

Investor Update

January 23, 2018



UNITED 

A STAR ALLIANCE MEMBER



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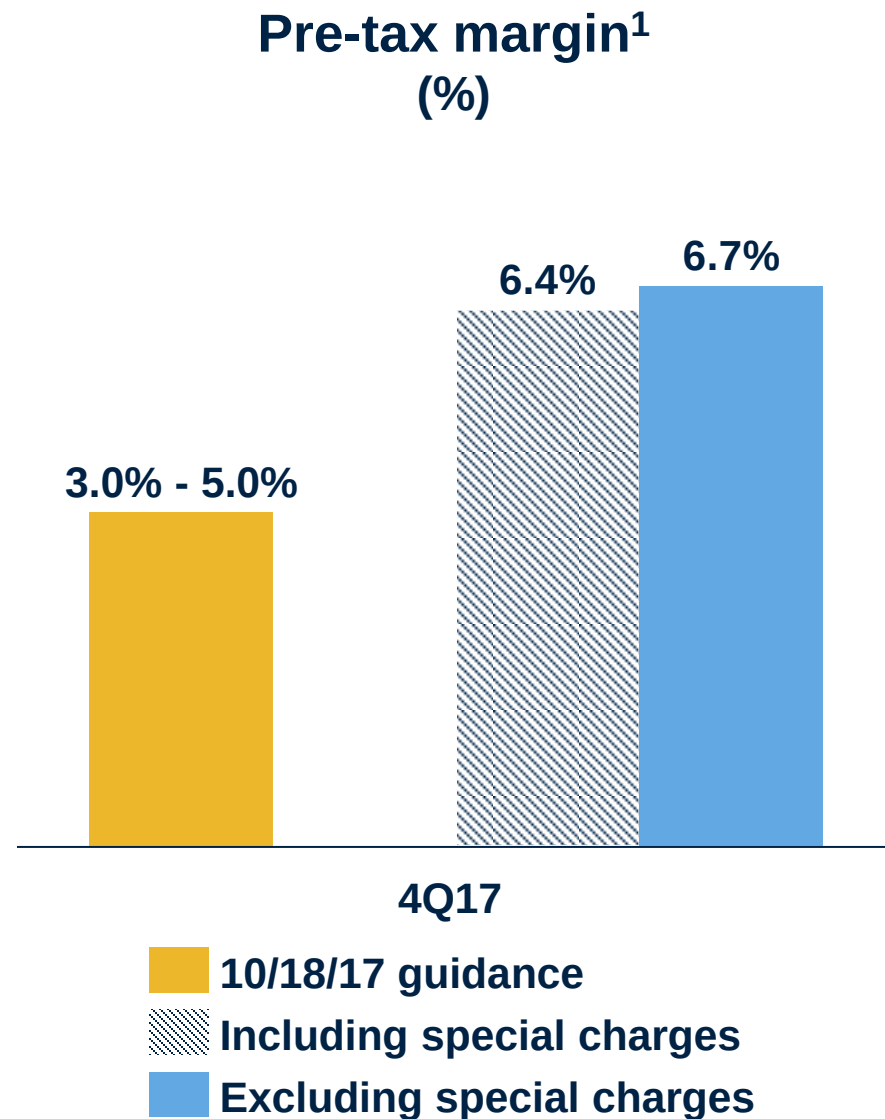
Oscar Munoz

Chief Executive Officer

Agenda

- **Fourth-quarter and full-year 2017 results**
- **2018 priorities**
- **United's network and commercial strategy**
- **Financial update including full-year 2018 EPS and long-term EPS guidance**
 - **Greater accountability and transparency**

4Q17 pre-tax margin exceeded guidance due to revenue and cost improvements

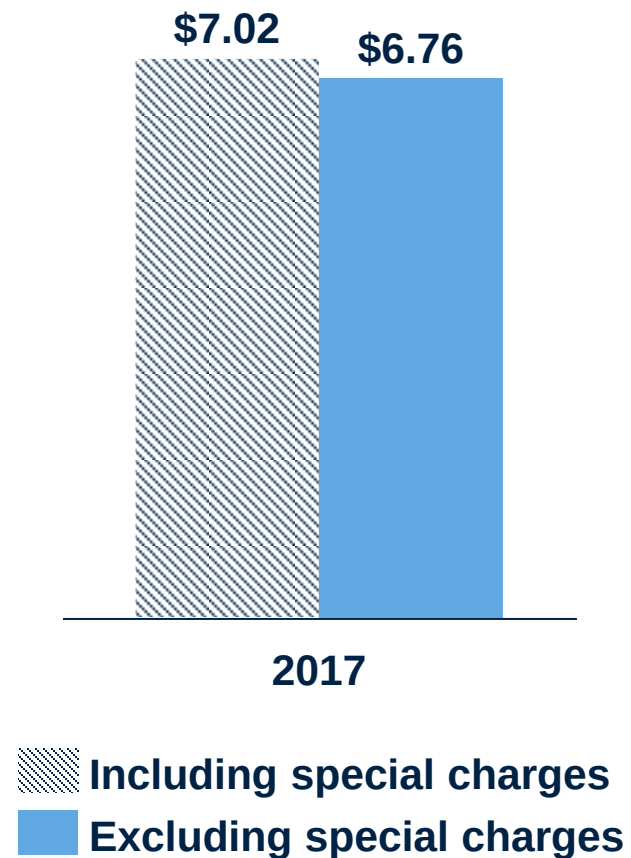


- Revenue outperformed as close-in bookings firmed
 - 4Q PRASM of 0.2% vs. initial guidance of (3.0%) – (1.0%)
- Positive momentum in all regions going into 2018
- Better cost performance driven by improved reliability
 - CASM-ex¹ increased 1.5% vs. original guidance of 2.5% - 3.5%;
 - 4Q all-in CASM increased 4.0%

¹ For a GAAP to non-GAAP reconciliation, see Appendix A

Set strong foundation in 2017

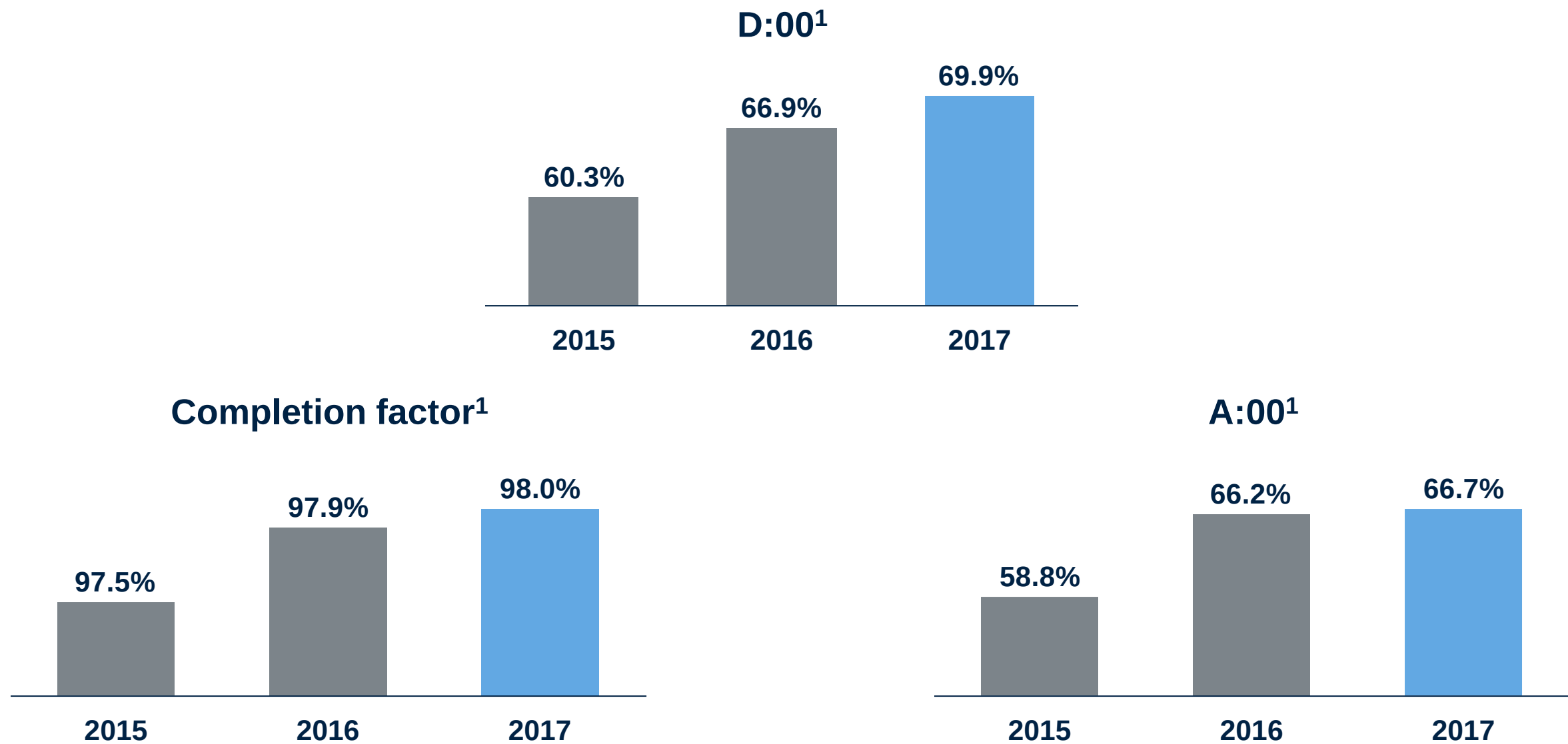
Earnings per share, diluted¹



- Announced new \$3B share repurchase program
- Rebanked Houston and expanded hub connectivity
- Strong relative non-fuel CASM
- Record breaking operational performance

