

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): July 20, 2023

AMERICAN AIRLINES GROUP INC.
AMERICAN AIRLINES, INC.

(Exact name of registrant as specified in its charter)

Delaware
Delaware

(State or other Jurisdiction of Incorporation)

1-8400
1-2691

(Commission File Number)

75-1825172
13-1502798

(IRS Employer Identification No.)

1 Skyview Drive, Fort Worth, Texas
1 Skyview Drive, Fort Worth, Texas

(Address of principal executive offices)

76155
76155

(Zip Code)

Registrant's telephone number, including area code:

(682) 278-9000
(682) 278-9000

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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 is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 or Rule 12b-2 of the Securities Exchange Act of 1934.

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.

ITEM 2.02. RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

On July 20, 2023, American Airlines Group Inc. (the Company, we, us and our) issued a press release reporting financial results for the three and six months ended June 30, 2023. The press release is furnished as Exhibit 99.1 to this report.

ITEM 7.01. REGULATION FD DISCLOSURE.

On July 20, 2023, the Company provided a presentation to investors. This investor presentation is located on the Company's website at www.aa.com under "Investor Relations" and is furnished as Exhibit 99.2 to this report.

Also on July 20, 2023, the Company provided an update for investors presenting information relating to its financial and operational outlook for the third quarter and full year 2023. This investor update is located on the Company's website at www.aa.com under "Investor Relations" and is furnished as Exhibit 99.3 to this report.

The information in Items 2.02 and 7.01 of this Current Report on Form 8-K, including Exhibits 99.1, 99.2 and 99.3, is being furnished and shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section and shall not be deemed incorporated by reference into any registration statement or other document filed pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.

(d) Exhibits.

Exhibit No.	Description
99.1	Press Release, dated July 20, 2023.
99.2	Investor Presentation, dated July 20, 2023.
99.3	Investor Update, dated July 20, 2023.
104.1	Cover page interactive data file (embedded within the Inline XBRL document).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, American Airlines Group Inc. has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN AIRLINES GROUP INC.

Date: July 20, 2023

By: /s/ Devon E. May
Devon E. May
Executive Vice President and
Chief Financial Officer

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

AMERICAN AIRLINES, INC.

Date: July 20, 2023

By: /s/ Devon E. May
Devon E. May
Executive Vice President and
Chief Financial Officer

**PRESS RELEASE**

Corporate Communications
mediarelations@aa.com

Investor Relations
investor.relations@aa.com

FOR RELEASE: Thursday, July 20, 2023

AMERICAN AIRLINES REPORTS SECOND-QUARTER 2023 FINANCIAL RESULTS

FORT WORTH, Texas — American Airlines Group Inc. (NASDAQ: AAL) today reported its second-quarter 2023 financial results, including:

- **Record quarterly revenue of \$14.1 billion, a 4.7% increase year over year.**
- **Second-quarter net income of \$1.3 billion, or \$1.88 per diluted share. Excluding net special items¹, second-quarter net income of \$1.4 billion, or \$1.92 per diluted share.**
- **Generated operating cash flow of \$1.8 billion and free cash flow of \$1.2 billion in the second quarter.**
- **Ended the quarter with \$14.9 billion of total available liquidity.**
- **Raising full-year adjusted EPS² guidance to between \$3.00 and \$3.75 per diluted share.**
- **Credit rating upgraded two notches to B+ by Fitch.**

"It was another fantastic quarter for American, driven by the hard work of our team to deliver a reliable operation for our customers and the continued strong demand for our product," said American's CEO Robert Isom. "Our operation is performing at historically strong levels, and we have worked to refresh our fleet and build a comprehensive global network, all of which helped to produce record revenues in the second quarter. We will build on this momentum the rest of the year and continue to prioritize reliability, profitability, accountability and strengthening our balance sheet."

Running a reliable operation

The American Airlines team delivered a strong operational performance during the quarter, achieving its best-ever second-quarter completion factor and controllable completion factor³. American and its regional partners operated nearly 500,000 flights in the second quarter, with an average load factor of approximately 86%.

American delivered a record Memorial Day weekend mainline completion factor and controllable completion factor, while operating its largest-ever mainline Memorial Day weekend schedule. The momentum continued into June, with the American team delivering a record June completion factor and controllable completion factor, despite weather and air traffic control challenges. In the second quarter, American achieved its best-ever April, May and June controllable completion factors³ and delivered 11 more combined zero-cancellation days versus the same period last year.

Returning to profitability

American produced record quarterly revenues of \$14.1 billion in the second quarter. The strong revenue performance was driven by continued broad-based demand strength and American's completion factor performance in the quarter. Demand was particularly strong in the month of June driven by an increase in close-in bookings. Domestic and short-haul international revenue continue to perform well, and the airline has seen noticeable strength in long-haul international demand and yield performance.

In the second quarter, the company produced an operating margin of 15.4% and net income of \$1.3 billion on a GAAP basis. Excluding net special items¹, American produced net income of \$1.4 billion in the second quarter.

Liquidity and balance sheet

American generated operating cash flow and free cash flow of nearly \$1.8 billion and \$1.2 billion, respectively, in the second quarter. The company reduced total debt⁴ by \$387 million in the quarter. Strengthening the balance sheet continues to be a top priority, and American is nearly two-thirds of the way to its goal of reducing total debt by \$15 billion by the end of 2025. As of June 30, 2023, American had reduced its total debt by approximately \$9.4 billion from peak levels in mid-2021. The company's commitment to strengthening its balance sheet is being recognized, as evidenced by Fitch upgrading the company's rating two notches, to B+. The company ended the quarter with approximately \$14.9 billion of total available liquidity, comprised of cash and short-term investments plus undrawn capacity under revolving and other short-term credit facilities.

Guidance and investor update

Based on demand trends and the current fuel price forecast and excluding the impact of special items, the company expects its third-quarter 2023 adjusted earnings per diluted share² to be between \$0.85 and \$0.95. American now expects its full-year 2023 adjusted earnings per diluted share² to be between \$3.00 and \$3.75. The company's forecasts include the estimated impact of anticipated new labor agreements.

For additional financial forecasting detail, please refer to the company's investor update, furnished with this press release with the SEC on Form 8-K. This filing will also be available at aa.com/investorrelations.

Conference call and webcast details

The company will conduct a live audio webcast of its financial results conference call at 7:30 a.m. CT today. The call will be available to the public on a listen-only basis at aa.com/investorrelations. An archive of the webcast will be available on the website through Aug. 20.

Notes

See the accompanying notes in the financial tables section of this press release for further explanation, including a reconciliation of all GAAP to non-GAAP financial information, including the calculation of free cash flow.

1. The company recognized \$33 million of net special items after the effect of taxes in the second quarter, which principally included charges associated with debt extinguishments and mark-to-market adjustments on equity investments.

- Adjusted earnings per diluted share guidance excludes the impact of net special items. The company is unable to reconcile certain forward-looking projections to GAAP as the nature or amount of net special items cannot be determined at this time.
- Excludes second-quarter 2020 and second-quarter 2021, which were impacted by significantly reduced capacity due to COVID-19.
- All references to total debt include debt, finance leases, operating lease liabilities and pension obligations.

About American Airlines Group

To Care for People on Life's Journey[®]. Shares of American Airlines Group Inc. trade on Nasdaq under the ticker symbol AAL and the company's stock is included in the S&P 500. Learn more about what's happening at American by visiting news.aa.com and connect with American on Twitter [@AmericanAir](https://twitter.com/AmericanAir) and at Facebook.com/AmericanAirlines.

