

United Continental Holdings, Inc.  
Form 10-Q  
July 19, 2016  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended June 30, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Exact Name of Registrant as

Specified in its Charter, Principal

Commission

Executive Office Address and

State of

I.R.S. Employer

File Number  
001-06033

Telephone Number  
United Continental Holdings, Inc.

Incorporation  
Delaware

Identification No.  
36-2675207

233 South Wacker Drive,  
Chicago, Illinois 60606

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001-10323

(872) 825-4000  
**United Airlines, Inc.**

Delaware

74-2099724

**233 South Wacker Drive,**

**Chicago, Illinois 60606**

(872) 825-4000

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.

United Continental Holdings, Inc.    Yes     No   
 United Airlines, Inc.                Yes     No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this Chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

United Continental Holdings, Inc.    Yes     No   
 United Airlines, Inc.                Yes     No

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

|                                   |   |  |   |  |
|-----------------------------------|---|--|---|--|
| United Continental Holdings, Inc. | Large accelerated filer <input checked="" type="checkbox"/> | Accelerated filer <input type="checkbox"/> | Non-accelerated filer <input type="checkbox"/>            | Smaller reporting company <input type="checkbox"/> |
| United Airlines, Inc.             | Large accelerated filer <input type="checkbox"/>            | Accelerated filer <input type="checkbox"/> | Non-accelerated filer <input checked="" type="checkbox"/> | Smaller reporting company <input type="checkbox"/> |

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

United Continental Holdings, Inc.    Yes     No   
 United Airlines, Inc.                Yes     No

The number of shares outstanding of each of the issuer's classes of common stock as of July 12, 2016 is shown below:

|                                   |   |
|-----------------------------------|---|
| United Continental Holdings, Inc. | 322,408,298 shares of common stock (\$0.01 par value)   |
| United Airlines, Inc.             | 1,000 (100% owned by United Continental Holdings, Inc.) |

There is no market for United Airlines, Inc. common stock.

### OMISSION OF CERTAIN INFORMATION

This combined Quarterly Report on Form 10-Q is separately filed by United Continental Holdings, Inc. and United Airlines, Inc. United Airlines, Inc. meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and is therefore filing this form with the reduced disclosure format allowed under that General Instruction.

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**United Continental Holdings, Inc.**

**United Airlines, Inc.**

**Quarterly Report on Form 10-Q**

**For the Quarter Ended June 30, 2016**

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UNITED CONTINENTAL HOLDINGS, INC.****STATEMENTS OF CONSOLIDATED OPERATIONS (UNAUDITED)****(In millions, except per share amounts)**

|  | <b>Three Months Ended June 30,</b> |                 | <b>Six Months Ended June 30,</b> |                 |
|--|------------------------------------|-----------------|----------------------------------|-----------------|
|  | <b>2016</b>                        | <b>2015</b>     | <b>2016</b>                      | <b>2015</b>     |
| Operating revenue:                                 |                                    |                 |                                  |                 |
| Passenger Mainline                                 | \$ 6,525                           | \$ 6,961        | \$ 12,102                        | \$ 12,899       |
| Passenger Regional                                 | 1,578                              | 1,715           | 2,991                            | 3,197           |
| <b>Total passenger revenue</b>                     | <b>8,103</b>                       | <b>8,676</b>    | <b>15,093</b>                    | <b>16,096</b>   |
| Cargo  | 208                                | 229             | 402                              | 471             |
| Other operating revenue                            | 1,085                              | 1,009           | 2,096                            | 1,955           |
|  | 9,396                              | 9,914           | 17,591                           | 18,522          |
| Operating expense:                                 |                                    |                 |                                  |                 |
| Salaries and related costs                         | 2,592                              | 2,454           | 5,082                            | 4,755           |
| Aircraft fuel                                      | 1,437                              | 2,106           | 2,655                            | 3,970           |
| Regional capacity purchase                         | 551                                | 583             | 1,073                            | 1,153           |
| Landing fees and other rent                        | 541                                | 553             | 1,066                            | 1,096           |
| Depreciation and amortization                      | 491                                | 445             | 970                              | 874             |
| Aircraft maintenance materials and outside repairs | 448                                | 431             | 850                              | 828             |
| Distribution expenses                              | 339                                | 348             | 642                              | 660             |
| Aircraft rent                                      | 175                                | 194             | 353                              | 395             |
| Special charges (Note 10)                          | 434                                | 55              | 624                              | 119             |
| Other operating expenses                           | 1,328                              | 1,300           | 2,567                            | 2,486           |
|  | 8,336                              | 8,469           | 15,882                           | 16,336          |
| <b>Operating income</b>                            | <b>1,060</b>                       | <b>1,445</b>    | <b>1,709</b>                     | <b>2,186</b>    |
| Nonoperating income (expense):                     |                                    |                 |                                  |                 |
| Interest expense                                   | (157)                              | (167)           | (316)                            | (340)           |
| Interest capitalized                               | 14                                 | 13              | 28                               | 25              |
| Interest income                                    | 9                                  | 6               | 17                               | 11              |
| Miscellaneous, net (Note 10)                       | 5                                  | (100)           | (13)                             | (174)           |
|  | (129)                              | (248)           | (284)                            | (478)           |
| <b>Income before income taxes</b>                  | <b>931</b>                         | <b>1,197</b>    | <b>1,425</b>                     | <b>1,708</b>    |
| Income tax expense                                 | 343                                | 4               | 524                              | 7               |
| <b>Net income</b>                                  | <b>\$ 588</b>                      | <b>\$ 1,193</b> | <b>\$ 901</b>                    | <b>\$ 1,701</b> |
| Earnings per share, basic                          | \$ 1.78                            | \$ 3.14         | \$ 2.63                          | \$ 4.46         |

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|                             |         |         |         |         |
|-----------------------------|---------|---------|---------|---------|
| Earnings per share, diluted | \$ 1.78 | \$ 3.14 | \$ 2.63 | \$ 4.45 |
|-----------------------------|---------|---------|---------|---------|

The accompanying Combined Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

**Table of Contents****UNITED CONTINENTAL HOLDINGS, INC.****STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME (LOSS) (UNAUDITED)****(In millions)**

|   | <b>Three Months Ended June 30,</b> |             | <b>Six Months Ended June 30,</b> |             |
|---|------------------------------------|-------------|----------------------------------|-------------|
|   | <b>2016</b>                        | <b>2015</b> | <b>2016</b>                      | <b>2015</b> |
| Net income  | \$ 588                             | \$ 1,193    | \$ 901                           | \$ 1,701    |
| Other comprehensive income (loss), net change related to: |                                    |             |                                  |             |
| Fuel derivative financial instruments                     | 33                                 | 147         | 111                              | 233         |
| Employee benefit plans                                    | 10                                 | 28          | (14)                             | 30          |
| Investments and other                                     |                                    | (10)        |                                  | 4           |
|   | 43                                 | 165         | 97                               | 267         |
| Total comprehensive income, net                           | \$ 631                             | \$ 1,358    | \$ 998                           | \$ 1,968    |

The accompanying Combined Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

**Table of Contents****UNITED CONTINENTAL HOLDINGS, INC.****CONSOLIDATED BALANCE SHEETS****(In millions, except shares)**

|   | <b>(Unaudited)</b>   |                          |
|---|----------------------|--------------------------|
|   | <b>June 30, 2016</b> | <b>December 31, 2015</b> |
| <b>ASSETS</b>   |                      |                          |
| Current assets:   |                      |                          |
| Cash and cash equivalents   | \$ 2,483             | \$ 3,006                 |
| Short-term investments  | 2,202                | 2,190                    |
| Receivables, less allowance for doubtful accounts (2016 \$12; 2015 \$18)                      | 1,450                | 1,128                    |
| Aircraft fuel, spare parts and supplies, less obsolescence allowance (2016 \$261; 2015 \$235) | 798                  | 738                      |
| Prepaid expenses and other  | 911                  | 766                      |
|   | 7,844                | 7,828                    |
| Operating property and equipment:   |                      |                          |
| Owned   |                      |                          |
| Flight equipment  | 24,853               | 23,728                   |
| Other property and equipment  | 4,947                | 4,542                    |
|   | 29,800               | 28,270                   |
| Less Accumulated depreciation and amortization  | (9,148)              | (8,339)                  |
|   | 20,652               | 19,931                   |
| Purchase deposits for flight equipment  |                      |                          |
|   | 919                  | 788                      |
| Capital leases  |                      |                          |
| Flight equipment  | 1,511                | 1,527                    |
| Other property and equipment  | 331                  | 332                      |
|   | 1,842                | 1,859                    |
| Less Accumulated amortization   | (1,025)              | (998)                    |
|   | 817                  | 861                      |
|   | 22,388               | 21,580                   |
| Other assets:   |                      |                          |
| Goodwill  | 4,523                | 4,523                    |
| Intangibles, less accumulated amortization (2016 \$1,190; 2015 \$1,144)                       | 3,677                | 4,136                    |
| Deferred income taxes   | 1,392                | 2,037                    |
| Restricted cash   | 124                  | 204                      |
| Other, net  | 528                  | 553                      |
|   | 10,244               | 11,453                   |
|   | \$ 40,476            | \$ 40,861                |





**Table of Contents****UNITED CONTINENTAL HOLDINGS, INC.****CONSOLIDATED BALANCE SHEETS**

(In millions, except shares)

|   | <b>(Unaudited)</b>   |                          |
|---|----------------------|--------------------------|
|   | <b>June 30, 2016</b> | <b>December 31, 2015</b> |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>  |                      |                          |
| Current liabilities:  |                      |                          |
| Advance ticket sales  | \$ 5,323             | \$ 3,753                 |
| Accounts payable  | 2,240                | 1,869                    |
| Frequent flyer deferred revenue   | 2,132                | 2,117                    |
| Accrued salaries and benefits   | 1,969                | 2,350                    |
| Current maturities of long-term debt  | 1,272                | 1,224                    |
| Current maturities of capital leases  | 128                  | 135                      |
| Fuel derivative instruments   | 7                    | 124                      |
| Other   | 911                  | 842                      |
|   | 13,982               | 12,414                   |
| Long-term debt  | 9,275                | 9,673                    |
| Long-term obligations under capital leases  | 740                  | 727                      |
| Other liabilities and deferred credits:   |                      |                          |
| Frequent flyer deferred revenue   | 2,830                | 2,826                    |
| Postretirement benefit liability  | 1,880                | 1,882                    |
| Pension liability   | 1,409                | 1,488                    |
| Advanced purchase of miles  | 725                  | 1,010                    |
| Lease fair value adjustment, net  | 317                  | 359                      |
| Other   | 1,534                | 1,516                    |
|   | 8,695                | 9,081                    |
| Commitments and contingencies   |                      |                          |
| Stockholders' equity:   |                      |                          |
| Preferred stock   |                      |                          |
| Common stock at par, \$0.01 par value; authorized 1,000,000,000 shares; outstanding 322,932,096 and 364,609,108 shares at June 30, 2016 and December 31, 2015, respectively | 4                    | 4                        |
| Additional capital invested   | 7,965                | 7,946                    |
| Retained earnings   | 4,358                | 3,457                    |
| Stock held in treasury, at cost   | (3,809)              | (1,610)                  |
| Accumulated other comprehensive loss  | (734)                | (831)                    |
|   | 7,784                | 8,966                    |
|   | \$ 40,476            | \$ 40,861                |

The accompanying Combined Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

**Table of Contents****UNITED CONTINENTAL HOLDINGS, INC.****CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS (UNAUDITED)****(In millions)**

|   | <b>Six Months Ended<br/>June 30,</b> |                 |
|---|--------------------------------------|-----------------|
|   | <b>2016</b>                          | <b>2015</b>     |
| <b>Cash Flows from Operating Activities:</b>                  |                                      |                 |
| Net cash provided by operating activities                     | \$ 3,746                             | \$ 3,577        |
| <b>Cash Flows from Investing Activities:</b>                  |                                      |                 |
| Capital expenditures  | (1,654)                              | (1,311)         |
| Purchases of short-term and other investments                 | (1,273)                              | (1,202)         |
| Proceeds from sale of short-term and other investments        | 1,264                                | 1,397           |
| Investment in and loans to affiliates                         | (8)                                  | (130)           |
| Decrease in restricted cash                                   | 39                                   | 37              |
| Proceeds from sale of property and equipment                  | 19                                   | 36              |
| Other   | (6)                                  |                 |
| <b>Net cash used in investing activities</b>                  | <b>(1,619)</b>                       | <b>(1,173)</b>  |
| <b>Cash Flows from Financing Activities:</b>                  |                                      |                 |
| Payments of long-term debt                                    | (453)                                | (1,319)         |
| Repurchases of common stock                                   | (2,182)                              | (445)           |
| Proceeds from issuance of long-term debt                      | 75                                   | 228             |
| Principal payments under capital leases                       | (66)                                 | (53)            |
| Other, net  | (24)                                 | (21)            |
| <b>Net cash used in financing activities</b>                  | <b>(2,650)</b>                       | <b>(1,610)</b>  |
| <b>Net (decrease) increase in cash and cash equivalents</b>   | <b>(523)</b>                         | <b>794</b>      |
| <b>Cash and cash equivalents at beginning of the period</b>   | <b>3,006</b>                         | <b>2,002</b>    |
| <b>Cash and cash equivalents at end of the period</b>         | <b>\$ 2,483</b>                      | <b>\$ 2,796</b> |
| <b>Investing and Financing Activities Not Affecting Cash:</b> |                                      |                 |
| Property and equipment acquired through the issuance of debt  | \$ 59                                | \$ 776          |
| Airport construction financing                                | 35                                   |                 |
| Operating lease conversions to capital lease                  | 7                                    |                 |
| Exchanges of certain convertible notes for common stock       |                                      | 201             |

The accompanying Combined Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

**Table of Contents****UNITED AIRLINES, INC.****STATEMENTS OF CONSOLIDATED OPERATIONS (UNAUDITED)****(In millions)**

|  | <b>Three Months Ended June 30,</b> |                 | <b>Six Months Ended June 30,</b> |                 |
|--|------------------------------------|-----------------|----------------------------------|-----------------|
|  | <b>2016</b>                        | <b>2015</b>     | <b>2016</b>                      | <b>2015</b>     |
| <b>Operating revenue:</b>                          |                                    |                 |                                  |                 |
| Passenger Mainline                                 | \$ 6,525                           | \$ 6,961        | \$ 12,102                        | \$ 12,899       |
| Passenger Regional                                 | 1,578                              | 1,715           | 2,991                            | 3,197           |
| <b>Total passenger revenue</b>                     | <b>8,103</b>                       | <b>8,676</b>    | <b>15,093</b>                    | <b>16,096</b>   |
| Cargo  | 208                                | 229             | 402                              | 471             |
| Other operating revenue                            | 1,085                              | 1,009           | 2,096                            | 1,955           |
|  | 9,396                              | 9,914           | 17,591                           | 18,522          |
| <b>Operating expense:</b>                          |                                    |                 |                                  |                 |
| Salaries and related costs                         | 2,592                              | 2,454           | 5,082                            | 4,755           |
| Aircraft fuel                                      | 1,437                              | 2,106           | 2,655                            | 3,970           |
| Regional capacity purchase                         | 551                                | 583             | 1,073                            | 1,153           |
| Landing fees and other rent                        | 541                                | 553             | 1,066                            | 1,096           |
| Depreciation and amortization                      | 491                                | 445             | 970                              | 874             |
| Aircraft maintenance materials and outside repairs | 448                                | 431             | 850                              | 828             |
| Distribution expenses                              | 339                                | 348             | 642                              | 660             |
| Aircraft rent                                      | 175                                | 194             | 353                              | 395             |
| Special charges (Note 10)                          | 434                                | 55              | 624                              | 119             |
| Other operating expenses                           | 1,328                              | 1,299           | 2,566                            | 2,485           |
|  | 8,336                              | 8,468           | 15,881                           | 16,335          |
| <b>Operating income</b>                            | <b>1,060</b>                       | <b>1,446</b>    | <b>1,710</b>                     | <b>2,187</b>    |
| <b>Nonoperating income (expense):</b>              |                                    |                 |                                  |                 |
| Interest expense                                   | (157)                              | (167)           | (316)                            | (340)           |
| Interest capitalized                               | 14                                 | 13              | 28                               | 25              |
| Interest income                                    | 9                                  | 6               | 17                               | 11              |
| Miscellaneous, net (Note 10)                       | 5                                  | (101)           | (13)                             | (175)           |
|  | (129)                              | (249)           | (284)                            | (479)           |
| <b>Income before income taxes</b>                  | <b>931</b>                         | <b>1,197</b>    | <b>1,426</b>                     | <b>1,708</b>    |
| Income tax expense                                 | 343                                | 4               | 524                              | 6               |
| <b>Net income</b>                                  | <b>\$ 588</b>                      | <b>\$ 1,193</b> | <b>\$ 902</b>                    | <b>\$ 1,702</b> |