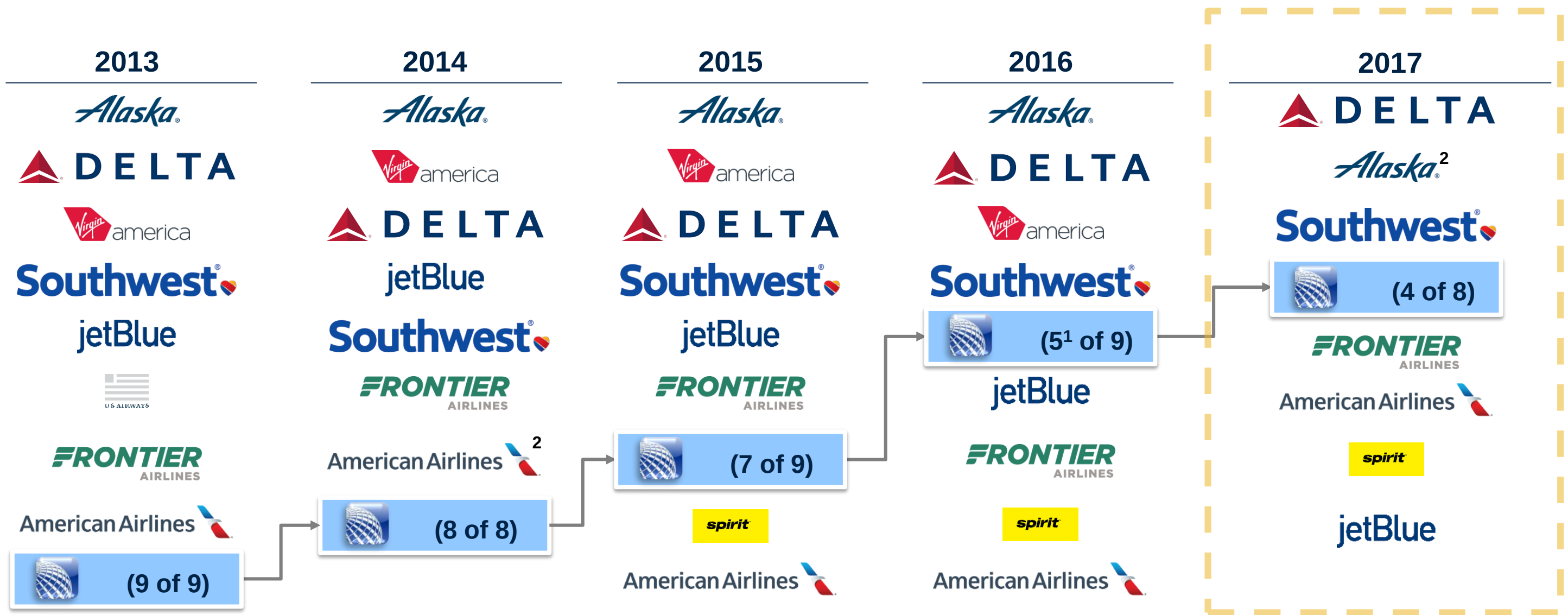
¹ For a GAAP to non-GAAP reconciliation, see Appendix A

2017 had the best operational performance in United history



¹ Includes both mainline and regional operation
Note: History as defined by time since the merger of United and Continental in October 2010

Operational reliability, service and experience underpin customer strategy



Rankings based on on-time performance, cancellations, MBR, complaints and IDB

¹ Tied with JetBlue
² American Airlines and US Airways merged in 2014; Alaska and Virgin America merged in 2017
Note: MBR = Mishandled bag ratio, IDB = Involuntary denied boardings; Source: The Wall Street Journal

2018 priorities – continued top-tier operational reliability is the foundation

- **Strengthening our domestic network through growth**
- **Driving efficiency and productivity**
- **Continue investing in people, product and technology**

Our strategy drives sustainably higher profits and margins

Scott Kirby

President

Network strategy – outlook

Network is our foundation

- Our network has tremendous potential – capitalizing on our strengths and improving our hub quality
- Other commercial elements require a strong network to succeed
- Overall strategy returns United to profitable growth

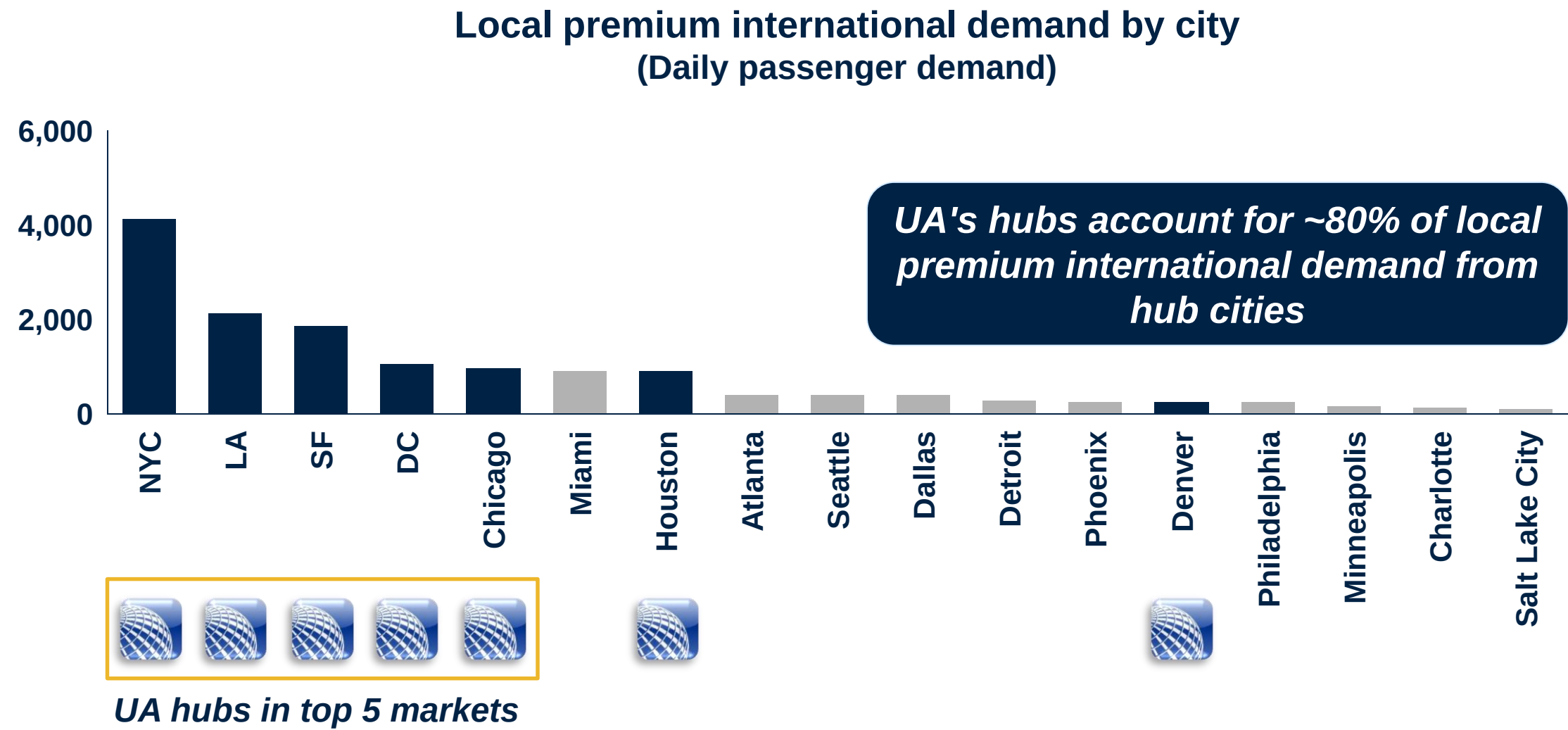
Leverage our strengths

- Our international gateways are a structural advantage that we will continue to grow and enhance
- Enhance and improve our alliances and JVs
- Geographic position of our hubs

“Uniquely United” opportunities

- Grow our domestic network to strengthen our mid-continent hubs
- Greater scale at our hubs reinforces our relevance and value proposition to customers
- Continue to improve connectivity at our hubs

Network strength – strong international gateways



United international gateways more profitable than competitors'

Note: Totals are daily each way; demand aggregated for cities with multiple airports (NYC includes Newark, JFK, and LaGuardia; LA includes Burbank, Long Beach, Ontario, and Orange County; Miami includes Miami and Fort Lauderdale; SF includes Oakland, SFO, and San Jose; Chicago includes Midway and ORD; DC includes DCA and IAD; Houston includes Hobby and IAH; and Dallas includes Love and DFW); Source: Adjusted MIDT TME 3Q 2017

Network strength – membership in best alliance provides greatest reach



28

*member
airlines*

191

*countries
served*

18,400

*daily
departures*



20

*member
airlines*

177

*countries
served*

16,609

*daily
departures*



15

*member
airlines*

157

*countries
served*

13,199

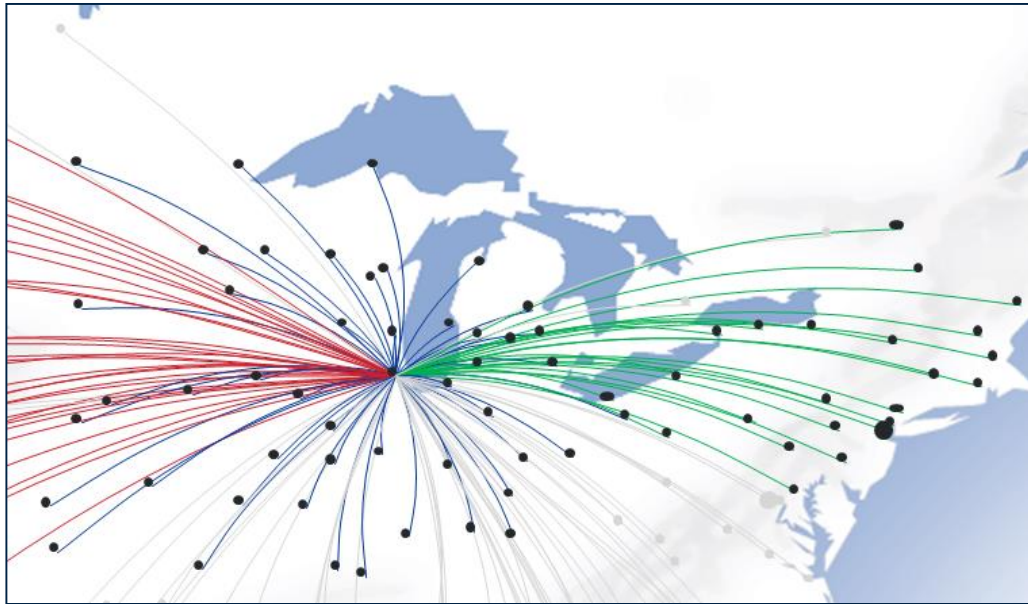
*daily
departures*

Star Alliance is the largest with what we believe has the best connecting hub potential around the world