Cautionary statement regarding forward-looking statements and information

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 Exchange Act of 1934, as amended, 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 the company's 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 the company's 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 set forth herein as well as in the company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 (especially in Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and Part II, Item 1A. Risk Factors), and other risks and uncertainties listed from time to time in the company's other filings with the Securities and Exchange Commission. Additionally, there may be other factors of which the company is 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. The company does 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 these forward-looking statements other than as required by law. Any forward-looking statements speak only as of the date hereof or as of the dates indicated in the statement.

American Airlines Group Inc.
Condensed Consolidated Statements of Operations
(In millions, except share and per share amounts)
(Unaudited)

	3 Months Ended June 30,		Percent Increase (Decrease)	6 Months Ended June 30,		Percent Increase (Decrease)
	2023	2022		2023	2022	
Operating revenues:						
Passenger	\$ 12,978	\$ 12,223	6.2	\$ 24,081	\$ 20,041	20.2
Cargo	197	328	(39.8)	420	692	(39.2)
Other	880	871	1.1	1,743	1,588	9.8
Total operating revenues	<u>14,055</u>	<u>13,422</u>	4.7	<u>26,244</u>	<u>22,321</u>	17.6
Operating expenses:						
Aircraft fuel and related taxes	2,723	4,020	(32.3)	5,890	6,522	(9.7)
Salaries, wages and benefits	3,635	3,235	12.4	6,917	6,389	8.3
Regional expenses:						
Regional operating expenses	1,073	992	8.3	2,135	1,964	8.8
Regional depreciation and amortization	80	80	(0.6)	160	160	—
Maintenance, materials and repairs	808	647	24.9	1,520	1,264	20.3
Other rent and landing fees	762	694	9.8	1,470	1,372	7.1
Aircraft rent	344	345	(0.4)	688	698	(1.4)
Selling expenses	489	504	(3.0)	927	836	10.8
Depreciation and amortization	483	504	(4.0)	969	995	(2.6)
Special items, net	—	(5)	(99.4)	13	152	(91.2)
Other	1,495	1,389	7.6	2,955	2,675	10.5
Total operating expenses	<u>11,892</u>	<u>12,405</u>	(4.1)	<u>23,644</u>	<u>23,027</u>	2.7
Operating income (loss)	<u>2,163</u>	<u>1,017</u>	nm ⁽¹⁾	<u>2,600</u>	<u>(706)</u>	nm
Nonoperating income (expense):						
Interest income	162	29	nm	288	37	nm
Interest expense, net	(548)	(468)	17.1	(1,088)	(932)	16.8
Other income (expense), net	(14)	25	nm	(21)	118	nm
Total nonoperating expense, net	<u>(400)</u>	<u>(414)</u>	(3.4)	<u>(821)</u>	<u>(777)</u>	5.7
Income (loss) before income taxes	<u>1,763</u>	<u>603</u>	nm	<u>1,779</u>	<u>(1,483)</u>	nm
Income tax provision (benefit)	425	127	nm	431	(324)	nm
Net income (loss)	<u>\$ 1,338</u>	<u>\$ 476</u>	nm	<u>\$ 1,348</u>	<u>\$ (1,159)</u>	nm
Earnings (loss) per common share:						
Basic	<u>\$ 2.05</u>	<u>\$ 0.73</u>		<u>\$ 2.06</u>	<u>\$ (1.78)</u>	
Diluted	<u>\$ 1.88</u>	<u>\$ 0.68</u>		<u>\$ 1.91</u>	<u>\$ (1.78)</u>	
Weighted average shares outstanding (in thousands):						
Basic	<u>653,602</u>	<u>650,346</u>		<u>652,801</u>	<u>649,925</u>	
Diluted	<u>719,345</u>	<u>718,532</u>		<u>718,890</u>	<u>649,925</u>	

Note: Percent change may not recalculate due to rounding.

⁽¹⁾ Not meaningful or greater than 100% change.

American Airlines Group Inc.
Consolidated Operating Statistics ⁽¹⁾
(Unaudited)

	3 Months Ended June 30,			Increase (Decrease)	6 Months Ended June 30,			Increase (Decrease)
	2023	2022			2023	2022		
Revenue passenger miles (millions)	60,020	57,516	4.4 %	112,034	101,806	10.0 %		
Available seat miles (ASM) (millions)	69,658	66,163	5.3 %	134,665	125,697	7.1 %		
Passenger load factor (percent)	86.2	86.9	(0.7) pts	83.2	81.0	2.2 pts		
Yield (cents)	21.62	21.25	1.7 %	21.49	19.69	9.2 %		
Passenger revenue per ASM (cents)	18.63	18.47	0.8 %	17.88	15.94	12.2 %		
Total revenue per ASM (cents)	20.18	20.29	(0.5) %	19.49	17.76	9.7 %		
Cargo ton miles (millions)	427	500	(14.7) %	849	1,036	(18.1) %		
Cargo yield per ton mile (cents)	46.31	65.58	(29.4) %	49.51	66.74	(25.8) %		
Fuel consumption (gallons in millions)	1,041	997	4.4 %	2,006	1,891	6.0 %		
Average aircraft fuel price including related taxes (dollars per gallon)	2.62	4.03	(35.1) %	2.94	3.45	(14.8) %		
Operating cost per ASM (cents)	17.07	18.75	(8.9) %	17.56	18.32	(4.2) %		
Operating cost per ASM excluding net special items (cents)	17.06	18.76	(9.0) %	17.54	18.20	(3.6) %		
Operating cost per ASM excluding net special items and fuel (cents)	13.16	12.68	3.7 %	13.17	13.01	1.2 %		
Passenger enplanements (thousands)	54,285	53,068	2.3 %	102,517	95,790	7.0 %		
Departures (thousands):								
Mainline	289	260	11.3 %	564	501	12.5 %		
Regional	209	243	(13.9) %	411	474	(13.4) %		
Total	498	503	(0.9) %	975	975	— %		
Average stage length (miles):								
Mainline	1,141	1,181	(3.4) %	1,132	1,170	(3.2) %		
Regional	463	478	(3.1) %	466	481	(3.2) %		
Total	856	841	1.8 %	851	835	2.0 %		
Aircraft at end of period:								
Mainline ⁽²⁾	944	895	5.5 %	944	895	5.5 %		
Regional ⁽³⁾	526	576	(8.7) %	526	576	(8.7) %		
Total	1,470	1,471	(0.1) %	1,470	1,471	(0.1) %		
Full-time equivalent employees at end of period:								
Mainline	104,400	102,100	2.3 %	104,400	102,100	2.3 %		
Regional ⁽⁴⁾	28,100	27,100	3.7 %	28,100	27,100	3.7 %		
Total	132,500	129,200	2.6 %	132,500	129,200	2.6 %		

Note: Amounts may not recalculate due to rounding.

⁽¹⁾ Unless otherwise noted, operating statistics include mainline and regional operations. Regional includes wholly-owned regional airline subsidiaries and operating results from capacity purchase carriers.

⁽²⁾ Excludes three Boeing 737-800 mainline aircraft that were in temporary storage as of June 30, 2023.

⁽³⁾ 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 74 regional aircraft that were in temporary storage as of June 30, 2023 as follows: 53 Embraer 145, 12 Bombardier CRJ 700, six Embraer 170, and three Bombardier CRJ 900.

⁽⁴⁾ Regional full-time equivalent employees only include our wholly-owned regional airline subsidiaries.

