JETBLUE AIRWAYS CORP
Form 10-Q
November 01, 2012
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2012
or

o 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	000-49728	87-0617894
(State of Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

27-01 Queens Plaza North, Long Island City, New York 11101
(Address of principal executive offices) (Zip Code)
(718) 286-7900
(Registrant's telephone number, including area code)
(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. þ Yes o 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). þ Yes o 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 þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

Table of Contents

As of September 30, 2012, there were 284,298,140 shares outstanding of the registrant’s common stock, par value $.01.

Table of Contents

JetBlue Airways Corporation
FORM 10-Q
INDEX

Table of Contents

PART 1. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	September 30, 2012 (unaudited)	December 31, 2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$542	$ 673
Investment securities	522	553
Receivables, less allowance	137	101
Prepaid expenses and other	286	301
Total current assets	1,487	1,628
PROPERTY AND EQUIPMENT		
Flight equipment	4,979	4,719
Predelivery deposits for flight equipment	167	154
	5,146	4,873
Less accumulated depreciation	952	827
	4,194	4,046
Other property and equipment	591	531
Less accumulated depreciation	232	207
	359	324
Assets constructed for others	561	561
Less accumulated depreciation	88	71
	473	490
Total property and equipment	5,026	4,860
OTHER ASSETS		
Investment securities	150	38
Restricted cash	55	67
Other	423	478
Total other assets	628	583
TOTAL ASSETS	$7,141	$ 7,071

See accompanying notes to condensed consolidated financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$139	$ 148
Air traffic liability	719	627
Accrued salaries, wages and benefits	165	152
Other accrued liabilities	182	199
Short-term borrowings	52	88
Current maturities of long-term debt and capital leases	268	198
Total current liabilities	1,525	1,412
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS	2,603	2,850
CONSTRUCTION OBLIGATION	517	526

DEFERRED TAXES AND OTHER LIABILITIES		
Deferred income taxes	471	392
Other	122	134
	593	526
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, 329,781,808 and 326,589,018 shares issued and 284,298,140 and 281,777,919 outstanding in 2012 and 2011, respectively	3	3
Treasury stock, at cost; 45,484,279 and 44,811,710 shares in 2012 and 2011 respectively.	(12)	(8)
Additional paid-in capital	1,488	1,472
Retained earnings	432	305
Accumulated other comprehensive loss	(8)	(15)
Total stockholders' equity	1,903	1,757
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$7,141	$ 7,071

See accompanying notes to condensed consolidated financial statements.

3

Table of Contents

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
OPERATING REVENUES				
Passenger	$1,194	$1,087	$3,461	$3,039
Other	114	108	327	319
Total operating revenues	1,308	1,195	3,788	3,358
OPERATING EXPENSES				
Aircraft fuel and related taxes	481	454	1,364	1,246
Salaries, wages and benefits	262	236	782	706
Landing fees and other rents	73	65	211	185
Depreciation and amortization	66	57	190	171
Aircraft rent	32	32	98	102
Sales and marketing	51	49	152	145
Maintenance materials and repairs	85	59	258	165
Other operating expenses	145	135	401	399
Total operating expenses	1,195	1,087	3,456	3,119
OPERATING INCOME	113	108	332	239
OTHER INCOME (EXPENSE)				
Interest expense	(44)	(45)	(133)	(133)
Capitalized interest	2	1	6	3
Interest income and other	2	(8)	3	(4)
Total other income (expense)	(40)	(52)	(124)	(134)
INCOME BEFORE INCOME TAXES	73	56	208	105
Income tax expense	28	21	81	42
NET INCOME	$45	$35	$127	$63
EARNINGS PER COMMON SHARE:				
Basic	$0.16	$0.12	$0.45	$0.23
Diluted	$0.14	$0.11	$0.39	$0.21

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net income	$45	$35	$127	$63
Changes in fair value of derivative instruments, net of reclassifications into earnings	15	(21)	7	(24)
Total other comprehensive income (loss)	15	(21)	7	(24)
Comprehensive income	$60	$14	$134	$39

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

	Nine Months Ended September 30,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$127	$63
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred income taxes	79	42
Depreciation	170	156
Amortization	28	25
Stock-based compensation	10	10
Gain on sale of assets, debt extinguishment, and customer contract termination	(20)	—
Collateral (paid) returned for derivative instruments	4	(1)
Changes in certain operating assets and liabilities	128	157
Other, net	15	48
Net cash provided by operating activities	541	500
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(356)	(312)
Predelivery deposits for flight equipment	(61)	(43)
Proceeds from the sale of assets	46	—
Purchase of available-for-sale securities	(412)	(384)
Sale of available-for-sale securities	353	263
Purchase of held-to-maturity investments	(353)	(300)
Proceeds from the maturities of held-to-maturity investments	323	432
Other, net	12	(1)
Net cash used in investing activities	(448)	(345)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Issuance of common stock	6	5
Issuance of long-term debt	131	190
Short-term borrowings and lines of credit	175	—
Repayment of long-term debt and capital lease obligations	(311)	(173)
Repayment of short-term borrowings and lines of credit	(211)	—
Other, net	(14)	(10)
Net cash provided by (used in) financing activities	(224)	12
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(131)	167
Cash and cash equivalents at beginning of period	673	465
Cash and cash equivalents at end of period	$542	$632

See accompanying notes to condensed consolidated financial statements.

Table of Contents

JETBLUE AIRWAYS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)
September 30, 2012

Note 1 — Summary of Significant Accounting Policies

Basis of Presentation: Our condensed consolidated financial statements include the accounts of JetBlue Airways Corporation 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 2011 audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2011, or our 2011 Form 10-K. Certain prior year amounts have been reclassified to conform to the current year presentation.

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 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. 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, 2012 were no greater than 24 months. We did not record any significant gains or losses on these securities during the three or nine months ended September 30, 2012 or 2011. The estimated fair value of these investments approximated their carrying value as of September 30, 2012 and December 31, 2011.

The carrying values of investment securities consisted of the following at September 30, 2012 and December 31, 2011(in millions):

	September 30, 2012	December 31, 2011
Available-for-sale securities		
Time deposits	$65	$70
Commercial paper	174	183
	239	253
Held-to-maturity securities		
Corporate bonds	336	313
Government bonds	40	25
Time Deposits	57	—
	433	338
Total	$672	$591

Asset Sales: During the nine months ended September 30, 2012, we sold two EMBRAER 190 aircraft, which we had been leasing to another airline, and six spare aircraft engines. We recorded net gains of approximately $10 million, which are included in other operating expenses in our consolidated statement of operations. As a result of these aircraft sales, we will no longer be receiving lease payments, which had been approximately $6 million per year.

New Accounting Pronouncements: On January 1, 2012, Accounting Standards Update 2011-05, or ASU 2011-05, amending the Comprehensive Income topic of the Codification, became effective. This update changes the requirements for the presentation of other comprehensive income, eliminating the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity, among other things. ASU 2011-05 requires that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. We have included a separate statement of comprehensive income in the accompanying condensed consolidated financial statements for the three and nine months ended September 30, 2012 and 2011. In December 2011, the FASB issued ASU 2011-12, delaying the effective date of only the portion of ASU 2011-05 related to the presentation of reclassification adjustments out of accumulated other comprehensive income.