The accompanying Combined Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

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**UNITED AIRLINES, INC.**

**STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME (LOSS) (UNAUDITED)**

**(In millions)**

|   | <b>Three Months Ended June 30,</b> |             | <b>Six Months Ended June 30,</b> |             |
|---|------------------------------------|-------------|----------------------------------|-------------|
|   | <b>2016</b>                        | <b>2015</b> | <b>2016</b>                      | <b>2015</b> |
| Net income  | \$ 588                             | \$ 1,193    | \$ 902                           | \$ 1,702    |
| Other comprehensive income (loss), net change related to: |                                    |             |                                  |             |
| Fuel derivative financial instruments                     | 33                                 | 147         | 111                              | 233         |
| Employee benefit plans                                    | 10                                 | 28          | (14)                             | 30          |
| Investments and other                                     |                                    | (9)         |                                  | 5           |
|   | 43                                 | 166         | 97                               | 268         |
| Total comprehensive income, net                           | \$ 631                             | \$ 1,359    | \$ 999                           | \$ 1,970    |

The accompanying Combined Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

**Table of Contents****UNITED AIRLINES, INC.****CONSOLIDATED BALANCE SHEETS****(In millions, except shares)**

|  | <b>(Unaudited)<br/>June 30, 2016</b> | <b>December 31, 2015</b> |
|--|--------------------------------------|--------------------------|
| <b>ASSETS</b>  |                                      |                          |
| Current assets:  |                                      |                          |
| Cash and cash equivalents  | \$ 2,477                             | \$ 3,000                 |
| Short-term investments   | 2,202                                | 2,190                    |
| Receivables, less allowance for doubtful accounts (2016 \$12;<br>2015 \$18)                      | 1,450                                | 1,128                    |
| Aircraft fuel, spare parts and supplies, less obsolescence allowance<br>(2016 \$261; 2015 \$235) | 798                                  | 738                      |
| Prepaid expenses and other   | 960                                  | 813                      |
|  | 7,887                                | 7,869                    |
| Operating property and equipment:  |                                      |                          |
| Owned  |                                      |                          |
| Flight equipment   | 24,853                               | 23,728                   |
| Other property and equipment   | 4,947                                | 4,542                    |
|  | 29,800                               | 28,270                   |
| Less Accumulated depreciation and amortization   | (9,148)                              | (8,339)                  |
|  | 20,652                               | 19,931                   |
| Purchase deposits for flight equipment   | 919                                  | 788                      |
| Capital leases   |                                      |                          |
| Flight equipment   | 1,511                                | 1,527                    |
| Other property and equipment   | 331                                  | 332                      |
|  | 1,842                                | 1,859                    |
| Less Accumulated amortization  | (1,025)                              | (998)                    |
|  | 817                                  | 861                      |
|  | 22,388                               | 21,580                   |
| Other assets:  |                                      |                          |
| Goodwill   | 4,523                                | 4,523                    |
| Intangibles, less accumulated amortization (2016 \$1,190; 2015 \$1,144)                          | 3,677                                | 4,136                    |
| Deferred income taxes  | 1,351                                | 1,995                    |
| Restricted cash  | 124                                  | 204                      |
| Other, net   | 527                                  | 554                      |
|  | 10,202                               | 11,412                   |

\$ 40,477

\$ 40,861

(continued on next page)

**Table of Contents****UNITED AIRLINES, INC.****CONSOLIDATED BALANCE SHEETS**

(In millions, except shares)

|  | (Unaudited)<br>June 30, 2016 | December 31, 2015 |
|--|------------------------------|-------------------|
| <b>LIABILITIES AND STOCKHOLDER S EQUITY</b>  |                              |                   |
| Current liabilities:   |                              |                   |
| Advance ticket sales   | \$ 5,323                     | \$ 3,753          |
| Accounts payable   | 2,245                        | 1,874             |
| Frequent flyer deferred revenue  | 2,132                        | 2,117             |
| Accrued salaries and benefits  | 1,969                        | 2,350             |
| Current maturities of long-term debt   | 1,272                        | 1,224             |
| Current maturities of capital leases   | 128                          | 135               |
| Fuel derivative instruments  | 7                            | 124               |
| Other  | 911                          | 840               |
|  | 13,987                       | 12,417            |
| Long-term debt   | 9,275                        | 9,673             |
| Long-term obligations under capital leases   | 740                          | 727               |
| Other liabilities and deferred credits:  |                              |                   |
| Frequent flyer deferred revenue  | 2,830                        | 2,826             |
| Postretirement benefit liability   | 1,880                        | 1,882             |
| Pension liability  | 1,409                        | 1,488             |
| Advanced purchase of miles   | 725                          | 1,010             |
| Lease fair value adjustment, net   | 317                          | 359               |
| Other  | 1,534                        | 1,516             |
|  | 8,695                        | 9,081             |
| Commitments and contingencies  |                              |                   |
| Stockholder s equity:  |                              |                   |
| Common stock at par, \$0.01 par value; authorized 1,000 shares; issued and outstanding<br>1,000 shares at both June 30, 2016 and December 31, 2015 |                              |                   |
| Additional capital invested  | 3,964                        | 6,138             |
| Retained earnings  | 4,575                        | 3,673             |
| Accumulated other comprehensive loss   | (734)                        | (831)             |
| Receivable from related parties  | (25)                         | (17)              |
|  | 7,780                        | 8,963             |
|  | \$ 40,477                    | \$ 40,861         |

The accompanying Combined Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

**Table of Contents****UNITED AIRLINES, INC.****CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS (UNAUDITED)****(In millions)**

|   | <b>Six Months Ended June 30,</b> |                 |
|---|----------------------------------|-----------------|
|   | <b>2016</b>                      | <b>2015</b>     |
| <b>Cash Flows from Operating Activities:</b>                  |                                  |                 |
| Net cash provided by operating activities                     | \$ 3,740                         | \$ 3,568        |
| <b>Cash Flows from Investing Activities:</b>                  |                                  |                 |
| Capital expenditures  | (1,654)                          | (1,311)         |
| Purchases of short-term investments and other investments     | (1,273)                          | (1,202)         |
| Proceeds from sale of short-term and other investments        | 1,264                            | 1,397           |
| Investment in and loans to affiliates                         | (8)                              | (130)           |
| Decrease in restricted cash                                   | 39                               | 37              |
| Proceeds from sale of property and equipment                  | 19                               | 36              |
| Other   | (6)                              |                 |
| <b>Net cash used in investing activities</b>                  | <b>(1,619)</b>                   | <b>(1,173)</b>  |
| <b>Cash Flows from Financing Activities:</b>                  |                                  |                 |
| Payments of long-term debt                                    | (453)                            | (1,319)         |
| Dividend to UAL   | (2,182)                          | (445)           |
| Proceeds from issuance of long-term debt                      | 75                               | 228             |
| Principal payments under capital leases                       | (66)                             | (53)            |
| Other, net  | (18)                             | (12)            |
| <b>Net cash used in financing activities</b>                  | <b>(2,644)</b>                   | <b>(1,601)</b>  |
| <b>Net (decrease) increase in cash and cash equivalents</b>   | <b>(523)</b>                     | <b>794</b>      |
| <b>Cash and cash equivalents at beginning of the period</b>   | <b>3,000</b>                     | <b>1,996</b>    |
| <b>Cash and cash equivalents at end of the period</b>         | <b>\$ 2,477</b>                  | <b>\$ 2,790</b> |
| <b>Investing and Financing Activities Not Affecting Cash:</b> |                                  |                 |
| Property and equipment acquired through the issuance of debt  | \$ 59                            | \$ 776          |
| Airport construction financing                                | 35                               |                 |
| Operating lease conversions to capital lease                  | 7                                |                 |

The accompanying Combined Notes to Condensed Consolidated Financial Statements are an integral part of these statements.



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**UNITED CONTINENTAL HOLDINGS, INC. AND UNITED AIRLINES, INC.**

**COMBINED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

United Continental Holdings, Inc. (together with its consolidated subsidiaries, UAL or the Company ) is a holding company and its principal, wholly-owned subsidiary is United Airlines, Inc. (together with its consolidated subsidiaries, United ). This Quarterly Report on Form 10-Q is a combined report of UAL and United, including their respective consolidated financial statements. As UAL consolidates United for financial statement purposes, disclosures that relate to activities of United also apply to UAL, unless otherwise noted. United's operating revenues and operating expenses comprise nearly 100% of UAL's revenues and operating expenses. In addition, United comprises approximately the entire balance of UAL's assets, liabilities and operating cash flows. When appropriate, UAL and United are named specifically for their individual contractual obligations and related disclosures and any significant differences between the operations and results of UAL and United are separately disclosed and explained. We sometimes use the words we, our, us, and the Company in this report for disclosures that relate to all of UAL and United.

The UAL and United unaudited condensed consolidated financial statements shown here have been prepared as required by the U.S. Securities and Exchange Commission (the SEC ). Some information and footnote disclosures normally included in financial statements that comply with accounting principles generally accepted in the United States ( GAAP ) have been condensed or omitted as permitted by the SEC. The financial statements include all adjustments, including normal recurring adjustments and other adjustments, which are considered necessary for a fair presentation of the Company's financial position and results of operations. The UAL and United financial statements should be read together with the information included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015. The Company's quarterly financial data is subject to seasonal fluctuations and historically its second and third quarter financial results, which reflect higher travel demand, are better than its first and fourth quarter financial results.

**NOTE 1 - RECENTLY ISSUED ACCOUNTING STANDARDS**

The Financial Accounting Standards Board ( FASB ) amended the FASB Accounting Standards Codification and created a new Topic 606, *Revenue from Contracts with Customers*. This amendment prescribes that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendment supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry-specific guidance throughout the Industry Topics of the Accounting Standards Codification, and is effective for annual and interim reporting periods beginning after December 15, 2017. Under the new standard, certain airline ancillary fees directly related to passenger revenue tickets, such as airline change fees and baggage fees, are likely to no longer be considered distinct performance obligations separate from the passenger travel component. In addition, the change fees which were previously recognized when received, will likely be recognized when transportation is provided. The Company is evaluating other possible impacts on its consolidated financial statements.

In February 2016, the FASB amended the FASB Accounting Standards Codification and created a new Topic 842, *Leases*. The guidance requires lessees to recognize a right-of-use asset and a lease liability for all leases (with the exception of short-term leases) at the commencement date and recognize expenses on their income statements similar to the current Topic 840, *Leases*. It is effective for fiscal years and interim periods beginning after December 15, 2018, and early adoption is permitted. The Company is evaluating the impact the adoption of this standard will have on its consolidated financial statements.

In March 2016, the FASB issued Accounting Standards Update No. 2016-09, *Improvements to Employee Share-Based Payment Accounting*. The update requires excess tax benefits and tax deficiencies, which arise due to differences between the measure of compensation expense and the amount deductible for tax purposes, to be recorded directly through earnings as a component of income tax expense. Under current GAAP, these differences are generally recorded in additional paid-in capital and thus have no impact on net income. The change in treatment of excess tax benefits and tax deficiencies will also impact the computation of diluted earnings per share, and the cash flows associated with those items will be classified as operating activities on the condensed statements of consolidated cash flows. Additionally, entities will be permitted to make an accounting policy election for the impact of forfeitures on the recognition of expense for share-based payment awards. Forfeitures can be estimated, as required under current GAAP, or recognized when they occur. The amendments in this update are effective for annual periods

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beginning after December 15, 2016, and interim periods within those annual periods. The Company is evaluating the impact the adoption of this standard update will have on its consolidated financial statements and whether to early adopt the standard update.

The FASB issued Accounting Standards Update No. 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. Under the standard, investments for which fair value is measured at net asset value ( NAV ) per share (or its equivalent) using the practical expedient will no longer be categorized in the fair value hierarchy. The Company adopted this standard on January 1, 2016. As of June 30, 2016, the Company had approximately \$201 million of such investments as part of its Short-term investments balance sheet total. In addition, pension plan investments measured at NAV per share will no longer be categorized within the fair value hierarchy. As of June 30, 2016, the Company had approximately \$1.7 billion of such investments.

**NOTE 2 - EARNINGS PER SHARE**

The computations of UAL's basic and diluted earnings per share are set forth below (in millions, except per share amounts):

|   | <b>Three Months Ended<br/>June 30,</b> |             | <b>Six Months Ended<br/>June 30,</b> |             |
|---|--|-------------|--------------------------------------|-------------|
|   | <b>2016</b>                            | <b>2015</b> | <b>2016</b>                          | <b>2015</b> |
| <b>Basic earnings per share:</b>  |  |             |                                      |             |
| Earnings available to common stockholders   | \$ 588                                 | \$ 1,193    | \$ 901                               | \$ 1,701    |
| Basic weighted-average shares outstanding   | 331                                    | 380         | 342                                  | 381         |
| Earnings per share, basic   | \$ 1.78                                | \$ 3.14     | \$ 2.63                              | \$ 4.46     |
| <b>Diluted earnings per share:</b>  |  |             |                                      |             |
| Earnings available to common stockholders including the effect of dilutive securities | \$ 588                                 | \$ 1,193    | \$ 901                               | \$ 1,701    |
| <b>Diluted shares outstanding:</b>  |  |             |                                      |             |
| Basic weighted-average shares outstanding   | 331                                    | 380         | 342                                  | 381         |
| Effect of employee stock awards   |  |             | 1                                    | 1           |
| Diluted weighted-average shares outstanding   | 331                                    | 380         | 343                                  | 382         |
| Earnings per share, diluted   | \$ 1.78                                | \$ 3.14     | \$ 2.63                              | \$ 4.45     |

The number of antidilutive securities excluded from the computation of diluted earnings per share amounts was not material.

In the three and six months ended June 30, 2016, UAL repurchased 15 million and 42 million shares of UAL common stock in open market transactions, respectively, for \$694 million and \$2.2 billion, respectively. As of June 30, 2016, the Company had \$255 million remaining to purchase shares under its 2015 \$3 billion share repurchase authorization.