American Airlines Group Inc.
Consolidated Revenue Statistics by Region
(Unaudited)

	3 Months Ended June 30,		Increase (Decrease)	6 Months Ended June 30,		Increase (Decrease)
	2023	2022		2023	2022	
Domestic ⁽¹⁾						
Revenue passenger miles (millions)	39,758	39,488	0.7 %	75,509	72,120	4.7 %
Available seat miles (ASM) (millions)	45,700	43,948	4.0 %	90,255	85,821	5.2 %
Passenger load factor (percent)	87.0	89.9	(2.9) pts	83.7	84.0	(0.3) pts
Passenger revenue (dollars in millions)	9,195	9,120	0.8 %	17,232	15,180	13.5 %
Yield (cents)	23.13	23.10	0.1 %	22.82	21.05	8.4 %
Passenger revenue per ASM (cents)	20.12	20.75	(3.0) %	19.09	17.69	7.9 %
Latin America ⁽²⁾						
Revenue passenger miles (millions)	7,926	8,424	(5.9) %	16,934	16,077	5.3 %
Available seat miles (millions)	9,200	9,801	(6.1) %	19,710	20,112	(2.0) %
Passenger load factor (percent)	86.2	86.0	0.2 pts	85.9	79.9	6.0 pts
Passenger revenue (dollars in millions)	1,640	1,534	6.9 %	3,555	2,761	28.8 %
Yield (cents)	20.69	18.21	13.6 %	20.99	17.17	22.2 %
Passenger revenue per ASM (cents)	17.82	15.65	13.9 %	18.04	13.73	31.4 %
Atlantic						
Revenue passenger miles (millions)	10,689	9,045	18.2 %	16,510	12,649	30.5 %
Available seat miles (millions)	12,823	11,630	10.3 %	21,065	18,010	17.0 %
Passenger load factor (percent)	83.4	77.8	5.6 pts	78.4	70.2	8.2 pts
Passenger revenue (dollars in millions)	1,888	1,481	27.5 %	2,819	1,947	44.8 %
Yield (cents)	17.66	16.37	7.9 %	17.07	15.39	10.9 %
Passenger revenue per ASM (cents)	14.72	12.73	15.6 %	13.38	10.81	23.8 %
Pacific						
Revenue passenger miles (millions)	1,647	559	nm	3,081	960	nm
Available seat miles (millions)	1,935	784	nm	3,635	1,754	nm
Passenger load factor (percent)	85.1	71.2	13.9 pts	84.8	54.7	30.1 pts
Passenger revenue (dollars in millions)	255	88	nm	475	153	nm
Yield (cents)	15.50	15.81	(2.0) %	15.40	15.94	(3.4) %
Passenger revenue per ASM (cents)	13.19	11.26	17.1 %	13.06	8.72	49.7 %
Total International						
Revenue passenger miles (millions)	20,262	18,028	12.4 %	36,525	29,686	23.0 %
Available seat miles (millions)	23,958	22,215	7.8 %	44,410	39,876	11.4 %
Passenger load factor (percent)	84.6	81.2	3.4 pts	82.2	74.4	7.8 pts
Passenger revenue (dollars in millions)	3,783	3,103	21.9 %	6,849	4,861	40.9 %
Yield (cents)	18.67	17.21	8.5 %	18.75	16.38	14.5 %
Passenger revenue per ASM (cents)	15.79	13.97	13.0 %	15.42	12.19	26.5 %

Note: Amounts may not recalculate due to rounding.

⁽¹⁾ Domestic results include Canada, Puerto Rico and U.S. Virgin Islands.

⁽²⁾ Latin America results include the Caribbean.

Reconciliation of GAAP Financial Information to Non-GAAP Financial Information

American Airlines Group Inc. (the Company) sometimes uses financial measures that are derived from the condensed consolidated financial statements but that are not presented in accordance with GAAP to understand and evaluate its current operating performance and to allow for period-to-period comparisons. The Company believes 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. The Company is providing a reconciliation of reported non-GAAP financial measures to their comparable financial measures on a GAAP basis.

The tables below present the reconciliations of the following GAAP measures to their non-GAAP measures:

- Operating Income (Loss) (GAAP measure) to Operating Income (Loss) Excluding Net Special Items (non-GAAP measure)
- Operating Margin (GAAP measure) to Operating Margin Excluding Net Special Items (non-GAAP measure)
- Pre-Tax Income (Loss) (GAAP measure) to Pre-Tax Income (Loss) Excluding Net Special Items (non-GAAP measure)
- Pre-Tax Margin (GAAP measure) to Pre-Tax Margin Excluding Net Special Items (non-GAAP measure)
- Net Income (Loss) (GAAP measure) to Net Income (Loss) Excluding Net Special Items (non-GAAP measure)
- Basic and Diluted Earnings (Loss) Per Share (GAAP measure) to Basic and Diluted Earnings (Loss) Per Share Excluding Net Special Items (non-GAAP measure)

Management uses these non-GAAP financial measures to evaluate the Company's 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 the Company's core operating performance.

Additionally, the tables below present the reconciliations of total operating costs (GAAP measure) to total operating costs excluding net special items and fuel (non-GAAP measure) and total operating costs per ASM (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 the Company's current operating performance and for period-to-period comparisons. The price of fuel, over which the Company has no control, impacts the comparability of period-to-period financial performance. The adjustment to exclude fuel and net special items allows management an additional tool to understand and analyze the Company's non-fuel costs and core operating performance.

Reconciliation of Operating Income (Loss) Excluding Net Special Items	3 Months Ended June 30,		Percent Increase (Decrease)	6 Months Ended June 30,		Percent Increase (Decrease)
	2023	2022		2023	2022	
	(in millions)			(in millions)		
Operating income (loss) as reported	\$ 2,163	\$ 1,017		\$ 2,600	\$ (706)	
Operating net special items:						
Mainline operating special items, net ⁽¹⁾	—	(5)		13	152	
Regional operating special items, net	6	—		6	—	
Operating income (loss) excluding net special items	\$ 2,169	\$ 1,012	nm	\$ 2,619	\$ (554)	nm
Calculation of Operating Margin						
Operating income (loss) as reported	\$ 2,163	\$ 1,017		\$ 2,600	\$ (706)	
Total operating revenues as reported	\$ 14,055	\$ 13,422		\$ 26,244	\$ 22,321	
Operating margin	15.4 %	7.6 %		9.9 %	(3.2 %)	
Calculation of Operating Margin Excluding Net Special Items						
Operating income (loss) excluding net special items	\$ 2,169	\$ 1,012		\$ 2,619	\$ (554)	
Total operating revenues as reported	\$ 14,055	\$ 13,422		\$ 26,244	\$ 22,321	
Operating margin excluding net special items	15.4 %	7.5 %		10.0 %	(2.5 %)	
Reconciliation of Pre-Tax Income (Loss) Excluding Net Special Items						
Pre-tax income (loss) as reported	\$ 1,763	\$ 603		\$ 1,779	\$ (1,483)	
Pre-tax net special items:						
Mainline operating special items, net ⁽¹⁾	—	(5)		13	152	
Regional operating special items, net	6	—		6	—	
Nonoperating special items, net ⁽²⁾	28	89		45	92	
Total pre-tax net special items	34	84		64	244	
Pre-tax income (loss) excluding net special items	\$ 1,797	\$ 687	nm	\$ 1,843	\$ (1,239)	nm
Calculation of Pre-Tax Margin						
Pre-tax income (loss) as reported	\$ 1,763	\$ 603		\$ 1,779	\$ (1,483)	
Total operating revenues as reported	\$ 14,055	\$ 13,422		\$ 26,244	\$ 22,321	
Pre-tax margin	12.5 %	4.5 %		6.8 %	(6.6 %)	
Calculation of Pre-Tax Margin Excluding Net Special Items						
Pre-tax income (loss) excluding net special items	\$ 1,797	\$ 687		\$ 1,843	\$ (1,239)	
Total operating revenues as reported	\$ 14,055	\$ 13,422		\$ 26,244	\$ 22,321	
Pre-tax margin excluding net special items	12.8 %	5.1 %		7.0 %	(5.6 %)	

