-19 pandemic), cybersecurity incidents or other events. Any lapse, revocation, suspension or delay in approval of our authority to do business in a given jurisdiction may prevent us from serving certain destinations and could adversely impact our business, financial condition and results of operations.

More generally, our industry may be affected by any deterioration in global trade relations, including shifts in the trade policies of individual nations. For example, much of the demand for international air travel is the result of business travel in support of global trade. Should protectionist governmental policies, such as increased tariff or other trade barriers, travel limitations and other regulatory actions, have the effect of reducing global commercial activity, the result could be a material decrease in the demand for international air travel. Additionally, certain of the products and services that we purchase, including certain of our aircraft and related parts, are sourced from suppliers located outside the U.S., and the imposition of new tariffs, or any increase in existing tariffs, by the U.S. government in respect of the importation of such products could materially increase the amounts we pay for them.

We continue to face risks associated with Brexit, notably given the extent of our passenger and cargo traffic and that of our joint business partners that flows through LHR in the United Kingdom. The EU-UK Trade and Cooperation Agreement includes provisions in relation to commercial air service that we expect to be sufficient to sustain our current services under the transatlantic joint business. However, the scope of traffic rights under the EU-UK Trade and Cooperation

Agreement is less extensive than before Brexit and therefore the full impact of the EU-UK Trade and Cooperation Agreement is uncertain. As a result, the continuation of our current services, and those of our partners could be disrupted. Moreover, Brexit has created uncertainty as to the future trade relationship between the EU and the United Kingdom, including air traffic services. LHR is presently a very important element of our international network, however it may become less desirable as a destination or as a hub location after Brexit when compared to other airports in Europe, where we do not have as strong a presence. This could materially adversely affect our business, results of operations and financial condition. The recent change in government in the United Kingdom may lead to new aviation policies that could materially adversely affect our business, results of operations and financial condition.

Brexit has also led to legal and regulatory uncertainty such as new regulatory action and/or potentially divergent treaties, laws and regulations as the United Kingdom determines which EU treaties, laws and regulations to replace or replicate, including those governing aviation, labor, environmental, data protection/privacy, competition and other matters applicable to the provision of air transportation services by us or our alliance, joint business or codeshare partners. The impact on our business of any treaties, laws and regulations that replace the existing EU counterparts, or other governmental or regulatory actions taken by the United Kingdom or the EU in connection with or subsequent to Brexit, cannot be predicted, including whether or not regulators will continue to approve or impose material conditions on our business activities such as the transatlantic joint business. See also *"The airline industry is intensely competitive and dynamic."* Any of these effects, and others we cannot anticipate, could materially adversely affect our business, results of operations and financial condition.

Additionally, fluctuations in foreign currencies, including devaluations, exchange controls and other restrictions on the repatriation of funds, have significantly affected and may continue to significantly affect our operating performance, liquidity and the value of any cash held outside the U.S. in local currency. Such fluctuations in foreign currencies, including devaluations, cannot be predicted by us and can significantly affect the value of our assets located outside the United States. These conditions, as well as any further delays, devaluations or imposition of more stringent repatriation restrictions, may materially adversely affect our business, results of operations and financial condition.

We may be adversely affected by conflicts overseas, terrorist attacks or other acts of violence, domestically or abroad; the travel industry continues to face ongoing security concerns.

Acts of terrorism and other violence, domestically or abroad, or fear of such attacks, including elevated national threat warnings, wars or other military conflicts, may depress air travel, particularly on international routes, and cause declines in revenues and increases in costs. The attacks of September 11, 2001 and continuing terrorist threats, attacks and attempted attacks materially impacted and continue to impact air travel. Increased security procedures introduced at airports since the attacks of September 11, 2001 and any other such measures that may be introduced in the future generate higher operating costs for airlines. The Aviation and Transportation Security Act mandated improved flight deck security, deployment of federal air marshals on-board flights, improved airport perimeter access security, airline crew security training, enhanced security screening of passengers, baggage, cargo, mail, employees and vendors, enhanced training and qualifications of security screening personnel, additional provision of passenger data to the U.S. Customs and Border Protection Agency and enhanced background checks. A concurrent increase in airport security charges and procedures, such as restrictions on carry-on baggage, has also had and may continue to have a disproportionate impact on short-haul travel, which constitutes a significant portion of our flying and revenue. Implementation of and compliance with increasingly complex security and customs requirements will continue to result in increased costs for us and our passengers, and have caused and likely will continue to cause periodic service disruptions and delays. We have at times found it necessary or desirable to make significant expenditures to comply with security-related requirements while seeking to reduce their impact on our customers, such as expenditures for automated security screening lines at airports. As a result of competitive pressure, and the need to improve security screening throughput to support the pace of our operations, it is unlikely that we will be able to capture all security-related costs through increased fares. We cannot forecast what new security requirements may be imposed in the future, or their impact on our business. In addition, avoiding areas of armed conflict or locations inaccessible to us due to geopolitical factors can impact our operations and financial results. For instance, airspace closures or restrictions may require us to alter flight paths or make further operational adjustments, such as changes to preferred diversion locations, thereby increasing the distance, duration and amount of fuel required to operate certain international flights, in particular relative to competitors not subject to these airspace restrictions. Armed conflicts in or affecting international markets we serve could also adversely impact our business by, among other things, depressing demand for travel to certain regions or requiring us to suspend air service to certain destinations. For example, in October 2023, we suspended our service to Tel Aviv, Israel, and cannot predict when, or if, we will be in a position to restore such service. The outbreak or spread of armed conflict could force us to make additional reductions or changes to our service and could result in volatility in oil markets and disruptions to global trade, which could materially increase our costs or impact our supply chains.

We are subject to risks associated with climate change, including increased regulation of our GHG emissions, changing consumer preferences and the potential for increased impacts of severe weather events on our operations and infrastructure.

Efforts to combat climate change have increased the focus by regulators worldwide on the need to reduce greenhouse gas (GHG) emissions, including those from the airline industry. Concerns over GHG emissions have prompted regulators around the world, including but not limited to the EU and UK, to develop ambitious regulations to increase demand and investments in SAF. These mandates are likely to result in further attempts to adopt requirements or change business environments related to aviation that, if successful, may result in increased costs to the airline industry and us. In addition, several countries and U.S. states have adopted or are considering adopting programs, including potentially new taxes, to regulate GHG emissions. In addition, certain airports have proposed, and could in the future adopt, GHG emission or climate-related goals or measures that could impact our operations or require us to make changes or investments in our infrastructure. In particular, the International Civil Aviation Organization (ICAO) has adopted rules, including those pertaining to the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), which will require us to mitigate the growth of GHG emissions associated with a significant majority of our international flights.

At this time, the costs of complying with our future obligations under CORSIA are uncertain, primarily due to significant uncertainty with respect to the future growth of covered GHG emissions, the supply and price of eligible carbon credits and the future development of the market for eligible renewable fuels. Due to the competitive nature of the airline industry and unpredictability of the market for air travel, we can offer no assurance that we may be able to increase our fares, impose surcharges or otherwise increase revenues or decrease other operating costs sufficiently to offset the costs of meeting our obligations under CORSIA.