Each mid-continent hub has unique strengths

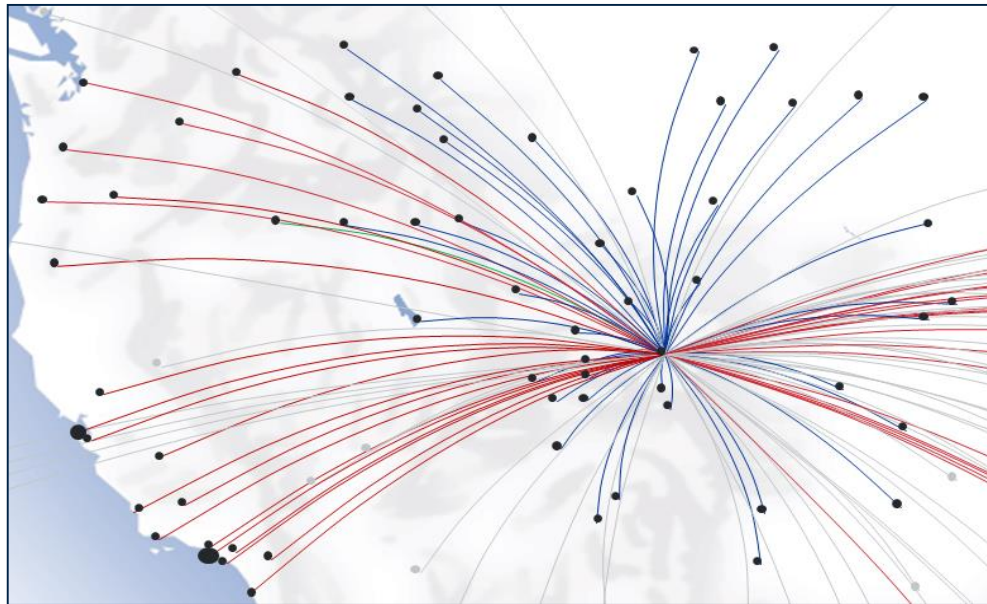
ORD

- Connecting North-East, Midwest and West
- 3rd largest local market



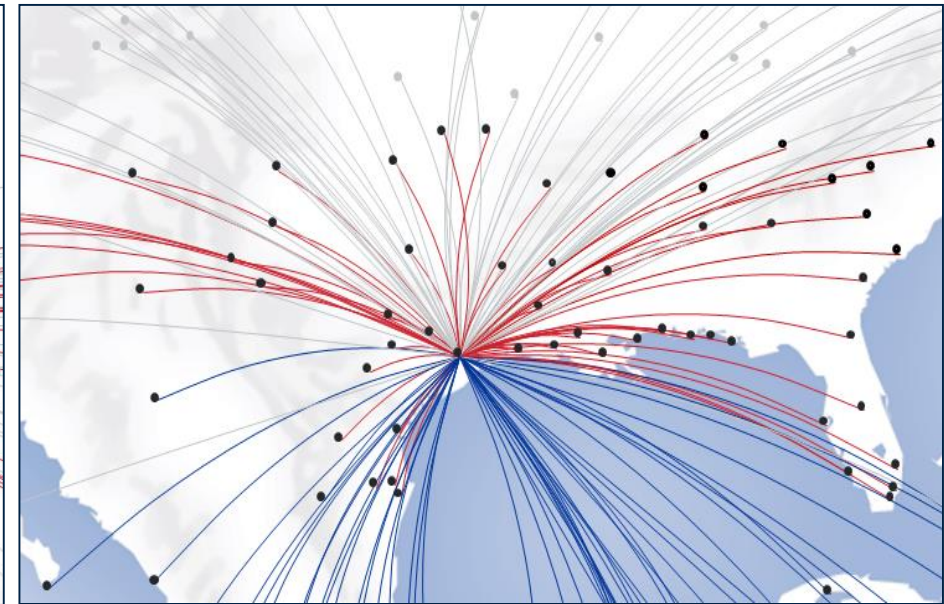
DEN

- Best hub for Mountain region
- Transcontinental traffic



IAH

- Southern tier transcontinental traffic
- Complemented by Latin America network



ORD, DEN and IAH all complement one another

Opportunity – mid-continent hubs not yet fulfilling their potential

Hub scale

- UA domestic scale/share is low versus competitors

Connectivity

- UA hubs have lower connectivity than peers
- Hub profitability directly correlated with hub connectivity and is the most important element of a hub's success

Revenue quality

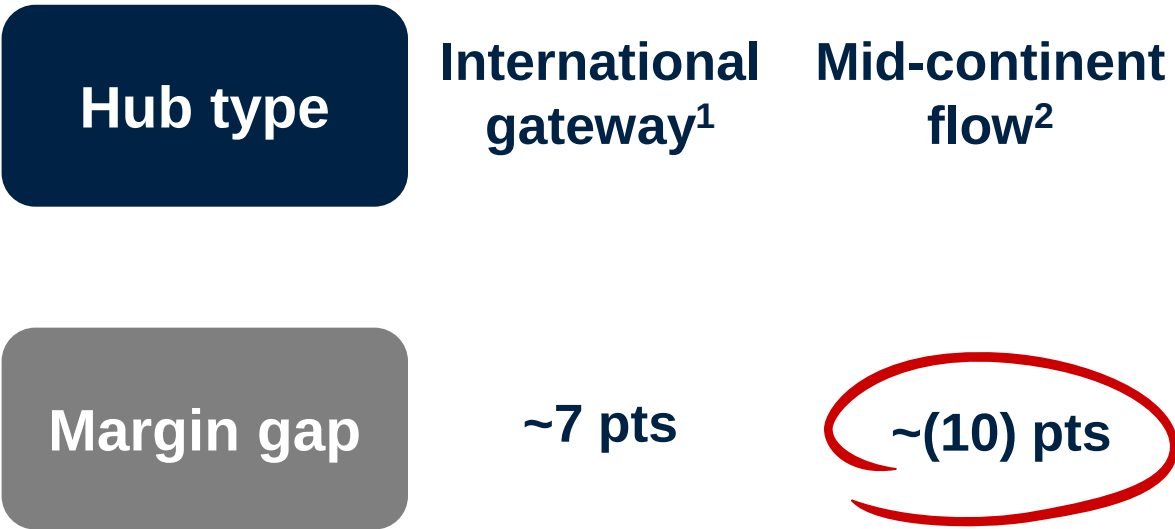
- UA shrank and became less exposed to high yield flow markets

Asset efficiency

- UA shrank without reducing fixed costs

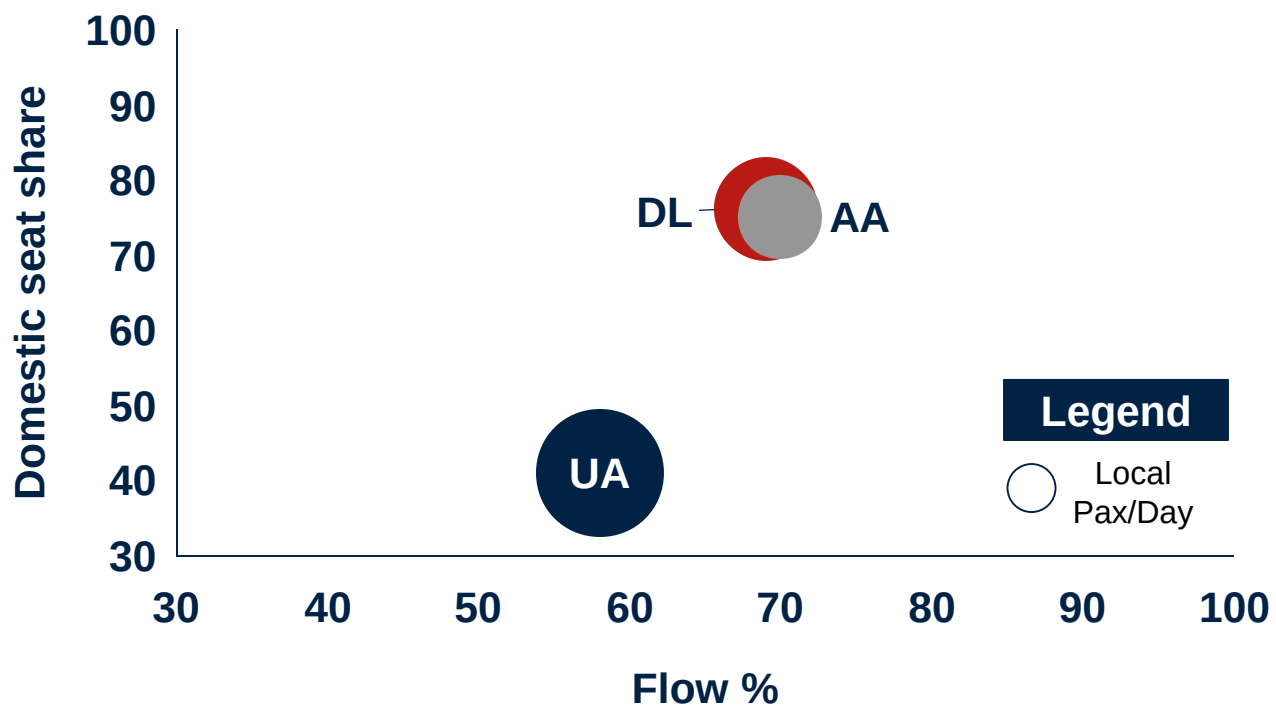
Hub scale – mid-continent hubs account for margin underperformance