On January 1, 2012, ASU 2011-04, which amended the Fair Value Measurement topic of the Codification, became effective. The amendments in this update were intended to result in common fair value measurement and disclosure requirements in U.S. GAAP and International Financial Reporting Standards, or IFRS. ASU 2011-04 expands and enhances current disclosures about fair value measurements and clarifies the FASB's intent about the application of existing fair value measurement requirements in certain circumstances. We adopted these amendments prospectively on January 1, 2012.

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 and should be applied retrospectively. We will evaluate any instruments and transactions, including derivative instruments, which are eligible for offset but we do not expect the adoption of this standard will have a material impact on our consolidated financial statements or notes thereto.

Note 2 — Share-Based Compensation

2011 Incentive Compensation Plan: During the nine months ended September 30, 2012, we granted approximately 2.5 million restricted stock units under the 2011 Incentive Compensation Plan at a weighted average grant date fair value of $5.80 per share. At September 30, 2012, approximately 2.5 million restricted stock units were unvested with a weighted average grant date fair value of $5.78 per share.

Amended and Restated 2002 Stock Incentive Plan: As of September 30, 2012, approximately 2.1 million restricted stock units were unvested with a weighted average grant date fair value of $5.86 per share.

Note 3 — Long-term Debt, Short-term Borrowings, and Capital Lease Obligations

Unsecured Revolving Credit Facility

During the nine months ended September 30, 2012, we made net payments of $88 million on our corporate purchasing line with American Express, which may only be used for the purchase of jet fuel. In March 2012, we amended this corporate purchasing line, updating certain terms and limitations and extending the term through January 5, 2015. As of September 30, 2012, we did not have a balance outstanding under this revolving credit facility.

Morgan Stanley Line of Credit

In July 2012, we entered into a revolving line of credit with Morgan Stanley for up to approximately $100 million, which is secured by a portion of our investment securities held by them and the amount available to us under this line of credit may vary accordingly. This line of credit bears interest at a floating rate based upon LIBOR plus 100 basis points. As of September 30, 2012, we had a balance of approximately $50 million outstanding under this line of credit. We repaid this balance in full in October 2012.

Other Indebtedness

During the three months ended September 30, 2012, we modified the debt secured by three of our Airbus A320 aircraft, essentially lowering the borrowing rates over the remaining term of the loans. In exchange for lower borrowing rates associated with two of these aircraft loans, we deposited funds with the bank equivalent to the outstanding principal balance, a total of approximately $57 million. The deposit, which is included in long term investment securities on our condensed consolidated balance sheet, will be reduced as quarterly principal payments are made. If we withdraw the funds deposited, the interest rate on the debt reverts back to the original borrowing rate.

During the nine months ended September 30, 2012, we issued $131 million, net of discount, in non-public floating rate equipment notes due through 2024, which are secured by two new Airbus A320 aircraft and three new

EMBRAER 190 aircraft.

Our outstanding long-term debt and capital lease obligations were reduced by $308 million as a result of principal payments made during the nine months ended September 30, 2012. This total debt reduction includes the repayment in full of approximately $134 million in principal balances previously outstanding on debt secured by five Airbus A320 aircraft. We also paid $35 million in outstanding principal on debt secured by two EMBRAER 190 aircraft, which we sold during the nine months ended September 30, 2012 . We recognized a net gain of approximately $2 million in interest income and other in our consolidated statement of operations related to these extinguishments of debt.

Aircraft, engines and other equipment and facilities having a net book value of $3.60 billion at September 30, 2012 have been pledged as security under various loan agreements. As of September 30, 2012, including the repayments described above, we owned seven unencumbered Airbus A320 aircraft.

At September 30, 2012, the weighted average interest rate of all of our long-term debt was 4.5% and scheduled maturities were $55 million for the remainder of 2012, $392 million in 2013, $570 million in 2014, $256 million in 2015, $454 million in 2016 and $1.15 billion thereafter.

The carrying amounts and estimated fair values of our long-term debt at September 30, 2012 and December 31, 2011 were as follows (in millions):

	September 30, 2012		December 31, 2011	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Public Debt				
Floating rate enhanced equipment notes				
Class G-1, due through 2016	$183	$175	$202	$185
Class G-2, due 2014 and 2016	373	340	373	316
Class B-1, due 2014	49	48	49	47
Fixed rate special facility bonds, due through 2036	82	81	83	76
6.75% convertible debentures due in 2039	162	203	162	214
5.5% convertible debentures due in 2038	123	153	123	162
Non-Public Debt				
Floating rate equipment notes, due through 2025	757	712	743	712
Fixed rate equipment notes, due through 2026	1,027	1,134	1,192	1,293
Total	$2,756	$2,846	$2,927	$3,005

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 Income (Loss)

Comprehensive income (loss) 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 income (loss), net of taxes, for the three and nine months ended September 30, 2012 is as follows (in millions):

Table of Contents

	Aircraft Fuel Derivatives	Interest Rate Swaps	Total
Beginning accumulated gains (losses), at June 30, 2012	$(13)	$(10)	$(23)
Reclassifications into earnings	—	2	2
Change in fair value	14	(1)	13
Ending accumulated gains (losses), at September 30, 2012	$1	$(9)	$(8)

	Aircraft Fuel Derivatives	Interest Rate Swaps	Total
Beginning accumulated gains (losses), at December 31, 2011	$(3)	$(12)	$(15)
Reclassifications into earnings	(6)	5	(1)
Change in fair value	10	(2)	8
Ending accumulated gains (losses), at September 30, 2012	$1	$(9)	$(8)

Note 5 — Earnings Per Share

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Numerator:				
Net income	$45	$35	$127	$63
Effect of dilutive securities:				
Interest on convertible debt, net of income taxes and profit sharing	2	3	7	9
Net income applicable to common stockholders after assumed conversions for diluted earnings per share	$47	$38	$134	$72
Denominator:				
Weighted average shares outstanding for basic earnings per share	282,880	279,099	282,196	278,280
Effect of dilutive securities:				
Employee stock options	1,337	1,368	1,033	1,745
Convertible debt	60,575	65,786	60,575	67,655
Adjusted weighted average shares outstanding and assumed conversions for diluted earnings per share	344,792	346,253	343,804	347,680
Shares excluded from EPS calculation (in millions):				
Shares issuable upon conversion of our convertible debt as assumed conversion would be antidilutive	—	—	—	—
Shares issuable upon exercise of outstanding stock options or vesting of restricted stock units as assumed exercise would be antidilutive	18.1	21.4	20.7	22.5

As of September 30, 2012, 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 2011 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, 2012, was approximately $7 million.

Note 6 — Employee Retirement Plan
We sponsor a retirement savings 401(k) defined contribution plan, or the Plan, covering all of our employees. Another component of the Plan is a profit sharing contribution for eligible non-management employees. Our contributions expensed for the Plan for the three months ended September 30, 2012 and 2011 were $22 million and $15 million, respectively, and contributions expensed for the Plan for the nine months ended September 30, 2012 and 2011 were $62 million and $46 million, respectively.

