United Continental Holdings, Inc.
Form 10-K
February 18, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2015

OR

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

Commission File Number	Exact Name of Registrant as Specified in its Charter, Principal Executive Office Address, Zip Code and Telephone Number, Including Area Code	State of Incorporation	I.R.S. Employer Identification No.
001-06033	**United Continental Holdings, Inc.** **233 South Wacker Drive** **Chicago, Illinois 60606** **(872) 825-4000**	Delaware	36-2675207
001-10323	**United Airlines, Inc.** **233 South Wacker Drive** **Chicago, Illinois 60606** **(872) 825-4000**	Delaware	74-2099724

Securities registered pursuant to Section 12(b) of the Act:

	Title of Each Class	Name of Each Exchange on Which Registered
United Continental Holdings, Inc.	Common Stock, $0.01 par value	New York Stock Exchange
United Airlines, Inc.	None	None

Securities registered pursuant to Section 12(g) of the Act:

United Continental Holdings, Inc.	None
United Airlines, Inc.	None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

United Continental Holdings, Inc.	x
United Airlines, Inc.	x

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

United Continental Holdings, Inc.	Large accelerated filer x	Accelerated filer ¨	Non-accelerated filer ¨	Smaller reporting company ¨
United Airlines, Inc.	Large accelerated filer ¨	Accelerated filer ¨	Non-accelerated filer x	Smaller reporting company ¨

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

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

The aggregate market value of common stock held by non-affiliates of United Continental Holdings, Inc. was $20,035,996,479 as of June 30, 2015, based on the closing price of $53.01 on the New York Stock Exchange reported for that date. There is no market for United Airlines, Inc. common stock.

Indicate the number of shares outstanding of each of the registrant s classes of common stock, as of February 9, 2016.

United Continental Holdings, Inc.	359,484,808 shares of common stock ($0.01 par value)
United Airlines, Inc.	1,000 (100% owned by United Continental Holdings, Inc.)

This combined Form 10-K is separately filed by United Continental Holdings, Inc. and United Airlines, Inc.

OMISSION OF CERTAIN INFORMATION

United Airlines, Inc. meets the conditions set forth in General Instruction I(1)(a) and (b) of Form 10-K and are therefore filing this form with the reduced disclosure format allowed under that General Instruction.

DOCUMENTS INCORPORATED BY REFERENCE

Information required by Items 10, 11, 12 and 13 of Part III of this Form 10-K are incorporated by reference for United Continental Holdings, Inc. from its definitive proxy statement for its 2016 Annual Meeting of Stockholders.

United Continental Holdings, Inc. and Subsidiary Companies

United Airlines, Inc. and Subsidiary Companies

Annual Report on Form 10-K

For the Year Ended December 31, 2015

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This Form 10-K contains various forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Forward-looking statements represent the Company s expectations and beliefs concerning future events, based on information available to the Company on the date of the filing of this Form 10-K, and are subject to various risks and uncertainties. Factors that could cause actual results to differ materially from those referenced in the forward-looking statements are listed in Part I, Item 1A, Risk Factors and in Part II, Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations. The Company disclaims any intent or obligation to update or revise any of the forward-looking statements, whether in response to new information, unforeseen events, changed circumstances or otherwise, except as required by applicable law.

PART I

ITEM 1. BUSINESS.

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 report for disclosures that relate to all of UAL and United.

UAL was incorporated under the laws of the State of Delaware on December 30, 1968. Our world headquarters is located at 233 South Wacker Drive, Chicago, Illinois 60606 (telephone number (872) 825-4000).

The Company s website is www.unitedcontinentalholdings.com. The information contained on or connected to the Company s website is not incorporated by reference into this annual report on Form 10-K and should not be considered part of this or any other report filed with the U.S. Securities and Exchange Commission (SEC). Through this website, the Company s filings with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports, as well as our proxy statement for our annual meeting of stockholders, are accessible without charge as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. Such filings are also available on the SEC s website at www.sec.gov.

Operations

The Company transports people and cargo through its mainline and regional operations. See Part I, Item 2 Properties, for a description of the Company s mainline and regional aircraft.

With key global air rights in North America, Asia-Pacific, Europe, Middle East, Africa and Latin America, UAL has the world s most comprehensive global route network. UAL, through United and its regional carriers, operates an average of nearly 5,000 flights a day to 342 airports across six continents from the Company s hubs at Newark Liberty International Airport (Newark Liberty), Chicago O Hare International Airport (Chicago O Hare), Denver International Airport (Denver), George Bush Intercontinental Airport (Houston Bush), Los Angeles International Airport (LAX), A.B. Won Pat International Airport (Guam), San Francisco International Airport (SFO) and Washington Dulles International Airport (Washington Dulles).