Due to the uncertainty surrounding the applicability of CORSIA to our operations in the long-term, we and other airlines are increasingly subject to an unpredictable and inconsistent array of national or regional emissions restrictions, creating a patchwork of complex regulatory requirements that could lead to increased expenses related to the emissions of our flights. Furthermore, recent implementation of and potential for other new regulatory initiatives to reduce airline GHG emissions may increase our compliance costs. For more information on these regulatory developments, see "*Environmental Matters*" under Part I, Item 1. Business – "*Domestic and Global Regulatory Landscape"* in our 2023 Form 10-K.

In addition, as part of our emissions reduction goals, we and other airlines have publicly announced long-term targets for the increased use of SAF in our fleet. Currently, industrial production of SAF is small in scale and inadequate to meet growing industry demand, and while additional production capacity is expected to become operational in the coming years, we anticipate that competition for SAF among industry participants will remain intense. As a result, SAF may be significantly more costly than conventional jet fuel. To secure future SAF supply, we have entered into multiple agreements for the purchase of future SAF production, and we continue to engage with producers regarding potential future SAF purchases, which may include investments and other commitments to support these producers. Certain existing or potential future agreements pertain to SAF production from facilities that are planned but not yet financed, and which may utilize technology that has not been proven at commercial scale. There is no assurance that these facilities will be built or that they will meet contracted production timelines and volumes. In the event that the SAF is not delivered on schedule or in sufficient volumes, there can be no assurance that we will be able to source a supply of SAF sufficient to meet our stated goals, or that we will be able to do so on favorable economic terms.

Additionally, growing recognition among consumers of the dangers of climate change may mean some customers choose to fly less frequently or fly on an airline they perceive as operating in a manner that produces fewer GHG emissions. Business customers may choose to use alternatives to travel, such as virtual meetings and workspaces. Greater development of high-speed rail in markets now served by short-haul flights could provide passengers with lower-carbon alternatives to flying with us. Customers may also elect to travel on flights that produce comparatively fewer GHG emissions, particularly after commencement of the EU environmental labelling scheme for flights in 2025. Our collateral to secure loans, in the form of aircraft, airport slots, gates and routes, could lose value as customer demand shifts and economies move to low-carbon alternatives, which may increase our financing cost.

We have published a number of sustainability-related targets and goals, including with respect to reducing our GHG emissions. These goals are often long-term in nature, and in many cases rely on assumptions about the future availability and efficacy of technologies that do not yet exist or are not yet commercially viable. Our ability to meet our publicly stated targets is dependent on a number of factors outside our control, including but not limited to the ability of third parties, such as engine and airframe manufacturers, SAF producers and other industry participants, to timely develop and commercialize these technological solutions. Additionally, we face risks associated with allegations or similar claims that our public statements concerning our sustainability efforts or our advertising campaigns, marketing programs or commercial offerings are exaggerated, unsubstantiated or inconsistent with then-current regulations, sometimes referred to as “greenwashing,” and could be subject to litigation or regulatory enforcement actions challenging the basis for such statements which could be costly and disruptive, whether or not meritorious.

Finally, the potential acute and chronic physical effects of climate change, such as increased frequency and severity of storms, floods, fires, sea-level rise, excessive heat, longer-term changes in weather patterns and other climate-related events, could affect our operations, infrastructure and financial results as well as the safety of our team members. Operational impacts, such as more frequent or widespread flight cancellations, could result in loss of revenue. We could incur significant costs to improve the climate resiliency of our infrastructure and otherwise prepare for, respond to, and mitigate such physical effects of climate change. We are not able to predict accurately the materiality of any potential losses or costs associated with the physical effects of climate change.

We are subject to many forms of environmental and noise regulation and may incur substantial costs as a result.

We are subject to a number of increasingly stringent federal, state, local and foreign laws, regulations and ordinances relating to the protection of human health and the environment and noise reduction, including those relating to emissions to the air, discharges to land and surface and subsurface waters, safe drinking water, and the management of hazardous substances, oils and waste materials. This universe of substances is evolving to encompass many substances not previously regulated. Compliance with environmental laws and regulations can require significant expenditures, and violations can lead to significant fines and penalties, as well as civil liability.

We are also subject to other environmental laws and regulations, including those that require us to investigate and remediate soil or groundwater to meet certain remediation standards. Under federal law, generators of waste materials, and current and former owners or operators of facilities, can be subject to liability for investigation and remediation costs at locations that have been identified as requiring response actions. Liability under these laws may be retroactive, strict, joint and several, meaning that we could be liable for the costs of cleaning up environmental contamination regardless of when it occurred, fault or the amount of waste directly attributable to us. We have liability for investigation and remediation costs at various domestic sites, although such costs currently are not expected to have a material adverse effect on our business.

Governmental authorities in the U.S. and abroad are increasingly focused on potential contamination resulting from the use of certain chemicals, most notably per- and polyfluoroalkyl, substances (PFAS). Products containing PFAS have been used in manufacturing, industrial, and consumer applications over many decades, including those related to aviation. Among other things, recent changes to federal requirements for firefighting foams containing PFAS, as well as related state regulations affecting their use, will require operational and infrastructure changes. In February 2024, the EPA published, for public comment, a new rulemaking to list nine PFAS as hazardous constituents under the Resource Conservation and Recovery Act. In April 2024, the EPA published a final rule designating two PFAS substances (perfluorooctanoic acid and perfluorooctanesulfonic acid) as hazardous substances under the Comprehensive Environmental Response, Compensation, and Liability Act. This new rule requires entities to immediately report current and past releases of such substances that meet or exceed the reportable quantity to EPA’s National Response Center. These rulemakings could require additional oversight and management of PFAS-containing waste. We may incur costs in connection with current and future reporting obligations, costs related to materials management and historic usage and disposal of PFAS-containing materials, transitioning away from the usage of PFAS-containing products and firefighting systems, or remediating any environmental impacts.

We have various leases and agreements with respect to real property, tanks and pipelines with airports and other operators. Under these leases and agreements, we have agreed to indemnify the lessor or operator against environmental liabilities associated with the real property or operations described under the agreement, even in certain cases where we are not the party responsible for the initial event that caused the environmental damage. We also participate in leases with other airlines in fuel consortiums and fuel committees at airports, and such indemnities are generally joint and several among the participating airlines.

Governmental authorities in several U.S. and foreign cities are also considering, or have already implemented, aircraft noise reduction programs, including the imposition of nighttime curfews and limitations on daytime take offs and landings as well as setting an annual flight cap from specific cities. We have been able to accommodate local noise restrictions imposed to date, but our operations could be adversely affected if locally-imposed regulations become more restrictive or widespread. The FAA is also currently evaluating possible changes to how aircraft noise is measured, and the resulting standards that are based on them. Ultimately, these changes could have an impact on, or limit, our operations, or make it more difficult for the FAA to modernize and increase the efficiency of the airspace and airports we utilize.

