

JETBLUE AIRWAYS CORP
Form 10-Q
October 31, 2013
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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, 2013
or

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 000-49728
JETBLUE AIRWAYS CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State of Other Jurisdiction of Incorporation)

87-0617894
(I.R.S. Employer Identification No.)

27-01 Queens Plaza North, Long Island City, New York
(Address of principal executive offices)
(718) 286-7900
(Registrant’s telephone number, including area code)

11101
(Zip Code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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. Yes No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

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As of September 30, 2013, there were 282,338,879 shares outstanding of the registrant's common stock, par value \$.01.

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PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

JETBLUE AIRWAYS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions, except share data)

	September 30, 2013	December 31, 2012
	(unaudited)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$373	\$182
Investment securities	581	549
Receivables, less allowance (2013-\$6; 2012-\$7)	120	106
Prepaid expenses and other	308	263
Total current assets	1,382	1,100
PROPERTY AND EQUIPMENT		
Flight equipment	5,532	5,168
Predelivery deposits for flight equipment	219	338
	5,751	5,506
Less accumulated depreciation	1,135	995
	4,616	4,511
Other property and equipment	661	585
Less accumulated depreciation	244	221
	417	364
Assets constructed for others	561	561
Less accumulated depreciation	110	93
	451	468
Total property and equipment	5,484	5,343
OTHER ASSETS		
Investment securities	86	136
Restricted cash	53	51
Other	439	440
Total other assets	578	627
TOTAL ASSETS	\$7,444	\$7,070

See accompanying notes to condensed consolidated financial statements.

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JETBLUE AIRWAYS CORPORATION
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (in millions, except share data)

	September 30, 2013 (unaudited)	December 31, 2012
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 176	\$ 153
Air traffic liability	851	693
Accrued salaries, wages and benefits	159	172
Other accrued liabilities	211	196
Current maturities of long-term debt and capital leases	636	394
Total current liabilities	2,033	1,608
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS		
CONSTRUCTION OBLIGATION	504	514
DEFERRED TAXES AND OTHER LIABILITIES		
Deferred income taxes	559	481
Other	124	122
	683	603
STOCKHOLDERS' EQUITY		
Preferred stock, \$0.01 par value; 25,000,000 shares authorized, none issued	—	—
Common stock, \$0.01 par value; 900,000,000 shares authorized, 333,221,474 and 330,589,532 shares issued and 282,338,879 and 281,007,806 shares outstanding at September 30, 2013 and December 31, 2012, respectively	3	3
Treasury stock, at cost; 50,882,595 and 49,581,726 shares at September 30, 2013 and December 31, 2012, respectively	(42)	(35)
Additional paid-in capital	1,508	1,495
Retained earnings	554	433
Accumulated other comprehensive loss	(5)	(8)
Total stockholders' equity	2,018	1,888
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$7,444	\$7,070

See accompanying notes to condensed consolidated financial statements.

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JETBLUE AIRWAYS CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited, in millions, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
OPERATING REVENUES				
Passenger	\$1,321	\$1,194	\$3,729	\$3,461
Other	121	114	347	327
Total operating revenues	1,442	1,308	4,076	3,788
OPERATING EXPENSES				
Aircraft fuel and related taxes	501	481	1,433	1,364
Salaries, wages and benefits	283	262	842	782
Landing fees and other rents	81	73	231	211
Depreciation and amortization	73	66	212	190
Aircraft rent	32	32	97	98
Sales and marketing	60	51	163	152
Maintenance materials and repairs	109	85	334	258
Other operating expenses	151	145	451	401
Total operating expenses	1,290	1,195	3,763	3,456
OPERATING INCOME	152	113	313	332
OTHER INCOME (EXPENSE)				
Interest expense	(40	) (44	) (123	) (133
Capitalized interest	4	2	11	6
Interest income and other	3	2	1	3
Total other income (expense)	(33	) (40	) (111	) (124
INCOME BEFORE INCOME TAXES	119	73	202	208
Income tax expense	48	28	81	81
NET INCOME	\$71	\$45	\$121	\$127
EARNINGS PER COMMON SHARE:				
Basic	\$0.25	\$0.16	\$0.43	\$0.45
Diluted	\$0.21	\$0.14	\$0.38	\$0.39

See accompanying notes to condensed consolidated financial statements.

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JETBLUE AIRWAYS CORPORATION
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (unaudited, in millions)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
NET INCOME	\$71	\$45	\$121	\$127
Changes in fair value of derivative instruments, net of reclassifications into earnings	17	24	5	12
Tax effect	(6	) (9	) (2	) (5
Total other comprehensive income	11	15	3	7
COMPREHENSIVE INCOME	\$82	\$60	\$124	\$134

See accompanying notes to condensed consolidated financial statements.

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JETBLUE AIRWAYS CORPORATION
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (unaudited, in millions)

	Nine Months Ended September 30,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 121	\$ 127
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred income taxes	78	79
Depreciation	188	170
Amortization	35	28
Stock-based compensation	10	10
Loss (Gain) on sale of assets, debt extinguishment, and customer contract termination	4	(20)
Collateral returned for derivative instruments	6	4
Changes in certain operating assets and liabilities	108	128
Other, net	15	15
Net cash provided by operating activities	565	541
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(342)	(356)
Predelivery deposits for flight equipment	(13)	(61)
Proceeds from the sale of assets	8	46
Purchase of held-to-maturity investments	(378)	(412)
Proceeds from the maturities of held-to-maturity investments	349	353
Purchase of available-for-sale securities	(142)	(353)
Sale of available-for-sale securities	182	323
Other, net	(4)	12
Net cash used in investing activities	(340)	(448)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Issuance of common stock	4	6
Issuance of long-term debt	254	131
Short-term borrowings and lines of credit	190	175
Repayment of long-term debt and capital lease obligations	(270)	(311)
Repayment of short-term borrowings and lines of credit	(190)	(211)
Other, net	(22)	(14)
Net cash used in financing activities	(34)	(224)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	191	(131)
Cash and cash equivalents at beginning of period	182	673
Cash and cash equivalents at end of period	\$373	\$542

See accompanying notes to condensed consolidated financial statements.

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JETBLUE AIRWAYS CORPORATION
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (unaudited)
 September 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Our condensed consolidated financial statements include the accounts of JetBlue Airways Corporation, or JetBlue, and our subsidiaries, collectively “we” or the “Company”, with all intercompany transactions and balances having been eliminated. These condensed consolidated financial statements and related notes should be read in conjunction with our 2012 audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2012, or our 2012 Form 10-K.

These condensed consolidated financial statements are unaudited and have been prepared by us following the rules and regulations of the Securities and Exchange Commission, or the SEC, and, in our opinion, reflect all adjustments including normal recurring items which are necessary to present fairly the results for interim periods. Our revenues are recorded net of excise and other related taxes in our condensed consolidated statements of operations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles, or U.S. GAAP, have been condensed or omitted as permitted by such rules and regulations; however, we believe that the disclosures are adequate to make the information presented not misleading. In the first half of 2013 we recorded \$4 million of maintenance expense and \$2 million in other operating expenses that should have been recorded in prior years. Operating results for the periods presented herein are not necessarily indicative of the results that may be expected for the entire year.

Investment securities

Investment securities consist of available-for-sale investment securities and held-to-maturity investment securities. When sold, we use a specific identification method to determine the cost of the securities.

Held-to-maturity investment securities. The contractual maturities of the corporate bonds we held as of September 30, 2013 were no greater than 24 months. We did not record any significant gains or losses on these securities during the three and nine months ended September 30, 2013 and 2012. The estimated fair value of these investments approximated their carrying value as of September 30, 2013 and December 31, 2012, respectively.

The carrying values of investment securities consisted of the following at September 30, 2013 and December 31, 2012 (dollar amounts in millions):

	September 30, 2013	December 31, 2012
Available-for-sale securities		
Time deposits	\$70	\$65
Treasury Bills	—	68
Commercial paper	239	142
	309	275
Held-to-maturity securities		
Corporate bonds	263	313
Government bonds	40	40
Time deposits	55	57
	358	410
Total	\$667	\$685

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Loyalty Program

In June 2013, we modified our loyalty program, TrueBlue, so points earned by members never expire. Our estimate for points breakage, or the points we expect will go unused, was reduced in June 2013, resulting in a \$5 million reduction in revenue and corresponding increase in air traffic liability.

New Accounting Pronouncements

In December 2011, the FASB issued ASU 2011-11, amending the Balance Sheet topic of the Codification. This update enhances the disclosure requirements regarding offsetting assets and liabilities. ASU 2011-11 requires entities to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. These amendments are effective for annual and interim reporting periods beginning on or after January 1, 2013. Adoption of this standard did not have a material impact on our condensed consolidated financial statements or notes thereto.

In February 2013, the FASB issued ASU 2013-02, amending the Comprehensive Income topic of the Codification. This update amends the requirement to present, either on the face of the statement of operations or in the notes, the effects of significant net income line items reclassified out of accumulated other comprehensive income or loss, but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For amounts that are not required to be reclassified in their entirety to net income, the Company is required to cross-reference to other disclosures that provide additional detail about those amounts. ASU 2013-02 became effective for our annual and interim periods beginning January 1, 2013. The required disclosures are included in Note 4.