All of the Company s domestic hubs are located in large business and population centers, contributing to a large amount of origin and destination traffic. The hub and spoke system allows us to transport passengers between a large number of destinations with substantially more frequent service than if each route were served directly. The hub system also allows us to add service to a new destination from a large number of cities using only one or a limited number of aircraft. As discussed under *Alliances* below, United is a member of Star Alliance, the world s largest alliance network.

Financial information on the Company s operating revenues by geographic regions, as reported to the U.S. Department of Transportation (the DOT), can be found in Note 17 to the financial statements included in Part II, Item 8 of this report.

Regional. The Company has contractual relationships with various regional carriers to provide regional jet and turboprop service branded as United Express. These regional operations are an extension of the Company s mainline network. This regional service complements our operations by carrying traffic that connects to our mainline service and allows flights to smaller cities that cannot be provided economically with mainline aircraft. Republic Airlines (Republic), CommutAir Airlines (CommutAir), ExpressJet Airlines (ExpressJet), GoJet Airlines (GoJet), Mesa Airlines (Mesa), Shuttle America (Shuttle), SkyWest Airlines (SkyWest) and Trans States Airlines (Trans States) are all regional carriers which operate most of their capacity contracted to United under capacity purchase agreements (CPAs) with United. Under these CPAs, the Company pays the regional carriers contractually agreed fees (carrier-controlled costs) for operating these flights plus a variable reimbursement (incentive payment for operational performance) based on agreed performance metrics. The fees for carrier-controlled costs are based on specific rates for various operating expenses of the regional carriers, such as crew expenses, maintenance and aircraft ownership, some of which are multiplied by specific operating statistics (e.g., block hours, departures) while others are fixed monthly amounts. Under these CPAs, the Company is responsible for all fuel costs incurred as well as landing fees, facilities rent and other costs, which are either passed through by the regional carrier to the Company without any markup or directly incurred by the Company. In return, the regional carriers operate this capacity exclusively for United, on schedules determined by the Company. The Company also determines pricing and revenue management, assumes the inventory and distribution risk for the available seats, and permits mileage accrual and redemption for regional flights through its MileagePlus loyalty program.

While the regional carriers operating under CPAs comprise more than 95% of all regional flights, the Company also has prorate agreements with Hyannis Air Service, Inc. (Cape Air), SkyWest and Trans States. Under these commercial flying agreements, the Company and its regional carriers agree to divide revenue collected from each passenger according to a formula, while both the Company and its regional carriers are individually responsible for their own costs of operations. Unlike CPAs, under a prorate agreement, the regional carrier retains the control and risk of scheduling, and in most cases, market selection, local seat pricing and inventory for its flights, although the Company and its regional carriers may coordinate schedules to maximize connections.

Alliances. United is a member of Star Alliance, a global integrated airline network co-founded by United in 1997 and the largest and most comprehensive airline alliance in the world. As of January 1, 2016, Star Alliance carriers served over 1,300 airports in more than 190 countries with over 18,500 daily departures. Current Star Alliance members, in addition to United, are Adria Airways, Aegean Airlines, Air Canada, Air China, Air India, Air New Zealand, All Nippon Airways (ANA), Asiana Airlines, Austrian Airlines, Avianca, Avianca Brasil, Brussels Airlines, Copa Airlines, Croatia Airlines, EGYPTAIR, Ethiopian Airlines, EVA Air, LOT Polish Airlines, Lufthansa, SAS Scandinavian Airlines, Shenzhen Airlines, Singapore Airlines, South African Airways, SWISS, TAP Portugal, THAI Airways International and Turkish Airlines.

United has a variety of bilateral commercial alliance agreements and obligations with Star Alliance members, addressing, among other things, reciprocal earning, redemption of frequent flyer miles and access to airport lounges and, with certain Star Alliance members, codesharing of flight operations (whereby one carrier s selected flights can be marketed under the brand name of another carrier). In addition to the alliance agreements with Star Alliance members, United currently maintains independent marketing alliance agreements with other air carriers currently unaffiliated with a global alliance, including Aeromar, Aer Lingus, Air Dolomiti, Azul, Cape Air,

Eurowings, Germanwings, Great Lakes Airlines, Hawaiian Airlines, Island Air, Jet Airways and Silver Airways. United also offers a train-to-plane codeshare and frequent flyer alliance with Amtrak from Newark Liberty on select city pairs in the Northeastern United States.

