

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): **July 18, 2018**

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

(Exact name of registrant as specified in its charter)

<b>Delaware</b>	<b>001-06033</b>	<b>36-2675207</b>
<b>Delaware</b>	<b>001-10323</b>	<b>74-2099724</b>
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification Number)
<b>233 S. Wacker Drive, Chicago, IL</b>		<b>60606</b>
<b>233 S. Wacker Drive, Chicago, IL</b>		<b>60606</b>
(Address of principal executive offices)		(Zip Code)

**(872) 825-4000**

**(872) 825-4000**

Registrant's telephone number, including area code

(Former name or former address, if changed since last report.)

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

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

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter). Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

**Item 7.01 Regulation FD Disclosure.**

On July 18, 2018, Oscar Munoz, Chief Executive Officer, J. Scott Kirby, President, Andrew Nocella, Executive Vice President and Chief Commercial Officer, and Gerald Laderman, Senior Vice President Finance and acting Chief Financial Officer, of United Continental Holdings, Inc. (UAL), the holding company whose primary subsidiary is United Airlines, Inc. ("United," and together with UAL, the "Company"), will speak at the Company's call related to its second quarter 2018 financial results and financial and operational outlook for third quarter and full year 2018. Attached hereto as Exhibit 99.1 are slides that will be presented at that time.

The information in this Item 7.01, including Exhibit 99.1, is being furnished and shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that Section and shall not be deemed incorporated by reference into any registration statement or other document filed pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits.

**Exhibit No.** \_\_\_\_\_ **Description** \_\_\_\_\_

**SIGNATURES**

Pursuant to the requirements of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

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

By: /s/ Chris Kenny  
Name: Chris Kenny  
Title: Vice President and Controller

Date: July 18, 2018

# 2Q 2018 Earnings Call

July 18, 2018



UNITED 

A STAR ALLIANCE MEMBER 

## Safe Harbor Statement

Certain statements included in this presentation are forward-looking and thus reflect our current expectations and beliefs with respect to certain current and 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," "estimates," "forecast," "guidance," "outlook," "goals" and similar expressions 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 presentation are based upon information available to us on the date of this presentation. 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: 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, including political developments that may impact our operations in certain countries; demand for travel and the impact that global economic and political conditions have on customer travel patterns; competitive pressures on pricing and on demand; demand for transportation in the markets in which we operate; our capacity decisions and the capacity decisions of our competitors; the effects of any hostilities, act of war or terrorist attack; the effects of any technology failures or cybersecurity breaches; the impact of regulatory, investigative and legal proceedings and legal compliance risks; disruptions to our regional network; 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; costs associated with any modification or termination of our aircraft orders; potential reputational or other impact from adverse events in our operations, the operations of our regional carriers or the operations of our code share partners; our ability to attract and retain customers; our ability to execute our operational plans and revenue-generating initiatives, including optimizing our revenue; our ability to control our costs, including realizing benefits from our resource optimization efforts, cost reduction initiatives and fleet replacement programs; the impact of any management changes; our ability to cost-effectively hedge against increases in the price of aircraft fuel if we decide to do so; any potential realized or unrealized gains or losses related to any fuel or currency hedging programs; labor costs; our ability to maintain satisfactory labor relations and the results of any collective bargaining agreement process with our union groups; any disruptions to operations due to any potential actions by our labor groups; an outbreak of a disease that affects travel demand or travel behavior; U.S. or foreign governmental legislation, regulation and other actions (including Open Skies agreements and environmental regulations); industry consolidation or changes in airline alliances; our ability to comply with the terms of our various financing arrangements; the costs and availability of financing; our ability to maintain adequate liquidity; the costs and availability of aviation and other insurance; weather conditions; our ability to utilize our net operating losses to offset future taxable income; the impact of changes in tax laws; the success of our investments in airlines in other parts of the world; and other risks and uncertainties set forth under Part I, Item 1A., "Risk Factors," of our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, 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.