In July 2016, UAL's Board of Directors authorized a new \$2 billion share repurchase program to acquire UAL's common stock.

UAL may repurchase shares through the open market, privately negotiated transactions, block trades or accelerated share repurchase transactions from time to time in accordance with applicable securities laws. UAL will repurchase shares of UAL common stock subject to prevailing market conditions, and may discontinue such repurchases at any time. See Part II, Item 2, Unregistered Sales of Equity Securities and Use of Proceeds of this report for additional information.

**Table of Contents****NOTE 3 - ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)**

The tables below present the components of the Company's accumulated other comprehensive income (loss), net of tax ( AOCI ) (in millions):

| UAL (a)                          | Pension and Other          |                           |  | Investments and Other | Deferred Taxes Pension and Other |                           | Total    |
|----------------------------------|----------------------------|---------------------------|--|-----------------------|----------------------------------|---------------------------|----------|
|                                  | Postretirement Liabilities | Fuel Derivative Contracts |  |                       | Postretirement Liabilities       | Fuel Derivative Contracts |          |
| Balance at March 31, 2016        | \$ (401)                   | \$ (93)                   |  | \$ 3                  | \$ (140)                         | \$ (146)                  | \$ (777) |
| Changes in value                 | 10                         | 17                        |  |                       | (4)                              | (6)                       | 17       |
| Amounts reclassified to earnings | 6                          | 35                        |  |                       | (2)                              | (13)                      | 26       |
| Net change                       | 16                         | 52                        |  |                       | (6)                              | (19)                      | 43       |
| Balance at June 30, 2016         | \$ (385)                   | \$ (41)                   |  | \$ 3                  | \$ (146)                         | \$ (165)                  | \$ (734) |
| Balance at December 31, 2015     | \$ (363)                   | \$ (215)                  |  | \$ 3                  | \$ (154)                         | \$ (102)                  | \$ (831) |
| Changes in value                 | (33)                       | 1                         |  |                       | 12                               |                           | (20)     |
| Amounts reclassified to earnings | 11                         | 173                       |  |                       | (4)                              | (63)                      | 117      |
| Net change                       | (22)                       | 174                       |  |                       | 8                                | (63)                      | 97       |
| Balance at June 30, 2016         | \$ (385)                   | \$ (41)                   |  | \$ 3                  | \$ (146)                         | \$ (165)                  | \$ (734) |

| UAL (a)                              | Pension and Other          |                           |  | Investments and Other | Deferred Taxes Pension and Other |                           | Total      |
|--------------------------------------|----------------------------|---------------------------|--|-----------------------|----------------------------------|---------------------------|------------|
|                                      | Postretirement Liabilities | Fuel Derivative Contracts |  |                       | Postretirement Liabilities       | Fuel Derivative Contracts |            |
| Balance at March 31, 2015            | \$ (470)                   | \$ (413)                  |  | \$ 21                 | \$ (115)                         | \$ (c)                    | \$ (977)   |
| Changes in value (b)                 | 20                         | 29                        |  | (10)                  |                                  |                           | 39         |
| Amounts reclassified to earnings (b) | 8                          | 118                       |  |                       |                                  |                           | 126        |
| Net change                           | 28                         | 147                       |  | (10)                  |                                  |                           | 165        |
| Balance at June 30, 2015             | \$ (442)                   | \$ (266)                  |  | \$ 11                 | \$ (115)                         | \$ (c)                    | \$ (812)   |
| Balance at December 31, 2014         | \$ (472)                   | \$ (499)                  |  | \$ 7                  | \$ (115)                         | \$ (c)                    | \$ (1,079) |
| Changes in value (b)                 | 12                         | (46)                      |  | 5                     |                                  |                           | (29)       |
| Amounts reclassified to earnings (b) | 18                         | 279                       |  | (1)                   |                                  |                           | 296        |
| Net change                           | 30                         | 233                       |  | 4                     |                                  |                           | 267        |
| Balance at June 30, 2015             | \$ (442)                   | \$ (266)                  |  | \$ 11                 | \$ (115)                         | \$ (c)                    | \$ (812)   |

| Details about AOCI Components   | Amount Reclassified<br>from AOCI to Income |        |                              |        | Affected Line Item in<br>the Statements of<br>Consolidated Operations |
|---|--|--------|------------------------------|--------|---|
|   | Three Months Ended<br>June 30,             |        | Six Months Ended<br>June 30, |        |   |
|   | 2016                                       | 2015   | 2016                         | 2015   |   |
| Fuel derivative contracts   |  |        |                              |        |   |
| Reclassifications of losses into earnings                               | \$ 35                                      | \$ 118 | \$ 173                       | \$ 279 | Aircraft fuel   |
| Pension and other postretirement liabilities                            |  |        |                              |        |   |
| Amortization of unrecognized losses and prior service cost (credit) (d) | 6  | 8      | 11                           | 18     | Salaries and related costs  |
| Investments and other   |  |        |                              |        |   |
| Available-for-sale securities-reclassifications of gains into earnings  |  |        |                              | (1)    | Miscellaneous, net  |

(a) UAL and United amounts are substantially the same except for additional gains related to investments and other of \$1 million at United for the three and six months ended June 30, 2015.

(b) Income tax expense for these items was offset by the Company's valuation allowance.

(c) Deferred tax balance was offset by the Company's valuation allowance.

(d) This AOCI component is included in the computation of net periodic pension and other postretirement costs (see Note 5 of this report for additional information).

**Table of Contents****NOTE 4 - INCOME TAXES**

The Company's effective tax rate for the three and six months ended June 30, 2016 was 36.9% and 36.8%, respectively, which represented a blend of federal, state and foreign taxes and the impact of certain nondeductible items. The effective tax rate for the six months ended June 30, 2015 was 0.4% due primarily to the existing income tax valuation allowance against net operating losses and other deferred income tax assets. During 2015, after considering all positive and negative evidence, the Company concluded that its deferred income taxes would more likely than not be realized. The Company released substantially all of its valuation allowance in the third quarter of 2015.

**NOTE 5 - EMPLOYEE BENEFIT PLANS**

**Defined Benefit Pension and Other Postretirement Benefit Plans.** The Company's net periodic benefit cost includes the following components (in millions):

|  | <b>Pension Benefits</b>   |              | <b>Other Postretirement Benefits</b> |              |
|--|---------------------------|--------------|--------------------------------------|--------------|
|  | <b>Three Months Ended</b> |              | <b>Three Months Ended</b>            |              |
|  | <b>June 30,</b>           |              | <b>June 30,</b>                      |              |
|  | <b>2016</b>               | <b>2015</b>  | <b>2016</b>                          | <b>2015</b>  |
| Service cost   | \$ 27                     | \$ 31        | \$ 6                                 | \$ 5         |
| Interest cost  | 50                        | 50           | 22                                   | 21           |
| Expected return on plan assets   | (54)                      | (49)         | (1)                                  | (1)          |
| Amortization of unrecognized (gain) loss and prior service cost (credit) | 20                        | 22           | (14)                                 | (14)         |
| Settlement loss  | 1                         |              |                                      |              |
| <b>Total</b>   | <b>\$ 44</b>              | <b>\$ 54</b> | <b>\$ 13</b>                         | <b>\$ 11</b> |

|  | <b>Pension Benefits</b> |               | <b>Other Postretirement Benefits</b> |              |
|--|-------------------------|---------------|--------------------------------------|--------------|
|  | <b>Six Months Ended</b> |               | <b>Six Months Ended</b>              |              |
|  | <b>June 30, 2016</b>    |               | <b>June 30, 2016</b>                 |              |
|  | <b>2016</b>             | <b>2015</b>   | <b>2016</b>                          | <b>2015</b>  |
| Service cost   | \$ 55                   | \$ 62         | \$ 10                                | \$ 10        |
| Interest cost  | 101                     | 100           | 44                                   | 41           |
| Expected return on plan assets   | (108)                   | (98)          | (1)                                  | (1)          |
| Amortization of unrecognized (gain) loss and prior service cost (credit) | 38                      | 44            | (27)                                 | (27)         |
| Settlement loss  | 2                       | 1             |                                      |              |
| <b>Total</b>   | <b>\$ 88</b>            | <b>\$ 109</b> | <b>\$ 26</b>                         | <b>\$ 23</b> |

During the three and six months ended June 30, 2016, the Company contributed \$80 million and \$160 million, respectively, to its U.S. domestic tax-qualified defined benefit pension plans.

**Share-Based Compensation.** During 2016, UAL granted share-based compensation awards pursuant to the United Continental Holdings, Inc. 2008 Incentive Compensation Plan. These share-based compensation awards include approximately 0.3 million shares of restricted stock and 0.8 million restricted stock units ( RSUs ) that vest pro-rata over three years on the anniversary of the grant date. The time-vested RSUs are stock-settled for domestic employees and cash-settled based on the 20-day average closing price of UAL common stock immediately prior to the vesting date for international employees. The Company also granted 0.6 million performance-based RSUs that will vest based on the Company's return on invested capital and the Company's relative improvement in pre-tax margin for the three years ending December 31, 2018. If these performance conditions are achieved, cash payments will be made after the end of the performance period based on the 20-day average closing price of UAL common stock immediately prior to the vesting date. The Company accounts for the stock-settled RSUs as equity awards and the cash-settled RSUs as liability awards.



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The table below presents information related to share-based compensation (in millions):

|                                       | <b>Three Months Ended June 30,</b> |             | <b>Six Months Ended June 30,</b> |             |
|---------------------------------------|------------------------------------|-------------|----------------------------------|-------------|
|                                       | <b>2016</b>                        | <b>2015</b> | <b>2016</b>                      | <b>2015</b> |
| Share-based compensation expense      | \$ 3                               | \$ 16       | \$ 13                            | \$ 33       |
|                                       | <b>June 30, 2016</b>               |             | <b>December 31, 2015</b>         |             |
| Unrecognized share-based compensation | \$ 71                              | \$ 41       |                                  |             |

**Profit Sharing Plans.** Substantially all employees participate in profit sharing based on a percentage of pre-tax earnings, excluding special items, profit sharing expense and share-based compensation. Profit sharing percentages range from 5% to 20% depending on the work group, and in some cases profit sharing percentages vary above and below certain pre-tax margin thresholds. Eligible U.S. co-workers in each participating work group receive a profit sharing payout using a formula based on the ratio of each qualified co-worker's annual eligible earnings to the eligible earnings of all qualified co-workers in all domestic work groups. Eligible non-U.S. co-workers receive profit sharing based on the calculation under the U.S. profit sharing plan for management and administrative employees. Profit sharing expense is recorded as a component of Salaries and related costs in the Company's statements of consolidated operations.

**Table of Contents****NOTE 6 - FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS**

The table below presents disclosures about the financial assets and liabilities measured at fair value on a recurring basis in the Company's financial statements (in millions):

|  | June 30, 2016 |          |         |         | December 31, 2015 |          |         |         |
|--|---------------|----------|---------|---------|-------------------|----------|---------|---------|
|  | Total         | Level 1  | Level 2 | Level 3 | Total             | Level 1  | Level 2 | Level 3 |
| Cash and cash equivalents  | \$ 2,483      | \$ 2,483 | \$      | \$      | \$ 3,006          | \$ 3,006 | \$      | \$      |
| Short-term investments:  |               |          |         |         |                   |          |         |         |
| Corporate debt   | 872           |          | 872     |         | 891               |          | 891     |         |
| Asset-backed securities  | 710           |          | 710     |         | 710               |          | 710     |         |
| Certificates of deposit placed through an account registry service ( CDARS ) | 261           |          | 261     |         | 281               |          | 281     |         |
| U.S. government and agency notes   | 106           |          | 106     |         | 72                |          | 72      |         |
| Auction rate securities  | 9             |          |         | 9       | 9                 |          |         | 9       |
| Other fixed-income securities  | 43            |          | 43      |         | 26                |          | 26      |         |
| Other investments measured at NAV (a)  | 201           |          |         |         | 201               |          |         |         |
| Enhanced equipment trust certificates ( EETC )                               | 24            |          |         | 24      | 26                |          |         | 26      |
| Fuel derivatives liability, net  | 7             |          | 7       |         | 124               |          | 124     |         |
| Foreign currency derivatives liability, net                                  | 1             |          | 1       |         |                   |          |         |         |
| Restricted cash  | 167           | 167      |         |         | 206               | 206      |         |         |

(a) In accordance with the relevant accounting standards, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position. The investments measured using NAV are shares of mutual funds that invest in fixed-income instruments including bonds, debt securities, and other similar instruments issued by various U.S. and non-U.S. public- or private-sector entities. The Company can redeem its shares at any time at NAV subject to a three-day settlement period.

**Available-for-sale investment maturities** - The short-term investments shown in the table above are classified as available-for-sale. As of June 30, 2016, asset-backed securities have remaining maturities of less than one year to approximately 33 years, corporate debt securities have remaining maturities of less than one year to approximately six years and CDARS have maturities of less than one year. U.S. government and other securities have maturities of less than one year to approximately three years. The EETC securities mature in 2019.

Derivative instruments and investments presented in the tables above have the same fair value as their carrying value. The table below presents the carrying values and estimated fair values of financial instruments not presented in the tables above (in millions):

|                | Carrying Amount | Fair Value of Debt by Fair Value Hierarchy Level |         |          |          | Carrying Amount | Fair Value        |         |          |          |
|----------------|-----------------|--|---------|----------|----------|-----------------|-------------------|---------|----------|----------|
|                |                 | June 30, 2016                                    |         |          |          |                 | December 31, 2015 |         |          |          |
|                |                 | Total  | Level 1 | Level 2  | Level 3  |                 | Total             | Level 1 | Level 2  | Level 3  |
| Long-term debt | \$ 10,547       | \$ 11,141  | \$      | \$ 8,425 | \$ 2,716 | \$ 10,897       | \$ 11,371         | \$      | \$ 8,646 | \$ 2,725 |



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Fair value of the financial instruments included in the tables above was determined as follows:

| <b>Description</b>                  | <b>Fair Value Methodology</b>  |
|-------------------------------------|--|
| <i>Cash and cash equivalents</i>    | The carrying amounts approximate fair value because of the short-term maturity of these assets.  |
| <i>Short-term investments and</i>   | Fair value is based on (a) the trading prices of the investment or similar instruments, (b) an income approach, which uses valuation techniques to convert future amounts into a single present amount based on current market expectations about those future amounts when observable trading prices are not available, (c) internally-developed models of the expected future cash flows related to the securities, or (d) broker quotes obtained by third-party valuation services. |
| <i>Restricted cash</i>              |  |
| <i>Fuel derivatives</i>             | Derivative contracts are privately negotiated contracts and are not exchange traded. Fair value measurements are estimated with option pricing models that employ observable inputs. Inputs to the valuation models include contractual terms, market prices, yield curves, fuel price curves and measures of volatility, among others.  |
| <i>Foreign currency derivatives</i> | Fair value is determined with a formula utilizing observable inputs. Significant inputs to the valuation models include contractual terms, risk-free interest rates and forward exchange rates.  |
| <i>Debt</i>                         | Fair values were based on either market prices or the discounted amount of future cash flows using our current incremental rate of borrowing for similar liabilities.  |

**NOTE 7 - HEDGING ACTIVITIES*****Fuel Derivatives***

The Company may hedge a portion of its future fuel requirements to protect against increases in the price of fuel. The Company may restructure hedges in response to market conditions prior to their original settlement dates which may result in changes in hedge coverage levels and the potential recognition of gains or losses on such hedge contracts. As of June 30, 2016, the Company had hedged approximately 12% of its projected fuel requirements (252 million gallons) for the remainder of 2016 with commonly used financial hedge instruments based on aircraft fuel or crude oil. As of June 30, 2016, the Company had fuel hedges expiring through December 2016.