United also participates in joint ventures, one with Air Canada and the Lufthansa Group (which includes Lufthansa and its affiliates Austrian Airlines, Brussels Airlines and SWISS) covering transatlantic routes, and another with ANA covering certain transpacific routes. These joint ventures enable the participating carriers to integrate the services they provide in the respective regions, capturing revenue synergies and delivering highly competitive flight schedules, fares and services.

Loyalty Program. United s MileagePlus program builds customer loyalty by offering awards and services to program participants. Members in this program earn mileage credit for flights on United, United Express, airlines in Star Alliance and certain other airlines that participate in the program. Members can also earn miles by purchasing the goods and services of our network of non-airline partners, such as credit card issuers, retail merchants, hotels and car rental companies. Members can redeem mileage credits for free (other than taxes and government imposed fees), discounted or upgraded travel and non-travel awards.

The Company has an agreement with Chase Bank USA, N.A. (Chase), pursuant to which members of the Company s MileagePlus® loyalty program earn miles for making purchases using a MileagePlus® credit card issued by Chase. The agreement also provides for joint marketing and other support for the MileagePlus® credit card and provides Chase with other benefits such as permission to market to the Company s customer database.

Approximately 5.0 million and 4.8 million MileagePlus flight awards were used on United in 2015 and 2014, respectively. These awards represented 7.5% and 7.1% of United s total revenue passenger miles in 2015 and 2014, respectively. Total miles redeemed for flights on United in 2015, including class-of-service upgrades, represented approximately 83% of the total miles redeemed.

In addition, excluding miles redeemed for flights on United, MileagePlus members redeemed miles for approximately 1.8 million other awards in 2015 as compared to 1.75 million in 2014. These awards include United Club memberships, car and hotel awards, merchandise and flights on other air carriers.

Aircraft Fuel. The table below summarizes UAL s aircraft fuel consumption and expense during the last three years.

Year	Gallons Consumed (in millions)	Fuel Expense (in millions)	Average Price Per Gallon	Percentage of Total Operating Expense (a)
2015	3,886	$ 7,522	$ 1.94	23%
2014	3,905	$ 11,675	$ 2.99	32%
2013	3,947	$ 12,345	$ 3.13	34%

(a) Calculation excludes special charges identified in Note 16 to the financial statements included in Part II, Item 8 of this report.

The availability and price of aircraft fuel significantly affect the Company s operations, results of operations, financial position and liquidity. To provide adequate supplies of fuel, the Company routinely enters into short-term and long-term purchase contracts that are generally indexed to floating market prices for aircraft fuel, and the Company has some ability to store fuel close to its major hub locations. To lower its exposure to unpredictable increases in the floating market prices of aircraft fuel, the Company may hedge a portion of its planned fuel requirements. The Company generally employs commonly used financial hedge instruments based on aircraft fuel or closely related commodities including diesel fuel and crude oil.

Third-Party Business. United generates 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 operating revenue. United 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.

Distribution Channels. The Company s airline seat inventory and fares are distributed through the Company s direct channels, traditional travel agencies and on-line travel agencies. The use of the Company s direct sales website, united.com, the Company s mobile applications and alternative distribution systems, provides the Company with an opportunity to de-commoditize its services, better present its content, make more targeted offerings, better retain its customers, enhance its brand and lower its ticket distribution costs. Agency sales are primarily sold using global distribution systems (GDS). United has developed capabilities to sell certain ancillary products through the GDS channel to provide an enhanced buying experience for customers who purchase in that channel. To increase the Company s opportunities to sell its full range of products and services and lower distribution costs, the Company will continue to develop new selling capabilities in third-party channels and expand the capabilities of its website and mobile applications.

Industry Conditions

Domestic Competition. The domestic airline industry is highly competitive and dynamic. The Company s competitors consist primarily of other airlines and, to a certain extent, other forms of transportation. Currently, any U.S. carrier deemed fit by the DOT is free to operate scheduled passenger service between any two points within the United States. Competition can be direct, in the form of another carrier flying the exact non-stop route, or indirect, where a carrier serves the same two cities non-stop from an alternative airport in that city or via an itinerary requiring a connection at another airport. Air carriers cost structures are not uniform and there are numerous factors influencing cost structure. Carriers with lower costs may offer lower fares to passengers, which could have a potential negative impact on the Company s revenues. Decisions on domestic pricing are based on intense competitive pressure exerted on the Company by other U.S. airlines. In order to remain competitive and maintain passenger traffic levels, we often find it necessary to match competitors discounted fares. Since we compete in a dynamic marketplace, attempts to generate additional revenue through increased fares oftentimes fail.