In July 2013, the FASB issued ASU 2013-10, amending the Derivatives and Hedging topic of the Codification. This update permits the Federal Funds Effective Swap rate (Overnight Index Swap rate, or OIS) to be designated as a benchmark interest rate for hedging accounting purposes for all new or redesigned hedging relationships as of the issue date of the final guidance. Adoption of this standard did not have a material impact on our condensed consolidated financial statements or notes thereto.

NOTE 2 — SHARE-BASED COMPENSATION

During the nine months ended September 30, 2013, 2.0 million restricted stock units vested under the 2011 Incentive Compensation Plan and the Amended and Restated 2002 Stock Incentive Plan.

NOTE 3 — LONG TERM DEBT, SHORT TERM BORROWINGS, AND CAPITAL LEASE OBLIGATIONS

Short Term Borrowings

CitiBank Line of Credit. On April 23, 2013, we entered into a Credit and Guaranty Agreement that consists of a \$350 million revolving credit and letter of credit facility with Citibank, N.A., as the administrative agent, which terminates in 2016. Borrowings under the Credit Facility bear interest at a variable rate equal to LIBOR, plus a margin. The Credit Facility is secured by take-off and landing slots at John F. Kennedy International Airport, or JFK, Newark Liberty International Airport, LaGuardia Airport and Ronald Reagan Washington National Airport and certain other assets. As of September 30, 2013, we did not have an outstanding balance under any of our credit facilities.

GOAA Bonds. In April 2013, the Greater Orlando Aviation Authority issued \$42 million special purpose airport facility revenue bonds to refund bonds issued in 2005. The proceeds from the refunded bonds were loaned to us and we recorded the issuance of \$43 million, net of \$1 million premium, as long term debt on our consolidated balance sheet.

Other Indebtedness

During the nine months ended September 30, 2013, we issued \$210 million, net of discount, in fixed rate equipment notes due through 2025, which are secured by eight aircraft.

Aircraft, engines and other equipment and facilities having a net book value of \$3.62 billion at September 30, 2013 have been pledged as security under various loan agreements. As of September 30, 2013, we owned 17 unencumbered Airbus A320 aircraft, one EMBRAER 190 aircraft, and 10 spare engines.

Our outstanding long-term debt and capital lease obligations were reduced by \$270 million as a result of scheduled principal payments and the prepayment of our GOAA bonds made during the nine months ended September 30, 2013. At September 30, 2013, the weighted average interest rate of all of our long-term debt was 4.2% and scheduled maturities were \$185 million for the remainder of 2013, \$586 million in 2014, \$274 million in 2015, \$472 million in 2016, \$200 million in 2017 and \$1.13 billion thereafter.

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In September 2013, we priced an Enhanced Equipment Trust Certificate, or EETC, of pass-through certificates Series 2013-1, for \$226 million which will be secured by fourteen A320 aircraft. We closed the certificates on October 2, 2013 and are scheduled to receive funding on March 5, 2014, to coincide with the final scheduled principal payments of \$188 million associated with our March 2004 EETC Class G-2 certificates.

As of September 30, 2013, we had \$55 million principal of our 5.5% Convertible Debentures due 2038 (Series A) outstanding. In October 2013, we notified the holders of those outstanding debentures that we planned to redeem them on or about December 3, 2013 and they may elect to convert them into shares of our common stock up until the business day prior to the redemption date at a rate of 220.6288 shares per \$1,000 debenture.

The carrying amounts and estimated fair values of our long-term debt at September 30, 2013 and December 31, 2012 were as follows (dollar amounts in millions):

	September 30, 2013		December 31, 2012	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Public Debt				
Floating rate enhanced equipment notes				
Class G-1, due through 2016	\$148	\$145	\$173	\$164
Class G-2, due 2014 and 2016	373	365	373	351
Class B-1, due 2014	49	49	49	48
Fixed rate special facility bonds, due through 2036	78	68	82	82
6.75% convertible debentures due in 2039	162	243	162	225
5.5% convertible debentures due in 2038	123	188	123	173
Non-Public Debt				
Floating rate equipment notes, due through 2025	714	712	816	776
Fixed rate equipment notes, due through 2026	1,087	1,151	960	1,050
Total	\$2,734	\$2,921	\$2,738	\$2,869

The estimated fair values of our publicly held long-term debt are classified as Level 2 in the fair value hierarchy. The fair values of our enhanced equipment notes and our special facility bonds were based on quoted market prices in markets that are traded with low volumes. The fair value of our convertible debentures was based upon other observable market inputs since they are not actively traded. The fair value of our non-public debt was estimated using a discounted cash flow analysis based on our borrowing rates for instruments with similar terms and therefore classified as Level 3 in the fair value hierarchy.

We utilize a policy provider to provide credit support on the Class G-1 and Class G-2 certificates. The policy provider has unconditionally guaranteed the payment of interest on the certificates when due and the payment of principal on the certificates no later than 18 months after the final expected regular distribution date. The policy provider is MBIA Insurance Corporation (a subsidiary of MBIA, Inc.).

NOTE 4 — ACCUMULATED OTHER COMPREHENSIVE LOSS

Comprehensive income includes changes in fair value of our aircraft fuel derivatives and interest rate swap agreements, which qualify for hedge accounting. A rollforward of the amounts included in accumulated other comprehensive loss, net of taxes, for the three and nine months ended September 30, 2013 is as follows (dollar amounts in millions):

	Aircraft Fuel Derivatives (1)	Interest Rate Swaps (2)	Total
Beginning accumulated losses, at June 30, 2013	\$(12)	\$(4)	\$(16)
Reclassifications into earnings (net of \$2 of taxes)	2	1	3
Change in fair value (net of \$4 of taxes)	7	1	8
Ending accumulated losses, at September 30, 2013	\$(3)	\$(2)	\$(5)

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	Aircraft Fuel Derivatives (1)	Interest Rate Swaps (2)	Total
Beginning accumulated losses, at December 31, 2012	\$(1)	\$(7)	\$(8)
Reclassifications into earnings (net of \$6 of taxes)	4	4	8
Change in fair value (net of \$(4) of taxes)	(6)	1)	(5)
Ending accumulated losses, at September 30, 2013	\$(3)	\$(2)	\$(5)

(1) Reclassified to aircraft fuel expense

(2) Reclassified to interest expense

NOTE 5 — EARNINGS PER SHARE

The following table shows how we computed basic and diluted earnings per common share (dollar amounts in millions, share data in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Numerator:				
Net income	\$71	\$45	\$121	\$127
Effect of dilutive securities:				
Interest on convertible debt, net of income taxes and profit sharing ³		2	8	7
Net income applicable to common stockholders after assumed conversions for diluted earnings per share	\$74	\$47	\$129	\$134
Denominator:				
Weighted average shares outstanding for basic earnings per share				
Effect of dilutive securities:	280,935	282,880	280,443	282,196
Employee stock options	2,235	1,337	1,900	1,033
Convertible debt	60,575	60,575	60,575	60,575
Adjusted weighted average shares outstanding and assumed conversions for diluted earnings per share	343,745	344,792	342,918	343,804
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012

Shares excluded from EPS calculation (in millions):

Shares issuable upon exercise of outstanding stock options or vesting of restricted stock units as assumed exercise would be antidilutive	12.6	18.1	14.5	20.7
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As of September 30, 2013, a total of approximately 1.4 million shares of our common stock, which were lent to our share borrower pursuant to the terms of our share lending agreement as described more fully in Note 2 to our 2012 Form 10-K, were issued and outstanding for corporate law purposes. Holders of the borrowed shares have all the rights of a holder of our common stock. However, because the share borrower must return all borrowed shares to us (or identical shares or, in certain circumstances of default by the counterparty, the cash value thereof), the borrowed shares are not considered outstanding for the purpose of computing and reporting basic or diluted earnings per share. The fair value of similar common shares not subject to our share lending arrangement, based upon our closing stock price at September 30, 2013, was approximately \$9 million.

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NOTE 6 — EMPLOYEE RETIREMENT PLAN

We sponsor a retirement savings 401(k) defined contribution plan, or the Plan, covering all of our employees. In addition to matching employee contributions of up to 5% of eligible wages, the Plan also includes a discretionary contribution of 5% of eligible non-management wages referred to as Retirement Plus. Our non-management employees are also eligible to receive profit sharing, calculated as 15% of adjusted pre-tax income reduced by the Retirement Plus contributions. Certain FAA-licensed employees receive an additional contribution of 3% of eligible compensation, which we refer to as Retirement Advantage. Total 401(k) company match, Retirement Plus, profit sharing, and Retirement Advantage expensed for the three months ended September 30, 2013 and 2012 was \$28 million and \$22 million, respectively. Total contributions expensed for the Plan for the nine months ended September 30, 2013 and 2012 was \$69 million and \$62 million, respectively.

NOTE 7 — COMMITMENTS AND CONTINGENCIES

In October 2013, we amended our purchase agreement with EMBRAER by deferring previously scheduled deliveries of 24 EMBRAER 190 aircraft from 2014-2018 to 2020-2022. We converted eight existing A320 orders to A321 orders and 10 A320 new engine option (A320neo) orders to A321 new engine option (A321neo) orders. We ordered additional A321 aircraft, consisting of 15 A321 aircraft for delivery between 2015 and 2017 and 20 A321neo for delivery between 2018 and 2020.