As required, the Company assesses the effectiveness of each of its individual hedges on a quarterly basis. The Company also examines the effectiveness of its entire hedging program on a quarterly basis utilizing statistical analysis. This analysis involves utilizing regression and other statistical analyses that compare changes in the price of aircraft fuel to changes in the prices of the commodities used for hedging purposes.

Upon proper qualification, the Company accounts for certain fuel derivative instruments as cash flow hedges. All derivatives designated as hedges that meet certain requirements are granted hedge accounting treatment. The types of instruments the Company utilizes that qualify for hedge accounting treatment typically include swaps, call options, collars (which consist of a purchased call option and a sold put option), four-way collars (a collar with a higher strike sold call option and a lower strike purchased put option) and other combinations of options. Generally, utilizing hedge accounting, all periodic changes in the fair value of derivatives designated as hedges that are considered to be effective are recorded in AOCI until the underlying fuel is consumed and recorded in fuel expense. The Company is exposed to the risk that its hedges may not be effective in offsetting changes in the cost of fuel and that its hedges may not continue to qualify for hedge accounting. Hedge ineffectiveness results when the change in the fair value of the derivative instrument exceeds the change in the value of the Company's expected future cash outlay to purchase and consume fuel. To the extent that the periodic changes in the fair value of the derivatives are not effective, that ineffectiveness is classified as Nonoperating income (expense): Miscellaneous, net in the statements of consolidated operations.

The Company also uses certain combinations of derivative contracts that are economic hedges but do not qualify for hedge accounting under GAAP. Additionally, the Company may enter into contracts at different times and later combine those contracts into structures designated for hedge accounting. As with derivatives that qualify for hedge accounting, the economic hedges and individual contracts are part of the Company's program to mitigate the adverse financial impact of potential increases in the price of fuel. The Company records changes in the fair value of these various contracts that are not designated for hedge accounting to Nonoperating income (expense): Miscellaneous, net in the statements of consolidated operations.

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If the Company settles a derivative prior to its contractual settlement date, then the cumulative gain or loss recognized in AOCI at the termination date remains in AOCI until the forecasted transaction occurs. In a situation where it becomes probable that a hedged forecasted transaction will not occur, any gains and/or losses that have been recorded to AOCI would be required to be immediately reclassified into earnings. All cash flows associated with purchasing and settling derivatives are classified as operating cash flows in the condensed statements of consolidated cash flows.

In addition to cash flow hedges, the Company from time to time enters into fair value hedges related to its aircraft fuel inventory using derivatives such as swaps and futures contracts based on aircraft fuel. Under fair value hedge accounting, the Company records changes in the fair value of both the hedging derivative and the hedged aircraft fuel inventory as fuel expense. The Company records ineffectiveness on fair value hedges as Nonoperating income (expense): Miscellaneous, net in the statements of consolidated operations. As of June 30, 2016, fair value hedges related to aircraft fuel were not material to the Company's financial statements.

The Company records each derivative instrument as a derivative asset or liability (on a gross basis) in its consolidated balance sheets, and, accordingly, records any related collateral on a gross basis. The table below presents the fair value amounts of fuel derivative assets and liabilities and the location of amounts recognized in the Company's financial statements.

The Company's derivatives were reported in its consolidated balance sheets as follows (in millions):

| Classification  | Balance Sheet Location      | June 30,<br>2016 | December 31,<br>2015 |
|---|-----------------------------|------------------|----------------------|
| <b><u>Derivatives designated as cash flow hedges</u></b>      |                             |                  |                      |
| <i>Liabilities:</i>   |                             |                  |                      |
| Fuel contracts due within one year                            | Fuel derivative instruments | \$ 7             | \$ 119               |
| <b><u>Derivatives not designated for hedge accounting</u></b> |                             |                  |                      |
| <i>Liabilities:</i>   |                             |                  |                      |
| Fuel contracts due within one year                            | Fuel derivative instruments | \$               | \$ 5                 |
| <b><u>Total derivatives</u></b>                               |                             |                  |                      |
| Total liabilities   |                             | \$ 7             | \$ 124               |

***Derivative Credit Risk and Fair Value***

The Company is exposed to credit losses in the event of non-performance by counterparties to its derivative instruments. While the Company records derivative instruments on a gross basis, the Company monitors its net derivative position with each counterparty to monitor credit risk. Based on the fair value of our fuel derivative instruments, our counterparties may require us to post collateral when the price of the underlying commodity decreases, and we may require our counterparties to provide us with collateral when the price of the underlying commodity increases. The Company did not hold or post collateral as of June 30, 2016. The Company had on deposit \$26 million of collateral with fuel derivative counterparties as of December 31, 2015. The collateral is recorded as Prepaid expenses and other on the Company's balance sheets.

We have master trading agreements with all of our fuel hedging counterparties that allow us to net our fuel hedge derivative positions. We have elected not to net the fair value positions recorded on our consolidated balance sheets. The following table shows the potential net fair value positions (including fuel derivatives and related collateral) had we elected to offset. The table reflects offset at the counterparty level (in millions):

|  | June 30, 2016 | December 31, 2015 |
|--|---------------|-------------------|
| Fuel derivative instruments, net of collateral | \$ 7          | \$ 98             |

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The following tables present the impact of derivative instruments and their location within the Company's unaudited statements of consolidated operations (in millions):

**Derivatives designated as cash flow hedges**

|  | Amount of Gain<br>Recognized<br>in AOCI on Derivatives<br>(Effective Portion)<br>Three Months Ended<br>June 30, |       | Loss<br>Reclassified from<br>AOCI into<br>Fuel Expense<br>Three Months Ended<br>June 30, |         | Amount of Loss<br>Recognized in<br>Nonoperating income<br>(expense): Miscellaneous, net<br>(Ineffective Portion)<br>Three Months Ended<br>June 30, |      |
|--|---|-------|--|---------|--|------|
|  | 2016  | 2015  | 2016   | 2015    | 2016   | 2015 |
|  | Fuel contracts  | \$ 17 | \$ 29  | \$ (35) | \$ (118)   | \$   |

**Derivatives designated as cash flow hedges**

|  | Amount of Gain (Loss)<br>Recognized<br>in AOCI on Derivatives<br>(Effective Portion)<br>Six Months Ended<br>June 30, |      | Loss<br>Reclassified from<br>AOCI into<br>Fuel Expense<br>Six Months Ended<br>June 30, |          | Amount of Loss<br>Recognized in<br>Nonoperating income<br>(expense): Miscellaneous, net<br>(Ineffective Portion)<br>Six Months Ended<br>June 30, |      |
|--|--|------|--|----------|--|------|
|  | 2016   | 2015 | 2016   | 2015     | 2016   | 2015 |
|  | Fuel contracts   | \$ 1 | \$ (46)  | \$ (173) | \$ (279)   | \$   |

**Derivatives not designated for hedge accounting****Fuel contracts**

|  | Three Months Ended<br>June 30,   |      | Six Months Ended<br>June 30, |      |
|--|--|------|------------------------------|------|
|  | 2016   | 2015 | 2016                         | 2015 |
|  | Amount of gain/(loss) recognized in Nonoperating income (expense):<br>Miscellaneous, net | \$   | \$ 41                        | \$   |

**Foreign Currency Derivatives**

The Company generates revenues and incurs expenses in numerous foreign currencies. Changes in foreign currency exchange rates impact the Company's results of operations through changes in the dollar value of foreign currency-denominated operating revenues and expenses. Some of the Company's more significant foreign currency exposures include the Canadian dollar, Chinese renminbi, European euro, British pound and Japanese yen. At times, the Company uses derivative financial instruments, such as options, collars and forward contracts, to hedge its exposure to foreign currency. At June 30, 2016, the Company had foreign currency derivative contracts in place to hedge both European euro denominated sales and Japanese yen denominated sales. The notional amount of the hedges equates to 21% of the Company's projected European euro denominated net cash inflows for the remainder of 2016; and 26% of the Company's projected Japanese yen denominated net cash inflows for the remainder of 2016. Net cash relates primarily to passenger ticket sales inflows, partially offset by expenses paid in local currencies. At June 30, 2016, the fair value of the Company's foreign currency derivatives was a liability of \$1 million.

**NOTE 8 - COMMITMENTS AND CONTINGENCIES**

**Commitments.** As of June 30, 2016, United had firm commitments and options to purchase aircraft from The Boeing Company ( Boeing ), Embraer S.A. ( Embraer ) and Airbus S.A.S. ( Airbus ) presented in the table below:

| <b>Aircraft Type</b>   | <b>Number of Firm Commitments (a)</b> |
|------------------------|---------------------------------------|
| Airbus A350-1000       | 35                                    |
| Boeing 737NG/737 MAX 9 | 176                                   |
| Boeing 777-300ER       | 14                                    |
| Boeing 787-8/-9/-10    | 21                                    |
| Embraer E175           | 5                                     |

(a) United also has options and purchase rights for additional aircraft.

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The aircraft listed in the table above are scheduled for delivery through 2024. For the remainder of 2016, United expects to take delivery of 11 Boeing 737NG aircraft, one Boeing 777-300ER aircraft and five Embraer E175 aircraft. United expects to assign the five Embraer E175 aircraft immediately prior to each aircraft's delivery by Embraer to a designated United Express operator.

As of June 30, 2016, United has secured backstop financing commitments from certain of its aircraft manufacturers for a limited number of its future aircraft deliveries, subject to certain customary conditions. Financing may be necessary to satisfy the Company's capital commitments for its firm order aircraft and other related capital expenditures. See Note 9 of this report for additional information on aircraft financing.

The table below summarizes United's commitments as of June 30, 2016, which primarily relate to the acquisition of aircraft and related spare engines, aircraft improvements and include other commitments primarily to acquire information technology services and assets. Any new firm aircraft orders, including through the exercise of purchase options and purchase rights, will increase the total future capital commitments of the Company.

|                         | (in billions) |
|-------------------------|---------------|
| Last six months of 2016 | \$ 2.3        |
| 2017                    | 4.3           |
| 2018                    | 4.3           |
| 2019                    | 3.3           |
| 2020                    | 2.6           |
| After 2020              | 6.9           |
|                         | \$ 23.7       |

**Guarantees.** As of June 30, 2016, United is the guarantor of approximately \$1.9 billion in aggregate principal amount of tax-exempt special facilities revenue bonds and interest thereon. These bonds, issued by various airport municipalities, are payable solely from rentals paid under long-term agreements with the respective governing bodies. The leasing arrangements associated with \$1.4 billion of these obligations are accounted for as operating leases with the associated expense recorded on a straight-line basis resulting in ratable accrual of the lease obligation over the expected lease term. The leasing arrangements associated with \$342 million of these obligations are accounted for as capital leases. All of these bonds are due between 2017 and 2038.

As of June 30, 2016, United is the guarantor of \$43 million of aircraft mortgage debt issued by one of United's regional carriers and is expected to be the guarantor of up to an additional \$129 million of aircraft mortgage debt the regional carrier plans to issue in 2016.

In the Company's financing transactions that include loans, the Company typically agrees to reimburse lenders for any reduced returns with respect to the loans due to any change in capital requirements and, in the case of loans in which the interest rate is based on the London Interbank Offered Rate, for certain other increased costs that the lenders incur in carrying these loans as a result of any change in law, subject, in most cases, to obligations of the lenders to take certain limited steps to mitigate the requirement for, or the amount of, such increased costs. At June 30, 2016, the Company had \$2.4 billion of floating rate debt and \$104 million of fixed rate debt, with remaining terms of up to 12 years, that are subject to these increased cost provisions. In several financing transactions involving loans or leases from non-U.S. entities, with remaining terms of up to 12 years and an aggregate balance of \$2.4 billion, the Company bears the risk of any change in tax laws that would subject loan or lease payments thereunder to non-U.S. entities to withholding taxes, subject to customary exclusions.

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**Labor Negotiations.** As of June 30, 2016, United had approximately 87,500 active employees, of whom approximately 80% were represented by various labor organizations.

In January 2016, United's pilots, represented by the Air Line Pilots Association, International, agreed to extend their contract through January 31, 2019. In March 2016, the Company's dispatchers, represented by the Professional Airline Flight Control Association, agreed to extend their current contract through 2021. In April 2016, the fleet service, passenger service, storekeeper and other employees represented by the International Association of Machinists and Aerospace Workers (IAM) ratified seven new contracts with the Company which extended the contracts through 2021. In June 2016, United and The Association of Flight Attendants (AFA) reached a tentative agreement. The AFA Joint Master Executive Council approved the agreement and will submit it to AFA members for ratification. The Company continues to negotiate in mediation for a joint technician and related employees' collective bargaining agreement.

**NOTE 9 - DEBT**

As of June 30, 2016, a substantial portion of the Company's assets, principally aircraft, route authorities, airport slots and loyalty program intangible assets, was pledged under various loan and other agreements. As of June 30, 2016, UAL and United were in compliance with their debt covenants. As of June 30, 2016, United had its entire capacity of \$1.35 billion available under the revolving credit facility of the Company's 2013 Credit and Guaranty Agreement (the Credit Agreement).

**EETCs.** In June 2016, United created EETC pass-through trusts, each of which issued pass-through certificates. The proceeds of the issuance of the pass-through certificates are used to purchase equipment notes issued by United and secured by its aircraft. The Company records the debt obligation upon issuance of the equipment notes rather than upon the initial issuance of the pass-through certificates. The pass-through certificates represent fractional undivided interests in the respective pass-through trusts and are not obligations of United. The payment obligations under the equipment notes are those of United. Proceeds received from the sale of pass-through certificates are initially held by a depository in escrow for the benefit of the certificate holders until United issues equipment notes to the trust, which purchases such notes with a portion of the escrowed funds. These escrowed funds are not guaranteed by United and are not reported as debt on our consolidated balance sheet because the proceeds held by the depository are not United's assets. Certain details of the pass-through trusts with proceeds received from issuance of debt in 2016 are as follows (in millions, except stated interest rate):

| EETC Date | Class | Principal | Final expected distribution date | Stated interest rate | Total debt recorded as of June 30, 2016 | Remaining proceeds from issuance of debt to be received in future periods |
|-----------|-------|-----------|----------------------------------|----------------------|---|---|
| June 2016 | AA    | \$ 729    | March 2017                       | 3.10%                | \$                                      | \$ 729  |
| June 2016 | A     | 324       | March 2017                       | 3.45%                |   | 324   |
|           |       | \$ 1,053  |                                  |                      | \$                                      | \$ 1,053  |

**4.5% Convertible Notes due 2015.** In the first quarter of 2015, the holders of substantially all of the remaining \$202 million principal amount of the 4.5% Convertible Notes due 2015 exercised their conversion option resulting in the issuance of 11 million shares of UAL common stock.

**6% Notes due 2026.** In the first quarter of 2015, UAL used cash to repurchase \$18 million par value 6% Notes due 2026 (the 2026 Notes) in market transactions. On April 1, 2015, UAL used cash to redeem, at par, the remaining \$303 million balance of the 2026 Notes.

