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): April 25, 2013

UNITED CONTINENTAL HOLDINGS, INC.
UNITED AIRLINES, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	001-06033	36-2675207
Delaware	001-10323	74-2099724
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

233 S. Wacker Drive, Chicago, IL 60606
233 S. Wacker Drive, Chicago, IL 60606
(Address of Principal Executive Offices) (Zip Code)

(312) 997-8000
(312) 997-8000
(Registrant's telephone number, including area code)

N/A
Continental Airlines, Inc. (n/k/a United Airlines, Inc.)
(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 240.425)

☐ 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))

Item 8.01 Other Events.

On March 28, 2013, Continental Airlines, Inc., a Delaware corporation ("Continental") and a wholly-owned subsidiary of United Continental Holdings, Inc. ("UAL"), and United Air Lines, Inc., a Delaware corporation ("United") and a wholly-owned subsidiary of UAL, entered into an Agreement and Plan of Merger (the "Merger Agreement") providing for the merger of United with and into Continental (the "Merger"). On March 31, 2013, United merged with and into Continental, with Continental continuing as the surviving corporation of the Merger and as a wholly-owned subsidiary of UAL. Upon the closing of the Merger on March 31, 2013, Continental's name was changed to "United Airlines, Inc." (the "Survivor"). In accordance with the Merger Agreement, at the effective time of the Merger, each outstanding share of United common stock immediately prior to the Merger was cancelled and retired and no consideration was delivered in exchange therefor. Each outstanding share of Continental common stock immediately prior to the Merger remained outstanding and was unaffected by the Merger.

The purpose of the disclosures presented in this Current Report on Form 8-K is to retrospectively adjust certain financial and other information of UAL and the Survivor to reflect the combined historical results of United and Continental. The accompanying condensed consolidated financial statements have been prepared as if the Merger occurred on October 1, 2010. The Merger represents a transaction between entities under common control and United is considered the predecessor entity for accounting purposes. Transactions between entities under common control are accounted for as if the transaction occurred at the beginning of the earliest period presented under which the entities were under common control, and prior years are retrospectively adjusted to furnish comparative information similar to the pooling method. The consolidated financial statements and notes to the consolidated financial statements of the Survivor included in Exhibit 99.3 hereto have been combined with United as the predecessor as it was the entity that was first controlled by the parent.

Certain items of UAL's and Continental's combined Annual Report on Form 10-K for the fiscal year ended December 31, 2012 filed with the SEC on February 25, 2013 (the "2012 10-K") have been retrospectively adjusted to reflect the Merger and are presented in Exhibits 99.1 to 99.5 hereto. Included herein as Exhibit 99.1 is Selected Financial Data, which adjusts Item 6 in the 2012 10-K. Included herein as Exhibit 99.2 are Management's Discussion and Analysis of Financial Condition and Results of Operations, which relates to the audited consolidated financial statements and adjusts Item 7 in the 2012 10-K, and Quantitative and Qualitative Disclosures About Market Risk, which adjusts Item 7A in the 2012 10-K. Included herein as Exhibit 99.3 are the audited consolidated financial statements and combined notes to the consolidated financial statements of UAL and the Survivor for the years ended December 31, 2012, 2011 and 2010, which have been retrospectively adjusted to reflect the consolidation of the historical results of United and Continental for the years ended December 31, 2012, 2011 and 2010 and which adjusts Item 8 in the 2012 10-K. Included herein as Item 99.4 is Controls and Procedures, which adjusts Item 9A in the 2012 10-K. Included herein as Item 99.5 is Schedule II—Valuation and Qualifying Accounts for the years ended December 31, 2012, 2011 and 2010, which adjusts Schedule II to the 2012 10-K.

Except with respect to the retrospective adjustment of certain financial and other information of UAL and the Survivor to reflect the combined historical results of United and Continental, we have not otherwise updated for activities or events occurring after the date these items were originally presented.

This Current Report on Form 8-K should be read in conjunction with the 2012 10-K, UAL's and United Airlines, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 and UAL's and United Airlines, Inc.'s other Current Reports on Form 8-K filed with the SEC after December 31, 2012 through the date hereof.

Item 9.01 Financial Statements and Exhibits

(d) *Exhibits*.

Exhibit Number	Description
23.1	Consent of Independent Registered Public Accounting Firm.
99.1	Selected Financial Data.
99.2	Management's Discussion and Analysis of Financial Condition and Results of Operations and Quantitative and Qualitative Disclosures about Market Risk.

99.3	Consolidated Financial Statements of United Continental Holdings, Inc. and United Airlines, Inc. and Combined Notes to Consolidated Financial Statements.
99.4	Controls and Procedures.
99.5	Schedule II—Valuation and Qualifying Accounts for the years ended December 31, 2012, 2011 and 2010.
101	The following materials for each of United Continental Holdings, Inc. and United Airlines, Inc. included in this report, formatted in XBRL (Extensible Business Reporting Language): (i) the Statements of Consolidated Operations, (ii) the Statements of Consolidated Comprehensive Income (Loss), (iii) the Consolidated Balance Sheets, (iv) the Statements of Consolidated Cash Flows, (v) the Statements of Consolidated Stockholders' Equity (Deficit) and (vi) the Combined Notes to Consolidated Financial Statements.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, 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/ John D. Rainey
Date: April 25, 2013	John D. Rainey
	Executive Vice President and Chief Financial Officer

Exhibit Index

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Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement (Form S-3 No. 333-181014) of our report dated April 25, 2013, with respect to the consolidated financial statements and schedule of United Airlines, Inc., included in this Form 8-K of United Continental Holdings, Inc. and United Airlines, Inc. dated April 25, 2013.

/s/ Ernst & Young LLP

Chicago, IL
April 25, 2013

ITEM 6. SELECTED FINANCIAL DATA.

Explanatory Note: 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"). We sometimes use the words "we," "our," and "us" in this Exhibit 99.1 of this Current Report on Form 8-K for disclosures that relate to all of UAL and United. The following table shows the Company's selected financial data for the periods and as of the dates indicated, which is derived from the consolidated financial statements. The information contained herein should be read together with, and is qualified in its entirety by reference to the consolidated financial statements and the accompanying notes included as Exhibit 99.3 of this Current Report on Form 8-K.

The Company's consolidated financial statements and statistical data are provided in the tables below.

UAL Statement of Consolidated Operations Data

(In millions, except per share amounts)	Year Ended December 31,				
	2012	2011	2010	2009	2008
Income Statement Data:					
Operating revenue	$37,152	$37,110	$23,325	$16,335	$20,194
Operating expense	37,113	35,288	22,349	16,496	24,632
Operating income (loss)	39	1,822	976	(161)	(4,438)
Net income (loss)	(723)	840	253	(651)	(5,396)
Net income (loss) excluding special items (a)	589	1,323	942	(1,128)	(1,773)
Basic earnings (loss) per share	(2.18)	2.54	1.22	(4.32)	(42.59)
Diluted earnings (loss) per share	(2.18)	2.26	1.08	(4.32)	(42.59)
Balance Sheet Data at December 31:					
Unrestricted cash, cash equivalents and short-term investments	$ 6,543	$ 7,762	$ 8,680	$ 3,042	$ 2,039
Total assets	37,628	37,988	39,598	18,684	19,465
Debt and capital lease obligations	13,166	12,735	15,133	8,543	8,004

(a) See "Reconciliation of GAAP to non-GAAP Financial Measures" in this Item 6 for further details related to items that significantly impacted UAL's results.

UAL Selected Operating Data

Presented below is the Company's operating data for the years ended December 31.

	Year Ended December 31,				
	2012	2011	2010	2009	2008
Mainline					
Passengers (thousands) (a)	93,595	96,360	65,365	56,082	63,149
Revenue passenger miles ("RPMs") (millions) (b)	179,416	181,763	122,182	100,475	110,061
Available seat miles ("ASMs") (millions) (c)	216,330	219,437	145,738	122,737	135,861
Cargo ton miles (millions)	2,460	2,646	2,176	1,603	1,921
Passenger load factor (d)					
Mainline	82.9%	82.8%	83.8%	81.9%	81.0%
Domestic	84.9%	85.1%	84.8%	83.7%	82.6%
International	80.9%	80.5%	82.7%	79.4%	79.0%
Passenger revenue per available seat mile ("PRASM") (cents)	11.93	11.84	10.99	9.22	10.91
Total revenue per available seat mile (cents)	13.92	13.77	12.91	10.81	12.58
Average yield per revenue passenger mile ("Yield") (cents) (e)	14.38	14.29	13.11	11.26	13.47
Average fare per revenue passenger (f)	$ 275.70	$ 269.56	$ 245.06	$ 201.72	$ 234.71

Cost per available seat mile (“CASM”) (cents)	14.12	13.15	12.51	11.05	15.74
Average price per gallon of fuel, including fuel taxes	$ 3.27	$ 3.01	$ 2.27	$ 1.75	$ 3.54
Fuel gallons consumed (millions)	3,275	3,303	2,280	1,942	2,182
Aircraft in fleet at end of period (g)	702	701	710	360	409
Average stage length (miles) (h)	1,895	1,844	1,789	1,701	1,677
Average daily utilization of each aircraft (hours) (i)	10:38	10:42	10:47	10:47	10:42
Regional					
Passengers (thousands) (a)	46,846	45,439	32,764	25,344	23,278
RPMs (millions) (b)	26,069	25,768	18,675	13,770	12,155
ASMs (millions) (c)	32,530	33,091	23,827	17,979	16,164
Passenger load factor (d)	80.1%	77.9%	78.4%	76.6%	75.2%
PRASM (cents)	20.84	19.75	17.70	16.04	18.44
Yield (cents) (e)	26.00	25.36	22.58	20.95	24.52
Aircraft in fleet at end of period (g)	551	555	552	292	280
Consolidated					
Passengers (thousands) (a)	140,441	141,799	98,129	81,426	86,427
RPMs (millions) (b)	205,485	207,531	140,857	114,245	122,216
ASMs (millions) (c)	248,860	252,528	169,565	140,716	152,025
Passenger load factor (d)	82.6%	82.2%	83.1%	81.2%	80.4%
PRASM (cents)	13.09	12.87	11.93	10.09	11.71
Yield (cents) (e)	15.86	15.67	14.37	12.43	14.57
CASM (cents)	14.91	13.97	13.18	11.72	16.20
Average price per gallon of fuel, including fuel taxes	$ 3.27	$ 3.06	$ 2.39	$ 1.80	$ 3.52
Fuel gallons consumed (millions)	4,016	4,038	2,798	2,338	2,553

(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) RPM divided by ASM.
(e) The average passenger revenue received for each revenue passenger mile flown.
(f) Passenger revenue divided by number of passengers.
(g) Excludes aircraft that were removed from service. Regional aircraft include aircraft operated by all carriers under capacity purchase agreements, but exclude any aircraft that were subleased to other operators but not operated on our behalf.
(h) Average stage length equals the average distance a flight travels weighted for size of aircraft.
(i) The average number of hours per day that an aircraft flown in revenue service is operated (from gate departure to gate arrival).

Reconciliation of GAAP to non-GAAP Financial Measures

The Company evaluates its financial performance utilizing various accounting principles generally accepted in the United States of America (“GAAP”) and non-GAAP financial measures including net income/loss, net earnings/loss per share and cost per available seat mile (“CASM”), among others. CASM is a common metric used in the airline industry to measure an airline’s cost structure and efficiency. The Company 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. Fuel hedge mark-to-market (“MTM”) gains (losses) are excluded as the Company did not apply cash flow hedge accounting for certain of the periods presented, and these adjustments may provide a better comparison to the Company’s peers, most of which either apply cash flow hedge accounting or exclude cash MTM gains or losses in certain disclosures of fuel expense. The Company believes that adjusting for special items is useful to investors because the special items are non-recurring items not indicative of the Company’s ongoing performance. The Company also believes that excluding third-party business expenses, such as maintenance, ground handling and catering services for third parties, fuel sales and non-air mileage redemptions, provides more meaningful disclosure because these expenses are not directly related to the Company’s core business. Pursuant to SEC Regulation G, the Company has included the following reconciliation of reported non-GAAP financial measures to comparable financial measures reported on a GAAP basis (in millions, except CASM amounts). For further information related to special items, see Note 20 to the financial statements included under Exhibit 99.3 of this Current Report on Form 8-K.

	Year ended December 31,				
	2012	2011	2010	2009	2008
Net income (loss) excluding special items:					
Net income (loss)	$ (723)	$ 840	$ 253	$ (651)	$(5,396)
Total special items—income (expense) (see detail below)	(1,312)	(483)	(689)	477	(3,623)
Net income (loss) excluding special items	$ 589	$ 1,323	$ 942	$(1,128)	$(1,773)
Special items—income (expense) (millions)					
Special revenue item	$ —	$ 107	$ —	$ —	$ —
Merger and integration-related costs	(739)	(517)	(564)	—	—
Labor agreement costs	(475)	—	—	—	—
Voluntary severance and benefits	(125)	—	—	—	—
Goodwill impairment (charge) credit	—	—	64	—	(2,277)
Other intangible impairments	(30)	(4)	(29)	(150)	(64)
Other asset impairments	—	—	(136)	(93)	(250)
Municipal bond litigation	—	—	—	(27)	—
Termination of maintenance service contract	—	(58)	—	—	—
Other	46	(13)	(4)	(104)	(25)
Special operating expense	(1,323)	(592)	(669)	(374)	(2,616)
Other operating expense items	—	—	—	(35)	(191)
Operating non-cash MTM gain (loss)	—	—	(32)	586	(568)
Non-operating non-cash MTM gain (loss) (a)	—	—	—	279	(279)
Other expense items	—	—	(32)	830	(1,038)
Income tax benefit	11	2	12	21	31
Total special items (b)	$ (1,312)	$ (483)	$ (689)	$ 477	$(3,623)
Mainline CASM excluding special charges and aircraft fuel and related taxes:					
Operating expense	$ 30,539	$ 28,850	$ 18,228		
Special charges	(1,323)	(592)	(669)		
Third-party business expenses	(298)	(235)	(218)		
Aircraft fuel and related taxes	(10,713)	(9,936)	(5,387)		
Profit sharing	(119)	(265)	(166)		
Operating expense excluding above items	$ 18,086	$ 17,822	$ 11,788		
ASMs—mainline	216,330	219,437	145,738		
CASM (cents)	14.12	13.15	12.51		
CASM, excluding special items	13.51	12.88	12.03		
CASM, excluding special items and third-party business expenses	13.37	12.77	11.88		
CASM, excluding special items, third-party business expenses and fuel	8.42	8.24	8.20		
CASM, excluding special items, third-party business expenses, fuel and profit sharing	8.36	8.12	8.09		

Consolidated CASM excluding special charges and aircraft fuel and related taxes:			
Operating expense	$ 37,113	$ 35,288	$ 22,349
Special charges	(1,323)	(592)	(669)
Third-party business expenses	(298)	(235)	(218)
Aircraft fuel and related taxes	(13,138)	(12,375)	(6,687)
Profit Sharing	(119)	(265)	(166)
Operating expense excluding above items	$ 22,235	$ 21,821	$ 14,609
ASMs—consolidated	248,860	252,528	169,565
CASM (cents)	14.91	13.97	13.18
CASM, excluding special items	14.38	13.74	12.77
CASM, excluding special items and third-party business expenses	14.26	13.65	12.64
CASM, excluding special items, third-party business expenses and fuel	8.98	8.75	8.71
CASM, excluding special items, third-party business expenses, fuel and profit sharing	8.93	8.64	8.62

(a) In 2009 and 2008, the Company included Non-operating non-cash MTM gains (losses) in special items for certain presentations of net income excluding special items. The Company no longer includes Non-operating non-cash MTM gains (losses) in special items.

(b) See Note 20 to the financial statements included under Exhibit 99.3 of this Current Report on Form 8-K.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Explanatory Note: The following discussion analyzes the Company's financial condition and results of operations. The following information should be read in conjunction with the Company's consolidated financial statements and the accompanying notes included as Exhibit 99.3 of this Current Report on Form 8-K.

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"). 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 Exhibit 99.2 of this Current Report on Form 8-K for disclosures that relate to all of UAL and United.

On May 2, 2010, UAL Corporation, Continental Airlines, Inc. (together with its consolidated subsidiaries, "Continental") and JT Merger Sub Inc., a wholly-owned subsidiary of UAL Corporation, entered into an Agreement and Plan of Merger. On October 1, 2010, JT Merger Sub Inc. merged with and into Continental, with Continental surviving as a wholly-owned subsidiary of UAL Corporation (the "Merger"). Upon closing of the Merger, UAL Corporation became the parent company of both United Air Lines, Inc. and Continental and UAL Corporation's name was changed to United Continental Holdings, Inc. On March 31, 2013, the Company merged United Air Lines, Inc. into Continental to form one legal entity, and Continental's name was changed to United Airlines, Inc. The financial statements of United Air Lines, Inc. and Continental are now combined at their historical cost for all periods presented beginning on October 1, 2010, the date on which Continental became a wholly-owned subsidiary of UAL. There will no longer be a requirement to separately report the historical financial statements of Continental.

2012 Financial Highlights

- The Company recorded net loss of $723 million for 2012, as compared to net income of $840 million for 2011. Excluding special items, the Company recorded net income of $589 million for 2012, compared to net income of $1.3 billion for 2011. See Exhibit 99.1 of this Current Report on Form 8-K for a reconciliation of GAAP to non-GAAP net income.
- Unrestricted cash, cash equivalents and short-term investments at December 31, 2012 was $6.5 billion as compared to $7.8 billion at December 31, 2011.
- 2012 consolidated passenger revenue increased approximately $72 million, or 0.2%, as compared to 2011. Consolidated passenger revenue per available seat mile ("PRASM") increased 1.7% in 2012 compared to 2011.
- Full-year 2012 cost per available seat mile ("CASM") increased 6.7% year-over-year.

2012 Operational Highlights

- For the years ended December 31, 2012 and 2011, the Company recorded a U.S. Department of Transportation on-time arrival rate of 77.4% and 78.8%, respectively, and a system completion factor of 98.6% and 98.7%, respectively.
- Consolidated traffic ("RPMs") for 2012 decreased 1.0% as compared to 2011, while consolidated capacity ("ASMs") decreased 1.5% from the prior year, resulting in a consolidated load factor of 82.6% in 2012 versus a consolidated load factor of 82.2% in 2011.
- The Company took delivery of six Boeing 787-8 Dreamliners and 19 Boeing 737-900ERs in 2012. The Company also removed from service 19 Boeing 737-500s, one Boeing 757-200 and three Boeing 767-200s during the year. The Company launched its first commercial 787 flight in early November 2012.

Set forth below is a discussion of the principal matters that we believe could impact our financial and operating performance and cause our results of operations in future periods to differ materially from our historical operating results and/or from our anticipated results of operations described in the forward-looking statements in this Exhibit 99.2 of this Current Report on Form 8-K. See Item 1A., *Risk Factors*, of the Company's Annual Report on Form 10-K for the year ended December 31, 2012 (the "Form 10-K"), and the factors described under "Forward-Looking Information" for further discussion of these and other factors that could affect us.

Merger Integration. During 2012, the Company made significant progress in integrating its products, services, policies and a number of information technology systems. Following the conversion of its passenger service system in March 2012, the Company now has a single passenger service system, a single loyalty program, MileagePlus, and a single website, united.com. Continental's OnePass loyalty program formally ended in the first quarter of 2012, at which point the Company automatically enrolled OnePass members in the MileagePlus program and deposited into those MileagePlus accounts award miles equal to OnePass members' award miles balance. As a result of the conversion to a single passenger service system, the Company now operates using a single reservations system, carrier code, flight schedule, website and departure control system.

The Company continued to redeploy aircraft across its global network, better matching aircraft and demand on a route by route basis.

The Company's pilots represented by the Air Line Pilots Association, International ("ALPA") ratified a new joint collective bargaining agreement with the Company.

Some key initiatives for the Company in 2013 include maintaining reliable operational performance, investing in customer service training and tools for its frontline co-workers, completing the installation of flat-bed seats in the premium cabins of its international widebody aircraft, installing global satellite based WiFi on approximately 300 of its mainline aircraft, and reaching competitive joint collective bargaining agreements with its union-represented employee groups.

The Company expects the Merger to deliver $1.0 billion to $1.2 billion in net annual synergies on a run-rate basis when the integration is complete and synergy benefits are fully realized.

The Company has incurred substantial expenses in connection with the Merger. The Company incurred approximately $739 million of integration-related cash costs in 2012 and expects this amount to decrease significantly in 2013 to approximately $250 million. There are many factors that could affect the total amount or the timing of those expenses, and many of the expenses that will be incurred are, by their nature, difficult to estimate accurately. See Notes 1 and 20 to the financial statements included under Exhibit 99.3 of this Current Report on Form 8-K for additional information on the Merger.

Economic Conditions. The economic outlook for the aviation industry in 2013 is characterized by stagnant to modest U.S. and global economic growth. We cannot predict whether the demand for air travel will improve or the rate of such improvement. Continuing economic uncertainty, including continued European sovereign debt uncertainty and political and socioeconomic tensions in regions such as the Middle East, may result in diminished demand for air travel and may impair our ability to achieve profitability in 2013.

Capacity. Over the past year, the Company leveraged the flexibility of its combined fleet to better match market demand and added new routes from its hubs to international destinations such as Istanbul, Turkey; Manchester, England; Dublin, Ireland; Buenos Aires, Argentina; Monterrey, Mexico; San Salvador, El Salvador; Kelowna, British Columbia, Canada; and Doha, Qatar via Dubai, United Arab Emirates. In addition, for 2013, the Company expects to add new routes from its hubs to Taipei, Taiwan; Shannon, Ireland; Paris, France; Edmonton, Alberta, Canada; Fort McMurray, Alberta, Canada; Thunder Bay, Ontario, Canada; and Denver's first service to Asia with non-stop service to Tokyo, subject to government approval. We expect consolidated capacity for 2013 to be lower than consolidated capacity in 2012. Should fuel prices increase significantly or should U.S. or global economic growth outlooks decline substantially, we would likely adjust our capacity plans to reflect the different operating environment.

Fuel Costs. Fuel prices continued to be volatile in 2012. The Company's average aircraft fuel price per gallon including related taxes was $3.27 in 2012 as compared to $3.06 in 2011. If fuel prices rise significantly from their current levels, we may be unable to raise fares or other fees sufficiently to fully offset our increased costs. In addition, high fuel prices may impair our ability to achieve profitability. Based on projected fuel consumption in 2013, a one dollar change in the price of a barrel of crude oil would change the Company's annual fuel expense by approximately $94 million. To protect against increases in the prices of aircraft fuel, the Company routinely hedges a portion of its future fuel requirements.

Labor Costs. As of December 31, 2012, United had approximately 80% of employees represented by unions. We are in the process of negotiating amended collective bargaining agreements with our major employee groups. The Company cannot predict the outcome of negotiations with its unionized employee groups, although significant increases in the pay and benefits resulting from new collective bargaining agreements would have an adverse financial impact on the Company.

In 2013, the Company expects CASM, excluding fuel, profit sharing and third-party business expense to increase 4.5% to 5.5% year-over-year, of which approximately 2.5 percentage points are due to collective bargaining agreements with various employee groups.

Results of Operations

In this section, we compare results of operations for the year ended December 31, 2012 with results of operations for the year ended December 31, 2011. This presentation differs from the comparison of 2011 and 2010 results, which compares the Company's financial performance year-over-year excluding the Merger impact in 2010, represented by Continental results in the fourth quarter of 2010. Non-GAAP financial measures are presented because they provide management and investors with the ability to measure and monitor the Company's performance on a consistent basis.

2012 compared to 2011

Operating Revenue

The table below illustrates the year-over-year percentage change in the Company's operating revenues for the years ended December 31 (in millions, except percentage changes):

	2012	2011	Increase (Decrease)	% Change
Passenger—Mainline	$25,804	$25,975	$ (171)	(0.7)
Passenger—Regional	6,779	6,536	243	3.7
Total passenger revenue	32,583	32,511	72	0.2
Cargo	1,018	1,167	(149)	(12.8)
Special revenue item	—	107	(107)	NM
Other operating revenue	3,551	3,325	226	6.8
	$37,152	$37,110	$ 42	0.1

The table below presents the Company's passenger revenues and operating data based on geographic region (regional flights consist primarily of domestic routes):

	Increase (decrease) in 2012 from 2011 (a):						
	Domestic	Pacific	Atlantic	Latin	Total Mainline	Regional	Consolidated
Passenger revenue (in millions)	$ (338)	$ 391	$ (197)	$ (27)	$ (171)	$ 243	$ 72
Passenger revenue	(2.6)%	8.6%	(3.4)%	(1.0)%	(0.7)%	3.7%	0.2%
Average fare per passenger	1.5%	2.3%	(0.1)%	(1.5)%	2.3%	0.6%	1.2%
Yield	(0.1)%	5.1%	0.3%	(4.2)%	0.6%	2.5%	1.2%
PRASM	(0.3)%	5.8%	0.2%	(2.2)%	0.8%	5.5%	1.7%
Average stage length	2.3%	1.6%	0.3%	3.1%	2.8%	(2.3)%	1.1%
Passengers	(4.0)%	6.1%	(3.4)%	0.5%	(2.9)%	3.1%	(1.0)%
RPMs (traffic)	(2.5)%	3.2%	(3.7)%	3.2%	(1.3)%	1.2%	(1.0)%
ASMs (capacity)	(2.4)%	2.7%	(3.6)%	1.3%	(1.4)%	(1.7)%	(1.5)%
Passenger load factor (points)	(0.2)	0.4	(0.2)	1.6	0.1	2.2	0.4

(a) See Exhibit 99.1 of this Current Report on Form 8-K for the definition of these statistics.

Consolidated passenger revenue in 2012 increased approximately $72 million, or 0.2%, as compared to 2011. This increase was due to an increase of 1.2% in both average fare per passenger and yield, over the same period as a result of improved pricing primarily from industry capacity discipline, offset by a 1.0% decline in passengers. The reduced traffic from both business and leisure passengers in 2012 was offset by higher fares, which drove improvements in both average fare per passenger and yield.

Cargo revenue decreased by $149 million, or 12.8%, in 2012 as compared to 2011 due to excess industry capacity and a weaker demand environment. Both cargo volume and yield declined in 2012 compared to 2011. Freight revenue in 2012 decreased 13.4% compared to 2011 due to lower volume, fuel surcharges and processing fees. Mail revenue decreased 8.1% in 2012 as compared to 2011 primarily due to lower volume.

Revenue in 2011 was also impacted by certain accounting changes, as described in Note 2 to the financial statements included under Exhibit 99.3 of this Current Report on Form 8-K. In conjunction with these accounting changes, the Company recorded a special adjustment in 2011 to decrease frequent flyer deferred revenue and increase revenue by $107 million in connection with a modification to The Consolidated Amended and Restated Co-Branded Card Marketing Services Agreement dated June 9, 2011 (the "Co-Brand Agreement") with Chase Bank USA, N.A. ("Chase").

Other operating revenue was up $226 million, or 6.8%, in 2012 as compared to 2011, which was primarily due to a change in the deferral rate related to the sales of credit card miles in conjunction with the modification of the Co-Brand Agreement in accordance with Accounting Standards Update 2009-13, Multiple-Deliverable Revenue Arrangements—a consensus of the FASB Emerging Issues Task Force ("ASU 2009-13"), which was adopted in 2011. Other operating revenue also increased due to additional sales of aircraft fuel to a third party.

Operating Expense

The table below includes data related to the Company's operating expense for the year ended December 31 (in millions, except percentage changes).

	2012	2011	Increase (Decrease)	% Change
Aircraft fuel	$13,138	$12,375	$ 763	6.2
Salaries and related costs	7,945	7,652	293	3.8
Regional capacity purchase	2,470	2,403	67	2.8
Landing fees and other rent	1,929	1,928	1	0.1
Aircraft maintenance materials and outside repairs	1,760	1,744	16	0.9
Depreciation and amortization	1,522	1,547	(25)	(1.6)
Distribution expenses	1,352	1,435	(83)	(5.8)
Aircraft rent	993	1,009	(16)	(1.6)
Special charges	1,323	592	731	NM
Other operating expenses	4,681	4,603	78	1.7
	$37,113	$35,288	$ 1,825	5.2

The significant increase in aircraft fuel expense was primarily attributable to increased fuel prices and gains (losses) from fuel hedging activity in both years, as shown in the table below which reflects the significant changes in aircraft fuel cost per gallon for 2012 as compared to 2011.

	(In millions)			Average price per gallon		
	2012	2011	% Change	2012	2011	% Change
Total aircraft fuel cost excluding hedge impacts	$12,997	$12,878	0.9	$ 3.24	$ 3.19	1.6
Hedge gains (losses) reported in fuel expense (a)	(141)	503	NM	(0.03)	0.13	NM
Fuel expense as reported	13,138	12,375	6.2	3.27	3.06	6.9
Settled hedge gains (losses) not recorded in fuel expense (b)	(1)	(60)	NM	—	(0.02)	NM
Fuel expense including all gains (losses) from settled hedges	13,139	12,435	5.7	3.27	3.08	6.2
Hedge non-cash mark-to-market gains (losses) (c)	38	1	NM	0.01	—	NM
Fuel expense including all hedge impacts	$13,101	$12,434	5.4	$ 3.26	$ 3.08	5.8
Total fuel consumption (gallons)	4,016	4,038	(0.5)			

(a) Includes gains (losses) from settled hedges that were designated for hedge accounting.
(b) Includes ineffectiveness gains (losses) and gains (losses) on derivatives not designated for hedge accounting. These amounts are recorded in Nonoperating income (expense): Miscellaneous, net.
(c) Includes ineffectiveness gains (losses) and non-cash mark-to-market gains (losses) on all open fuel hedge positions. These amounts are recorded in Nonoperating income (expense): Miscellaneous, net.