Including the effects of the October 2013 amendments to our Airbus and EMBRAER purchase agreements, our firm aircraft orders consist of three A320 aircraft, 53 A321 aircraft, 30 A320neo aircraft, 30 A321neo aircraft, 25 EMBRAER 190 aircraft and 10 spare engines scheduled for delivery through 2022. Committed expenditures for these aircraft, including the related flight equipment estimated amounts for contractual price escalations and predelivery deposits, were approximately \$188 million for the remainder of 2013, \$500 million in 2014, \$647 million in 2015, \$781 million in 2016, \$809 million in 2017 and \$3.11 billion thereafter.

In March 2013, we extended the lease terms for our Terminal at JFK. The lease extension incorporates a long term lease for the approximately 19 acres of former Terminal 6, property and provides for the construction of a new international arrivals facility to be adjoined to our existing Terminal 5 facility, the T5i Project. The term of this lease extension extends through 2042, with an option to terminate early in 2033. JetBlue is self-funding the estimated \$175 million construction cost of this facility, which is expected to be completed in early 2015. Through September 30, 2013, total costs incurred for the T5i Project were \$64 million.

In September 2013, we amended the leases on six of our aircraft, extending their terms from 2014-2018 to 2018-2022. Total remaining commitments related to these leases was \$67 million as of September 30, 2013.

As of September 30, 2013, we had approximately \$31 million in assets that serve as collateral for letters of credit related to a certain number of our leases, which are included in restricted cash, and expire at the end of the related lease terms. Additionally, we had \$19 million pledged related to our workers compensation insurance policies and other business partner agreements, which will expire according to the terms of the related policies or agreements.

Environmental Liability

In 2012, during performance of environmental testing required in connection with the demolition of the existing passenger terminal buildings and closure of the defunct hydrant fuel systems on the Terminal 6 site at JFK, the presence of light non-aqueous phase petroleum liquid was discovered in certain subsurface monitoring wells on the property. Our lease with the Port Authority of New York and New Jersey, or PANYNJ, provides that, under certain circumstances, we may be responsible for investigating, delineating, and remediating such subsurface contamination, even if we are not necessarily the party that caused its release. We have engaged environmental consultants and legal counsel to assess the extent of the contamination and assist us in determining whether we are responsible for taking steps to remediate it. A preliminary estimate indicates costs of remediation could range from less than \$1 million up to approximately \$3 million. As of September 30, 2013, we have accrued \$2 million for current estimates of remediation costs. However, as with any environmental contamination, there is the possibility this contamination could be more extensive than estimated at this early stage. We have a pollution insurance policy that protects us against these types of environmental liabilities, which we expect will mitigate some of our exposure in this matter.

Based upon information currently known to us, we do not expect these environmental proceedings to have a material adverse effect on our consolidated financial position, results of operations, or cash flows. However, it is not possible to predict with certainty the impact on us of future environmental compliance requirements or the costs of resolving the matter, in part because the scope of the remediation that may be required is not certain and environmental laws and regulations are subject to modification and changes in interpretation.

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Legal Matters

Occasionally, we are involved in various claims, lawsuits, regulatory examinations, investigations and other legal matters arising, for the most part, in the ordinary course of business. The outcome of litigation and other legal matters is always uncertain. The Company believes that it has valid defenses to the legal matters currently pending against it, is defending itself vigorously and has recorded accruals determined in accordance with U.S. GAAP, where appropriate. In making a determination regarding accruals, using available information, we evaluate the likelihood of an unfavorable outcome in legal or regulatory proceedings to which we are a party to and record a loss contingency when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These judgments are subjective, based on the status of such legal or regulatory proceedings, the merits of our defenses and consultation with legal counsel. Actual outcomes of these legal and regulatory proceedings may materially differ from our current estimates. It is possible that resolution of one or more of the legal matters currently pending or threatened could result in losses material to our consolidated results of operations, liquidity or financial condition.

To date, none of these types of litigation matters, most of which are typically covered by insurance, has had a material impact on our operations or financial condition. We have insured and continue to insure against most of these types of claims. A judgment on any claim not covered by, or in excess of, our insurance coverage could materially adversely affect our financial condition or results of operations.

DOT tarmac delay. As described more fully in our 2012 Form 10-K, the Department of Transportation, or DOT, investigated our diversion of five flights to Hartford, CT's Bradley International Airport in October 2011 due to winter weather and the failure of major navigational equipment at New York City area airports. Once on the ground, these five aircraft were each held on the tarmac in excess of three hours with customers and crew on board, a time limit which is beyond the limits proscribed by the DOT's Tarmac Delay Rule. We issued compensation to the impacted customers in accordance with our Customer Bill of Rights, and fully complied with all requests made by the DOT in the course of the investigation. On October 25, 2013, the DOT closed this matter without a fine or penalty.

Employment Agreement Dispute. In or around March 2010, attorneys representing a group of current and former pilots (the "Claimants") filed a Request for Mediation with the American Arbitration Association concerning a dispute over the interpretation of a provision of their individual JetBlue Airways Corporation Employment Agreement for Pilots ("Employment Agreement"). In their Fourth Amended Arbitration Demand, dated June 8, 2012, the Claimants (972 pilots) alleged that JetBlue breached the base salary provision of the Employment Agreement and sought back pay and related damages for pay adjustments that occurred in each of 2002, 2007 and 2009. The Claimants also asserted that JetBlue had violated numerous New York state labor laws. In July 2012, in response to JetBlue's partial motion to dismiss, the Claimants withdrew the 2002 claims. Following an arbitration hearing on the remaining claims, in May 2013, the arbitrator issued an interim decision on the contractual provisions of the Employment Agreement. In 2007, all pilots received market rate pay adjustments. The arbitrator determined that a 26.7% base pay rate increase provided to certain pilots during 2007 triggered the base salary provision of the Employment Agreement. The 2009 claims and all New York state labor law claims were dismissed. The parties started the damages phase of the arbitration in June of 2013. Many variables remain undetermined, including the number of eligible Claimants and what elements of pay, if any, could be included in any damages calculation award. Motion practice began in July, 2013 and in late August, 2013, the arbitrator granted JetBlue's motion to significantly limit the scope of damages. Motion practice continues that may further limit the number of pilots with valid claims and reduce the scope of damages.

To date, the Claimants have not specified the amount of damages they are seeking. Pilot salaries currently represent approximately 40% of our total consolidated salaries and wages; therefore, a damages judgment determination in the Claimants' favor could have a material adverse impact on our results of operations, liquidity and/or financial condition. While we believe that our defenses support a finding of no damages, we have accrued \$3 million associated with a portion of this dispute which is probable and estimable. Due to the many undetermined variables, we are currently unable to estimate a range of possible loss beyond the amount we have accrued. The outcome of any arbitration is inherently uncertain and any final judgment may differ materially.

NOTE 8 —FINANCIAL DERIVATIVE INSTRUMENTS AND RISK MANAGEMENT

As part of our risk management techniques, we periodically purchase over the counter energy derivative instruments and enter into fixed forward price agreements, or FFPs, to manage our exposure to the effect of changes in the price of aircraft fuel. Prices for the underlying commodities have historically been highly correlated to aircraft fuel, making derivatives of them effective at providing short-term protection against sharp increases in average fuel prices. We also periodically enter into jet fuel basis swaps for the differential between heating oil and jet fuel, to further limit the variability in fuel prices at various locations.

To manage the variability of the cash flows associated with our variable rate debt, we have also entered into interest rate swaps. We do not hold or issue any derivative financial instruments for trading purposes.

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Aircraft fuel derivatives: We attempt to obtain cash flow hedge accounting treatment for each aircraft fuel derivative that we enter into. This treatment is provided for under the Derivatives and Hedging topic of the Codification which allows for gains and losses on the effective portion of qualifying hedges to be deferred until the underlying planned jet fuel consumption occurs, rather than recognizing the gains and losses on these instruments into earnings during each period they are outstanding. The effective portion of realized aircraft fuel hedging derivative gains and losses is recognized in aircraft fuel expense in the period the underlying fuel is consumed.

Ineffectiveness results, in certain circumstances, when the change in the total fair value of the derivative instrument differs from the change in the value of our expected future cash outlays for the purchase of aircraft fuel and is recognized immediately in interest income and other. Likewise, if a hedge does not qualify for hedge accounting, the periodic changes in its fair value are recognized in the period of the change in interest income and other. When aircraft fuel is consumed and the related derivative contract settles, any gain or loss previously recorded in other comprehensive income is recognized in aircraft fuel expense. All cash flows related to our fuel hedging derivatives are classified as operating cash flows.

Our current approach to fuel hedging is to enter into hedges on a discretionary basis without a specific target of hedge percentage needs. We view our hedge portfolio as a form of insurance to help mitigate the impact of price volatility and protect us against severe spikes in oil prices, when possible.

The following table illustrates the approximate hedged percentages of our projected fuel usage by quarter as of September 30, 2013 related to our outstanding fuel hedging contracts that were designated as cash flow hedges for accounting purposes.