**6% Notes due 2028.** In the first quarter of 2015, UAL used cash to repurchase \$13 million par value 6% Notes due 2028 (the 2028 Notes) in market transactions. On May 1, 2015, UAL used cash to redeem, at par, the remaining \$298 million balance of the 2028 Notes.

**Table of Contents****NOTE 10 - SPECIAL CHARGES**

For the three and six months ended June 30, special charges consisted of the following (in millions):

|   | Three Months Ended<br>June 30, |        | Six Months Ended<br>June 30, |        |
|---|--------------------------------|--------|------------------------------|--------|
|   | 2016                           | 2015   | 2016                         | 2015   |
| Operating:  |                                |        |                              |        |
| Impairment of intangible asset related to Newark Liberty International Airport ( Newark ) slots | \$ 412                         | \$     | \$ 412                       | \$     |
| Labor agreement costs   | 10                             |        | 110                          |        |
| Severance and benefit costs   | 6                              | 25     | 14                           | 75     |
| Cleveland airport lease restructuring   |                                |        | 74                           |        |
| (Gains) losses on sale of assets and other special charges                                      | 6                              | 30     | 14                           | 44     |
| Special charges   | 434                            | 55     | 624                          | 119    |
| <u>Nonoperating and income taxes:</u>   |                                |        |                              |        |
| (Gain) loss on extinguishment of debt and other   | (9)                            | 128    | (1)                          | 134    |
| Income tax benefit related to special charges   | (153)                          |        | (225)                        |        |
| Total special charges, net of tax   | \$ 272                         | \$ 183 | \$ 398                       | \$ 253 |

In April 2016, the Federal Aviation Administration ( FAA ) announced that it will designate Newark as a Level 2 schedule-facilitated airport under the International Air Transport Association Worldwide Slot Guidelines effective October 30, 2016. The designation was associated with an updated demand and capacity analysis of Newark by the FAA. In the second quarter of 2016, the Company has determined that the FAA's action has impaired the entire value of its Newark slots because the slots will no longer be the mechanism that governs take-off and landing rights. Accordingly, the Company recorded a \$412 million special charge (\$264 million net of taxes) to write off the intangible asset. The Newark slots served as part of the collateral for the term loans under the Company's Credit Agreement and under the Second Amended and Restated Co-Branded Card Marketing Services Agreement with Chase Bank USA, N.A. (the Chase Agreement ). The Credit Agreement and the Chase Agreement have been amended to remove the Newark slots as collateral with no replacement collateral required.

The fleet service, passenger service, storekeeper and other employees represented by the IAM ratified seven new contracts with the Company which extended the contracts through 2021. During the three and six months ended June 30, 2016, the Company recorded \$10 million (\$6 million net of taxes) and \$110 million (\$70 million net of taxes), respectively, of special charges primarily for bonus payments to be made in conjunction with the ratification of these contracts.

During the three and six months ended June 30, 2016, the Company recorded \$6 million (\$4 million net of taxes) and \$14 million (\$9 million net of taxes), respectively, of severance and benefit costs. During the three and six months ended June 30, 2015, the Company recorded \$25 million and \$75 million, respectively, of severance and benefit costs. The severance and benefit costs primarily related to a voluntary early-out program for its flight attendants. In 2014, more than 2,500 flight attendants elected to voluntarily separate from the Company and will receive a severance payment, with a maximum value of \$100,000 per participant, based on years of service, with retirement dates through the end of 2016.

During the six months ended June 30, 2016, the City of Cleveland agreed to amend the lease, which runs through 2029, associated with certain excess airport terminal space (principally Terminal D) and related facilities at Hopkins International Airport. The Company recorded an accrual for remaining payments under the lease for facilities that the Company no longer uses and will continue to incur costs under the lease without economic benefit to the Company. This liability was measured and recorded at its fair value when the Company ceased its right to use such facilities leased to it pursuant to the lease. The Company recorded a net charge of \$74 million (\$47 million net of taxes) related to the amended lease.

During the three and six months ended June 30, 2016, the Company recorded gains and losses on sale of assets and other special charges of \$6 million (\$4 million net of taxes) and \$14 million (\$9 million net of taxes), respectively.

During the six months ended June 30, 2016, the Company recorded \$8 million (\$5 million net of taxes) of losses due to exchange rate changes in Venezuela applicable to funds held in local currency, and the Company recorded a \$9 million (\$6 million net of taxes) gain on the sale of an affiliate.





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During the three and six months ended June 30, 2015, the Company recorded \$30 million and \$44 million, respectively, for integration costs, impairment of assets and other special gains and losses.

During the three and six months ended June 30, 2015, the Company recorded \$128 million and \$134 million, respectively, of losses as part of Nonoperating income (expense): Miscellaneous, net due to the write-off of the unamortized non-cash debt discount related to the extinguishment of the 6% Notes due 2026 and 6% Notes due 2028.

**Accruals**

The accrual balance for severance and benefits was \$30 million as of June 30, 2016, compared to \$104 million as of June 30, 2015. The severance-related accrual as of June 30, 2016 is expected to be mostly paid through 2016. The following is a reconciliation of severance accrual activity for the period:

|                              | <b>Severance and<br/>Benefits</b> |
|------------------------------|-----------------------------------|
| Balance at December 31, 2015 | \$ 27                             |
| Accrual                      | 14                                |
| Payments                     | (11)                              |
| Balance at June 30, 2016     | \$ 30                             |

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

United Continental Holdings, Inc. (together with its consolidated subsidiaries, UAL or the Company) is a holding company and its principal, wholly-owned subsidiary is United Airlines, Inc. (together with its consolidated subsidiaries, United). This Quarterly Report on Form 10-Q is a combined report of UAL and United including their respective consolidated financial statements. As UAL consolidates United for financial statement purposes, disclosures that relate to activities of United also apply to UAL, unless otherwise noted. United's operating revenues and operating expenses comprise nearly 100% of UAL's revenues and operating expenses. In addition, United comprises approximately the entire balance of UAL's assets, liabilities and operating cash flows. When appropriate, UAL and United are named specifically for their individual contractual obligations and related disclosures and any significant differences between the operations and results of UAL and United are separately disclosed and explained. We sometimes use the words we, our, us, and the Company in this report for disclosures that relate to all of UAL and United.

The Company transports people and cargo through its mainline operations, which utilize jet aircraft with at least 118 seats, and regional operations, which utilize smaller aircraft that are operated under contract by United Express carriers. The Company serves virtually every major market around the world, either directly or through participation in Star Alliance®, the world's largest airline alliance. UAL, through United and its regional carriers, operates more than 4,500 flights a day to 339 airports across five continents.

**Second Quarter Financial Highlights**

Second quarter 2016 net income was \$588 million, or \$1.78 diluted earnings per share as compared to net income of \$1.2 billion and diluted earnings per share of \$3.14 in the second quarter of 2015.

Passenger revenue decreased 6.6% to \$8.1 billion during the second quarter of 2016 as compared to the second quarter of 2015.

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Second quarter 2016 aircraft fuel cost decreased 31.8% year-over-year.

The Company recorded \$425 million of special charges and \$343 million of income taxes.

Unrestricted liquidity at June 30, 2016 was \$6.0 billion, including \$1.35 billion of undrawn commitments under the Company's revolving credit facility.

In the three and six months ended June 30, 2016, UAL repurchased 15 million and 42 million shares of its common stock in open market transactions for \$694 million and \$2.2 billion, respectively. As of June 30, 2016, the Company had \$255 million remaining to purchase shares under its 2015 \$3 billion share repurchase authorization. In July 2016, UAL's Board of Directors authorized a new \$2 billion share repurchase program to acquire UAL's common stock.

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**Second Quarter Operational Highlights**

United reported a consolidated on-time arrival rate (domestic and international) of 67.9%, up more than 11 points from the same quarter last year.

Consolidated traffic decreased 0.5% and consolidated capacity increased 0.1% during the second quarter of 2016 as compared to the second quarter of 2015. The Company's load factor for the second quarter of 2016 was 83.5%.

The Company took delivery of two Boeing 737-800 aircraft and two Boeing 787-9 aircraft during the second quarter of 2016.

**Outlook**

The Company expects full-year 2016 consolidated capacity to increase between 1.0% and 1.5% year-over-year.

The Company expects to drive \$3.1 billion of incremental value by 2018. United anticipates to capture this value through benefits from improved operations by focusing on re-attracting premium customers, reducing cost of irregular operations, reducing re-accommodations and improving schedule quality. In addition, the Company will introduce new products to its industry-leading existing portfolio of products such as our recently announced Polaris business class seats and enhance revenue through various MileagePlus program initiatives. Finally, the Company plans to improve its costs structure through an upgauge and slimline seat program and ongoing sensible cost management.

In the first quarter of 2016, United reached contract extensions with its pilots and dispatchers. In the second quarter, United also reached amended collective bargaining agreements with its International Association of Machinists and Aerospace Workers (IAM) represented employees and reached a tentative agreement for a joint flight attendant collective bargaining agreement. United continues to negotiate in mediation for a joint technician and related employees' collective bargaining agreement. The cost associated with the ratification of the pilots' agreement, the dispatchers and the IAM will add an additional approximate 1.5 points of non-fuel unit costs for full-year 2016, primarily due to the pilots' agreement, and will add an additional approximate 0.75 points of non-fuel unit costs for full-year 2017, primarily due to the IAM agreement. The Company cannot predict the outcome of ongoing and future negotiations with its unionized employee groups. Significant increases in the pay and benefits resulting from new collective bargaining agreements would have a material financial impact on the Company.

The price of jet fuel remains volatile. Based on projected fuel consumption in 2016, a one dollar change in the price of a barrel of crude oil would change the Company's annual fuel expense by approximately \$93 million. To protect against increases in the prices of aircraft fuel, the Company may hedge a portion of its future fuel requirements.

**RESULTS OF OPERATIONS**

The following discussion provides an analysis of results of operations and reasons for material changes therein for the three months ended June 30, 2016 as compared to the corresponding period in 2015.

**Table of Contents****Second Quarter 2016 Compared to Second Quarter 2015**

The Company recorded net income of \$588 million in the second quarter of 2016 as compared to net income of \$1.2 billion in the second quarter of 2015. Second quarter 2016 net income reflects \$343 million of income tax expense primarily due to the release of the income tax valuation allowance in the third quarter of 2015. The Company considers a key measure of its performance to be operating income, which was \$1.1 billion for the second quarter of 2016, as compared to \$1.4 billion for the second quarter of 2015, a \$385 million decrease year-over-year. Significant components of the Company's operating results for the three months ended June 30 are as follows (in millions, except percentage changes):

|                      | 2016     | 2015     | Increase<br>(Decrease) | % Increase<br>(Decrease) |
|----------------------|----------|----------|------------------------|--------------------------|
| Operating revenue    | \$ 9,396 | \$ 9,914 | \$ (518)               | (5.2)                    |
| Operating expense    | 8,336    | 8,469    | (133)                  | (1.6)                    |
| Operating income     | 1,060    | 1,445    | (385)                  | (26.6)                   |
| Nonoperating expense | (129)    | (248)    | (119)                  | (48.0)                   |
| Income tax expense   | 343      | 4        | 339                    | NM                       |
| Net income           | \$ 588   | \$ 1,193 | \$ (605)               | (50.7)                   |

NM - Not meaningful

Certain consolidated statistical information for the Company's operations for the three months ended June 30 is as follows:

|  | 2016    | 2015    | Increase<br>(Decrease) | % Increase<br>(Decrease) |
|--|---------|---------|------------------------|--------------------------|
| Passengers (thousands) (a)                                     | 36,416  | 36,231  | 185                    | 0.5                      |
| Revenue passenger miles ( RPMs ) (millions) (b)                | 54,017  | 54,289  | (272)                  | (0.5)                    |
| Available seat miles ( ASMs ) (millions) (c)                   | 64,725  | 64,685  | 40                     | 0.1                      |
| Passenger load factor (d)                                      | 83.5 %  | 83.9 %  | (0.4) pts.             | N/A                      |
| Passenger revenue per available seat mile ( PRASM ) (cents)    | 12.52   | 13.41   | (0.89)                 | (6.6)                    |
| Average yield per revenue passenger mile ( Yield ) (cents) (e) | 15.00   | 15.98   | (0.98)                 | (6.1)                    |
| Cost per available seat mile ( CASM ) (cents)                  | 12.88   | 13.09   | (0.21)                 | (1.6)                    |
| Average price per gallon of fuel, including fuel taxes         | \$ 1.44 | \$ 2.10 | \$ (0.66)              | (31.4)                   |
| Fuel gallons consumed (millions)                               | 995     | 1,004   | (9)                    | (0.9)                    |
| Average full-time equivalent employees                         | 83,200  | 82,300  | 900                    | 1.1                      |

(a) The number of revenue passengers measured by each flight segment flown.

(b) The number of scheduled miles flown by revenue passengers.

(c) The number of seats available for passengers multiplied by the number of scheduled miles those seats are flown.

(d) Revenue passenger miles divided by available seat miles.

(e) The average passenger revenue received for each revenue passenger mile flown.

**Operating Revenue**

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The table below shows year-over-year comparisons by type of operating revenue for the three months ended June 30 (in millions, except for percentage changes):

|                                | <b>2016</b>     | <b>2015</b>     | <b>Increase<br/>(Decrease)</b> | <b>% Change</b> |
|--------------------------------|-----------------|-----------------|--------------------------------|-----------------|
| Passenger Mainline             | \$ 6,525        | \$ 6,961        | \$ (436)                       | (6.3)           |
| Passenger Regional             | 1,578           | 1,715           | (137)                          | (8.0)           |
| <b>Total passenger revenue</b> | <b>8,103</b>    | <b>8,676</b>    | <b>(573)</b>                   | <b>(6.6)</b>    |
| Cargo                          | 208             | 229             | (21)                           | (9.2)           |
| Other operating revenue        | 1,085           | 1,009           | 76                             | 7.5             |
|                                | <b>\$ 9,396</b> | <b>\$ 9,914</b> | <b>\$ (518)</b>                | <b>(5.2)</b>    |

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The table below presents selected second quarter passenger revenue and operating data, broken out by geographic region, expressed as year-over-year changes:

|                                 | Domestic | Atlantic | Pacific | Latin   | Total Mainline | Regional | Consolidated |
|---------------------------------|----------|----------|---------|---------|----------------|----------|--------------|
| Increase (decrease) from 2015:  |          |          |         |         |                |          |              |
| Passenger revenue (in millions) | \$ (130) | \$ (129) | \$ (95) | \$ (82) | \$ (436)       | \$ (137) | \$ (573)     |
| Passenger revenue               | (3.7)%   | (7.9)%   | (8.6)%  | (11.8)% | (6.3)%         | (8.0)%   | (6.6)%       |
| Average fare per passenger      | (8.0)%   | (5.0)%   | (6.8)%  | (13.1)% | (9.1)%         | (2.9)%   | (7.1)%       |
| Yield                           | (4.7)%   | (4.8)%   | (8.0)%  | (13.5)% | (6.2)%         | (4.2)%   | (6.1)%       |
| PRASM                           | (4.6)%   | (10.3)%  | (7.6)%  | (10.5)% | (6.9)%         | (3.4)%   | (6.6)%       |
| Passengers                      | 4.7 %    | (3.1)%   | (1.9)%  | 1.5 %   | 3.1 %          | (5.2)%   | 0.5 %        |
| RPMs (traffic)                  | 1.1 %    | (3.2)%   | (0.7)%  | 2.0 %   | %              | (4.0)%   | (0.5)%       |
| ASMs (capacity)                 | 0.9 %    | 2.7 %    | (1.1)%  | (1.5)%  | 0.7 %          | (4.8)%   | 0.1 %        |
| Passenger load factor (points)  | 0.2      | (4.6)    | 0.3     | 2.8     | (0.6)          | 0.7      | (0.4)        |

Consolidated passenger revenue in the second quarter of 2016 decreased 6.6% as compared to the year-ago period primarily due to a decrease in consolidated yield of 6.1% year-over-year. Yields were impacted by a strong U.S. dollar, lower surcharges, travel reductions from customers impacted by declining oil prices, competitive actions and higher yielding demand not keeping pace with industry capacity.