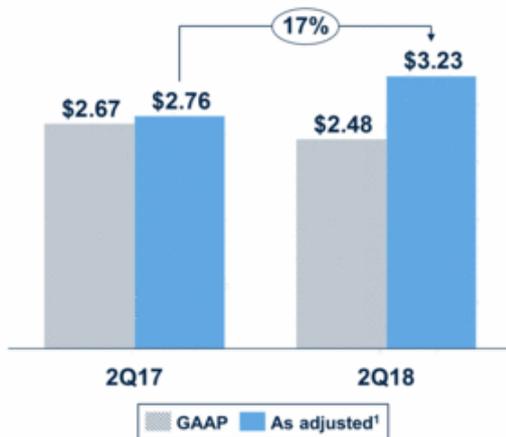
# Opening Remarks

Oscar Munoz  
Chief Executive Officer



## Strong year-over-year earnings per share

### Earnings Per Share



- Reported pre-tax earnings of \$857M with a pre-tax margin of 8.0%
- Reported adjusted<sup>1</sup> pre-tax earnings of \$1.1B with an adjusted<sup>1</sup> pre-tax margin of 10.4%
- Revenue initiatives delivered ahead of expectations
- Continued cost discipline

<sup>1</sup> Excludes special charges and mark-to-market loss on equity investments. For a GAAP to non-GAAP reconciliation, see Appendix A

## Employee and customer satisfaction remains a top priority

- core4 is the beginning of a changing culture
- Flight attendant integration on track for October of this year
- Polaris roll-out on schedule
  - A new Polaris equipped aircraft entering service every 10 days on average through 2020
  - Three world class lounges opened during the quarter in SFO, EWR and IAH

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## Recovering approximately 75% of higher fuel costs

- Full-year 2018 adjusted EPS<sup>1</sup> guidance raised to \$7.25 - \$8.75 from previous guidance of \$7.00 - \$8.50
  - Higher yield, commercial and operational initiatives expected to offset fuel headwind
  - Plan to continue to grow at a pace that maximizes profitability



<sup>1</sup> Excludes special charges, the nature of which are not determinable at this time, and the impact of mark-to-market adjustments on equity investments. Accordingly, the company is not providing earnings guidance on a GAAP basis

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# Operations and Revenue Update

Scott Kirby  
President



Delivering top-tier operational performance continues to be our focus

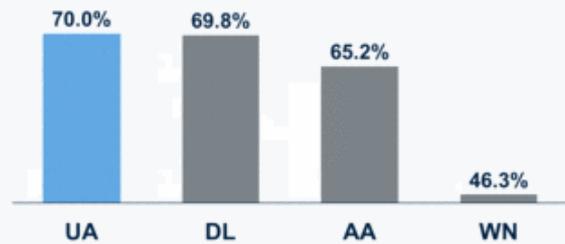
Completion factor<sup>1</sup>



D:00<sup>1</sup>



2Q18 D:00<sup>1</sup>



<sup>1</sup> Consolidated system flights  
Source: masFlight

# Second-quarter 2018 revenue was strong and at the high-end of our outlook

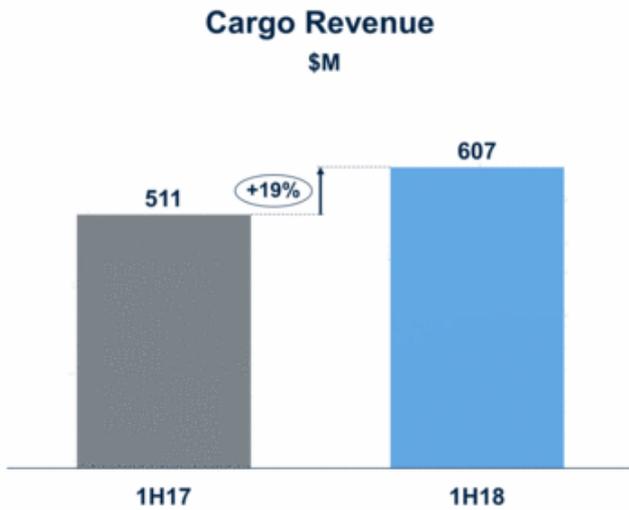
**Domestic PRASM**  
**+1.7%**

**Continued strength in close-in bookings**

**International PRASM**  
**+4.3%**

**Outperformed in all regions with the exception of Latin**

# Cargo revenue up 19% in the first half of 2018



- Freight demand expected to continue to grow in the Pacific and in Latin America
- Almost a 40% increase in cargo revenue versus the first half of 2014