Note 7 — Commitments and Contingencies
As of September 30, 2012, our firm aircraft orders consisted of 18 Airbus A320 aircraft, 30 Airbus A321 aircraft, 40 Airbus A320 new engine option, or A320neo aircraft, 32 EMBRAER 190 aircraft and 10 spare engines scheduled for delivery through 2021. Committed expenditures for these aircraft, including the related flight equipment and estimated amounts for contractual price escalations and predelivery deposits, were approximately $165 million for the remainder of 2012, $450 million in 2013, $520 million in 2014, $750 million in 2015, $765 million in 2016 and $2.75 billion thereafter.
In July 2012, we amended our EMBRAER purchase agreement accelerating the delivery of one aircraft to 2013, which was previously scheduled for delivery in 2014. Additionally, we extended the date for which we may elect not to further amend our purchase agreement to order a new EMBRAER 190 variant, if developed, to July 31, 2013. If not elected, seven EMBRAER 190 aircraft we previously deferred may either be returned to their previously committed to delivery dates in 2013 and 2014 or canceled and subject to cancellation fees.
In July 2012, we extended the leases on three Airbus A320 aircraft, leases which were previously set to expire in 2013. These extensions resulted in an additional $24 million of lease commitments through 2018.
As of September 30, 2012, we had approximately $31 million of restricted assets pledged under standby letters of credit related to certain of our leases which will expire at the end of the related lease terms. Additionally, we had $18 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
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 New York's John F. Kennedy International Airport, or 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. However, as with any environmental contamination, there is the possibility this contamination could be more extensive than estimated at this early stage. We do have an environmental liability insurance policy to protect us against these types of environmental liabilities, which we expect will mitigate some or all 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.
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 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 2011 Form 10-K, the Department of Transportation, or DOT, is currently investigating our diversion of five flights to Hartford, CT's Bradley International Airport, or Bradley, in October 2011 due to winter weather and the failure of major navigational equipment at New York City, or NYC, 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. As a result, the FAA has the statutory authority in this matter to assess monetary penalties against JetBlue of approximately $15 million. Due to the circumstances surrounding the October 2011 day in question, including the unexpected weather conditions, the condition of NYC area airports as well as of Bradley, and the overall air traffic conditions on that day, as well as the discretion granted to the DOT by the regulation, we are unable to determine whether a fine will be assessed, and if so, the amount of such fine. We have issued compensation to the impacted customers in accordance with our Customer Bill of Rights, and are fully complying with all requests made by the DOT in the course of the investigation. We do not know when a final determination by the DOT will be made.

Call center litigation. In January 2011, JetBlue was served with a complaint in Los Angeles Superior Court alleging invasion of privacy and violation of the California Penal Code Section 630 by plaintiff Lee Cheifer and “other similarly situated individuals.” This claim, which sought certification of a California state-wide class of plaintiffs, alleged that JetBlue violated customer rights to privacy by not informing individuals who dialed certain JetBlue customer service numbers that such calls and interactions with customer service representatives may be recorded. The claim further states that affected callers may be entitled to statutory penalties of the greater of $5,000 or three times provable damages per violation.

In May 2012, the parties held a mediation and agreed to a settlement for an amount substantially less than originally sought. We do not believe the agreed upon settlement will have a significant impact on our results of operations or financial condition, and we expect the settlement and legal fees will be fully covered by our existing insurance policies.

Employment Agreement Dispute. In or around March 2010, attorneys representing a group of current and former pilots, or 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 Agreements for Pilots, or Employment Agreements. In their Fourth Amended Arbitration Demand, dated June 8, 2012, Claimants (approximately 944 current pilots and 26 former pilots) alleged that JetBlue breached the Base Salary provision of the Employment Agreements and sought back pay and related damages, for each of 2002, 2007 and 2009. In July 2012, in response to JetBlue's partial Motion to Dismiss, the Claimants withdrew the 2002 claims. The Claimants have not specified an exact amount of damages sought. As such, we are unable to determine a range of potential loss at this time. However, pilot salaries currently represent approximately 40% of our total consolidated salaries; therefore, any judgment in the Claimants' favor could have a material adverse impact on our results of operations, liquidity and/or financial condition.

In the third quarter of 2012, discovery was conducted. We filed our expert reports in October 2012. In this arbitration, the Company intends to continue to vigorously defend its interpretation of the Employment Agreements at issue. While the outcome of any arbitration is uncertain, the Company believes the claims are without merit.

Note 8 —Financial Derivative Instruments and Risk Management

As part of our risk management strategy, we periodically purchase crude or heating oil option contracts to manage our exposure to the effect of changes in the price and availability of aircraft fuel. Prices for these commodities are normally 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 swaps as well as 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.

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 in order to provide a form of insurance against significant and severe volatility in fuel prices.

The following table illustrates the approximate hedged percentages of our projected fuel usage by quarter as of September 30, 2012 related to our outstanding fuel hedging contracts that were designated as cash flow hedges for accounting purposes.

	Brent crude oil collars		Heating oil collars		Jet fuel collars		Jet fuel swap agreements		Total	
Fourth Quarter 2012	8	%	7	%	1	%	7	%	23	%
First Quarter 2013	8	%	—	%	—	%	—	%	8	%
Second Quarter 2013	8	%	—	%	—	%	—	%	8	%
Third Quarter 2013	4	%	—	%	—	%	—	%	4	%

During 2012, we also entered into basis swaps to be settled later in 2012, which we did not designate as cash flow hedges for accounting purposes and as a result we adjust their fair value through earnings each period based on their current fair value.

As of December 31, 2011, we determined that the correlation between West Texas Intermediate, or WTI, crude oil and jet fuel had significantly deteriorated and the requirements for continuing hedge accounting treatment were no longer satisfied. As such, we prospectively discontinued hedge accounting treatment on all of our then outstanding WTI crude oil cap agreements and WTI crude oil collars, which then represented approximately 6% of our total 2012 forecasted fuel consumption. The forecasted fuel consumption, for which these transactions were designated as cash flow hedges, has or is still expected to occur; therefore, the $3 million of losses deferred in accumulated other comprehensive income as of December 31, 2011 related to these contracts will remain deferred until the forecasted fuel consumption occurs. Any incremental increase or decrease in the value of these contracts is being recognized in interest income and other in each period during 2012 until the contracts settle. As of September 30, 2012, our remaining WTI crude based contracts outstanding are WTI crude collars representing approximately 4% of our fourth quarter 2012 forecasted consumption. As of September 30, 2012, approximately $1 million in losses remained deferred in accumulated other comprehensive income related to these contracts.