A high level of pilot retirements, stringent duty time regulations, increased flight hour requirements for commercial airline pilots, reductions in the number of military pilots entering the commercial workforce, increased training requirements and other factors have caused a shortage of pilots that could materially adversely affect our business.

Commencing in 2013, the time and cost commitment required to become licensed to fly commercial aircraft has increased. Additionally, the number of military pilots being trained by the U.S. armed forces and available as commercial pilots upon their retirement from military service has decreased.

These and other factors have contributed to a prolonged shortage of pilots and increased compensation costs. We believe that pilot shortages will remain a problem for the foreseeable future. Our recruitment efforts or other incentives to recruit pilots may not be successful. Our regional airline subsidiaries and other regional partners have been unable to hire adequate numbers of pilots to meet their needs, resulting in a reduction in the number of flights offered, operational disruptions, increased compensation expense and costs of operations, financial difficulties and other adverse effects.

We depend on a limited number of suppliers for aircraft, aircraft engines and parts. Delays in scheduled aircraft deliveries, unexpected grounding of aircraft or aircraft engines whether by regulators or by us, or other loss of anticipated fleet capacity, and failure of new aircraft to receive regulatory approval, be produced or otherwise perform as and when expected, adversely impacts our business, results of operations and financial condition.

We depend on a limited number of suppliers for aircraft, aircraft engines and many aircraft and engine parts. For example, all of our mainline aircraft were manufactured by either Airbus or Boeing and all of our regional aircraft were manufactured by either Bombardier or Embraer. Further, our supplier base continues to consolidate as evidenced by recent transactions involving Airbus and Bombardier and Mitsubishi and Bombardier, and the cessation of production of certain Bombardier regional aircraft that we and our regional partners currently operate in large numbers. Due to the limited number of suppliers, constraints on production capacity, large order books and long production lead times, manufacturers have faced and are expected to continue to face challenges in timely fulfilling our aircraft on order, and we may face competition from other carriers in securing an adequate supply of aircraft in the future. If new aircraft orders are not filled on a timely basis, we could face higher financing and operating costs than planned. The limited number of these suppliers may also result in reduced competition and potentially higher prices than if the supplier base was less concentrated. In addition, we are vulnerable to any problems associated with the performance of these suppliers' obligation to supply key aircraft, parts and engines, including design defects, mechanical problems, contractual performance by suppliers or adverse perception by the public that would result in customer avoidance of any of our aircraft. We may also experience delivery delays with respect to components or equipment that we have contracted to purchase from third-party suppliers (so-called "buyer-furnished equipment") and required for the outfitting of our aircraft. Failure of our suppliers to timely deliver such components or equipment could delay certification of these aircraft and their entry into service, and could prevent us from financing such aircraft, requiring us to pay for new deliveries using cash on hand. If the aircraft we receive do not meet expected performance or quality standards, including with respect to fuel efficiency, safety and reliability, we could also face higher financing and operating costs than planned and our business, results of operations and financial condition could be adversely impacted. We are also subject to the risk that action by the FAA or any other regulatory authority could result in an inability to certify or operate our aircraft, even temporarily. For instance, in March 2019, the FAA ordered the grounding of all Boeing 737 MAX Family aircraft, which remained in place for over a year and was not lifted in the United States until November 2020. An additional grounding of Boeing aircraft occurred in January 2024 involving the Boeing 737-9 MAX, a model that we do not operate. Further, significant limitations imposed on the use of Pratt & Whitney GTF aircraft engines (an engine that we do not use in our fleet) on certain Airbus aircraft have resulted in very significant numbers of the related aircraft being grounded while awaiting refurbished engines. Regulatory concerns raised by the FAA also previously forced Boeing to suspend deliveries of certain 787 aircraft, temporarily resulting in significant reductions to our planned long-haul flying. More generally, we have recently experienced delivery delays across manufacturers due to regulatory matters such as those described above, regulatory restrictions on production rate increases (such as those that the FAA has recently imposed on Boeing 737 production), supply chain limitations, development delays, and other factors, which have created significant challenges in planning our fleet, and the FAA has publicly stated that the restrictions on Boeing's production rate are likely to continue for the foreseeable future. For example, as of the date of this report, due to a strike action affecting certain of its production facilities, Boeing has suspended production of 737 MAX Family aircraft. Depending on the duration of this strike action and the subsequent time period required to reinstate production capacity, certain of our Boeing 737 MAX Family aircraft on order could be delayed, and such delays could be significant. There is also the prospect that new aircraft models will continue to face certification delays further impeding the delivery of new aircraft to the airline industry and increasing competition for the production capacity that is available.

The success of our business depends on, among other things, effectively managing the number and types of aircraft we operate. If, for any reason, we are unable to accept or secure deliveries of new aircraft on contractually scheduled delivery timelines, our business, results of operations and financial condition could be negatively impacted. Our failure to integrate newly purchased aircraft into our fleet as planned might require us to seek extensions of the terms for some leased aircraft or otherwise delay the exit of certain aircraft from our fleet, and in certain cases, may require us to undertake costly refurbishments or maintenance of such aircraft. Such unanticipated extensions or delays, which as noted above have recently been relatively commonplace among manufacturers of commercial aircraft, may require us to operate existing aircraft beyond the point at which it is economically optimal to retire them, resulting in increased maintenance costs, or reductions to our schedule, thereby reducing revenues. Repeated or prolonged delays in the production, delivery or induction of our new aircraft could also require us to scale back our growth plans, reduce frequencies or forgo service entirely to certain markets, which could adversely affect our business, financial condition and results of operations.

We rely heavily on technology and automated systems to operate our business, and any failure of these technologies or systems could harm our business, results of operations and financial condition.

We are highly dependent on existing and emerging technology and automated systems to operate our business. These technologies and systems include but may not be limited to our computerized airline reservation system, flight operations and crew scheduling systems, financial planning, management and accounting systems, telecommunications systems, website, maintenance systems and check-in kiosks. In order for our operations to work efficiently, our website and reservation system must be able to accommodate a high volume of traffic, maintain secure information and deliver flight information, as well as issue electronic tickets and process critical financial information in a timely manner. Substantially all of our tickets are issued to passengers as electronic tickets. We depend on our reservation system, which is hosted and maintained under a long-term contract by a third-party service provider, to be able to issue, track and accept these electronic tickets. If our technologies or automated systems are not functioning or if our third-party service providers were to fail to adequately provide technical support, system maintenance or timely software upgrades for any one of our key existing systems, we could experience service disruptions or delays, which could harm our business and result in the loss of important data, increase our expenses and decrease our revenues. Furthermore, certain critical aspects of our operation rely on legacy technological systems which may grow more difficult or expensive to support and maintain over time, and such systems may fail to perform as required or become more vulnerable to malfunction or failure over time. In the event that one or more of our primary technology or systems vendors goes into bankruptcy, ceases operations or fails to perform as promised, replacement services may not be readily available on a timely basis, at competitive rates or at all, and any transition time to a new system may be significant.