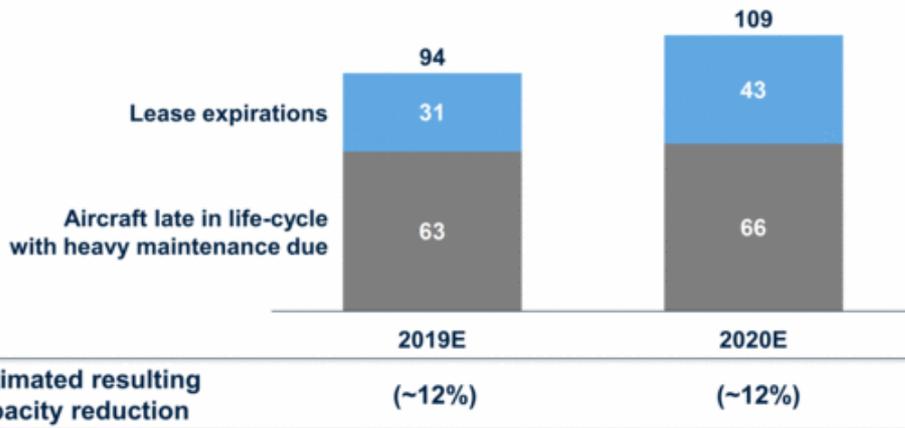
## YOY consolidated ASM growth



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## Fleet flexibility in the event of a downturn

### Flexibility levers in mainline fleet



- Leased aircraft can be returned to lessor at time of contract expiration
- Aircraft late in life-cycle and due for heavy maintenance overhauls can be retired and used for spare parts

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- Continued to lead the industry in on-time departures
- core4 contributed to improved customer and employee satisfaction
- Mid-continent growth strategy driving increased connectivity and improved profitability
- Product segmentation driving improved revenue: Polaris, Basic Economy, Economy Plus
- Improved productivity and efficiency delivered industry-leading cost performance

# Commercial Update

Andrew Nocella

Executive Vice President and  
Chief Commercial Officer

# Geographic region overview – Consolidated PRASM up 3.0% year-over-year

	<u>% ASMs<sup>1</sup></u>	<u>2Q18 YOY PRASM H/(L)</u>	<u>Notes</u>
<b>Domestic</b>	56%	1.7%	Pure domestic outperformed domestic leg of international
<b>Atlantic</b>	18%	7.9%	~2.0 point tailwind from foreign exchange
<b>Pacific</b>	16%	3.4%	Led by premium cabin and recovery in China
<b>Latin</b>	10%	(2.9%)	Weakness in Mexico and Nicaragua

We expect third-quarter year-over-year consolidated PRASM to be up 4.0% to 6.0%

<sup>1</sup>Based on capacity from 3Q17-2Q18

## Commercial initiatives running in-line with expectations

### Revenue Management

- Gemini running on all flights and all cabins
- Results exceeded expectations in the first half of the year

### Segmentation

- Rolled out Basic Economy in select Latin markets
- Launched a Basic Economy-like product across the Atlantic

### Rebanking

- Strong results following our rebank initiatives in Houston and Chicago
- Revenue to small cities from large/medium cities up over 10% year-over-year in 2Q

### Loyalty

- Launched a new United Explorer card in June
- New card acquisitions grew over 10% year-over-year in 2Q

Opened three new world class Polaris lounges in the quarter



SFO

EWR



IAH



# Financial Update

Gerry Laderman  
Senior Vice President Finance and  
acting Chief Financial Officer



## Second-quarter 2018 earnings per share, diluted of \$2.48

\$M	2Q18	2Q17	H/(L)
Total revenue	\$10,777	\$10,008	7.7%
Fuel expense	\$2,390	\$1,669	43.2%
Non-fuel expense <sup>1</sup>	<u>\$7,530</u>	<u>\$7,062</u>	<u>6.6%</u>
Pre-tax earnings	\$857	\$1,277	(32.9%)
Net income	\$684	\$821	(16.7%)
Earnings per share, diluted	\$2.48	\$2.67	(7.1%)
<i>Weighted average shares, diluted</i>	275.6	307.7	(10.4%)
Pre-tax margin	8.0%	12.8%	(4.8) pts.

<sup>1</sup> Includes non-fuel operating expense and non-operating expense

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## Second-quarter 2018 adjusted earnings per share, diluted of \$3.23

\$M	2Q18	2Q17	H/(L)
Total revenue	\$10,777	\$10,008	7.7%
Fuel expense	\$2,390	\$1,669	43.2%
Adjusted non-fuel expense <sup>1,2</sup>	<u>\$7,266</u>	<u>\$7,018</u>	<u>3.5%</u>
Adjusted pre-tax earnings <sup>2</sup>	\$1,121	\$1,321	(15.1%)
Adjusted net income <sup>2</sup>	\$889	\$849	4.7%
Adjusted earnings per share, diluted <sup>2</sup>	\$3.23	\$2.76	17.0%
<i>Weighted average shares, diluted</i>	275.6	307.7	(10.4%)
Adjusted pre-tax margin <sup>2</sup>	10.4%	13.2%	(2.8) pts.