Hub type and margin breakdown



- International gateway hubs outperform our competitors

Mid-continent domestic hub quality³



- United mid-continent hubs have lower margins because they lack scale, which is sub-optimal for:

Customers	Customer loyalty
Revenue	Credit card membership
Connectivity	Profitability

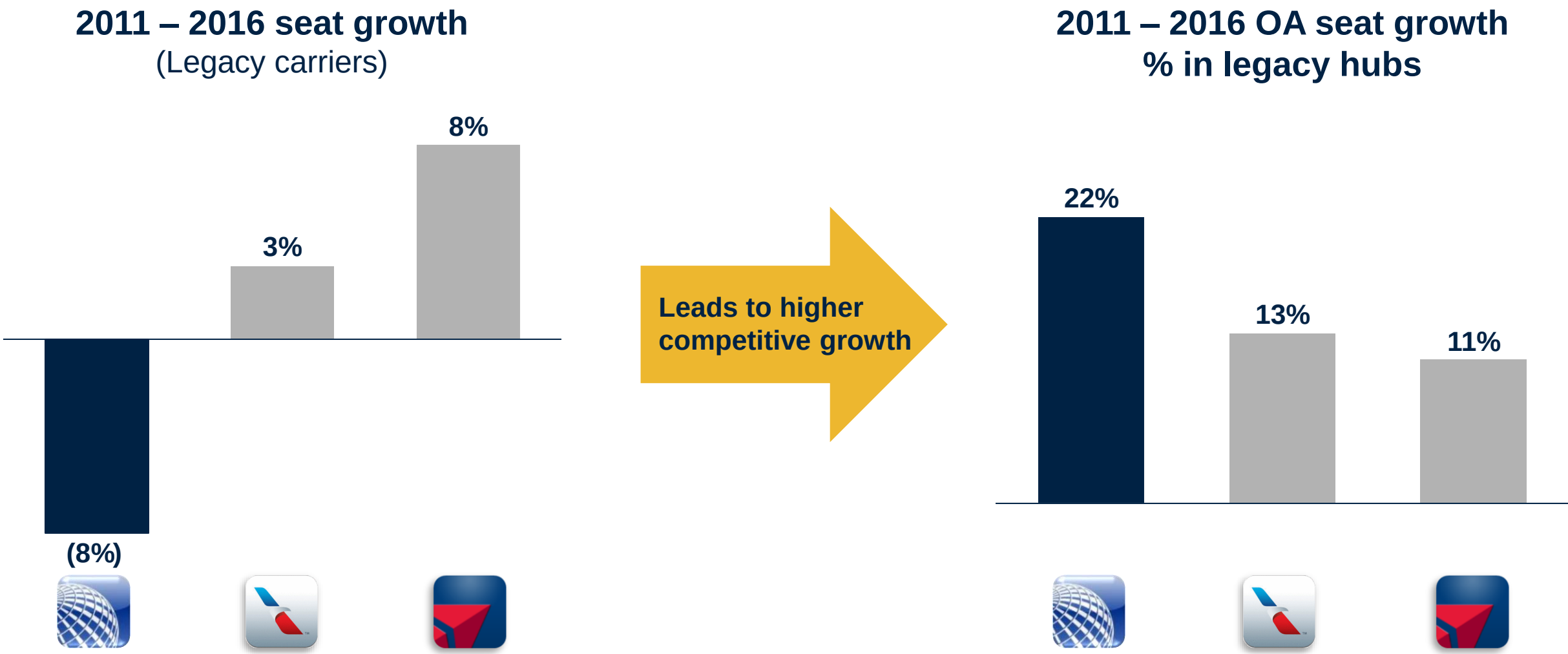
¹International Gateway defined as AA: JFK, MIA, LAX. DL: JFK, SEA, LAX. UA: EWR, IAD, SFO, LAX

²Mid-Continent Flow defined as AA: CLT, DFW. DL: ATL, DTW, MSP. UA: DEN, IAH, ORD.

Source: SEC filings, T100; Data FY 2016

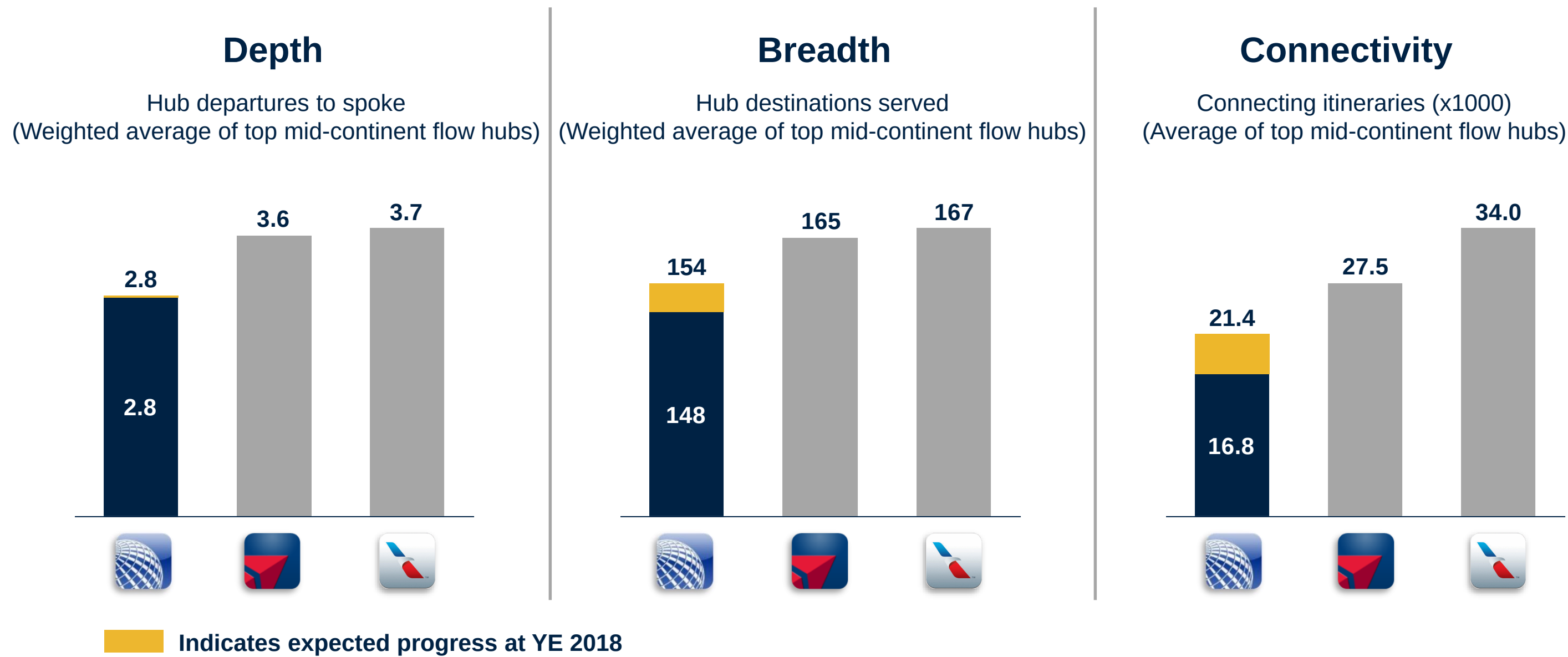
³Source: Superset & OAG; Data FY 2016 Domestic only, includes MDW, DAL, and HOU in seat share and local pax/day volumes

Hub scale – shrinking also invites competitive capacity growth in our hubs



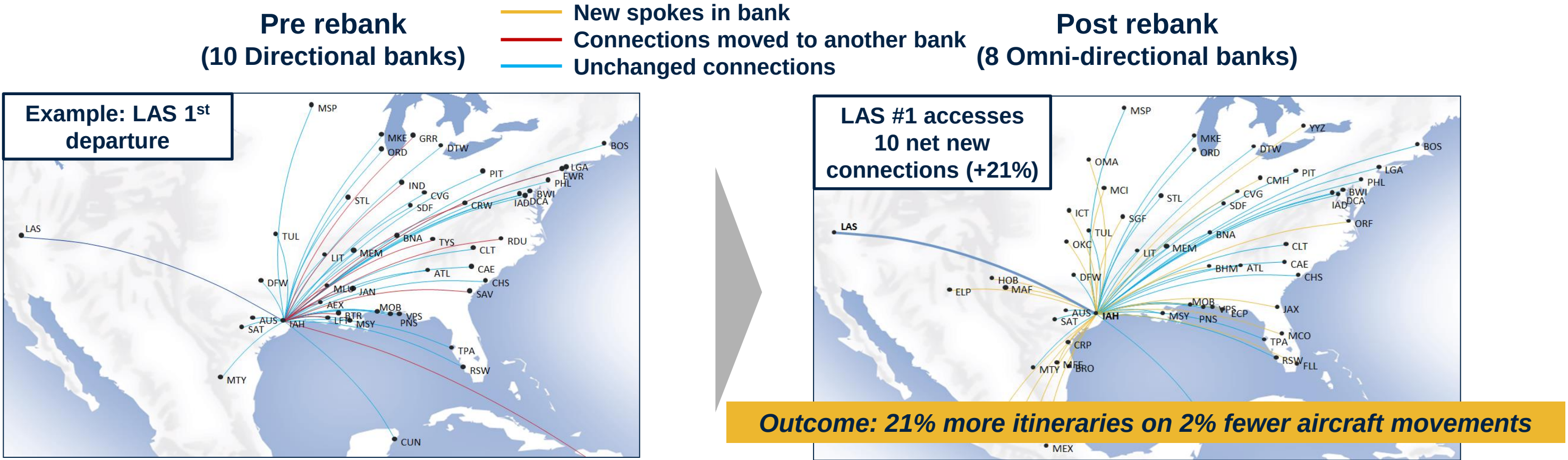
Note: Seat growth % rounded to nearest whole number; United hubs: SFO, LAX, DEN, IAH, ORD, CLE, IAD, EWR; AA hubs: LAX, PHX, DFW, ORD, CLT, MIA, DCA, PHL, JFK; DL hubs: SEA, LAX, SLC, MSP, CVG, DTW, ATL, JFK, LGA, BOS
Source: OAG 2011 - 2016 includes domestic 50 states