Our aircraft employ a number of sophisticated radio and satellite-based navigation and safety technologies, and we are subject to risks associated with the introduction or expansion of technologies that could interfere with the safe operation of these flight systems. For example, telecommunications companies are expanding and increasing the commercial and consumer applications of 5G cellular communication networks, and regulators, manufacturers and operators have expressed concerns that certain 5G applications could interfere with certain flight systems. In December 2021, the FAA issued a special airworthiness information bulletin (SAIB), in which it indicated that further testing and assessment is needed regarding the effects of 5G on certain aircraft equipped with radar altimeters, which measure the aircraft's altitude and guide pilots during landings. While the FAA and the telecommunications industry reached an agreement to delay the full implementation of 5G deployment near airports until 2028, there could be future impacts once the current agreement expires. Additionally, there has been an increase in the reported use of jamming or "spoofing" technologies by bad actors intended to disrupt the operation of GPS navigation and other flight systems by relaying fake or erroneous flight information and signals to crews. These technologies could pose risks to the safe operation of aircraft by diverting pilots' attention and potentially resulting in operational disruptions.

Our technologies and automated systems are not completely protected against events that are beyond our control, including natural disasters, power failures, terrorist attacks, cyberattacks, data theft, defects, errors, equipment and software failures, computer viruses or telecommunications failures. For example, the CrowdStrike-caused systems outage in July 2024 significantly impacted airline operations, including our own, and forced several carriers to ground flights for a prolonged period and incur significant costs associated with reaccommodating and compensating affected passengers. When service interruptions occur as a result of any of the aforementioned events, we address them in accordance with applicable laws, rules and regulations. However, substantial or sustained system failures could cause service delays or failures and result in our customers purchasing tickets from other airlines. We cannot assure that our security measures, change control procedures or disaster recovery plans are adequate to prevent disruptions or delays. Disruption in or changes to these technologies or systems could result in a disruption to our business and the loss of important data. Any of the foregoing could result in a material adverse effect on our business, results of operations and financial condition.

Evolving data privacy requirements (in particular, compliance with applicable federal, state and foreign laws relating to handling of personal information about individuals) could increase our costs, and any significant data privacy incident could disrupt our operations, harm our reputation, expose us to legal risks and otherwise materially adversely affect our business, results of operations and financial condition.

In the normal course of our business, we collect, process, use and disclose personal information about individuals and rely on third party service providers to host or otherwise process personal information. Many federal, state and foreign governmental bodies and agencies have adopted, or are considering adopting, laws and regulations that impose limits on the collection, processing, use, disclosure and security of personal information about individuals. In some cases, such laws and regulations can be enforced by private parties in addition to government entities. In addition, privacy advocacy and industry groups may propose new and different self-regulatory standards or guidance that may legally or contractually apply to us and our vendors. These non-uniform laws, regulations, standards and guidance are complex and currently evolving and can be subject to significant change and interpretation, and may be inconsistently applied and enforced from one jurisdiction to another.

Our business requires the secure processing and storage of personal information relating to our customers, employees, business partners and others, and other data such as confidential information. However, like any global enterprise operating in today’s digital business environment, we and our third party service providers have experienced cybersecurity incidents and data breaches. We react and respond to these cybersecurity incidents in accordance with the applicable legal requirements, our own cybersecurity protocols, as well as our commercial partners’ standards (as appropriate), but we cannot ensure that our responses (or those of our partners and service providers) will be sufficient to prevent or mitigate the potential adverse impacts of these cybersecurity incidents, which may be material.

There has been heightened legislative and regulatory focus on data privacy and cybersecurity in the U.S., EU, U.K., China and elsewhere, particularly with respect to critical infrastructure providers, including those in the transportation sector. For example, in March 2024, the DOT launched a privacy review of the ten largest U.S. airlines’ collection, handling, maintenance and use of passengers’ personal information, indicating the DOT may seek to increase its regulation, investigation, and enforcement of airlines’ privacy practices, including ours. As a result, we must comply with a proliferating and fast-evolving set of legal requirements in this area, including substantive data privacy and cybersecurity standards as well as requirements for notifying regulators and affected individuals in the event of a cybersecurity incident. In addition, we are subject to an increasing number of reporting obligations in respect of certain cybersecurity incidents. These reporting requirements have been proposed or implemented by a number of regulators in different jurisdictions, may vary in their scope and application, and could contain conflicting requirements. Certain of these rules and regulations may require us to report a cybersecurity incident before we have been able to fully assess its impact or remediate the underlying issue. Efforts to comply with such reporting requirements could divert management’s attention from our cybersecurity incident response and could potentially reveal system vulnerabilities to threat actors. Failure to timely report cybersecurity incidents under these rules could also result in regulatory investigations, litigation, monetary fines, sanctions, or subject us to other forms of liability. Even though we believe we and our third party service providers are generally in compliance with applicable laws, rules and regulations relating to privacy and data security, the regulatory environment is increasingly challenging as data privacy and cybersecurity laws, rules, regulations, industry standards and other requirements are continually developing. These changing requirements, along with their evolving application, interpretation, and amendment, may present material obligations and risks to our business, including significantly expanded compliance burdens, costs and enforcement risks.

In addition, many of our commercial partners, including credit card companies, have imposed data security standards that we must meet. In particular, we are required by the Payment Card Industry Security Standards Council, founded by the credit card companies, to comply with their highest level of data security standards (the Payment Card Industry Data Security Standard (PCI DSS)). While we and our service providers continue our efforts to meet these standards, new and revised standards may be imposed that may be difficult for us to meet and could increase our costs, and if we are unable to comply with revised standards, we may be subject to fines, restrictions or other liability, which could materially and adversely affect our business. Moreover, it is not guaranteed that PCI DSS compliance will prevent illegal or improper use of our payment systems or the theft, loss or misuse of payment card data or transaction information.

Litigation, claims and enforcement related to data privacy, biometrics and other provisions of state privacy laws may involve new interpretations of privacy laws. There has also been a noticeable uptick in class actions in the U.S. wherein plaintiffs have utilized a variety of laws, including state wiretapping laws, in relation to companies' use of tracking technologies, such as cookies and pixels. Compliance with these laws and regulations may be inconsistent from jurisdiction to jurisdiction, increasing the cost of compliance and our risk of liability from litigation. Any litigation, claims or enforcement actions to which we are or become a party could potentially result in substantial monetary damages or fines, and negative reputational impacts that cause us to lose existing or future customers, which could materially adversely affect our business, results of operations and financial condition.

We are exposed to risks from cyberattacks, and any cybersecurity incidents involving us, our third-party service providers, or one of our AAdvantage partners or other business partners, could materially adversely affect our business, results of operations and financial condition.