Reconciliation of Net Income (Loss) Excluding Net Special Items	3 Months Ended June 30,		Percent Increase (Decrease)	6 Months Ended June 30,		Percent Increase (Decrease)
	2023	2022		2023	2022	
Net income (loss) as reported	(in millions, except share and per share amounts)			(in millions, except share and per share amounts)		
Net income (loss) as reported	\$ 1,338	\$ 476		\$ 1,348	\$ (1,159)	
Net special items:						
Total pre-tax net special items ^{(1), (2)}	34	94		64	244	
Income tax special items, net	—	(9)		—	(9)	
Net tax effect of net special items	(1)	(18)		(8)	(53)	
Net income (loss) excluding net special items	\$ 1,371	\$ 533	nm	\$ 1,404	\$ (977)	nm
Reconciliation of Basic and Diluted Earnings (Loss) Per Share Excluding Net Special Items						
Net income (loss) excluding net special items	\$ 1,371	\$ 533		\$ 1,404	\$ (977)	
Shares used for computation (in thousands):						
Basic	653,602	650,346		652,801	649,925	
Diluted	719,345	718,532		718,890	649,925	
Earnings (loss) per share excluding net special items:						
Basic	\$ 2.10	\$ 0.82		\$ 2.15	\$ (1.50)	
Diluted	\$ 1.92	\$ 0.76		\$ 1.98	\$ (1.50)	
Reconciliation of Total Operating Costs per ASM Excluding Net Special Items and Fuel						
Total operating expenses as reported	\$ 11,892	\$ 12,405		\$ 23,644	\$ 23,027	
Operating net special items:						
Mainline operating special items, net ⁽¹⁾	—	5		(13)	(152)	
Regional operating special items, net	(6)	—		(6)	—	
Total operating expenses excluding net special items	11,886	12,410		23,625	22,875	
Aircraft fuel and related taxes	(2,723)	(4,020)		(5,890)	(6,522)	
Total operating expenses excluding net special items and fuel	\$ 9,163	\$ 8,390		\$ 17,735	\$ 16,353	
	(in cents)			(in cents)		
Total operating expenses per ASM as reported	17.07	18.75		17.56	18.32	
Operating net special items per ASM:						
Mainline operating special items, net ⁽¹⁾	—	0.01		(0.01)	(0.12)	
Regional operating special items, net	(0.01)	—		—	—	
Total operating expenses per ASM excluding net special items	17.06	18.76		17.54	18.20	
Aircraft fuel and related taxes per ASM	(3.91)	(6.08)		(4.37)	(5.19)	
Total operating expenses per ASM excluding net special items and fuel	13.16	12.68		13.17	13.01	

Note: Amounts may not recalculate due to rounding.

FOOTNOTES:

⁽¹⁾ The 2022 six month period mainline operating special items, net principally included a non-cash impairment charge to write down the carrying value of the Company's retired Airbus A330 fleet to the estimated fair value due to the market conditions for certain used aircraft. The Company retired its Airbus A330 fleet in 2020 as a result of the decline in demand for air travel due to the COVID-19 pandemic.

⁽²⁾ Principally included charges associated with debt refinancings and extinguishments as well as mark-to-market net unrealized gains and losses associated with certain equity investments.

American Airlines Group Inc.
Condensed Consolidated Statements of Cash Flows
 (In millions)(Unaudited)

	6 Months Ended June 30,	
	2023	2022
Net cash provided by operating activities	\$ 5,096	\$ 2,924
Cash flows from investing activities:		
Capital expenditures, net of aircraft purchase deposit returns	(1,244)	(1,405)
Proceeds from sale-leaseback transactions	111	—
Proceeds from sale of property and equipment	72	19
Purchases of short-term investments	(7,587)	(10,083)
Sales of short-term investments	4,656	10,135
Decrease (increase) in restricted short-term investments	33	(10)
Purchase of equity investment	—	(200)
Other investing activities	214	(156)
Net cash used in investing activities	(3,745)	(1,700)
Cash flows from financing activities:		
Payments on long-term debt and finance leases	(3,246)	(1,659)
Proceeds from issuance of long-term debt	2,143	574
Other financing activities	(55)	(10)
Net cash used in financing activities	(1,158)	(1,095)
Net increase in cash and restricted cash	193	129
Cash and restricted cash at beginning of period	586	408
Cash and restricted cash at end of period ⁽¹⁾	\$ 779	\$ 537

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

Cash	\$ 614	\$ 401
Restricted cash included in restricted cash and short-term investments	165	136
Total cash and restricted cash	\$ 779	\$ 537

Free Cash Flow

The Company's free cash flow summary is presented in the table below, which is a non-GAAP measure that management believes is useful information to investors and others in evaluating the Company's ability to generate cash from its core operating performance that is available for use to reinvest in the business or to reduce debt. The Company defines free cash flows as net cash provided by operating activities less net cash used in investing activities, adjusted for (1) net purchases of short-term investments and (2) change in restricted cash. We believe that calculating free cash flow as adjusted for these items is more useful for investors because short-term investment activity and restricted cash are not representative of activity core to our operations.

This non-GAAP measure 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. Our calculation of free cash flow is not intended, and should not be used, to measure the residual cash flow available for discretionary expenditures because, among other things, it excludes mandatory debt service requirements and certain other non-discretionary expenditures.

	6 Months Ended June 30, 2023	
	(in millions)	
Net cash provided by operating activities	\$	5,096
Adjusted net cash used in investing activities ⁽¹⁾		<u>(833)</u>
Free cash flow	\$	<u>4,263</u>

⁽¹⁾ The following table provides a reconciliation of adjusted net cash used in investing activities for the six months ended June 30, 2023 (in millions):

Net cash used in investing activities	\$	(3,745)
Adjustments:		
Net purchases of short-term investments		2,931
Increase in restricted cash		(19)
Adjusted net cash used in investing activities	\$	<u>(833)</u>

American Airlines Group Inc.
Condensed Consolidated Balance Sheets
(In millions, except shares)

	June 30, 2023 (unaudited)	December 31, 2022
Assets		
Current assets		
Cash	\$ 614	\$ 440
Short-term investments	11,447	8,525
Restricted cash and short-term investments	984	995
Accounts receivable, net	2,073	2,138
Aircraft fuel, spare parts and supplies, net	2,280	2,279
Prepaid expenses and other	822	892
Total current assets	18,220	15,269
Operating property and equipment		
Flight equipment	40,570	39,703
Ground property and equipment	9,996	9,913
Equipment purchase deposits	767	613
Total property and equipment, at cost	51,333	50,229
Less accumulated depreciation and amortization	(21,062)	(20,029)
Total property and equipment, net	30,271	30,200
Operating lease right-of-use assets		
	8,076	8,094
Other assets		
Goodwill	4,091	4,091
Intangibles, net	2,055	2,059
Deferred tax asset	2,660	3,099
Other assets	1,887	1,904
Total other assets	10,693	11,153
Total assets	\$ 67,260	\$ 64,716
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities		
Current maturities of long-term debt and finance leases	\$ 3,874	\$ 3,274
Accounts payable	2,406	2,149
Accrued salaries and wages	1,723	1,713
Air traffic liability	8,530	6,745
Loyalty program liability	3,492	3,169
Operating lease liabilities	1,431	1,465
Other accrued liabilities	2,860	2,981
Total current liabilities	24,316	21,496
Noncurrent liabilities		
Long-term debt and finance leases, net of current maturities	30,772	32,389
Pension and postretirement benefits	2,694	2,837
Loyalty program liability	5,884	5,976
Operating lease liabilities	6,506	6,559
Other liabilities	1,473	1,258
Total noncurrent liabilities	47,329	49,019
Stockholders' equity (deficit)		
Common stock, 653,286,761 shares outstanding at June 30, 2023	7	6
Additional paid-in capital	7,321	7,291
Accumulated other comprehensive loss	(4,550)	(4,585)
Retained deficit	(7,163)	(8,511)
Total stockholders' deficit	(4,385)	(5,799)
Total liabilities and stockholders' equity (deficit)	\$ 67,260	\$ 64,716

American Airlines Group Inc.