Interest rate swaps: The interest rate hedges we had outstanding as of September 30, 2012 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, 2012, we had $355 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 2012 or 2011, and all related unrealized losses were deferred in accumulated other comprehensive income. 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, 2012 and 2011.
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 five 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.
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. We did not have any collateral posted related to our outstanding fuel hedge contracts at September 30, 2012 and December 31, 2011. We had $17 million and $20 million posted in collateral related to our interest rate derivatives which offset the hedge liability in other current liabilities at September 30, 2012 and December 31, 2011, respectively.
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):

	As of September 30, 2012	December 31, 2011
Fuel derivatives		
Asset fair value recorded in prepaid expenses and other (1)	$1	$6
Liability fair value recorded in other accrued liabilities (1)	1	10
Longest remaining term (months)	12	12
Hedged volume (barrels, in thousands)	1,575	3,540
Estimated amount of existing losses expected to be reclassified into earnings in the next 12 months	(1)	(6)
Interest rate derivatives		
Liability fair value recorded in other long term liabilities (2)	15	20
Estimated amount of existing losses expected to be reclassified into earnings in the next 12 months	(11)	(10)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Fuel derivatives				
Hedge effectiveness gains (losses) recognized in aircraft fuel expense	$2	$(4)	$10	$3
Hedge ineffectiveness gains (losses) recognized in other income (expense)	—	(3)	—	(3)
Gains (losses) on derivatives not qualifying for hedge accounting recognized in other income (expense)	—	(1)	(3)	—
	23	(41)	17	(38)

Hedge gains (losses) on derivatives recognized in comprehensive income, (see Note 4)								
Percentage of actual consumption economically hedged	27	%	48	%	31	%	43	%
Interest rate derivatives								
Hedge losses on derivatives recognized in comprehensive income, (see Note 4)	(1	)	(3	)	(3	)	(8	)
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.

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, 2012 and December 31, 2011 (in millions).

	As of September 30, 2012			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$380	$—	$—	$380
Restricted cash	4	—	—	4
Available-for-sale investment securities	—	239	—	239
Aircraft fuel derivatives	—	1	—	1
	$384	$240	$—	$624
Liabilities				
Aircraft fuel derivatives	$—	$1	$—	$1
Interest rate swap	—	—	15	15
	$—	$1	$15	$16

	As of December 31, 2011			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$555	$—	$—	$555
Restricted cash	4	—	—	4
Available-for-sale investment securities	—	253	—	253
Aircraft fuel derivatives	—	5	—	5
	$559	$258	$—	$817
Liabilities				
Aircraft fuel derivatives	$—	$9	$—	$9
Interest rate swap	—	—	20	20
	$—	$9	$20	$29

Refer to Note 3 for fair value information related to our outstanding debt obligations as of September 30, 2012 and December 31, 2011. The following tables reflect the activity for the major classes of our assets and liabilities measured at fair value on a recurring basis using level 3 inputs (in millions) for the three and nine months ended September 30, 2012 and 2011:

	Interest Rate Swaps Three Months Ended September 30,	
	2012	2011
Balance as of June 30,	$(17)	$(23)
Total gains or (losses), realized or unrealized		
Included in earnings	—	—
Included in comprehensive income	(1)	(3)
Settlements	3	3
Balance as of September 30,	$(15)	$(23)

	Nine Months Ended September 30,	
	2012	2011
Balance as of December 31,	$(20)	$(23)
Total gains or (losses), realized or unrealized		
Included in earnings	—	—
Included in comprehensive income	(3)	(8)
Settlements	8	8
Balance as of September 30,	$(15)	$(23)

Cash and cash equivalents: Our cash and cash equivalents include money market securities and commercial paper which are readily convertible into cash with maturities of three months 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. We did not record any significant gains or losses on these securities during the three and nine months ended September 30, 2012.

Interest Rate Swaps: The fair values of our interest rate swaps are initially based on inputs received from the counterparty. These values were corroborated by adjusting the active swap indications in quoted markets for similar terms (6 — 8 years) for the specific terms within our swap agreements. Since some of these inputs were not observable, they are classified as Level 3 inputs in the hierarchy. The unobservable input used in this fair value measurement is implied volatility. Holding other inputs constant, a significant increase or decrease in implied volatility could result in a significantly higher or lower fair value measurement for our interest rate swaps.

Aircraft fuel derivatives: Our jet fuel swaps, heating oil, crude oil and jet fuel collars, and crude oil caps 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.

Note 10 — Stockholders' Equity

In September 2012, our Board of Directors authorized a share repurchase program for up to 25 million shares of common stock over a five year period. As of September 30, 2012, we had not yet repurchased any shares.

Note 11 — Subsequent Event

On October 29, 2012, Hurricane Sandy made landfall on the New Jersey coast and resulted in significant impact spanning the East Coast from Washington D.C. to Boston, including the closure of New York metro area airports, the Washington D.C.

6

Table of Contents

metro area airports and Boston's Logan International Airport, or Logan Airport. With a significant percentage of our scheduled flights into or out of these airports, this storm had a direct and significant impact on our operations. In advance of this storm we moved all of our aircraft out of the forecasted impact area and began cancelling scheduled flights as early as October 28, 2012. By October 31, 2012, John F. Kennedy International Airport, Newark International Airport, the Washington D.C. metro area airports and Logan Airport had all re-opened, allowing us to begin limited service. LaGuardia Airport, which sustained significant flooding, is expected to re-open on November 1, 2012; however, we aren't planning to resume our operations there until later in the week. Through October 31, we cancelled, or had plans to cancel, approximately 1,650 flights directly as result of Hurricane Sandy, and we expect additional cancellations may be possible as we move fully into our operational recovery. In addition to the airports, the New York metropolitan area sustained significant wide-spread damage and power outages, including to the subways, roads, bridges and tunnels. Our operational recovery is dependent, to a certain extent, on the repair of damaged infrastructure in the cities in which we operate, the recovery of our employees negatively affected by the storm and the recovery of the various transit authority employees and their ability to report to work as well as the impact on demand for air travel by our customers affected by the storm. We believe the total direct impact of this storm, including the factors noted in this paragraph, will be material to our operations and financial results, although it is too early to estimate exactly to what extent.

Table of Contents

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Third Quarter Highlights and Outlook

During the third quarter of 2012, passenger unit revenues increased 1% compared to the same period of 2011, results which include the impact of both Hurricane Irene and the federal excise tax reprieve in 2011. We continued to benefit from strong leisure demand during the peak summer travel months. While the demand for leisure travel softened slightly in the seasonally weak September period, our business demand, particularly in Boston, continued to show strength. We believe this is evidence our network strategy is working, as we have worked to complement our historically leisure dominated route base with more business-focused routes that are not as susceptible to seasonality. Our capacity grew by 9% in the third quarter while we also saw yield improvements of 1% and a slightly higher load factor versus the same period in 2011. The macro economic environment continues to show signs of uncertainty; however, we believe the leisure softness in September experienced throughout the industry has diminished. Although we have limited visibility into forward bookings, we are encouraged by the strength in demand for our product during the fourth quarter. We intend to continue executing our network strategy in a responsible manner with a focus on profitable growth opportunities.

Much of our capacity growth in 2012 has been directed at our expansion in the Caribbean region and our commitment to further penetrate Central and South America, an area where we see potential for profitable growth. To that end, our expansion in this region includes our plans to commence service to Cartagena, Colombia; Samaná, Dominican Republic; and Grand Cayman, Cayman Islands in November 2012. We also plan to commence service to Providence, Rhode Island in November 2012 and Charleston, South Carolina in early 2013.

Our portfolio of commercial airline partnerships continued to grow as we added one new airline partner during the third quarter and another in October 2012, bringing our total to 22 airline partners. We plan to continue to introduce additional commercial airline partnerships in the future. We believe this will enable us to gain new customers and expand the scope of our network for our existing customers, while helping to balance the historically high seasonality created by our significant leisure travel base.