Note: For a GAAP to non-GAAP reconciliation, see Appendix A

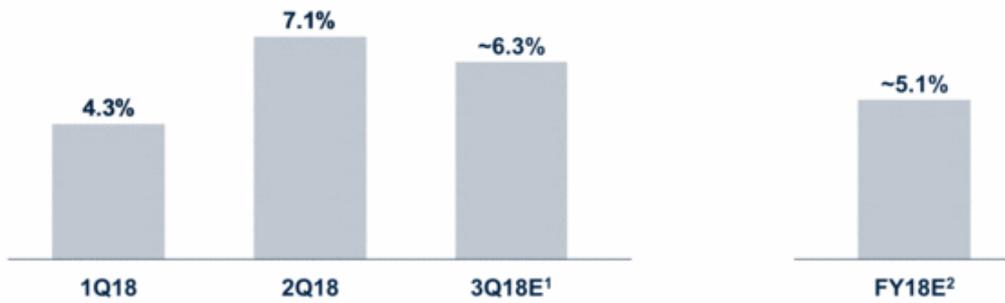
<sup>1</sup> Includes non-fuel operating expense and non-operating expense

<sup>2</sup> Excludes special charges and the impact of mark-to-market adjustments on equity investments

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# Total CASM increased 7.1% in the second quarter of 2018

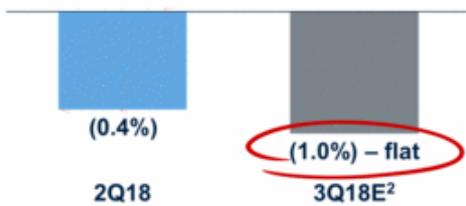
**Total CASM**  
Year-over-year H/(L)



<sup>1</sup> While the Company anticipates that it will record special charges throughout the year, at this time the Company is unable to provide an estimate of these charges with reasonable certainty  
<sup>2</sup> While the Company anticipates that it will record special charges throughout the year, at this time the Company is unable to provide an estimate of these charges, as well as an estimate of full-year profit sharing, with reasonable certainty

# Non-fuel CASM decreased 0.4% in the second quarter of 2018

**Non-fuel CASM<sup>1</sup>**  
Year-over-year H/(L)



**2Q18 Cost Tailwinds**

- Maintenance and information technology
- Productivity improvement
- Earlier ramp up of cost savings initiatives

**On track to achieve full-year non-fuel CASM<sup>1,3</sup> of down (1.0%) to flat**

<sup>1</sup> Non-fuel CASM (operating expense per available seat mile) excludes fuel, profit sharing, third-party business expenses and special charges. For a GAAP to non-GAAP reconciliation, see Appendix A  
<sup>2</sup> While the Company anticipates that it will record special charges throughout the year, at this time the Company is unable to provide an estimate of these charges with reasonable certainty  
<sup>3</sup> While the Company anticipates that it will record special charges throughout the year, at this time the Company is unable to provide an estimate of these charges, as well as an estimate of full-year profit sharing, with reasonable certainty

## Capital allocation and fleet update

### Capital Allocation

- Repurchased ~\$1B worth of shares in the first half of the year, representing ~5% of shares outstanding as of year-end 2017
- ~\$2.0B in repurchase authority remaining
- Continue to expect full-year 2018 adjusted capital expenditures<sup>1</sup> of \$3.6B - \$3.8B

### Fleet Update

- Began flying the Boeing 737 MAX-9
- Took delivery of one Boeing 777-300ER and six Boeing 737 MAX 9 aircraft

<sup>1</sup> Excludes non-cash capital expenditures and fully reimbursable projects, the amount and timing of which are not determinable at this time. Accordingly, the Company is not providing capital expenditure guidance on a GAAP basis

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## Third-quarter 2018 guidance summary

	3Q18
Capacity	4.5% - 5.5%
PRASM	4.0% - 6.0%
CASM ex <sup>1,2</sup>	(1.0%) - flat
Fuel price <sup>3</sup>	\$2.27 - \$2.32
Adjusted pre-tax margin <sup>4</sup>	8.0% - 10.0%

<sup>1</sup> Non-fuel CASM (operating expense per available seat mile) excludes fuel, profit sharing, third-party business expenses and special charges. For a GAAP to non-GAAP reconciliation, see Appendix A

