

Cowen and Company

Global Transportation Conference

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Agenda

1 Revenue and guidance update

2 Fleet update

3 Looking forward

Challenging third quarter

- Unprecedented storm in second largest hub
- Geopolitical tensions in Korean Peninsula
- Pricing issues
- Higher fuel costs

3Q17 guidance update

	Prior	Update
Pre-tax margin ¹	12.5% - 14.5%	8.0% - 10.0%
Capacity	~4.0%	3.0% - 3.5%
PRASM	(1.0%) – 1.0%	(3.0%) - (5.0%)
CASM ex ^{1,2}	2.0% - 3.0%	2.5% - 3.5%
Fuel price ³	\$1.56 - \$1.61	\$1.72 - \$1.77
Fuel consumption (M gals)	1,085 – 1,095	1,070 – 1,080

Harvey impact still a preliminary estimate

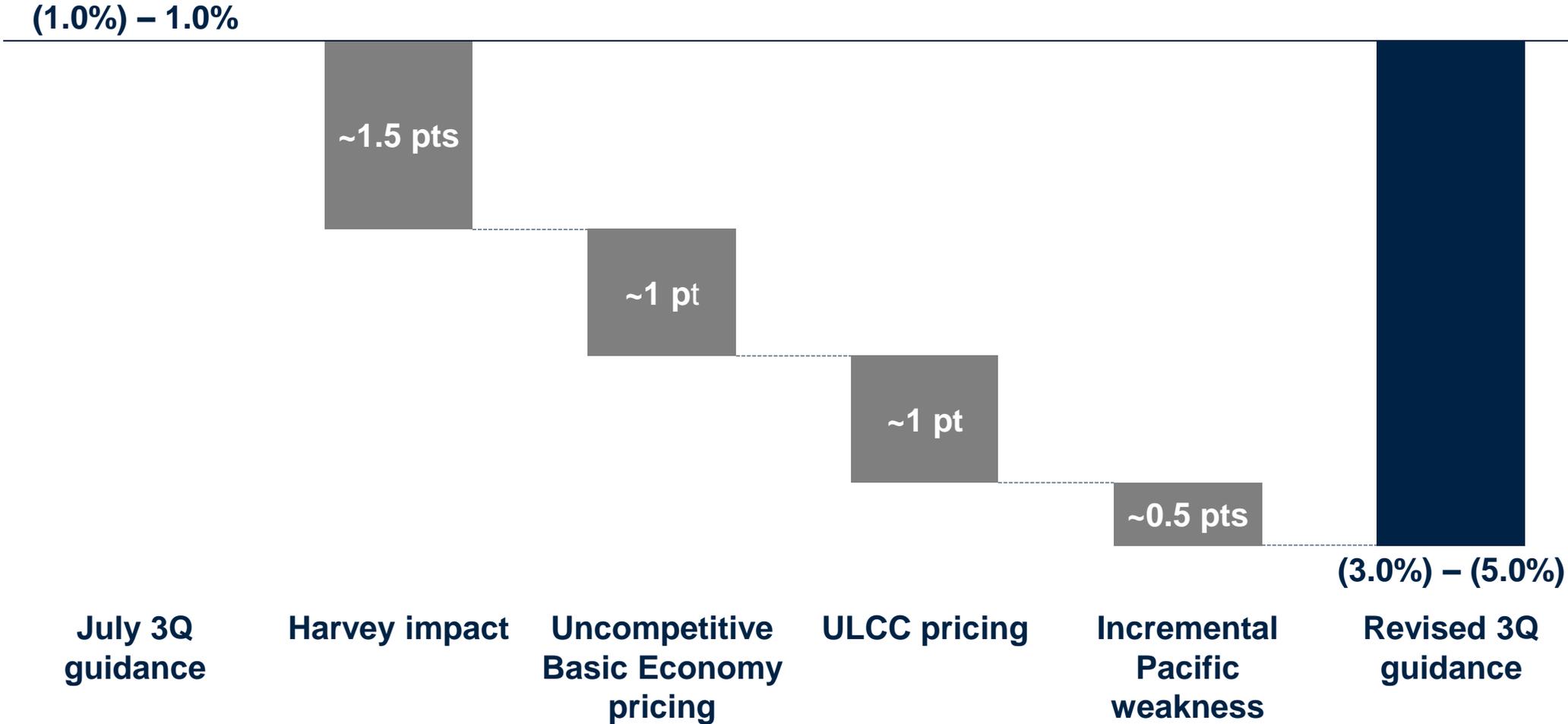
¹ Excludes special charges, the nature and amount of which are not determinable at this time

² Excludes fuel, profit sharing, and third-party business expenses. See appendix A for a reconciliation of non-GAAP financial measures

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

3Q17 revenue headwinds

Unit revenue now expected to be down (3.0%) to (5.0%)



Harvey impact

- Operations at IAH were suspended for over four days with over 7,400 flights cancelled
- All facilities at IAH are open and we anticipate operating at full schedule by the end of the week
- Our employees are rallying to restore service faster than originally anticipated
- Local demand will be impacted in the near-term but for connecting customers it's business as usual
- Expect some impact in 4Q17 dependent on pace of recovery on local IAH demand