International Competition. Internationally, the Company competes not only with U.S. airlines, but also with foreign carriers. International competition has increased and may increase in the future as a result of airline mergers and acquisitions, joint ventures, alliances, restructurings, liberalization of aviation bilateral agreements and new or increased service by competitors, including government subsidized competitors from certain Middle East countries. Competition on international routes is subject to varying degrees of governmental regulation. The Company s ability to compete successfully with non-U.S. carriers on international routes depends in part on its ability to generate traffic to and from the entire United States via its integrated domestic route network and its ability to overcome business and operational challenges across its network worldwide. Foreign carriers currently are prohibited by U.S. law from carrying local passengers between two points in the United States and the Company experiences comparable restrictions in foreign countries except where fifth freedom rights have been negotiated between the U.S. government and other countries. In addition, in the absence of open skies and fifth freedom rights, U.S. carriers are constrained from carrying passengers to points beyond designated international gateway cities due to limitations in air service agreements and restrictions imposed unilaterally by foreign governments. To compensate partially for these structural limitations, U.S. and foreign carriers have entered into alliances, joint ventures and marketing arrangements that enable these carriers to exchange traffic between each other s flights and route networks. See *Alliances,* above, for additional information.

Seasonality. The air travel business is subject to seasonal fluctuations. Historically, demand for air travel is higher in the second and third quarters, driving higher revenues, than in the first and fourth quarters, which are periods of lower travel demand.

Industry Regulation

Domestic Regulation

All carriers engaged in air transportation in the United States are subject to regulation by the DOT. Absent an exemption, no air carrier may provide air transportation of passengers or property without first being issued a DOT certificate of public convenience and necessity. The DOT also grants international route authority, approves

international codeshare arrangements, and regulates methods of competition. The DOT regulates consumer protection and maintains jurisdiction over advertising, denied boarding compensation, tarmac delays, baggage liability and other areas, and may add additional expensive regulatory burdens in the future. The DOT has launched investigations or claimed rulemaking authority to regulate commercial agreements among carriers or between carriers and third parties in a wide variety of contexts.

Airlines are also regulated by the Federal Aviation Administration (the FAA), an agency within the DOT, primarily in the areas of flight safety, air carrier operations, and aircraft maintenance and airworthiness. The FAA issues air carrier operating certificates and aircraft airworthiness certificates, prescribes maintenance procedures, oversees airport operations, and regulates pilot and other employee training. From time to time, the FAA issues directives that require air carriers to inspect or modify aircraft and other equipment, potentially causing the Company to incur substantial, unplanned expenses. The airline industry is also subject to numerous other federal laws and regulations. The U.S. Department of Homeland Security (DHS) has jurisdiction over virtually every aspect of civil aviation security. The Antitrust Division of the U.S. Department of Justice (DOJ) has jurisdiction over certain airline competition matters. The U.S. Postal Service has authority over certain aspects of the transportation of mail by airlines. Labor relations in the airline industry are generally governed by the Railway Labor Act (RLA), a federal statute. The Company is also subject to investigation inquiries by the DOT, FAA, DOJ, DHS and other U.S. and international regulatory bodies.

Airport Access. Access to landing and take-off rights, or slots, at several major U.S. airports and many foreign airports served by the Company are, or recently have been, subject to government regulation. Federally mandated domestic slot restrictions currently apply at Reagan National Airport in Washington D.C., and at John F. Kennedy International Airport (JFK), LaGuardia Airport (LaGuardia) and Newark Liberty in the metropolitan New York region. In addition, to address concerns about airport congestion, the FAA has imposed operating restrictions at certain airports, including Newark Liberty, JFK, and LaGuardia, which may include capacity reductions. Additional restrictions on airline routes and takeoff and landing slots at these and other airports may be proposed in the future that could affect the Company s rights of ownership and transfer. In January 2015, the FAA issued a notice of proposed rulemaking to revise and alter the current methods to manage congestion and delay at the New York area s three major commercial airports which may alter use of slots and congestion at those airports.

Legislation. The airline industry is subject to legislative activity that may have an impact on operations and costs. In 2016, the U.S. Congress will continue to consider legislation to reauthorize the FAA, which encompasses all significant aviation tax and policy-related issues. As with previous reauthorization legislation, the U.S. Congress may consider a range of policy changes that could impact operations and costs. Climate change legislation is also likely to be a significant area of legislative and regulatory focus and could adversely impact the Company s costs. See *Environmental Regulation*, below.

Finally, aviation security continues to be the subject of legislative and regulatory action, requiring changes to the Company s security processes, increasing the cost of its security procedures, and affecting its operations.

International Regulation

International air transportation is subject to extensive government regulation. In connection with the Company s international services, the Company is regulated by both the U.S. government and the governments of the foreign countries the Company serves. In addition, the availability of international routes to U.S. carriers is regulated by aviation agreements between the U.S. and foreign governments, and in some cases, fares and schedules require the approval of the DOT and/or the relevant foreign governments.