<sup>2</sup> While the Company anticipates that it will record special charges throughout the year, at this time the Company is unable to provide an estimate of these charges with reasonable certainty

<sup>3</sup> Fuel price including taxes and fees and this price per gallon corresponds to fuel expense as reported in the income statement

<sup>4</sup> Excludes special charges, the nature of which are not determinable at this time, and the impact of mark-to-market adjustments on equity investments. Accordingly, the company is not providing earnings guidance on a GAAP basis

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## Full-year 2018 guidance summary

	FY18 January Guidance	FY18 April Guidance	FY18 Update
Capacity	4.0% - 6.0%	4.5% - 5.5%	4.5% - 5.0%
CASM ex <sup>1,2</sup>	(1.0%) - flat	(1.0%) - flat	(1.0%) - flat
Fuel price <sup>3</sup>	~\$2.11	\$2.11 - \$2.18	\$2.21 - \$2.26
Adjusted Capex <sup>4</sup>	\$3.6B - \$3.8B	\$3.6B - \$3.8B	\$3.6B - \$3.8B
Adjusted EPS, diluted <sup>5</sup>	\$6.50 - \$8.50	\$7.00 - \$8.50	\$7.25 - \$8.75

<sup>1</sup> Non-fuel CASM (operating expense per available seat mile) excludes fuel, profit sharing, third-party business expenses and special charges. For a GAAP to non-GAAP reconciliation, see Appendix A

<sup>2</sup> While the Company anticipates that it will record special charges throughout the year, at this time the Company is unable to provide an estimate of these charges, as well as an estimate of full-year profit sharing, with reasonable certainty

<sup>3</sup> Fuel price including taxes and fees and this price per gallon corresponds to fuel expense as reported in the income statement

<sup>4</sup> Excludes non-cash capital expenditures and fully reimbursable projects, the amount and timing of which are not determinable at this time. Accordingly, the Company is not providing capital expenditure guidance on a GAAP basis

<sup>5</sup> Excludes special charges, the nature of which are not determinable at this time, and the impact of mark-to-market adjustments on equity investments. Accordingly, the company is not providing earnings guidance on a GAAP basis

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# Question & Answer Session

# UNITED



## Appendix A: reconciliation of GAAP to Non-GAAP financial measures

UAL evaluates its financial performance utilizing various accounting principles generally accepted in the United States of America (GAAP) and Non-GAAP financial measures, including pre-tax income (loss) excluding special charges and mark-to-market ("MTM") gains and losses on equity investments, pre-tax margin excluding special charges and MTM gains and losses on equity investments, net income (loss) excluding special charges and MTM gains and losses on equity investments, diluted earnings (loss) per share excluding special charges and MTM gains and losses on equity investments, and cost per available seat mile (CASM), excluding special charges, third-party business expenses, fuel, and profit sharing, among others. UAL believes that adjusting for special charges is useful to investors because special charges are not indicative of UAL's ongoing performance. UAL believes that adjusting for MTM gains and losses on equity investments is useful to investors because those unrealized gains or losses may not ultimately be realized on a cash basis. Reconciliations of reported non-GAAP financial measures to the most directly comparable GAAP financial measures are included below. For additional information related to special charges, see the press release issued by UAL, dated July 17, 2018, and filed on that date with the U.S. Securities and Exchange Commission as an exhibit to UAL's Form 8-K.

	Three Months Ended June 30,	
	2018	2017
<i>(in millions, except pre-tax margin and diluted earnings per share)</i>		
<b>Income before income taxes excluding special charges and MTM losses on equity investments</b>		
Income before income taxes	\$857	\$1,277
Add: special charges and MTM losses on equity investments before income taxes	264	44
Income before income taxes excluding special charges and MTM losses on equity investments (Non-GAAP)	\$1,121	\$1,321
<b>Pre-tax margin excluding special charges and MTM losses on equity investments</b>		
Total operating revenue	\$10,777	\$10,008
Pre-tax margin	8.0%	12.8%
Pre-tax margin excluding special charges and MTM losses on equity investments (Non-GAAP)	10.4%	13.2%
<b>Net income, excluding special charges and MTM losses on equity investments</b>		
Net income	\$684	\$821
Add: special charges and MTM losses on equity investments before income taxes	264	44
Less: tax effect related to special charges and MTM losses on equity investments	(59)	(18)
Net income, excluding special charges and MTM losses on equity investments (Non-GAAP)	\$889	\$849
<b>Diluted earnings per share excluding special charges and MTM losses on equity investments</b>		
Diluted earnings per share	\$2.48	\$2.67
Add: special charges and MTM losses on equity investments	0.96	0.14
Less: tax effect related to special charges and MTM losses on equity investments	(0.21)	(0.05)
Diluted earnings per share, excluding special charges and MTM losses on equity investments (Non-GAAP)	\$3.23	\$2.76
Weighted average shares, diluted	275.6	307.7