Hub scale – growth opportunities in mid-continent hubs are unique to United



Note: Top mid-continent flow hubs for UA: DEN, IAH, ORD; DL: ATL, DTW, MSP; AA: CLT, DFW. Depth and breadth are annual average weighted by flights, Connectivity is for a peak summer day
Source: OAG

Connectivity - rebanking drives significant connection opportunities



Hub	2018 vs. 2017 connectivity
IAH	21%
ORD	15%
DEN	15%

Note: Based on Nov 2017 peak day vs. 2016; revenue data 12-month ending Nov 2017

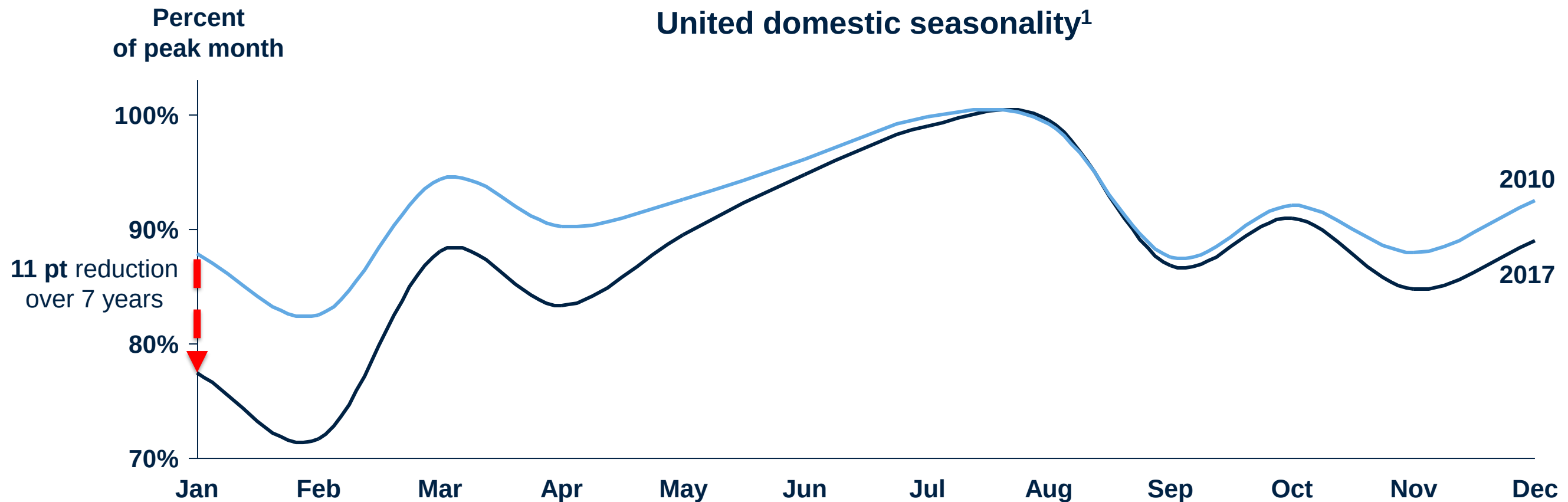
Revenue quality – we are less exposed to smaller, higher-yield markets

Market Size	2Q 2017 LOH yield ¹	UA passenger composition	DL/AA passenger composition
Large	8.7¢	40%	34%
Medium	10.4¢	34%	35%
Small	13.6¢	26%	30%

¹ Length of haul (LOH) adjusted yield; normalized to 1,400 miles. Note: small markets are <1.6M industry passengers per year, medium markets 1.6-6M industry passengers per year, large markets >6M industry passengers per year
Source: DOT Superset TME June 2017, Yield from United internal revenue management

Asset efficiency - United reduces capacity in off-peak, but costs remain the same

- Airline has same number of gates, aircraft and employees in all months
- United shrank in off peak months (RASM maximizing) without reducing fixed costs (CASM went up)



¹ Diio Schedule Data; Domestic and Canada

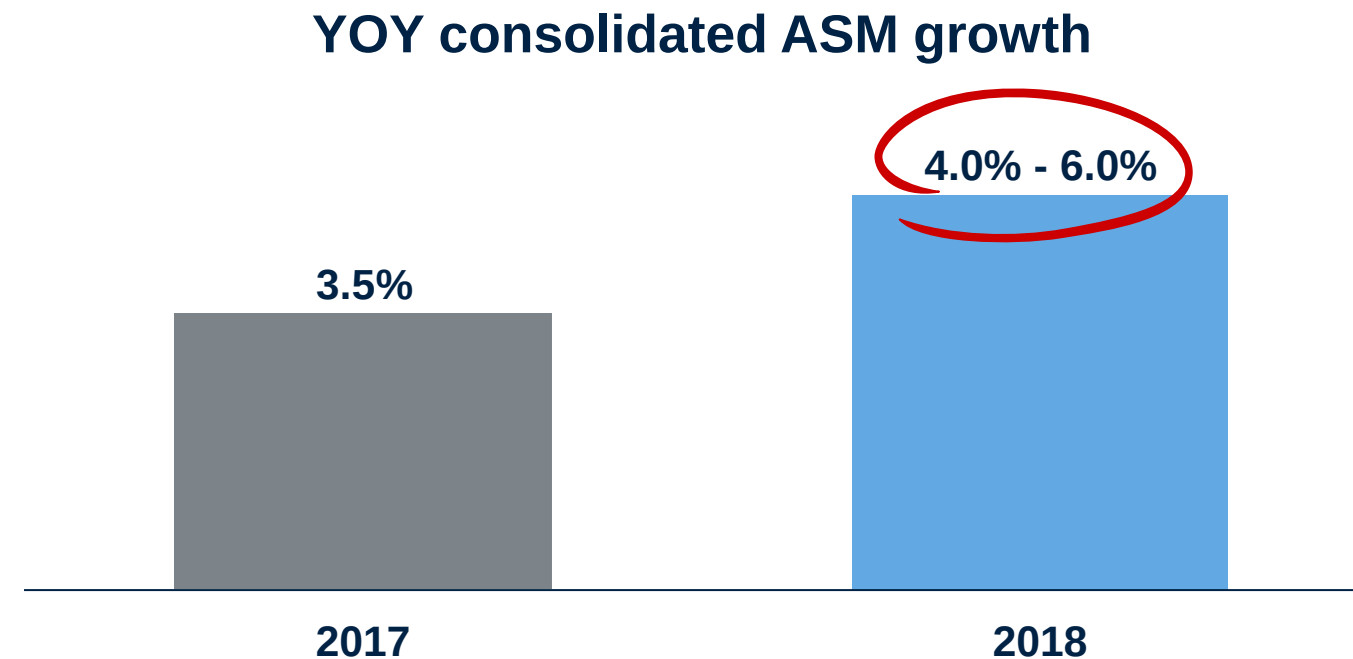
We will track progress along four dimensions

			Rank				
			UA 2017	#1	#2	#3	#4
Hub scale	Spokes: % of spokes where UA ranks #1 or #2	35%					
Connectivity	Flow traffic mix	57%					
Revenue quality	Share of traffic in small markets	26%					
Asset efficiency	Schedule seasonality (January ASM / highest month)	77%					
Profitability (Domestic + International)	Pre-tax margin	7.9%					
	Pre-tax margin ex-specials ¹	8.4%					

¹ For a GAAP to non-GAAP reconciliation, see Appendix A
Source: OAG 2017, Superset 2017
Note: Domestic network

Overall, expect 2018 capacity growth of 4.0% - 6.0%

- Expected highest level of growth in domestic region in order to improve connectivity and regain relevance
- **Anticipate similar growth rate in 2019 – 2020**