Cargo revenue decreased \$21 million, or 9.2%, in the second quarter of 2016 as compared to the year-ago period due to lower freight yields, partially offset by higher freight volume year-over-year. Yields were negatively impacted as air freighter competitors increased capacity in response to lower fuel prices.

Other operating revenue in the second quarter of 2016 increased \$76 million, or 7.5%, as compared to the year-ago period primarily due to the impact of the Second Amended and Restated Co-Branded Card Marketing Services Agreement with Chase Bank USA, N.A. (the Chase Agreement), which became effective in the third quarter of 2015.

**Operating Expenses**

The table below includes data related to the Company's operating expenses for the three months ended June 30 (in millions, except for percentage changes):

|  | 2016     | 2015     | Increase (Decrease) | % Change |
|--|----------|----------|---------------------|----------|
| Salaries and related costs                         | \$ 2,592 | \$ 2,454 | \$ 138              | 5.6      |
| Aircraft fuel                                      | 1,437    | 2,106    | (669)               | (31.8)   |
| Regional capacity purchase                         | 551      | 583      | (32)                | (5.5)    |
| Landing fees and other rent                        | 541      | 553      | (12)                | (2.2)    |
| Depreciation and amortization                      | 491      | 445      | 46                  | 10.3     |
| Aircraft maintenance materials and outside repairs | 448      | 431      | 17                  | 3.9      |
| Distribution expenses                              | 339      | 348      | (9)                 | (2.6)    |
| Aircraft rent                                      | 175      | 194      | (19)                | (9.8)    |
| Special charges                                    | 434      | 55       | 379                 | NM       |
| Other operating expenses                           | 1,328    | 1,300    | 28                  | 2.2      |
|  | \$ 8,336 | \$ 8,469 | \$ (133)            | (1.6)    |

Salaries and related costs increased \$138 million, or 5.6%, in the second quarter of 2016 as compared to the year-ago period primarily due to higher pay rates and benefit expenses driven by the extension of current collective bargaining agreements, an increase in employee incentive expenses due to improvements in operational performance and a 1.1% increase in average full-time equivalent employees.



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Aircraft fuel expense decreased \$669 million, or 31.8%, year-over-year primarily due to a 31.4% decrease in the average price per gallon of aircraft fuel in the second quarter of 2016 compared to the year-ago period. Second quarter 2016 fuel expense includes the benefit of a \$20 million fuel tax refund. The table below presents the significant changes in aircraft fuel cost per gallon in the three month period ended June 30, 2016 as compared to the year-ago period:

|  | (In millions) |          |          | Average price per gallon |         |          |
|--|---------------|----------|----------|--------------------------|---------|----------|
|  | 2016          | 2015     | % Change | 2016                     | 2015    | % Change |
| Total aircraft fuel purchase cost excluding fuel hedge impacts | \$ 1,402      | \$ 1,988 | (29.5)   | \$ 1.41                  | \$ 1.98 | (28.8)   |
| Hedge losses reported in fuel expense                          | (35)          | (118)    | NM       | (0.03)                   | (0.12)  | NM       |
| Fuel expense as reported                                       | \$ 1,437      | \$ 2,106 | (31.8)   | \$ 1.44                  | \$ 2.10 | (31.4)   |

Total fuel consumption (gallons) 995 1,004 (0.9)

Regional capacity purchase decreased \$32 million or 5.5%, in the second quarter of 2016 as compared to the year-ago period primarily due to a decrease in regional capacity and a decrease in one-time start-up and exit costs, partially offset by an increase in Embraer 170 maintenance costs and certain contractual rate increases.

Depreciation and amortization increased \$46 million, or 10.3%, in the second quarter of 2016 as compared to the year-ago period primarily due to additions of new aircraft, conversions of operating leases to capital leases, aircraft improvements, and accelerated depreciation of certain assets related to several fleet types.

Details of the Company's special charges include the following for the three months ended June 30 (in millions):

|   | 2016   | 2015  |
|---|--------|-------|
| Impairment of intangible asset related to Newark Liberty International Airport ( Newark ) slots | \$ 412 | \$    |
| Labor agreement costs   | 10     |       |
| Severance and benefit costs   | 6      | 25    |
| (Gains) losses on sale of assets and other special charges                                      | 6      | 30    |
| Special charges   | \$ 434 | \$ 55 |

See Note 10 to the financial statements included in Part I, Item 1 of this report for additional information.

*Nonoperating Income (Expense).* The following table illustrates the year-over-year dollar and percentage changes in the Company's nonoperating income (expense) for the three months ended June 30 (in millions, except for percentage changes):

|                      | 2016     | 2015     | Increase (Decrease) | % Change |
|----------------------|----------|----------|---------------------|----------|
| Interest expense     | \$ (157) | \$ (167) | \$ (10)             | (6.0)    |
| Interest capitalized | 14       | 13       | 1                   | 7.7      |
| Interest income      | 9        | 6        | 3                   | 50.0     |
| Miscellaneous, net   | 5        | (100)    | (105)               | NM       |
| Total                | \$ (129) | \$ (248) | \$ (119)            | (48.0)   |

In the second quarter of 2016, Miscellaneous, net did not include any gains or losses from derivatives not qualifying for hedge accounting as compared to gains of \$41 million in the year-ago period. Foreign currency losses were approximately \$12 million in the second quarters of 2016



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and 2015. Second quarter 2016 Miscellaneous, net includes a \$9 million special gain on the sale of an affiliate. Second quarter 2015 Miscellaneous, net includes a \$128 million special charge related to the write off of unamortized non-cash debt discounts for the early redemption of the 6% Notes due 2026 (the 2026 Notes ) and the 6% Notes due 2028 (the 2028 Notes ). See Note 10 to the financial statements included in Part I, Item 1 of this report for additional information.

*Income Taxes.* See Note 4 to the financial statements included in Part I, Item 1 of this report for additional information related to income taxes.

**Table of Contents****RESULTS OF OPERATIONS****First Six Months 2016 Compared to First Six Months 2015**

The Company recorded net income of \$901 million in the first six months of 2016 as compared to net income of \$1.7 billion in the first six months of 2015. The first six months 2016 net income reflects \$524 million of income tax expense primarily due to the release of the income tax valuation allowance in the third quarter of 2015. The Company considers a key measure of its performance to be operating income, which was \$1.7 billion for the first six months of 2016, as compared to \$2.2 billion for the first six months of 2015, a \$0.5 billion decrease year-over-year. Significant components of the Company's operating results for the six months ended June 30 are as follows (in millions, except percentage changes):

|                      | 2016      | 2015      | Increase<br>(Decrease) | % Increase<br>(Decrease) |
|----------------------|-----------|-----------|------------------------|--------------------------|
| Operating revenue    | \$ 17,591 | \$ 18,522 | \$ (931)               | (5.0)                    |
| Operating expense    | 15,882    | 16,336    | (454)                  | (2.8)                    |
| Operating income     | 1,709     | 2,186     | (477)                  | (21.8)                   |
| Nonoperating expense | (284)     | (478)     | (194)                  | (40.6)                   |
| Income tax expense   | 524       | 7         | 517                    | NM                       |
| Net income           | \$ 901    | \$ 1,701  | \$ (800)               | (47.0)                   |

NM - Not meaningful

Certain consolidated statistical information for the Company's operations for the six months ended June 30 is as follows:

|  | 2016    | 2015    | Increase<br>(Decrease) | % Increase<br>(Decrease) |
|--|---------|---------|------------------------|--------------------------|
| Passengers (thousands) (a)                             | 68,503  | 67,753  | 750                    | 1.1                      |
| RPMs (millions) (b)                                    | 100,599 | 100,733 | (134)                  | (0.1)                    |
| ASMs (millions) (c)                                    | 122,998 | 121,954 | 1,044                  | 0.9                      |
| Passenger load factor (d)                              | 81.8 %  | 82.6 %  | (0.8) pts.             | N/A                      |
| PRASM (cents)  | 12.27   | 13.20   | (0.93)                 | (7.0)                    |
| Yield (cents) (e)                                      | 15.00   | 15.98   | (0.98)                 | (6.1)                    |
| CASM (cents)   | 12.91   | 13.40   | (0.49)                 | (3.7)                    |
| Average price per gallon of fuel, including fuel taxes | \$ 1.41 | \$ 2.09 | \$ (0.68)              | (32.5)                   |
| Fuel gallons consumed (millions)                       | 1,885   | 1,900   | (15)                   | (0.8)                    |
| Average full-time equivalent employees                 | 82,800  | 82,000  | 800                    | 1.0                      |

(a) The number of revenue passengers measured by each flight segment flown.

(b) The number of scheduled miles flown by revenue passengers.

(c) The number of seats available for passengers multiplied by the number of scheduled miles those seats are flown.

(d) Revenue passenger miles divided by available seat miles.

(e) The average passenger revenue received for each revenue passenger mile flown.

**Operating Revenue**

The table below shows year-over-year comparisons by type of operating revenue for the six months ended June 30 (in millions, except for percentage changes):

|                         | <b>2016</b> | <b>2015</b> | <b>Increase<br/>(Decrease)</b> | <b>% Change</b> |
|-------------------------|-------------|-------------|--------------------------------|-----------------|
| Passenger Mainline      | \$ 12,102   | \$ 12,899   | \$ (797)                       | (6.2)           |
| Passenger Regional      | 2,991       | 3,197       | (206)                          | (6.4)           |
| Total passenger revenue | 15,093      | 16,096      | (1,003)                        | (6.2)           |
| Cargo                   | 402         | 471         | (69)                           | (14.6)          |
| Other operating revenue | 2,096       | 1,955       | 141                            | 7.2             |
|                         | \$ 17,591   | \$ 18,522   | \$ (931)                       | (5.0)           |

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The table below presents selected passenger revenue and operating data, broken out by geographic region, expressed as year-over-year changes for the six months ended June 30, 2016 compared to the six months ended June 30, 2015:

|                                 | <b>Total</b>    |                 |                |              |                 |                 |                     |
|---------------------------------|-----------------|-----------------|----------------|--------------|-----------------|-----------------|---------------------|
|                                 | <b>Domestic</b> | <b>Atlantic</b> | <b>Pacific</b> | <b>Latin</b> | <b>Mainline</b> | <b>Regional</b> | <b>Consolidated</b> |
| Increase (decrease) from 2015:  |                 |                 |                |              |                 |                 |                     |
| Passenger revenue (in millions) | \$ (213)        | \$ (270)        | \$ (202)       | \$ (112)     | \$ (797)        | \$ (206)        | \$ (1,003)          |
| Passenger revenue               | (3.3)%          | (9.6)%          | (9.3)%         | (7.8)%       | (6.2)%          | (6.4)%          | (6.2)%              |
| Average fare per passenger      | (7.5)%          | (4.6)%          | (7.3)%         | (14.5)%      | (9.5)%          | (2.2)%          | (7.3)%              |
| Yield                           | (4.5)%          | (4.5)%          | (7.9)%         | (14.3)%      | (6.4)%          | (4.0)%          | (6.1)%              |
| PRASM                           | (5.0)%          | (9.6)%          | (8.4)%         | (12.6)%      | (7.5)%          | (3.8)%          | (7.0)%              |
| Passengers                      | 4.6 %           | (5.2)%          | (2.2)%         | 7.8 %        | 3.6 %           | (4.3)%          | 1.1 %               |
| RPMs (traffic)                  | 1.3 %           | (5.3)%          | (1.5)%         | 7.6 %        | 0.2 %           | (2.6)%          | (0.1)%              |
| ASMs (capacity)                 | 1.8 %           | 0.1%            | (0.9)%         | 5.5 %        | 1.3 %           | (2.7)%          | 0.9 %               |
| Passenger load factor (points)  | (0.4)           | (4.1)           | (0.5)          | 1.6          | (0.9)           | 0.2             | (0.8)               |

Consolidated passenger revenue in the first six months of 2016 decreased 6.2% as compared to the year-ago period due to a decrease in consolidated yield of 6.1% year-over-year. Yields were impacted by a strong U.S. dollar, lower surcharges, travel reductions from customers impacted by declining oil prices, competitive actions and higher yielding demand not keeping pace with industry capacity. The decline in yields was partially offset by a 0.9% year-over-year increase in capacity.

Cargo revenue decreased \$69 million or 14.6%, in the first six months of 2016 as compared to the year-ago period due to lower freight yields and lower mail volumes year-over-year. Freight yields were negatively impacted as air freighter competitors increased capacity in response to lower fuel prices. Another contributing factor to the year-over-year decrease was a U.S. West Coast port labor dispute that helped increase air freight results in the first quarter of 2015. The labor dispute was resolved during the first quarter of 2015.

Other operating revenue in the first six months of 2016 increased \$141 million or 7.2%, as compared to the year-ago period primarily due to the impact of the Chase Agreement, which became effective in the third quarter of 2015.

**Operating Expenses**

The table below includes data related to the Company's operating expenses for the six months ended June 30 (in millions, except for percentage changes):

|  | <b>2016</b> | <b>2015</b> | <b>Increase<br/>(Decrease)</b> | <b>% Change</b> |
|--|-------------|-------------|--------------------------------|-----------------|
| Salaries and related costs                         | \$ 5,082    | \$ 4,755    | \$ 327                         | 6.9             |
| Aircraft fuel                                      | 2,655       | 3,970       | (1,315)                        | (33.1)          |
| Regional capacity purchase                         | 1,073       | 1,153       | (80)                           | (6.9)           |
| Landing fees and other rent                        | 1,066       | 1,096       | (30)                           | (2.7)           |
| Depreciation and amortization                      | 970         | 874         | 96                             | 11.0            |
| Aircraft maintenance materials and outside repairs | 850         | 828         | 22                             | 2.7             |
| Distribution expenses                              | 642         | 660         | (18)                           | (2.7)           |
| Aircraft rent                                      | 353         | 395         | (42)                           | (10.6)          |
| Special charges                                    | 624         | 119         | 505                            | NM              |
| Other operating expenses                           | 2,567       | 2,486       | 81                             | 3.3             |
|  | \$ 15,882   | \$ 16,336   | \$ (454)                       | (2.8)           |

Salaries and related costs increased \$327 million or 6.9%, in the first six months of 2016 as compared to the year-ago period primarily due to higher pay rates and benefit expenses driven by the extension of current collective bargaining agreements, an increase in employee incentive expenses due to improvements in operational performance and a 1.0% increase in average full-time equivalent employees.