Legislation. Foreign countries are increasingly enacting passenger protection laws, rules and regulations that meet or exceed U.S. requirements. In cases where this activity exceeds U.S. requirements, additional burden and liability may be placed on the Company. Certain countries have regulations requiring passenger compensation and/or enforcement penalties from the Company in addition to changes in operating procedures due to canceled and delayed flights.

Airport Access. Historically, access to foreign markets has been tightly controlled through bilateral agreements between the U.S. and each foreign country involved. These agreements regulate the markets served, the number of carriers allowed to serve each market and the frequency of carriers flights. Since the early 1990s, the U.S. has pursued a policy of open skies (meaning all U.S.-flag carriers have access to the destination), under which the U.S. government has negotiated a number of bilateral agreements allowing unrestricted access between U.S. and foreign markets. Currently, there are more than 100 open skies agreements in effect. However, many of the airports that the Company serves in Europe, Asia and Latin America maintain slot controls. A large number of these are restrictive due to congestion at these airports. London Heathrow International Airport, Frankfurt Rhein-Main Airport, Shanghai Pudong International Airport, Beijing Capital International Airport, Sao Paulo Guarulhos International Airport and Tokyo Haneda International Airport are among the most restrictive foreign airports due to capacity limitations.

The Company s ability to serve some foreign markets and expand into certain others is limited by the absence of aviation agreements between the U.S. government and the relevant foreign governments. Shifts in U.S. or foreign government aviation policies may lead to the alteration or termination of air service agreements. Depending on the nature of any such change, the value of the Company s international route authorities and slot rights may be materially enhanced or diminished.

Environmental Regulation

The airline industry is subject to increasingly stringent federal, state, local and international environmental requirements, including emissions to air, water discharges, safe drinking water, and the use and management of hazardous substances and wastes.

Climate Change. There is an increasing global regulatory focus on greenhouse gas (GHG) emissions and their potential impacts relating to climate change. Initiatives to regulate GHG emissions from aviation have been underway in the European Union (EU) since 2009 but applicability to flights arriving or departing from airports outside the EU was postponed to provide the International Civil Aviation Organization (ICAO) the opportunity to reach agreement on a global approach for international aviation. ICAO is expected to reach a resolution in 2016 advancing a global market-based measure for international aviation emissions starting in 2021. Separately, in 2016 ICAO is expected to adopt a carbon dioxide (CO2) standard for aircraft and the U.S. Environmental Protection Agency has already started the process required to adopt such an aircraft standard. In consideration of these future requirements, the Company is taking various actions that will help to reduce its CO2 emissions such as fleet renewal, aircraft retrofits and seeking to stimulate the commercialization of aviation alternative fuels.

Other Regulations. Our operations are subject to a variety of other environmental laws and regulations both in the United States and internationally. These include noise-related restrictions on aircraft types and operating times, which have or could in the future result in curtailments in services, increased operating costs or limits on expansion. Certain foreign airports and/or governments either have or are seeking to establish environmental fees applicable to carbon emissions, local air quality pollutants and/or noise. In the United States, new regulations affecting storm water and underground storage tanks became effective in 2015, which could affect airport fuel hydrant systems or airport storm water management, potentially impacting operating costs. Also, in October 2015, a final rule to reduce the national ambient air quality standards for ozone was issued which, if upheld, is expected to trigger restrictions on mobile sources such as cars, trucks, and airport ground support equipment in certain jurisdictions. Finally, environmental cleanup laws can require the Company to undertake or subject the Company to liability for investigation and remediation costs at owned or leased locations or third party disposal locations.

Until applicability of new regulations to our specific operations is better defined, or in the case of the referenced GHG and ozone standards, these implementation measures are actually developed, future costs to comply with such regulations will remain uncertain. While we continue to monitor these developments, we do not currently believe that such developments or resulting expenditures will have a material impact on our capital expenditures or otherwise materially adversely affect our operations, operating costs or competitive position.

Employees

As of December 31, 2015, UAL, including its subsidiaries, had approximately 84,000 employees. Approximately 80% of the Company s employees were represented by various U.S. labor organizations as of December 31, 2015.

Collective bargaining agreements between the Company and its represented employee groups are negotiated under the RLA. Such agreements typically do not contain an expiration date and instead specify an amendable date, upon which the contract is considered open for amendment. The Company has reached joint collective bargaining agreements with the majority of its employee groups since the merger transaction in 2010. The Company continues to negotiate in mediation for a joint flight attendant collective bargaining agreement, extensions to the IAM represented employees agreements and a joint technician and related employees collective bargaining agreement following the rejected proposal for ratification of a joint technician and related employees agreement. The Company can provide no assurance that a successful or timely resolution of these labor negotiations will be achieved.