Significant cybersecurity incidents involving us, our third-party service providers, or one of our AAdvantage partners or other business partners, have in the past and may in the future result in a range of potentially material negative consequences for us, including unauthorized access to, disclosure, modification, misuse, loss or destruction of company systems or data; theft of sensitive, regulated or confidential data, such as personal information or our intellectual property; the loss of functionality of critical systems through ransomware, denial of service or other cyberattacks; a diminished ability to retain or attract new customers; a deterioration in our relationships with business partners and other third parties; interruptions or failures in our payment related systems; and business delays, service or system disruptions, damage to equipment and injury to persons or property. The methods used to obtain unauthorized access, disable or degrade service or sabotage systems are constantly evolving and may be difficult to anticipate or to detect for long periods of time. The constantly changing nature of the threats means that we cannot and have not been able to prevent all data security breaches or misuse of data, and there is a risk that our security measures will not be fully effective in the future. Similarly, we depend on the ability of our key commercial partners, including AAdvantage partners, other business partners, our regional carriers, distribution partners and technology vendors, to conduct their businesses in a manner that complies with applicable security standards and assures their ability to perform on a timely basis. A security failure, including a failure to meet PCI DSS requirements, breach or other significant cybersecurity incident affecting one of our partners, interruptions or failures in our payment related systems, could result in potentially material negative consequences for us, including loss of critical data, service interruptions, delays in operations, and the potential for fines, restrictions and expulsion from card acceptance programs. In addition, we use third party service providers to help us deliver services to customers. These service providers may store personal information, credit card information and/or other confidential information. Such information has been and will be the target of unauthorized access or subject to security breaches because of third-party action, employee error, malfeasance or otherwise. Any of these could (a) result in the loss of information, litigation, indemnity obligations, expensive and inconsistent cybersecurity incident and data breach notification requirements, damage to our reputation, regulatory scrutiny, and other liability, or (b) have a material adverse effect on our business, financial condition and results of operations.

The threat of cybersecurity incidents continues to increase as the frequency, intensity and sophistication of cyberattacks and intrusions increase around the world. Diverse threat actors, such as state-sponsored organizations, opportunistic hackers and hacktivists, as well as diverse attack vectors such as social engineering/phishing, malware (including ransomware), malfeasance by insiders, human or technological error, denial of service attacks or exploitation of vulnerabilities, threaten the confidentiality, integrity, and availability of our and our third party service providers' information systems, personal information and confidential information. Geopolitical issues also continue to increase our cybersecurity risk and potential for cybersecurity incidents, for example, the conflict involving Russia and Ukraine, which has resulted in a heightened risk of cyberattacks against companies like ours that have operations, vendors and/or supply chain providers located in or around the region of conflict or are otherwise related to the conflict. Despite ongoing efforts to maintain and improve the security of our information systems and digital information, individuals, including employees, contractors, and external threat actors, may be able to circumvent the security measures we put in place, and we may be unable to anticipate new techniques used for these attacks and intrusions, such as the use of artificial intelligence applications, and implement adequate preventative measures. We, our business partners and service providers have been the target of cybersecurity attacks in the past and expect that we, our business and service partners, will continue to experience cybersecurity incidents in the future.

The costs and operational consequences of defending against, preparing for, responding to and remediating a cybersecurity incident are substantial. As cybersecurity incidents become more frequent, intense and sophisticated, costs of proactive defense measures are increasing. Further, we could be exposed to litigation, regulatory enforcement or other legal action as a result of an incident, carrying the potential for damages, fines, sanctions or other penalties, as well as injunctive relief and enforcement actions requiring costly compliance measures. A significant number of recent data privacy and cybersecurity incidents, including those involving other large airlines, have resulted in very substantial adverse financial consequences to those companies. A cybersecurity incident could also impact our brand, including that of the AAdvantage program, harm our reputation and adversely impact our relationship with our customers, employees and stockholders. The increased regulatory focus on data privacy practices apart from how personal information is secured, such as how personal information is collected, used for marketing purposes, and shared with third parties, also may require changes to our processes and increase compliance costs. There is also an increased risk to our business in the event of a significant cybersecurity or data privacy violation, including additional compliance costs, reputational harm, disruption to the manner in which we provide our services, including the geographies we service, and being subject to complaints and/or regulatory investigations, significant monetary liability, fines, penalties, regulatory enforcement, individual or class action lawsuits, public criticism, loss of customers, loss of goodwill or other additional liabilities, such as claims by industry groups or other third parties. Accordingly, failure to appropriately address data privacy and cybersecurity issues could result in material financial and other liabilities and cause significant reputational harm to our company.

We rely on third-party distribution channels and must effectively manage the costs, rights and functionality of these channels.

While our priority is to migrate an increasing portion of our customers to our modern, direct distribution channels in lieu of third party channels, we continue to rely on third-party distribution channels, including those provided by or through global distribution systems (GDSs) (e.g., Amadeus, Sabre and Travelport), conventional travel agents, travel management companies and online travel agents (OTAs) (e.g., Expedia, including its booking sites Orbitz and Travelocity, and Booking Holdings, including its booking sites Kayak and Priceline), to distribute a significant portion of our airline tickets, and we expect in the future to continue to rely on these channels. We are also dependent upon the ability and willingness of these distribution channels to expand their ability to distribute and collect revenues for ancillary products (e.g., fees for selective seating). These distribution channels are more expensive and at present have less functionality in respect of ancillary product offerings than those we operate ourselves, such as our website at *www.aa.com*. Certain of these distribution channels also effectively restrict the manner in which we distribute our products generally.

To remain competitive, we will need to manage successfully our distribution costs and rights, increase our distribution flexibility, continue to migrate the distribution of tickets to our proprietary and other modern distribution channels, and improve the functionality of our distribution channels, while maintaining an industry-competitive cost structure and a high level of customer satisfaction. Further, as distribution technology changes, we will need to continue to update our technology by acquiring new technology from third parties, building the functionality ourselves, or a combination, which in any event will likely entail significant technological and commercial risk and involve potentially material investments. These imperatives may affect our relationships with conventional travel agents, travel management companies, GDSs and OTAs, including if consolidation of conventional travel agents, travel management companies, GDSs or OTAs continues, or should any of these parties seek to acquire other technology providers thereby potentially limiting our technology alternatives. For example, as previously reported, during the second quarter of 2024 we concluded that certain commercial initiatives designed to, among other things, migrate customers to our modern, direct distribution channels contributed to softness in customer bookings relative to our expectations, and we reversed many of these measures late in the quarter. Any inability to manage our third-party distribution costs, rights and functionality at a competitive level or any material diminishment or disruption in the distribution of our tickets could have a material adverse effect on our business, results of operations and financial condition.

If we are unable to obtain and maintain adequate facilities and infrastructure throughout our system and, at some airports, adequate slots, we may be unable to operate our existing flight schedule and to expand or change our route network in the future, which may have a material adverse impact on our operations.