Successful execution of our network and profitable growth strategy demands a low cost structure. As such, our focus on preserving a competitive cost structure remains a priority in realizing continued profitable growth. We also believe preserving a solid liquidity position is important to our achieving our long-term goals.

Our focus on cost discipline continued during the third quarter. However, maintenance costs, once again represented a challenge as our fleet continues to age resulting in the need for more significant repairs and routine maintenance. We have recently found new maintenance providers to replace one of our former key engine maintenance providers that liquidated during the first quarter of 2012. These new maintenance providers will provide substantially the same services as our previous provider at comparable rates. We believe the overall impact of the liquidation, due to our actions to quickly find alternative providers at competitive rates was approximately $8 million in 2012. We are also working on a long-term maintenance agreement for our EMBRAER 190 aircraft components, which are currently not covered under a maintenance agreement. We believe expanding the scope of our maintenance services covered under long-term agreements will help us to better manage maintenance costs over time.

Fuel remains our single largest operating expense comprising nearly 40% of total operating expenses. The price and availability of aircraft fuel are extremely volatile due to global economic and geopolitical factors that we can neither control nor accurately predict. Our diversified fuel hedge portfolio is intended to provide a form of insurance against some of the price volatility, and we will continue to manage the volume and variety of our fuel hedge contracts in a prudent manner. We hedged a total of 27% of our third quarter quarter 2012 fuel consumption. As of September 30, 2012, we had outstanding fuel hedge contracts covering approximately 27% of our forecasted consumption for the fourth quarter of 2012 and 30% for the full year 2012. In addition to our standard fuel hedges, we also occasionally enter into fixed forward price agreements, or FFPs, for a portion of our fuel consumption requirements as another means of protecting against significant fuel price increases. FFPs are agreements to purchase a fixed quantity of fuel at specific locations for a fixed price at a specified future date. As of September 30, 2012, we had approximately 19% of our remaining 2012 forecasted fuel consumption covered by these fixed forward price agreements. We will continue to monitor fuel prices closely and expect to take advantage of fuel hedging opportunities as they arise in order to provide some protection against sudden and significant increases in fuel prices.

We expect our full-year operating capacity to increase approximately 7% to 9% as compared to 2011 primarily as a result of our growth in the Caribbean and Latin America regions including San Juan, Puerto Rico and the addition of four EMBRAER 190 and seven Airbus A320 aircraft to our operating fleet. We expect our operating aircraft to consist of 127 Airbus A320 aircraft and 53 EMBRAER 190 aircraft at the end of 2012. Assuming fuel prices of $3.22 per gallon, including fuel taxes and net of effective hedges, our cost per available seat mile for 2012 is expected to increase between 1.5% and 3.5% over 2011. This expected increase is primarily a result of higher maintenance costs and increased profit sharing.

Table of Contents

On October 29, 2012, Hurricane Sandy made landfall on the New Jersey coast and resulted in significant impact spanning the East Coast from Washington D.C. to Boston, including the closure of New York metro area airports, the Washington D.C. metro area airports and Boston's Logan International Airport, or Logan Airport. With a significant percentage of our scheduled flights into or out of these airports, this storm had a direct and significant impact on our operations. In advance of this storm we moved all of our aircraft out of the forecasted impact area and began cancelling scheduled flights as early as October 28, 2012. By October 31, 2012, John F. Kennedy International Airport, Newark International Airport, the Washington D.C. metro area airports and Logan Airport had all re-opened, allowing us to begin limited service. LaGuardia Airport, which sustained significant flooding, is expected to re-open on November 1, 2012; however, we aren't planning to resume our operations there until later in the week. Through October 31, we cancelled, or had plans to cancel, approximately 1,650 flights directly as result of Hurricane Sandy, and we expect additional cancellations may be possible as we move fully into our operational recovery. In addition to the airports, the New York metropolitan area sustained significant wide-spread damage and power outages, including to the subways, roads, bridges and tunnels. Our operational recovery is dependent, to a certain extent, on the repair of damaged infrastructure in the cities in which we operate, the recovery of our employees negatively affected by the storm and the recovery of the various transit authority employees and their ability to report to work as well as the impact on demand for air travel by our customers affected by the storm. We believe the total direct impact of this storm, including the factors noted in this paragraph, will be material to our operations and financial results, although it is too early to estimate exactly to what extent.

Results of Operations

Our operating revenue per available seat mile for the third quarter quarter increased 1% over the same period in 2011. Our average fares for the quarter remained relatively flat as compared to 2011 at $154, and our load factor increased 0.3 points to 84.8% from a year ago. Our on-time performance, defined by the Department of Transportation, or DOT, as arrival within 14 minutes of schedule, was 77.2% in the third quarter quarter of 2012 compared to 72.4% for the same period in 2011; our completion factor was 99.6% and 97.2% in 2012 and 2011, respectively. The increase in completion factor was primarily a result of favorable operating conditions in the Northeast during 2012. As a result, we flew more available seat miles, or ASMs, than expected, improving our cost per available seat mile, excluding fuel, during the quarter.

Three Months Ended September 30, 2012 and 2011

We reported net income of $45 million for the three months ended September 30, 2012 compared to $35 million for the three months ended September 30, 2011. Diluted earnings per share were $0.14 for the third quarter quarter of 2012 compared to $0.11 for 2011. Our operating income for the three months ended September 30, 2012 was $113 million compared to $108 million for the comparable period in 2011, and our pre-tax margin increased 1.0 point from 2011 to 5.6%.

Operating Revenues. Operating revenues increased 9%, or $113 million, over the same period in 2011, primarily due to a 10%, or $107 million, increase in passenger revenues. The increase in passenger revenues was largely attributable to a 9% increase in capacity along with a 1% increase in yield and a 0.3 point increase in load factor as compared to the third quarter quarter of 2011. Revenue from our Even More offering increased approximately $5 million.

Other revenue increased 5%, or $6 million, primarily due to a $2 million increase in change fees and a $2 million increase in baggage fees. Additionally, LiveTV third party revenues increased $2 million.

Operating Expenses. Operating expenses increased 10%, or $108 million, over the same period in 2011, primarily due to higher fuel costs, increased maintenance costs and higher salaries, wages and benefits. Operating capacity increased 9% to 10.70 billion available seat miles. Operating expenses per available seat mile increased 1% to 11.16 cents. Excluding fuel, our cost per available seat mile was 4% higher compared to the same period in 2011. Some of our operating expenses have decreased on a unit basis due to the increase in capacity resulting from a higher than expected completion factor during the third quarter quarter of 2012.