	Jet fuel swap agreements	Jet fuel cap agreements	Total	
Fourth Quarter 2013	19	% 8	% 27	%
First Quarter 2014	7	% 8	% 15	%
Second Quarter 2014	7	% 8	% 15	%
Third Quarter 2014	2	% —	2	%
Fourth Quarter 2014	2	% —	2	%

During 2013, we also entered into additional basis swap transactions to be settled later in 2013, which are not designated as cash flow hedges for accounting purposes and as a result are marked to market in earnings each period. As of September 30, 2013, the fair value recorded for these contracts was a net liability of approximately \$1 million. Additionally, we enter into FFPs which allow us to lock in the price of fuel for specified quantities and at specified locations in future periods. Of our remaining projected 2013 fuel requirements, 12% were managed with FFPs at September 30, 2013.

During 2013 we determined certain of our derivatives no longer qualified for hedge accounting. As such, we prospectively discontinued the application of hedge accounting for the remaining portion of our outstanding Brent crude oil agreements. Any incremental increase or decrease in the value of these contracts will be recognized in interest income and other in each period during 2013 until the contracts settle.

Interest rate swaps: The interest rate hedges we had outstanding as of September 30, 2013 effectively swap floating rate for fixed rate, taking advantage of lower borrowing rates in existence at the time of the hedge transaction as compared to the date our original debt instruments were executed. As of September 30, 2013, we had \$68 million in notional debt outstanding related to these swaps, which cover certain interest payments through August 2016. The notional amount decreases over time to match scheduled repayments of the related debt.

All of our outstanding interest rate swap contracts qualify as cash flow hedges in accordance with the Derivatives and Hedging topic of the Codification. Since all of the critical terms of our swap agreements match the debt to which they pertain, there was no ineffectiveness relating to these interest rate swaps in 2013 or 2012, and all related unrealized losses were deferred in accumulated other comprehensive loss. We recognized approximately \$8 million in additional interest expense as the related interest payments were made in each of the nine months ended September 30, 2013 and 2012.

The table below reflects quantitative information related to our derivative instruments and where these amounts are recorded in our financial statements (dollar amounts in millions):

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	As of			
	September 30, 2013	December 31, 2012		
Fuel derivatives				
Liability fair value recorded in other accrued liabilities (1)	\$—	\$1		
Longest remaining term (months)	15	9		
Hedged volume (barrels, in thousands)	2,307	675		
Estimated amount of existing losses expected to be reclassified into earnings in the next 12 months	\$(5	) \$(1	
Interest rate derivatives				
Liability fair value recorded in other long term liabilities (2)	4	12		
Estimated amount of existing losses expected to be reclassified into earnings in the next 12 months	(2	) (9	
	Three Months Ended September 30, 2013	2012	Nine Months Ended September 30, 2013	2012
Fuel derivatives				
Hedge effectiveness gains (losses) recognized in aircraft fuel expense	\$(3) \$2	\$(7) \$10
Gains (losses) on derivatives not qualifying for hedge accounting recognized in other expense	1	—	(1) (3
Hedge gains (losses) on derivatives recognized in comprehensive income	11	23	(10) 17
Percentage of actual consumption economically hedged	29	% 27	% 21	% 31
Interest rate derivatives				
Hedge gains (losses) on derivatives recognized in comprehensive income	\$1	\$(1) \$1	\$(3
Hedge losses on derivatives recognized in interest expense	(3) (3) (8) (8

(1)Gross asset or liability of each contract prior to consideration of offsetting positions with each counterparty.

(2)Gross liability, prior to impact of collateral posted.

Any outstanding derivative instrument exposes us to credit loss in connection with our fuel contracts in the event of nonperformance by the counterparties to the agreements, but we do not expect that any of our seven counterparties will fail to meet their obligations. The amount of such credit exposure is generally the fair value of our outstanding contracts for which we are in a receivable position. To manage credit risks, we select counterparties based on credit assessments, limit our overall exposure to any single counterparty and monitor the market position with each counterparty. Some of our agreements require cash deposits from either counterparty if market risk exposure exceeds a specified threshold amount.

We have master netting arrangements with our counterparties allowing us the right of offset to mitigate credit risk in derivative transactions. The financial derivative instrument agreements we have with our counterparties may require us to fund all, or a portion of, outstanding loss positions related to these contracts prior to their scheduled maturities. The amount of collateral posted, if any, is periodically adjusted based on the fair value of the hedge contracts. Our policy is to offset the liabilities represented by these contracts with any cash collateral paid to the counterparties. The impact of offsetting derivative instruments is depicted below (dollar amounts in millions):

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	Gross Amount of Recognized		Gross Amount of	Net Amount Presented	
	Assets	Liabilities	Cash Collateral Offset	in Balance Sheet Assets	Liabilities
As of September 30, 2013					
Fuel derivatives	\$—	\$—	\$—	\$—	\$—
Interest rate derivatives	—	4	4	—	—
As of December 31, 2012					
Fuel derivatives	\$—	\$1	\$—	\$—	\$1
Interest rate derivatives	—	12	12	—	—

NOTE 9 —FAIR VALUE OF FINANCIAL INSTRUMENTS

Under the Fair Value Measurements and Disclosures topic of the Codification, disclosures are required about how fair value is determined for assets and liabilities and a hierarchy for which these assets and liabilities must be grouped is established, based on significant levels of inputs as follows:

Level 1 quoted prices in active markets for identical assets or liabilities;

Level 2 quoted prices in active markets for similar assets and liabilities and inputs that are observable for the asset or liability; or

Level 3 unobservable inputs for the asset or liability, such as discounted cash flow models or valuations.

The determination of where assets and liabilities fall within this hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The following is a listing of our assets and liabilities required to be measured at fair value on a recurring basis and where they are classified within the fair value hierarchy as of September 30, 2013 and December 31, 2012 (dollar amounts in millions).

	As of September 30, 2013			
	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	\$192	\$—	\$—	\$192
Available-for-sale investment securities	—	309	—	309
	\$192	\$309	\$—	\$501
Liabilities				
Aircraft fuel derivatives	\$—	\$—	\$—	\$—
Interest rate swap	—	4	—	4
	\$—	\$4	\$—	\$4
	As of December 31, 2012			
	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	\$84	\$—	\$—	\$84
Restricted cash	4	—	—	4
Available-for-sale investment securities	68	207	—	275
	\$156	\$207	\$—	\$363
Liabilities				
Aircraft fuel derivatives	\$—	\$1	\$—	\$1
Interest rate swap	—	12	—	12
	\$—	\$13	\$—	\$13

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Refer to Note 3 for fair value information related to our outstanding debt obligations as of September 30, 2013 and December 31, 2012.

Cash equivalents: Our cash equivalents include money market securities and commercial paper which are readily convertible into cash with maturities of 90 days or less when purchased, all of which are considered to be highly liquid and easily tradable. These securities are valued using inputs observable in active markets for identical securities and are therefore classified as Level 1 within our fair value hierarchy.

Available-for-sale investment securities: Included in our available-for-sale investment securities are certificates of deposit and commercial paper with original maturities greater than 90 days but less than one year. The fair values of these instruments are based on observable inputs in non-active markets; which are therefore classified as Level 2 in the hierarchy. The fair value of treasury bills are based on actively traded quoted market prices and are therefore classified as Level 1 in the hierarchy. We did not record any significant gains or losses on these securities during the three and nine months ended September 30, 2013 and 2012.

Aircraft fuel derivatives: Our aircraft fuel derivatives include jet fuel swaps, crude oil collars, and jet fuel caps which are not traded on public exchanges. Their fair values are determined using a market approach based on inputs that are readily available from public markets for commodities and energy trading activities; therefore, they are classified as Level 2 inputs. The data inputs are combined into quantitative models and processes to generate forward curves and volatilities related to the specific terms of the underlying hedge contracts.

Interest rate swaps: The fair values of our interest rate swaps are based on inputs received from the related counterparty, which are based on observable inputs for active swap indications in quoted markets for similar terms. The fair values of these instruments are based on observable inputs in non-active markets which are therefore classified as Level 2 in the hierarchy.

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

Overview

Third Quarter 2013 Highlights & Outlook

• We reported our fourteenth consecutive quarter of net income.

During the third quarter we generated \$163 million in cash from operations while strengthening our balance sheet by making scheduled debt and capital lease principal payments of \$118 million, ending the quarter with unrestricted cash and short term investments of \$954 million.

• We announced our transcon premium product branding, Mint, which we anticipate beginning service in June 2014.

• We enhanced our TrueBlue loyalty program with Family Pooling, becoming the only major U.S carrier to allow customers to earn and use points as a group, for free.

We continue to deliver the JetBlue Experience to our customers with a differentiated product and superior service which we believe drives a price premium in many of our key markets. We believe our continued focus on financial discipline, product innovation and network enhancements, combined with our service excellence, will continue to drive our future success and returns for our shareholders.

Strengthening of our Balance Sheet

We ended the quarter with unrestricted cash, cash equivalents and short-term investments at approximately 18% of trailing twelve months revenue. We increased the number of unencumbered aircraft by two over the second quarter, bringing total unencumbered aircraft to 18 as of September 30, 2013.

New Service

As part of our ongoing network initiatives and route optimization efforts, we continued to make schedule and frequency adjustments throughout the third quarter of 2013. We plan to begin service to the following destinations in the fourth quarter of 2013: Worcester, Massachusetts, Port-au-Prince, Haiti, and Lima, Peru. We recently announced plans to begin service to the following destinations in 2014: Savannah/Hilton Head, Georgia, Port of Spain, Trinidad and Tobago, and Detroit, Michigan.