## Appendix A: reconciliation of GAAP to Non-GAAP financial measures (continued)

UAL also presented non-fuel expense excluding special charges and MTM gains and losses on equity investments. UAL believes that adjusting for special charges is useful to investors because special charges are not indicative of UAL's ongoing performance. UAL believes that adjusting for MTM gains and losses on equity investments is useful to investors because those unrealized gains or losses may not ultimately be realized on a cash basis.

(in millions)	Three Months Ended	
	June 30,	
Non-Fuel Expense excluding special charges and MTM losses on equity investments	2018	2017
Total operating expense	\$9,616	\$8,571
Less: Aircraft fuel	(2,390)	(1,669)
Add: Total nonoperating expense	304	160
Non-fuel expense	7,530	7,062
Less: Special charges and MTM losses on equity investments	264	44
Non-Fuel Expense excluding special charges and MTM losses on equity investments (Non-GAAP)	\$7,266	\$7,018

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## Appendix A: reconciliation of GAAP to Non-GAAP financial measures (continued)

Cost per available seat mile (CASM) is a common metric used in the airline industry to measure an airline's cost structure and efficiency. UAL reports CASM excluding special charges, third-party business expenses, fuel and profit sharing. UAL believes that adjusting for special charges is useful to investors because special charges are not indicative of UAL's ongoing performance. UAL also believes that excluding third-party business expenses, such as maintenance, ground handling and catering services for third parties, and fuel sales, provides more meaningful disclosure because these expenses are not directly related to UAL's core business. UAL also believes that excluding fuel costs from certain measures is useful to investors because it provides an additional measure of management's performance excluding the effects of a significant cost item over which management has limited influence. UAL excludes profit sharing because this exclusion allows investors to better understand and analyze our cost performance and provides a more meaningful comparison of our core operating costs to the airline industry. Reconciliations of reported non-GAAP financial measures to the most directly comparable GAAP financial measures are included below.

(per ASM, except percentage change)	Three Months Ended		% Increase/Decrease
	June 30,		
Non-Fuel CASM Consolidated excluding special charges and MTM losses on equity investments	2018	2017	(Decrease)
Cost per available seat mile (CASM)	13.60	12.70	7.1
Less: Special charges (a)	0.18	0.07	NM
Less: Third-party business expenses	0.04	0.05	(20.0)
Less: Fuel expense	3.38	2.47	36.8
CASM, excluding special charges, third-party business expenses and fuel (Non-GAAP)	10.00	10.11	(1.1)
Less: Profit sharing	0.16	0.23	(30.4)
CASM, excluding special charges, third-party business expenses, fuel, and profit sharing (Non-GAAP)	9.84	9.88	(0.4)
<b>Consolidated Unit Cost excluding special charges and MTM losses on equity investments</b>	<b>Estimated 3Q 2018</b>	<b>3Q 2017</b>	
Consolidated CASM excluding special charges (b)	13.05	13.38	12.43
Less: Third-party business expenses	0.04	0.05	0.04
Less: Fuel expense (c)	3.35	3.52	2.58
Less: Profit sharing	0.14	0.19	0.19
Consolidated CASM excluding special charges, third-party business expenses, fuel, and profit sharing	9.52	9.62	9.62
<b>Consolidated Unit Cost excluding special charges and MTM losses on equity investments</b>	<b>Estimated FY 2018</b>	<b>FY 2017</b>	
Consolidated CASM excluding special charges and profit sharing (b)	13.34	13.56	12.80
Less: Third-party business expenses, and fuel (c)	3.33	3.45	2.69
Consolidated CASM excluding special charges, third-party business expenses, fuel, and profit sharing	10.01	10.11	10.11

(a) Special charges include the impact of certain primarily non-cash impairment, severance and other similar accounting charges.

(b) Excludes special charges. While the Company anticipates that it will record such special charges throughout the year in 2018, at this time the Company is unable to provide an estimate of these charges, as well as an estimate of full-year profit sharing, with reasonable certainty.

(c) Both the cost and availability of fuel are subject to many economic and political factors and are therefore beyond the Company's control.

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