Uncompetitive Basic Economy pricing

- Basic Economy improves ability to optimize revenue through customer choice and is a tool to more effectively compete for price sensitive customers
- New product was rolled out broadly in domestic system at the end of May
- However, we underappreciated that incremental revenue from buy-up would be more than offset by share loss to legacy carriers without similar Basic Economy offering
- We have adjusted our approach by:
 - Scaling back breadth of offering to a portion of our domestic network
 - Offering Basic Economy only in the bottom five fare classes instead of entire fare ladder
 - Varying buy-up levels depending on competitive landscape

Firmly believe in the long-term value of segmentation

ULCC pricing

- Basic Economy is a powerful tool to compete with unbundled offerings on price and product
 - Rollout of Basic Economy has put pressure on ULCCs seeking a price advantage
 - Since late July, ULCCs have reduced fares substantially in our hub markets and United has continued to match lower fares
- We will continue to play to our strengths
 - Our hubs are our principal assets and are in the largest local markets in the US
 - Low marginal seat costs in our hubs give us a marginal seat cost advantage due to connecting traffic
- Price sensitive customers in local hub markets are very important to United and we will continue to compete aggressively with all

Our strategy to compete in our hubs remains unchanged

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Update on Airbus A350 order

- Changed model variant to A350-900
 - Order increases by 10 aircraft to 45 aircraft
 - A350-900 better fit and size for the United network
- Deferred deliveries until late 2022 through 2027
- Aligning delivery of aircraft to potential retirements
 - A350-900 is a good replacement aircraft for the Boeing 777-200ER fleet
 - In 2022, Boeing 777-200ER aircraft begin to reach 25 years of age
- Capex spend deferred to correspond to modified delivery dates
 - 2018 capex guidance update from July¹ already reflects the deferral of the four A350s

¹ July 18, 2017 Investor Update - The Company expects full-year 2017 gross capital expenditures to be between \$4.6 billion and \$4.8 billion and full-year 2018 gross capital expenditures to be approximately \$1 billion lower than 2017 gross capital expenditures

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Key investment highlights

**Managing business to
maximize margin and ROIC**

**Defined strategy to close
margin gap to peers by 2020**

**Will continue to return excess
cash to shareholders**

**Managing costs and
disciplined capital investment**

**Strong liquidity levels and
healthy balance sheet**

Looking forward

- Executing on strategic initiatives outlined at last year's Investor Day
- Making progress on all fronts with some initiatives ahead of plan and some slightly behind versus initial expectations
- Feel good about United's progress despite near-term challenges
- Will provide a quantitative update on our strategic initiatives in November

Remain confident in our ability to drive earnings improvement in 2018

Looking forward

- Building on operational momentum from first half of the year
- Revenue management (Gemini) enhancements showing positive results in early stage roll out
- Network changes will drive better hub connectivity and improved product:
 - Houston (IAH) re-bank in 4Q 2017; Chicago (ORD) & Denver (DEN) in 2018
 - More catchment area flying improves hub feed
 - Optimizing mainline vs. regional aircraft deployment in large business markets
 - Maximizing 70/76-seat aircraft scope clause
 - Actively managing international network
- Segmentation - maturation of Basic Economy and decision forthcoming on Premium Economy
- Intensely focused on cost opportunity

Top priorities for 2018

- **Network optimization**
 - Drive better hub connectivity through re-banking and expanding catchment area flying
 - Capture unique opportunities and reallocate aircraft where necessary
- **Focus on eliminating costs and improving efficiency**
 - Bottoms-up budgeting
- **Continue focus on customer and operational improvement**
 - Holistically review and modify customer policies and procedures and enhance customer experience
 - Build on 2017 momentum in key operating metrics including on-time, completion factor and MBR
- **Invest in technology and digital to drive better business results**
 - Examples include: Gemini (revenue management system), untethering our workforce with increased mobile capabilities, completing Flight Attendant JCBA implementation and using analytics to drive high-margin revenue

Financial priority in 2018 is to drive margin expansion and improve earnings

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Appendix A: reconciliation of non-GAAP financial measures

CASM is a common metric used in the airline industry to measure an airline's cost structure and efficiency. UAL reports CASM excluding profit sharing, third-party business expenses, fuel, and special charges. UAL believes that adjusting for special charges is useful to investors because special charges are non-recurring charges not indicative of UAL's ongoing performance. UAL 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 UAL's core business. UAL also believes that excluding fuel costs from certain measures is useful to investors because it provides an additional measure of management's performance excluding the effects of a significant cost item over which management has limited influence. UAL excludes profit sharing as the exclusion allows investors to better understand and analyze our recurring cost performance and provide a more meaningful comparison of our core operating costs to the airline industry.

Non-Fuel CASM	<u>Estimated 3Q 2017</u>			
	<u>Low</u>		<u>High</u>	
CASM, excluding special charges (a) (Non-GAAP)	3.3	%	–	4.2 %
Less: Profit sharing, third-party business expenses and fuel (b)	<u>0.8</u>		–	<u>0.7</u>
CASM, excluding special charges, profit sharing, third-party business expenses and fuel (Non-GAAP)	2.5	%	–	3.5 %

(a) Excludes special charges, the nature of which are not determinable at this time. While the Company anticipates that it will record such special charges throughout the year, at this time the Company is unable to provide an estimate of these charges, as well as an estimate of full-year profit sharing, with reasonable certainty

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