Salaries and related costs increased $293 million, or 3.8%, in 2012 as compared to 2011. The increase was due to several factors including a 3.5% increase in the number of average full-time employees year-over-year, higher pay rates primarily driven by new collective bargaining agreements, pension costs, and overtime for airport and call center employees related to our conversion to a single passenger service system. The increase was offset by a decrease in profit sharing and lower workers' compensation and long-term disability.

Distribution expenses decreased $83 million, or 5.8%, in 2012 as compared to 2011 due to reduced fees with our online ticket agents, lower credit card discount fees driven by legislation reducing costs on debit card sales, and lower volume of global distribution fees paid.

Other operating expenses increased $78 million, or 1.7%, in 2012 as compared to 2011 due to additional trip interruption costs, costs associated with higher fuel sales, hotel and per diem expenses, personnel-related expenses and higher advertising expenses.

The table below presents integration-related costs and special items incurred by the Company during the years ended December 31 (in millions):

	2012	2011
Integration-related costs	$ 739	$517
Labor agreement costs	475	—
Voluntary severance and benefits	125	—
Intangible asset impairments	30	4
Termination of maintenance service contract	—	58
Other	(46)	13
Total special items	1,323	592
Tax benefit on intangible asset impairments	(11)	(2)
Total special items, net of tax	$1,312	$590

Integration-related costs include compensation costs related to systems integration and training, costs to repaint aircraft in the new livery and other branding activities, costs to write-off or accelerate depreciation on systems and facilities that are no longer used or planned to be used for significantly shorter periods and relocation costs for employees and severance primarily associated with administrative headcount reductions.

On December 31, 2012, UAL and United Air Lines, Inc. entered into an agreement with the Pension Benefit Guaranty Corporation (the “PBGC”) that reduced the aggregate amount of 8% Contingent Senior Notes to be issued by UAL, and eliminated the contingent nature of such obligation by replacing the $188 million principal amount of 8% Contingent Senior Notes incurred as of December 31, 2012 and the obligation to issue any additional 8% Contingent Senior Notes with $400 million principal amount of new 8% Notes due 2024 (the “New 8% Notes”). In addition, UAL agreed to replace the $652 million principal amount outstanding of 6% Senior Notes due 2031 with $326 million principal amount of new 6% Notes due 2026 and $326 million principal amount of 6% Notes due 2028 (collectively, the “New 6% Notes” and together with the New 8% Notes, the “New PBGC Notes”). The Company did not receive any cash proceeds in connection with the issuance of the New PBGC Notes. The Company is accounting for this agreement as a debt extinguishment, resulting in a charge of $309 million that represents the fair value of $212 million of New 8% Notes that it agreed to issue and the change in the fair value of the New 6% Notes and the $188 million of New 8% Notes versus their previous carrying values. The Company classified the expense as a component of special charges because the note restructuring would not have occurred if it were not for the Merger.

The Company also recorded impairment charges related to European take-off and landing slots primarily due to the weakening of the U.S. dollar against certain foreign currencies and reductions in scheduled flights. In addition, the Company recorded additional costs associated with the ratification of the joint collective bargaining agreement by the Company’s pilots represented by ALPA. The Company also recorded charges associated with various voluntary retirement and leave of absence programs for its various employee groups. See Note 20 to the financial statements included under Exhibit 99.3 of this Current Report on Form 8-K for additional information related to special items.

Nonoperating Income (Expense)

The following table illustrates the year-over-year dollar and percentage changes in the Company's nonoperating income (expense) (in millions except percentage changes):

	2012	2011	Increase (Decrease)	% Change
Interest expense	$(835)	$(949)	$ (114)	(12.0)
Interest capitalized	37	32	5	15.6
Interest income	23	20	3	15.0
Miscellaneous, net	12	(80)	92	NM
Total	$(763)	$(977)	$ (14)	(1.4)

The decrease in interest expense of $114 million, or 12%, in 2012 as compared to 2011 was primarily due to lower average debt principal outstanding for a majority of the year.

In 2012, miscellaneous, net included a fuel hedge ineffectiveness loss of $1 million primarily resulting from a decrease in fuel hedge ineffectiveness as compared to a loss of $59 million in the year-ago period. Miscellaneous, net also included mark-to-market gains of $38 million from derivatives not qualifying for hedge accounting as compared to zero in 2011.

United's nonoperating expense also includes a net gain of $42 million associated with marking to market the fair value of derivative assets and liabilities related to agreements that provide for United's convertible debt to be settled with UAL common stock. This net gain and related derivatives are reflected only in the United stand-alone financial statements as they are eliminated at the consolidated level. See Note 12 to the financial statements included under Exhibit 99.3 of this Current Report on Form 8-K for additional information.

2011 compared to 2010

To provide a more meaningful comparison of the Company's 2011 financial performance to 2010, we have quantified the increases relating to our operating results that are due to Continental operations after the Merger closing date. The increases due to the Merger, presented in the tables below, represent Continental's actual results for the fourth quarter of 2010 and full year 2011. The discussion of the Company's results excludes the impact of Continental's results. Intercompany transactions in 2010 were immaterial.

Operating Revenue

The table below illustrates the year-over-year percentage change in the Company's operating revenues for the years ended December 31 (in millions, except percentage changes):

	2011	2010	$ Change	$ Increase due to Merger	$ Change Excluding Merger Impact	% Change Excluding Merger Impact
Passenger—Mainline	$25,975	$16,019	$ 9,956	$ 9,211	$ 745	5.6
Passenger—Regional	6,536	4,217	2,319	2,041	278	7.6
Total passenger revenue	32,511	20,236	12,275	11,252	1,023	6.0
Cargo	1,167	832	335	329	6	0.8
Special revenue item	107	—	107	19	88	NM
Other operating revenue	3,325	2,257	1,068	1,012	56	2.8
	$37,110	$23,325	$13,785	$ 12,612	$ 1,173	5.9

The table below presents the Company's selected passenger revenue and selected operating data based on geographic region (regional flights consist primarily of domestic routes):

	Increase (decrease) in 2011 from 2010 (a):						
	Domestic	Pacific	Atlantic	Latin	Total Mainline	Regional	Consolidated
Passenger revenue (in millions)	$ 231	$ 183	$ 143	$ 188	$ 745	$ 278	$ 1,023
Passenger revenue	3.2%	6.0%	5.2%	39.0%	5.6%	7.6%	6.0%
Average fare per passenger	13.1%	8.9%	5.8%	1.6%	13.0%	13.7%	12.9%
Yield	9.8%	6.2%	6.3%	8.7%	8.4%	7.2%	8.4%
PRASM	11.7%	3.0%	3.5%	6.3%	7.9%	7.7%	8.0%
Average stage length	3.1%	1.6%	(2.4)%	(5.1)%	5.2%	5.7%	4.9%
Passengers	(8.7)%	(2.7)%	(0.6)%	36.8%	(6.5)%	(5.4)%	(6.1)%
RPMs (traffic)	(6.0)%	(0.2)%	(1.1)%	27.9%	(2.7)%	0.3%	(2.2)%
ASMs (capacity)	(7.6)%	2.8%	1.7%	30.8%	(2.2)%	(0.1)%	(1.9)%
Passenger load factor (points)	1.5 pts.	(2.5) pts.	(2.2) pts.	(1.8) pts.	(0.4) pts.	0.4 pts.	(0.3) pts.

(a) See Exhibit 99.1 of this Current Report on Form 8-K for the definition of these statistics.

Excluding the impact of the Merger, passenger revenue in 2011 increased approximately $1 billion, or 6%, as compared to 2010. These increases were due to increases of 12.9% and 8.4% in average fare per passenger and yield, respectively, over the same period primarily due to year-over-year capacity discipline, which in turn resulted in improved pricing and higher average fares. Traffic and capacity decreased approximately 2.2% and 1.9%, respectively, while passenger revenue per available seat mile increased approximately 8% in 2011 as compared to 2010. Average fares were also higher in 2011 as compared to 2010 due to fare increases implemented in response to higher fuel prices.

Excluding the impact of the Merger, revenue also increased in 2011 as a result of certain accounting changes as described in Note 2 to the financial statements included under Exhibit 99.3 of this Current Report on Form 8-K. In conjunction with these changes, the Company recorded a special adjustment to decrease frequent flyer deferred revenue and increase revenue by $88 million in connection with a modification to the Co-Brand Agreement with Chase.

Operating Expense

The table below includes data related to the Company's operating expense for the year ended December 31 (in millions, except percentage changes):

	2011	2010	$ Change	$ Increase due to Merger	$ Change Excluding Merger Impact	% Change Excluding Merger Impact
Aircraft fuel	$12,375	$ 6,687	$ 5,688	$ 4,308	$ 1,380	24.2
Salaries and related costs	7,652	5,002	2,650	2,619	31	0.7
Regional capacity purchase	2,403	1,812	591	628	(37)	(2.3)
Landing fees and other rent	1,928	1,307	621	669	(48)	(4.5)
Aircraft maintenance materials and outside repairs	1,744	1,115	629	460	169	17.2
Depreciation and amortization	1,547	1,079	468	449	19	2.1
Distribution expenses	1,435	912	523	532	(9)	(1.2)
Aircraft rent	1,009	500	509	512	(3)	(0.9)
Special charges	592	669	(77)	(42)	(35)	NM
Other operating expenses	4,603	3,266	1,337	1,505	(168)	(6.2)
	$35,288	$22,349	$12,939	$ 11,640	$ 1,299	6.9

Excluding the impact of the Merger, operating expenses increased approximately $1.3 billion, or 6.9%, in 2011 as compared to 2010.

The significant increase in aircraft fuel expense was primarily attributable to a 27% increase in fuel prices offset by a 2.2% decrease in fuel consumption.

Salaries and related costs increased $31 million, or 0.7%, due to higher pay rates and a one-time signing bonus for certain labor groups.

Landing fees and other rent decreased $48 million, or 4.5%, primarily due to higher than anticipated credits (refunds) received in 2011 as a result of airports' audits of prior period payment.

Aircraft maintenance materials and outside repairs increased $169 million, or 17.2%, primarily due to increased power by the hour rates and a higher number of service events.

Other operating expenses decreased $168 million, or 6.2%, primarily due to aircraft redeployment as a result of the Merger.

The table below presents integration and Merger-related costs and special items incurred by the Company during the years ended December 31 (in millions):

	2011	2010
Integration and Merger-related costs	$517	$564
Termination of maintenance service contract	58	—
Intangible asset impairments	4	29
Aircraft impairment	—	136
Goodwill impairment credit	—	(64)
Other	13	4
Total special items	592	669
Tax benefit on intangible asset impairments	(2)	(12)
Total special items, net of tax	$590	$657

Integration and Merger-related costs include compensation costs related to systems integration and training, costs to repaint aircraft in the new livery and other branding activities, costs to write-off or accelerate depreciation on systems and facilities that are no longer used or planned to be used for significantly shorter periods, severance primarily associated with administrative headcount reductions and a charge related to the Company's obligation to issue 8% Notes. See Notes 1 and 20 to the financial statements included under Exhibit 99.3 of this Current Report on Form 8-K for additional information related to special items.

Nonoperating Income (Expense)

The following table illustrates the year-over-year dollar and percentage changes in the Company's nonoperating income (expense) (in millions, except percentage changes):

	2011	2010	$ Change	$ Increase (decrease) due to Merger	$ Change Excluding Merger Impact	% Change Excluding Merger Impact
Interest expense	$(949)	$(798)	$ 151	$ 256	$ (105)	(14.7)
Interest capitalized	32	15	17	13	4	36.4
Interest income	20	15	5	7	(2)	(16.7)
Miscellaneous, net	(80)	45	(125)	(74)	(51)	NM
Total	$(977)	$(723)	$ 254	$ 310	$ (56)	(8.7)

Excluding the impact of the Merger, nonoperating expense decreased $56 million, or 8.7%, in 2011 as compared to 2010, which was primarily due to the pay down of debt obligations in 2011.

Liquidity and Capital Resources

As of December 31, 2012, the Company had $6.5 billion in unrestricted cash, cash equivalents and short-term investments, a decrease of $1.2 billion from December 31, 2011. The Company also has a $500 million undrawn Credit and Guaranty Agreement (the "Revolving Credit Facility") as of December 31, 2012. As of December 31, 2012, the Company had $447 million of restricted cash and cash equivalents, which is primarily collateral for performance bonds, letters of credit, credit card processing agreements and estimated future workers' compensation claims. We may be required to post significant additional cash collateral to provide security for obligations that are not currently backed by cash. Restricted cash and cash equivalents at December 31, 2011 totaled $569 million. As of December 31, 2012, the Company had cash collateralized $77 million of letters of credit, most of which had previously been issued and collateralized under the provisions of the Amended and Restated Revolving Credit, Term Loan and Guaranty Agreement, dated as of February 2, 2007 (the "Amended Credit Facility"). As of December 31, 2012, the Company had all of its commitment capacity under its $500 million Revolving Credit Facility 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. 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 December 31, 2012, the Company had approximately $13.2 billion of debt and capital lease obligations, including $1.9 billion that are due within the next 12 months. In addition, we have substantial non-cancelable commitments for capital expenditures, including the acquisition of new aircraft and related spare engines. The Company had principal payments of debt and capital lease obligations totaling $1.5 billion in 2012.

The Company will continue to evaluate opportunities to repurchase its debt in open market transactions to reduce its indebtedness and the amount of interest paid on its indebtedness.

As of December 31, 2012, UAL had firm commitments to purchase 100 Boeing 737 MAX 9 aircraft scheduled for delivery from 2018 through 2022. UAL also had options to purchase an additional 100 Boeing 737 MAX 9 aircraft. UAL had the right, and intends in the future, to assign its interest under the purchase agreement for the 737 MAX 9 aircraft to United.

As of December 31, 2012, United had firm commitments to purchase 147 new aircraft (49 Boeing 787 aircraft, 73 Boeing 737 aircraft and 25 Airbus A350XWB aircraft) scheduled for delivery from January 1, 2013 through 2020. United also had options to purchase 74 Boeing aircraft and purchase rights for additional aircraft. In 2013, United expects to take delivery of 24 Boeing 737-900ER aircraft and two Boeing 787-8 aircraft.

As of December 31, 2012, United had arranged for enhanced equipment trust certificate ("EETC") financing of 14 Boeing 737-900ER aircraft and one Boeing 787-8 aircraft scheduled for delivery from January through July 2013. In addition, United had secured backstop financing commitments from its widebody aircraft and engine manufacturers for a limited number of its future aircraft deliveries, subject to certain customary conditions. However, the Company does not have backstop financing or any other financing currently in place for its firm narrowbody aircraft orders or its other aircraft orders with Boeing. Financing will be necessary to satisfy the Company's capital commitments for its firm order aircraft and other related capital expenditures. The Company can provide no assurance that any financing not already in place for aircraft and spare engine deliveries will be available to the Company on acceptable terms when necessary or at all. See Notes 14 and 17 to the financial statements included under Exhibit 99.3 of this Current Report on Form 8-K for additional information.

For 2013, the Company expects to make approximately $2.5 billion of gross capital expenditures ($1.4 billion net of anticipated financings, including net purchase deposits).

As of December 31, 2012, a substantial portion of the Company's assets, principally aircraft, spare engines, aircraft spare parts, route authorities and certain other intangible assets, was pledged under various loan and other agreements. See Note 14 to the financial statements included under Exhibit 99.3 of this Current Report on Form 8-K for additional information on assets provided as collateral by the Company.

Although access to the capital markets improved in 2012 and 2011, as evidenced by our financing transactions in both years, we cannot give any assurances that we will be able to obtain additional financing or otherwise access the capital markets in the future on acceptable terms, or at all. 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.

The following is a discussion of the Company's sources and uses of cash from 2010 to 2012. As the Company applied the acquisition method of accounting to the Merger, the Company's cash activities discussed below include Continental's activities only after October 1, 2010.

Cash Flows from Operating Activities

2012 compared to 2011

The Company's cash from operating activities decreased by $1.5 billion in 2012, as compared to 2011. Cash from operations declined due to the Company's net loss position and the reduction of frequent flyer deferred revenue and advanced purchase of miles by $712 million in 2012.

2011 compared to 2010

The Company's cash from operating activities increased by $501 million in 2011, as compared to 2010. Cash from operations improved due to the Company's improved operational performance in 2011. The Company's increased revenues were offset in part by higher cash operating expenses resulting from the Merger, including fuel and aircraft maintenance expense.

Cash Flows from Investing Activities

2012 compared to 2011

The Company's capital expenditures, including aircraft purchase deposits, were $2 billion and $840 million in 2012 and 2011, respectively. The Company's capital expenditures for 2012 were primarily attributable to the purchase of new Boeing aircraft and other fleet-related expenditures to improve the onboard experience of our existing aircraft.

The Company increased its short-term investments, net of proceeds, by $245 million in 2012 in order to improve interest income.

2011 compared to 2010

The Company's capital expenditures, including aircraft purchase deposits, were $840 million and $416 million in 2011 and 2010, respectively. Approximately half of the capital expenditures in 2011 related to aircraft upgrades across the Company's fleet for its international premium travel product as well as various facility and ground equipment projects. Some of these capital expenditures relate to improvements to assets as a result of the Merger. Also, in 2011, the Company purchased nine aircraft that were operated under leases for $88 million and were immediately sold to third parties upon acquisition for proceeds of $72 million.

In December 2011, United cash collateralized $194 million of its letters of credit that had previously been issued and collateralized under the Amended Credit Facility, resulting in an increase in restricted cash.

The Company increased its short-term investments, net of proceeds, by $898 million in 2011 as compared to 2010. This was primarily due to the placement of additional funds with outside money managers and movement of liquid assets from cash to short-term investments.

Cash Flows from Financing Activities

Significant financing events in 2012 were as follows:

- In March 2012, United created two pass-through trusts that issued an aggregate principal amount of $892 million of pass-through certificates. United received all $892 million in proceeds raised by the pass-through trusts as of December 31, 2012 in exchange for United's issuance of an equivalent principal amount of equipment notes, which has been recorded as debt. The proceeds were used to fund the acquisition of new aircraft, and in the case of currently owned aircraft, for general corporate purposes;
- In October 2012, United created two pass-through trusts, one of which issued $712 million aggregate principal amount of Class A pass-through certificates with a stated interest rate of 4% and the second of which issued $132 million aggregate principal amount of Class B pass-through certificates with a stated interest rate of 5.5%. The proceeds of the issuance of the Class A and Class B pass-through certificates, which amounted to $844 million, are used to purchase equipment notes issued by United. Of the $844 million in proceeds raised by the pass-through trusts, United received $293 million as of December 31, 2012. United expects to receive the remaining proceeds from the issuance during the first seven months of 2013 as aircraft are delivered to the Company and United issues equipment notes to the trusts. The Company records the debt obligation upon issuance of the equipment notes rather than upon the initial issuance of the pass-through certificates. The proceeds have been and are expected to be used to fund the acquisition of new aircraft;
- In December 2012, United created one pass-through trust which issued $425 million aggregate principal amount of Class C pass-through certificates with a stated interest rate of 6.125%. The proceeds of the issuance of the Class C pass-through certificates are used to purchase equipment notes issued by United related to the aircraft financed in both the March and October 2012 EETC financings. Of the $425 million in proceeds raised by the pass-through trust, United received $278 million as of December 31, 2012. United expects to receive the remaining proceeds from the issuance during the first seven months of 2013 as aircraft are delivered to the Company and United issues equipment notes to the trust. The Company records the debt obligation upon issuance of the equipment notes rather than upon the initial issuance of the pass-through certificates;
- During the year ended December 31, 2012, the Company made debt and capital lease payments of $1.5 billion, including prepayments. These payments include $195 million related to United's Series 2002-1 EETCs; and
- In August 2012, the New Jersey Economic Development Authority (the "Authority") issued approximately $101 million of special facility revenue bonds (the "2012 Bonds") to provide funds for the defeasance of approximately $100 million of the Authority's previously issued and outstanding special facility revenue bonds maturing on September 15, 2012 (the "Refunded Bonds"). The Refunded Bonds were guaranteed by United and payable from certain rental payments made by United pursuant to two lease agreements between the Authority and United. The 2012 Bonds are payable from certain loan repayments made by United under a loan agreement between United and the Authority. The 2012 Bonds are recorded by the Company as unsecured long-term debt.

Significant financing events in 2011 were as follows:

- The Company entered into a $500 million Revolving Credit Facility with a syndicate of banks, led by Citibank, N.A., as administrative agent. The facility was undrawn at December 31, 2012 and has an expiration date of January 30, 2015. It is secured by take-off and landing slots at Newark Liberty International Airport, LaGuardia Airport and Reagan National Airport and certain other assets. The Company terminated its prior $255 million revolver under the Amended Credit Facility on December 21, 2011. As of December 31, 2012, the Company had all of its commitment capacity under the Revolving Credit Facility available for letters of credit or borrowings;
- During 2011, the Company made debt and capital lease payments of $2.6 billion. These payments include $150 million related to the repurchase of UAL's 5% Senior Convertible Notes and $570 million related to the repurchase of UAL's 4.5% Senior Limited-Subordination Convertible Notes; and
- The Company received $239 million in 2011 from its December 2010 pass-through trust financing. The proceeds were used to fund the acquisition of new aircraft and in the case of the currently owned aircraft, for general corporate purposes.

Significant financing events in 2010 were as follows:

- In January 2010, United issued $500 million of the Senior Secured Notes due 2013 and $200 million of the Senior Second Lien Notes due 2013, which were secured by United's route authority to operate between the United States and Japan and beyond Japan to points in other countries, certain airport takeoff and landing slots and airport gate leaseholds utilized in connection with these routes;
- In January 2010, United issued the remaining $1.3 billion in principal amount of the equipment notes relating to the Series 2009-1 and 2009-2 EETCs. Issuance proceeds of approximately $1.1 billion were used to repay the Series 2000-2 and 2001-1 EETCs and the remaining proceeds were used for general corporate purposes;
- In December 2010, United issued approximately $427 million of Series 2010-1 Class A and Class B pass-through certificates through two pass-through trusts. In December 2010, United issued $188 million in principal amount of equipment notes relating to its December 2010 pass-through trust financing. United used $90 million of the proceeds for general corporate purposes and $98 million of the proceeds to purchase three new Boeing 737 aircraft. The proceeds used to purchase the three new Boeing 737 aircraft were accounted for as a noncash investing and financing activity; and
- In 2010, United acquired six aircraft through the exercise of its lease purchase options. Aircraft lease deposits of $236 million provided financing cash that was primarily utilized by United to make the final payments due under these capital lease obligations.

For additional information regarding these matters and other liquidity events, see Notes 5, 14 and 15 to the financial statements included under Exhibit 99.3 of this Current Report on Form 8-K.

Credit Ratings. As of the filing date of this Current Report on Form 8-K, UAL had the following corporate credit ratings:

	S&P	Moody's	Fitch
UAL	B	B2	B

A separate credit rating did not previously exist for United. United Air Lines, Inc. and Continental's credit ratings were equivalent to UAL as of the filing date of the Form 10-K. These credit ratings are below investment grade levels. Downgrades from these rating levels, among other things, could restrict the availability and/or increase the cost of future financing for the Company.

Other Liquidity Matters

Below is a summary of additional liquidity matters. See the indicated notes to our consolidated financial statements included under Exhibit 99.3 of this Current Report on Form 8-K for additional details related to these and other matters affecting our liquidity and commitments.

Pension and other postretirement benefit obligations	Note 9
Hedging activities	Note 13
Long-term debt	Note 14
Operating leases	Note 15
Regional capacity purchase agreements	Note 15
Commitments and contingencies	Note 17

Covenants. Certain of the Company's financing agreements have covenants that impose certain operating and financial restrictions, as applicable, on the Company and its material subsidiaries.

Among other covenants, the Company and certain of its subsidiaries are guarantors under the Amended Credit Facility and are required to maintain the minimum of the following as set forth below:

Unrestricted cash balance at all times (as defined in the Amended Credit Facility)	$1.0 billion
Ratio of collateral value to debt obligations (that may increase if a specified dollar value of the route collateral is released)	1.5 to 1.0
Fixed charge coverage ratio for twelve month periods measured at the end of each calendar quarter	1.5 to 1.0

Additionally, the Revolving Credit Facility requires the Company to maintain the minimum of the following as set forth below:

Unrestricted liquidity at all times (includes unrestricted cash, short term investments and any undrawn amounts under any revolving credit facility)	$ 3.0 billion
Ratio of appraised value of collateral to the outstanding obligations under the Revolving Credit Facility	1.67 to 1.0

Among other covenants, the indenture governing United’s 6.75% Senior Secured Notes due 2015 (the “Senior Notes”) requires the issuer to maintain a minimum ratio of collateral value to debt obligations as of certain reference periods. If the value of the collateral underlying the Senior Notes declines such that United no longer maintains the minimum required ratio of collateral value to debt obligations, United may be required to pay additional interest at the rate of 2% per annum, provide additional collateral to secure the noteholders’ lien or repay a portion of the Senior Notes.

The amended and restated indenture for the New PBGC Notes, which are unsecured, contains covenants that, among other things, restrict the ability of UAL and its subsidiaries to incur additional indebtedness and pay dividends on or repurchase stock. These covenants cease to be in effect when the indenture covering the Senior Notes is discharged. However, if UAL at that time or thereafter has a series of public debt securities with a principal amount of $300 million or more that has the benefit of covenants that are substantially similar to those contained in the indenture for the New PBGC Notes, then subject to certain conditions and upon written request of the PBGC to the Company, the Company will use commercially reasonable efforts to amend the indenture for the New PBGC Notes to include such covenants.

A breach of certain of the covenants or restrictions contained in the Amended Credit Facility, the Revolving Credit Facility, the indenture governing the Senior Notes or certain other debt instruments could result in a default and a subsequent acceleration of the applicable debt obligations. The indenture governing the Senior Notes contains a cross-default provision that would be triggered if the Company were to fail to make payment when due with respect to certain obligations regarding frequent flyer miles purchased by Chase under United’s Co-Brand Agreement. The Revolving Credit Facility includes events of default customary for similar financings. In addition, the Amended Credit Facility and the Revolving Credit Facility contain cross-default and/or cross-acceleration provisions pursuant to which default and/or acceleration of certain other material indebtedness of the Company could result in a default under the Amended Credit Facility, the Revolving Credit Facility, or both.

United has agreements with financial institutions that process customer credit card transactions for the sale of air travel and other services. Under certain of United’s credit card processing agreements, the financial institutions either require, or under certain circumstances have the right to require, that United maintains a reserve equal to a portion of advance ticket sales that has been processed by that financial institution, but for which United has not yet provided the air transportation. Such financial institutions may require additional cash or other collateral reserves to be established or additional withholding of payments related to receivables collected if United does not maintain certain minimum levels of unrestricted cash, cash equivalents and short term investments. United’s current level of unrestricted cash, cash equivalents and short term investments is substantially in excess of these minimum levels.

Capital Commitments and Off-Balance Sheet Arrangements. The Company’s business is capital intensive, requiring significant amounts of capital to fund the acquisition of assets, particularly aircraft. In the past, the Company has funded the acquisition of aircraft through outright purchase, by issuing debt, by entering into capital or operating leases, or through vendor financings. The Company also often enters into long-term lease commitments with airports to ensure access to terminal, cargo, maintenance and other required facilities.

The table below provides a summary of the Company's material contractual obligations as of December 31, 2012 (in billions):

	2013	2014	2015	2016	2017	After 2017	Total
Long-term debt (a)	$1.8	$2.1	$2.0	$1.0	$0.5	$ 5.0	$12.4
Capital lease obligations—principal portion	0.1	0.1	0.1	0.1	0.1	0.4	0.9
Total debt and capital lease obligations	1.9	2.2	2.1	1.1	0.6	5.4	13.3
Interest on debt and capital lease obligations (b)	0.7	0.6	0.6	0.4	0.3	2.0	4.6
Aircraft operating lease obligations	1.5	1.5	1.2	1.0	0.9	1.4	7.5
Capacity purchase agreements (c)	1.8	1.6	1.4	1.2	1.2	2.3	9.5
Other operating lease obligations	1.1	1.0	0.8	0.7	0.7	5.4	9.7
Postretirement obligations (d)	0.1	0.1	0.2	0.2	0.2	0.9	1.7
Pension obligations (e)	0.2	0.1	0.2	0.2	0.2	1.2	2.1
Capital purchase obligations (f)	1.8	1.5	2.0	3.0	2.5	7.1	17.9
Total contractual obligations	$9.1	$8.6	$8.5	$7.8	$6.6	$25.7	$66.3

(a) Long-term debt presented in the Company's financial statements is net of a $152 million debt discount which is being amortized over the debt terms. Contractual payments are not net of the debt discount. Contractual long-term debt includes $83 million of non-cash obligations as these debt payments are made directly to the creditor by a company that leases three aircraft from United. The creditor's only recourse to United is repossession of the aircraft.

(b) Includes interest portion of capital lease obligations of $92 million in 2013, $81 million in 2014, $63 million in 2015, $57 million in 2016, $37 million in 2017 and $210 million thereafter. Future interest payments on variable rate debt are estimated using estimated future variable rates based on a yield curve.