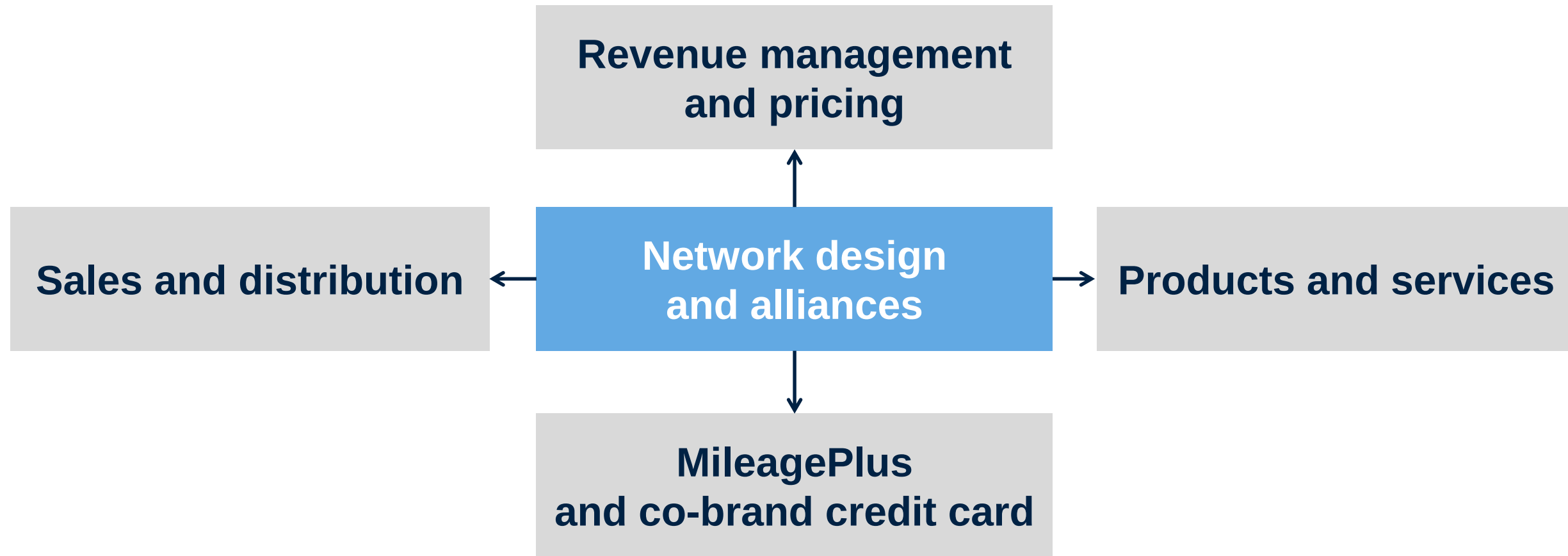


Our strategy drives sustainably higher profits and margins

Andrew Nocella

Executive Vice President and Chief Commercial Officer

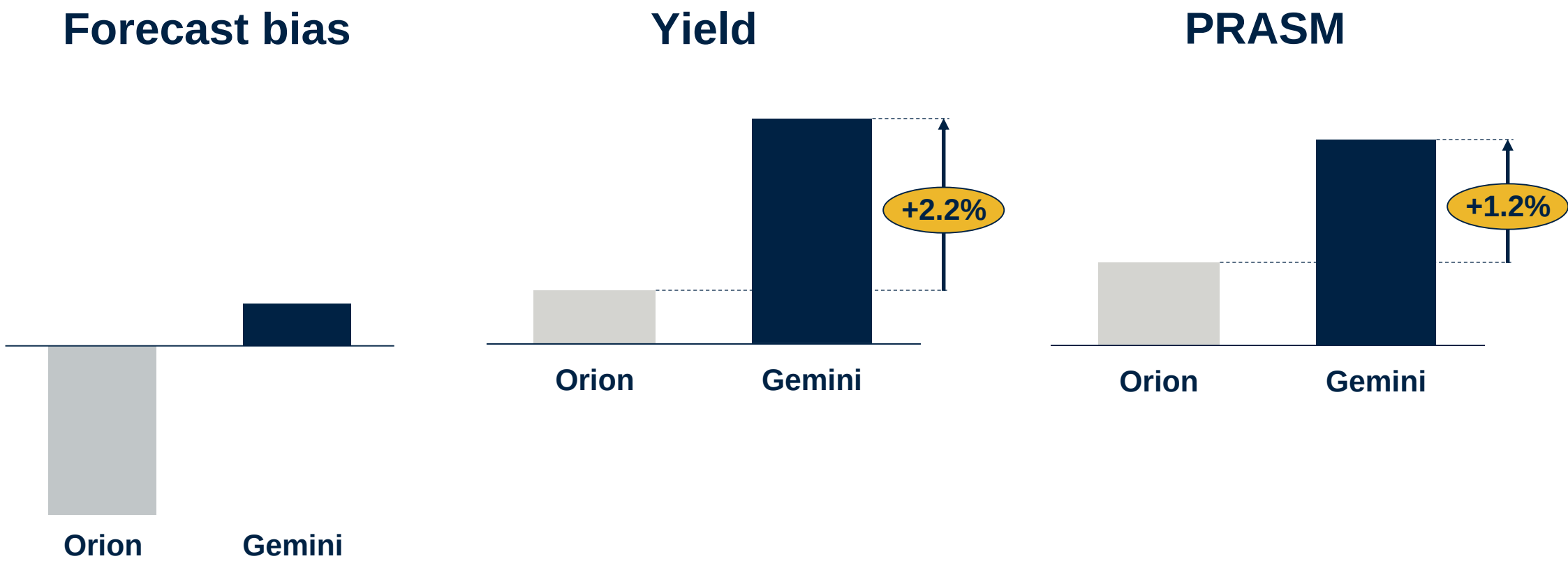
Network is our starting point, surrounded by other commercial initiatives



A stronger network is good for customers and shareholders

Gemini expected to contribute 70 bps of PRASM improvement in 2018

Gemini vs. Orion test results¹



¹ Stage 1.1 Test ended on Nov 14th and included markets representing 10% of System revenue over a 10-week travel period
Note: Gemini is the new revenue management system, Orion is the current revenue management system

Expanding segmentation initiatives

United® Premium Plus

- Rollout begins in 2018
- To be introduced on long-haul fleet
- 3-year implementation



Basic Economy

- Currently offered on the bottom 5 fare buckets
- In 2018, we plan to:
 - Implement more dynamic buy-ups
 - Sell seat assignments
 - Expand

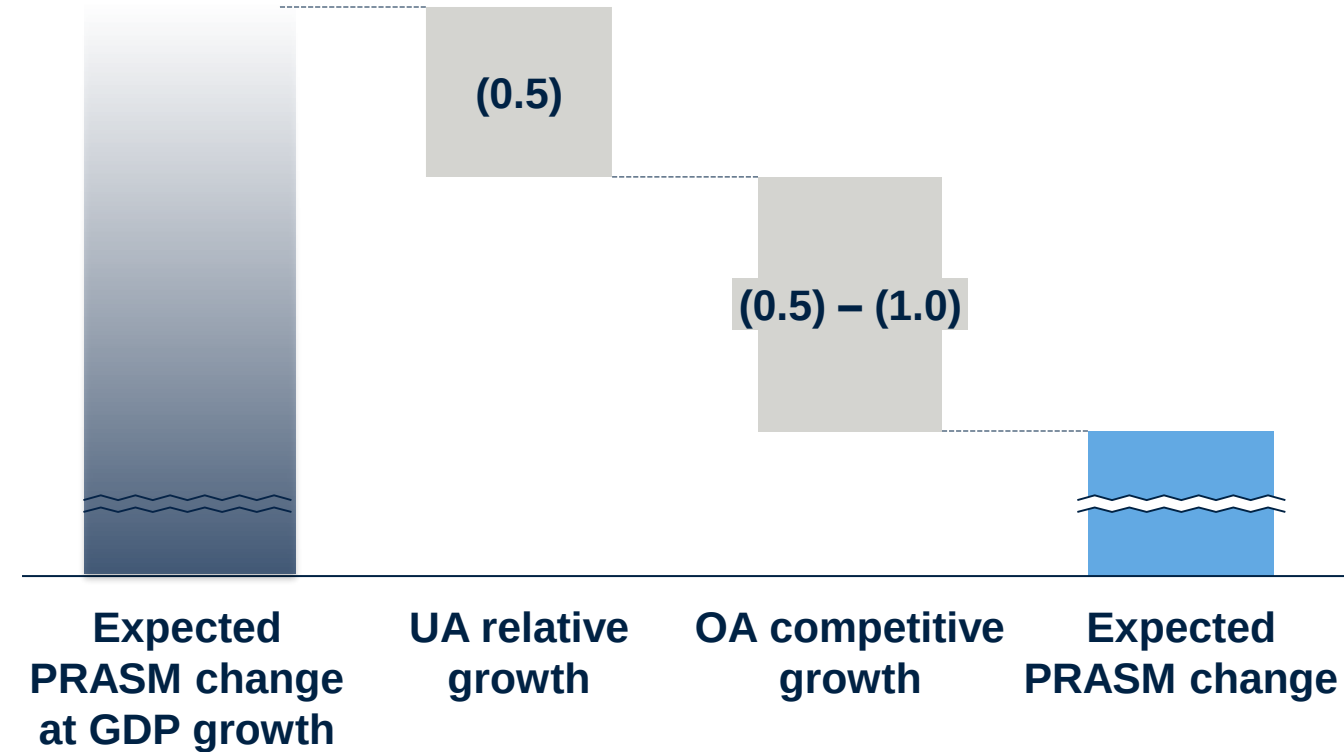
2018 PRASM – initiatives expected to moderate the impact of high growth

YOY 2018 PRASM drivers (Contribution in % pts)

Higher growth expected to drive
a PRASM headwind

PRASM tailwinds

- Smaller gauge increases exposure to high yield/small markets
- Gemini revenue management enhancements
- IAH and ORD rebanking
- Segmentation



Andrew Levy

Executive Vice President and Chief Financial Officer

Improving profitability while growing the network

Focus on CASM

- Improve efficiency and productivity
- Provide long-term CASM-ex¹ guidance

Accountable for higher profitability

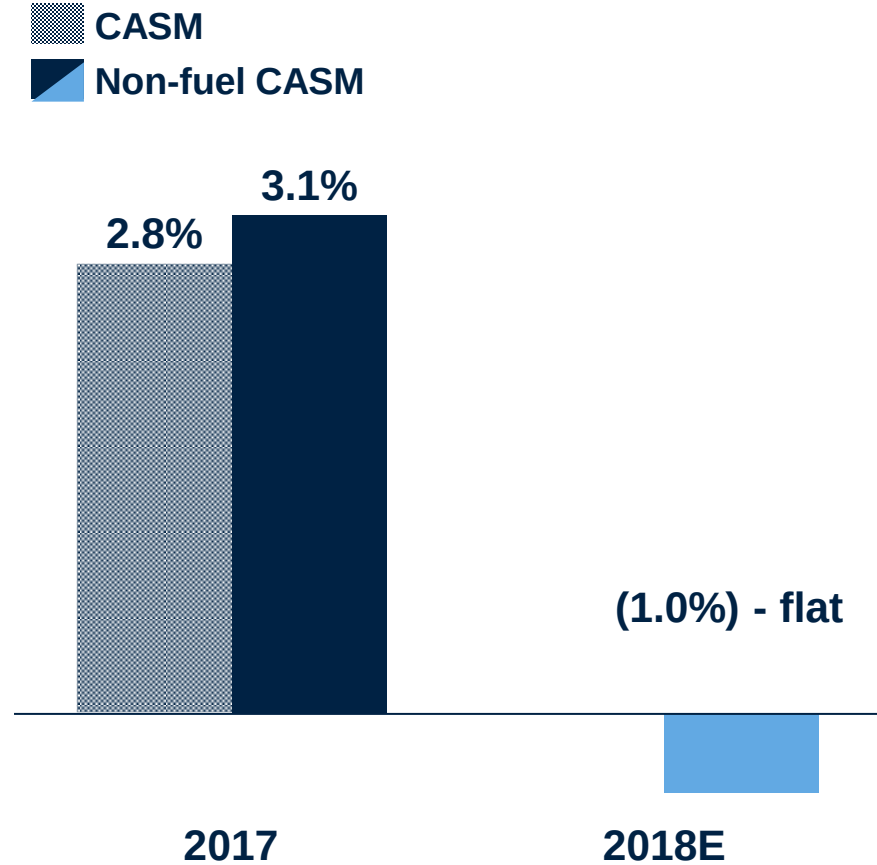
- Introduce 2018 EPS guidance
- Introduce 2020 EPS target