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Aircraft fuel expense decreased \$1.3 billion or 33.1%, year-over-year primarily due to a 32.5% decrease in the average price per gallon of aircraft fuel in the first six months of 2016 compared to the year-ago period. 2016 fuel expense includes the benefit of a \$20 million fuel tax refund. The table below presents the significant changes in aircraft fuel cost per gallon in the six months ended June 30, 2016 as compared to the year-ago period:

|  | (In millions) |          |          | Average price per gallon |         |          |
|--|---------------|----------|----------|--------------------------|---------|----------|
|  | 2016          | 2015     | % Change | 2016                     | 2015    | % Change |
| Total aircraft fuel purchase cost excluding fuel hedge impacts | \$ 2,482      | \$ 3,691 | (32.8)   | \$ 1.32                  | \$ 1.94 | (32.0)   |
| Hedge losses reported in fuel expense                          | (173)         | (279)    | NM       | (0.09)                   | (0.15)  | NM       |
| Fuel expense as reported                                       | \$ 2,655      | \$ 3,970 | (33.1)   | \$ 1.41                  | \$ 2.09 | (32.5)   |

Total fuel consumption (gallons)

1,885      1,900      (0.8)

Regional capacity purchase decreased \$80 million or 6.9%, in the first six months of 2016 as compared to the year-ago period primarily due to a decrease in regional capacity and a decrease in one-time start-up and exit costs, partially offset by contractual rate increases.

Depreciation and amortization increased \$96 million or 11.0%, in the first six months of 2016 as compared to the year-ago period primarily due to additions of new aircraft, conversions of operating leases to capital leases, aircraft improvements, and accelerated depreciation of certain assets related to several fleet types.

Details of the Company's special charges include the following for the six months ended June 30 (in millions):

|  | 2016   | 2015   |
|--|--------|--------|
| Impairment of intangible asset related to Newark slots     | \$ 412 | \$     |
| Labor agreement costs                                      | 110    |        |
| Cleveland airport lease restructuring                      | 74     |        |
| Severance and benefit costs                                | 14     | 75     |
| (Gains) losses on sale of assets and other special charges | 14     | 44     |
| Special charges  | \$ 624 | \$ 119 |

See Note 10 to the financial statements included in Part I, Item 1 of this report for additional information.

*Nonoperating Income (Expense).* The following table illustrates the year-over-year dollar and percentage changes in the Company's nonoperating income (expense) for the six months ended June 30 (in millions, except for percentage changes):

|                      | 2016     | 2015     | Increase<br>(Decrease) | %<br>Change |
|----------------------|----------|----------|------------------------|-------------|
| Interest expense     | \$ (316) | \$ (340) | \$ (24)                | (7.1)       |
| Interest capitalized | 28       | 25       | 3                      | 12.0        |
| Interest income      | 17       | 11       | 6                      | 54.5        |
| Miscellaneous, net   | (13)     | (174)    | (161)                  | (92.5)      |
| Total                | \$ (284) | \$ (478) | \$ (194)               | (40.6)      |

In the first six months of 2016, Miscellaneous, net did not include any gains or losses from derivatives not qualifying for hedge accounting as compared to losses of \$2 million in the year-ago period. Foreign currency losses were approximately \$27 million and \$36 million in the first six

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months of 2016 and 2015, respectively. Foreign currency results in 2016 include \$8 million of losses due to exchange rate changes in Venezuela applicable to funds held in local currency. Miscellaneous, net for 2016 includes a \$9 million gain on the sale of an affiliate. Miscellaneous, net for the first six months of 2015 includes a \$134 million special charge related to the write off of unamortized non-cash debt discounts for the early redemption of the 2026 Notes and the 2028 Notes. See Note 10 to the financial statements included in Part I, Item 1 of this report for additional information.

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*Income Taxes.* See Note 4 to the financial statements included in Part I, Item 1 of this report for additional information related to income taxes.

**LIQUIDITY AND CAPITAL RESOURCES****Current Liquidity**

As of June 30, 2016, the Company had \$4.7 billion in unrestricted cash, cash equivalents and short-term investments, as compared to \$5.2 billion at December 31, 2015. At June 30, 2016, the Company also had \$167 million of restricted cash and cash equivalents, which is primarily collateral for performance bonds, letters of credit, estimated future workers' compensation claims and credit card processing agreements. As of June 30, 2016, the Company had its entire commitment capacity of \$1.35 billion under the revolving credit facility of the Company's 2013 Credit and Guaranty Agreement (the "Credit Agreement") available for letters of credit or borrowings.

As is the case with many of our principal competitors, we have a high proportion of debt compared to capital and a deficit in working capital. We have a significant amount of fixed obligations, including debt, aircraft leases and financings, leases of airport property and other facilities, and pension funding obligations. At June 30, 2016, the Company had approximately \$11.4 billion of debt and capital lease obligations, including \$1.4 billion that will become due in the next 12 months. In addition, we have substantial noncancelable commitments for capital expenditures, including the acquisition of new aircraft and related spare engines. As of June 30, 2016, our current liabilities exceeded our current assets by approximately \$6.1 billion. However, approximately \$7.5 billion of our current liabilities are related to our Advance ticket sales and Frequent flyer deferred revenue, both of which largely represent revenue to be recognized for travel in the near future and not actual cash outlays. The deficit in working capital does not have an adverse impact to our cash flows, liquidity or operations.

As of June 30, 2016, United had firm commitments and options to purchase aircraft from The Boeing Company ("Boeing"), Embraer S.A. ("Embraer") and Airbus S.A.S. ("Airbus") presented in the table below:

| Aircraft Type          | Number of Firm<br>Commitments (a) |
|------------------------|-----------------------------------|
| Airbus A350-1000       | 35                                |
| Boeing 737NG/737 MAX 9 | 176                               |
| Boeing 777-300ER       | 14                                |
| Boeing 787-8/-9/-10    | 21                                |
| Embraer E175           | 5                                 |

(a) United also has options and purchase rights for additional aircraft.

The aircraft listed in the table above are scheduled for delivery through 2024. For the remainder of 2016, United expects to take delivery of 11 Boeing 737NG aircraft, one Boeing 777-300ER aircraft and five Embraer E175 aircraft. United expects to assign the five Embraer E175 aircraft immediately prior to each aircraft's delivery by Embraer to a designated United Express operator.

As of June 30, 2016, United has secured backstop financing commitments from certain of its aircraft manufacturers for a limited number of its future aircraft deliveries, subject to certain customary conditions. Financing may be necessary to satisfy the Company's capital commitments for its firm order aircraft and other related capital expenditures. See Note 9 to the financial statements included in Part I, Item 1 of this report for additional information on aircraft financing.

As of June 30, 2016, UAL and United have total capital commitments primarily related to the acquisition of aircraft and related spare engines, aircraft improvements and acquisition of information technology services and assets of approximately \$23.7 billion, of which approximately \$2.3 billion, \$4.3 billion, \$4.3 billion, \$3.3 billion, \$2.6 billion and \$6.9 billion are due in the last six months of 2016 and for the full year for 2017, 2018, 2019, 2020 and thereafter, respectively. Any new firm aircraft orders, including through the exercise of purchase options and purchase rights, will increase the total future capital commitments of the Company.

As of June 30, 2016, a substantial portion of the Company's assets, principally aircraft, route authorities, airport slots and loyalty program intangible assets, was pledged under various loan and other agreements. We must sustain our profitability and/or access the capital markets to meet our significant long-term debt and capital lease obligations and future commitments for capital expenditures, including the acquisition of aircraft and related spare engines.





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**Credit Ratings.** As of the filing date of this report, UAL and United had the following corporate credit ratings:

|        | S&P | Moody's | Fitch |
|--------|-----|---------|-------|
| UAL    | BB- | Ba3     | BB-   |
| United | BB- | *       | BB-   |

\* The credit agency does not issue corporate credit ratings for subsidiary entities.

These credit ratings are below investment grade levels. Downgrades from these rating levels, among other things, could restrict the availability or increase the cost of future financing for the Company.

**Sources and Uses of Cash**

**Operating Activities.** Cash flow provided by operations for the six months ended June 30, 2016 was \$3.7 billion compared to \$3.6 billion in the same period in 2015. Net income for the first six months of 2016 decreased \$0.8 billion versus the year-ago period. However, net income in 2016 includes \$0.9 billion more in non-cash expenses versus the year-ago period. Significant non-cash items in 2016 include the \$0.4 billion impairment of the Newark slots and \$0.5 billion of income tax expense. Frequent flyer deferred revenue and advanced purchase of miles decreased by approximately \$0.2 billion due to increased utilization of pre-purchased miles. Other changes in working capital items were largely offsetting in the first six months of 2016 versus the first six months of 2015. Significant cash payments in 2016 included \$0.7 billion in profit sharing and \$0.2 billion in pension funding.

**Investing Activities.** Capital expenditures were \$1.7 billion and \$1.3 billion in the six months ended June 30, 2016 and 2015, respectively. Capital expenditures for the six months ended June 30, 2016 were primarily attributable to the purchase of aircraft, facility and fleet-related costs. In addition to capital expenditures during the six months ended June 30, 2016, we acquired one aircraft through the issuance of debt. In June 2015, through a wholly-owned subsidiary, we invested \$100 million for an ownership stake of approximately five percent in Azul Linhas Aereas Brasileiras S.A., Brazil's third-largest airline, which provides a range of customer benefits including codesharing of flights (subject to government approval), joint loyalty-program participation and expanded connection opportunities on routes between the U.S. and Brazil, a key market for United, in addition to other points in North and South America.

**Financing Activities.** During the six months ended June 30, 2016, the Company made debt and capital lease payments of \$519 million.

In the second quarter of 2016, United completed an enhanced equipment trust certificates ( EETC ) offering for a total principal amount of \$1.1 billion. United had not received any of the proceeds and accordingly had not recorded any debt related to the EETC offering as of June 30, 2016. United expects to receive all proceeds from the pass-through trusts by the end of the first quarter of 2017. See Note 9 to the financial statements included in Part I, Item 1 of this report for additional information on EETC pass-through trusts.

In the first quarter of 2015, the holders of substantially all of the remaining \$202 million principal amount of United's 4.5% Convertible Notes due 2015 exercised their conversion option resulting in the issuance of 11 million shares of UAL common stock.

In the first quarter of 2015, UAL used cash to repurchase \$18 million par value 2026 Notes in market transactions. On April 1, 2015, UAL used cash to redeem, at par, the remaining \$303 million balance of the 2026 Notes.

In the first quarter of 2015, UAL used cash to repurchase \$13 million par value 2028 Notes in market transactions. On May 1, 2015, UAL used cash to redeem, at par, the remaining \$298 million balance of the 2028 Notes.

In the first six months of 2015, United issued \$0.9 billion of debt related to a 2014 EETC offering to finance new aircraft.

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As of June 30, 2016, United had its entire capacity of \$1.35 billion available under the revolving credit facility of the Company's Credit Agreement. See Note 11 in the Annual Report on Form 10-K for the year ended December 31, 2015 (the 2015 Annual Report) for additional information on the terms of the Credit Agreement.

The obligations of United under the Credit Agreement are secured by liens on certain international route authorities between certain specified cities, certain take-off and landing rights and related assets of United. Certain covenants in the Credit Agreement and in the Company's indentures are summarized in Note 11 of the 2015 Annual Report. The Company was in compliance with all of these covenants as of June 30, 2016.

**Share Repurchase Programs.** In the three and six months ended June 30, 2016, UAL repurchased 15 million and 42 million shares of UAL common stock in open market transactions, respectively, for \$694 million and \$2.2 billion, respectively. As of June 30, 2016, the Company had \$255 million remaining to purchase shares under its 2015 \$3 billion share repurchase authorization.

In July 2016, UAL's Board of Directors authorized a new \$2 billion share repurchase program to acquire UAL's common stock.

UAL may repurchase shares through the open market, privately negotiated transactions, block trades or accelerated share repurchase transactions from time to time in accordance with applicable securities laws. UAL will repurchase shares of UAL common stock subject to prevailing market conditions, and may discontinue such repurchases at any time. See Part II, Item 2, Unregistered Sales of Equity Securities and Use of Proceeds of this report for additional information.

**Commitments, Contingencies and Liquidity Matters.** As described in the 2015 Annual Report, the Company's liquidity may be adversely impacted by a variety of factors, including, but not limited to, obligations associated with fuel hedge settlements and related collateral requirements, pension funding obligations, reserve requirements associated with credit card processing agreements, guarantees, commitments and contingencies.

As of June 30, 2016, United is the guarantor of \$43 million of aircraft mortgage debt issued by one of United's regional carriers and is expected to be the guarantor of up to an additional \$129 million of aircraft mortgage debt the regional carrier plans to issue in 2016.

See the 2015 Annual Report and Notes 5, 7, 8 and 9 to the financial statements contained in Part I, Item 1 of this report for additional information.

## **CRITICAL ACCOUNTING POLICIES**

See Critical Accounting Policies in Management's Discussion and Analysis of Financial Condition and Results of Operations in the 2015 Annual Report for a discussion of the Company's critical accounting policies.

## **FORWARD-LOOKING INFORMATION**

Certain statements throughout Management's Discussion and Analysis of Financial Condition and Results of Operations and elsewhere in this report are forward-looking and thus reflect our current expectations and beliefs with respect to certain future events and anticipated financial and operating performance. Such forward-looking statements are and will be subject to many risks and uncertainties relating to our operations and business environment that may cause actual results to differ materially from any future results expressed or implied in such forward-looking statements. Words such as expects, will, plans, anticipates, indicates, believes, forecast, guidance, outlook, goals and similar are intended to identify forward-looking statements.

Additionally, forward-looking statements include statements that do not relate solely to historical facts, such as statements which identify uncertainties or trends, discuss the possible future effects of current known trends or uncertainties, or which indicate that the future effects of known trends or uncertainties cannot be predicted, guaranteed or assured. All forward-looking statements in this report are based upon information available to us on the date of this report. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as required by applicable law.

Our actual results could differ materially from these forward-looking statements due to numerous factors including, without limitation, the following: our ability to comply with the terms of our various financing arrangements; the costs and availability of financing; its ability to maintain adequate liquidity; our ability to execute our operational plans and revenue-generating initiatives, including optimizing its revenue; our ability to control our costs, including realizing benefits from our resource



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optimization efforts, cost reduction initiatives and fleet replacement programs; our ability to utilize our net operating losses; our ability to attract and retain customers; demand for transportation in the markets in which we operate; an outbreak of a disease that affects travel demand or travel behavior; demand for travel and the impact that global economic conditions have on customer travel patterns; excessive taxation and the inability to offset future taxable income; general economic conditions (including interest rates, foreign currency exchange rates, investment or credit market conditions, crude oil prices, costs of aircraft fuel and energy refining capacity in relevant markets); economic and political instability and other risks of doing business globally; its ability to cost-effectively hedge against increases in the price of aircraft fuel; any potential realized or unrealized gains or losses related to fuel or currency hedging programs; the effects of any hostilities, act of war or terrorist attack; the ability of other air carriers with whom we have alliances or partnerships to provide the services contemplated by the respective arrangements with such carriers; disruptions to our regional network; the costs and availability of aviation and other insurance; industry consolidation or changes in airline alliances; competitive pressures on pricing and on demand; its capacity decisions and the capacity decisions of our competitors; U.S. or foreign governmental legislation, regulation and other actions (including open skies agreements and environmental regulations); the impact of regulatory, investigative and legal proceedings and legal compliance risks; the impact of any management changes; labor costs; our ability to maintain satisfactory labor relations and the results of the collective bargaining agreement process with our union groups; any disruptions to operations due to any potential actions by our labor groups; weather conditions; and other risks and uncertainties set forth under Part I, Item 1A., Risk Factors of the 2015 Annual Report, as well as other risks and uncertainties set forth from time to time in the reports we file with the U.S. Securities and Exchange Commission (the SEC).