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

9

Table of Contents

	Three Months Ended September 30,		
	2012	2011	Percent Change
	(in cents)		
Operating expenses:			
Aircraft fuel and related taxes	4.49	4.60	(2.5)%
Salaries, wages and benefits	2.45	2.39	2.4 %
Landing fees and other rents	0.68	0.66	2.6 %
Depreciation and amortization	0.61	0.57	6.8 %
Aircraft rent	0.30	0.33	(9.0)%
Sales and marketing	0.48	0.50	(4.0)%
Maintenance materials and repairs	0.79	0.60	33.0 %
Other operating expenses	1.36	1.38	(1.7)%
Total operating expenses	11.16	11.03	1.1 %

Aircraft fuel expense increased 6%, or $27 million, due to an increase of 13 million gallons of aircraft fuel consumed resulting in $39 million in additional fuel expense offset by a 2% decrease in average fuel cost per gallon, or $12 million after the impact of fuel hedging. We recorded $2 million in gains upon settlement of fuel hedges during the third quarter of 2012 versus $4 million in fuel hedge losses during the same period in 2011. Our average fuel cost per gallon was $3.17 for the third quarter quarter of 2012 compared to $3.25 for the third quarter quarter of 2011. Cost per available seat mile decreased 2% primarily due to the decrease in fuel price.

Salaries, wages and benefits increased 11%, or $26 million, primarily due to a 4% increase in the average number of full-time equivalent employees and an increase in the costs associated with medical benefits. Additionally, profit sharing expense increased $5 million resulting from the increase in our pre-tax income. Cost per available seat mile increased 2% primarily as a result of the increased profit sharing and increased medical benefits.

Landing fees and other rents increased 11%, or $8 million, primarily due to an 11% increase in departures over 2011 and higher average airport rental rates. Additionally, we have opened five new cities since the third quarter of 2011. Cost per available seat mile increased 3% primarily due to the higher rental rates in certain of our larger airports.

Depreciation and amortization increased 16%, or $9 million, primarily due to having an average of 115 owned and capital leased aircraft in 2012 compared to 106 in 2011. Additionally, we began amortizing airport slots acquired at the end of 2011, which became operational in the second quarter of 2012.

Sales and marketing expense increased 4%, or $2 million, due to higher advertising costs. Cost per available seat mile decreased 4% primarily as a result of lower credit card rates.

Maintenance materials and repairs increased 44%, or $26 million, due to the aging of our fleet, which has resulted in more costly heavy maintenance checks. As of September 30, 2012, our oldest operating aircraft had an age of 12.8 years and the average age of our fleet increased to 6.6 years compared to 5.9 years as of September 30, 2011. Additionally, we operated an average of nine additional aircraft in 2012 compared to the same period in 2011. Cost per available seat mile increased 33% primarily due to the gradual aging of our fleet.

Other operating expenses increased 7%, or $10 million, primarily due to increased variable costs as result of the increased departures. Additionally, certain LiveTV costs increased approximately $2 million as a result of the termination of a customer hardware agreement during the third quarter 2012. Cost per available seat mile decreased 2% as a result of certain efficiencies and warmer weather.

Other Income (Expense). Interest income and other increased $10 million, primarily due to a $5 million loss on the early extinguishment of a portion of our 6.75% Series A convertible debt due 2039 in 2011 and fuel hedge ineffectiveness. Also, accounting ineffectiveness on our crude and heating oil derivative instruments classified as cash flow hedges was insignificant in 2012 but was a loss of $3 million in 2011. We are unable to predict what the amount of ineffectiveness will be related to these instruments, or the potential loss of hedge accounting, which is determined on a derivative-by-derivative basis, due to the volatility in the forward markets for these commodities.

Nine Months Ended September 30, 2012 and 2011

We reported net income of $127 million for the nine months ended September 30, 2012 compared to $63 million for the

Table of Contents

nine months ended September 30, 2011. Diluted earnings per share were $0.39 for the nine months ended September 30, 2012 compared to $0.21 for 2011. Our operating income for the nine months ended September 30, 2012 was $332 million compared to $239 million for the same prior year period, and our pre-tax margin increased 2.4 points from 2011 to 5.5%.

Operating Revenues. Operating revenues increased 13%, or $430 million, over the same period in 2011, primarily due to a 14%, or $422 million, increase in passenger revenues. The increase in passenger revenues was largely attributable to a 9% increase in capacity along with a 3% increase in yield and a 1.9 point increase in load factor as compared to the same period in 2011. Revenue from our Even More offering increased approximately $22 million. Other revenue increased 2%, or $8 million, primarily due to a $8 million increase in change fees and a $6 million increase in baggage fees. Additionally, charter revenues increased approximately $2 million. These increases were offset by $10 million recognized in 2011 related to our co-branded credit card agreement guarantees. Rental income decreased approximately $3 million as a result of selling the two aircraft we previously leased to another airline.

Operating Expenses. Operating expenses increased 11%, or $337 million, over the same period in 2011, primarily due to higher fuel prices, increased maintenance costs, and increased salaries, wages and benefits. Operating capacity increased 9% to 30.20 billion available seat miles. Operating expenses per available seat mile increased 2% to 11.44 cents for the nine months ended September 30, 2012. Excluding fuel, our cost per available seat mile for the nine months ended September 30, 2012 was 3% higher compared to the same period in 2011. Some of our operating expenses have decreased on a unit basis due to the increase in capacity resulting from a higher than expected completion factor during 2012. In detail, operating costs per available seat mile were as follows (percent changes are based on unrounded numbers):

	Nine Months Ended September 30,		
	2012	2011	Percent Change
	(in cents)		
Operating expenses:			
Aircraft fuel and related taxes	4.51	4.48	0.8%
Salaries, wages and benefits	2.59	2.54	2.0%
Landing fees and other rents	0.70	0.67	4.8%
Depreciation and amortization	0.63	0.61	2.2%
Aircraft rent	0.33	0.37	(10.8)%
Sales and marketing	0.50	0.52	(3.8)%
Maintenance materials and repairs	0.85	0.59	44.0%
Other operating expenses	1.33	1.44	(7.6)%
Total operating expenses	11.44	11.22	2.0%

Aircraft fuel expense increased 9%, or $118 million, due to an increase of 33 million gallons of aircraft fuel consumed, resulting in $103 million in additional fuel expense and a 1% increase in average fuel cost per gallon, or $15 million after the impact of fuel hedging. We recorded $10 million in gains upon settlement of fuel hedges during 2012 versus $3 million in fuel hedge gains during 2011. Our average fuel cost per gallon was $3.21 for the nine months ended September 30, 2012 compared to $3.18 for the same period in 2011. Cost per available seat mile increased 1% primarily due to the increase in consumption.

Salaries, wages and benefits increased 11%, or $76 million, primarily due to a 5% increase in the average number of full-time equivalent employees, a pilot pay increase and increased medical benefits. Additionally, profit sharing expense increased by $13 million as a result of the increase in our pre-tax income. Cost per available seat mile increased 2% primarily as a result of the increase in average full time equivalent employees and increased profit sharing.

Landing fees and other rents increased 14%, or $26 million, primarily due to a 10% increase in departures over 2011. Airport rental rates increased due to increased per passenger rates in existing markets particularly in our larger focus cities and the opening of five new cities since the third quarter of 2011. Cost per available seat mile increased 5% primarily due to the increased departures.
Depreciation and amortization increased 11%, or $19 million, primarily due to having an average of 113 owned and capital leased aircraft in 2012 compared to 104 in 2011.