A strong balance sheet is the foundation – maintaining \$5B - \$6B of liquidity

¹ Non-fuel CASM (operating expense per available seat mile) excludes fuel, profit sharing, third-party business expenses and special charges, the nature and amount of which are not determinable at this time

Non-fuel CASM growth meaningfully lower in 2018 and beyond

CASM and non-fuel CASM¹
H/(L) YOY



Headwinds

- Increased regional flying ~0.5 point 2018 headwind
- Labor rate inflation
- Airport costs
- Technology investments

Tailwinds

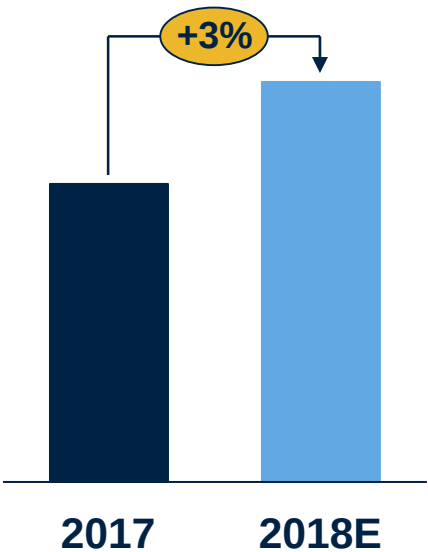
- Improved asset utilization
- Higher employee productivity
- Aircraft lease to own
- Increased operational efficiency given improved reliability

Expect 2019 and 2020 non-fuel CASM to be flat or better

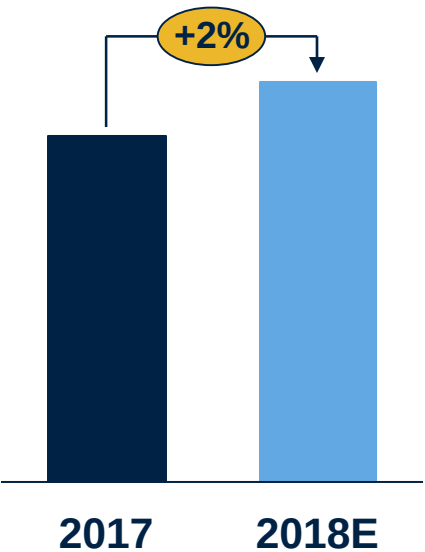
¹ For a GAAP to non-GAAP reconciliation, see Appendix A

Productivity – labor, aircraft and ground assets

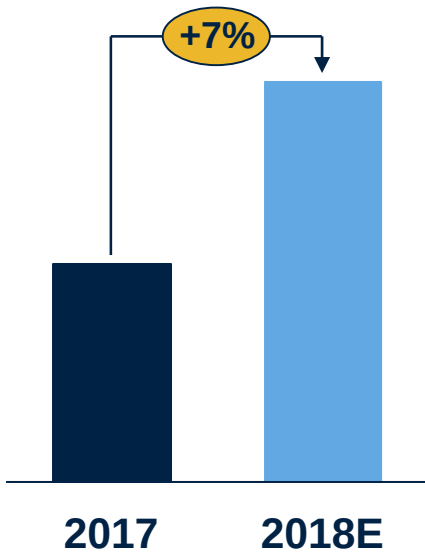
Productivity
(ASMs/FTEs)



Mainline aircraft utilization
(Departures/aircraft per day)



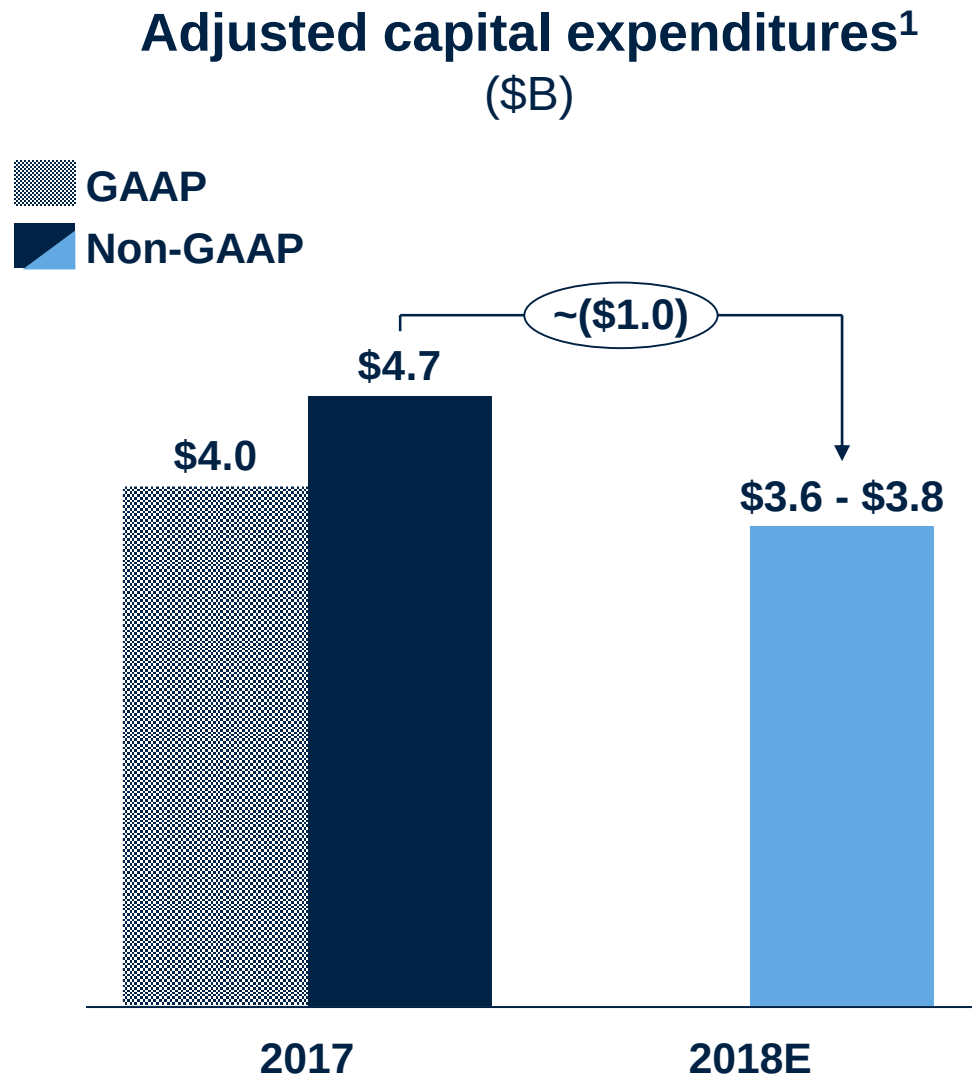
Gate utilization
(Average turns per gate on a peak day¹)



More effectively utilizing existing assets across the business

¹ Peak Thursday in July

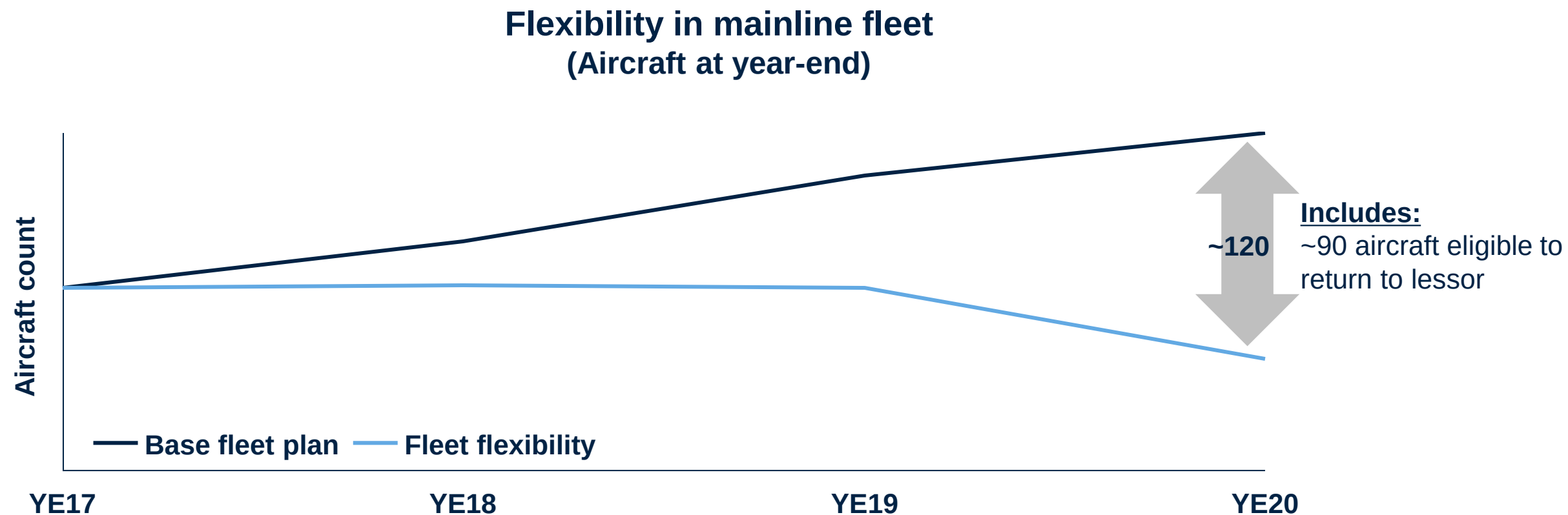
Capital expenditures in 2018 expected to be \$3.6B - \$3.8B



- 24 scheduled aircraft deliveries in 2018
- Opportunistic purchases of aircraft off-lease
- Continue to invest in product, technology and infrastructure
- 2019/2020 capex expected to be higher than 2018, but below 2017

¹ For a GAAP to non-GAAP reconciliation, see Appendix A; 2017 GAAP capital expenditures were \$4.0B

Fleet plan provides flexibility in an economic downturn



Levers to manage fleet through 2020

Lease expirations

Manage order book

Used aircraft

2018 Guidance

	FY2018
Capacity	4.0% to 6.0%
Non-fuel costs ¹	(1.0%) to flat
EPS, diluted ²	\$6.50 to \$8.50
Capex	\$3.6B to \$3.8B

¹ Excludes fuel, profit sharing, third-party business expense and special charges, the nature and amount of which are undeterminable at this time.