(c) Represents our estimates of future minimum noncancelable commitments under our capacity purchase agreements and does not include the portion of the underlying obligations for aircraft and facility rent that is disclosed as part of aircraft and nonaircraft operating leases. Amounts also exclude a portion of United's capital lease obligation recorded for certain of its capacity purchase agreements. See Note 15 to the financial statements included under Exhibit 99.3 of this Current Report on Form 8-K for the significant assumptions used to estimate the payments.

(d) Amounts represent postretirement benefit payments, net of subsidy receipts, through 2022. Benefit payments approximate plan contributions as plans are substantially unfunded.

(e) Represents estimate of the minimum funding requirements as determined by government regulations for United's material plans. Amounts are subject to change based on numerous assumptions, including the performance of assets in the plan and bond rates. See *Critical Accounting Policies*, below, for a discussion of our assumptions regarding United's pension plans.

(f) Represents contractual commitments for firm order aircraft and spare engines only, net of previously paid purchase deposits, and noncancelable commitments to purchase goods and services, primarily information technology support. See Note 17 to the financial statements included under Exhibit 99.3 of this Current Report on Form 8-K for a discussion of our purchase commitments.

Contingencies

EETCs.

In October 2012, United created two pass-through trusts, one of which issued $712 million aggregate principal amount of Class A pass-through certificates with a stated interest rate of 4% and the second of which issued $132 million aggregate principal amount of Class B pass-through certificates with a stated interest rate of 5.5%. The proceeds of the issuance of the Class A and Class B pass-through certificates, which amounted to $844 million, are used to purchase equipment notes issued by United. Of the $844 million in proceeds raised by the pass-through trusts, United received $293 million as of December 31, 2012. United expects to receive the remaining proceeds from the issuance during the first seven months of 2013 as aircraft are delivered to the Company and United issues equipment notes to the trusts. The Company records the debt obligation upon issuance of the equipment notes rather than upon the initial issuance of the pass-through certificates. The proceeds have been and are expected to be used to fund the acquisition of new aircraft.

In December 2012, United created one pass-through trust which issued $425 million aggregate principal amount of Class C pass-through certificates with a stated interest rate of 6.125%. The proceeds of the issuance of the Class C pass-through certificates are used to purchase equipment notes issued by United related to the aircraft financed in both the March and October 2012 EETC financings. Of the $425 million in proceeds raised by the pass-through trusts, United had received $278 million as of December 31, 2012. United expects to receive the remaining proceeds from the issuance during the first seven months of 2013 as aircraft are delivered to the Company and United issues equipment notes to the trusts. The Company records the debt obligation upon issuance of the equipment notes rather than upon the initial issuance of the pass-through certificates.

The Company evaluated whether the pass-through trusts formed are variable interest entities ("VIEs") required to be consolidated by the Company under applicable accounting guidance, and determined that the pass-through trusts are VIEs. The Company determined that it does not have a variable interest in the pass-through trusts. The Company does not invest in or obtain a financial interest in the pass-through trusts. Rather, United has an obligation to make interest and principal payments on its equipment notes held by the pass-through trusts. The Company did not intend to have any voting or non-voting equity interest in the pass-through trusts or to absorb variability from the pass-through trusts. Based on this analysis, the Company determined that it is not required to consolidate the pass-through trusts.

Legal and Environmental. The Company has certain contingencies resulting from litigation and claims incident to the ordinary course of business. Management believes, after considering a number of factors, including (but not limited to) the information currently available, the views of legal counsel, the nature of contingencies to which the Company is subject and prior experience, that the ultimate disposition of the litigation and claims will not materially affect the Company's consolidated financial position or results of operations. The Company records liabilities for legal and environmental claims when a loss is probable and reasonably estimable. These amounts are recorded based on the Company's assessments of the likelihood of their eventual disposition.

Many aspects of the Company's operations are subject to increasingly stringent federal, state and local and international laws protecting the environment. Future environmental regulatory developments, such as climate change regulations in the U.S. and abroad, could adversely affect operations and increase operating costs in the airline industry.

There are certain laws and regulations relating to climate change that apply to the Company, including the European Union Emissions Trading Scheme (which is subject to international dispute), environmental taxes for certain international flights (including the United Kingdom's Air Passenger Duty and Germany's departure ticket tax), limited greenhouse gas reporting requirements, and the State of California's cap and trade regulations (which impacts the Company's San Francisco maintenance center). In addition, there are land-based planning laws that could apply to airport expansion projects, requiring a review of greenhouse gas emissions, and could affect airlines in certain circumstances.

Off-Balance Sheet Arrangements. An off-balance sheet arrangement is any transaction, agreement or other contractual arrangement involving an unconsolidated entity under which a company has (1) made guarantees, (2) a retained or a contingent interest in transferred assets, (3) an obligation under derivative instruments classified as equity, or (4) any obligation arising out of a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support, or that engages in leasing, hedging or research and development arrangements. The Company's primary off-balance sheet arrangements include operating leases, which are summarized in the contractual obligations table in *Capital Commitments and Off-Balance Sheet Arrangements,* above, and certain municipal bond obligations, as discussed below.

As of December 31, 2012, United had cash collateralized $77 million of letters of credit, most of which had previously been issued under the Amended Credit Facility. United also had $367 million of performance bonds and letters of credit relating to various real estate, customs and aircraft financing obligations at December 31, 2012. Most of the letters of credit have evergreen clauses and are expected to be renewed on an annual basis and the performance bonds have expiration dates through 2016.

As of December 31, 2012, 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 a majority of these obligations are accounted for as operating leases and are not recorded in the Company's financial statements. The leasing arrangements associated with a minority of these obligations are accounted for as capital leases. The annual lease payments for those obligations accounted for as operating leases are included in the operating lease payments in the contractual obligations table in *Capital Commitments and Off-Balance Sheet Arrangements,* above.

Increased Cost Provisions. 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 LIBOR, 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 certain mitigation obligations of the lenders. At December 31, 2012, the Company had $2.6 billion of floating rate debt and $347 million of fixed rate debt, with remaining terms of up to ten 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 nine years and an aggregate balance of $2.8 billion, we bear 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.

Fuel Consortia. United participates in numerous fuel consortia with other carriers at major airports to reduce the costs of fuel distribution and storage. Interline agreements govern the rights and responsibilities of the consortia members and provide for the allocation of the overall costs to operate the consortia based on usage. The consortia (and in limited cases, the participating carriers) have entered into long-term agreements to lease certain airport fuel storage and distribution facilities that are typically financed through tax-exempt bonds (either special facilities lease revenue bonds or general airport revenue bonds), issued by various local municipalities. In general, each consortium lease agreement requires the consortium to make lease payments in amounts sufficient to pay the maturing principal and interest payments on the bonds. As of December 31, 2012, approximately $1.3 billion principal amount of such bonds were secured by significant fuel facility leases in which United participates, as to which United and each of the signatory airlines have provided indirect guarantees of the debt. As of December 31, 2012, the

Company’s contingent exposure was approximately $259 million principal amount of such bonds based on its recent consortia participation. The Company’s contingent exposure could increase if the participation of other air carriers decreases. The guarantees will expire when the tax-exempt bonds are paid in full, which range from 2014 to 2041. The Company did not record a liability at the time these indirect guarantees were made.

Critical Accounting Policies

Critical accounting policies are defined as those that are affected by significant judgments and uncertainties which potentially could result in materially different accounting under different assumptions and conditions. The Company has prepared the financial statements in conformity with U.S. generally accepted accounting principles, which requires management to make estimates and assumptions that affect the reported amounts in the financial statements. Actual results could differ from those estimates under different assumptions or conditions. The Company has identified the following critical accounting policies that impact the preparation of the financial statements.

Passenger Revenue Recognition. The value of unused passenger tickets is included in current liabilities as advance ticket sales. The Company records passenger ticket sales and tickets sold by other airlines for use on United as passenger revenue when the transportation is provided or upon estimated breakage. Tickets sold by other airlines are recorded at the estimated values to be billed to the other airlines. Non-refundable tickets generally expire on the date of the intended flight, unless the date is extended by notification from the customer on or before the intended flight date.

Fees charged in association with changes or extensions to non-refundable tickets are recorded as other revenue at the time the fee is incurred. The fare on the changed ticket, including any additional collection, is deferred and recognized in accordance with our transportation revenue recognition policy at the time the transportation is provided. Change fees related to non-refundable tickets are considered a separate transaction from the air transportation because they represent a charge for the Company’s additional service to modify a previous sale. Therefore, the pricing of the change fee and the initial customer order are separately determined and represent distinct earnings processes. Refundable tickets expire after one year.

The Company records an estimate of breakage revenue for tickets that will expire in twelve months without usage. These estimates are based on the evaluation of actual historical results. The Company recognizes cargo and other revenue as service is provided. See separate discussion in *Frequent Flyer Accounting*, below.

Frequent Flyer Accounting

Frequent Flyer Accounting. The Company has a frequent flyer program that is designed to increase customer loyalty. Program participants earn mileage credits (“miles”) by flying on United and certain other participating airlines. Program participants can also earn miles through purchases from other non-airline partners that participate in the Company’s loyalty program. We sell miles to these partners, which include credit card issuers, retail merchants, hotels, car rental companies and our participating airline partners. Miles can be redeemed for free, discounted or upgraded air travel and non-travel awards. The Company records its obligation for future award redemptions using a deferred revenue model.

Miles Earned in Conjunction with Flights. In the case of the sale of air services, the Company recognizes a portion of the ticket sales as revenue when the air transportation occurs and defers a portion of the ticket sale representing the value of the related miles.

In accordance with ASU 2009-13, the Company determines the estimated selling price of the air transportation and miles as if each element is sold on a separate basis. The total consideration from each ticket sale is then allocated to each of these elements individually on a pro rata basis. The Company revised the estimated selling price of miles as a prospective change in estimate, effective January 1, 2012, and it is based on the price we sell miles to Star Alliance partners in our reciprocal frequent flyer agreements as the best estimate of selling price for these miles. Any changes to the composition of Star Alliance airline partners may result in the existing estimated selling price of air transportation miles no longer being representative of the best estimate of selling price and could result in a change to the amount and method we use to determine the estimated selling price. On February 14, 2013, US Airways announced an agreement to merge with AMR Corporation and its intent to exit Star Alliance as a result of such merger. We are currently unable to estimate the timing or amount of any changes to estimated selling price as a result of this merger.

Co-branded Credit Card Partner Mileage Sales. United also has a significant contract to sell frequent flyer miles to its co-branded credit card partner, Chase. In June 2011, this contract was modified and United entered into the Co-Brand Agreement with Chase. United identified five revenue elements in the Co-Brand Agreement: the air transportation element represented by the value of the mile (generally resulting from its redemption for future air transportation); use of the United brand and access to frequent flyer member lists; advertising; baggage services; and airport lounge usage (together, excluding “the air transportation element”, the “marketing-related deliverables”).

The fair value of the elements is determined using management's estimated selling price of each element. The objective of using the estimated selling price based methodology is to determine the price at which we would transact a sale if the product or service were sold on a stand-alone basis. Accordingly, we determine our best estimate of selling price by considering multiple inputs and methods including, but not limited to, discounted cash flows, brand value, volume discounts, published selling prices, number of miles awarded and number of miles redeemed. The Company estimated the selling prices and volumes over the term of the Co-Brand Agreement in order to determine the allocation of proceeds to each of the multiple elements to be delivered.

The estimated selling price of miles calculated is generally consistent with the methodology as described above in *Miles Earned in Conjunction with Flights*. The Company calculates its estimated selling price for miles based on the rate at which we sell miles to our Star Alliance partners participating in reciprocal frequent flyer programs as the estimated selling price for miles. Management prospectively applied this change in estimate effective January 1, 2012. The financial impact of this change in estimate in 2012 was substantially offset by the Company's change in estimate of its breakage for a portion of its miles, which were previously not subject to an expiration policy. The Company accounts for miles sold and awarded that will never be redeemed by program members, which we referred to as "breakage," using the redemption method. The Company reviews its breakage estimates annually based upon the latest available information regarding redemption and expiration patterns. The revised estimates to breakage in 2012 increased the estimate of miles in the population that are expected to ultimately expire.

The Company's estimate of the expected expiration of miles requires significant management judgment. Current and future changes to expiration assumptions or to the expiration policy, or to program rules and program redemption opportunities, may result in material changes to the deferred revenue balance as well as recognized revenues from the programs.

The Company records passenger revenue related to the air transportation element when the transportation is delivered. The other elements are generally recognized as other operating revenue when earned.

The annual impact of adopting ASU 2009-13 on operating revenue will decrease over time. Our ability to project the annual decline for each year is significantly impacted by credit card sales volumes, frequent flyer redemption patterns, and other factors.

The following table summarizes information related to the Company's frequent flyer deferred revenue liability:

Frequent flyer deferred revenue at December 31, 2012 (in millions)	$5,120
% of miles earned expected to expire or go unredeemed	24%
Impact of 1% change in outstanding miles or weighted average ticket value on deferred revenue (in millions)	$ 79

Goodwill and Indefinite-lived Intangible Assets. Goodwill and indefinite-lived intangible assets are not amortized but are reviewed for impairment annually, as of October 1, or more frequently if events or circumstances indicate that the asset may be impaired. Long-lived assets are amortized over their estimated useful lives and are reviewed for impairment whenever an indicator of impairment exists.

Goodwill represents the excess purchase price over the fair value of the assets acquired and liabilities assumed in the Merger. All goodwill and other purchase accounting adjustments have been pushed down to United's financial statements.

Goodwill is measured for impairment by initially comparing the fair value of the reporting unit to its carrying value, including goodwill. If the fair value of the reporting unit is less than the carrying value, a second step is performed to determine the implied fair value of goodwill. If the implied fair value of goodwill is lower than its carrying value, an impairment charge equal to the difference is recorded.

The Company has one consolidated reporting unit. In 2012, the Company estimated the fair value of the consolidated reporting unit using both an income and a market approach. The income approach computes fair value by discounting future cash flows of the business and is dependent on a number of critical management assumptions including estimates of future capacity, passenger yield, traffic, operating costs (including fuel prices), appropriate discount rates and other relevant assumptions. The market approach computes fair value by adding a control premium to the Company's market capitalization. The Company's fair value exceeded its carrying value under both approaches, and no goodwill impairment was recorded in 2012.

The Company's indefinite-lived intangible assets include certain international route authorities, take-off and landing slots at various airports, airline partner alliances and the United trade name and logo. The fair values of the assets for purposes of the annual impairment test were determined using the market and income approaches. The fair value measurements were primarily based on significant inputs that are not observable in the market. We utilized the market approach to value certain intangible assets such as airport take-off and landing slots when sufficient market information was available. The income approach was primarily used to value the international route authorities, airline partner alliances, the United trade name and logo, and certain airport take-off and landing slots. The income approach indicates value for a subject asset based on the present value of cash flows projected to be generated by the asset. Projected cash flows are discounted at a required market rate of return that reflects the relative risk of achieving the cash flows and the time value of money.

The Company recorded impairment charges for indefinite-lived intangible assets of $30 million, $4 million and $29 million during the years ended December 31, 2012, 2011 and 2010, respectively. During 2012 and 2011, the Company recorded impairment charges of $30 million and $4 million, respectively, on certain intangible assets related to European take-off and landing slots to reflect the estimated fair value of these assets as part of its annual impairment test of indefinite-lived intangible assets. In 2010, the Company recorded a $29 million impairment of its Brazil routes primarily due to the open skies agreement between the United States and Brazil which may result in a decrease in revenue from these routes.

Long-Lived Assets. The net book value of operating property and equipment for the Company was $17.3 billion and $16.4 billion at December 31, 2012 and 2011, respectively. The assets' recorded value is impacted by a number of accounting policy elections, including the estimation of useful lives and residual values and, when necessary, the recognition of asset impairment charges.

The Company records assets acquired, including aircraft, at acquisition cost. Depreciable life is determined through economic analysis, such as reviewing existing fleet plans, obtaining appraisals and comparing estimated lives to other airlines that operate similar fleets. As aircraft technology has improved, useful life has increased and the Company has generally estimated the lives of those aircraft to be 30 years. Residual values are estimated based on historical experience with regard to the sale of both aircraft and spare parts and are established in conjunction with the estimated useful lives of the related fleets. Residual values are based on when the aircraft are acquired and typically reflect asset values that have not reached the end of their physical life. Both depreciable lives and residual values are revised periodically as facts and circumstances arise to recognize changes in the Company's fleet plan and other relevant information. A one-year increase in the average depreciable life of the Company's flight equipment would reduce annual depreciation expense on flight equipment by approximately $50 million.

The Company evaluates the carrying value of long-lived assets and intangible assets subject to amortization whenever events or changes in circumstances indicate that an impairment may exist. For purposes of this testing, the Company has generally identified the aircraft fleet type as the lowest level of identifiable cash flows for purposes of testing aircraft for impairment. An impairment charge is recognized when the asset's carrying value exceeds its net undiscounted future cash flows and its fair market value. The amount of the charge is the difference between the asset's carrying value and fair market value.

Defined Benefit Plan Accounting. We sponsor defined benefit pension plans for eligible employees and retirees. The most critical assumptions impacting our defined benefit pension plan obligations and expenses are the weighted average discount rate and the expected long-term rate of return on the plan assets.

United's pension plans' under-funded status was $2.4 billion at December 31, 2012. Funding requirements for tax-qualified defined benefit pension plans are determined by government regulations. We estimate that our minimum funding requirements during 2013 is approximately $217 million. The fair value of the plans' assets was $2.2 billion at December 31, 2012.

When calculating pension expense for 2013, the Company assumed that its plans' assets would generate a long-term rate of return of 7.54%. The expected long-term rate of return assumption was developed based on historical experience and input from the trustee managing the plans' assets. The expected long-term rate of return on plan assets is based on a target allocation of assets, which is based on a goal of earning the highest rate of return while maintaining risk at acceptable levels. Our projected long-term rate of return is slightly higher than some market indices due to the active management of our plans' assets, and is supported by the historical returns on our plans' assets. The plans strive to have assets sufficiently diversified so that adverse or unexpected results from one security class will not have an unduly detrimental impact on the entire portfolio. We regularly review actual asset allocation and the pension plans' investments are periodically rebalanced to the targeted allocation when considered appropriate.

The defined benefit pension plans' assets consist of return generating investments and risk mitigating investments which are held through direct ownership or through interests in common collective trusts. Return generating investments include primarily equity securities, fixed-income securities and alternative investments (e.g. private equity and hedge funds). Risk mitigating investments include primarily U.S. government and investment grade corporate fixed-income securities. The allocation of assets was as follows at December 31, 2012:

	Percent of Total	Expected Long-Term Rate of Return
Equity securities	47.9%	9.5%
Fixed-income securities	28.3	6.0
Alternatives	18.3	7.3
Other	5.5	3.8

Pension expense increases as the expected rate of return on plan assets decreases. Lowering the expected long-term rate of return on plan assets by 50 basis points (from 7.54% to 7.04%) would increase estimated 2013 pension expense by approximately $15 million.

Future pension obligations for United's plans were discounted using a weighted average rate of 4.19% at December 31, 2012. The Company selected the 2012 discount rate for each of its plans by using a hypothetical portfolio of high quality bonds at December 31, 2012 that would provide the necessary cash flows to match the projected benefit payments.

The pension liability and future pension expense both increase as the discount rate is reduced. Lowering the discount rate by 50 basis points (from 4.19% to 3.69%) would increase the pension liability at December 31, 2012 by approximately $470 million and increase the estimated 2013 pension expense by approximately $60 million.

Future changes in plan asset returns, plan provisions, assumed discount rates, pension funding law and various other factors related to the participants in our pension plans will impact our future pension expense and liabilities. We cannot predict with certainty what these factors will be in the future.

Actuarial gains or losses are triggered by changes in assumptions or experience that differ from the original assumptions. Under the applicable accounting standards for defined benefit pension plans, those gains and losses are not required to be recognized currently as pension benefit expense, but instead may be deferred as part of accumulated other comprehensive income and amortized into expense over the average remaining service life of the covered active employees. All gains and losses in accumulated other comprehensive income are amortized to expense over the remaining years of service of the covered active employees. At December 31, 2012 and 2011, the Company had unrecognized actuarial losses for pension benefit plans of $826 million and $231 million, respectively, recorded in accumulated other comprehensive income.

Other Postretirement Benefit Plan Accounting. United's postretirement plan provides certain health care benefits, primarily in the U.S., to retirees and eligible dependents, as well as certain life insurance benefits to certain retirees reflected as "Other Benefits." United also has retiree medical programs that permit retirees who meet certain age and service requirements to continue medical coverage between retirement and Medicare eligibility. Eligible employees are required to pay a portion of the costs of their retiree medical benefits, which in some cases may be offset by accumulated unused sick time at the time of their retirement. Plan benefits are subject to co-payments, deductibles, and other limits as described in the plans.

The Company accounts for other postretirement benefits by recognizing the difference between plan assets and obligations, or the plan's funded status, in its financial statements. Other postretirement benefit expense is recognized on an accrual basis over employees' approximate service periods and is generally calculated independently of funding decisions or requirements. United has not been required to pre-fund its plan obligations, which has resulted in a significant net obligation, as discussed below.

The Company's benefit obligation was $2.7 billion and $2.5 billion for the other postretirement benefit plans at December 31, 2012 and 2011, respectively. The year-over-year increase is due to changes in the assumptions used to value the obligation for United's plan, such as the decrease in the discount rate.

The calculation of other postretirement benefit expense and obligations requires the use of a number of assumptions, including the assumed discount rate for measuring future payment obligations and the health care cost trend rate. The Company determines the appropriate discount rate for each of the plans based on current rates on high quality corporate bonds that would generate the cash flow necessary to pay plan benefits when due. The Company's weighted average discount rate to determine its benefit obligations as of December 31, 2012 was 4.12%, as compared to 4.91% for December 31, 2011. The health care cost trend rate assumed for 2012 was 7%, as compared to assumed trend rate for 2013 of 6.8%, declining to 5% in 2020. A 1% increase in assumed health care trend rates would increase the Company's total service and interest cost for the year ended December 31, 2012 by $22 million; whereas, a 1% decrease in assumed health care trend rates would decrease the Company's total service and interest cost for the year ended December 31, 2012 by $18 million, respectively. A one percentage point decrease in the weighted average discount rate would increase the Company's postretirement benefit liability by approximately $336 million and increase the estimated 2012 benefits expense by approximately $23 million.

Actuarial gains or losses are triggered by changes in assumptions or experience that differ from the original assumptions. Under the applicable accounting standards for postretirement welfare benefit plans, those gains and losses are not required to be recognized currently as other postretirement expense, but instead may be deferred as part of accumulated other comprehensive income and amortized into expense over the average remaining service life of the covered active employees. All gains and losses in accumulated other comprehensive income are amortized to expense over the remaining years of service of the covered active employees. At December 31, 2012 and 2011, the Company had unrecognized actuarial gains/(losses) for postretirement welfare benefit plans of $(79) million and $33 million, respectively, recorded in accumulated other comprehensive income.

Income Taxes

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income (including the reversals of deferred tax liabilities) during the periods in which those deferred tax assets will become deductible. The Company's management assesses available positive and negative evidence regarding the realizability of its deferred tax assets and records a valuation allowance when it is more likely than not that deferred tax assets will not be realized. To form a conclusion, management considers positive evidence in the form of reversing temporary differences, projections of future taxable income and tax planning strategies, and negative evidence such as recent history of losses. Although the Company was no longer in a three-year cumulative loss position at the end of 2012, management determined that the loss in 2012, the overall modest level of cumulative pretax income in the three years ended December 31, 2012 of 0.4% of total revenues in that period and the uncertainty associated with projecting future taxable income supported the conclusion that the valuation allowance was still necessary on net deferred assets. As a result of the loss sustained in 2012 and the need to complete final integration activities that produce synergies and overcome cost increases from new labor agreements, management's position is that sufficient positive evidence to support a reversal of the remaining valuation allowance does not exist and has retained a full valuation allowance on its deferred tax assets. Management will continue to evaluate future financial performance, as well as the impacts of special charges on such performance, to determine whether such performance provides sufficient evidence to support reversal of the valuation allowance.

Forward-Looking Information

Certain statements throughout Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, and elsewhere in this Current Report on Form 8-K are forward-looking and thus reflect the Company's current expectations and beliefs with respect to certain current and future events and financial performance. Such forward-looking statements are and will be subject to many risks and uncertainties relating to the Company's 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" and similar expressions are intended to identify forward-looking statements.

Additionally, forward-looking statements include statements which 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 Current Report on Form 8-K are based upon information available to the Company on the date of this Current Report on Form 8-K. The Company undertakes 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.

The Company's actual results could differ materially from these forward-looking statements due to numerous factors including, without limitation, the following: its ability to comply with the terms of its various financing arrangements; the costs and availability of financing; its ability to maintain adequate liquidity; its ability to execute its operational plans; its ability to control its costs, including realizing benefits from its resource optimization efforts, cost reduction initiatives and fleet replacement programs; its ability to utilize its net operating losses; its ability to attract and retain customers; demand for transportation in the markets in which it operates; 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); 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 the Company has alliances or partnerships to provide the services contemplated by the respective arrangements with such carriers; the costs and availability of aviation and other insurance; industry consolidation or changes in airline alliances; competitive pressures on pricing and demand; its capacity decisions and the capacity decisions of its competitors; U.S. or foreign governmental legislation, regulation and other actions; labor costs; its ability to maintain satisfactory labor relations and the results of the collective bargaining agreement process with its union groups; any disruptions to operations due to any potential actions by its labor groups; weather conditions; the possibility that expected Merger synergies will not be realized or will not be realized within the expected time period; and other risks and uncertainties set forth under Item 1A., *Risk Factors*, of the Company's Annual Report on Form 10-K for the year ended December 31, 2012, as well as other risks and uncertainties set forth from time to time in the reports the Company files with the SEC.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rates. Our net income (loss) is affected by fluctuations in interest rates (e.g. interest expense on variable-rate debt and interest income earned on short-term investments). The Company's policy is to manage interest rate risk through a combination of fixed and variable rate debt. The following table summarizes information related to the Company's interest rate market risk at December 31 (in millions):

	2012		2011	
	UAL	United	UAL	United
Variable rate debt				
Carrying value of variable rate debt at December 31	$ 2,869	$2,869	$3,280	$3,280
Impact of 100 basis point increase on projected interest expense for the following year	25	25	31	31
Fixed rate debt				
Carrying value of fixed rate debt at December 31	9,383	8,981	8,402	7,993
Fair value of fixed rate debt at December 31	10,569	9,610	8,996	8,137
Impact of 100 basis point increase in market rates on fair value	(349)	(348)	(272)	(269)

A change in market interest rates would also impact interest income earned on our cash, cash equivalents and short-term investments. Assuming our cash, cash equivalents and short-term investments remain at their average 2012 levels, a 100 basis point increase in interest rates would result in a corresponding increase in the Company's interest income of approximately $74 million during 2013.

Commodity Price Risk (Aircraft Fuel). The availability and price of aircraft fuel significantly affects the Company's operations, results of operations, financial position and liquidity.

To protect against increases in the prices of aircraft fuel, the Company routinely hedges a portion of its future fuel requirements. The Company generally uses financial hedge instruments including fixed price swaps, purchased call options, and commonly used combinations using put and call options including collars (sold put option combined with purchased call option) and three-ways (sold put option combined with purchased call option and a higher strike sold call option). These hedge instruments are generally based on aircraft fuel or closely related commodities including heating oil, diesel fuel and crude oil.

Some financial hedge contracts may result in losses if the underlying commodity prices drop below specified floor prices. However, the negative impact of these losses may be outweighed by the benefit of lower aircraft fuel cost since the Company typically hedges only a portion of its future fuel requirements. The Company does not enter into hedge instruments for trading purposes.

If fuel prices decline significantly from the levels existing at the time we enter into a hedge contract, we may be required to post collateral (margin) with our hedge counterparties. The Company frequently monitors this margin risk and assesses the potential of posting collateral with each of its counterparties. At times, when the fair market value of the Company's hedge contracts is net positive to the Company, it is exposed to the event of non-performance by the counterparty to the hedge contract. The Company periodically monitors the credit worthiness of its counterparties and limits its exposure to any single counterparty.

The Company may adjust its hedging program based on changes in market conditions. The following table summarizes information related to the Company's cost of fuel and hedging (in millions, except percentages):

Fuel Costs	
In 2012, fuel cost as a percent of total operating expenses (a)	36%
Impact of $1 increase in price per barrel of aircraft fuel on annual fuel expense (b)	$ 94
Fuel Hedges	
Asset fair value at December 31, 2012 (c)	$ 46
Impact of a concurrent 10% decrease in forward prices of the underlying commodities on the value of fuel hedges (d)	$(148)
Collateral the Company would be required to post with fuel hedge counterparties upon a concurrent 10% decrease in forward prices of the underlying commodities of fuel hedges (e)	$ 11

(a) Includes related taxes and excludes hedging impacts and special charges. In 2011, the Company's fuel cost was 37% of total operating expenses.
(b) Based on 2013 projected fuel consumption. Does not include the impact of fuel hedges.
(c) As of December 31, 2011, the net fair value of the Company's fuel hedges was $73 million.
(d) Based on fuel hedge positions at December 31, 2012.
(e) Assumes instantaneous change in prices and includes margin related to some hedge positions beyond December 31, 2013; approximately 2% for 2014.