Table of Contents

Aircraft rent decreased 3%, or $4 million, primarily due to extending the leases on three aircraft at lower rental rates.
Sales and marketing expense increased 4%, or $7 million, due to higher credit card fees resulting from the increased average fares and higher advertising costs.
Maintenance materials and repairs increased 56%, or $93 million, due to the aging of our fleet, which has resulted in more costly heavy maintenance checks. As of September 30, 2012, our oldest operating aircraft had an age of 12.8 years and the average age of our fleet increased to 6.6 years compared to 5.9 years as of September 30, 2011. Additionally, we operated an average of nine additional aircraft in 2012 compared to the same period in 2011. We continually seek ways to reduce these costs. Cost per available seat mile increased 44% primarily due to the gradual aging of our fleet.
Other operating expenses increased $2 million, primarily due to an increase in certain variable costs as a result of increased departures. These increases were partially offset by an $8 million gain related to the termination of a customer contract for LiveTV and $10 million in gains related to the sale of six engines and two EMBRAER 190 aircraft during 2012. Cost per available seat mile decreased 8% primarily due to the gains recorded on the termination of LiveTV's customer contract and the sale of engines.

Other Income (Expense). Interest income and other increased $7 million, primarily due a $2 million gain on the early extinguishment of debt on five aircraft in the second quarter of 2012 compared to a $5 million loss in 2011 on the early extinguishment of a portion of our 6.75% Series A convertible debt due 2039. This increase was partially offset by fair market value adjustments on derivative instruments not classified as cash flow hedges, which totaled approximately $3 million in losses in 2012 compared to an insignificant amount in 2011. Accounting ineffectiveness on our crude and heating oil derivative instruments classified as cash flow hedges was insignificant in 2012 compared to a $3 million loss in 2011. We are unable to predict what the amount of ineffectiveness will be related to these instruments, or the potential loss of hedge accounting, which is determined on a derivative-by-derivative basis, due to the volatility in the forward markets for these commodities.
The following table sets forth our operating statistics for the three and nine months ended September 30, 2012 and 2011:

Table of Contents

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2012	2011	Percent Change	2012	2011	Percent Change
Operating Statistics:						
Revenue passengers (thousands)	7,747	7,016	10.4	21,938	19,677	11.5
Revenue passenger miles (millions)	9,075	8,332	8.9	25,480	22,948	11.0
Available seat miles (ASMs) (millions)	10,704	9,855	8.6	30,201	27,807	8.6
Load factor	84.8 %	84.5 %	0.3 pts	84.4 %	82.5 %	1.9 pts
Aircraft utilization (hours per day)	12.4	12.0	2.8	11.9	11.7	1.7
Average fare	$154.04	$154.88	(0.5)	$157.73	$154.44	2.1
Yield per passenger mile (cents)	13.15	13.04	0.8	13.58	13.24	2.6
Passenger revenue per ASM (cents)	11.15	11.03	1.1	11.46	10.93	4.8
Operating revenue per ASM (cents)	12.21	12.12	0.7	12.54	12.08	3.8
Operating expense per ASM (cents)	11.16	11.03	1.1	11.44	11.22	2.0
Operating expense per ASM, excluding fuel (cents)	6.67	6.43	3.7	6.93	6.74	2.8
Airline operating expense per ASM (cents) (1)	10.99	10.88	1.0	11.30	11.04	2.3
Departures	69,925	63,099	10.8	199,538	181,437	10.0
Average stage length (miles)	1,094	1,108	(1.3)	1,084	1,092	(0.7)
Average number of operating aircraft during period	175.0	165.8	5.6	172.6	163.9	5.3
Average fuel cost per gallon	$3.17	$3.25	(2.4)	$3.21	$3.18	1.1
Fuel gallons consumed (millions)	152	139	8.5	425	392	8.3
Full-time equivalent employees at period end (1)				11,797	11,443	3.1

(1) Excludes operating expenses and employees of LiveTV, LLC, which are unrelated to our airline operations.

Although we experienced significant revenue growth in 2012, 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 implement our growth strategy is largely dependent on the continued availability of capital to us on attractive terms. In addition, our ability to successfully operate our business is dependent on maintaining sufficient liquidity. Including our two available lines of credit, we believe we have adequate resources from a combination of cash and cash equivalents and investment securities on hand. Cash generated from future operations is expected to be sufficient to enable us to meet our obligations as they become due. Additionally, as of September 30, 2012, we had seven unencumbered A320 aircraft, which we believe is an additional source of liquidity, if

necessary.
At September 30, 2012, we had unrestricted cash and cash equivalents of $542 million and short-term investments of $522 million compared to cash and cash equivalents of $673 million and short-term investments of $553 million at December 31, 2011. Cash flows from operating activities were $541 million and $500 million for the nine months ended September 30, 2012 and 2011, respectively. The increase in operating cash flows reflects the 2% increase in average fares and 9% increase in capacity offset by the 1% higher price of fuel in 2012 compared to 2011. As of September 30, 2012, our unrestricted cash, cash equivalents and short-term investments as a percentage of trailing twelve months revenue was approximately 22%, which we believe is among the best in the industry. We rely primarily on operating cash flows to provide working capital for current and future operations.

Investing Activities. 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 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.
During the nine months ended September 30, 2011, capital expenditures related to our purchase of flight equipment included $231 million for three Airbus A320 aircraft, four EMBRAER 190 aircraft, and four spare engines, $43 million for flight equipment deposits and $21 million for spare part purchases. Capital expenditures for other property and equipment, including ground equipment purchases, facilities improvements and LiveTV inventory, were $60 million. Investing activities also included the net proceeds from the sale and maturities of $11 million in investment securities.

Financing Activities. 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.
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. At this time, we have no plans to sell any such securities.
Financing activities for the nine months ended September 30, 2011 consisted of (1) the early extinguishment of $32 million principal of our 6.75% Series A convertible debentures due 2039 for $37 million (2) scheduled maturities of $136 million of debt and capital lease obligations, (3) our issuance of $97 million in fixed rate equipment notes and $93 million in non-public floating rate equipment notes secured by three Airbus A320 aircraft and four EMBRAER 190 aircraft, (4) the repayment of $7 million in principal related to our construction obligation for Terminal 5 and (5) 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 $38 million at September 30, 2012, which can be customary in the airline industry since air traffic liability is classified as a current liability, compared to working capital of $216 million at December 31, 2011. Our working capital includes the fair value of our short term fuel hedge derivatives, which was an insignificant amount at September 30, 2012 and a net liability of $4 million at December 31, 2011. Also contributing to our working capital deficit as of September 30, 2012 is $150 million in marketable investment securities classified as long-term assets, including $57 million related to a deposit made to lower the interest rate on the debt secured by two aircraft.
We have a corporate purchasing line with American Express, which allows us to borrow up to a maximum of $125 million for the purchase of jet fuel. Borrowings, which are to be paid monthly, are subject to a 6.9% annual

interest rate subject to certain limitations. This borrowing facility will terminate no later than January 5, 2015. During the three months ended September 30, 2012, we had borrowed up to $125 million on this corporate purchasing line, all of which was fully repaid, leaving the line undrawn as of September 30, 2012.

In July 2012, we entered into a revolving line of credit with Morgan Stanley for up to $100 million, which is secured by a portion of our investment securities held by them and the amount may vary accordingly. This line of credit bears interest at a floating rate of interest based upon LIBOR plus 100 basis points. As of September 30, 2012, we had $50 million in borrowings outstanding under this revolving credit facility. We repaid this amount in full in October 2012.