Fleet Amendments

In October 2013 we announced amendments to our purchase agreements with EMBRAER and Airbus in order to more effectively manage our network growth demands with large gauge aircraft resulting in lower unit costs. We deferred the scheduled delivery of 24 EMBRAER 190 aircraft to 2020-2022, converted 18 existing A320 orders to A321 orders and ordered 15 A321 aircraft for delivery between 2015 and 2017. We also ordered 20 A321 new engine option aircraft (A321neo) for delivery between 2018 and 2020.

Outlook for 2013

For the full year, we estimate our operating capacity to increase approximately 5.5% to 7.5% over 2012 with the addition of four Airbus A321 aircraft and one EMBRAER 190 aircraft to our operating fleet through the remainder of the year. Assuming fuel prices of \$3.13 per gallon, net of our fuel hedging activity, our cost per available seat mile, CASM, excluding fuel and profit sharing, for 2013 is expected to increase by 2.5% to 4.5% over 2012. This expected increase is primarily a result of continued maintenance cost pressures associated with the aging of our fleet and the acceleration of performance restorations of our higher flight hour EMBRAER 190 engines to improve operational reliability and extend time on wing.

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Results of Operations

Third Quarter 2013 vs. 2012 Highlights

• Third quarter results were above those of the same period a year ago due to a 10.8% increase in passenger revenue results from a 4.0% increase in revenue passengers and 6.5% increase in the average fare.

• Operating capacity increased approximately 5.1% to 11.3 billion available seat miles in the third quarter of 2013.

• Operating expenses per available seat mile increased slightly to 11.47 cents. Excluding fuel and profit sharing, our cost per available seat mile increased 4.9% period over period.

Operating Revenues

(Revenues in millions)	Three Months Ended September 30,		Year-over-Year Change	
	2013	2012	\$	%
Passenger Revenue	\$1,321	\$1,194	\$127	10.8
Other Revenue	121	114	7	6.1
Operating Revenues	\$1,442	\$1,308	\$134	10.4
Average Fare	\$164.02	\$154.04	\$9.98	6.5
Yield per passenger mile (cents)	13.83	13.15	0.68	5.1
Passenger revenue per ASM (cents)	11.75	11.15	0.60	5.4
Operating revenue per ASM (cents)	12.82	12.21	0.61	5.0
Average stage length (miles)	1,085	1,094	(9	) (0.9
Revenue passengers (thousands)	8,059	7,747	312	4.0
Revenue passenger miles (millions)	9,561	9,075	486	5.4
Available Seat Miles (ASMs) (millions)	11,252	10,704	548	5.1
Load Factor	85.0	% 84.8	%	0.2 pts.

We reported net income of \$71 million for the three months ended September 30, 2013 compared to \$45 million for the three months ended September 30, 2012. For the three months ended September 30, 2013 we had operating income of \$152 million, an increase of \$39 million over the same period in 2012, and an operating margin of 10.5%, up 1.9 points from 2012. Diluted earnings per share was \$0.21 for the third quarter of 2013 compared to \$0.14 for the same period in 2012.

Our on-time performance, defined by the Department of Transportation, DOT, as arrival within 14 minutes of schedule, was 72.6% in the third quarter of 2013 compared to 77.2% for the same period in 2012; our completion factor was 99.5% in 2013 and 99.6% in 2012, respectively. Our on-time performance remains challenged by our concentration of operations in the northeast United States, which contains some of the most congested and delay prone airports in the country.

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Operating Expenses

In detail, operating costs per available seat mile were as follows (percent changes are based on unrounded numbers):

(dollar amounts in millions)	Three Months Ended		Year-over-Year		Cents per ASM		
	September 30,		Change		2013	2012	% Change
	2013	2012	\$	%			
Aircraft fuel and related taxes	\$501	\$481	\$20	4.2	4.45	4.49	(0.9)
Salaries, wages and benefits	283	262	21	8.0	2.52	2.45	2.8
Landing fees and other rents	81	73	8	11.8	0.72	0.68	6.4
Depreciation and amortization	73	66	7	12.6	0.66	0.61	7.2
Aircraft rent	32	32	—	(1.4)	0.29	0.30	(6.2)
Sales and marketing	60	51	9	16.8	0.53	0.48	11.1
Maintenance materials and repairs	109	85	24	28.0	0.97	0.79	21.8
Other operating expenses	151	145	6	4.2	1.33	1.36	(0.8)
Total operating expenses	\$1,290	\$1,195	\$95	8.1	11.47	11.16	2.8

Our operating expenses contain variable costs that increased due to a 6% increase in departures and a 5% increase in operating capacity.

Aircraft Fuel and Hedging

Aircraft fuel expense increased \$20 million, or 4.2%, and represented approximately 39% of our total operating expenses. Fuel consumption increased by eight million gallons, or 5%, resulting in an additional \$26 million of fuel expense. This was offset by \$6 million in savings due to a 1% decrease in the average fuel cost per gallon over 2012. Losses upon settlement of effective fuel hedges during the third quarter of 2013 were \$3 million versus gains upon settlement of effective fuel hedges during the same period in 2012 of \$2 million. Our average fuel cost per gallon was \$3.14 for the third quarter of 2013 compared to \$3.17 for the third quarter of 2012.

In addition to our fuel hedge portfolio, we also used fixed forward price agreements, or FFPs, which allow us to lock in the price of fuel for specified quantities and at specified locations in future periods to manage fuel price volatility.

We managed approximately 14% of our third quarter fuel consumption with FFPs.

Salaries, Wages and Benefits

Salaries, wages and benefits increased \$21 million, or 8.0%, primarily due to a 3% increase in the average number of full-time equivalent employees in 2013 compared to 2012 and higher profit sharing. These were offset slightly by outsourcing on-board provisioning to business partners.

Depreciation and Amortization

Depreciation and amortization increased \$7 million, or 12.6%, primarily due to having an average of 126 owned and capital leased aircraft in service in 2013 compared to 115 in 2012.

Maintenance Materials and Repairs

Maintenance materials and repairs increased \$24 million, or 28.0%, due to an increase in the number of aircraft and the aging of our fleet which resulted in more costly heavy maintenance checks. We had an average of 11 additional operating aircraft in 2013 compared to the same period in 2012. In addition, we had higher engine maintenance costs related to aircraft engine removals and performance restorations for EMBRAER 190 aircraft during the third quarter of 2013. In the second quarter of 2013 we finalized a flight-hour based maintenance and repair agreement for these engines, which is expected to result in better forecasting of maintenance expenses.

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Nine Months Ended September 30, 2013 vs. 2012

Operating Revenues

(Revenues in millions)	Nine Months Ended September 30,		Year-over-Year Change	
	2013	2012	\$	%
Passenger Revenue	\$3,729	\$3,461	\$268	7.8
Other Revenue	347	327	20	5.9
Operating Revenues	\$4,076	\$3,788	\$288	7.6
Average Fare	\$161.37	\$157.73	\$3.64	2.3
Yield per passenger mile (cents)	13.72	13.58	0.14	1.0
Passenger revenue per ASM (cents)	11.61	11.46	0.15	1.3
Operating revenue per ASM (cents)	12.68	12.54	0.14	1.1
Average stage length (miles)	1,088	1,084	4	0.4
Revenue passengers (thousands)	23,112	21,938	1,174	5.4
Revenue passenger miles (millions)	27,182	25,480	1,702	6.7
Available Seat Miles (ASMs) (millions)	32,133	30,201	1,932	6.4
Load Factor	84.6	% 84.4	%	0.2 pts

We reported net income of \$121 million for the nine months ended September 30, 2013 compared to \$127 million for the nine months ended September 30, 2012. For the nine months ended September 30, 2013 we had operating income of \$313 million, a decrease of \$19 million over the same period in 2012, and an operating margin of 7.7%, down 1.1 points from 2012. Diluted earnings per share were \$0.38 in 2013 compared to \$0.39 in 2012.

Passenger revenue has increased 7.8% due primarily to a 6.4% increase in capacity and an increase in average fare of 2.3%. Other revenue continued to grow primarily due to an increase in the number of Even More™ seats on EMBRAER 190 aircraft and the number of passengers who are choosing to upgrade to this option.

Operating Expenses

In detail, operating costs per available seat mile were as follows (percent changes are based on unrounded numbers):

(dollar amounts in millions)	Nine Months Ended September 30,		Year-over-Year Change		Cents per ASM		
	2013	2012	\$	%	2013	2012	% Change
Aircraft fuel and related taxes	\$1,433	\$1,364	\$69	5.1	4.46	4.51	(1.2)
Salaries, wages and benefits	842	782	60	7.7	2.62	2.59	1.2
Landing fees and other rents	231	211	20	9.6	0.72	0.70	3.0
Depreciation and amortization	212	190	22	12.1	0.66	0.63	5.4
Aircraft rent	97	98	(1)	(2.1)	0.30	0.33	(7.9)
Sales and marketing	163	152	11	7.4	0.51	0.50	1.0
Maintenance materials and repairs	334	258	76	29.5	1.04	0.85	21.7
Other operating expenses	451	401	50	12.5	1.40	1.33	5.7
Total operating expenses	\$3,763	\$3,456	\$307	8.9	11.71	11.44	2.4

Our operating expenses contain variable costs that increased due to a 6% increase in departures and an 6% increase in operating capacity.