As of December 31, 2012, the Company had hedged approximately 31% and 2% of its projected fuel requirements (1.2 billion and 63 million gallons, respectively) for 2013 and 2014, respectively, with commonly used financial hedge instruments based on aircraft fuel or closely related commodities, such as heating oil, diesel fuel and crude oil.

The fuel hedge portfolio is comprised of many individual hedge 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 hedge portfolio on the Company's 2013 fuel costs given significant moves (up to +/-20%) in market fuel prices from December 31, 2012 (in millions).

	Year ended December 31, 2013 (in $ per gallon)		
Change in market fuel prices (a)	**(Increase) decrease to unhedged fuel cost (b)**	**Hedge gain (loss) (c)**	**Net (increase) decrease to fuel cost**
20%	(0.60)	0.08	(0.52)
10%	(0.30)	0.06	(0.24)
(10)%	0.30	(0.01)	0.29
(20)%	0.60	(0.06)	0.54

(a) Projected using equal shifts in spot and forward prices for aircraft fuel and all commodities (heating oil, diesel, crude oil) underlying hedge contracts from December 31, 2012 levels.
(b) Projections based on estimated consumption of four billion gallons and a price of $2.98 per gallon, excluding taxes and other delivery costs.
(c) Cash gain/(loss), including premiums, on existing hedges as of December 31, 2012. Includes all hedges whether or not the hedges are designated for hedge accounting.

Foreign Currency. 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 and Japanese yen. At times, the Company uses derivative financial instruments to hedge its exposure to foreign currency. The Company does not enter into derivative instruments for non-risk management purposes.

The result of a uniform 10 percent strengthening in the value of the U.S. dollar from December 31, 2012 levels relative to each of the currencies in which the Company has foreign currency exposure would result in a decrease in pre-tax income of approximately $291 million for the year ending December 31, 2013. This sensitivity analysis was prepared based upon projected 2013 foreign currency-denominated revenues and expenses as of December 31, 2012.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
United Continental Holdings, Inc.

We have audited the accompanying consolidated balance sheets of United Continental Holdings, Inc. (the "Company") as of December 31, 2012 and December 31, 2011, and the related statements of consolidated operations, comprehensive income (loss), cash flows, and stockholders' equity (deficit) for each of the three years in the period ended December 31, 2012. Our audits also included the financial statement schedule included in Exhibit 99.5 of this Current Report on Form 8-K. These financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2012 and December 31, 2011, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, the Company has changed its method of accounting for multiple deliverable revenue recognition as a result of the adoption of the amendments to the FASB Accounting Standards Codification resulting from Accounting Standards Update No. 2009-13, Multiple Deliverable Revenue Arrangements, effective January 1, 2011.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 25, 2013, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Chicago, Illinois
February 25, 2013

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholder of
United Airlines, Inc.

We have audited the accompanying consolidated balance sheets of United Airlines, Inc. (the "Company") as of December 31, 2012 and December 31, 2011, and the related statements of consolidated operations, comprehensive income (loss), cash flows, and stockholder's deficit for each of the three years in the period ended December 31, 2012. Our audits also included the financial statement schedule included in Exhibit 99.5 of this Current Report on Form 8-K. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2012 and December 31, 2011, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

The consolidated financial statements give retroactive effect to the merger of United Air Lines, Inc. and Continental Airlines, Inc. on March 31, 2013, which has been accounted for at historical cost as a combination of entities under common control for all periods presented, as described in the notes to the consolidated financial statements.

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for multiple deliverable revenue recognition as a result of the adoption of the amendments to the FASB Accounting Standards Codification resulting from Accounting Standards Update No. 2009-13, Multiple Deliverable Revenue Arrangements, effective January 1, 2011.

/s/ Ernst & Young LLP

Chicago, Illinois
April 25, 2013

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

	Year Ended December 31,		
	2012	2011	2010
Operating revenue:			
Passenger—Mainline	$25,804	$25,975	$16,019
Passenger—Regional	6,779	6,536	4,217
Total passenger revenue	32,583	32,511	20,236
Cargo	1,018	1,167	832
Special revenue item	—	107	—
Other operating revenue	3,551	3,325	2,257
	37,152	37,110	23,325
Operating expense:			
Aircraft fuel	13,138	12,375	6,687
Salaries and related costs	7,945	7,652	5,002
Regional capacity purchase	2,470	2,403	1,812
Landing fees and other rent	1,929	1,928	1,307
Aircraft maintenance materials and outside repairs	1,760	1,744	1,115
Depreciation and amortization	1,522	1,547	1,079
Distribution expenses	1,352	1,435	912
Aircraft rent	993	1,009	500
Special charges	1,323	592	669
Other operating expenses	4,681	4,603	3,266
	37,113	35,288	22,349
Operating income	39	1,822	976
Nonoperating income (expense):			
Interest expense	(835)	(949)	(798)
Interest capitalized	37	32	15
Interest income	23	20	15
Miscellaneous, net	12	(80)	45
	(763)	(977)	(723)
Income (loss) before income taxes	(724)	845	253
Income tax expense (benefit)	(1)	5	—
Net income (loss)	$ (723)	$ 840	$ 253
Earnings (loss) per share, basic	$ (2.18)	$ 2.54	$ 1.22
Earnings (loss) per share, diluted	$ (2.18)	$ 2.26	$ 1.08

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

UNITED CONTINENTAL HOLDINGS, INC.
STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME (LOSS)
(In millions)

	Year Ended December 31,		
	2012	2011	2010
Net income (loss)	$ (723)	$ 840	$253
Other comprehensive income (loss), net:			
Fuel derivative financial instruments:			
Reclassification into earnings	141	(503)	68
Change in fair value	(51)	163	168
Employee benefit plans:			
Net change related to employee benefit plans	(730)	(464)	95
Investments and other	11	—	21
	(629)	(804)	352
Total comprehensive income (loss), net	$(1,352)	$ 36	$605

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

UNITED CONTINENTAL HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS
(In millions, except shares)

	At December 31, 2012	At December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,770	$ 6,246
Short-term investments	1,773	1,516
Total unrestricted cash, cash equivalents and short-term investments	6,543	7,762
Restricted cash	65	40
Receivables, less allowance for doubtful accounts (2012—$13; 2011—$7)	1,338	1,358
Aircraft fuel, spare parts and supplies, less obsolescence allowance (2012—$125; 2011—$89)	695	615
Deferred income taxes	543	615
Prepaid expenses and other	865	607
	10,049	10,997
Operating property and equipment:		
Owned—		
Flight equipment	17,561	15,786
Other property and equipment	3,269	3,126
	20,830	18,912
Less—Accumulated depreciation and amortization	(5,006)	(4,005)
	15,824	14,907
Purchase deposits for flight equipment	462	382
Capital leases—		
Flight equipment	1,484	1,458
Other property and equipment	235	237
	1,719	1,695
Less—Accumulated amortization	(713)	(565)
	1,006	1,130
	17,292	16,419
Other assets:		
Goodwill	4,523	4,523
Intangibles, less accumulated amortization (2012—$792; 2011—$670)	4,597	4,750
Restricted cash	382	529
Other, net	785	770
	10,287	10,572
	$37,628	$37,988

(continued on next page)

UNITED CONTINENTAL HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS
(In millions, except shares)

	At December 31, 2012	At December 31, 2011
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Advance ticket sales	$ 3,360	$ 3,114
Frequent flyer deferred revenue	2,364	2,405
Accounts payable	2,312	1,998
Accrued salaries and benefits	1,763	1,509
Current maturities of long-term debt	1,812	1,186
Current maturities of capital leases	122	125
Other	1,085	1,057
	12,818	11,394
Long-term debt	10,440	10,496
Long-term obligations under capital leases	792	928
Other liabilities and deferred credits:		
Frequent flyer deferred revenue	2,756	3,253
Postretirement benefit liability	2,614	2,407
Pension liability	2,400	1,862
Advanced purchase of miles	1,537	1,711
Deferred income taxes	1,543	1,603
Lease fair value adjustment, net	881	1,133
Other	1,366	1,395
	13,097	13,364
Commitments and contingencies		
Stockholders' equity:		
Preferred stock	—	—
Common stock at par, $0.01 par value; authorized 1,000,000,000 shares; outstanding 332,472,779 and 330,906,192 shares at December 31, 2012 and 2011, respectively	3	3
Additional capital invested	7,145	7,114
Accumulated deficit	(5,586)	(4,863)
Stock held in treasury, at cost	(35)	(31)
Accumulated other comprehensive loss	(1,046)	(417)
	481	1,806
	$37,628	$37,988

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

UNITED CONTINENTAL HOLDINGS, INC.
STATEMENTS OF CONSOLIDATED CASH FLOWS
(In millions)

	Year Ended December 31, 2012	2011	2010
Cash Flows from Operating Activities:			
Net income (loss)	$ (723)	$ 840	$ 253
Adjustments to reconcile net income (loss) to net cash provided by operating activities—			
Depreciation and amortization	1,522	1,547	1,079
Special charges, non-cash portion	389	46	166
Debt and lease discount amortization	(247)	(186)	28
Share-based compensation	14	17	14
Deferred income taxes	13	(6)	(10)
Other operating activities	118	77	86
Changes in operating assets and liabilities, net of Merger—			
Decrease in frequent flyer deferred revenue and advanced purchase of miles	(712)	(110)	(67)
(Increase) decrease in other assets	(484)	(181)	59
Increase in other liabilities	415	220	265
Increase in accounts payable	285	177	255
Increase (decrease) in advance ticket sales	246	115	(205)
Unrealized (gain) loss on fuel derivatives and change in related pending settlements	120	(2)	7
Increase in receivables	(21)	(87)	(33)
(Increase) decrease in fuel hedge collateral	—	(59)	10
Net cash provided by operating activities	935	2,408	1,907
Cash Flows from Investing Activities:			
Capital expenditures and aircraft purchase deposits paid	(2,016)	(840)	(416)
Increase in short-term and other investments, net	(245)	(898)	(84)
Proceeds from sale of property and equipment	183	123	48
(Increase) decrease in restricted cash, net	122	(185)	68
Increase in cash from acquisition of Continental	—	—	3,698
Other, net	(1)	1	6
Net cash provided by (used in) investing activities	(1,957)	(1,799)	3,320
Cash Flows from Financing Activities:			
Payments of long-term debt	(1,392)	(2,367)	(2,023)
Proceeds from issuance of long-term debt	1,121	152	2,086
Principal payments under capital leases	(125)	(250)	(484)
Proceeds from exercise of stock options	17	26	21
Increase in deferred financing costs	(71)	(8)	(33)
Purchases of treasury stock	(4)	—	(3)
Decrease in aircraft lease deposits	—	15	236
Net cash used in financing activities	(454)	(2,432)	(200)
Net increase (decrease) in cash and cash equivalents	(1,476)	(1,823)	5,027
Cash and cash equivalents at beginning of year	6,246	8,069	3,042
Cash and cash equivalents at end of year	$ 4,770	$ 6,246	$ 8,069

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

UNITED CONTINENTAL HOLDINGS, INC.
STATEMENTS OF CONSOLIDATED STOCKHOLDERS' EQUITY (DEFICIT)
(In millions)

	Common Stock Shares	Common Stock Amount	Additional Capital Invested	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2009	168	$ 2	$ 3,136	$ (28)	$ (5,956)	$ 35	$(2,811)
Net income	—	—	—	—	253	—	253
Other comprehensive income	—	—	—	—	—	352	352
Shares issued in exchange for Continental common stock	148	1	3,501	—	—	—	3,502
Equity component of Continental convertible debt assumed in Merger	—	—	157	—	—	—	157
Shares issued in exchange for redemption of Continental convertible debt	9	—	164	—	—	—	164
Fair value of Continental stock options related to Merger	—	—	78	—	—	—	78
Share-based compensation	—	—	14	—	—	—	14
Proceeds from exercise of stock options	3	—	21	—	—	—	21
Treasury stock acquisitions	—	—	—	(3)	—	—	(3)
Balance at December 31, 2010	328	3	7,071	(31)	(5,703)	387	1,727
Net income	—	—	—	—	840	—	840
Other comprehensive loss	—	—	—	—	—	(804)	(804)
Share-based compensation	—	—	17	—	—	—	17
Proceeds from exercise of stock options	3	—	26	—	—	—	26
Balance at December 31, 2011	331	3	7,114	(31)	(4,863)	(417)	1,806
Net loss	—	—	—	—	(723)	—	(723)
Other comprehensive loss	—	—	—	—	—	(629)	(629)
Share-based compensation	—	—	14	—	—	—	14
Proceeds from exercise of stock options	1	—	17	—	—	—	17
Treasury stock acquisitions	—	—	—	(4)	—	—	(4)
Balance at December 31, 2012	332	$ 3	$ 7,145	$ (35)	$ (5,586)	$ (1,046)	$ 481

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

UNITED AIRLINES, INC.
STATEMENTS OF CONSOLIDATED OPERATIONS
(In millions)

	Year Ended December 31,		
	2012	2011	2010
Operating revenue:			
Passenger—Mainline	$25,804	$25,975	$16,019
Passenger—Regional	6,779	6,536	4,217
Total passenger revenue	32,583	32,511	20,236
Cargo	1,018	1,167	832
Special revenue item	—	107	—
Other operating revenue	3,559	3,334	2,266
	37,160	37,119	23,334
Operating expense:			
Aircraft fuel	13,138	12,375	6,687
Salaries and related costs	7,945	7,652	5,002
Regional capacity purchase	2,470	2,403	1,812
Landing fees and other rent	1,929	1,928	1,307
Aircraft maintenance materials and outside repairs	1,760	1,744	1,115
Depreciation and amortization	1,522	1,547	1,079
Distribution expenses	1,352	1,435	912
Aircraft rent	993	1,009	500
Special charges	1,323	592	669
Other operating expenses	4,677	4,597	3,257
	37,109	35,282	22,340
Operating income	51	1,837	994
Nonoperating income (expense):			
Interest expense	(823)	(937)	(780)
Interest capitalized	37	32	15
Interest income	23	20	15
Miscellaneous, net	55	(104)	42
	(708)	(989)	(708)
Income (loss) before income taxes	(657)	848	286
Income tax expense (benefit)	4	(2)	(16)
Net income (loss)	$ (661)	$ 850	$ 302

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

UNITED AIRLINES, INC.
STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME (LOSS)
(In millions)

	Year Ended December 31,		
	2012	2011	2010
Net income (loss)	$ (661)	$ 850	$302
Other comprehensive income (loss), net:			
Fuel derivative financial instruments:			
Reclassification into earnings	141	(503)	68
Change in fair value	(51)	163	168
Employee benefit plans:			
Net change related to employee benefit plans	(730)	(464)	95
Investments and other	12	(2)	21
Tax expense on other comprehensive loss	—	—	(6)
	(628)	(806)	346
Total comprehensive income (loss), net	$(1,289)	$ 44	$648

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

UNITED AIRLINES, INC.
CONSOLIDATED BALANCE SHEETS
(In millions, except shares)

	At December 31, 2012	At December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,765	$ 6,240
Short-term investments	1,773	1,516
Total unrestricted cash, cash equivalents and short-term investments	6,538	7,756
Restricted cash	65	40
Receivables, less allowance for doubtful accounts (2012—$13; 2011—$7)	1,338	1,358
Aircraft fuel, spare parts and supplies, less obsolescence allowance (2012—$125; 2011—$89)	695	615
Deferred income taxes	546	615
Receivables from related parties	226	217
Prepaid expenses and other	841	602
	10,249	11,203
Operating property and equipment:		
Owned—		
Flight equipment	17,561	15,786
Other property and equipment	3,269	3,126
	20,830	18,912
Less—Accumulated depreciation and amortization	(5,006)	(4,005)
	15,824	14,907
Purchase deposits for flight equipment	462	382
Capital leases—		
Flight equipment	1,484	1,458
Other property and equipment	235	237
	1,719	1,695
Less—Accumulated amortization	(713)	(565)
	1,006	1,130
	17,292	16,419
Other assets:		
Goodwill	4,523	4,523
Intangibles, less accumulated amortization (2012—$792; 2011—$670)	4,597	4,750
Restricted cash	382	528
Other, net	1,052	963
	10,554	10,764
	$38,095	$38,386

(continued on next page)

UNITED AIRLINES, INC.
CONSOLIDATED BALANCE SHEETS
(In millions, except shares)

	At December 31, 2012	At December 31, 2011
LIABILITIES AND STOCKHOLDER'S DEFICIT		
Current liabilities:		
Advance ticket sales	$ 3,360	$ 3,114
Frequent flyer deferred revenue	2,364	2,405
Accounts payable	2,316	2,003
Accrued salaries and benefits	1,763	1,509
Current maturities of long-term debt	1,812	1,186
Current maturities of capital leases	122	125
Payables to related parties	75	104
Other	1,140	1,123
	12,952	11,569
Long-term debt	10,038	10,087
Long-term obligations under capital lease	792	928
Other liabilities and deferred credits:		
Frequent flyer deferred revenue	2,756	3,253
Postretirement benefit liability	2,614	2,407
Pension liability	2,400	1,862
Advanced purchase of miles	1,537	1,711
Deferred income taxes	1,470	1,527
Lease fair value adjustment	881	1,133
Other	1,494	1,490
	13,152	13,383
Commitments and contingencies		
Stockholder's deficit:		
Common stock at par, $0.01 par value; authorized 1,000 shares; issued and outstanding 1,000 shares at December 31, 2012 and 2011	—	—
Additional capital invested	7,611	7,580
Accumulated deficit	(5,397)	(4,736)
Accumulated other comprehensive loss	(1,053)	(425)
	1,161	2,419
	$38,095	$38,386

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

UNITED AIRLINES, INC.
STATEMENTS OF CONSOLIDATED CASH FLOWS
(In millions)

	Year Ended December 31, 2012	2011	2010
Cash Flows from Operating Activities:			
Net income (loss)	$ (661)	$ 850	$ 302
Adjustments to reconcile net income (loss) to net cash provided by operating activities—			
Depreciation and amortization	1,522	1,547	1,079
Special charges, non-cash portion	389	46	166
Debt and lease discount amortization	(239)	(186)	28
Share-based compensation	14	18	15
Deferred income taxes	13	(5)	(18)
Other operating activities	74	100	77
Changes in operating assets and liabilities—			
Decrease in frequent flyer deferred revenue and advanced purchase of miles	(712)	(110)	(67)
(Increase) decrease in other current assets	(484)	(200)	67
Increase in other liabilities	422	240	263
Increase in accounts payable	285	177	255
Increase (decrease) in advance ticket sales	246	115	(205)
Unrealized (gain) loss on fuel derivatives and change in related pending settlements	120	(2)	7
Increase in receivables	(21)	(87)	(33)
(Increase) decrease in fuel hedge collateral	—	(59)	10
(Increase) decrease in intercompany receivables	(9)	(83)	(160)
Increase (decrease) in intercompany payables	(28)	46	116
Net cash provided by operating activities	931	2,407	1,902
Cash Flows from Investing Activities:			
Capital expenditures and aircraft purchase deposits paid	(2,016)	(840)	(416)
Increase in short-term and other investments, net	(240)	(898)	(84)
Proceeds from sale of property and equipment	183	123	48
(Increase) decrease in restricted cash, net	121	(185)	68
Increase in cash from acquisition of Continental	—	—	3,698
Other, net	—	2	6
Net cash provided by (used in) investing activities	(1,952)	(1,798)	3,320
Cash Flows from Financing Activities:			
Payments of long-term debt	(1,392)	(2,367)	(2,022)
Proceeds from issuance of long-term debt	1,121	152	2,086
Principal payments under capital leases	(125)	(250)	(484)
Proceeds from exercise of stock options	17	26	21
Increase in deferred financing costs	(71)	(8)	(33)
Decrease in aircraft lease deposits	—	15	236
Other, net	(4)	—	1
Net cash used in financing activities	(454)	(2,432)	(195)
Net increase (decrease) in cash and cash equivalents	(1,475)	(1,823)	5,027
Cash and cash equivalents at beginning of year	6,240	8,063	3,036
Cash and cash equivalents at end of year	$ 4,765	$ 6,240	$ 8,063

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

UNITED AIRLINES, INC.
STATEMENTS OF CONSOLIDATED STOCKHOLDER'S EQUITY (DEFICIT)
(In millions)

	Common Stock	Additional Capital Invested	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2009	—	$ 3,401	$ (5,888)	$ 35	$(2,452)
Issuance of common stock pursuant to stock plans	—	3,579	—	—	3,579
Contribution of indenture derivative asset	—	520	—	—	520
Net Income	—	—	302	—	302
Other comprehensive income	—	—	—	346	346
Share-based compensation	—	15	—	—	15
Parent Company contribution related to stock plans	—	21	—	—	21
Balance at December 31, 2010	—	7,536	(5,586)	381	2,331
Net income	—	—	850	—	850
Other comprehensive loss	—	—	—	(806)	(806)
Share-based compensation	—	18	—	—	18
Parent Company contribution related to stock plans	—	26	—	—	26
Balance at December 31, 2011	—	7,580	(4,736)	(425)	2,419
Net loss	—	—	(661)	—	(661)
Other comprehensive loss	—	—	—	(628)	(628)
Share-based compensation	—	14	—	—	14
Parent Company contribution related to stock plans	—	17	—	—	17
Balance at December 31, 2012	—	$ 7,611	$ (5,397)	$ (1,053)	$ 1,161

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

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"). 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 Exhibit 99.3 of this Current Report on Form 8-K for disclosures that relate to all of UAL and United.

On May 2, 2010, UAL Corporation, Continental Airlines, Inc. (together with its consolidated subsidiaries, "Continental") and JT Merger Sub Inc., a wholly-owned subsidiary of UAL Corporation, entered into an Agreement and Plan of Merger (the "Merger agreement"). On October 1, 2010, JT Merger Sub Inc. merged with and into Continental, with Continental surviving as a wholly-owned subsidiary of UAL Corporation (the "Merger"). Upon closing of the Merger, UAL Corporation became the parent company of both United Air Lines, Inc. and Continental and UAL Corporation's name was changed to United Continental Holdings, Inc. On March 31, 2013, the Company merged United Air Lines, Inc. into Continental to form one legal entity, and Continental's name was changed to United Airlines, Inc. The financial statements of United Air Lines, Inc. and Continental are now combined at their historical cost for all periods presented beginning on October 1, 2010, the date on which Continental became a wholly-owned subsidiary of UAL. There will no longer be a requirement to separately report the historical financial statements of Continental.

These financial statements present the combined results as of December 31, 2012 as previously reported, but have not been updated for subsequent events beyond that date. Key subsequent events are described in United's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013.

NOTE 1—MERGER

Pursuant to the terms of the Merger agreement, each outstanding share of Continental common stock was converted into and became exchangeable for 1.05 fully paid and nonassessable shares of UAL common stock with any fractional shares paid in cash. UAL issued approximately 148 million shares of UAL common stock to former holders of Continental Class B common stock ("Continental common stock"). Based on the closing price of $23.66 per share of UAL common stock on September 30, 2010, the last trading day before the closing of the Merger, the aggregate value of the consideration paid in connection with the Merger was approximately $3.7 billion.

The Merger was accounted for as a business combination using the acquisition method of accounting with Continental considered the acquiree. The acquisition method of accounting requires, among other things, that assets acquired and liabilities assumed be recognized on the balance sheet at their fair values as of the acquisition date. The acquisition values have been pushed down to United for its separate-entity financial statements as of October 1, 2010. The excess of the purchase price over the net fair value of assets and liabilities acquired was recorded as goodwill. Goodwill will not be amortized, but will be tested for impairment at least annually.

NOTE 2—SIGNIFICANT ACCOUNTING POLICIES

(a) **Use of Estimates—**The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. Actual results could differ from those estimates.

(b) **Passenger Revenue Recognition—**The value of unused passenger tickets is included in current liabilities as advance ticket sales. The Company records passenger ticket sales and tickets sold by other airlines for use on United as passenger revenue when the transportation is provided or upon estimated breakage. Tickets sold by other airlines are recorded at the estimated values to be billed to the other airlines. Non-refundable tickets generally expire on the date of the intended flight, unless the date is extended by notification from the customer on or before the intended flight date.

Fees charged in association with changes or extensions to non-refundable tickets are recorded as other revenue at the time the fee is incurred. The fare on the changed ticket, including any additional collection, is deferred and recognized in accordance with our transportation revenue recognition policy at the time the transportation is provided. Change fees related to non-refundable tickets are considered a separate transaction from the air transportation because they represent a charge for the Company's additional service to modify a previous sale. Therefore, the pricing of the change fee and the initial customer order are separately determined and represent distinct earnings processes. Refundable tickets expire after one year.

The Company records an estimate of breakage revenue on the flight date for tickets that will expire unused. These estimates are based on the evaluation of actual historical results. During the year ended December 31, 2012, the Company revised its estimate of breakage resulting in a reduction of passenger revenue of approximately $100 million.

The Company recognizes cargo and other revenue as service is provided.

Under our capacity purchase agreements with regional carriers, we purchase all of the capacity related to aircraft covered by the contracts and are responsible for selling all of the related seat inventory. We record the passenger revenue and related expenses as separate operating revenue and expense in the consolidated statement of operations.

Accounts receivable primarily consist of amounts due from credit card companies and customers of our aircraft maintenance and cargo transportation services. We provide an allowance for uncollectible accounts equal to the estimated losses expected to be incurred based on historical write-offs and other specific analyses. Bad debt expense and write-offs were not material for the years ended December 31, 2012, 2011 and 2010.

(c) **Frequent Flyer Accounting—**United has a frequent flyer program that is designed to increase customer loyalty. Program participants earn mileage credits ("miles") by flying on United and certain other participating airlines. Program participants can also earn miles through purchases from other non-airline partners that participate in United's loyalty program. We sell miles to these partners, which include credit card issuers, retail merchants, hotels, car rental companies and our participating airline partners. Miles can be redeemed for free, discounted or upgraded air travel and non-travel awards. The Company records its obligation for future award redemptions using a deferred revenue model.

In the first quarter of 2012, the Company moved to a single loyalty program, MileagePlus. Continental's loyalty program formally ended in the first quarter of 2012, at which point the Company automatically enrolled OnePass members in MileagePlus and deposited into those MileagePlus accounts award miles equal to OnePass members' award miles balance.

Miles Earned in Conjunction with Flights

In the case of the sale of air services, the Company recognizes a portion of the ticket sales as revenue when the air transportation occurs and defers a portion of the ticket sale representing the value of the related miles.

The Company adopted Accounting Standards Update 2009-13, Multiple-Deliverable Revenue Arrangements—a consensus of the FASB Emerging Issues Task Force ("ASU 2009-13") on January 1, 2011. In accordance with ASU 2009-13, the Company determines the estimated selling price of the air transportation and miles as if each element is sold on a separate basis. The total consideration from each ticket sale is then allocated to each of these elements individually on a pro rata basis. The Company revised the estimated selling price of miles as a prospective change in estimate, effective January 1, 2012, and it is based on the price we sell miles to Star Alliance partners in our reciprocal frequent flyer agreements as the best estimate of selling price for these miles. Any changes to the composition of Star Alliance airline partners may result in the existing estimated selling price of air transportation miles no longer being representative of the best estimate of selling price and could result in a change to the amount and method we use to determine the estimated selling price. On February 14, 2013, US Airways announced an agreement to merge with AMR Corporation and its intent to exit Star Alliance as a result of such merger. We are currently unable to estimate the timing or amount of any changes to estimated selling price as a result of this merger.

Prior to 2011, the Company accounted for the sale of air transportation by deferring the fair value of miles and recognizing the residual amount of ticket proceeds as passenger revenue at the time the air transportation was provided. The fair value of miles was based on an equivalent ticket value that was a weighted average ticket value of each outstanding mile, based upon projected redemption patterns for available award choices when such miles were consumed.

Co-branded Credit Card Partner Mileage Sales

United also has a significant contract to sell frequent flyer miles to its co-branded credit card partner, Chase Bank USA, N.A. ("Chase"). On June 9, 2011, this contract was modified and United entered into The Consolidated Amended and Restated Co-Branded Card Marketing Services Agreement dated June 9, 2011 (the "Co-Brand Agreement") with Chase.

United has identified five revenue elements in the Co-Brand Agreement: the air transportation element represented by the value of the mile (generally resulting from its redemption for future air transportation); use of the United brand and access to frequent flyer member lists; advertising; baggage services; and airport lounge usage (together, excluding "the air transportation element", the "marketing-related deliverables").

The fair value of the elements is determined using management's estimated selling price of each element. The objective of using the estimated selling price based methodology is to determine the price at which we would transact a sale if the product or service were sold on a stand-alone basis. Accordingly, we determine our best estimate of selling price by considering multiple inputs and methods including, but not limited to, discounted cash flows, brand value, volume discounts, published selling prices, number of miles awarded and number of miles redeemed. The Company estimated the selling prices and volumes over the term of the Co-Brand Agreement in order to determine the allocation of proceeds to each of the multiple elements to be delivered.

The estimated selling price of miles is based on the contractual rate at which we sell miles to our Star Alliance partners participating in reciprocal frequent flyer programs as the best estimate of selling price for these miles, which is generally consistent with the methodology described in *Miles Earned in Conjunction with Flights*, above. Management prospectively applied this change in estimate effective January 1, 2012. The financial impact of this change in estimate was substantially offset by the Company's change in estimate of its breakage for a portion of its miles, which were previously not subject to an expiration policy. The revised estimates to breakage increased the estimate of miles in the population that are expected to ultimately expire.