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

There have been no material changes in market risk from the information provided in Part II, Item 7A. Quantitative and Qualitative Disclosures About Market Risk in our 2015 Annual Report except as follows:

**Aircraft Fuel.** As of June 30, 2016, the Company had hedged approximately 12% of its projected fuel requirements (252 million gallons) for the remainder of 2016 with commonly used financial hedge instruments based on aircraft fuel or crude oil. As of June 30, 2016, the Company had fuel hedges expiring through December 2016.

At June 30, 2016, fuel derivatives were in a net liability position of \$7 million. See Note 7 to the financial statements included in Part I, Item 1 of this report for additional information related to fuel hedges.

The fuel derivative portfolio is comprised of many individual derivative contracts (primarily option contracts) on multiple underlying commodities and entered into at various points in time, resulting in a wide range of strike prices with several hedge counterparties. The table below provides a view of the economic impact of the fuel derivative portfolio on the Company's fuel costs given significant moves (up to +/-30%) in market fuel prices from June 30, 2016 (in millions).

| Change in market fuel prices (a) | Period from July 1, 2016 to December 31, 2016 |                                 |  | Net (increase) decrease to fuel cost |
|----------------------------------|---|---------------------------------|--|--------------------------------------|
|                                  | (Increase) decrease to unhedged fuel cost (b) | Fuel derivative gain (loss) (c) |  |                                      |
| 30%                              | \$ (863)                                      | \$ 38                           |  | \$ (825)                             |
| 20%                              | (576)   | 21                              |  | (555)                                |
| 10%                              | (288)   | 9                               |  | (279)                                |
| (10)%                            | 288   | (11)                            |  | 277                                  |
| (20)%                            | 576   | (19)                            |  | 557                                  |
| (30)%                            | 863   | (23)                            |  | 840                                  |

(a) Projected using equal shifts in spot and forward prices for aircraft fuel and crude oil underlying hedge contracts at June 30, 2016 levels.

(b) Projections based on an average forward price of \$1.42 per gallon, excluding taxes and other delivery costs and estimated consumption of 2.0 billion gallons for the six months ending December 31, 2016.

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(c) Change in projected cash gain/(loss) on existing fuel derivatives as of June 30, 2016. Includes all fuel derivatives whether or not the fuel derivatives are designated for hedge accounting. Within these price ranges, the Company would neither receive nor post collateral.

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**ITEM 4. CONTROLS AND PROCEDURES.**

***Evaluation of Disclosure Control and Procedures***

The Company maintains controls and procedures that are designed to ensure that information required to be disclosed in the reports filed or submitted to the SEC is recorded, processed, summarized and reported, within the time periods specified by the SEC's rules and forms, and is accumulated and communicated to management, including the Chief Executive Officer and acting Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. The Company's management, including the Chief Executive Officer and acting Chief Financial Officer, performed an evaluation to conclude with reasonable assurance that UAL's and United's disclosure controls and procedures were designed and operating effectively to report the information each company is required to disclose in the reports they file with the SEC on a timely basis. Based on that evaluation, the Chief Executive Officer and the acting Chief Financial Officer of UAL and United have concluded that as of June 30, 2016, disclosure controls and procedures of each of UAL and United were effective.

***Changes in Internal Control over Financial Reporting during the Quarter Ended June 30, 2016***

During the three months ended June 30, 2016, there were no changes in UAL's or United's internal control over financial reporting that materially affected, or are reasonably likely to materially affect, their internal control over financial reporting (as defined in rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934).

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**PART II. OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS.**

See Part I, Item 3., Legal Proceedings of the 2015 Annual Report for a description of legal proceedings. The disclosure below includes an update to the legal proceedings disclosures included in the 2015 Annual Report, which is in addition to, and not in lieu of, those disclosures contained in the 2015 Annual Report.

As disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2014 and the 2015 Annual Report, the Company and certain of its current and former executive officers and employees received federal grand jury subpoenas requesting records and testimony related to certain individuals formerly associated with the Port Authority of New York and New Jersey and related operations of the Company. As announced in September 2015, certain of the Company's executives stepped down in connection with its related internal investigation. The Company cooperated with the investigation by the U.S. Attorney's Office for the District of New Jersey (the USAO) in respect of the Port Authority matter and, as announced on July 14, 2016, the Company reached a resolution in the form of a Non-Prosecution Agreement with the USAO. The Company continues to cooperate with the ongoing and related investigation by the SEC and has participated in discussions with representatives of the SEC.

**ITEM 1A. RISK FACTORS.**

See Part I, Item 1A., Risk Factors, of the 2015 Annual Report for a detailed discussion of the risk factors affecting UAL and United. The disclosures below include updates to certain risk factor disclosures included in the 2015 Annual Report, which are in addition to, and not in lieu of, those disclosures contained in the 2015 Annual Report.

*Global economic, political and industry conditions constantly change and unfavorable conditions may have a material adverse effect on the Company's business and results of operations.*

The Company's business and results of operations are significantly impacted by general economic and industry conditions. The airline industry is highly cyclical, and the level of demand for air travel is correlated to the strength of the U.S. and global economies. The Company is a global business with operations outside of the United States from which it derives significant operating revenues. The Company's international operations are a vital part of its worldwide airline network. Volatile economic, political and market conditions in these international regions may have a negative impact on the Company's operating results and its ability to achieve its business objectives.

Robust demand for the Company's air transportation services depends largely on favorable economic conditions, including the strength of the domestic and foreign economies, low unemployment levels, strong consumer confidence levels and the availability of consumer and business credit. Air transportation is often a discretionary purchase that leisure travelers may limit or eliminate during difficult economic times. In addition, during periods of unfavorable economic conditions, business travelers usually reduce the volume of their travel, either due to cost-saving initiatives or as a result of decreased business activity requiring travel. During such periods, the Company's business and results of operations may be adversely affected due to significant declines in industry passenger demand, particularly with respect to the Company's business and premium cabin travelers, and a reduction in fare levels.

Stagnant or weakening global economic conditions either in the United States or in other geographic regions, and any future volatility in U.S. and global financial and credit markets may have a material adverse effect on the Company's revenues, results of operations and liquidity. If such economic conditions were to disrupt capital markets in the future, the Company may be unable to obtain financing on acceptable terms (or at all) to refinance certain maturing debt and to satisfy future capital commitments.

Recently, United Kingdom (UK) voters voted for the UK to exit the European Union (EU), a non-binding referendum that, if passed into law, could adversely affect European and worldwide economic and market conditions and could contribute to instability in global financial and foreign exchange markets, including volatility in the value of the British pound and European euro, additional travel restrictions on passengers traveling between the UK and other EU countries and legal uncertainty and potentially divergent national laws and regulations. These adverse effects in European market conditions could negatively impact the Company's business, results of operations, and financial condition.

In addition, significant or volatile changes in exchange rates between the U.S. dollar and other currencies may have a material adverse impact upon the Company's liquidity, revenues, costs and operating results.



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*Current or future litigation and regulatory actions, or failure to comply with the terms of our Non-Prosecution Agreement with the USAO, could have a material adverse impact on the Company.*

From time to time, we are subject to litigation and other legal and regulatory proceedings relating to our business or investigations or other actions by governmental agencies, including as described in Part I, Item 3 Legal Proceedings of the 2015 Annual Report and in Part II, Item 1 Legal Proceedings of this report. No assurances can be given that the results of these or new matters will be favorable to us. An adverse resolution of lawsuits, arbitrations, investigations or other proceedings or actions could have a material adverse effect on our financial condition and results of operations, including as a result of non-monetary remedies. Defending ourselves in these matters may be time-consuming, expensive and disruptive to normal business operations and may result in significant expense and a diversion of management's time and attention from the operation of our business, which could impede our ability to achieve our business objectives. Additionally, any amount that we may be required to pay to satisfy a judgment, settlement, fine or penalty may not be covered by insurance. Under our charter and certain indemnification agreements that we have entered into (and may in the future enter into) with our officers, directors and certain third parties, we could be required to indemnify and advance expenses to them in connection with their involvement in certain actions, suits, investigations and other proceedings. There can be no assurance that any of these payments will not be material.

We entered into a Non-Prosecution Agreement with the USAO on July 14, 2016 in connection with the previously disclosed Port Authority investigation conducted by the USAO. In the event we violate the terms of this Non-Prosecution Agreement during its two year term, we could be subject to criminal prosecution by the USAO. Any such prosecution could have a material adverse effect on the Company.

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

(a) None

(b) None

(c) The following table presents repurchases of UAL common stock made in the second quarter of fiscal year 2016:

| Period                               | Total number<br>of<br>shares<br>purchased (a) | Average price paid<br>per share (b) | Total number of<br>shares purchased as<br>part of publicly<br>announced plans or<br>programs (a) | Approximate dollar<br>value<br>of shares that<br>may yet be purchased<br>under the plans or<br>programs (in millions) (a) |
|--------------------------------------|---|-------------------------------------|--|---|
| April 1, 2016 through April 30, 2016 | 3,139,641                                     | \$ 53.38                            | 3,139,641  | \$ 781  |
| May 1, 2016 through May 31, 2016     | 5,120,868                                     | 45.07                               | 5,120,868  | 550   |
| June 1, 2016 through June 30, 2016   | 6,766,143                                     | 43.62                               | 6,766,143  | 255   |
| <b>Total</b>                         | <b>15,026,652</b>                             |                                     | <b>15,026,652</b>  |   |

(a) In the three and six months ended June 30, 2016, UAL repurchased 15 million and 42 million shares of UAL common stock in open market transactions, respectively, for \$694 million and \$2.2 billion, respectively. As of June 30, 2016, the Company had \$255 million remaining to purchase shares under its 2015 \$3 billion share repurchase authorization.

In July 2016, UAL's Board of Directors authorized a new \$2 billion share repurchase program to acquire UAL's common stock.

UAL may repurchase shares through the open market, privately negotiated transactions, block trades or accelerated share repurchase transactions from time to time in accordance with applicable securities laws. UAL will repurchase shares of UAL common stock subject to prevailing market conditions, and may discontinue such repurchases at any time.

(b) Average price paid per share is calculated on a settlement basis and excludes commission.

### ITEM 6. EXHIBITS.

A list of exhibits included as part of this Form 10-Q is set forth in an Exhibit Index that immediately precedes the exhibits.



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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, each registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. The signature for each undersigned company shall be deemed to relate only to matters having reference to such company or its subsidiaries.

|                     |  |
|---------------------|--|
|                     | United Continental Holdings, Inc.<br>(Registrant)  |
| Date: July 19, 2016 | By: /s/ Gerald Laderman<br><br>Gerald Laderman<br>Senior Vice President Finance and acting Chief<br>Financial Officer<br>(principal financial officer) |
| Date: July 19, 2016 | By: /s/ Chris Kenny<br><br>Chris Kenny<br>Vice President and Controller<br>(principal accounting officer)  |
|                     | United Airlines, Inc.<br>(Registrant)  |
| Date: July 19, 2016 | By: /s/ Gerald Laderman<br><br>Gerald Laderman<br>Senior Vice President Finance and acting Chief<br>Financial Officer<br>(principal financial officer) |
| Date: July 19, 2016 | By: /s/ Chris Kenny<br><br>Chris Kenny<br>Vice President and Controller<br>(principal accounting officer)  |

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| <b>Exhibit No.</b> | <b>Registrant</b> | <b>Exhibit</b>   |
|--------------------|-------------------|--|
| *10.1              | UAL               | Agreement, dated April 19, 2016, by and among PAR Capital Management, Inc., Altimeter Capital Management, LP, United Continental Holdings, Inc. and the other signatories listed on the signature page thereto (filed as Exhibit 10.1 to UAL's Form 8-K filed April 20, 2016, Commission file number 1-6033, and incorporated herein by reference) |
| *10.2              | UAL<br>United     | Amendment to Employment Agreement, dated April 19, 2016, by and among United Continental Holdings, Inc., United Airlines, Inc. and Oscar Munoz. (filed as Exhibit 10.1 to UAL's Form 8-K filed April 20, 2016, Commission file number 1-6033, and incorporated herein by reference)  |
| 10.3               | UAL<br>United     | Performance Award Agreement, dated May 5, 2016, by and among United Continental Holdings, Inc., United Airlines, Inc. and Brett J. Hart  |
| 10.4               | UAL<br>United     | Fourth Amendment to Credit and Guaranty Agreement, dated as of May 24, 2016  |
| ^10.5              | UAL<br>United     | Letter Agreement to Purchase Agreement No. 03860, dated May 5, 2016, between The Boeing Company and United Airlines, Inc.  |
| ^10.6              | UAL<br>United     | Letter Agreement No. 14 to the Airbus A350-900XWB Purchase Agreement, dated May 6, 2016, between Airbus S.A.S. and United Airlines, Inc.   |
| ^10.7              | UAL<br>United     | Supplement Agreement No. 12 to Purchase Agreement No. 03784, dated June 24, 2016, between The Boeing Company and United Airlines, Inc.   |
| 12.1               | UAL               | United Continental Holdings, Inc. and Subsidiary Companies Computation of Ratio of Earnings to Fixed Charges   |
| 12.2               | United            | United Airlines, Inc. and Subsidiary Companies Computation of Ratio of Earnings to Fixed Charges   |
| 31.1               | UAL               | Certification of the Principal Executive Officer of United Continental Holdings, Inc. Pursuant to 15 U.S.C. 78m(a) or 78o(d) (Section 302 of the Sarbanes-Oxley Act of 2002)   |
| 31.2               | UAL               | Certification of the Principal Financial Officer of United Continental Holdings, Inc. Pursuant to 15 U.S.C. 78m(a) or 78o(d) (Section 302 of the Sarbanes-Oxley Act of 2002)   |
| 31.3               | United            | Certification of the Principal Executive Officer of United Airlines, Inc. Pursuant to 15 U.S.C. 78m(a) or 78o(d) (Section 302 of the Sarbanes-Oxley Act of 2002)   |
| 31.4               | United            | Certification of the Principal Financial Officer of United Airlines, Inc. Pursuant to 15 U.S.C. 78m(a) or 78o(d) (Section 302 of the Sarbanes-Oxley Act of 2002)   |
| 32.1               | UAL               | Certification of the Chief Executive Officer and Chief Financial Officer of United Continental Holdings, Inc. Pursuant to 18 U.S.C. 1350 (Section 906 of the Sarbanes-Oxley Act of 2002)   |
| 32.2               | United            | Certification of the Chief Executive Officer and Chief Financial Officer of United Airlines, Inc. Pursuant to 18 U.S.C. 1350 (Section 906 of the Sarbanes-Oxley Act of 2002)   |
| 101.1              | UAL<br>United     | XBRL Instance Document   |
| 101.2              | UAL               | XBRL Taxonomy Extension Schema Document  |

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|       |        |  |
|-------|--------|--|
|       | United |  |
| 101.3 | UAL    | XBRL Taxonomy Extension Calculation Linkbase Document  |
|       | United |  |
| 101.4 | UAL    | XBRL Taxonomy Extension Definition Linkbase Document   |
|       | United |  |
| 101.5 | UAL    | XBRL Taxonomy Extension Labels Linkbase Document       |
|       | United |  |
| 101.6 | UAL    | XBRL Taxonomy Extension Presentation Linkbase Document |
|       | United |  |

\* Previously filed.

^ Confidential portion of this exhibit has been omitted and filed separately with the SEC pursuant to a request for confidential treatment.