The following table reflects the Company s represented employee groups, number of employees per represented group, union representation for each of United s employee groups where applicable, and the amendable date for each employee group s collective bargaining agreement:

Employee Group	Number of Employees (a)	Union	Contract Open for Amendment (b)
Flight Attendants	21,078	Association of Flight Attendants	December 2014/ February 2016
Fleet Service	12,210	Int l Association of Machinists and Aerospace Workers (IAM)	January 2017
Passenger Service	11,998	IAM	January 2017
Pilots	11,204	Air Line Pilots Association, International	January 2019
Technicians and Related & Flight Simulator Technicians	8,899	Int l Brotherhood of Teamsters	December 2012/ June 2013 & January 2013
Storekeeper Employees	936	IAM	January 2017
Dispatchers	383	Professional Airline Flight Control Association	July 2018
Fleet Tech Instructors	134	IAM	January 2019
Load Planners	67	IAM	May 2018
Security Officers	45	IAM	January 2017
Maintenance Instructors	42	IAM	January 2019
Food Service Employees	24	IAM	January 2010

(a) The table includes the Company s U.S. (and Guam) union represented employees only.

(b) The respective amendable dates for those joint negotiations in progress reflect the remaining United, Continental Airlines, Inc. (Continental) and/or Continental Micronesia, Inc. stand-alone agreements.

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. See Notes 15 and 16 to the financial statements included in Part II, Item 8 of this report for additional information on labor negotiations and costs.

ITEM 1A. RISK FACTORS.

The following risk factors should be read carefully when evaluating the Company s business and the forward-looking statements contained in this report and other statements the Company or its representatives make from time to time. Any of the following risks could materially and adversely affect the Company s business, operating results, financial condition and the actual outcome of matters as to which forward-looking statements are made in this report.

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

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

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

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

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

The airline industry is highly competitive and susceptible to price discounting and changes in capacity, which could have a material adverse effect on the Company.

The U.S. airline industry is characterized by substantial price competition including from low-cost carriers. The significant market presence of low-cost carriers, which engage in substantial price discounting, may diminish our ability to achieve sustained profitability on domestic and international routes.

Airlines also compete for market share by increasing or decreasing their capacity, including route systems and the number of markets served. Several of the Company s domestic and international competitors have increased their international capacity by including service to some destinations that the Company currently serves, causing overlap in destinations served and therefore increasing competition for those destinations. In addition, the Company has implemented significant capacity reductions in recent years in response to high and volatile fuel prices and stagnant global economic growth. This increased competition in both domestic and international markets may have a material adverse effect on the Company s results of operations, financial condition or liquidity.

Terrorist attacks or international hostilities, or the fear of terrorist attacks or hostilities, even if not made directly on the airline industry, could negatively affect the Company and the airline industry.

The terrorist attacks on September 11, 2001 involving commercial aircraft severely and adversely impacted the Company s financial condition and results of operations, as well as the prospects for the airline industry. Among the effects experienced from the September 11, 2001 terrorist attacks were substantial flight disruption costs caused by the FAA-imposed temporary grounding of the U.S. airline industry s fleet, significantly increased security costs and associated passenger inconvenience, increased insurance costs, substantially higher ticket refunds and significantly decreased traffic and passenger revenue.

Additional terrorist attacks, even if not made directly on the airline industry, or the fear of or the precautions taken in anticipation of such attacks (including elevated national threat warnings or selective cancellation or redirection of flights) could materially and adversely affect the Company and the airline industry. Wars and other international hostilities could also have a material adverse impact on the Company s financial condition, liquidity and results of operations. The Company s financial resources may not be sufficient to absorb the adverse effects of any future terrorist attacks or other international hostilities.

A significant data breach or the Company s inability to comply with legislative or regulatory standards may adversely affect the Company s business.

The Company is subject to increasing legislative, regulatory and customer focus on privacy issues and data security. A number of the Company s commercial partners, including credit card companies, have imposed data security standards that the Company must meet and these standards continue to evolve. The Company will continue its efforts to meet new and increasing privacy and security standards; however, it is possible that certain new standards may be difficult to meet and could increase the Company s costs. Additionally, any compromise of the Company s technology systems could result in the loss, disclosure, misappropriation of or access to customers , employees or business partners information. Any such loss, disclosure, misappropriation or access could result in legal claims or proceedings, liability or regulatory penalties under laws protecting the privacy of personal information. Any significant data breach or the Company s failure to comply with applicable U.S. and foreign privacy or data security regulations or security standards imposed by the Company s commercial partners may adversely affect the Company s reputation, business, results of operations and financial condition.