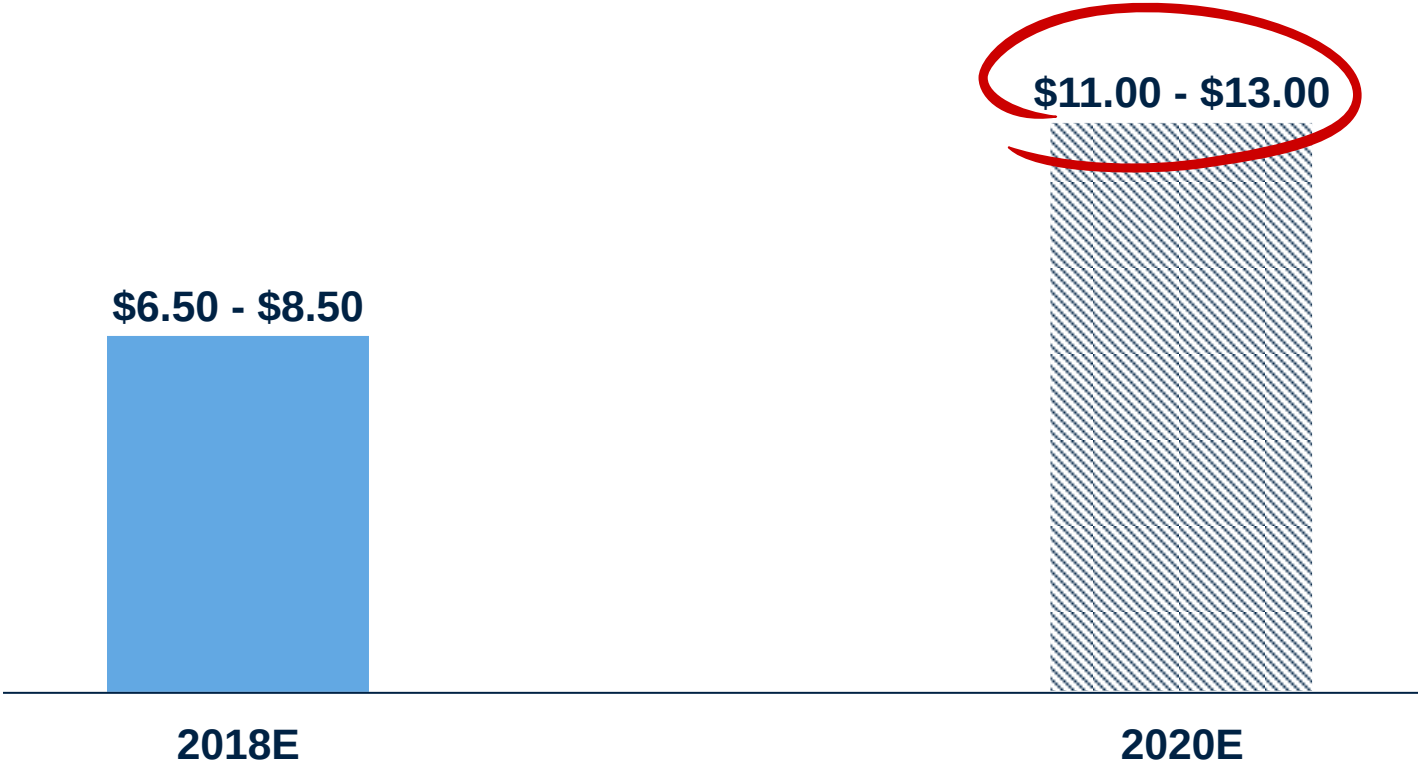
For a GAAP to non-GAAP reconciliation, see Appendix A

² Excludes special charges, the nature of which are not determinable at this time. Accordingly, the company is not providing earnings guidance on a GAAP basis.

Note: EPS estimates based on book tax rate of ~22-24% and fuel forward curve as of January 18, 2018, with all-in fuel price of \$2.11/gallon

Reaching financial targets will guide our long term network strategy

Target earnings per share, diluted²



Target ~25% CAGR¹ EPS from 2018 through 2020

¹Compound annual growth rate

²Excludes special charges, the nature of which are not determinable at this time. Accordingly, the company is not providing earnings guidance on a GAAP basis

Note: 2018 EPS estimates based on fuel forward curve as of January 18, 2018, with all-in fuel price of \$2.11/gallon for 2018 and includes share repurchase; 2020 EPS estimate based January 18, 2018 forward curve, with all-in fuel price of \$1.94/gallon for 2020 and includes share repurchase

Oscar Munoz

Chief Executive Officer

Closing

- **Strengthening our hubs is a critical foundation to maximize profitability**
- **Driving revenue improvements from all areas of business**
- **Improving efficiency and productivity**
- **Greater accountability and transparency**
 - **Moving to annual guidance with 2018 EPS range**
 - **Providing multi-year network growth strategy, underpinned by commitments on long-term costs and 2020 EPS target**

Our strategy drives sustainably higher profits and margins

UNITED



®

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

UAL evaluates its financial performance utilizing various accounting principles generally accepted in the United States of America (GAAP) and Non-GAAP financial measures, including pre-tax income and pre-tax margin excluding special charges, CASM as adjusted, net earnings (loss) per share excluding special charges, capital expenditures, as adjusted, among others. 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. For additional information related to special charges, see the press release issued by UAL dated January 23, 2018, filed on that date with the SEC as an exhibit to UAL's Form 8-K.

<i>(in millions, except pre-tax margin)</i>	Three Months Ended December 31,	Year Ended December 31,
	2017	2017
Income before income taxes excluding special charges		
Income before income taxes	\$600	\$2,999
Less: special charges and hedge adjustments before income taxes	31	176
Income before income taxes excluding special charges and reflecting hedge adjustments (Non-GAAP)	\$631	\$3,175
 Pre-tax margin excluding special charges		
Total operating revenue	\$9,438	\$37,736
 Pre-tax margin	6.4%	7.9%
Pre-tax margin excluding special charges and reflecting hedge adjustments (Non-GAAP)	6.7%	8.4%

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

Cost per available seat mile (CASM) is a common metric used in the airline industry to measure an airline's cost structure and efficiency. UAL reports CASM excluding 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 because this exclusion allows investors to better understand and analyze our recurring cost performance and provides a more meaningful comparison of our core operating costs to the airline industry.

	Three Months Ended December 31,		% Increase/ (Decrease)	Year Ended December 31		% Increase/ (Decrease)
Non-Fuel CASM Consolidated (\$/ASM)	2017	2016		2017	2016	
Cost per available seat mile (CASM)	13.39	12.87	4.0	13.05	12.70	2.8
Less: Special charges (a)	0.04	(0.05)	NM	0.07	0.25	NM
Less: Third-party business expenses	0.12	0.11	9.1	0.10	0.10	-
Less: Fuel expense	2.88	2.49	15.7	2.64	2.29	15.3
CASM, excluding special charges, third-party business expenses and fuel (Non-GAAP)	10.35	10.32	0.3	10.24	10.06	1.8
Less: Profit sharing per available seat mile	0.07	0.19	(63.2)	0.13	0.25	(48.0)
CASM, excluding special charges, third-party business expenses, fuel, and profit sharing (Non-GAAP)	10.28	10.13	1.5	10.11	9.81	3.1

Consolidated Unit Cost (\$/ASM)	FY 2017	Estimated FY 2018
Consolidated CASM Excluding Special Charges (b)	12.98	13.15 - 13.37
Less: Fuel (c), Profit Sharing and Third-Party Business Expense	2.87	3.14 - 3.26
Consolidated CASM Excluding Fuel, Profit Sharing, Third-Party Business Expense and Special Charges	10.11	10.01 - 10.11

(a) Excludes special charges, such as the impact of certain primarily non-cash impairment, severance and other similar accounting charges.

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

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

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

UAL evaluates its financial performance utilizing various accounting principles generally accepted in the United States of America (GAAP) and Non-GAAP financial measures including net earnings (loss) per share excluding 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.

	Year Ended December 31,
Earnings per share, excluding special charges	2017
Diluted earnings per share	\$7.02
Less: special charges and hedge adjustments	0.58
Less: tax effect related to special charges and hedge adjustments	(0.84)
Diluted earnings per share, excluding special charges and reflecting hedge adjustments (Non-GAAP)	\$6.76

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

UAL believes that adjusting capital expenditures for assets acquired through the issuance of debt and capital leases, airport construction financing and excluding fully reimbursable projects is useful to investors in order to appropriately reflect the non-reimbursable funds spent on capital expenditures. UAL also believes that adjusting net cash provided by operating activities for capital expenditures and adjusted capital expenditures is useful to allow investors to evaluate the company’s ability to generate cash that is available for debt service or general corporate initiatives.

	Year Ended December 31, <u>2017</u>
Capital Expenditures <i>(in millions)</i>	
Capital expenditures	\$ 3,998
Property and equipment acquired through the issuance of debt and capital leases	935
Airport construction financing	42
Fully reimbursable projects	<u>(246)</u>
Adjusted capital expenditures – Non-GAAP	<u>\$ 4,729</u>