SECOND QUARTER 2023 FINANCIAL RESULTS

July 20, 2023



Forward-looking statements

Certain of the statements contained in this presentation should be considered forward-looking statements within the meaning of the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, 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 the Company's 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 the Company's 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 set forth herein as well as in the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 (especially in Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and Part II, Item 1A. Risk Factors), and other risks and uncertainties listed from time to time in the Company's other filings with the Securities and Exchange Commission. Additionally, there may be other factors of which the Company is 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. The Company does 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 these forward-looking statements other than as required by law. Any forward-looking statements speak only as of the date hereof or as of the dates indicated in the statement.



Strong second-quarter results

- **Record quarterly revenue** of \$14.1 billion
- **Highest-ever quarterly operating income** of \$2.2 billion, resulting in an operating margin of 15.4%
- Second-quarter GAAP net income of \$1.3 billion and net income of \$1.4 billion, excluding net special items¹
- **Best-ever second-quarter completion factor and controllable completion factor**²
- Generated \$1.2 billion of free cash flow¹ in the second quarter
- Ended the second quarter with \$14.9 billion of total available liquidity



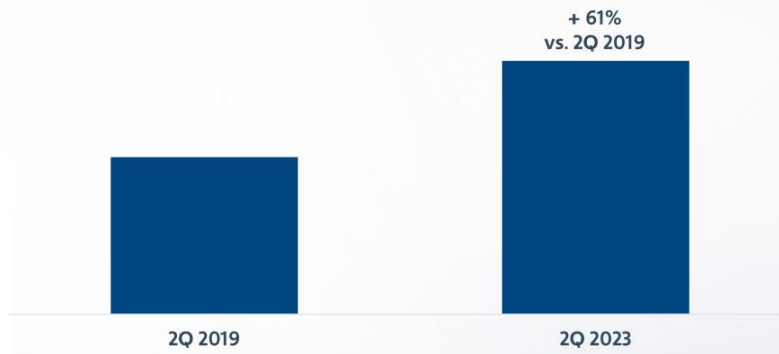
¹ See GAAP to non-GAAP and free cash flow reconciliations at the end of this presentation.

² Excluding second-quarter 2020 and second-quarter 2021, which were impacted by significantly reduced capacity due to COVID-19.

AAdvantage® remains strong

- AAdvantage® continues to grow, with enrollments up 61% vs. 2Q 2019

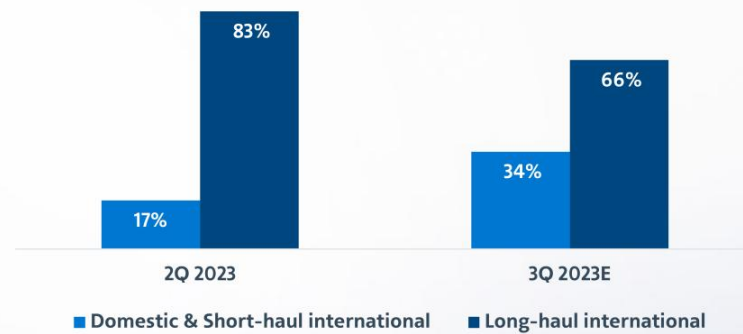
New AAdvantage® member accounts



Capacity growth mix

- Two-thirds of American's 3Q 2023 year-over-year capacity growth is driven by restoring its long-haul international network and boosting utilization of its widebody aircraft

Contribution to YoY capacity¹ growth



1. Scheduled ASMs. Diio selling as of 7/15/23.

Financial update



Second-quarter results

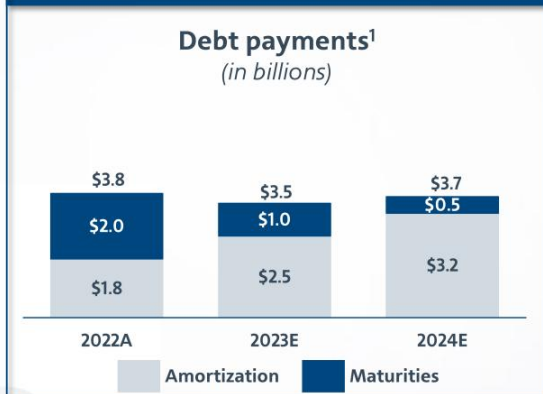
	GAAP		Non-GAAP ¹	
	2Q 2023	2Q 2022	2Q 2023	2Q 2022
	<i>(in millions, except share and per share amounts)</i>			
Operating Income	\$2,163	\$1,017	\$2,169	\$1,012
Income Before Income Taxes	\$1,763	\$603	\$1,797	\$687
Net Income	\$1,338	\$476	\$1,371	\$533
Earnings per common share:				
Basic	\$2.05	\$0.73	\$2.10	\$0.82
Diluted	\$1.88	\$0.68	\$1.92	\$0.76
Weighted average shares outstanding (in thousands):				
Basic	653,602	650,346	653,602	650,346
Diluted	719,345	718,532	719,345	718,532

Note: May not recalculate due to rounding.
1. See GAAP to non-GAAP reconciliation at the end of this presentation.

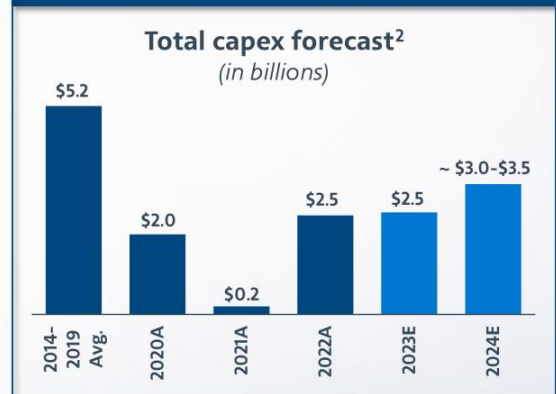
Limited capex and debt maturities support deleveraging

- Manufacturer delivery delays have pushed out aircraft capex requirements
- Continue to expect moderate levels of capex through the end of the decade

Limited maturities minimize refi risk



Younger fleet drives lower capex



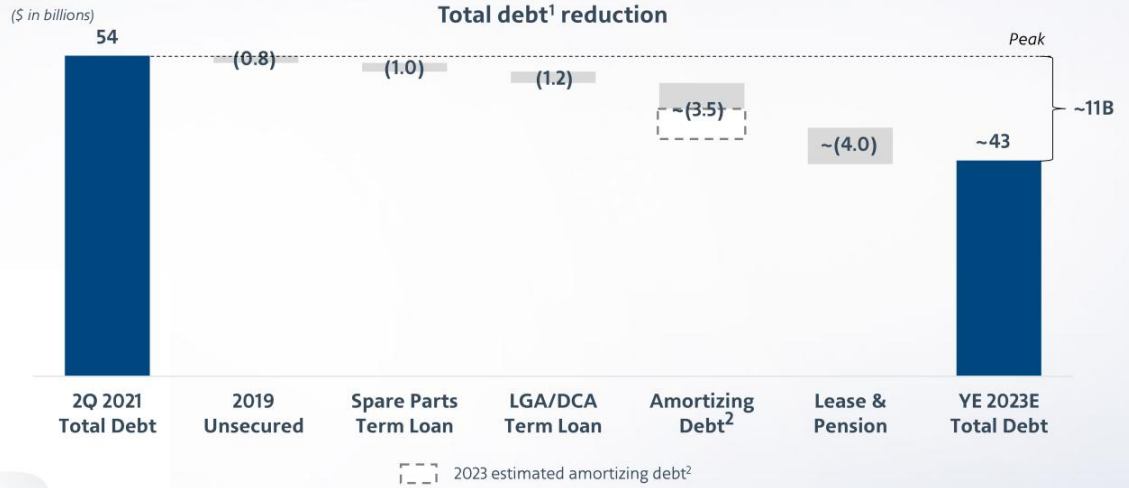
Note: May not recalculate due to rounding.