The Company relies heavily on technology and automated systems to operate its business and any significant failure or disruption of the technology or these systems could materially harm its business.

The Company depends on automated systems and technology to operate its business, including computerized airline reservation systems, flight operations systems, revenue management systems, accounting systems, telecommunication systems and commercial websites, including www.united.com. United s website and other automated systems must be able to accommodate a high volume of traffic, maintain secure information and deliver important flight and schedule information, as well as process critical financial transactions. These systems could suffer substantial or repeated disruptions due to various events, some of which are beyond the Company s control, including natural disasters, power failures, terrorist attacks, equipment or software failures, computer viruses or cyber security attacks. Substantial or repeated systems failures or disruptions, including failures or disruptions related to the Company s complex integration of systems, could reduce the attractiveness of the Company s services versus those of its competitors, materially impair its ability to market its services and operate its flights, result in the unauthorized release of confidential or otherwise protected information, result in increased costs, lost revenue and the loss or compromise of important data, and may adversely affect the Company s business, results of operations and financial condition.

Current or future litigation and regulatory actions could have a material adverse impact on the Company.

From time to time, we are subject to litigation and other legal and regulatory proceedings relating to our business or investigations or other actions by governmental agencies, including as described in Part I, Item 3 Legal

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

Disruptions to the Company s regional network and United Express flights provided by third-party regional carriers could adversely affect the Company s operations and financial condition.

The Company has contractual relationships with various regional carriers to provide regional jet and turboprop service branded as United Express. These regional operations are an extension of the Company s mainline network and complement the Company s operations by carrying traffic that connects to mainline service and allows flights to smaller cities that cannot be provided economically with mainline aircraft. The Company s business and operations are dependent on its regional flight network, with regional capacity accounting for approximately 12% of the Company s total as of December 31, 2015.

Although the Company has agreements with its regional carriers that include contractually agreed performance metrics, the Company does not control the operations of these carriers. A number of factors may impact the Company s regional network, including weather-related effects and seasonality. In addition, the decrease in qualified pilots driven by federal regulations has adversely impacted and could continue to affect the Company s regional flying. For example, the FAA s expansion of minimum pilot qualification standards, including a requirement that a pilot have at least 1,500 total flight hours, as well as the FAA s revised pilot flight and duty time rules, effective January 2014, have contributed to an increasing need for pilots for regional carriers. The decrease in qualified pilots resulting from the regulations as well as factors including a decreased student pilot population and a shrinking U.S. military from which to hire qualified pilots, could adversely impact the Company s operations and financial condition, and also require the Company to reduce regional carrier flying.

If a significant disruption occurs to the Company s regional network or flights or if one or more of the regional carriers with which the Company has relationships is unable to perform their obligations over an extended period of time, there could be a material adverse effect on the Company s business, financial condition and operations.

The Company s business relies extensively on third-party service providers. Failure of these parties to perform as expected, or interruptions in the Company s relationships with these providers or their provision of services to the Company, could have an adverse effect on the Company s financial position and results of operations.

The Company has engaged an increasing number of third-party service providers to perform a large number of functions that are integral to its business, including regional operations, operation of customer service call centers, distribution and sale of airline seat inventory, provision of information technology infrastructure and services, transmitting or uploading of data, provision of aircraft maintenance and repairs, provision of various utilities and performance of aircraft fueling operations, among other vital functions and services. The Company does not directly control these third-party service providers, although it does enter into agreements with many of them that define expected service performance. Any of these third-party service providers, however, may materially fail to meet their service performance commitments to the Company, may suffer disruptions to their systems that could impact their services, or the agreements with such providers may be terminated. For example, flight reservations booked by customers and travel agencies via third-party GDSs may be adversely affected by disruptions in the business relationships between the Company and GDS operators. Such disruptions, including a failure to agree upon acceptable contract terms when contracts expire or otherwise become subject to

renegotiation, may cause the Company s flight information to be limited or unavailable for display, significantly increase fees for both the Company and GDS users, and impair the Company s relationships with its customers and travel agencies. The failure of any of the Company s third-party service providers to perform their service obligations adequately, or other interruptions of services, may reduce the Company s revenues and increase its expenses, prevent the Company from operating its flights and providing other services to its customers or result in adverse publicity or harm to its brand. In addition, the Company s business and financial performance could be materially harmed if its customers believe that its services are unreliable or unsatisfactory.

The Company could experience adverse publicity, harm to its brand, reduced travel demand and potential tort liability as a result of an accident, catastrophe, or incident involving its aircraft, the aircraft of its regional carriers or the aircraft of its codeshare partners, which may result in a material adverse effect on the Company s results of operations or financial position.