The transition provisions of ASU 2009-13 required the Company's existing deferred revenue balance be adjusted retroactively to reflect the value of any undelivered element remaining at the date of contract modification as if we had been applying ASU 2009-13 since the initiation of the Co-Brand Agreement. We applied this transition provision by revaluing the undelivered air transportation element using its new estimated selling price as determined in connection with the contract modification. This estimated selling price was lower than the rate at which the undelivered element had been deferred under the previous co-branded credit card contracts, and as a result, we recorded a one-time non-cash adjustment to decrease frequent flyer deferred revenue and increase special revenues by $107 million in June 2011, which is included in the table below under Accounting Policy Changes.

The Company records passenger revenue related to the air transportation element when the transportation is delivered. The other elements are generally recognized as other operating revenue when earned.

Prior to 2011, the Company had two primary revenue elements, marketing and air transportation, using an equivalent ticket value to determine the fair value of miles, and applying a residual accounting methodology to allocate the arrangement consideration.

Expiration of Miles

The Company accounts for miles sold and awarded that will never be redeemed by program members, which we refer to as "breakage," using the redemption method. The Company reviews its breakage estimates annually based upon the latest available information regarding redemption and expiration patterns. The Company re-evaluated its population breakage estimates for a portion of its miles, which were previously not subject to an expiration policy, and increased the estimate of miles in the population expected to ultimately expire.

The Company's estimate of the expected expiration of miles requires significant management judgment. Current and future changes to expiration assumptions or to the expiration policy, or to program rules and program redemption opportunities, may result in material changes to the deferred revenue balance as well as recognized revenues from the programs.

Accounting Policy Changes

The application of ASU 2009-13 in 2011 to passenger ticket transactions and the Chase co-branded credit card relationship (including the special revenue item) resulted in the following estimated increases to revenue in the year of adoption (in millions, except per share amounts):

	Year Ended December 31, 2011
Operating revenue (including special revenue item)	$ 600
Per basic share	1.82
Per diluted share	1.57

The annual impact of adopting ASU 2009-13 on operating revenue will decrease over time. Our ability to project the annual decline for each year is significantly impacted by credit card sales volumes, frequent flyer redemption patterns, and other factors, including the 2012 changes in breakage from the application of the 18 month expiration policy to certain miles and the change in estimated selling price for flight miles, all of which are described above. As a result, the impact of the accounting change in 2012 and future periods cannot be objectively determined.

Other Information

The following table provides additional information related to the frequent flyer program (in millions):

Year Ended December 31,	Cash Proceeds from Miles Sold	Other Revenue Recognized Upon Award of Miles to Third-Party Customers (a)	Increase in Frequent Flyer Deferred Revenue for Miles Awarded (b)	Net Increase in Advanced Purchase of Miles (c)
2012	$ 2,852	$ 816	$ 2,036	$ —
2011	3,121	566	2,357	198
2010	2,156	331	1,739	86

(a) This amount represents other revenue recognized during the period from the sale of miles to third parties, representing the marketing services component of the sale.
(b) This amount represents the increase to frequent flyer deferred revenue during the period.
(c) This amount represents the net increase in the advance purchase of miles obligation due to cash payments for the sale of miles in excess of miles awarded to customers.

(d) **Cash and Cash Equivalents and Restricted Cash—** Highly liquid investments with a maturity of three months or less on their acquisition date are classified as cash and cash equivalents.

Restricted cash primarily includes cash collateral associated with workers' compensation obligations, reserves for institutions that process credit card ticket sales and cash collateral received from fuel hedge counterparties. Restricted cash, cash equivalents and investments are classified as short-term or long-term in the consolidated balance sheets based on the expected timing of return of the assets to the Company. Airline industry practice includes classification of restricted cash flows as either investing cash flows or operating cash flows. Cash flows related to restricted cash activity are classified as investing activities because the Company considers restricted cash arising from these activities similar to an investment.

(e) **Short-term Investments—**Short-term investments are classified as available-for-sale and are stated at fair value. Realized gains and losses on sales of investments are reflected in nonoperating income (expense) in the consolidated statements of operations. Unrealized gains and losses on available-for-sale securities are reflected as a component of accumulated other comprehensive income/loss.

(f) **Aircraft Fuel, Spare Parts and Supplies—**The Company accounts for aircraft fuel, spare parts and supplies at average cost and provides an obsolescence allowance for aircraft spare parts and supplies.

(g) **Property and Equipment—**The Company records additions to owned operating property and equipment at cost when acquired. Property under capital leases and the related obligation for future lease payments are recorded at an amount equal to the initial present value of those lease payments. Modifications that enhance the operating performance or extend the useful lives of airframes or engines are capitalized as property and equipment. It is the Company's policy to record liquidated damages from late delivery of aircraft as a reduction of the cost of the related aircraft.

Depreciation and amortization of owned depreciable assets is based on the straight-line method over the assets' estimated useful lives. Leasehold improvements are amortized over the remaining term of the lease, including estimated facility renewal options when renewal is reasonably assured at key airports, or the estimated useful life of the related asset, whichever is less. Properties under capital leases are amortized on the straight-line method over the life of the lease or, in the case of certain aircraft, over their estimated useful lives, whichever is shorter. Amortization of capital lease assets is included in depreciation and amortization expense. The estimated useful lives of property and equipment are as follows:

	Estimated Useful Life (in years)
Aircraft and related rotable parts	27 to 30
Buildings	25 to 45
Other property and equipment	4 to 15
Computer software	5
Building improvements	1 to 40

As of December 31, 2012, the Company had a carrying value of computer software of $302 million. For the year ended December 31, 2012, the Company's depreciation expense related to computer software was $81 million. Aircraft parts were assumed to have residual values with a range of 7% to 11% of original cost, depending on type, and other categories of property and equipment were assumed to have no residual value.

(h) **Maintenance and Repairs—**The cost of maintenance and repairs, including the cost of minor replacements, is charged to expense as incurred, except for costs incurred under our power-by-the-hour ("PBTH") engine maintenance agreements. PBTH contracts transfer certain risk to third-party service providers and fix the amount we pay per flight hour or per cycle to the service provider in exchange for maintenance and repairs under a predefined maintenance program. Under PBTH agreements, the Company recognizes expense at a level rate per engine hour, unless the level of service effort and the related payments during the period are substantially consistent, in which case the Company recognizes expense based on the amounts paid.

(i) **Lease Fair Value Adjustments—**Lease fair value adjustments, which arose from recording operating leases at fair value under fresh start accounting or the Merger, are amortized on a straight line basis over the related lease term.

(j) **Regional Capacity Purchase—**Payments made to regional carriers under capacity purchase agreements are reported in regional capacity purchase in our consolidated statements of operations. As of December 31, 2012, United had 222 call options to purchase regional jet aircraft being operated by certain regional carriers. At December 31, 2012, none of the call options was exercisable because none of the required conditions to make an option exercisable was met.

(k) **Advertising—**Advertising costs, which are included in other operating expenses, are expensed as incurred. Advertising expenses were $154 million, $142 million and $90 million for the years ended December 31, 2012, 2011 and 2010, respectively.

(l) **Intangibles—**The Company has finite-lived and indefinite-lived intangible assets, including goodwill. As of December 31, 2012, goodwill represents the excess purchase price over the fair values of tangible and identifiable intangible assets acquired and liabilities assumed from Continental in the Merger. Finite-lived intangible assets are amortized over their estimated useful lives. Goodwill and indefinite-lived intangible assets are not amortized but are reviewed for impairment annually or more frequently if events or circumstances indicate that the asset may be impaired. Goodwill and indefinite-lived assets are reviewed for impairment on an annual basis as of October 1, or on an interim basis whenever a triggering event occurs. See Notes 4 and 20 for additional information related to intangibles, including impairments recognized in 2012, 2011 and 2010.

(m) **Long-Lived Asset Impairments—**The Company evaluates the carrying value of long-lived assets and intangible assets subject to amortization whenever events or changes in circumstances indicate that an impairment may exist. For purposes of this testing, the Company has generally identified the aircraft fleet type as the lowest level of identifiable cash flows for purposes of testing aircraft for impairment. An impairment charge is recognized when the asset's carrying value exceeds its net undiscounted future cash flows and its fair market value. The amount of the charge is the difference between the asset's carrying value and fair market value. See Note 20 for information related to asset impairments.

(n) **Share-Based Compensation—**The Company measures the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. The resulting cost is recognized over the period during which an employee is required to provide service in exchange for the award, usually the vesting period. Obligations for cash-settled restricted stock units ("RSUs") are remeasured at fair value throughout the requisite service period on the last day of each reporting period based upon UAL's stock price. In addition to the service requirement, cash-settled performance-based RSUs have performance metrics that must be achieved prior to vesting. These awards are accrued based on the expected level of achievement at each reporting period. A cumulative adjustment is recorded to adjust compensation expense based on the current fair value of the awards and expected level of achievement for the performance-based awards. See Note 7 for additional information on UAL's share-based compensation plans.

(o) **Ticket Taxes—**Certain governmental taxes are imposed on the Company's ticket sales through a fee included in ticket prices. The Company collects these fees and remits them to the appropriate government agency. These fees are recorded on a net basis (excluded from operating revenue).

(p) **Retirement of Leased Aircraft—**The Company accrues for estimated lease costs over the remaining term of the lease at the present value of future minimum lease payments, net of estimated sublease rentals (if any), in the period that aircraft are permanently removed from service. When reasonably estimable and probable, the Company estimates maintenance lease return condition obligations for items such as minimum aircraft and engine conditions specified in leases and accrues these amounts over the lease term while the aircraft are operating, and any remaining unrecognized estimated obligations are accrued in the period that an aircraft is removed from service.

(q) **Uncertain Income Tax Positions—**The Company has recorded reserves for income taxes and associated interest that may become payable in future years. Although management believes that its positions taken on income tax matters are reasonable, the Company nevertheless has established tax and interest reserves in recognition that various taxing authorities may challenge certain of the positions taken by the Company, potentially resulting in additional liabilities for taxes and interest. The Company's uncertain tax position reserves are reviewed periodically and are adjusted as events occur that affect its estimates, such as the availability of new information, the lapsing of applicable statutes of limitation, the conclusion of tax audits, the measurement of additional estimated liability, the identification of new tax matters, the release of administrative tax guidance affecting its estimates of tax liabilities, or the rendering of relevant court decisions. See Note 8 for further information related to uncertain income tax positions.

(r) **Labor Costs—**The Company records expenses associated with amendable labor agreements when the employee group has earned the compensation and the amounts are probable and estimable. These include costs associated with lump sum cash payments that would be made in conjunction with the ratification of labor agreements. To the extent these upfront costs are in lieu of future pay increases, they would be capitalized and amortized over the term of the labor agreements. If not, these amounts would be expensed when they become probable and estimable.

(s) **Third-Party Business—**The Company has third-party business revenue that includes fuel sales, catering, ground handling, maintenance services and frequent flyer award non-air redemptions, and third-party business revenue is recorded in other revenue. The Company has a contract to sell aircraft fuel to a third party which is earnings-neutral but results in revenue and expense, specifically cost of sale which is unrelated to the operation of the airline. The Company also incurs third-party business expenses, such as maintenance, ground handling and catering services for third parties, fuel sales and non-air mileage redemptions, and those third-party business expenses are recorded in other operating expenses.

NOTE 3—RECENTLY ISSUED ACCOUNTING STANDARDS

In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2011-04 ("ASU 2011-04"), *Fair Value Measurement: Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRS.* Some of the key amendments to the fair value measurement guidance include the highest and best use and valuation premise for nonfinancial assets, application to financial assets and financial liabilities with offsetting positions in market risks or counterparty credit risk, premiums or discounts in fair value measurement and fair value of an instrument classified in a reporting entity's shareholders' equity. Additional disclosures for fair value measurements categorized in Level 3 of the fair value hierarchy include a quantitative disclosure of the unobservable inputs and assumptions used in the measurement, a description of the valuation processes in place, a narrative description of the sensitivity of the fair value to changes in unobservable inputs and interrelationships between those inputs and the level in the fair value hierarchy of items that are not measured at fair value in the consolidated balance sheet but whose fair value must be disclosed. ASU 2011-04 became effective for the Company's annual and interim periods beginning January 1, 2012, and the required disclosures are disclosed in Note 12 in this Exhibit 99.3 of this Current Report on Form 8-K.

NOTE 4—GOODWILL AND OTHER INTANGIBLE ASSETS

The following table presents information about the Company's goodwill and other intangible assets at December 31 (in millions):

		2012		2011	
Item	**Asset life (a)**	**Gross Carrying Amount**	**Accumulated Amortization**	**Gross Carrying Amount**	**Accumulated Amortization**
Goodwill		$ 4,523		$ 4,523	
Finite-lived intangible assets					
Airport slots and gates	8	$ 99	$ 75	$ 100	$ 61
Hubs	20	145	52	145	44
Patents and tradenames	3	108	99	108	86
Frequent flyer databases (b)	22	1,177	447	1,177	381
Contracts	13	167	75	167	64
Other	25	109	44	109	34
Total		$ 1,805	$ 792	$ 1,806	$ 670
Indefinite-lived intangible assets					
Airport slots and gates		$ 981		$ 1,011	
Route authorities		1,606		1,606	
Tradenames and logos		593		593	
Alliances		404		404	
Total		$ 3,584		$ 3,614	

(a) Weighted average life expressed in years.
(b) The frequent flyer databases are amortized based on an accelerated amortization schedule to reflect utilization of the assets. Estimated cash flows correlating to the expected attrition rate of customers in the frequent flyer databases were considered in the determination of the amortization schedules.

The following table presents information related to the Company's actual and expected future amortization expense (in millions):

Actual Amortization:	
2012	$ 121
2011	169
2010	96
Projected Amortization:	
2013	$ 142
2014	129
2015	106
2016	91
2017	81

See Note 20 for information related to impairment of intangible assets.

NOTE 5—COMMON STOCKHOLDERS' EQUITY AND PREFERRED SECURITIES

At December 31, 2012, approximately 72 million shares of UAL's common stock were reserved for future issuance related to the conversion of convertible debt securities and the issuance of equity based awards under the Company's incentive compensation plans.

As of December 31, 2012, UAL had two shares of junior preferred stock (par value $0.01 per share) outstanding. In addition, UAL is authorized to issue 250 million shares of preferred stock (without par value) under UAL's amended and restated certificate of incorporation.

In 2010, approximately nine million shares of UAL's common stock were issued upon the redemption of Continental's $175 million aggregate principal amount of 5% Convertible Notes due 2023. See Note 14 for additional information related to this transaction.

In October 2010, approximately 148 million shares of UAL's common stock were issued to Continental stockholders in exchange for Continental common stock in connection with the Merger. See Note 1 for additional information related to this transaction.

In connection with the Merger, on October 1, 2010, all outstanding 141 million shares of Continental common stock were converted into and exchanged for 1.05 fully paid and nonassessable shares of UAL's common stock with any fractional shares paid in cash. The shares of Continental common stock that were acquired by UAL were subsequently canceled and replaced with 1,000 shares of common stock ($0.01 par value), all of which are owned by UAL as of December 31, 2012.

NOTE 6—EARNINGS (LOSS) PER SHARE

The computations of UAL's basic and diluted earnings (loss) per share and the number of securities that have been excluded from the computation of diluted earnings per share amounts because they were antidilutive are set forth below (in millions, except per share amounts):

	2012	2011	2010
Basic earnings (loss) per share:			
Net income (loss)	$ (723)	$ 840	$ 253
Less: Income allocable to participating securities	—	(3)	(1)
Earnings (loss) available to common stockholders	$ (723)	$ 837	$ 252
Basic weighted-average shares outstanding	331	329	207
Earnings (loss) per share, basic	$(2.18)	$2.54	$1.22
Diluted earnings (loss) per share:			
Earnings (loss) available to common stockholders	$ (723)	$ 837	$ 252
Effect of 6% senior convertible notes	—	18	18
Effect of 4.5% convertible notes	—	9	2
Effect of 5% convertible notes	—	—	1
Earnings (loss) available to common stockholders including the effect of dilutive securities	$ (723)	$ 864	$ 273
Basic weighted-average shares outstanding	331	329	207
Effect of 6% senior convertible notes	—	40	40
Effect of 4.5% convertible notes	—	12	3
Effect of employee stock options	—	2	2
Effect of 5% convertible notes	—	—	1
Diluted weighted-average shares outstanding	331	383	253
Earnings (loss) per share, diluted	$(2.18)	$2.26	$1.08
Potentially dilutive shares excluded from diluted per share amounts:			
6% senior convertible notes	40	—	—
4.5% convertible notes	12	—	—
4.5% senior limited-subordination convertible notes	5	11	22
Stock options	4	5	9
6% convertible junior subordinated debentures	4	4	1
Restricted shares	1	1	—
5% senior convertible notes	—	—	3
	66	21	35

The adjustments to earnings (loss) available to common stockholders are net of the related effect of profit sharing and income taxes, where applicable.

NOTE 7—SHARE-BASED COMPENSATION PLANS

Prior to the Merger, UAL and Continental maintained separate share-based compensation plans. These plans provide for grants of qualified and non-qualified stock options, stock appreciation rights, restricted stock awards, RSUs, performance compensation awards, performance units, cash incentive awards and other types of equity-based and equity-related awards. As part of the Merger, UAL assumed all of Continental's outstanding share-based compensation plans.

All awards are recorded as equity or a liability in the Company's consolidated balance sheets. The share-based compensation expense is directly recorded in salaries and related costs or integration-related expense.

In February 2012, UAL granted share-based compensation awards pursuant to the United Continental Holdings, Inc. 2008 Incentive Compensation Plan. These share-based compensation awards include approximately 0.5 million shares of restricted stock and 0.6 million of RSUs that vest pro-rata over three years on the anniversary of the grant date. The time vested RSUs are cash-settled based on the 20-day average closing price of UAL common stock immediately prior to the vesting date. In addition, UAL granted 1.3 million performance-based RSUs that will vest based on UAL's return on invested capital for the three years ending December 31, 2014. If this performance condition is 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 RSUs as liability awards.

The following table provides information related to UAL's share-based compensation plan cost, for the years ended December 31 (in millions):

	2012	2011	2010
Compensation cost: (a)			
Restricted stock units	$37	$18	$ 20
Restricted stock	13	12	6
Share-based awards converted to cash awards (b)	6	19	84
Stock options	1	5	7
Total	$57	$54	$117

(a) All compensation cost is recorded to Salaries and related costs, with the exception of $9 million, $17 million and $70 million in 2012, 2011 and 2010, respectively, that was recorded in integration and Merger-related costs as a component of special charges, respectively.
(b) As described below, in connection with the Merger, certain awards were converted into fixed cash equivalents.

The table below summarizes UAL's unearned compensation and weighted-average remaining period to recognize costs for all outstanding share-based awards for the year ended December 31, 2012 (in millions, except as noted):

	Unearned Compensation	Weighted-Average Remaining Period (in years)
Restricted stock units	$ 24	1.1
Restricted stock	7	1.4
Share-based awards converted to cash awards	1	0.2
Stock options	1	1.2
Total	$ 33	

Merger Impacts—Continental Share-Based Awards. Prior to completion of the Merger, Continental had outstanding stock options, non-employee director restricted stock awards and performance compensation awards (profit based RSUs) that were issued pursuant to its incentive compensation plans. Under the terms of Continental's incentive plans, substantially all of the outstanding equity awards fully vested as a result of the Merger. The equity awards were assumed and issued by UAL using a 1.05 conversion rate and had a fair value of approximately $78 million at the Merger closing date which was included in the acquisition cost. In addition, as a result of the Merger, the performance criteria related to the profit based RSUs ("PBRSUs") was deemed to be achieved for each open performance period (the three-year periods beginning January 1, 2008, 2009 and 2010) at a payment percentage of 150% and the minimum cash balance requirement was deemed satisfied. Following the Merger closing date, with limited exceptions as described below, payments under all outstanding PBRSUs remain subject to continued employment by the participant and will continue to be paid on their normal payment date over a three-year period. The PBRSUs were converted into a fixed cash equivalent based on a stock price of $23.48, the average closing price per share of Continental common stock for the 20 trading days preceding the completion of the Merger.

Merger Impacts—United Share-Based Awards. In May 2010, the UAL Board of Directors made a determination that the Merger should be considered a change of control for purposes of all outstanding awards. Accordingly, upon the completion of the Merger on October 1, 2010, eligible outstanding equity-based awards immediately vested except for certain officer awards that are subject to separate agreements, as discussed below. In September 2010, the Human Resources Subcommittee of the UAL Board of Directors elected to settle all eligible RSUs in cash. As a result, participants received $23.66 in exchange for each share unit, based on the closing price of UAL stock on the day prior to the Merger closing. The cash payment to settle these awards was $18 million and was paid during the fourth quarter of 2010.

Certain officers entered into separate agreements with the Company pursuant to which they agreed to waive the provisions providing for accelerated vesting upon the change of control. As part of the agreements, the outstanding restricted stock awards and RSUs were converted into fixed cash equivalents based on a stock price of $22.33 per share, UAL's average closing share price for the preceding 20 days prior to the closing of the Merger. Following the Merger, with limited exceptions as described below, the payment of these awards remains subject to continued employment by the participant and will be paid on the original vesting dates. Upon termination of employment under certain circumstances following the Merger, the participant is entitled to a cash settlement. In the fourth quarter of 2010, UAL paid $19 million in cash for settlement of these awards in connection with Merger-related terminations.

Stock Options. UAL has not granted any stock options since 2010. Historically, stock options were awarded with exercise prices equal to the fair market value of UAL's common stock on the date of grant. UAL stock options generally vest over a period of either three or four years and have a contractual life of 10 years. The Continental stock options assumed by UAL at the Merger generally have an original contractual life of five years (management level employee options) or 10 years (outside directors). Expense related to each portion of an option grant is recognized on a straight-line basis over the specific vesting period for those options.

The table below summarizes UAL stock option activity for the years ended December 31, 2012, 2011 and 2010 (shares in thousands):

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in millions)
Outstanding at January 1, 2010	6,406	$ 22.42		
Issued in exchange for Continental options	7,366	16.77		
Exercised	(2,467)	8.13		$ 42
Surrendered	(253)	28.77		
Outstanding at December 31, 2010	11,052	21.70		
Exercised	(2,449)	10.77		33
Surrendered	(1,657)	29.07		
Outstanding at December 31, 2011	6,946	23.80		
Exercised	(1,327)	12.42		14
Surrendered	(1,012)	30.50		
Outstanding at December 31, 2012	4,607	25.60	2.9	20
Exercisable at December 31, 2012	4,358	25.76	2.9	20

The following table provides additional information for Continental options granted in 2010 which were valued at the Merger date:

Weighted-average fair value assumptions:	2010
Risk-free interest rate	0.1 - 1.8%
Dividend yield	—%
Expected market price volatility of UAL common stock	75%
Expected life of options (years)	0.1 - 6.3
Weighted-average fair value	$ 11.52

The fair value of options is determined at the grant date, and at the Merger date in the case of Continental options, using a Black Scholes option pricing model, which requires the Company to make several assumptions. The risk-free interest rate is based on the U.S. treasury yield curve in effect for the expected term of the option at the time of grant. The dividend yield on UAL's common stock was assumed to be zero since UAL did not have any plans to pay dividends at the time of the option grants.

The volatility assumptions were based upon historical volatilities of UAL and other comparable airlines whose shares are traded using daily stock price returns equivalent to the contractual term of the option. In addition, implied volatility data for both UAL and other comparable airlines, using current exchange-traded options, was utilized.

The expected lives of the options were determined based upon either a simplified assumption that the option will be exercised evenly from vesting to expiration or estimated using historical experience for the assumed options. The terms of certain awards do not provide for the acceleration of vesting upon retirement. In addition, certain awards and the assumed options awarded to employees that are retirement eligible either at the grant date or within the vesting period is considered vested at the respective retirement eligibility date.

Restricted Stock Awards and Restricted Stock Units. During 2011, the Compensation Committee of the UAL Board of Directors determined that all outstanding UAL RSUs will be settled in cash. As of December 31, 2012, UAL had recorded a liability of $57 million related to its unvested RSUs. UAL paid $35 million, $57 million and $84 million related to its share-based liabilities during 2012, 2011 and 2010, respectively.

The table below summarizes UAL's RSU and restricted stock activity for the years ended December 31, 2012, 2011 and 2010 (shares in thousands):

	Restricted Stock Units	Weighted-Average Grant Price	Restricted Stock	Weighted-Average Grant Price
Non-vested at January 1, 2010	1,719	$ 4.90	811	$ 27.82
Assumed in Merger	—	—	20	23.66
Granted	1,395	22.20	212	24.55
Modified	(449)	21.63	449	21.63
Converted to fixed cash equivalent	(1,496)	—	(164)	—
Vested	(1,069)	22.41	(651)	31.47
Surrendered	(49)	10.55	(6)	11.03
Non-vested at December 31, 2010	51	22.85	671	17.20
Granted	3,655	19.89	536	23.87
Vested	(141)	18.13	(195)	22.26
Surrendered	(199)	19.90	(27)	23.95
Non-vested at December 31, 2011	3,366	19.98	985	23.33
Granted	1,986	22.20	545	24.01
Vested	(552)	21.21	(643)	23.05
Surrendered	(569)	22.19	(115)	24.01
Non-vested at December 31, 2012	4,231	22.22	772	23.94

The fair value of RSUs and restricted shares vested in 2012, 2011 and 2010 was $27 million, $7 million and $33 million, respectively. The fair value of the restricted stock awards was primarily based upon the share price on the date of grant. These awards are accounted for as equity awards. The fair value of the cash-settled RSUs was based upon UAL's stock price as of the last day preceding the settlement date. These awards were accounted for as liability awards. Restricted stock vesting and the recognition of the expense is similar to the stock option vesting described above.

NOTE 8—INCOME TAXES

The significant components of the income tax expense (benefit) are as follows (in millions):

	UAL	United
2012		
Current	$ (14)	$ (9)
Deferred	13	13
	$ (1)	$ 4
2011		
Current	$ 11	$ 3
Deferred	(6)	(5)
	$ 5	$ (2)
2010		
Current	$ 10	$ 2
Deferred	(10)	(18)
	$ —	$ (16)

The income tax provision differed from amounts computed at the statutory federal income tax rate, as follows (in millions):

Year ended December 31, 2012	UAL	United
Income tax provision at statutory rate	$(253)	$(230)
State income taxes, net of federal income tax	(15)	(7)
Foreign income taxes	7	7
Nondeductible employee meals	12	12
Nondeductible interest expense	19	19
Derivative market adjustment	—	(15)
Nondeductible compensation	5	5
Valuation allowance	234	223
Other, net	(10)	(10)
	$ (1)	$ 4

Year Ended December 31, 2011		
Income tax provision at statutory rate	$ 298	$ 299
State income taxes, net of federal income tax	(19)	(17)
Nondeductible acquisition costs	(17)	(17)
Nondeductible employee meals	12	12
Nondeductible interest expense	13	13
Derivative market adjustment	—	10
Nondeductible compensation	9	10
Valuation allowance	(294)	(315)
Other, net	3	3
	$ 5	$ (2)

Year Ended December 31, 2010		
Income tax provision at statutory rate	$ 87	$ 100
State income taxes, net of federal income tax	24	25
Nondeductible acquisition costs	45	45
Nondeductible employee meals	8	8
Nondeductible interest expense	12	12
Change in tax law—Medicare Part D Subsidy	119	119
Nondeductible compensation	13	13
Goodwill credit	(22)	(22)
Valuation allowance	(290)	(313)
Tax benefit resulting from intraperiod tax allocation	—	(6)
Other, net	4	3
	$ —	$ (16)

State tax benefit recorded in 2011 resulted from certain adjustments to existing state tax net operating losses, such benefit was fully offset by an increase in the valuation allowance.

Temporary differences and carryforwards that give rise to deferred tax assets and liabilities at December 31, 2012 and 2011 were as follows (in millions):

	UAL December 31,		United December 31,	
	2012	2011	2012	2011
Deferred income tax asset (liability):				
Federal and state net operating loss ("NOL") carryforwards (a)	$ 3,025	$ 2,911	$ 2,957	$ 2,859
Frequent flyer deferred revenue (a)	2,425	2,386	2,426	2,390
Employee benefits, including pension, postretirement, medical and the Pension Benefit Guaranty Corporation ("PBGC") notes (a)	2,488	1,897	2,491	1,978
Lease fair value adjustment	259	376	259	376
AMT credit carryforwards	251	268	251	268
Other assets (a)	947	1,251	882	1,141
Less: Valuation allowance	(4,603)	(4,137)	(4,503)	(4,048)
Total deferred tax assets	$ 4,792	$ 4,952	$ 4,763	$ 4,964
Depreciation, capitalized interest and other	$(3,705)	$(3,860)	$(3,702)	$(3,857)
Intangibles	(1,578)	(1,627)	(1,579)	(1,628)
Other liabilities	(509)	(453)	(406)	(391)
Total deferred tax liabilities	$(5,792)	$(5,940)	$(5,687)	$(5,876)
Net deferred tax liability	$(1,000)	$ (988)	$ (924)	$ (912)

(a) Deferred tax assets for 2012 reflect adjustments made in the current year to increase UAL's and United's deferred tax assets for frequent flyer deferred revenue and employee benefits by approximately $257 million and $187 million, respectively, and to reduce net operating loss carryforwards and other deferred tax assets by the same amounts.