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Aircraft Fuel and Hedging

Aircraft fuel expense increased \$69 million, or 5.1%, and represented approximately 38% of our total operating expenses. Fuel consumption increased by 29 million gallons or 7%, resulting in an additional \$93 million of fuel expense. This was offset by \$23 million in savings due to a 2% decrease in the average fuel cost per gallon over 2012. Losses upon settlement of effective fuel hedges during 2013 were \$7 million versus gains upon settlement of effective fuel hedges during the same period in 2012 of \$10 million. Our average fuel cost per gallon was \$3.16 for the nine months ended September 30, 2013 compared to \$3.21 for the same period in 2012. We managed approximately 15% of our year to date fuel consumption with FFPs.

Salaries, Wages and Benefits

Salaries, wages and benefits increased \$60 million or 7.7% primarily due to wage rate adjustments and normal seniority increases made for some of our work groups. During the third quarter of 2012, we also introduced a Retirement Advantage program, providing an additional 3% retirement contribution for certain of our FAA-licensed Crewmembers, which resulted in \$6 million of increased expense during 2013 compared to 2012.

Depreciation and Amortization

Depreciation and amortization increased approximately \$22 million, or 12.1%, primarily due to having an average of 123 owned and capital leased aircraft in 2013 compared to 113 in 2012.

Maintenance Materials and Repairs

Maintenance materials and repairs increased approximately \$76 million, or 29.5%, due to an increase in the number of aircraft and the aging of our fleet which resulted in more costly heavy maintenance checks. We had an average of 10 additional operating aircraft in 2013 compared to the same period in 2012. In addition, we had higher engine maintenance costs related to aircraft engine removals and performance restorations for EMBRAER 190 aircraft during 2013. In the later part of 2012, we began to experience these significantly higher maintenance costs and in the third quarter of 2013 these costs had leveled off, but remain higher than the third quarter of 2012. We have now finalized a flight-hour based maintenance and repair agreement for these engines, which is expected to result in better forecasting of maintenance expenses.

Other Operating Expenses

Other operating expenses increased due to a gain of approximately \$10 million recorded in 2012 to other operating expense related to the sale of two EMBRAER 190 aircraft and six spare aircraft engines. Additional increases are due to the increase in certain variable costs as result of the colder weather conditions experienced in the northeast during the beginning of the year compared to 2012 as well as the signing of new on-board provisioning outsourcing agreements in larger airport locations that came into affect in the fourth quarter of 2012.

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The following table sets forth our operating statistics for the three and nine months ended September 30, 2013 and 2012:

	Three Months Ended		Year-over-Year Change %	Nine Months Ended		Year-over-Year Change %
	September 30, 2013	2012		September 30, 2013	2012	
Operating Statistics:						
Revenue passengers (thousands)	8,059	7,747	4.0	23,112	21,938	5.4
Revenue passenger miles (millions)	9,561	9,075	5.4	27,182	25,480	6.7
Available seat miles (ASMs) (millions)	11,252	10,704	5.1	32,133	30,201	6.4
Load factor	85.0	% 84.8	% 0.2 pts	84.6	% 84.4	% 0.2pts
Aircraft utilization (hours per day)	12.2	12.4	(1.2)	12.1	11.9	1.2
Average fare	\$164.02	\$154.04	6.5	\$161.37	\$157.73	2.3
Yield per passenger mile (cents)	13.83	13.15	5.1	13.72	13.58	1.0
Passenger revenue per ASM (cents)	11.75	11.15	5.4	11.61	11.46	1.3
Operating revenue per ASM (cents)	12.82	12.21	5.0	12.68	12.54	1.1
Operating expense per ASM (cents)	11.47	11.16	2.8	11.71	11.44	2.4
Operating expense per ASM, excluding fuel (cents)	7.02	6.67	5.3	7.25	6.93	4.7
Operating expense per ASM, excluding fuel & profit sharing (cents) (1)	6.95	6.63	4.9	7.23	6.89	4.9
Airline operating expense per ASM (cents) (2)	11.33	10.99	3.1	11.57	11.30	2.4
Departures	74,206	69,925	6.1	211,701	199,538	6.1
Average stage length (miles)	1,085	1,094	(0.9)	1,088	1,084	0.4
Average number of operating aircraft during period	187.1	175.0	6.9	183.5	172.6	6.3
Average fuel cost per gallon	\$3.14	\$3.17	(1.1)	\$3.16	\$3.21	(1.6)
Fuel gallons consumed (millions)	160	152	5.4	454	425	6.8
Full-time equivalent employees at period end (2)				12,124	11,797	2.8

(1) Refer to our “Regulation G Reconciliation” note below for more information on this non-GAAP measure.

(2) Excludes operating expenses and employees of LiveTV, LLC, which are unrelated to our airline operations. Although we experienced revenue growth in 2013, this trend may not continue. We expect our expenses to continue to increase as we acquire additional aircraft, as our fleet ages and as we expand the frequency of flights in existing markets and enter into new markets. Accordingly, the comparison of the financial data for the quarterly periods presented may not be meaningful. In addition, we expect our operating results to fluctuate significantly from quarter-to-quarter in the future as a result of various factors, many of which are outside of our control. Consequently,

we believe quarter-to-quarter comparisons of our operating results may not necessarily be meaningful; you should not rely on our results for any one quarter as an indication of our future performance.

Liquidity and Capital Resources

The airline business is capital intensive. Our ability to successfully execute our profitable growth plans is largely dependent on the continued availability of capital on attractive terms. In addition, our ability to successfully operate our business is dependent on maintaining sufficient liquidity. We believe we have adequate resources from a combination of cash and cash equivalents and investment securities on hand and available lines of credit. In September 2013 as part of an Enhanced Equipment Trust Certificate ("EETC") offering, we priced \$226 million in pass-through certificates which will be secured by 14 unencumbered A320-232 aircraft. Funding for the pass-through certificates is scheduled for March 2014 to coincide with the final scheduled principal payments of \$188 million associated with our March 2004 EETC Class G-2 certificates. As of September 30, 2013, we had 17 unencumbered A320 aircraft, one unencumbered EMBRAER 190 aircraft, and 10 unencumbered spare engines.

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As of September 30, 2013, we had \$55 million principal of our 5.5% Convertible Debentures due 2038 (Series A) outstanding. In October 2013, we notified the holders of those outstanding debentures that we planned to redeem them on or about December 3, 2013 and they may elect to convert them into shares of our common stock up until the business day prior to the redemption date at a rate of 220.6288 shares per \$1,000 debenture.

We intend to continue to be diligent with our liquidity, maintaining financial flexibility and allowing for prudent capital spending, which in turn we expect to lead to improved returns for our shareholders. We maintain a \$200 million line of credit and a \$350 million revolving credit facility, which is secured in part by our airport take-off and landing slots at certain domestic airports. We believe our strong balance sheet affords us the flexibility to make prudent investments in the business which help us achieve our Return on Invested Capital, or ROIC, goals and generate long-term returns for our shareholders.

At September 30, 2013, we had unrestricted cash and cash equivalents of \$373 million and short-term investments of \$581 million compared to unrestricted cash and cash equivalents of \$182 million and short-term investments of \$549 million at December 31, 2012. As of September 30, 2013, our unrestricted cash, cash equivalents and short-term investments as a percentage of trailing twelve months revenue was approximately 18%. We rely primarily on operating cash flows to provide working capital for current and future operations. Cash flows from operating activities were \$565 million and \$541 million for the nine months ended September 30, 2013 and 2012, respectively.

Investing Activities. During the nine months ended September 30, 2013, capital expenditures related to our purchase of flight equipment included (1) \$183 million for nine aircraft, (2) \$13 million for flight equipment deposits and (3) \$28 million for spare part purchases. Capital expenditures for other property and equipment, including ground equipment purchases, facilities improvements and LiveTV inflight-entertainment equipment inventory were \$131 million, which include \$64 million in T5i Project related costs. Investing activities also include the net purchase of \$11 million in investment securities.

During the nine months ended September 30, 2012, capital expenditures related to our purchase of flight equipment included \$200 million for three Airbus A320 aircraft, three EMBRAER 190 aircraft and five spare engines, \$61 million for flight equipment deposits and \$27 million for spare part purchases. Capital expenditures for other property and equipment, including ground equipment purchases, facilities improvements and LiveTV inflight-entertainment equipment inventory were \$129 million, which include \$32 million for the 16 slots we purchased at LaGuardia International Airport and Ronald Reagan International Airport in 2011. Investing activities also include the net purchase of \$89 million in investment securities. Investing activities also include the receipt of \$46 million in proceeds from the sale of two EMBRAER 190 aircraft and six spare engines.

Financing Activities. Financing activities for the nine months ended September 30, 2013 consisted of (1) scheduled maturities of \$222 million of debt and capital lease obligations, (2) our issuance of \$210 million in fixed rate equipment notes secured by eight aircraft, (3) the refunding of our Series 2005 GOAA bonds with proceeds of \$43 million from the issuance of new 2013 GOAA bonds (4) the repayment of \$10 million in principal related to our construction obligation for Terminal 5 and (5) the acquisition of \$8 million in treasury shares related to our share repurchase program and the withholding of taxes upon the vesting of restricted stock units.

We may in the future issue, in one or more public offerings, debt securities, pass-through certificates, common stock, preferred stock and/or other securities.