1. Source: Company filings. Debt payments include amortization and final maturity payments for debt and finance leases.

2. Source: Company filings. 2021 includes net inflows from return of PDPs.

Deleveraging progress continues...

- On track to reduce total debt¹ from peak levels by ~\$11 billion by the end of 2023

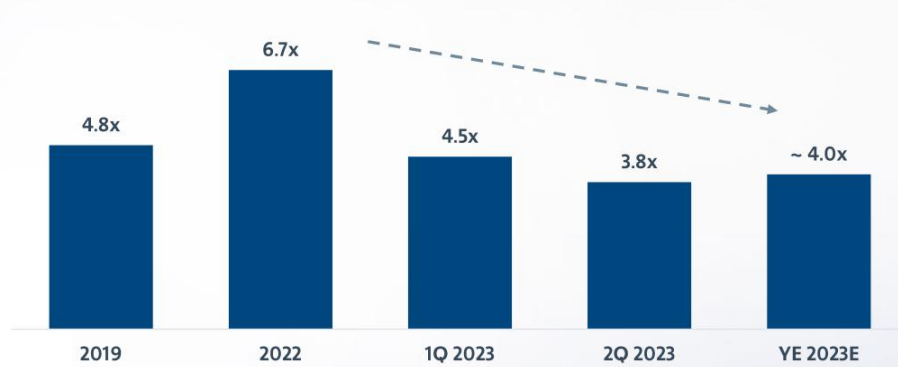


1. Total debt includes debt, finance leases, operating lease liabilities and pension obligations.
 2. Net of new financings.

...and credit ratios are improving

- Net debt¹ to adjusted EBITDAR² ratio of 3.8x at end of 2Q 2023, the lowest since year-end 2019
- Long-term target of BB credit rating would be supported by the completion of debt-reduction goal and continued earnings strength

Net Debt¹/Adj. EBITDAR² Over Time



1. Net debt is defined as debt, finance leases, operating lease liabilities and pension obligations net of unrestricted cash and short-term investments.
2. Adj. EBITDAR is defined as earnings excluding the impact of net special items before net interest, other non-operating expenses, taxes, depreciation, amortization and aircraft rent. See Adj. EBITDAR reconciliation at the end of this presentation.

Third-quarter and full-year outlook

	3Q 2023	FY 2023
Total capacity (ASMs) (vs. 2022)	~+5% to +7%	~+5% to +8%
TRASM (vs. 2022)	~ - 4.5% to - 6.5%	Up low single digits
CASM-ex ^{1,2} (vs. 2022)	~+2% to +4%	~+2% to +4%
Fuel (\$/gallon) ³	~\$2.55 to \$2.65	~\$2.70 to \$2.80
Adjusted operating margin ¹	~8% to 10%	~8% to 10%
Adjusted earnings per diluted share ¹	~\$0.85 to \$0.95	~\$3.00 to \$3.75

1. CASM-ex is cost per available seat mile (CASM) excluding fuel and net special items and is a non-GAAP measure. All adjusted operating margin and adjusted earnings per diluted share guidance excludes the impact of net special items and are non-GAAP measures. The Company is unable to reconcile certain forward-looking projections to GAAP as the nature or amount of net special items cannot be determined at this time.

2. The Company's forecast is inclusive of the impact of all anticipated labor agreements.

3. Consumption of ~1,090 million gallons in 3Q 2023 and ~4,135 million gallons in 2023, based on July 14, 2023 forward fuel curve.



THANK YOU, #AATeam!

GAAP to non-GAAP reconciliation

Reconciliation of GAAP Financial Information to Non-GAAP Financial Information

American Airlines Group Inc. (the Company) sometimes uses financial measures that are derived from the condensed consolidated financial statements but that are not presented in accordance with GAAP to understand and evaluate its current operating performance and to allow for period-to-period comparisons. The Company believes 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. The Company is providing a reconciliation of reported non-GAAP financial measures to their comparable financial measures on a GAAP basis.

The tables below present the reconciliations of the following GAAP measures to their non-GAAP measures:

- Operating Income (Loss) (GAAP measure) to Operating Income (Loss) Excluding Net Special Items (non-GAAP measure)
- Operating Margin (GAAP measure) to Operating Margin Excluding Net Special Items (non-GAAP measure)
- Pre-Tax Income (Loss) (GAAP measure) to Pre-Tax Income (Loss) Excluding Net Special Items (non-GAAP measure)
- Pre-Tax Margin (GAAP measure) to Pre-Tax Margin Excluding Net Special Items (non-GAAP measure)
- Net Income (Loss) (GAAP measure) to Net Income (Loss) Excluding Net Special Items (non-GAAP measure)
- Basic and Diluted Earnings (Loss) Per Share (GAAP measure) to Basic and Diluted Earnings (Loss) Per Share Excluding Net Special Items (non-GAAP measure)

Management uses these non-GAAP financial measures to evaluate the Company's 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 the Company's core operating performance.

Additionally, the tables below present the reconciliations of total operating costs (GAAP measure) to total operating costs excluding net special items and fuel (non-GAAP measure) and total operating costs per ASM (GASM) to GASM excluding net special items and fuel. Management uses total operating costs excluding net special items and fuel and GASM excluding net special items and fuel to evaluate the Company's current operating performance and for period-to-period comparisons. The price of fuel, over which the Company has no control, impacts the comparability of period-to-period financial performance. The adjustment to exclude fuel and net special items allows management an additional tool to understand and analyze the Company's non-fuel costs and core operating performance.



GAAP to non-GAAP reconciliation

Reconciliation of Operating Income (Loss) Excluding Net Special Items	3 Months Ended June 30,		Percent Increase (Decrease)	6 Months Ended June 30,		Percent Increase (Decrease)
	2023	2022		2023	2022	
	(in millions)			(in millions)		
Operating income (loss) as reported	\$ 2,163	\$ 1,017		\$ 2,600	\$ (706)	
Operating net special items:						
Mainline operating special items, net ⁽¹⁾	-	(5)		13	152	
Regional operating special items, net	\$ -	-		\$ -	-	
Operating income (loss) excluding net special items	\$ 2,169	\$ 1,012	nm	\$ 2,619	\$ (554)	nm
Calculation of Operating Margin						
Operating income (loss) as reported	\$ 2,163	\$ 1,017		\$ 2,600	\$ (706)	
Total operating revenues as reported	\$ 14,055	\$ 13,422		\$ 26,244	\$ 22,321	
Operating margin	15.4%	7.6%		9.9%	(3.2%)	
Calculation of Operating Margin Excluding Net Special Items						
Operating income (loss) excluding net special items	\$ 2,169	\$ 1,012		\$ 2,619	\$ (554)	
Total operating revenues as reported	\$ 14,055	\$ 13,422		\$ 26,244	\$ 22,321	
Operating margin excluding net special items	15.4%	7.5%		10.0%	(2.5%)	
Reconciliation of Pre-Tax Income (Loss) Excluding Net Special Items						
Pre-tax income (loss) as reported	\$ 1,763	\$ 603		\$ 1,779	\$ (1,483)	
Pre-tax net special items:						
Mainline operating special items, net ⁽¹⁾	-	(5)		13	152	
Regional operating special items, net	6	-		6	-	
Nonoperating special items, net ⁽²⁾	28	89		45	92	
Total pre-tax net special items	34	84		64	244	
Pre-tax income (loss) excluding net special items	\$ 1,797	\$ 687	nm	\$ 1,843	\$ (1,239)	nm
Calculation of Pre-Tax Margin						
Pre-tax income (loss) as reported	\$ 1,763	\$ 603		\$ 1,779	\$ (1,483)	
Total operating revenues as reported	\$ 14,055	\$ 13,422		\$ 26,244	\$ 22,321	
Pre-tax margin	12.5%	4.5%		6.8%	(6.6%)	
Calculation of Pre-Tax Margin Excluding Net Special Items						
Pre-tax income (loss) excluding net special items	\$ 1,797	\$ 687		\$ 1,843	\$ (1,239)	
Total operating revenues as reported	\$ 14,055	\$ 13,422		\$ 26,244	\$ 22,321	
Pre-tax margin excluding net special items	12.8%	5.1%		7.0%	(5.6%)	