As a result of the Merger, beginning October 1, 2010, Continental and its domestic consolidated subsidiaries joined the UAL federal consolidated tax return filing group, which, at that time, also included United Air Lines, Inc. and its domestic consolidated subsidiaries. Consolidated current and deferred tax expense was allocated to each of United Air Lines, Inc. and Continental using a method that treats each entity as though it had filed a separate tax return. Under the Company's tax agreement, group members are compensated for their losses and other tax benefits only if they would be able to use those losses and tax benefits on a separate return basis. Tax liabilities between group members are settled in cash when the losses and tax benefits of one group have been fully exhausted and the Company begins making tax payments to tax authorities. Additionally, settlement in cash is required if a member leaves the consolidated tax group. Were a member to leave the group, its separate tax losses and benefits along with the corresponding receivable or liability to other group members may vary significantly from tax losses and benefits ascribed to it while a member of the group.

In addition to the deferred tax assets listed in the table above, UAL has an $883 million unrecorded tax benefit at December 31, 2012, primarily attributable to the difference between the amount of the financial statement expense and the allowable tax deduction for UAL's common stock issued to certain unsecured creditors and employees pursuant to UAL Corporation's Chapter 11 bankruptcy protection. This unrecorded tax benefit is accounted for by analogy to Accounting Standards Codification Topic 718 which requires recognition of the tax benefit to be deferred until it is realized as a reduction of taxes payable. Although not recognized for financial reporting purposes, this unrecognized tax benefit is available to reduce future income and is incorporated into the disclosed amounts of our federal and state NOL carryforwards, which are discussed below.

The federal and state NOL carryforwards relate to prior years' NOLs, which may be used to reduce tax liabilities in future years. These tax benefits are mostly attributable to federal pre-tax NOL carryforwards of $10.3 billion for UAL (including the NOLs discussed in the preceding paragraph). If not utilized these federal pre-tax NOLs will expire as follows (in billions): $1.5 in 2022, $1.6 in 2023, $2.4 in 2024, $2.0 in 2025 and $2.8 after 2025. In addition, the majority of state tax benefits of the net operating losses of $196 million for UAL expires over a five to 20-year period.

Both UAL Corporation and Continental experienced an "ownership change" as defined under Section 382 of the Internal Revenue Code of 1986, as amended, as a result of the Merger. However, the Company currently expects that these ownership changes will not significantly limit its ability to use its NOL and alternative minimum tax ("AMT") credit carryforwards in the carryforward period because the size of the limitation exceeds our NOL and AMT credit carryforwards.

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income (including the reversals of deferred tax liabilities) during the periods in which those deferred tax assets will become deductible. The Company's management assesses available positive and negative evidence regarding the realizability of its deferred tax assets and records a valuation allowance when it is more likely than not that deferred tax assets will not be realized. To form a conclusion, management considers positive evidence in the form of reversing temporary differences, projections of future taxable income and tax planning strategies, and negative evidence such as recent history of losses. Although the Company was no longer in a three-year cumulative loss position at the end of 2012, management determined that the loss in 2012, the overall modest level of cumulative pretax income in the three years ended December 31, 2012 of 0.4% of total revenues in that period and the uncertainty associated with projecting future taxable income supported the conclusion that the valuation allowance was still necessary on net deferred assets. As a result of the loss sustained in 2012 and the need to complete final integration activities that produce synergies and overcome cost increases from new labor agreements, management's position is that sufficient positive evidence to support a reversal of the remaining valuation allowance does not exist and has retained a full valuation allowance on its deferred tax assets. Management will continue to evaluate future financial performance, as well as the impacts of special charges on such performance, to determine whether such performance provides sufficient evidence to support reversal of the valuation allowance.

The December 31, 2012 valuation allowances of $4.6 billion and $4.5 billion for UAL and United, respectively, if reversed in future years will reduce income tax expense. The current valuation allowance reflects increases from December 31, 2011 of $466 million and $455 million for UAL and United, respectively, including amounts charged directly to other comprehensive income.

The Company's unrecognized tax benefits related to uncertain tax positions were $19 million, $24 million and $32 million at 2012, 2011 and 2010, respectively. Included in the ending balance at 2012 is $17 million that would affect the Company's effective tax rate if recognized. The Company does not expect significant increases or decreases in their unrecognized tax benefits within the next twelve months.

There are no significant amounts included in the balance at December 31, 2012 for tax positions for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility.

The Company records penalties and interest relating to uncertain tax positions in other operating expenses and interest expense, respectively, in its consolidated statements of operations. The Company has not recorded any significant expense or liabilities related to interest or penalties in its consolidated financial statements.

The following is a reconciliation of the beginning and ending amount of unrecognized tax benefits related to the Company's uncertain tax positions (in millions):

	2012	2011	2010
Balance at January 1,	$ 24	$ 32	$ 16
Decrease in unrecognized tax benefits relating to settlements with taxing authorities	(12)	—	—
Increase (decrease) in unrecognized tax benefits as a result of tax positions taken during a prior period	8	(9)	—
Decrease in unrecognized tax benefits relating from a lapse of the statute of limitations	(1)	—	—
Increase due to Continental's uncertain tax positions at the Merger closing date	—	—	6
Increase in unrecognized tax benefits as a result of tax positions taken during the current period	—	1	10
Balance at December 31,	$ 19	$ 24	$ 32

The Company's federal income tax returns for tax years after 2002 remain subject to examination by the Internal Revenue Service ("IRS") and state taxing jurisdictions. The IRS commenced an examination of the Company's U.S. income tax returns for 2010 through 2011 in the fourth quarter of 2012. As of December 31, 2012, the IRS had not proposed any material adjustments to the Company's returns. Continental's federal income tax returns for tax years after 2001 remain subject to examination by the IRS and state taxing jurisdictions.

NOTE 9—PENSION AND OTHER POSTRETIREMENT PLANS

The following summarizes the significant pension and other postretirement plans of United:

Pension Plans

United maintains two primary defined benefit pension plans, one covering certain pilot employees and another covering certain U.S. non-pilot employees. Each of these plans provide benefits based on a combination of years of benefit accruals service and an employee's final average compensation. Additional benefit accruals were frozen under the plan covering certain pilot employees during 2005, at which time any existing accrued benefits for pilots were preserved. Benefit accruals for certain non-pilot employees under its other primary defined benefit pension plan continue.

United maintains a frozen defined benefit pension plan for a small number of former employees. United maintains additional defined benefit pension plans, which cover certain international employees.

Other Postretirement Plans

We maintain postretirement medical programs which provide medical benefits to certain retirees and eligible dependents, as well as life insurance benefits to certain retirees participating in the plan. Benefits provided are subject to applicable contributions, co-payments, deductible and other limits as described in the specific plan documentation.

The following table sets forth the reconciliation of the beginning and ending balances of the benefit obligation and plan assets, the funded status and the amounts recognized in these financial statements for the defined benefit and other postretirement plans (in millions):

	Pension Benefits	
	Year Ended December 31, 2012	Year Ended December 31, 2011
Accumulated benefit obligation:	$ 3,978	$ 3,321
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	$ 3,708	$ 3,322
Service cost	99	88
Interest cost	184	178
Actuarial (gain) loss	702	251
Gross benefits paid	(162)	(137)
Other	(5)	6
Projected benefit obligation at end of year	$ 4,526	$ 3,708
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 1,868	$ 1,871
Actual gain (loss) on plan assets	223	(47)
Employer contributions	228	194
Benefits paid	(162)	(137)
Other	—	(13)
Fair value of plan assets at end of year	$ 2,157	$ 1,868
Funded status—Net amount recognized	$ (2,369)	$ (1,840)

	Pension Benefits	
	December 31, 2012	December 31, 2011
Amounts recognized in the consolidated balance sheets consist of:		
Noncurrent asset	$ 35	$ 31
Current liability	(4)	(9)
Noncurrent liability	(2,400)	(1,862)
Total liability	$ (2,369)	$ (1,840)
Amounts recognized in accumulated other comprehensive income (loss) consist of:		
Net actuarial gain (loss)	$ (826)	$ (231)
Prior service credit (cost)	2	3
Total accumulated other comprehensive income (loss)	$ (824)	$ (228)

	Other Postretirement Benefits	
	Year Ended December 31, 2012	Year Ended December 31, 2011
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 2,541	$ 2,494
Service cost	50	47
Interest cost	124	127
Plan participants’ contributions	77	73
Actuarial (gain) loss	110	(2)
Federal subsidy	13	13
Plan amendments	22	3
Gross benefits paid	(194)	(214)
Benefit obligation at end of year	$ 2,743	$ 2,541
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 58	$ 58
Actual return on plan assets	1	1
Employer contributions	116	141
Plan participants’ contributions	77	72
Benefits paid	(194)	(214)
Fair value of plan assets at end of year	$ 58	$ 58
Funded status—Net amount recognized	$ (2,685)	$ (2,483)

	Other Postretirement Benefits	
	December 31, 2012	December 31, 2011
Amounts recognized in the consolidated balance sheets consist of:		
Current liability	$ (71)	$ (76)
Noncurrent liability	(2,614)	(2,407)
Total liability	$ (2,685)	$ (2,483)
Amounts recognized in accumulated other comprehensive income (loss) consist of:		
Net actuarial gain (loss)	$ (79)	$ 33
Prior service cost	(24)	(2)
Total accumulated other comprehensive income (loss)	$ (103)	$ 31

The following information relates to all pension plans with an accumulated benefit obligation and a projected benefit obligation in excess of plan assets at December 31 (in millions):

	2012	2011
Projected benefit obligation	$4,387	$3,594
Accumulated benefit obligation	3,869	3,230
Fair value of plan assets	1,991	1,731

Net periodic benefit cost for the years ended December 31 included the following components (in millions):

	2012		2011		2010	
	Pension Benefits	Other Postretirement Benefits	Pension Benefits	Other Postretirement Benefits	Pension Benefits	Other Postretirement Benefits
Service cost	$ 99	$ 50	$ 88	$ 47	$ 27	$ 33
Interest cost	184	124	178	127	51	120
Expected return on plan assets	(138)	(2)	(140)	(2)	(39)	(2)
Curtailment gain	—	—	—	—	(7)	—
Amortization of prior service cost (credit)	(1)	—	(2)	—	(2)	—
Special termination benefits	—	—	—	—	4	—
Settlement (gain) loss	1	—	1	—	—	—
Amortization of unrecognized actuarial (gain) loss	21	(3)	(20)	(2)	1	(12)
Net periodic benefit cost	$ 166	$ 169	$ 105	$ 170	$ 35	$ 139

The estimated amounts that will be amortized in 2013 for actuarial losses are as follows (in millions):

	Pension Benefits	Other Postretirement Benefits
Actuarial loss to be reclassified from accumulated other comprehensive income into net periodic benefit cost	$ 73	$ 7

The assumptions used for the benefit plans were as follows:

	Pension Benefits	
Assumptions used to determine benefit obligations	2012	2011
Discount rate	4.19%	5.00%
Rate of compensation increase	2.49%	2.48%
Assumptions used to determine net expense		
Discount rate	5.02%	5.39%
Expected return on plan assets	7.54%	7.55%
Rate of compensation increase	2.48%	2.49%

	Other Postretirement Benefits	
Assumptions used to determine benefit obligations	2012	2011
Discount rate	4.12%	4.91%
Assumptions used to determine net expense		
Discount rate	4.92%	5.13%
Expected return on plan assets	4.00%	4.00%
Health care cost trend rate assumed for next year	6.75%	7.00%
Rate to which the cost trend rate is assumed to decline (ultimate trend rate in 2020)	5.00%	5.00%

The Company selected the 2012 discount rate for each of its plans by using a hypothetical portfolio of high quality bonds at December 31, 2012, that would provide the necessary cash flows to match projected benefit payments.

We develop our expected long-term rate of return assumption based on historical experience and by evaluating input from the trustee managing the plans' assets. Our expected long-term rate of return on plan assets is based on a target allocation of assets, which is based on our goal of earning the highest rate of return while maintaining risk at acceptable levels. The plans strive to have assets sufficiently diversified so that adverse or unexpected results from one security class will not have an unduly detrimental impact on the entire portfolio. We regularly review our actual asset allocation and the pension plans' investments are periodically rebalanced to our targeted allocation when considered appropriate. United's plan assets are allocated within the following guidelines:

	Percent of Total	Expected Long-Term Rate of Return
Equity securities	38-54%	9.5%
Fixed-income securities	27-33	6.0
Alternatives	17-23	7.3
Other	2-6	3.8

One-hundred percent of other postretirement plan assets are invested in a deposit administration fund.

Assumed health care cost trend rates have a significant effect on the amounts reported for the other postretirement plans. A 1% change in the assumed health care trend rate for the Company would have the following additional effects (in millions):

	1% Increase	1% Decrease
Effect on total service and interest cost for the year ended December 31, 2012	$ 22	$ (18)
Effect on postretirement benefit obligation at December 31, 2012	338	(280)

A one percentage point decrease in the weighted average discount rate would increase the postretirement benefit liability by approximately $336 million and increase the estimated 2012 benefits expense by approximately $23 million.

Fair Value Information. Accounting standards require us to use valuation techniques to measure fair value that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized as follows:

Level 1 Unadjusted quoted prices in active markets for assets or liabilities identical to those to be reported at fair value

Level 2 Other inputs that are observable directly or indirectly, such as quoted prices for similar assets or liabilities or market-corroborated inputs

Level 3 Unobservable inputs for which there is little or no market data and which require us to develop our own assumptions about how market participants would price the assets or liabilities

The following tables present information about the United's pension and other postretirement plan assets at December 31 (in millions):

	2012				2011			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Pension Plan Assets:								
Equity securities funds	$1,034	$ 383	$ 651	$ —	$ 872	$ 355	$ 517	$ —
Fixed-income securities	611	—	609	2	530	—	530	—
Alternatives	394	—	234	160	344	—	195	149
Insurance contract	36	—	—	36	42	—	—	42
Other investments	82	—	82	—	80	—	80	—
Total	$2,157	$ 383	$1,576	$ 198	$1,868	$ 355	$1,322	$ 191
Other Postretirement Benefit Plan Assets:								
Deposit administration fund	$ 58	$ —	$ —	$ 58	$ 58	$ —	$ —	$ 58

Equity and Fixed-Income Securities. Equity securities include investments in both developed market and emerging market equity securities. Fixed-income securities include primarily U.S. and non-U.S. government fixed-income securities and U.S. and non-U.S corporate fixed-income securities along with asset-backed securities.

Insurance Contract and Deposit Administration Fund. Each of these investments are stable value investment products structured to provide investment income.

Alternatives. Alternative investments consist primarily of investments in hedge fund and private equity interests.

Other investments. Other investments consist primarily of investments in currency and commodity commingled funds.

The reconciliation of United's defined benefit plan assets measured at fair value using unobservable inputs (Level 3) for the years ended December 31, 2012 and 2011 is as follows (in millions):

	2012	2011
Balance at beginning of year	$249	$250
Actual return on plan assets:		
Unrealized gains (losses) relating to assets still held at year end	(47)	6
Purchases, sales, issuances and settlements (net)	54	(7)
Balance at end of year	$256	$249

Funding requirements for tax-qualified defined benefit pension plans are determined by government regulations. United's contributions reflected above have satisfied its required contributions through the 2012 calendar year. Expected 2013 employer contributions to all of United's pension and postretirement plans are $217 million and $134 million, respectively.

The estimated future benefit payments, net of expected participant contributions, in United's pension plans and other postretirement benefit plans as of December 31, 2012 are as follows (in millions):

	Pension	Other Postretirement	Other Postretirement — subsidy receipts
2013	$ 312	$ 136	$ 7
2014	317	143	8
2015	321	150	9
2016	320	159	10
2017	317	166	11
Years 2018 – 2022	1,579	964	61

Defined Contribution Plans

Depending upon the employee group, employer contributions consist of matching contributions and/or non-elective employer contributions. United's employer contribution percentages vary from 1% to 16%, of eligible earnings depending on the terms of each plan. United's contributions to its defined contribution plans were $366 million, $325 million and $254 million, including International Association of Machinists ("IAM") multi-employer plan contributions of $36 million, $34 million and $34 million for the years ended December 31, 2012, 2011 and 2010, respectively.

Multi-Employer Plans

In 2006, United began participating in the IAM National Pension Plan ("IAM Plan") with respect to certain employees. The IAM Plan is a multi-employer pension plan whereby contributions by the participating company are based on covered hours by the applicable covered employees. The risks of participating in these multi-employer plans are different from single-employer plans, as United can be subject to additional risks that others do not meet their obligations, which in certain circumstances could revert to United.

United's participation in the IAM Plan for the annual period ended December 31, 2012 is outlined in the table below. There have been no significant changes that affect the comparability of 2012 and 2011 contributions. Contributions to the IAM Plan were $36 million, $34 million and $34 million for the years ended December 31, 2012, 2011 and 2010, respectively. The IAM Plan reported $350 million in employers' contributions for the year ended December 31, 2011. For 2011, contributions to the IAM Plan represented more than 5% of total contributions.

Pension Fund	IAM National Pension Fund
EIN/ Pension Plan Number	51-6031295 - 002
Pension Protection Act Zone Status (2012 and 2011)*	Green Zone
FIP/RP Status Pending/Implemented	No
United’s Contributions	$36 million and $34 million in the years ended December 31, 2012 and 2011, respectively
Surcharge Imposed	No
Expiration Date of Collective Bargaining Agreement	N/A

* Plans in the green zone are at least 80 percent funded.

At the date the financial statements were issued, Forms 5500 were not available for the plan year ending in 2012.

Profit Sharing

In 2012 and 2011, substantially all employees participated in profit sharing plans, which paid 15% of total pre-tax earnings, excluding special items and share-based compensation expense, to eligible employees when pre-tax profit, excluding special items, profit sharing expense and share-based compensation program expense, exceeds $10 million. Eligible U.S. co-workers in each participating work group received 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 workgroups. The international profit sharing plan paid eligible non-U.S. co-workers the same percentage of eligible pay that is calculated under the U.S. profit sharing plan.

The Company recorded profit sharing and related payroll tax expense of $119 million, $265 million and $166 million in 2012, 2011 and 2010, respectively. Profit sharing expense is recorded as a component of salaries and related costs in the consolidated statements of operations.

NOTE 10—SEGMENT INFORMATION

Operating segments are defined as components of an enterprise with separate financial information, which are evaluated regularly by the chief operating decision maker and are used in resource allocation and performance assessments.

The Company deploys its aircraft across its route network through a single route scheduling system to maximize its value. When making resource allocation decisions, the Company’s chief operating decision maker evaluates flight profitability data, which considers aircraft type and route economics. The Company’s chief operating decision maker makes resource allocation decisions to maximize the Company’s consolidated financial results. Managing the Company as one segment allows management the opportunity to maximize the value of its route network.

The Company's operating revenue by principal geographic region (as defined by the U.S. Department of Transportation) for the years ended December 31 is presented in the table below (in millions):

	UAL	United
2012		
Domestic (U.S. and Canada)	$21,276	$21,284
Pacific	6,040	6,040
Atlantic	6,582	6,582
Latin America	3,254	3,254
Total	$37,152	$37,160
2011		
Domestic (U.S. and Canada)	$21,922	$21,931
Pacific	5,404	5,404
Atlantic	6,675	6,675
Latin America	3,109	3,109
Total	$37,110	$37,119
2010		
Domestic (U.S. and Canada)	$14,382	$14,391
Pacific	3,971	3,971
Atlantic	3,912	3,912
Latin America	1,060	1,060
Total	$23,325	$23,334

The Company attributes revenue among the geographic areas based upon the origin and destination of each flight segment. The Company's operations involve an insignificant level of dedicated revenue-producing assets in geographic regions as the overwhelming majority of the Company's revenue producing assets (primarily U.S. registered aircraft) can be deployed in any of its geographic regions.

NOTE 11—ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

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

UAL	Pension and Other Postretirement Unrecognized Actuarial Gains (Losses) and Prior Service Cost	Unrealized Gain (Loss) on Derivatives and Other Financial Instruments	Total
Balance at December 31, 2009	$ 57	$ (22)	$ 35
Derivative financial instruments:			
Reclassification of losses into earnings	—	68	68
Change in fair value of derivatives	—	168	168
Change in fair value of other financial instruments	—	21	21
Employee benefit plans:			
Reclassification of unrecognized net actuarial gains into earnings	(12)	—	(12)
Current year actuarial gains	107	—	107
Balance at December 31, 2010	152	235	387
Derivative financial instruments:			
Reclassification of gains into earnings	—	(503)	(503)
Change in fair value of derivatives	—	163	163
Employee benefit plans:			
Reclassification of unrecognized net actuarial gains into earnings	(24)	—	(24)
Current year actuarial losses	(440)	—	(440)
Balance at December 31, 2011	(312)	(105)	(417)
Derivative financial instruments:			
Reclassification of losses into earnings	—	141	141
Change in fair value of derivatives	—	(51)	(51)
Change in fair value of other financial instruments	—	11	11
Employee benefit plans:			
Reclassification of unrecognized net actuarial losses into earnings	17	—	17
Current year actuarial losses	(747)	—	(747)
Balance at December 31, 2012	$ (1,042)	$ (4)	$(1,046)

United	Pension and Other Postretirement Unrecognized Actuarial Gains (Losses) and Prior Service Cost	Unrealized Gain (Loss) on Derivative Instruments and Other Financial Instruments	Income Tax Expense	Total
Balance at December 31, 2009	$ 57	$ (22)	$ —	$ 35
Derivative financial instruments:				
Reclassification of losses into earnings	—	68	—	68
Change in fair value of derivatives	—	168	—	168
Change in fair value of other financial instruments	—	21	—	21
Employee benefit plans:				
Reclassification of unrecognized net actuarial gains into earnings	(12)	—	—	(12)
Current year actuarial gains	107	—	—	107
Income tax expense on other comprehensive income	—	—	(6)	(6)
Balance at December 31, 2010	152	235	(6)	381
Derivative financial instruments:				
Reclassification of gains into earnings	—	(503)	—	(503)
Change in fair value of derivatives	—	163	—	163
Change in fair value of other financial instruments	—	(2)	—	(2)
Employee benefit plans:				
Reclassification of unrecognized net actuarial gains into earnings	(24)	—	—	(24)
Current year actuarial losses	(440)	—	—	(440)
Balance at December 31, 2011	(312)	(107)	(6)	(425)
Derivative financial instruments:				
Reclassification of losses into earnings	—	141	—	141
Change in fair value of derivatives	—	(51)	—	(51)
Change in fair value of other financial instruments	—	12	—	12
Employee benefit plans:				
Reclassification of unrecognized net actuarial losses into earnings	17	—	—	17
Current year actuarial losses	(747)	—	—	(747)
Balance at December 31, 2012	$ (1,042)	$ (5)	$ (6)	$(1,053)

NOTE 12—FAIR VALUE MEASUREMENTS

Fair Value Information. Accounting standards require us to use valuation techniques to measure fair value that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized as follows:

Level 1	Unadjusted quoted prices in active markets for assets or liabilities identical to those to be reported at fair value
Level 2	Other inputs that are observable directly or indirectly, such as quoted prices for similar assets or liabilities or market-corroborated inputs
Level 3	Unobservable inputs for which there is little or no market data and which require us to develop our own assumptions about how market participants would price the assets or liabilities

The table below presents disclosures about the fair value of financial assets and financial liabilities measured at fair value on a recurring basis in the Company's financial statements as of December 31 (in millions):

	2012				2011			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
UAL								
Cash and cash equivalents	$4,770	$4,770	$ —	$ —	$6,246	$6,246	$ —	$ —
Short-term investments:								
Asset-backed securities	715	—	715	—	478	—	478	—
Corporate debt	537	—	537	—	515	—	515	—
Certificates of deposit placed through an account registry service ("CDARS")	367	—	367	—	355	—	355	—
Auction rate securities	116	—	—	116	113	—	—	113
U.S. government and agency notes	12	—	12	—	22	—	22	—
Other fixed income securities	26	—	26	—	33	—	33	—
Enhanced equipment trust certificates ("EETC")	63	—	—	63	60	—	—	60
Fuel derivatives, net	46	—	46	—	73	—	73	—
Foreign currency derivatives	—	—	—	—	(1)	—	(1)	—
Restricted cash	447	447	—	—	569	569	—	—
United								
Cash and cash equivalents	$4,765	$4,765	$ —	$ —	$6,240	$6,240	$ —	$ —
Short-term investments:								
Asset-backed securities	715	—	715	—	478	—	478	—
Corporate debt	537	—	537	—	515	—	515	—
CDARS	367	—	367	—	355	—	355	—
Auction rate securities	116	—	—	116	113	—	—	113
U.S. government and agency notes	12	—	12	—	22	—	22	—
Other fixed income securities	26	—	26	—	33	—	33	—
EETC	63	—	—	63	60	—	—	60
Fuel derivatives, net	46	—	46	—	73	—	73	—
Foreign currency derivatives	—	—	—	—	(1)	—	(1)	—
Restricted cash	447	447	—	—	568	568	—	—
Convertible debt derivative asset	268	—	—	268	193	—	—	193
Convertible debt option liability	(128)	—	—	(128)	(95)	—	—	(95)

The tables below present disclosures about the activity for "Level 3" financial assets and financial liabilities for the year ended December 31 (in millions):

	2012		2011	
UAL	Auction Rate Securities	EETC	Auction Rate Securities	EETC
Balance at January 1	$ 113	$ 60	$ 119	$ 66
Settlements	—	(5)	(10)	(4)
Gains reported in earnings	1	—	3	—
Reported in other comprehensive income (loss)	2	8	1	(2)
Balance at December 31	$ 116	$ 63	$ 113	$ 60

As of December 31, 2012, the Company's auction rate securities, which had a par value of $135 million, were variable-rate debt instruments with contractual maturities generally greater than ten years and with interest rates that reset every 7, 28 or 35 days, depending on the terms of the particular instrument. These securities are backed by pools of student loans guaranteed by state-designated guaranty agencies and reinsured by the U.S. government. All of the auction rate securities that the Company holds are senior obligations under the applicable indentures authorizing the issuance of the securities.

As of December 31, 2012, EETC securities had unrealized gains of $2 million. All changes in the fair value of these investments have been classified within accumulated other comprehensive income.

United	2012 Student Loan-Related Auction Rate Securities	2012 Convertible Debt Supplemental Derivative Asset	2012 Convertible Debt Conversion Option Liability	2012 EETC	2011 Student Loan-Related Auction Rate Securities	2011 Convertible Debt Supplemental Derivative Asset	2011 Convertible Debt Conversion Option Liability	2011 EETC
Balance at January 1	$ 113	$ 193	$ (95)	$ 60	$ 119	$ 286	$ (164)	$ 66
Purchases, sales, issuances and settlements (net)	—	—	—	(5)	(10)	—	—	(4)
Gains and (losses):								
Reported in earnings:								
Realized	—	—	—	—	1	—	—	—
Unrealized	1	75	(33)	—	2	(93)	69	—
Reported in other comprehensive income (loss)	2	—	—	8	1	—	—	(2)
Balance at December 31	$ 116	$ 268	$ (128)	$ 63	$ 113	$ 193	$ (95)	$ 60

United’s debt-related derivatives presented in the tables above relate to (a) supplemental indenture agreements that provide that United’s convertible debt, which was previously convertible into shares of Continental common stock, is convertible into shares of UAL common stock upon the terms and conditions specified in the indentures, and (b) the embedded conversion options in United’s convertible debt that are required to be separated and accounted for as though they are free-standing derivatives as a result of the United debt becoming convertible into the common stock of a different reporting entity. The derivatives described above relate to the 6% convertible junior subordinated debentures due 2030 and the 4.5% convertible notes due 2015. These derivatives are reported in United’s separate financial statements and eliminated in consolidation for UAL.

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 for the years ended December 31 (in millions):

Fair Value of Debt by Fair Value Hierarchy Level

	2012					2011				
	Carrying Amount	Fair Value				Carrying Amount	Fair Value			
		Total	Level 1	Level 2	Level 3		Total	Level 1	Level 2	Level 3
UAL debt	$12,252	$13,419	$ —	$8,045	$5,374	$11,682	$11,992	$ —	$ 859	$11,133
United debt	11,850	12,460	—	7,086	5,374	11,273	11,133	—	—	11,133

Quantitative Information About Level 3 Fair Value Measurements as of December 31, 2012 ($ in millions)

Item	Fair Value at December 31, 2012	Valuation Technique	Unobservable Input	Range (Weighted Average)
Auction rate securities	$ 116	Discounted Cash Flows	Credit risk premium (a)	1%
			Illiquidity premium (b)	5%
			Expected repayments (c)	Assumed repayment in years 2013 through 2036
EETC	63	Discounted Cash Flows	Structure credit risk (d)	6% - 7%(6%)
Convertible debt derivative asset	268	Binomial Lattice Model	Expected volatility (e)	45% - 60%(48%)
			Own credit risk (f)	7% - 9%(8%)
Convertible debt option liability	(128)	Binomial Lattice Model	Expected volatility (e)	45% - 60%(49%)
			Own credit risk (f)	7% - 9%(8%)

(a) Represents the credit risk premium component of the discount rate that the Company has determined market participants would use in pricing the investments.
(b) Represents the illiquidity premium component of the discount rate that the Company has determined market participants would use in pricing the investments.
(c) Represents the estimated timing of principal repayments used in the discounted cash flow model.
(d) Represents the credit risk premium of the EETC structure above the risk-free rate that the Company has determined market participants would use in pricing the instruments.
(e) Represents the range in volatility estimates that the Company has determined market participants would use when pricing the instruments.
(f) Represents the range of Company-specific risk adjustments that the Company has determined market participants would use as a model input.