In order to operate our existing and proposed flight schedule and, where desirable, add service along new or existing routes, we must be able to maintain and/or obtain adequate gates, check-in counters, operations areas, operations control facilities and administrative support space. As airports around the world become more congested, it may not be possible for us to ensure that our plans for new service can be implemented in a commercially viable manner, given operating constraints at airports throughout our network, including those imposed by inadequate facilities at desirable airports.

In light of constraints on existing facilities, there is presently a significant amount of capital spending underway at major airports in the United States, including large projects underway at a number of airports where we have significant operations, such as O'Hare International Airport, Dallas/Fort Worth International Airport, Charlotte Douglas International Airport and Los Angeles International Airport. More generally, following long periods of underinvestment, there is a trend among airports in the United States to engage in significant, expensive expansion, remodeling and infrastructure improvement projects. This spending is expected to result in increased costs to airlines and the traveling public that use those facilities as the airports seek to recover their investments through increased rental, landing and other facility costs. In some circumstances, such costs could be imposed by the relevant airport authority without our approval. Accordingly, our operating costs are expected to increase significantly at many airports at which we operate, including a number of our hubs and gateways, as a result of capital spending projects currently underway and additional projects that we expect to commence over the next several years. Escalating airport costs, especially at one of our major hubs, could also force us to revise our growth plans or redirect flying to more cost-effective airports.

In addition, operations at three major domestic airports, certain smaller domestic airports and many foreign airports we serve are regulated by governmental entities through allocations of slots or similar regulatory mechanisms that limit the rights of carriers to conduct operations at those airports. Each slot represents the authorization to land at or take off from the particular airport during a specified time period and may impose other operational restrictions as well. In the U.S., the DOT and the FAA currently regulate the allocation of slots or slot exemptions at Ronald Reagan Washington National Airport (DCA) and two New York City airports: John F. Kennedy International Airport and LaGuardia Airport (LGA). Our operations at these airports generally require the allocation of slots or similar regulatory authority. In addition to slot restrictions, operations at DCA and LGA are also limited based on a so-called "perimeter rule" which generally limits the stage length of the flights that can be operated from those airports to 1,250 and 1,500 miles, respectively. Similarly, our operations at LHR, international airports in Frankfurt, Paris, Tokyo and other airports outside the U.S. are regulated by local slot authorities pursuant to the International Airline Trade Association Worldwide Scheduling Guidelines and/or applicable local law. Termination of slot controls or other operational restrictions at some or all of the foregoing airports could affect our operational performance and competitive position. We currently have sufficient slots or analogous authorizations to operate our existing flights and we have generally, but not always, been able to obtain the rights to expand our operations and to change our schedules. However, there is no assurance that we will be able to obtain sufficient slots or analogous authorizations in the future or as to the cost of acquiring such rights because, among other reasons, such allocations are often sought after by other airlines and are subject to changes in governmental policies. During periods of reduced demand for air travel, such as during the COVID-19 pandemic, we presently and may in the future rely on exemptions granted by applicable authorities from the requirement that we continuously use certain slots, gates and routes or risk having such operating rights revoked, and depending on the applicable authority these exemptions can vary in the way they are structured and applied. We cannot predict whether such exemptions will be made available, whether they will be granted on the same or similar terms as in past instances, or whether we ultimately could be at risk of losing valuable operating rights. If we are forced to surrender slots or other rights, we may be unable to provide our desired level of service to or from certain destinations in the future. We cannot provide any assurance that regulatory changes resulting in changes in the application of slot controls or the allocation of or any reallocation of existing slots, the continued enforcement or termination of a perimeter rule or similar regulatory regime will not have a material adverse impact on our operations.

Our ability to provide service can also be impaired at airports where the airport gates and other facilities are currently inadequate to accommodate all of the service that we would like to provide, or where we have no access to gates at all.

Any limitation on our ability to acquire or maintain adequate gates, ticketing facilities, operations areas, operations control facilities, slots (where applicable), or office space could have a material adverse effect on our business, results of operations and financial condition.

Interruptions or disruptions in service at one of our key facilities could have a material adverse impact on our operations.

We operate principally through our hubs in Charlotte, Chicago, Dallas/Fort Worth, Los Angeles, Miami, New York, Philadelphia, Phoenix and Washington, D.C. and partner gateways including London Heathrow (among others). Substantially all of our flights either originate at or fly into one of these locations. A significant interruption or disruption in service at one of our hubs, gateways or other airports where we have a significant presence, resulting from air traffic control delays, weather conditions, natural disasters, growth constraints, performance by third-party service providers (such as electric utility or telecommunications providers), failure of computer systems, disruptions at airport facilities or other key facilities used by us to manage our operations (including as a result of social or environmental activism), labor relations, power supplies, fuel supplies, terrorist activities, or otherwise could result in the cancellation or delay of a significant portion of our flights and, as a result, could have a severe impact on our business, results of operations and financial condition. We have limited control, particularly in the short term, over the operation, quality or maintenance of many of the services on which our operations depend and over whether vendors of such services will improve or continue to provide services that are essential to our business.

Increases in insurance costs or reductions in insurance coverage may adversely impact our operations and financial results.

The terrorist attacks of September 11, 2001 led to a significant increase in insurance premiums and a decrease in the insurance coverage available to commercial air carriers. Accordingly, our insurance costs increased significantly, and our ability to continue to obtain insurance even at current prices remains uncertain. The occurrence or persistence of certain events, including armed conflicts, could also impact our ability to obtain commercial insurance coverage against certain risks, or to obtain such insurance on commercially acceptable terms. If we are unable to maintain adequate insurance coverage or to secure suitable alternatives outside the commercial insurance markets, our business could be materially and adversely affected. Additionally, severe disruptions in the domestic and global financial markets could adversely impact the claims paying ability of some insurers. Future downgrades in the ratings of enough insurers could adversely impact both the availability of appropriate insurance coverage and its cost. Because of competitive pressures in our industry, our ability to pass along additional insurance costs to passengers is limited. As a result, further increases in insurance costs or reductions in available insurance coverage could have an adverse impact on our financial results.

The airline industry is heavily taxed.

The airline industry is subject to extensive government fees and taxation that negatively impact our revenue and profitability. The U.S. airline industry is one of the most heavily taxed of all industries. These fees and taxes have grown significantly in the past decade for domestic flights, and various U.S. fees and taxes also are assessed on international flights. For example, as permitted by federal legislation, most major U.S. airports impose a per-passenger facility charge on us. In addition, the governments of foreign countries in which we operate impose on U.S. airlines, including us, various fees and taxes, and these assessments have been increasing in number and amount in recent years. Moreover, we are obligated to collect a federal excise tax, commonly referred to as the "ticket tax," on domestic and international air transportation. We collect the excise tax, along with certain other U.S. and foreign taxes and user fees on air transportation (such as passenger security fees), and pass along the collected amounts to the appropriate governmental agencies. Although these taxes and fees are not our operating expenses, they represent an additional cost to our customers. There are continuing efforts in Congress and in other countries to raise different portions of the various taxes, fees, and charges imposed on airlines and their passengers, including the passenger facility charge, and we may not be able to recover all of these charges from our customers. Increases in such taxes, fees and charges could negatively impact our business, results of operations and financial condition.