GAAP to non-GAAP reconciliation

Reconciliation of Net Income (Loss) Excluding Net Special Items	3 Months Ended June 30,		Percent Increase (Decrease)	6 Months Ended June 30,		Percent Increase (Decrease)
	2023	2022		2023	2022	
	(in millions, except share and per share amounts)			(in millions, except share and per share amounts)		
Net income (loss) as reported	\$ 1,338	\$ 476		\$ 1,348	\$ (1,159)	
Net special items:						
Total pre-tax net special items ⁽¹⁾	34	84		64	244	
Income tax special items, net	-	(9)		-	(6)	
Net tax effect of net special items	(1)	(18)		(8)	(53)	
Net income (loss) excluding net special items	\$ 1,371	\$ 533	nm	\$ 1,404	\$ (977)	nm
Reconciliation of Basic and Diluted Earnings (Loss) Per Share Excluding Net Special Items						
Net income (loss) excluding net special items	\$ 1,371	\$ 533		\$ 1,404	\$ (977)	
Shares used for computation (in thousands):						
Basic	653,602	650,348		652,801	649,925	
Diluted	719,345	718,532		718,890	649,925	
Earnings (loss) per share excluding net special items:						
Basic	\$ 2.10	\$ 0.82		\$ 2.15	\$ (1.50)	
Diluted	\$ 1.92	\$ 0.75		\$ 1.98	\$ (1.50)	
Reconciliation of Total Operating Costs per ASM Excluding Net Special Items and Fuel						
Total operating expenses as reported	\$ 11,892	\$ 12,405		\$ 23,644	\$ 23,027	
Operating net special items:						
Maritime operating special items, net ⁽¹⁾	-	5		(13)	(152)	
Regional operating special items, net	(6)	-		(6)	-	
Total operating expenses excluding net special items	11,886	12,410		23,625	22,875	
Aircraft fuel and related taxes	(2,223)	(4,023)		(5,890)	(6,522)	
Total operating expenses excluding net special items and fuel	\$ 9,663	\$ 8,386		\$ 17,735	\$ 16,353	
	(in cents)			(in cents)		
Total operating expenses per ASM as reported	17.07	18.75		17.56	18.32	
Operating net special items per ASM:						
Maritime operating special items, net ⁽¹⁾	-	0.01		(0.01)	(0.12)	
Regional operating special items, net	(0.01)	-		-	-	
Total operating expenses per ASM excluding net special items	17.06	18.76		17.54	18.20	
Aircraft fuel and related taxes per ASM	(3.91)	(6.08)		(4.37)	(5.19)	
Total operating expenses per ASM excluding net special items and fuel	13.16	12.68		13.17	13.01	

Note: Amounts may not recalculate due to rounding.

FOOTNOTES:

⁽¹⁾ The 2022 six month period maritime operating special items, net principally included a non-cash impairment charge to write down the carrying value of the Company's retired Airbus A330 fleet to the estimated fair value due to the market conditions for certain used aircraft. The Company retired its Airbus A330 fleet in 2020 as a result of the decline in demand for air travel due to the COVID-19 pandemic.

⁽²⁾ Principally included charges associated with debt restructurings and extinguishments as well as mark-to-market net unrealized gains and losses associated with certain equity investments.

Free Cash Flow reconciliation

The Company's free cash flow summary is presented in the table below, which is a non-GAAP measure that management believes is useful information to investors and others in evaluating the Company's ability to generate cash from its core operating performance that is available for use to reinvest in the business or to reduce debt. The Company defines free cash flows as net cash provided by operating activities less net cash used in investing activities, adjusted for (1) net purchases of short-term investments and (2) change in restricted cash. We believe that calculating free cash flow as adjusted for these items is more useful for investors because short-term investment activity and restricted cash are not representative of activity core to our operations.

This non-GAAP measure 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. Our calculation of free cash flow is not intended, and should not be used, to measure the residual cash flow available for discretionary expenditures because, among other things, it excludes mandatory debt service requirements and certain other non-discretionary expenditures.

	6 Months Ended June 30, 2023 (in millions)
Net cash provided by operating activities	\$ 5,096
Adjusted net cash used in investing activities ⁽¹⁾	<u>(833)</u>
Free cash flow	<u>\$ 4,263</u>

⁽¹⁾ The following table provides a reconciliation of adjusted net cash used in investing activities for the six months ended June 30, 2023 (in millions):

Net cash used in investing activities	\$ (3,745)
Adjustments:	
Net purchases of short-term investments	2,931
Increase in restricted cash	<u>(19)</u>
Adjusted net cash used in investing activities	<u>\$ (833)</u>

Net Debt/Adj. EBITDAR reconciliation

The Company's ratio of net debt to adjusted EBITDAR is presented below, which is a non-GAAP measure that management believes is an indicator of the Company's level of indebtedness and ability to service such debt, and which 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.

Adjusted EBITDAR is defined as earnings excluding the impact of net special items before net interest and other nonoperating expenses, taxes, depreciation, amortization and aircraft rent.

Net debt is defined as debt, finance leases, operating lease liabilities and pension obligations, net of unrestricted cash and short-term investments.

Adjusted EBITDAR	12 Months Ended			
	12/31/2019	12/31/2022	3/31/2023	6/30/2023
	(in millions)			
Operating income as reported	\$ 3,065	\$ 1,607	\$ 3,768	\$ 4,914
Adjustments ⁽¹⁾ :				
Aircraft rent	1,355	1,400	1,390	1,389
Depreciation and amortization	2,318	2,298	2,295	2,274
Operating special items, net	641	198	53	64
Adjusted EBITDAR	\$ 7,379	\$ 5,503	\$ 7,506	\$ 8,641
Net Debt (at end of period)				
Debt and finance leases	\$ 24,315	\$ 35,663	\$ 35,165	\$ 34,646
Operating lease liabilities	9,129	8,024	7,764	7,937
Pension obligations	5,461	2,153	2,043	2,002
Total debt	38,905	45,840	44,972	44,585
Less: cash and short-term investments	3,826	8,965	11,493	12,061
Net debt	\$ 35,079	\$ 36,875	\$ 33,479	\$ 32,524
Net debt to adjusted EBITDAR ratio	4.8x	6.7x	4.5x	3.8x

⁽¹⁾ Includes amounts associated with regional operations that are reflected in regional expenses in the condensed consolidated statements of operations.