Fair value of the Company's financial instruments was determined as follows:

Description	Fair Value Methodology
Cash, Cash Equivalents, Short-term Investments, Investments and Restricted Cash	The carrying amounts approximate fair value because of the short-term maturity of these assets and liabilities. These assets have maturities of less than one year except for the EETCs, auction rate securities and corporate debt.
	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, or (c) internally-developed models of the expected future cash flows related to the securities.
Fuel Derivatives	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.
Foreign Currency Derivatives	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.
Debt	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.
Convertible Debt Derivative Asset and Option Liability	The Company used a binomial lattice model to value the conversion options and the supplemental derivative assets. Significant binomial model inputs that are not objectively determinable include volatility and discount rate.

Nonrecurring Fair Value Measurements

The table below presents fair value measurements of nonfinancial assets that were performed during the years ended December 31 (in millions):

	2012		2011	
	Fair Value	Loss	Fair Value	Loss
Airport slots	$ 102	$30	$ 8	$ 4

During 2012 and 2011, the Company recorded impairment charges of $30 million and $4 million, respectively, on certain intangible assets related to foreign take-off and landing slots to reflect the estimated fair value of these assets as part of its annual impairment test of indefinite-lived intangible assets. Slots were valued using a combination of the income and market approaches. The Company considers the valuation of the items above to be Level 3 due to the inclusion of unobservable inputs.

NOTE 13—HEDGING ACTIVITIES

Fuel Derivatives

Aircraft fuel has been the Company's single largest and most volatile operating expense for the last several years. The availability and price of aircraft fuel significantly affects the Company's operations, results of operations, financial position and liquidity. Aircraft fuel prices can fluctuate based on a multitude of factors including market expectations of supply and demand balance, inventory levels, geopolitical events, economic growth expectations, fiscal/monetary policies and financial investment flows. To protect against increases in the prices of aircraft fuel, the Company routinely hedges a portion of its future fuel requirements. As of December 31, 2012, the Company had hedged approximately 31% and 2% of its projected fuel requirements (1.2 billion and 63 million gallons, respectively) for 2013 and 2014, respectively, with commonly used financial hedge instruments based on aircraft fuel or closely related commodities, such as heating oil, diesel fuel and crude oil. The Company does not enter into derivative instruments for non-risk management purposes.

Accounting pronouncements pertaining to derivative instruments and hedging are complex with stringent requirements, including documentation of hedging strategy, statistical analysis to qualify a commodity for hedge accounting both on a historical and a prospective basis, and strict contemporaneous documentation that is required at the time each hedge is designated as a cash flow hedge. 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 special hedge accounting treatment. The types of instruments the Company utilizes that qualify for special hedge accounting treatment typically include swaps, call options and collars (which consist of a purchased call option and a sold put option). Generally, utilizing the special hedge accounting, all periodic changes in fair value of the 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 special 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.

The Company also utilizes certain derivative instruments that are economic hedges but do not qualify for hedge accounting under U.S. GAAP. As with derivatives that qualify for hedge accounting, the purpose of these economic hedges is to mitigate the adverse financial impact of potential increases in the price of fuel. Currently, the only such economic hedges in the Company's hedging portfolio are three-way collars (which consist of a collar with a cap on maximum price protection available). The Company records changes in the fair value of three-way collars to Nonoperating income (expense): Miscellaneous, net.

If the Company terminates 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 statements of cash flows.

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.

At December 31, the Company's derivatives were reported in its consolidated balance sheets as follows (in millions):

Classification	Balance Sheet Location	2012	2011
Derivatives designated as cash flow hedges			
Assets:			
Fuel contracts due within one year	Receivables	$ 7	$ 77
Liabilities:			
Fuel contracts due within one year	Current liabilities: Other	$ 2	$ 4
Derivatives not designated as hedges			
Assets:			
Fuel contracts due within one year	Receivables	$44	$—
Liabilities:			
Fuel contracts due within one year	Current liabilities: Other	$ 2	$—
Fuel contracts with maturities greater than one year	Other liabilities and deferred credits: Other	1	—
Total liabilities		$ 3	$—
Total derivatives			
Assets:			
Fuel contracts due within one year	Receivables	$51	$ 77
Liabilities:			
Fuel contracts due within one year	Current liabilities: Other	$ 4	$ 4
Fuel contracts with maturities greater than one year	Other liabilities and deferred credits: Other	1	—
Total liabilities		$ 5	$ 4

The following tables present the fuel hedge gains (losses) recognized during the periods presented and their classification in the financial statements (in millions):

Fuel derivatives designated as cash flow hedges	Amount of Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion)		Gain (Loss) Reclassified from AOCI into Income (Fuel Expense) (Effective Portion)		Amount of Loss Recognized in Nonoperating Expense (Ineffective Portion)	
	2012	2011	2012	2011	2012	2011
	$ (51)	$ 163	$ (141)	$ 503	$ (1)	$ (59)

Fuel derivatives not designated as cash flow hedges	Aircraft Fuel			Nonoperating Income (Expense)			Total Gain (Loss)		
	2012	2011	2010	2012	2011	2010	2012	2011	2010
	$—	$—	$(35)	$38	$—	$—	$38	$—	$(35)

Derivative Credit Risk and Fair Value

The Company is exposed to credit losses in the event of nonperformance 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 following table presents information related to the Company's derivative credit risk as of December 31 (in millions):

	2012	2011
Net derivative assets with counterparties	$ 46	$ 73
Collateral held by the Company (a)	—	—
Potential loss related to the failure of the Company's counterparties to perform	46	73

(a) Classified as an other current liability.

The Company considers counterparty credit risk in determining its exposure and the fair value of its financial instruments, and generally monitors and limits its exposure to any single counterparty. The Company considers credit risk to have a minimal impact on fair value because cash collateral is provided by the Company's hedging counterparties periodically based on current market exposure and the credit-worthiness of the counterparties.

NOTE 14—DEBT

(In millions)	At December 31, 2012	2011
United:		
Secured		
Notes payable, fixed interest rates of 4.00% to 12.00% (weighted average rate of 6.96% as of December 31, 2012), payable through 2024	$ 5,943	$ 5,088
Notes payable, floating interest rates of LIBOR plus 0.20% to 5.46%, payable through 2022	1,668	2,156
Amended credit facility, LIBOR plus 2.0%, due 2014	1,201	1,219
6.75% senior secured notes due 2015	800	800
9.875% senior secured notes and 12% second lien due 2013	600	650
12.75% senior secured notes due 2012	—	172
Unsecured		
4.5% senior limited subordination convertible notes due 2021	156	156
6% notes due 2026 to 2028	652	—
6% senior notes due 2031	—	652
6% convertible junior subordinated debentures due 2030	248	248
8% senior notes due 2024	400	—
8% senior notes due 2026	—	125
4.5% convertible notes due 2015	230	230
Other	161	66
	12,059	11,562
Less: unamortized debt discount	(152)	(225)
Less: current portion of long-term debt—United	(1,812)	(1,186)
Long-term debt, net—United (a)	$10,095	$10,151
UAL:		
6% senior convertible notes due 2029	$ 345	$ 345
Long-term debt, net—UAL	$10,440	$10,496

(a) As further described below under “Convertible Debt Securities,” there is a basis difference between UAL and United debt values, because we were required to apply different accounting methodologies. The United debt presented above does not agree to United’s balance sheet by the amount of this adjustment.

The table below presents the Company’s contractual principal payments at December 31, 2012 under then-outstanding long-term debt agreements in each of the next five calendar years (in millions):

	UAL	United
2013	$ 1,812	$ 1,812
2014	2,120	2,120
2015	2,023	2,023
2016	985	985
2017	545	545
After 2017	4,919	4,574
	$12,404	$12,059

As of December 31, 2012, a substantial portion of the Company’s assets, principally aircraft, spare engines, aircraft spare parts, route authorities and certain other intangible assets, were pledged under various loan and other agreements. As of December 31, 2012, UAL and United were in compliance with their respective debt covenants. Continued compliance depends on many factors, some of which are beyond the Company’s control, including the overall industry revenue environment and the level of fuel costs.

Revolving Credit Facility. The Company has a revolving credit facility (the "Revolving Credit Facility") to borrow up to $500 million, all of which may be used for the issuance of letters of credit. The facility expires on January 30, 2015. As of December 31, 2012, the Company had all of its commitment capacity available under the Revolving Credit Facility. The Company pays a commitment fee equal to 0.5% per annum on the undrawn amount available under the Revolving Credit Facility. Borrowings under the Revolving Credit Facility bear interest at a floating rate, which, at the Company's option, can be either a base rate or a London Interbank Offered Rate ("LIBOR") rate, plus an applicable margin of 3.25% in the case of base rate loans and 4.25% in the case of LIBOR loans at the Company's current corporate credit ratings.

The Company's other significant financing agreements are summarized below:

UAL

6% Senior Convertible Notes. The 6% Senior Convertible Notes due 2029 (the "UAL 6% Senior Convertible Notes") may be converted by holders into shares of UAL's common stock at a conversion price of approximately $8.69 per share. UAL does not have the option to pay the conversion price in cash upon a noteholder's conversion; however, UAL may redeem for cash all or part of the UAL 6% Senior Convertible Notes on or after October 15, 2014. In addition, holders of the UAL 6% Senior Convertible Notes have the right to require UAL to repurchase all or a portion of their notes on each of October 15, 2014, October 15, 2019 and October 15, 2024 or if certain changes of control of UAL occur, payable by UAL in cash, shares of UAL common stock or a combination thereof, at UAL's option.

United

The 4.5% Senior Limited Subordination Convertible Notes due 2021 (the "4.5% Notes") and the New PBGC Notes (as defined and described below under *New PBGC Notes*), which were issued by UAL, have been pushed down to United and are reflected as debt of United. The obligations of UAL under each of these notes, and the indentures under which these notes were issued are unconditionally guaranteed by United.

4.5% Notes. The 4.5% Notes may be converted by holders into shares of UAL's common stock at a conversion price of approximately $32.64 per share. The Company has the option to pay the conversion price in cash, shares of UAL common stock or a combination thereof upon a noteholder's conversion. In June 2011, the Company repurchased at par value approximately $570 million of the $726 million outstanding principal amount of its 4.5% Notes due 2021 with cash after the notes were put to the Company by the noteholders. The remaining holders of the 4.5% Notes have the option to require the Company to repurchase all or a portion of their notes on June 30, 2016 or if certain changes of control of the Company occur, payable by the Company in cash, shares of UAL common stock or a combination thereof, at the Company's option. All or a portion of the 4.5% Notes are callable, at the Company's option, at any time at par, plus accrued and unpaid interest, and can be redeemed with cash, shares of UAL common stock or a combination thereof except that the Company may elect to pay the redemption price in shares of UAL common stock only if the closing price of UAL common stock has not been less than 125% of the conversion price for the 60 consecutive trading days immediately prior to the redemption date.

New PBGC Notes. On December 31, 2012, UAL and United Air Lines, Inc. entered into an agreement with the PBGC that reduced the aggregate amount of 8% Contingent Senior Notes to be issued by UAL, and eliminated the contingent nature of such obligation by replacing the $188 million principal amount of 8% Contingent Senior Notes incurred as of December 31, 2012 and the obligation to issue any additional 8% Contingent Senior Notes with $400 million principal amount of new 8% Notes due 2024 (the "New 8% Notes"). In addition, UAL agreed to replace the $652 million principal amount outstanding of 6% Senior Notes due 2031 with $326 million principal amount of new 6% Notes due 2026 and $326 million principal amount of 6% Notes due 2028 (collectively, the "New 6% Notes" and together with the New 8% Notes, the "New PBGC Notes"). The Company did not receive any cash proceeds in connection with the issuance of the New PBGC Notes. The Company is accounting for this agreement as a debt extinguishment, resulting in a charge of $309 million that represents the fair value of $212 million of New 8% Notes that it agreed to issue and the change in the fair value of the New 6% Notes and the $188 million of New 8% Notes versus their previous carrying values. The Company classified the expense as a component of special charges because the note restructuring would not have occurred if it were not for the Merger.

The Company recorded a liability during 2011 in connection with issuing $125 million principal amount of the 8% Contingent Senior Notes at their fair value of $88 million as a component of integration costs. In addition, at June 30, 2012, the Company recorded a liability of $48 million during the second quarter for the fair value of the obligation to issue a tranche of an additional $62.5 million of the 8% Contingent Senior Notes.

Amended Credit Facility. The Amended and Restated Revolving Credit, Term Loan and Guaranty Agreement, dated as of February 2, 2007 (the “Amended Credit Facility”) consists of a term loan which had a balance of $1.2 billion as of December 31, 2012. The term loan matures on February 1, 2014.

Borrowings under the Amended Credit Facility bear interest at a floating rate, which, at the Company’s option, can be either a base rate or a LIBOR rate, plus an applicable margin of 1.0% in the case of base rate loans and 2.0% in the case of LIBOR loans. The term loan requires regularly scheduled semiannual payments of principal equal to $9 million. The Company may prepay all or a portion of the loan from time to time, at par plus accrued and unpaid interest.

As of December 31, 2012, United had cash collateralized $77 million of letters of credit, most of which had previously been issued under the Amended Credit Facility. United also had $367 million of performance bonds and letters of credit relating to various real estate, customs and aircraft financing obligations at December 31, 2012. Most of the letters of credit have evergreen clauses and are expected to be renewed on an annual basis and the performance bonds have expiration dates through 2016.

Senior Secured Notes. On February 1, 2013, United redeemed all of the $400 million aggregate principal amount of its 9.875% Senior Secured Notes due 2013 and $200 million aggregate principal amount of 12.0% Senior Second Lien Notes due 2013.

EETCs. United has $5.9 billion principal amount of equipment notes outstanding issued under EETC financings included in notes payable in the table of outstanding debt above. Generally, the structure of all of these EETC financings consist of pass-through trusts created by United to issue pass-through certificates. The pass-through certificates represent fractional undivided interests in the respective pass-through trusts and are not obligations of United. The proceeds of the issuance of the pass-through certificates are used to purchase equipment notes which are issued by United and secured by its aircraft. 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 depositary are not United’s assets.

In March 2012, United created two pass-through trusts that issued an aggregate principal amount of $892 million of pass-through certificates. United received all $892 million in proceeds raised by the pass-through trusts as of December 31, 2012, in exchange for United’s issuance of an equivalent principal amount of equipment notes, which has been recorded as debt. The proceeds were used to fund the acquisition of new aircraft, and in the case of currently owned aircraft, for general corporate purposes.

In October 2012, United created two pass-through trusts, one of which issued $712 million aggregate principal amount of Class A pass-through certificates with a stated interest rate of 4% and the second of which issued $132 million aggregate principal amount of Class B pass-through certificates with a stated interest rate of 5.5%. The proceeds of the issuance of the Class A and Class B pass-through certificates, which amounted to $844 million, are used to purchase equipment notes issued by United. Of the $844 million in proceeds raised by the pass-through trusts, United received $293 million as of December 31, 2012. United expects to receive the remaining proceeds from the issuance during the first seven months of 2013 as aircraft are delivered to the Company and United issues equipment notes to the trusts. The Company records the debt obligation upon issuance of the equipment notes rather than upon the initial issuance of the pass-through certificates. The proceeds have been and are expected to be used to fund the acquisition of new aircraft.

In December 2012, United created one pass-through trust which issued $425 million aggregate principal amount of Class C pass-through certificates with a stated interest rate of 6.125%. The proceeds of the issuance of the Class C pass-through certificates are used to purchase equipment notes issued by United related to the aircraft financed in both the March and October 2012 EETC financings. Of the $425 million in proceeds raised by the pass-through trusts, United received $278 million as of December 31, 2012. United expects to receive the remaining proceeds from the issuance during the first seven months of 2013 as aircraft are delivered to the Company and United issues equipment notes to the trusts. The Company records the debt obligation upon issuance of the equipment notes rather than upon the initial issuance of the pass-through certificates. See Note 16 for additional information related to EETCs.

EETCs Secured by Spare Parts Inventory. United has two series of notes totaling $304 million due June 2, 2013, which bear interest at LIBOR plus a margin (0.35% in the case of one series of notes and 3.125% in the case of the other series of notes) that are secured by the majority of its spare parts inventory.

6.75% Notes. In August 2010, United issued $800 million aggregate principal amount of 6.75% Senior Secured Notes due 2015 (the "Senior Notes"). United may redeem all or a portion of the Senior Notes at any time on or after September 15, 2012 at specified redemption prices. If United sells certain of its assets or if it experiences specific kinds of a change in control, United will be required to offer to repurchase the notes. United's obligations under the notes are unconditionally guaranteed by certain of its subsidiaries.

Convertible Debt Securities

Following the Merger, Continental and the trustees for the 4.5% Convertible Notes due 2015 (the "4.5% Convertible Notes"), 5% Convertible Notes due 2023 (the "5% Convertible Notes") and 6% Convertible Junior Subordinated Debentures due 2030 (the "6% Convertible Debentures") entered into supplemental indenture agreements to make United's convertible debt, which was previously convertible into shares of Continental common stock, convertible into shares of UAL common stock. For purposes of the United separate-entity reporting, as a result of this debt, which is now United debt, becoming convertible into the stock of a non-consolidated entity, the embedded conversion options in United's convertible debt are required to be separated and accounted for as though they are free-standing derivatives. As a result, the carrying value of United's debt, net of current maturities, on a separate-entity reporting basis as of December 31, 2012 and December 31, 2011 was $10 billion and $10 billion, respectively, which is $57 million and $64 million, respectively, lower than the consolidated UAL carrying values on those dates.

In addition, UAL's contractual commitment to provide common stock to satisfy United's obligation upon conversion of the debt is an embedded call option on UAL common stock that is also required to be separated and accounted for as though it is a free-standing derivative. The fair value of the indenture derivatives on a separate-entity reporting basis as of December 31, 2012 and December 31, 2011 was an asset of $268 million and $193 million, respectively. The fair value of the embedded conversion options as of December 31, 2012 and December 31, 2011, was a liability of $128 million and $95 million, respectively. The initial contribution of the indenture derivatives to United by UAL is accounted for as additional-paid-in-capital in United's separate-entity financial statements. Changes in fair value of both the indenture derivatives and the embedded conversion options subsequent to October 1, 2010 are recognized currently in nonoperating income (expense).

4.5% Convertible Notes. The 4.5% Convertible Notes may be converted by holders into shares of UAL common stock at a conversion price of approximately $18.93 per share. The Company does not have the option to pay the conversion price in cash; however, holders of the notes may require the Company to repurchase all or a portion of the notes for cash at par plus any accrued and unpaid interest if certain changes in control of the Company occur.

6% Convertible Junior Subordinated Debentures. Continental Airlines Finance Trust II, a Delaware statutory business trust (the "Trust") of which United owns all the common trust securities, has outstanding five million 6% convertible preferred securities, called Term Income Deferrable Equity Securities (the "TIDES"). The TIDES have a liquidation value of $50 per preferred security and are convertible at any time at the option of the holder into shares of UAL common stock at a conversion rate of $57.14 per share of common stock (equivalent to approximately 0.875 of a share of UAL common stock for each preferred security). Distributions on the preferred securities are payable by the Trust at an annual rate of 6% of the liquidation value of $50 per preferred security.

The sole assets of the Trust are 6% Convertible Debentures with an aggregate principal amount of $248 million as of December 31, 2012 mature on November 15, 2030. The 6% Convertible Debentures are redeemable, in whole or in part, on or after November 20, 2003 at designated redemption prices. If we redeem the 6% Convertible Debentures, the Trust must redeem the TIDES on a pro rata basis having an aggregate liquidation value equal to the aggregate principal amount of the 6% Convertible Debentures redeemed. Otherwise, the TIDES will be redeemed upon maturity of the 6% Convertible Debentures, unless previously converted.

Taking into consideration the obligations under (i) the preferred securities guarantee relating to the TIDES, (ii) the indenture relating to the 6% Convertible Debentures to pay all debt and obligations and all costs and expenses of the Trust (other than U.S. withholding taxes) and (iii) the indenture, the declaration of trust relating to the TIDES and the 6% Convertible Debentures, United has fully and unconditionally guaranteed payment of (i) the distributions on the TIDES, (ii) the amount payable upon redemption of the TIDES and (iii) the liquidation amount of the TIDES.

The Trust is a subsidiary of United, and the TIDES are mandatorily redeemable preferred securities with a liquidation value of $248 million. The Trust is a variable interest entity ("VIE") because the Company has a limited ability to make decisions about its activities. However, the Company is not the primary beneficiary of the Trust. Therefore, the Trust and the mandatorily redeemable preferred securities issued by the Trust are not reported in the Company's balance sheets. Instead, the Company reports its 6% convertible junior subordinated debentures held by the Trust as long-term debt and interest on these debentures is recorded as interest expense for all periods presented in the accompanying financial statements.

The Company's debt and associated collateral and cross default provisions are summarized in the tables below:

Summary of Collateral, Covenants and Cross Default Provisions

Debt Instrument	Collateral, Covenants and Cross Default Provisions
Revolving Credit Facility	Secured by take-off and landing slots at Newark Liberty, LaGuardia and Washington Reagan and certain of their other assets. The facility requires the Company to maintain at least $3.0 billion of unrestricted liquidity at all times, which includes unrestricted cash, short-term investments and any undrawn amounts under any revolving credit facility and to maintain a minimum ratio of appraised value of collateral to the outstanding obligations under the Revolving Credit Facility of 1.67 to 1.0 at all times. The facility contains events of default customary for this type of financing, including a cross default and cross acceleration provision to certain other material indebtedness of the Company.
Amended Credit Facility	Secured by certain of the Company's international route authorities, international slots and related gate interests and associated rights. The international routes include the Pacific (including China and Hong Kong, but excluding Japan) and London Heathrow routes. The Amended Credit Facility contains covenants, that among other things, restrict the ability of the Company and the guarantors under the facility to sell assets, incur additional indebtedness, make investments, pay dividends on or repurchase stock, or merge with other companies. The Company must also maintain a specified minimum 1.5 to 1.0 ratio of EBITDAR to the sum of the following fixed charges for all applicable periods: (a) cash interest expense and (b) cash aircraft operating rental expense. The Amended Credit Facility also requires compliance with the following financial covenants: (i) a minimum unrestricted cash balance of $1.0 billion at all times, and (ii) a minimum collateral ratio. The facility contains events of default customary for this type of financing, including a cross default and cross acceleration provision to certain other material indebtedness of the Company and the guarantors under the facility.
PBGC Notes	The amended and restated indenture for these notes, which are unsecured, contains covenants that, among other things, restrict the ability of the Company and its subsidiaries to incur additional indebtedness and pay dividends on or repurchase stock. These covenants cease to be in effect when the indenture covering the Senior Notes is discharged. However, if the Company at that time or thereafter has a series of public debt securities with a principal amount of $300 million or more that has the benefit of covenants that are substantially similar to those contained in the indenture for the New PBGC Notes, then subject to certain conditions and upon written request of the PBGC to the Company, the Company will use commercially reasonable efforts to amend the indenture for the New PBGC Notes to include such covenants.
EETCs Secured by Spare Parts Inventory	The Company has a collateral maintenance agreement requiring it, among other things, to maintain a loan-to-collateral value ratio of not greater than 45% with respect to the senior series of equipment notes and a loan-to-collateral value ratio of not greater than 75% with respect to both series of notes combined. The Company must also maintain a certain level of rotable components within the spare parts collateral pool.
Senior Notes	Secured by certain of the Company's U.S.-Asia and U.S.-London Heathrow routes and related assets, all of the outstanding common stock and other assets of the guarantor subsidiaries and substantially all of the other assets of the guarantors, including route authorities and related assets. The indenture for the Senior Notes includes covenants that, among other things, restrict the Company's ability to sell assets, incur additional indebtedness, issue preferred stock, make investments or pay dividends. In addition, if the Company fails to maintain a collateral coverage ratio of 1.5 to 1.0, we must pay additional interest on notes at the rate of 2% per annum until the collateral coverage ratio equals at least 1.5 to 1.0. The indenture for the Senior Notes also includes events of default customary for similar financings and a cross default provision if the Company fails to make payment when due with respect to certain obligations regarding frequent flyer miles purchased by Chase under United's Co-Brand Agreement.

NOTE 15—LEASES AND CAPACITY PURCHASE AGREEMENTS

United leases aircraft, airport passenger terminal space, aircraft hangars and related maintenance facilities, cargo terminals, other airport facilities, other commercial real estate, office and computer equipment and vehicles.

At December 31, 2012, United's scheduled future minimum lease payments under operating leases having initial or remaining noncancelable lease terms of more than one year, aircraft leases, including aircraft rent under capacity purchase agreements and capital leases (substantially all of which are for aircraft) were as follows (in millions):

	Capital Leases (a)	Facility and Other Operating Leases	Aircraft Operating Leases (b)
2013	$ 214	$ 1,108	$ 1,543
2014	197	955	1,466
2015	177	816	1,198
2016	164	744	960
2017	120	696	861
After 2017	582	5,376	1,491
Minimum lease payments	$ 1,454	$ 9,695	$ 7,519
Imputed interest	(540)		
Present value of minimum lease payments	914		
Current portion	(122)		
Long-term obligations under capital leases	$ 792		

(a) As of December 31, 2012, United's aircraft capital lease minimum payments relate to leases of 49 mainline and 38 regional aircraft as well as to leases of nonaircraft assets. Imputed interest rate ranges are 3.3% to 20%.

(b) The operating lease payments presented above include future payments of $130 million related to nonoperating aircraft as of December 31, 2012. United has 25 nonoperating aircraft subject to leases.

Aircraft operating leases have initial terms of one to twenty-six years, with expiration dates ranging from 2013 through 2024. Under the terms of most leases, United has the right to purchase the aircraft at the end of the lease term, in some cases at fair market value, and in others, at fair market value or a percentage of cost. United has facility operating leases that extend to 2032.

United is the lessee of real property under long-term operating leases at a number of airports where we are also the guarantor of approximately $1.7 billion of underlying debt and interest thereon as of December 31, 2012. These leases are typically with municipalities or other governmental entities, which are excluded from the consolidation requirements concerning VIEs. To the extent United's leases and related guarantees are with a separate legal entity other than a governmental entity, United is not the primary beneficiary because the lease terms are consistent with market terms at the inception of the lease and the lease does not include a residual value guarantee, fixed-price purchase option, or similar feature.

United's nonaircraft rent expense for the years ended December 31 2012, 2011, and 2010 were $1.3 billion, $1.3 billion, and $839 million, respectively.

In addition to nonaircraft rent and aircraft rent, which is separately presented in the consolidated statements of operations, United had aircraft rent related to regional aircraft operating leases, which is included as part of regional capacity purchase expense in United's consolidated statement of operations, of $463 million, $498 million and $411 million for the years ended December 31, 2012, 2011 and 2010, respectively.

In connection with UAL Corporation's and United Air Lines, Inc.'s fresh-start reporting requirements upon their exit from Chapter 11 bankruptcy protection in 2006 and the Company's acquisition accounting adjustments related to the Merger, lease valuation adjustments for operating leases were initially recorded in the consolidated balance sheet, representing the net present value of the differences between contractual lease rates and the fair market lease rates for similar leased assets at the time. An asset (liability) results when the contractual lease rates are more (less) favorable than market lease terms at the valuation date. The lease valuation adjustment is amortized on a straight-line basis as an increase (decrease) to rent expense over the individual applicable remaining lease terms, resulting in recognition of rent expense as if United had entered into the leases at market rates. The related remaining lease terms are one to 12 years for United. The lease valuation adjustments are classified within other noncurrent assets and other noncurrent liabilities, respectively, and are as follows as of December 31 (in millions):

Net deferred asset balance at December 31, 2010	$ 108
Less: amortization for the year ended December 31, 2011	(14)
Net deferred asset balance at December 31, 2011	94
Less: amortization for the year ended December 31, 2012	(12)
Net deferred asset balance at December 31, 2012	$ 82
Net deferred liability balance at December 31, 2010	$(1,374)
Less: accretion for the year ended December 31, 2011	241
Net deferred liability balance at December 31, 2011	(1,133)
Less: accretion for the year ended December 31, 2012	252
Net deferred liability balance at December 31, 2012	$ (881)

Regional Capacity Purchase Agreements

United has capacity purchase agreements ("CPAs") with certain regional carriers. We purchase all of the capacity from the flights covered by the CPA at a negotiated price. We pay the regional carrier a pre-determined rate, subject to annual inflation adjustments, for each block hour flown (the hours from gate departure to gate arrival) and to reimburse the regional carrier for various pass-through expenses related to the flights. Under the CPAs, we are responsible for the cost of providing fuel for all flights and for paying aircraft rent for all of the aircraft covered by the CPAs. Generally, the CPAs contain incentive bonus and rebate provisions based upon each regional carrier's operational performance. United's CPAs are for 551 regional aircraft, and the CPAs have terms expiring through 2024. Aircraft operated under CPAs include aircraft leased directly from the regional carriers and those leased from third-party lessors and operated by the regional carriers.