Under DOT regulations, all governmental taxes and fees must be included in the prices we quote or advertise to our customers. Due to the competitive revenue environment, many increases in these fees and taxes have been absorbed by the airline industry rather than being passed on to the customer. Further increases in fees and taxes may reduce demand for air travel, and thus our revenues.

Risks Related to Ownership of AAG Common Stock and Convertible Notes

The price of AAG common stock has been and may in the future be volatile.

The market price of AAG common stock has fluctuated substantially in the past, and may fluctuate substantially in the future, due to a variety of factors, many of which are beyond our control, including:

- the effects of external events, such as the COVID-19 pandemic, on our business or the U.S. and global economies;
- macro-economic conditions, including the price of fuel;
- changes in market values of airline companies as well as general market conditions;
- our operating and financial results failing to meet the expectations of securities analysts or investors;
- changes in financial estimates or recommendations by securities analysts;
- changes in our level of outstanding indebtedness and other obligations;
- changes in our credit ratings;
- material announcements by us or our competitors;

- expectations regarding any future capital deployment program, including share repurchase programs and any future dividend payments that may be declared by our Board of Directors, or any subsequent determination to cease repurchasing stock or paying dividends;
- new regulatory pronouncements and changes in regulatory guidelines;
- general and industry-specific economic conditions;
- changes in our key personnel;
- inclusion of our common stock in broad market indexes favored by passive investors;
- investor preferences to invest in certain sectors, including large technology companies in lieu of industrial or transportation companies;
- public or private sales of a substantial number of shares of AAG common stock or issuances of AAG common stock upon the exercise or conversion of restricted stock unit awards, stock appreciation rights, or other securities that may be issued from time to time, including warrants we have issued in connection with our receipt of funds under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), Subtitle A of Title IV of Division N of the Consolidated Appropriations Act, 2021 (the PSP Extension Law) and the American Rescue Plan Act of 2021 (ARP);
- increases or decreases in reported holdings by insiders or other significant stockholders;
- fluctuations in trading volume; and
- technical factors in the public trading market for our stock that may produce price movements that may or may not comport with macro, industry or company-specific fundamentals, including, without limitation, the sentiment of retail investors (including as may be expressed on financial trading and other social media sites), the amount and status of short interest in our securities, access to margin debt, trading in options and other derivatives on our common stock and any related hedging and other technical trading factors.

The closing price of our common stock on the Nasdaq Global Select Market varied from $10.92 to $18.80 during 2023 and $9.26 to $15.68 during 2024 year-to-date through October 18, 2024. At times, fluctuations in our stock price have been rapid, imposing risks on investors due to the possibility of significant, short-term price volatility. While we believe that in recent years this wide range of trading prices has largely reflected the changing prospects for a large airline facing the challenges imposed by the COVID-19 pandemic, we also believe, based in part on the commentary of market analysts, that the trading price of our common stock has at times been influenced by the technical trading factors discussed in the last bullet above. On some occasions, market analysts have explained fluctuations in our stock price by reference to purported "short squeeze" activity. A "short squeeze" is a technical market condition that occurs when the price of a stock increases substantially, forcing market participants who had taken a position that its price would fall (i.e., who had sold the stock "short"), to buy it, which in turn may create significant, short-term demand for the stock not for fundamental reasons, but rather due to the need for such market participants to acquire the stock in order to forestall the risk of even greater losses. A "short squeeze" condition in the market for a stock can lead to short-term conditions involving very high volatility and trading that may or may not track fundamental valuation models.

If we decide to make repurchases of or pay dividends on our common stock, we cannot guarantee that we will continue to do so or that such a capital deployment program will enhance long-term stockholder value.

If we determine to make any share repurchases in the future, such repurchases may be made through a variety of methods, which may include open market purchases, privately negotiated transactions, block trades or accelerated share repurchase transactions. Our future repurchases of AAG common stock, if any, may be limited, suspended or discontinued at any time at our discretion and without prior notice.

If we determine to make any dividends in the future, such dividends that may be declared and paid from time to time will be subject to market and economic conditions, applicable legal requirements and other relevant factors. The amount and timing of any future dividends, if any, may vary, and the payment of any dividend does not assure that we will pay dividends in the future.

In addition, any future repurchases of AAG common stock or payment of dividends, or any determination to cease repurchasing stock or paying dividends, could affect our stock price and increase its volatility. The existence of a future share repurchase program and any future dividends could cause our stock price to be higher than it would otherwise be and could potentially reduce the market liquidity for our stock. Additionally, any future repurchases of AAG common stock or payment of dividends will diminish our cash reserves, which may impact our ability to finance future growth and to pursue possible future strategic opportunities and acquisitions. Further, our repurchase of AAG common stock may fluctuate such that our cash flow may be insufficient to fully cover our share repurchases. We generally are subject to an excise tax on the fair market value of AAG common stock repurchased (less the fair market value of AAG common stock issued and subject to certain adjustments and exceptions) during any year after December 31, 2022. Although our share repurchase programs are intended to enhance long-term stockholder value, there is no assurance that they will do so.

AAG's Certificate of Incorporation, Bylaws and Tax Benefit Preservation Plan include provisions that limit voting and acquisition and disposition of our equity interests and specify an exclusive forum for certain stockholder disputes.

Our Certificate of Incorporation and Bylaws include significant provisions that limit voting and ownership and disposition of our equity interests as described in Part II, Item 5. Market for American Airlines Group's Common Stock, Related Stockholder Matters and Issuer Purchases of Equity Securities – "*Ownership Restrictions*" in our 2023 Form 10-K and AAG's Description of the Registrants' Securities Registered Pursuant to Section 12 of the Exchange Act, which is filed as Exhibit 4.1 to our 2023 Form 10-K. Further restrictions are set forth in our Tax Benefit Preservation Plan, which was filed as Exhibit 4.1 to AAG's Current Report on Form 8-K filed on December 22, 2021. These restrictions may adversely affect the ability of certain holders of AAG common stock and our other equity interests to vote such interests and adversely affect the ability of persons to acquire shares of AAG common stock and our other equity interests.

Our Certificate of Incorporation also specifies that the Court of Chancery of the State of Delaware shall be the exclusive forum for substantially all disputes between us and our stockholders. Because the applicability of the exclusive forum provision is limited to the extent permitted by applicable law, we do not intend for the exclusive forum provision to apply to suits brought to enforce any duty or liability created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction, and acknowledge that federal courts have concurrent jurisdiction over all suits brought to enforce any duty or liability created by the Securities Act of 1933 (Securities Act). We note that there is uncertainty as to whether a court would enforce the provision as it applies to the Securities Act and that investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder. This provision may have the effect of discouraging lawsuits against our directors and officers.

Certain provisions of AAG's Certificate of Incorporation and Bylaws make it difficult for stockholders to change the composition of our Board of Directors and may discourage takeover attempts that some of our stockholders might consider beneficial.