Financing activities for the nine months ended September 30, 2012 consisted of (1) scheduled maturities of \$142 million of debt and capital lease obligations, (2) the pre-payment of \$134 million in debt secured by five Airbus A320 aircraft, (3) the repayment of \$35 million of debt related to two EMBRAER 190 aircraft, (4) our issuance of \$131 million in non-public floating rate equipment notes secured by two Airbus A320 aircraft and three EMBRAER 190 aircraft, (5) the net repayment of \$88 million under our corporate purchasing line, (6) borrowings of \$50 million under our line of credit, (7) the repayment of \$9 million in principal related to our construction obligation for Terminal 5 and (8) the acquisition of \$4 million in treasury shares related to the withholding of taxes upon the vesting of restricted stock units.

Working Capital. We had a working capital deficit of \$651 million and \$508 million at September 30, 2013 and December 31, 2012, respectively. Working capital deficits can be customary in the airline industry since air traffic liability is classified as a current liability. Included in our working capital deficit is \$308 million of indebtedness

related to our aircraft EETCs and spare parts pass-through certificates due in the first quarter of 2014. Also contributing to our working capital deficit as of September 30, 2013 is \$86 million in marketable investment securities classified as long-term assets.

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We expect to meet our obligations as they become due through available cash, investment securities and internally generated funds, supplemented as necessary by financing activities, as they may be available to us. We expect to generate positive working capital through our operations. However, we cannot predict what the effect on our business might be from the extremely competitive environment we are operating in or from events that are beyond our control, such as volatile fuel prices, economic conditions, weather-related disruptions, the impact of airline bankruptcies, restructurings or consolidations, U.S. military actions or acts of terrorism. We believe the working capital available to us will be sufficient to meet our cash requirements for at least the next 12 months.

Our scheduled debt maturities are expected to increase over the next five years, with a scheduled peak in 2014 of nearly \$592 million. We expect to continue to actively manage our debt balances opportunistically by pre-purchasing outstanding debt when market conditions and terms are favorable. Additionally, our unencumbered assets, including 17 A320 aircraft and one EMBRAER 190 aircraft, allows us some flexibility in managing our cost of debt and capital requirements.

Contractual Obligations

Our noncancelable contractual obligations at September 30, 2013, include the following (dollar amounts in millions):

	Payments due in						
	Total	2013	2014	2015	2016	2017	Thereafter
Long-term debt and capital lease obligations (1)	3,615	\$220	\$700	\$380	\$560	\$280	\$1,475
Lease commitments	1,435	50	200	200	135	125	725
Flight equipment purchase obligations	7,080	190	515	680	810	810	4,075
Financing obligations and other (2)	3,550	190	525	415	380	385	1,655
Total	\$15,680	\$650	\$1,940	\$1,675	\$1,885	\$1,600	\$7,930

(1) Includes actual interest and estimated interest for floating-rate debt based on September 30, 2013 rates.

(2) Amounts include noncancelable commitments for the purchase of goods and services.

We are subject to certain collateral ratio requirements in our spare parts pass-through certificates and spare engine financing issued in November 2006 and December 2007, respectively. If we fail to maintain these collateral ratios, we are required to provide additional collateral or redeem some or all of the equipment notes so that the ratios are met.

We currently have pledged as collateral a previously unencumbered spare engine with a carrying value of \$7 million in order to maintain these ratios. As of September 30, 2013 we were in compliance with all of our other covenants.

As of September 30, 2013, we operated a fleet of 130 Airbus A320 aircraft and 59 EMBRAER 190 aircraft, of which 125 were owned by us, 60 were leased under operating leases and four were leased under capital leases.

We have approximately \$31 million of restricted cash pledged under standby letters of credit related to certain of our leases which will expire at the end of the related lease terms. The average age of our operating fleet was 7.08 years at September 30, 2013.

In October 2013, we amended our purchase agreement with EMBRAER by deferring the scheduled delivery of 24 EMBRAER 190 aircraft from 2014-2018 to 2020-2022. We converted eight existing A320 orders to A321 orders and 10 A320 new engine option (A320neo) orders to A321neo orders and ordered additional A321 aircraft, consisting of 15 A321 aircraft for delivery between 2015 and 2017 and 20 A321neo for delivery between 2018 and 2020.

Subsequent to the amendments of our purchase agreements in October 2013, we had on order three Airbus A320 aircraft, 53 Airbus A321 aircraft, 30 Airbus A320 neo aircraft, 30 Airbus A321 neo aircraft, and 25 EMBRAER 190 aircraft as follows:

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Year	Firm					Total
	Airbus A320	Airbus A320 neo	Airbus A321	Airbus A321 neo	EMBRAER 190	
2013	—	—	4	—	1	5
2014	—	—	9	—	—	9
2015	—	—	12	—	—	12
2016	3	—	12	—	—	15
2017	—	—	15	—	—	15
2018	—	5	1	9	—	15
2019	—	—	—	15	—	15
2020	—	9	—	6	10	25
2021	—	16	—	—	7	23
2022	—	—	—	—	7	7
	3	30	53	30	25	141

Committed expenditures for our 141 firm aircraft and 10 spare engines include estimated amounts for contractual price escalations and predelivery deposits. We have secured debt financing for our Airbus A321 firm aircraft deliveries and we anticipate to pay cash for our EMBRAER 190 firm aircraft delivery, all scheduled for the fourth quarter of 2013. Although we believe debt and/or lease financing should be available for our remaining aircraft deliveries, we cannot give any assurance that we will be able to secure financing on attractive terms, if at all. While these financings may or may not result in an increase in liabilities on our balance sheet, our fixed costs will increase significantly regardless of the financing method ultimately chosen. To the extent we cannot secure financing on terms we deem attractive, we may be required to pay in cash, further modify our aircraft acquisition plans or incur higher than anticipated financing costs. Capital expenditures for facility improvements, spare parts and aircraft improvements are expected to be approximately \$275 million for the remainder of 2013.

In November 2005, we executed a 30-year lease agreement with the PANYNJ, for the construction and operation of T5 which became our principal base of operations at JFK in October 2008. For financial reporting purposes only, this lease is being accounted for as a financing obligation because we did not qualify for sale-leaseback accounting due to our continuing involvement in the property following its construction. JetBlue has committed to rental payments under the lease, which are included as part of lease commitments in the contractual obligations table above. Facility rents commenced with our beneficial occupancy of the new terminal in 2008 and are included as part of “financing obligations and other” in the contractual obligations table above. In March 2013, we extended the lease terms with the PANYNJ to 2042, with the option for early termination in 2033. The minimum rents associated with this lease extension are reflected in lease commitments in the table above.

Off-Balance Sheet Arrangements

None of our operating lease obligations are reflected on our balance sheet. Although some of our aircraft lease arrangements are variable interest entities, as defined in the Consolidations topic of the Codification, none of them require consolidation in our financial statements. The decision to finance these aircraft through operating leases rather than through debt was based on an analysis of the cash flows and tax consequences of each option and a consideration of our liquidity requirements and an assessment of future residual values. We are responsible for all maintenance, insurance and other costs associated with operating these aircraft; however, we have not made any residual value or other guarantees to our lessors.

We have determined that we hold a variable interest in, but are not the primary beneficiary of, certain pass-through trusts which are the purchasers of equipment notes issued by us to finance the acquisition of new aircraft and are held by such pass-through trusts. These pass-through trusts maintain liquidity facilities whereby a third party has agreed to make payments sufficient to pay up to 18 months of interest on the applicable certificates if a payment default occurs. The liquidity providers for the Series 2004-1 certificates and the spare parts certificates are Landesbank Hessen-Thüringen Girozentrale and Morgan Stanley Capital Services Inc. The liquidity providers for the Series 2004-2 certificates are Landesbank Baden-Württemberg and Citibank, N.A.

We use a policy provider to provide credit support on the Class G-1 and Class G-2 certificates. The policy provider has unconditionally guaranteed the payment of interest on the certificates when due and the payment of principal on the certificates no later than 18 months after the final expected regular distribution date. The policy provider is MBIA Insurance Corporation (a subsidiary of MBIA, Inc.). Financial information for the parent company of the policy provider is available at the SEC's website at <http://www.sec.gov> or at the SEC's public reference room in Washington, D.C.

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We have also made certain guarantees and indemnities to other unrelated parties that are not reflected on our balance sheet, which we believe will not have a significant impact on our results of operations, financial condition or cash flows. We have no other off-balance sheet arrangements.

Critical Accounting Policies and Estimates

There have been no material changes to our critical accounting policies and estimates from the information provided in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations-Critical Accounting Policies and Estimates included in our 2012 Form 10-K.