Our future commitments under our CPAs are dependent on numerous variables, and are therefore difficult to predict. The most important of these variables is the number of scheduled block hours. Although we are not required to purchase a minimum number of block hours under certain of our CPAs, we have set forth below estimates of our future payments under the CPAs based on our assumptions. United's estimates of its future payments under all of the CPAs do not include the portion of the underlying obligation for any aircraft leased to ExpressJet or deemed to be leased from other regional carriers and facility rent that are disclosed as part of aircraft and nonaircraft operating leases. For purposes of calculating these estimates, we have assumed (1) the number of block hours flown is based on our anticipated level of flight activity or at any contractual minimum utilization levels if applicable, whichever is higher, (2) that we will reduce the fleet as rapidly as contractually allowed under each CPA, (3) that aircraft utilization, stage length and load factors will remain constant, (4) that each carrier's operational performance will remain at historic levels and (5) that inflation is projected to be between 1.5% and 2.2% per year. These amounts exclude variable pass-through costs such as fuel and landing fees, among others. Based on these assumptions as of December 31, 2012, our future payments through the end of the terms of our CPAs are presented in the table below (in millions):

2013	$1,801
2014	1,604
2015	1,422
2016	1,187
2017	1,159
After 2017	2,376
	$9,549

It is important to note that the actual amounts we pay to our regional operators under CPAs could differ materially from these estimates. For example, a 10% increase or decrease in scheduled block hours for all of United's regional operators (whether as a result of changes in average daily utilization or otherwise) in 2013 would result in a corresponding change in annual cash obligations under the CPAs of approximately $148 million (8.2%).

NOTE 16—VARIABLE INTEREST ENTITIES

Variable interests are contractual, ownership or other monetary interests in an entity that change with fluctuations in the fair value of the entity's net assets exclusive of variable interests. A VIE can arise from items such as lease agreements, loan arrangements, guarantees or service contracts. An entity is a VIE if (a) the entity lacks sufficient equity or (b) the entity's equity holders lack power or the obligation and right as equity holders to absorb the entity's expected losses or to receive its expected residual returns. Therefore, if the equity owners as a group do not have the power to direct the entity's activities that most significantly impact its economic performance, the entity is a VIE.

If an entity is determined to be a VIE, the entity must be consolidated by the primary beneficiary. The primary beneficiary is the holder of the variable interests that has the power to direct the activities of a VIE that (i) most significantly impact the VIE's economic performance and (ii) has the obligation to absorb losses of or the right to receive benefits from the VIE that could potentially be significant to the VIE. Therefore, the Company must identify which activities most significantly impact the VIE's economic performance and determine whether it, or another party, has the power to direct those activities.

The Company's evaluation of its association with VIEs is described below:

Aircraft Leases. We are the lessee in a number of operating leases covering the majority of our leased aircraft. The lessors are trusts established specifically to purchase, finance and lease aircraft to us. These leasing entities meet the criteria for VIEs. We are generally not the primary beneficiary of the leasing entities if the lease terms are consistent with market terms at the inception of the lease and do not include a residual value guarantee, fixed-price purchase option or similar feature that obligates us to absorb decreases in value or entitles us to participate in increases in the value of the aircraft. This is the case for many of our operating leases; however, leases of approximately 84 mainline jet aircraft contain a fixed-price purchase option that allow United to purchase the aircraft at predetermined prices on specified dates during the lease term. Additionally, leases covering approximately 256 leased regional jet aircraft contain an option to purchase the aircraft at the end of the lease term at prices that, depending on market conditions, could be below fair value. United has not consolidated the related trusts because, even taking into consideration these purchase options, United is still not the primary beneficiary. United's maximum exposure under these leases is the remaining lease payments, which are reflected in future lease commitments in Note 15.

EETCs. United evaluated whether the pass-through trusts formed for its EETC financings, treated as either debt or aircraft operating leases, are VIEs required to be consolidated by United under applicable accounting guidance, and determined that the pass-through trusts are VIEs. Based on United's analysis as described below, United determined that it does not have a variable interest in the pass-through trusts.

The primary risk of the pass-through trusts is credit risk (i.e. the risk that United, the issuer of the equipment notes, may be unable to make its principal and interest payments). The primary purpose of the pass-through trust structure is to enhance the credit worthiness of United's debt obligation through certain bankruptcy protection provisions, a liquidity facility (in certain of the EETC structures) and improved loan-to-value ratios for more senior debt classes. These credit enhancements lower United's total borrowing cost. Pass-through trusts are established to receive principal and interest payments on the equipment notes purchased by the pass-through trusts from United and remit these proceeds to the pass-through trusts' certificate holders.

United does not invest in or obtain a financial interest in the pass-through trusts. Rather, United has an obligation to make interest and principal payments on its equipment notes held by the pass-through trusts. United did not intend to have any voting or non-voting equity interest in the pass-through trusts or to absorb variability from the pass-through trusts. Based on this analysis, the Company determined that it is not required to consolidate the pass-through trusts.

NOTE 17—COMMITMENTS AND CONTINGENCIES

General Guarantees and Indemnifications. In the normal course of business, the Company enters into numerous real estate leasing and aircraft financing arrangements that have various guarantees included in the contracts. These guarantees are primarily in the form of indemnities under which the Company typically indemnifies the lessors and any tax/financing parties against tort liabilities that arise out of the use, occupancy, operation or maintenance of the leased premises or financed aircraft. Currently, the Company believes that any future payments required under these guarantees or indemnities would be immaterial, as most tort liabilities and related indemnities are covered by insurance (subject to deductibles). Additionally, certain leased premises such as fueling stations or storage facilities include indemnities of such parties for any environmental liability that may arise out of or relate to the use of the leased premises.

Legal and Environmental. The Company has certain contingencies resulting from litigation and claims incident to the ordinary course of business. Management believes, after considering a number of factors, including (but not limited to) the information currently available, the views of legal counsel, the nature of contingencies to which the Company is subject and prior experience, that the ultimate disposition of the litigation and claims will not materially affect the Company's consolidated financial position or results of operations. The Company records liabilities for legal and environmental claims when a loss is probable and reasonably estimable. These amounts are recorded based on the Company's assessments of the likelihood of their eventual disposition.

Commitments. *UAL Aircraft Commitments.* UAL had firm commitments to purchase 100 Boeing 737 MAX 9 aircraft scheduled for delivery from 2018 through 2022. UAL also had options to purchase an additional 100 Boeing 737 MAX 9 aircraft. UAL had the right, and intends in the future, to assign its interest under the purchase agreement for the 737 MAX 9 aircraft to United.

United Aircraft Commitments. United had firm commitments to purchase 147 new aircraft (49 Boeing 787 aircraft, 73 Boeing 737 aircraft and 25 Airbus A350XWB aircraft) scheduled for delivery from January 1, 2013 through 2020. United also had options to purchase 74 Boeing aircraft and purchase rights for additional aircraft. In 2013, United expects to take delivery of 24 Boeing 737-900ER aircraft and two Boeing 787-8 aircraft.

The table below summarizes United's commitments as of December 31, 2012 (including those intended to be assigned from UAL), 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 for the years ended December 31 (in billions):

2013	$ 1.8
2014	1.5
2015	2.0
2016	3.0
2017	2.5
After 2017	7.1
	$17.9

As of December 31, 2012, United had arranged for EETC financing of 14 Boeing 737-900ER aircraft and one Boeing 787-8 aircraft scheduled for delivery through July 2013. In addition, United had secured backstop financing commitments from its widebody aircraft and engine manufacturers for a limited number of its future aircraft deliveries, subject to certain customary conditions. See Note 14 in this Exhibit 99.3 of this Current Report on Form 8-K for additional information. However, the Company does not have backstop financing or any other financing currently in place for its firm narrowbody aircraft orders or its other aircraft orders with Boeing. Financing will be necessary to satisfy the Company's capital commitments for its firm order aircraft and other related capital expenditures. The Company can provide no assurance that any financing not already in place for aircraft and spare engine deliveries will be available to the Company on acceptable terms when necessary or at all.

The Company has concluded its discussions with Boeing regarding delays in delivery of certain Boeing 787 aircraft, and have reached a resolution with Boeing regarding compensation to be received in connection with those delays.

Credit Card Processing Agreements

United has agreements with financial institutions that process customer credit card transactions for the sale of air travel and other services. Under certain of United's credit card processing agreements, the financial institutions either require, or under certain circumstances have the right to require, that United maintains a reserve equal to a portion of advance ticket sales that has been processed by that financial institution, but for which United has not yet provided the air transportation. Such financial institutions may require additional cash or other collateral reserves to be established or additional withholding of payments related to receivables collected if United does not maintain certain minimum levels of unrestricted cash, cash equivalents and short term investments. United's current level of unrestricted cash, cash equivalents and short term investments is substantially in excess of these minimum levels.

Guarantees and Off-Balance Sheet Financing

Fuel Consortia. United participates in numerous fuel consortia with other air carriers at major airports to reduce the costs of fuel distribution and storage. Interline agreements govern the rights and responsibilities of the consortia members and provide for the allocation of the overall costs to operate the consortia based on usage. The consortia (and in limited cases, the participating carriers) have entered into long-term agreements to lease certain airport fuel storage and distribution facilities that are typically financed through tax-exempt bonds (either special facilities lease revenue bonds or general airport revenue bonds), issued by various local municipalities. In general, each consortium lease agreement requires the consortium to make lease payments in amounts sufficient to pay the maturing principal and interest payments on the bonds. As of December 31, 2012, approximately $1.3 billion principal amount of such bonds were secured by significant fuel facility leases in which United participates, as to which United and each of the signatory airlines has provided indirect guarantees of the debt. As of December 31, 2012, the Company's contingent exposure was approximately $259 million principal amount of such bonds based on its recent consortia participation. The Company's contingent exposure could increase if the participation of other air carriers decreases. The guarantees will expire when the tax-exempt bonds are paid in full, which ranges from 2014 to 2041. The Company did not record a liability at the time these indirect guarantees were made.

Guarantees. 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 $1.7 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. These tax-exempt special facilities revenue bonds are included in our lease commitments disclosed in Note 15. The leasing arrangements associated with $190 million of these obligations are accounted for as capital leases. All these bonds are due between 2015 and 2038.

In United’s financing transactions that include loans, United 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 (“LIBOR”), 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 December 31, 2012, the Company had $2.6 billion of floating rate debt and $347 million of fixed rate debt, with remaining terms of up to ten 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 nine years and an aggregate balance of $2.8 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.

Houston Bush Terminal B Redevelopment Project. In May 2011, United, in partnership with the Houston Airport System, announced that it would begin construction of the first phase of a potential three-phase $1 billion terminal improvement project for Terminal B at George Bush Intercontinental Airport (“Houston Bush”) by the end of 2011. In November 2011, the City of Houston issued approximately $113 million of special facilities revenue bonds to finance the construction of a new south concourse at Houston Bush dedicated to United’s regional jet operations. The bonds are guaranteed by United and are payable from certain rentals paid by United under a special facilities lease agreement with the City of Houston. The initial commitment is to construct the first phase of the originally anticipated three-phase project. The cost of construction of phase one of the project is currently estimated to be approximately $100 million and is funded by special facilities revenue bonds. Construction of the remaining phases of the project, if any, will be based on demand over the next seven to 10 years, with phase one currently expected to be completed in late 2013.

Based on a qualitative assessment of the Houston Bush Terminal B Redevelopment Project, due to the fact that United is guaranteeing the special facilities revenue bonds and the requirement that United fund cost overruns with no stated limits, United is considered the owner of the property during the construction period for accounting purposes. As a result, the construction project is being treated as a financing transaction such that the property and related financing will be included on the Company’s consolidated balance sheet as an asset under operating property and equipment and as a construction obligation under other long-term liabilities.

Labor Negotiations.

As of December 31, 2012, United, including its subsidiaries, had approximately 88,000 employees. Approximately 80% of United’s employees were represented by various U.S. labor organizations as of December 31, 2012.

During 2012, various labor agreements were reached between union representatives and United. On December 15, 2012, the pilots, represented by the Air Line Pilots Association, International ratified a joint collective bargaining agreement with United. In February 2013, United reached tentative agreements on new joint collective bargaining agreements with the International Association of Machinists (“IAM”) for the fleet service, passenger service and storekeeper workgroups. The tentative agreements with the IAM cover more than 28,000 employees and are subject to ratification by the IAM members. We are also currently in the process of negotiating joint collective bargaining agreements with all of our other major represented groups. Several other collective bargaining agreements were reached with unions during 2012, including various flight attendants in February 2012 and August 2012, the aircraft technicians in May 2012 and the pilot ground instructors in June 2012.

NOTE 18—STATEMENT OF CONSOLIDATED CASH FLOWS—SUPPLEMENTAL DISCLOSURES

Supplemental disclosures of cash flow information and non-cash investing and financing activities for the years ended December 31, are as follows (in millions):

	UAL	United
2012		
Cash paid during the period for:		
Interest (net of amounts capitalized)	$766	$ 766
Income taxes	2	4
Non-cash transactions:		
Property and equipment acquired through issuance of debt	544	544
8% Contingent Senior Unsecured Notes and 6% Senior Notes, net of discount	357	357
Special facility payment financing	101	101
Airport construction financing	50	50
2011		
Cash paid during the period for:		
Interest (net of amounts capitalized)	$855	$ 855
Income taxes	10	2
Non-cash transactions:		
Property and equipment acquired through issuance of debt	$130	$ 130
8% Contingent Senior Unsecured Notes, net of discount	88	88
Interest paid in kind on 6% Senior Notes	37	37
2010		
Cash paid (refunded) during the period for:		
Interest (net of amounts capitalized)	$600	$ 600
Income taxes	(16)	(16)
Non-cash transactions:		
Redemption of Continental’s 5% Convertible Notes with UAL common stock	$175	$ 175
Property and equipment acquired through issuance of debt and capital leases	98	98
Restricted cash collateral returned on derivative contracts	(45)	(45)
Interest paid in kind on 6% Senior Notes	35	35

NOTE 19—ADVANCED PURCHASE OF MILES

United previously sold frequent flyer miles to Chase which United recorded as Advanced Purchase of Miles. United has the right, but is not required, to repurchase the pre-purchased miles from Chase during the term of the agreement. The balance of pre-purchased miles is eligible to be allocated to MileagePlus members’ account by 2017. The Co-Brand Agreement contains termination penalties that may require United to make certain payments and repurchase outstanding pre-purchased miles in cases such as United’s insolvency, bankruptcy or other material breaches. The Company has recorded these amounts as advanced purchase of miles in the liabilities section of the Company’s consolidated balance sheets.

The obligations of UAL, United and Mileage Plus Holdings, LLC to Chase under the Co-Brand Agreement are joint and several. Certain of United’s obligations under the Co-Brand Agreement in an amount not more than $850 million are secured by a junior lien in all collateral pledged by United under its Amended Credit Facility. All of United’s obligations under the Co-Brand Agreement are secured by a junior lien in all collateral pledged by United to secure its Senior Notes due 2015. United also provides a first priority lien to Chase on its MileagePlus assets to secure certain of its obligations under the Co-Brand Agreement and its obligations under the new combined credit card processing agreement among United, Paymentech, LLC and JPMorgan Chase. After Continental’s OnePass Program termination in March 2012, certain of the OnePass Program assets were added as collateral to the Co-Brand Agreement. As a result of this termination, all OnePass related assets and liabilities were transferred from Continental to United Air Lines, Inc.

NOTE 20—MERGER AND INTEGRATION-RELATED COSTS AND SPECIAL ITEMS

Special Revenue Item. As discussed in Note 2, during the second quarter of 2011, United modified the previously existing co-branded credit card agreements with Chase as a result of the Merger. This modification resulted in the following one-time adjustment to decrease frequent flyer deferred revenue and increase special revenue by $107 million in accordance with ASU 2009-13 for the year ended December 31, 2011.

For the years ended December 31, Merger and integration-related costs and special items classified as special charges in the statements of consolidated operations consisted of the following for the years ended December 31 (in millions):

2012	
Integration-related costs	$ 739
Labor agreement costs	475
Voluntary severance and benefits	125
Intangible asset impairment	30
Gains on sale of assets and other special charges, net	(46)
Total	$1,323
2011	
Integration-related costs	$ 517
Termination of maintenance service contract	58
Intangible asset impairment	4
Other	13
Total	$ 592
2010	
Merger costs:	
Merger-related costs	$ 144
Salary and severance-related	249
Integration-related costs	171
	564
Aircraft impairments	136
Goodwill impairment credit	(64)
Intangible asset impairment	29
Other	4
Total	$ 669

Integration-related costs

Integration-related costs incurred during 2012 included compensation costs related to systems integration and training, costs to repaint aircraft and other branding activities, costs to write-off or accelerate depreciation on systems and facilities that are either no longer used or planned to be used for significantly shorter periods, as well as relocation costs for employees and severance primarily associated with administrative headcount reductions. In 2011, these costs also included costs to terminate certain service contracts, costs to write-off system assets, payments to third-party consultants assisting with integration planning and organization design and compensation costs related to the systems integration. In addition, the Company recorded a liability of $88 million related to the fair value of UAL's obligation to issue to the PBGC $125 million aggregate principal amount of 8% Contingent Senior Notes during 2011. This was classified as an integration-related cost since the financial results of the Company, excluding Continental's results, would not have resulted in a triggering event under the 8% Contingent Senior Notes indenture.

On December 31, 2012, UAL and United Air Lines, Inc. entered into an agreement with the PBGC that reduced the aggregate amount of 8% Contingent Senior Notes to be issued by UAL, and eliminated the contingent nature of such obligation by replacing the $188 million principal amount of 8% Contingent Senior Notes incurred as of December 31, 2012 and the obligation to issue any additional 8% Contingent Senior Notes with $400 million principal amount of New 8% Notes. In addition, UAL agreed to replace the $652 million principal amount outstanding of UAL's 6% Senior Notes due 2031 with the New 6% Notes. The Company did not receive any cash proceeds in connection with the issuance of the New PBGC Notes. The Company is accounting for this agreement as a debt extinguishment, resulting in a charge of $309 million that represents the fair value of $212 million of New 8% Notes that it agreed to issue and the change in the fair value of the New 6% Notes and the $188 million of New 8% Notes versus their previous carrying values. The Company classified the expense as a component of special charges because the note restructuring would not have occurred if it were not for the Merger.

Labor agreement costs

In December 2012, the pilots represented by the Air Line Pilots Association, International ratified a new joint collective bargaining agreement with the Company. The Company recorded $475 million of expense associated with lump sum cash payments that would be made in conjunction with the ratification of the contract and the completion of the integrated pilot seniority list. This charge also includes $80 million associated with changes to existing pilot disability plans negotiated in connection with the agreement. The lump sum payments are not in lieu of future pay increases. The Company made cash payments of approximately $55 million in late 2012 and expects to pay the remainder by the end of 2013 relating to these charges.

Voluntary severance and benefits

During 2012, the Company recorded $125 million of severance and benefits associated with various voluntary retirement and leave of absence programs for its various employee groups. During the first quarter of 2012, approximately 400 mechanics offered to retire early in exchange for a cash severance payment that was based on the number of years of service each employee had accumulated. The expense for this voluntary program was approximately $32 million. The Company also offered a voluntary leave of absence program that approximately 1,800 flight attendants accepted, which allows for continued medical coverage during the leave of absence period. The expense for this voluntary program was approximately $17 million. During the second quarter of 2012, as part of the recently amended collective bargaining agreement with the Association of Flight Attendants, the Company offered a voluntary program for flight attendants to retire early in exchange for a cash severance payment. The payments are dependent on the number of years of service each employee has accumulated. Approximately 1,300 flight attendants accepted this program and the expense for this voluntary program is approximately $76 million.

Merger-related costs

Merger-related costs in 2010 include charges related to the planning and execution of the Merger, including costs for items such as financial advisor, legal and other advisory fees. Salary and severance related costs are primarily associated with administrative headcount reductions and compensation costs related to the Merger.

Intangible asset impairments

During 2012 and 2011, the Company recorded impairment charges of $30 million and $4 million, respectively, on certain intangible assets related to European take-off and landing slots to reflect the estimated fair value of these assets as part of its annual impairment test of indefinite-lived intangible assets.

During 2010, the U.S. and Brazilian governments reached an open skies aviation agreement that removed the restriction on the number of flights into Sao Paulo by October 2015. As a result of these changes, the Company recorded a $29 million non-cash charge to write-down its indefinite-lived route asset in Brazil. These impairments were based on estimated fair values, which were primarily developed using income methodologies, as described in Note 12.

Gains on sale of assets and other special charges

During 2012, the Company recorded net gains of $46 million related to gains and losses on the disposal of aircraft and related parts and other assets.

Aircraft impairments

The aircraft impairments summarized in the table above for 2010 relate to United’s nonoperating Boeing 737 and Boeing 747 aircraft which declined in value, as older, less fuel efficient models became less valuable with increasing fuel costs. The carrying values of these nonoperating aircraft were reduced to estimated fair values.

Goodwill impairment credit

During 2010, the Company determined that it overstated its deferred tax liabilities by approximately $64 million when it applied fresh start accounting upon UAL Corporation’s and United Air Lines, Inc.’s exit from Chapter 11 bankruptcy protection in 2006. Under applicable standards in 2008, this error would have been corrected with a decrease to goodwill, which would have resulted in a decrease in the amount of the Company’s 2008 goodwill impairment charge. Therefore, the Company corrected this overstatement in the fourth quarter of 2010 by reducing its deferred tax liabilities and recorded it as goodwill impairment credit in its consolidated statement of operations. The adjustment was not made to prior periods as the Company does not believe the correction was material to 2010 or any prior period.

Termination charges

During 2011, the Company recorded $58 million of charges related to the early termination of a maintenance service contract. During 2009, the Company incurred $104 million primarily for aircraft lease termination charges related to its operational plans to significantly reduce its operating fleet.

Accrual Activity

Activity related to the accruals for severance and medical costs and future lease payments on permanently grounded aircraft and unused facilities is as follows (in millions):

	Severance/ Medical Costs	Permanently Grounded Aircraft	Unused Facilities
Balance at December 31, 2009	$ 45	$ 83	$ —
Liability assumed due to Merger, October 1, 2010	3	—	33
Accrual	155	(3)	—
Payments	(101)	(39)	(26)
Balance at December 31, 2010	102	41	7
Accrual	21	5	—
Payments	(68)	(15)	(3)
Balance at December 31, 2011	55	31	4
Accrual	170	(1)	(2)
Payments	(160)	(25)	(1)
Balance at December 31, 2012	$ 65	$ 5	$ 1

The Company's accrual and payment activity in 2012 and 2011 is primarily related to severance and other compensation expense associated with voluntary employee programs and the Merger, respectively.

NOTE 21—SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

UAL (In millions, except per share amounts)	Quarter Ended March 31	June 30	September 30	December 31
2012				
Operating revenue	$ 8,602	$9,939	$ 9,909	$ 8,702
Income (loss) from operations	(271)	575	200	(465)
Net income (loss)	(448)	339	6	(620)
Basic earnings (loss) per share	(1.36)	1.02	0.02	(1.87)
Diluted earnings (loss) per share	(1.36)	0.89	0.02	(1.87)
2011				
Operating revenue	$ 8,202	$9,809	$ 10,171	$ 8,928
Income from operations	34	808	935	45
Net income (loss)	(213)	538	653	(138)
Basic earnings (loss) per share	(0.65)	1.63	1.97	(0.42)
Diluted earnings (loss) per share	(0.65)	1.39	1.69	(0.42)

UAL'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. UAL's quarterly results were impacted by the following significant items (in millions):

	Quarter Ended			
	March 31	June 30	September 30	December 31
2012				
Special charges (income):				
Integration-related costs	$ 134	$ 137	$ 60	$ 408
Labor agreement costs	—	—	454	21
Voluntary severance and benefits	49	76	—	—
Intangible asset impairments	6	—	—	24
Gains on sale of assets and other special charges, net	(25)	(7)	—	(14)
Total special items	164	206	514	439
Income tax benefit	(2)	—	—	(9)
Total special items, net of tax	$ 162	$ 206	$ 514	$ 430
2011				
Special charges (income):				
Revenue—Co-brand Agreement modification (Note 2(c))	$ —	$ (107)	$ —	$ —
Integration-related costs	79	145	123	170
Termination of maintenance service contract	—	—	—	58
Aircraft-related charges (gains), net	(2)	1	(3)	(2)
Intangible asset impairment	—	—	—	4
Other special items	—	—	—	19
Total special items	77	39	120	249
Income tax benefit	—	—	—	(2)
Total special items, net of tax	$ 77	$ 39	$ 120	$ 247

See Note 20 for further discussion of these items.

ITEM 9A. CONTROLS AND PROCEDURES

Explanatory Note: The following discloses the conclusions of UAL's and United's principal executive and financial officers regarding the effectiveness of UAL's and United's disclosure controls and procedures as of December 31, 2012 and discloses the management report of UAL's and United's internal control over financial reporting for the three months ended December 31, 2012.

UAL and United each maintain controls and procedures that are designed to ensure that information required to be disclosed in the reports filed or submitted by UAL and United to the Securities and Exchange Commission ("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 Chief Financial Officer as appropriate to allow timely decisions regarding required disclosure. The management of UAL and United, including the Chief Executive Officer and 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 Chief Financial Officer of UAL and United have concluded that as of December 31, 2012, disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting during the Quarter Ended December 31, 2012

During the three months ended December 31, 2012, there was no change in UAL's or United's internal control over financial reporting during their most recent fiscal quarter that materially affected, or is reasonably likely to materially affect, their internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
United Continental Holdings, Inc.

We have audited United Continental Holdings, Inc.'s (the "Company") internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management Report on Internal Control Over Financial Reporting in Item 9A. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2012 of the Company and our report dated February 25, 2013 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Chicago, Illinois
February 25, 2013

United Continental Holdings, Inc. Management Report on Internal Control Over Financial Reporting

February 25, 2013

To the Stockholders of United Continental Holdings, Inc.

Chicago, Illinois

The management of United Continental Holdings, Inc. ("UAL") is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the design and operating effectiveness of our internal control over financial reporting as of December 31, 2012. In making this assessment, management used the framework set forth in *Internal Control—Integrated Framework* issued by the Committee of the Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our internal controls over financial reporting were effective as of December 31, 2012.

Our independent registered public accounting firm, Ernst & Young LLP, who audited UAL's consolidated financial statements included in UAL's Annual Report on Form 10-K for the year ended December 31, 2012, has issued a report on UAL's internal control over financial reporting, which is included herein.

United Airlines, Inc. Management Report on Internal Control Over Financial Reporting

April 25, 2013

To the Stockholder of United Airlines, Inc.

Chicago, Illinois

The management of United Airlines, Inc. ("United") is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). United's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, our internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of management, including United's Chief Executive Officer and Chief Financial Officer, United conducted an evaluation of the design and operating effectiveness of our internal control over financial reporting as of December 31, 2012. In making this assessment, management used the framework set forth in *Internal Control—Integrated Framework* issued by the Committee of the Sponsoring Organizations of the Treadway Commission. Based on this evaluation, United's Chief Executive Officer and Chief Financial Officer concluded that its internal controls over financial reporting were effective as of December 31, 2012.

This Current Report on Form 8-K does not include an attestation report of United's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by United's registered public accounting firm pursuant to the rules of the Securities and Exchange Commission that permit United to provide only management's report in its Annual Report on Form 10-K for the year ended December 31, 2012.

Schedule II

Valuation and Qualifying Accounts
For the Years Ended December 31, 2012, 2011 and 2010

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"). 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 Exhibit 99.5 of this Current Report on Form 8-K for disclosures that relate to all of UAL and United.

On May 2, 2010, UAL Corporation, Continental Airlines, Inc. (together with its consolidated subsidiaries, "Continental") and JT Merger Sub Inc., a wholly-owned subsidiary of UAL Corporation, entered into an Agreement and Plan of Merger (the "Merger agreement"). On October 1, 2010, JT Merger Sub Inc. merged with and into Continental, with Continental surviving as a wholly-owned subsidiary of UAL Corporation (the "Merger"). Upon closing of the Merger, UAL Corporation became the parent company of both United Air Lines, Inc. and Continental and UAL Corporation's name was changed to United Continental Holdings, Inc. On March 31, 2013, the Company merged United Air Lines, Inc. into Continental to form one legal entity, and Continental's name was changed to United Airlines, Inc. The financial statements of United Air Lines, Inc. and Continental are now combined at their historical cost for all periods presented beginning on October 1, 2010, the date on which Continental became a wholly-owned subsidiary of UAL. There will no longer be a requirement to separately report the historical financial statements of Continental.

(In millions) Description	Balance at Beginning of Period	Assumed in Merger/Acquisition Accounting Adjustment	Additions Charged to Costs and Expenses	Deductions (a)	Balance at End of Period
Allowance for doubtful accounts—UAL:					
2012	$ 7	$ —	$ 12	$ 6	$ 13
2011	6	—	8	7	7
2010	14	—	4	12	6
Allowance for doubtful accounts—United:					
2012	$ 7	$ —	$ 12	$ 6	$ 13
2011	6	—	8	7	7
2010	19	(5)	4	12	6
Obsolescence allowance—spare parts—UAL:					
2012	$ 89	$ —	$ 40	$ 4	$ 125
2011	64	—	31	6	89
2010	61	—	215	212	64
Obsolescence allowance—spare parts—United:					
2012	$ 89	$ —	$ 40	$ 4	$ 125
2011	64	—	31	6	89
2010	182	(121)	215	212	64
Valuation allowance for deferred tax assets—UAL:					
2012	$ 4,137	$ —	$ 487	$ 21	$ 4,603
2011	4,171	—	333	367	4,137
2010	3,060	1,487	90	466	4,171
Valuation allowance for deferred tax assets—United:					
2012	$ 4,048	$ —	$ 661	$ 206	$ 4,503
2011	4,008	—	371	331	4,048
2010	3,339	1,125	32	488	4,008

(a) Deduction from reserve for purpose for which reserve was created.