Certain provisions of our Certificate of Incorporation and Bylaws, as currently in effect, may have the effect of delaying or preventing changes in control if our Board of Directors determines that such changes in control are not in our best interest and the best interest of our stockholders. These provisions include, among other things, the following:

- advance notice procedures for stockholder proposals to be considered at stockholders' meetings;
- the ability of our Board of Directors to fill vacancies on the board;
- a prohibition against stockholders taking action by written consent;
- stockholders are restricted from calling a special meeting unless they hold at least 20% of our outstanding shares and follow the procedures provided for in the amended Bylaws;
- a requirement that holders of at least 80% of the voting power of the shares entitled to vote in the election of directors approve any amendment of our Bylaws submitted to stockholders for approval; and
- super-majority voting requirements to modify or amend specified provisions of our Certificate of Incorporation.

These provisions are not intended to prevent a takeover, but are intended to protect and maximize the value of the interests of our stockholders. While these provisions have the effect of encouraging persons seeking to acquire control of our company to negotiate with our Board of Directors, they could enable our Board of Directors to prevent a transaction that some, or a majority, of our stockholders might believe to be in their best interest and, in that case, may prevent or discourage attempts to remove and replace incumbent directors. In addition, we are subject to the provisions of

Section 203 of the Delaware General Corporation Law, which prohibits business combinations with interested stockholders. Interested stockholders do not include stockholders whose acquisition of our securities is approved by the Board of Directors prior to the investment under Section 203.

The issuance or sale of shares of our common stock or rights to acquire shares of our common stock could depress the trading price of our common stock and the Convertible Notes.

We may conduct future offerings of material amounts of our common stock, preferred stock or other securities that are convertible into or exercisable for our common stock to finance our operations, to fund acquisitions, or for any other purposes at any time and from time to time. Further, additional shares of our common stock may be issued in connection with the exercise of warrants originally issued by AAG to the U.S. Department of Treasury and/or the conversion of the 6.50% convertible senior notes due 2025 (the Convertible Notes). If these additional shares or securities are issued or sold, or if it is perceived that they will be sold, the trading price of our common stock and the Convertible Notes could decline substantially. If we issue additional shares of our common stock or rights to acquire shares of our common stock, if any of our existing stockholders sells a substantial amount of our common stock, or if the market perceives that such issuances or sales may occur, then the trading price of our common stock and the Convertible Notes could decline substantially.

ITEM 5. OTHER INFORMATION

Securities Trading Plans of Directors and Executive Officers

On August 23, 2024, Robert D. Isom, Chief Executive Officer and President, adopted a Rule 10b5-1 trading agreement that is intended to satisfy the affirmative defense of Rule 10b5-1(c) for the sale of up to 150,000 shares of AAG's common stock until June 30, 2025.

Other than noted above, during the quarter ended September 30, 2024 none of our directors or executive officers adopted or terminated any contract, instruction or written plan for the purchase or sale of AAG securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement."

Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year

On July 24, 2024, the Board of Directors of AAG voted to adopt the Fourth Amended and Restated Bylaws (as amended prior to the date hereof, the "A&R Bylaws"), which became effective immediately upon adoption. The A&R Bylaws amend and restate AAG's previously existing bylaws in their entirety to, among other things, (i) remove certain informational requirements concerning stockholders seeking to nominate directors and bring matters before an annual meeting, (ii) narrow the scope of persons that the information set forth in (i) must be provided for and (iii) implement technical amendments to the procedures of preparing for, holding and adjourning a meeting of stockholders. The foregoing is qualified in its entirety by reference to the text of the A&R Bylaws, a copy of which was filed as Exhibit 3.1 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2024.

ITEM 6. EXHIBITS

Exhibits required to be filed by Item 601 of Regulation S-K: Where the amount of securities authorized to be issued under any of our long-term debt agreements does not exceed 10% of our assets, pursuant to paragraph (b)(4) of Item 601 of Regulation S-K, in lieu of filing such as an exhibit, we hereby agree to furnish to the Commission upon request a copy of any agreement with respect to such long-term debt.

Exhibit Number	Description
10.1	Seventh Amendment to Amended and Restated Credit and Guaranty Agreement, dated as of February 15, 2023, amending the Amended and Restated Credit and Guaranty Agreement, dated as of May 21, 2015, among American Airlines, Inc., American Airlines Group Inc., the lenders from time to time party thereto and Barclays Bank PLC, as administrative agent.*
10.2	Eighth Amendment to Amended and Restated Credit and Guaranty Agreement, dated as of March 13, 2023, amending the Amended and Restated Credit and Guaranty Agreement, dated as of May 21, 2015, among American Airlines, Inc., American Airlines Group Inc., the lenders from time to time party thereto and Barclays Bank PLC, as administrative agent.*
10.3	Sixth Amendment to Credit and Guaranty Agreement, dated as of March 13, 2023, amending the Credit and Guaranty Agreement, dated as of April 29, 2016, among American Airlines, Inc. as borrower, American Airlines Group Inc., as parent and guarantor, the lenders party thereto, and Barclays Bank PLC, as administrative agent.*
10.4	Ninth Amendment to the Amended and Restated Credit and Guaranty Agreement, dated as of March 13, 2023, amending the Amended and Restated Credit and Guaranty Agreement, dated as of April 20, 2015, among American Airlines, Inc., American Airlines Group Inc., the lenders from time to time party thereto, Citibank N.A., as administrative agent, and certain other parties thereto.*
10.5	Supplemental Agreement No. 33 to Purchase Agreement No. 03735, dated as of August 21, 2024, between The Boeing Company and American Airlines, Inc. Relating to Boeing Model 737 MAX Aircraft*
31.1	Certification of AAG Chief Executive Officer pursuant to Rule 13a-14(a).
31.2	Certification of AAG Chief Financial Officer pursuant to Rule 13a-14(a).
31.3	Certification of American Chief Executive Officer pursuant to Rule 13a-14(a).
31.4	Certification of American Chief Financial Officer pursuant to Rule 13a-14(a).
32.1	AAG Certification pursuant to Rule 13a-14(b) and section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code).
32.2	American Certification pursuant to Rule 13a-14(b) and section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code).
101.1	Interactive data files pursuant to Rule 405 of Regulation S-T, formatted in Inline XBRL (eXtensible Business Reporting Language).
104.1	Cover page interactive data file (formatted in Inline XBRL and contained in Exhibit 101.1).

* Portions of this exhibit have been omitted in accordance with Item 601(b)(10) of Regulation S-K.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

American Airlines Group Inc.

Date: October 24, 2024 By: /s/ Devon E. May
Devon E. May
Executive Vice President and Chief Financial Officer
(Duly Authorized Officer and Principal Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

American Airlines, Inc.

Date: October 24, 2024 By: /s/ Devon E. May
Devon E. May
Executive Vice President and Chief Financial Officer
(Duly Authorized Officer and Principal Financial Officer)