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

Table of Contents

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 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 $575 million. We will continue to actively manage our debt balances opportunistically by pre-purchasing when market conditions are favorable. Additionally, our unencumbered assets, including seven A320 aircraft, allows us some flexibility in managing our cost of debt and capital requirements.

Contractual Obligations

Our noncancelable contractual obligations at September 30, 2012, include the following (in millions):

	Payments due in						
	Total	2012	2013	2014	2015	2016	Thereafter
Long-term debt and capital lease obligations (1)	3,500	$86	$508	$669	$341	$526	$1,370
Lease commitments	1,487	53	188	184	183	118	761
Flight equipment obligations	5,395	165	450	520	750	765	2,745
Short Term Borrowings	52	52	—	—	—	—	—
Financing obligations and other (2)	2,893	101	335	337	342	341	1,437
Total	$13,327	$457	$1,481	$1,710	$1,616	$1,750	$6,313

(1) Includes actual interest and estimated interest for floating-rate debt based on September 30, 2012 rates.
(2) Amounts include noncancelable commitments for the purchase of goods and services.

We are subject to certain financial ratios for our unsecured line of credit with American Express, including a requirement to maintain certain cash and short term investment levels and a minimum earnings before income taxes, interest, depreciation and amortization, or EBITDA margin, as well as customary events of default. As of September 30, 2012, we were in compliance with these financial covenants. 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 approximately $7 million in order to maintain these ratios.

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.

In July 2012, we extended the leases on three Airbus A320 aircraft, leases which were previously set to expire in 2013. These extensions resulted in an additional $24 million of lease commitments through 2018, which are reflected in the table above.

As of September 30, 2012, we operated a fleet of 123 Airbus A320 aircraft and 52 EMBRAER 190 aircraft, of which 111 were owned, 60 were leased under operating leases and four were leased under capital leases. Seven of the 111 owned aircraft were unencumbered as of September 30, 2012. The average age of our operating fleet was 6.6 years at September 30, 2012. In July 2012, we amended our EMBRAER purchase agreement accelerating the delivery of one aircraft to 2013, which was previously scheduled for delivery in 2014. Additionally, we extended the date for which we may elect not to further amend our purchase agreement to order a new EMBRAER 190 variant, if developed, to July 31, 2013. If not elected, seven EMBRAER 190 aircraft we previously deferred may either be returned to their previously committed to delivery dates in 2013 and 2014 or canceled and subject to cancellation fees.

As of September 30, 2012, we had on order 18 Airbus A320 aircraft, 30 Airbus A321 aircraft, 40 Airbus A320 neo aircraft and 32 EMBRAER 190 aircraft as follows:

15

Table of Contents

Year	Firm Airbus A320	Airbus A321	Airbus A320 neo	EMBRAER 190	Total
Remainder of 2012	4	—	—	1	5
2013	3	4	—	3	10
2014	—	9	—	1	10
2015	—	10	—	7	17
2016	3	7	—	8	18
2017	8	—	—	5	13
2018	—	—	10	7	17
2019	—	—	10	—	10
2020	—	—	10	—	10
2021	—	—	10	—	10
	18	30	40	32	120

Committed expenditures for our 120 firm aircraft and 10 spare engines include estimated amounts for contractual price escalations and predelivery deposits. Debt financing has been arranged for our remaining EMBRAER 190 firm aircraft delivery scheduled for 2012. We may pay cash for the remaining deliveries scheduled in 2012, unless debt financing is available on favorable borrowing terms relative to our weighted average cost of debt. 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 ground purchases are expected to be approximately $50 million for the remainder of 2012.

In November 2005, we executed a 30-year lease agreement with the Port Authority of New York and New Jersey, or PANYNJ, for the construction and operation of a new terminal at JFK, which we began to operate in October 2008. For financial reporting purposes only, this lease is being accounted for as a financing obligation because we do not believe we qualify for sale-leaseback accounting due to our continuing involvement in the property following the construction period. JetBlue has committed to rental payments under the lease, including ground rents for the new terminal site, which began on lease execution and are included as part of lease commitments in the contractual obligations table above. Facility rents commenced upon the date of our beneficial occupancy of the new terminal and are included as part of “financing obligations and other” in the contractual obligations 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

Table of Contents

website at http://www.sec.gov or at the SEC’s public reference room in Washington, D.C.

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 2011 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 stateme 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 2011 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.

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 2011 Form 10-K, except as follows:

Table of Contents

Aircraft Fuel. As of September 30, 2012, we had hedged approximately 27% and 5% of our expected remaining 2012 and 2013 fuel requirements, respectively, using jet fuel swaps and collars, heating oil collars, and WTI and Brent crude oil collars. 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, 2012 cost per gallon of fuel, including the effects of our fuel hedges. Based on our projected twelve month fuel consumption, such an increase would result in an increase to annual aircraft fuel expense of approximately $190 million, compared to an estimated $180 million for 2011 measured as of September 30, 2011. See Note 8 to our unaudited condensed consolidated financial statements for additional information.

Fixed Rate Debt. On September 30, 2012, our $285 million aggregate principal amount of convertible debt had an estimated fair value of $356 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 $1.22 billion of our debt and capital lease obligations, with the remaining $1.36 billion having floating interest rates. Most of our variable rate debt bears interest based upon LIBOR, a common benchmark rate, which has been under review in recent months as to whether it will continue to be used as a benchmark rate or will face some reform. If LIBOR, as it currently stands, is replaced or significantly changes, we may incur higher interest expense in the future. As of September 30, 2012, we estimate a 100 bp increase in LIBOR would result in approximately $7 million increase in annual interest expense.

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, 2012. 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, 2012.

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, 2012, 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.

The following is an update to Item 1A Risk Factors contained in our Annual Report on Form 10-K for the year ended December 31, 2011, or our 2011 Form 10-K, and Item 1A Risk Factors contained in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, or our first quarter 2012 Form 10-Q. For additional risk factors that could cause actual results to differ materially from those anticipated, please refer to our 2011 Form 10-K and our first quarter 2012 Form 10-Q.

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.

Table of Contents

Table of Contents

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.

	JETBLUE AIRWAYS CORPORATION (Registrant)
Date: October 31, 2012	By: /s/ DONALD DANIELS Vice President, Controller and Chief Accounting Officer(Principal Accounting Officer)

Table of Contents

EXHIBIT INDEX

Exhibit Number	Exhibit
10.17(m)**	Amendment No. 13 to Purchase Agreement DCT-025/2003, dated as of July 20, 2012, between Embraer-Empresa Brasileira de Aeronautica S.A. and JetBlue Airways Corporation.
12.1	Computation of Ratio of Earnings to Fixed Charges.
31.1	13a-14(a)/15d-14(a) Certification of the Chief Executive Officer.
31.2	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.LAB *	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE *	XBRL Taxonomy Extension Presentation Linkbase Document

---

* XBRL (eXtensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

** Portions of this exhibit have been omitted pursuant to a Confidential Treatment Request under Rule 24b-2 under the Securities Exchange Act of 1934, as amended.