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.

Table of Contents

(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,		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	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,		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

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.