Other Information

Forward-Looking Information. This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, which represent our management's beliefs and assumptions concerning future events. When used in this document and in documents incorporated herein by reference, the words "expects," "plans," "anticipates," "indicates," "believes," "forecast," "guidance," "outlook," "may," "will," "should," "seeks," "targets" and similar expressions are intended to identify forward-looking statements. Forward-looking statements involve risks, uncertainties and assumptions, and are based on information currently available to us. Actual results may differ materially from those expressed in the forward-looking statements due to many factors, including, without limitation, our extremely competitive industry; increases and volatility in fuel prices, increases in maintenance costs and interest rates; our ability to implement our growth strategy; our significant fixed obligations and substantial indebtedness; our ability to attract and retain qualified personnel and maintain our culture as we grow; our reliance on high daily aircraft utilization; our dependence on the New York metropolitan market and the effect of increased congestion in this market; our reliance on automated systems and technology; our being subject to potential unionization, work stoppages, slowdowns or increased labor costs; our reliance on a limited number of suppliers; our presence in some international emerging markets that may experience political or economic instability or may subject us to legal risk; reputational and business risk from information security breaches; a negative impact on the JetBlue brand; the long term nature of our fleet order book; changes in or additional government rules, regulations or laws; changes in our industry due to other airlines' financial condition; the impact on our growth because of economic difficulties in Europe through a continuance of the economic recessionary conditions in the U.S. or a further economic downturn leading to a continuing or accelerated decrease in demand for domestic and international routes, including business, leisure and/or visiting friends and relatives air travel; and external geopolitical events and conditions. It is routine for our internal projections and expectations to change as the year or each quarter in the year progresses, and therefore it should be clearly understood that the internal projections, beliefs and assumptions upon which we base our expectations may change prior to the end of each quarter or year. Other than as required by law, we undertake no obligation to update or revise forward-looking statements, whether as a result of new information, future events, or otherwise.

Given the risks and uncertainties surrounding forward-looking statements, you should not place undue reliance on these statements. You should understand that many important factors, in addition to those discussed or incorporated by reference in this report, could cause our results to differ materially from those expressed in the forward-looking statements. Potential factors that could affect our results include, in addition to others not described in this report, those described in Item 1A of our 2012 Form 10-K under "Risks Related to JetBlue" and "Risks Associated with the Airline Industry" and part II of this Report. In light of these risks and uncertainties, the forward-looking events discussed in this Report might not occur.

Where You Can Find Other Information

Our website is www.jetblue.com. Information contained on our website is not part of this Report. Information that we furnish or file with the SEC, including our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments or exhibits included in these reports are available for download, free of charge, on our website soon after such reports are filed with or furnished to the SEC. Our SEC filings, including exhibits filed therewith, are also available at the SEC's website at www.sec.gov. You may obtain and copy any document we furnish or file with the SEC at the SEC's public reference room at 100 F Street, NE, Room 1580, Washington, D.C. 20549. You may obtain information on the operation of the SEC's public reference facilities by

calling the SEC at 1-800-SEC-0330. You may request copies of these documents, upon payment of a duplicating fee, by writing to the SEC at its principal office at 100 F Street, NE, Room 1580, Washington, D.C. 20549.

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Regulation G Reconciliation

Consolidated operating cost per available seat mile, excluding fuel and profit sharing (CASM ex-fuel and profit sharing) is a non-GAAP financial measure that we use as a measure of our performance.

CASM is a common metric used in the airline industry. We exclude aircraft fuel and related taxes and profit sharing from operating cost per available seat mile to determine CASM ex-fuel and profit sharing. We believe that CASM ex-fuel and profit sharing provides investors the ability to measure financial performance excluding items beyond our control, such as (i) fuel costs, which are subject to many economic and political factors beyond our control, and (ii) profit sharing, which is sensitive to volatility in earnings. We believe this measure is more indicative of our ability to manage costs and is more comparable to measures reported by other major airlines. We are unable to reconcile projected CASM ex-fuel and profit sharing as the nature or amount of excluded items are only estimated at this time. We believe this non-GAAP measure provides a more meaningful comparison of our results to others in the airline industry and our prior year results. Investors should consider this non-GAAP financial measure in addition to, and not as a substitute for, our financial performance measures prepared in accordance with GAAP. Further, our non-GAAP information may be different from the non-GAAP information provided by other companies.

RECONCILIATION OF OPERATING EXPENSE PER ASM, EXCLUDING FUEL AND PROFIT SHARING

(dollars in millions, per ASM data in cents)

(unaudited)

	Three Months Ended September 30,		September 30,		Nine Months Ended September 30,		September 30,	
	2013		2012		2013		2012	
(dollars in millions, per ASM data in cents)	\$	per ASM	\$	per ASM	\$	per ASM	\$	per ASM
Total operating expenses	\$1,290	11.47	\$1,195	11.16	\$3,763	11.71	\$3,456	11.44
Less: Aircraft fuel and related taxes	501	4.45	481	4.49	1,433	4.46	1,364	4.51
Operating expenses, excluding fuel	789	7.02	714	6.67	2,330	7.25	2,092	6.93
Less: Profit sharing	7	0.07	4	0.04	7	0.02	11	0.04
Operating expense, excluding fuel & profit sharing	\$782	6.95	\$710	6.63	\$2,323	7.23	\$2,081	6.89

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in market risks from the information provided in Item 7A. Quantitative and Qualitative Disclosures About Market Risk included in our 2012 Form 10-K, except as follows:

Aircraft Fuel. Our results of operations are affected by changes in the price and availability of aircraft fuel. Market risk is estimated as a hypothetical 10% increase in the September 30, 2013 cost per gallon of fuel. Based on our projected twelve month fuel consumption and including the impact of our hedging position, such an increase would result in an increase to aircraft fuel expense of approximately \$203 million in 2013, compared to an estimated \$190 million for 2012 measured as of September 30, 2012. As of September 30, 2013, we had hedged approximately 27% of our expected remaining 2013 fuel requirements using jet fuel swaps and cap agreements. See Note 8 to our unaudited condensed consolidated financial statements for additional information.

Fixed Rate Debt. On September 30, 2013, our \$285 million aggregate principal amount of convertible debt had an estimated fair value of \$431 million, based on quoted market prices.

Interest. Our earnings are affected by changes in interest rates due to the impact those changes have on interest expense from variable-rate debt instruments. The interest rate is fixed for \$1.801 billion of our debt and capital lease obligations, with the remaining \$1.041 billion having floating interest rates. As of September 30, 2013, if interest rates were, on average, 100 basis points higher in 2013 than they were during 2012, our annual interest expense would increase by approximately \$14 million. This is determined by considering the impact of the hypothetical change in interest rates on our variable rate debt.

If interest rates average 10% lower in 2013 than they did during 2012, our interest income from cash and investment balances would remain relatively constant. These amounts are determined by considering the impact of the hypothetical interest rates on our cash equivalents and investment securities balances at September 30, 2013 and December 31, 2012.

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ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in our SEC reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer, or CEO, and our Chief Financial Officer, or CFO, as appropriate, to allow timely decisions regarding required disclosure.

In connection with the preparation of this Report, our management, with the participation of our CEO and CFO, performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2013. Based on, and as of the date of, that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of September 30, 2013.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) identified in connection with the evaluation of our controls performed during the fiscal quarter ended September 30, 2013, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the ordinary course of our business, we are party to various legal proceedings and claims which we believe are incidental to the operation of our business. Refer to Note 7 - Commitments and Contingencies to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors.

There have been no significant changes to our risk factors from those disclosed in our 2012 Form 10-K, our first quarter 2013 Form 10-Q and our second quarter 2013 Form 10-Q, except as noted below:

The impact of federal sequester budget cuts mandated by the Budget Control Act of 2011 or other federal budgetary constraints may adversely affect our industry, business, results of operations and financial position.

On April 16, 2013, the Federal Aviation Administration, or FAA, imposed furloughs mandated by the Budget Control Act of 2011, which included reduced staffing of air traffic controllers. This action resulted in increased delays, reduced arrival rates and flight cancellations across the airline industry and impacting the flying public for approximately one week until Congress passed legislation allowing the FAA to redirect other funds to cover staffing for air traffic controllers. On October 1, 2013, after Congress failed to pass a 2014 budget, portions of the federal government deemed nonessential were shut down. After extending the federal debt ceiling limit, the partial government shutdown ended on October 17, but not before delaying the delivery of two aircraft from their manufacturers. Much of our airline operations are regulated by governmental agencies, including the FAA, the DOT, Customs and Border Protection, The Transportation Security Administration and others. Should mandatory furloughs and/or other budget constraints continue or resume for an extended period of time, our operations and results of operations could be materially negatively impacted. The travel behaviors of the flying public could also be affected, which may materially adversely impact our industry and our business.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

In September 2012, the Board authorized a five year share repurchase program of up to 25 million shares. As of September 30, 2013, 20.4 million shares remain available for repurchase under the program, with no shares being

purchased during the third quarter of 2013. The program may be commenced or suspended from time to time without prior notice. Shares repurchased under our share repurchase program are purchased in open market transactions and are held as treasury stock.

ITEM 6. EXHIBITS

Exhibits: See accompanying Exhibit Index included after the signature page of this Report for a list of the exhibits filed or furnished with this Report.

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SIGNATURE

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.

Date: October 31, 2013

JETBLUE AIRWAYS CORPORATION

(Registrant)

By: /s/ DONALD DANIELS

Vice President, Controller and Chief Accounting
Officer(Principal Accounting Officer)

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EXHIBIT INDEX

Exhibit Number	Exhibit
12.1	Computation of Ratio of Earnings to Fixed Charges.
31.1	Rule 13a-14(a)/15d-14(a) Certification of the Chief Executive Officer.
31.2	Rule 13a-14(a)/15d-14(a) Certification of the Chief Financial Officer.
32	Certification Pursuant to Section 1350, furnished herewith.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