Investor Relations Update
July 20, 2023

General Overview

- **Capacity** - The Company expects its third-quarter capacity to be up approximately 5% to 7% versus the third quarter of 2022. The Company continues to expect its full-year capacity to be up approximately 5% to 8% year over year.
- **TRASM** - The Company expects its third-quarter total revenue per available seat mile (TRASM) to be down approximately 4.5% to 6.5% versus the third quarter of 2022. The Company continues to expect its full-year TRASM to be up low single digits year over year.
- **CASM-ex¹** - The Company expects both its third-quarter and full-year CASM-ex to be up approximately 2% to 4% versus 2022. The Company's forecast is inclusive of the impact of all anticipated labor agreements.
- **Fuel** - Based on the July 14, 2023, forward fuel curve, the Company expects to pay an average of between \$2.55 and \$2.65 per gallon of jet fuel (including taxes) in the third quarter and an average of between \$2.70 and \$2.80 per gallon for the full year. Based on its current plans, the Company expects to consume approximately 1,090 million gallons of jet fuel in the third quarter and 4,135 million gallons of jet fuel for the full year.
- **Adjusted operating margin¹** - The Company expects an adjusted operating margin of approximately 8% to 10% for the third quarter. The Company now expects a full-year adjusted operating margin of 8% to 10%, an increase versus the Company's prior guidance of 7% to 9%.
- **Adjusted nonoperating expense¹** - The Company expects its total adjusted nonoperating expense to be approximately \$380 million in the third quarter and \$1,575 million for the full year.
- **Taxes** - The Company expects a provision for income taxes at an effective rate of approximately 24% in the third quarter and for the full year, which is expected to be substantially non-cash.
- **Adjusted EPS¹** - Based on the assumptions outlined above, the Company expects its third-quarter adjusted earnings per diluted share to be between approximately \$0.85 and \$0.95. Based on current assumptions, the Company now expects its full-year adjusted earnings per diluted share to be between \$3.00 and \$3.75, higher than the Company's prior guidance of \$2.50 to \$3.50.

Notes:

1. *CASM-ex is cost per available seat mile (CASM) excluding fuel and net special items and is a non-GAAP measure. All adjusted operating margin, adjusted nonoperating expense and adjusted earnings per diluted share guidance excludes the impact of net special items and are non-GAAP measures. The Company is unable to reconcile certain forward-looking projections to GAAP as the nature or amount of net special items cannot be determined at this time. Please see GAAP to non-GAAP reconciliation at the end of this document.*

Please refer to the footnotes and the forward-looking statements page of this document for additional information.

Financial Update July 20, 2023

	3Q 2023 ¹			
Available seat miles (ASMs)				~ + 5% to + 7% (vs. 3Q 22)
TRASM				~ - 4.5% to - 6.5% (vs. 3Q 22)
CASM excluding fuel and net special items				~ + 2% to + 4% (vs. 3Q 22)
Average fuel price (incl. taxes) (\$/gal)				~ \$2.55 to \$2.65
Fuel gallons consumed (mil)				~ 1,090
Adjusted operating margin				~ 8% to 10%
Adjusted nonoperating expense (\$ mil)				~ \$380
Adjusted earnings per diluted share (\$/share)				~ \$0.85 to \$0.95
	3Q 2023 Shares Forecast			
	Shares (mil) ²			
Earnings Level (\$ mil)	Basic	Diluted	Addback (\$ mil) ³	
Earnings above \$128	654.2	726.1		\$12
Earnings up to \$128	654.2	664.4		—
Net loss	654.2	654.2		—

	FY 2023 ¹			
Available seat miles (ASMs)				~ + 5% to + 8% (vs. 2022)
TRASM				Up low single digits (vs. 2022)
CASM excluding fuel and net special items				~ + 2% to + 4% (vs. 2022)
Average fuel price (incl. taxes) (\$/gal)				~ \$2.70 to \$2.80
Fuel gallons consumed (mil)				~ 4,135
Adjusted operating margin				~ 8% to 10%
Adjusted nonoperating expense (\$ mil)				~ \$1,575
Adjusted earnings per diluted share (\$/share)				~ \$3.00 to \$3.75
	FY 2023 Shares Forecast			
	Shares (mil) ²			
Earnings Level (\$ mil)	Basic	Diluted	Addback (\$ mil) ³	
Earnings above \$501	653.6	723.0		\$47
Earnings up to \$501	653.6	661.2		—
Net loss	653.6	653.6		—

Notes:

- Includes guidance on certain non-GAAP measures, which exclude, among other things, net special items. The Company is unable to reconcile certain forward-looking projections to GAAP as the nature or amount of net special items cannot be determined at this time. Please see the GAAP to non-GAAP reconciliation at the end of this document. Numbers may not recalculate due to rounding.
- Shares outstanding are based upon several estimates and assumptions, including average per share stock price and stock award activity. The number of shares in actual calculations of earnings per share will likely be different from those set forth above.
- Interest addback for earnings per diluted share calculation for 6.5% convertible notes, net of estimated profit sharing, short-term incentive, and tax effects.

Please refer to the footnotes and the forward-looking statements page of this document for additional information.

GAAP to Non-GAAP Reconciliation July 20, 2023

The Company sometimes uses financial measures that are derived from the condensed consolidated financial statements or otherwise provided in the form of guidance but that are not presented in accordance with GAAP to understand and evaluate its current operating performance and to allow for period-to-period comparisons. The Company believes 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. The Company is providing a reconciliation of reported non-GAAP financial measures to their comparable financial measures on a GAAP basis. The table below presents the reconciliation of total operating costs (GAAP measure) to total operating costs excluding fuel and net special items (non-GAAP measure) and total operating costs per ASM (CASM) to CASM excluding fuel and net special items. Management uses total operating costs excluding fuel and net special items and CASM excluding fuel and net special items to evaluate the Company's current operating performance and for period-to-period comparisons. The price of fuel, over which the Company has no control, impacts the comparability of period-to-period financial performance. Additionally, net special items may vary from period-to-period in nature and amount. These adjustments to exclude fuel and net special items allow management an additional tool to understand and analyze the Company's non-fuel costs and core operating performance.

GAAP to Non-GAAP Reconciliation of Total Operating Costs and CASM (\$ mil, except ASM and CASM data)

	3Q 2023 Range		FY 2023 Range	
	Low	High	Low	High
Total operating expenses	\$ 12,040	\$ 12,510	\$ 46,922	\$ 49,078
Less fuel expense	2,780	2,889	11,165	11,578
Less operating net special items	—	—	—	—
Total operating expense excluding fuel and net special items (non-GAAP)	\$ 9,260	\$ 9,622	\$ 35,757	\$ 37,500
Total CASM (cts)	16.72	17.05	17.17	17.46
Total CASM excluding fuel and net special items (cts) (non-GAAP)	12.86	13.11	13.09	13.34
Percentage change compared to 3Q 2022 (%)	2.0%	4.0%	2.0%	4.0%
Total ASMs (bil)	72.0	73.4	273.2	281.0

Note: Amounts may not recalculate due to rounding.

Please refer to the footnotes and the forward-looking statements page of this document for additional information.

Forward-Looking Statements
July 20, 2023

Cautionary Statement Regarding 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 Exchange Act of 1934, as amended, 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 the Company's 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 the Company's 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 set forth herein as well as in the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 (especially in Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and Part II, Item 1A. Risk Factors), and other risks and uncertainties listed from time to time in the Company's other filings with the Securities and Exchange Commission. Additionally, there may be other factors of which the Company is 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. The Company does 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 these forward-looking statements other than as required by law. Any forward-looking statements speak only as of the date hereof or as of the dates indicated in the statement.

Please refer to the footnotes and the forward-looking statements page of this document for additional information.