An accident, catastrophe, or incident involving an aircraft that the Company operates, or an aircraft that is operated by a codeshare partner or one of the Company s regional carriers, could have a material adverse effect on the Company if such accident, catastrophe, or incident created a public perception that the Company s operations, or the operations of its codeshare partners or regional carriers, are not safe or reliable, or are less safe or reliable than other airlines. Such public perception could in turn result in adverse publicity for the Company, cause harm to the Company s brand and reduce travel demand on the Company s flights, or the flights of its codeshare partners or regional carriers.

In addition, any such accident, catastrophe, or incident could expose the Company to significant tort liability. Although the Company currently maintains liability insurance in amounts and of the type the Company believes to be consistent with industry practice to cover damages arising from any such accident or catastrophe, and the Company s codeshare partners and regional carriers carry similar insurance and generally indemnify the Company for their operations, if the Company s liability exceeds the applicable policy limits or the ability of another carrier to indemnify it, the Company could incur substantial losses from an accident, catastrophe or incident which may result in a material adverse effect on the Company s results of operations or financial position.

If we experience changes in, or are unable to retain, our senior management team or other key employees, our operating results could be adversely affected.

Much of our future success depends on the continued availability of skilled personnel with industry experience and knowledge, including our senior management team and other key employees. If we are unable to attract and retain talented, highly qualified senior management and other key employees, or if we are unable to effectively provide for the succession of senior management, including our Chief Executive Officer and Chief Financial Officer, our business may be adversely affected.

High and/or volatile fuel prices or significant disruptions in the supply of aircraft fuel could have a material adverse impact on the Company s strategic plans, operating results, financial position and liquidity.

Aircraft fuel is critical to the Company s operations and is one of its largest operating expenses. Aircraft fuel has also been the Company s most volatile operating expense for the past several years. The Company generally sources adequate supplies of fuel at prevailing market prices and has some ability to store fuel close to major hub locations to ensure supply continuity in the short term. Timely and adequate supply of aircraft fuel depends on the continued availability of reliable fuel supply sources and delivery infrastructure. Although the Company has some ability to cover short-term supply and infrastructure disruptions at its major demand locations, it can neither predict nor guarantee the continued timely availability of aircraft fuel throughout the Company s system.

Market prices for aircraft fuel depend on a multitude of unpredictable factors beyond the Company s control. These factors include changes in global crude oil prices, aircraft fuel supply-demand balance, inventory levels and fuel production and transportation capacity, as well as indirect factors, such as geopolitical events, economic

growth indicators, fiscal/monetary policies, fuel tax policies and financial investments. Both actual changes as well as changes in market expectations of these factors can potentially drive rapid changes in fuel price levels and price volatility.

Given the highly competitive nature of the airline industry, the Company may not be able to increase its fares and fees sufficiently to offset the full impact of increases in fuel prices, especially if these increases are significant, rapid and sustained. Further, such fare and fee increases may not be sustainable, may reduce the general demand for air travel and may also eventually impact the Company s strategic growth and investment plans for the future. In addition, decreases in fuel prices for an extended period may result in increased industry capacity, increased competitive actions for market share and lower fares or surcharges in general. If fuel prices were subsequently to rise quickly, there may be a lag between improvement of revenue and the adverse impact of higher fuel prices.

To protect against increases in the market prices of fuel, the Company may hedge a portion of its future fuel requirements. However, the Company s hedging program may not be successful in mitigating higher fuel costs, and any price protection provided may be limited due to choice of hedging instruments and market conditions, including breakdown of correlation between hedging instrument and market price of aircraft fuel and failure of hedge counterparties. To the extent that the Company decides to hedge a portion of its future fuel requirements and uses hedge contracts that have the potential to create an obligation to pay upon settlement if fuel prices decline significantly, such hedge contracts may limit the Company s ability to benefit fully from lower fuel costs in the future. If fuel prices decline significantly from the levels existing at the time the Company enters into a hedge contract, the Company may be required to post collateral (margin) beyond certain thresholds. There can be no assurance that the Company s hedging arrangements will provide any particular level of protection against rises in fuel prices or that its counterparties will be able to perform under the Company s hedging arrangements. Additionally, deterioration in the Company s financial condition could negatively affect its ability to enter into new hedge contracts in the future and may potentially require the Company to post increased amounts of collateral under its fuel hedging agreements.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and regulations promulgated by the Commodity Futures Trading Commission (the CFTC) require centralized clearing for over-the-counter derivatives and record-keeping and reporting requirements that are applicable to the Company s fuel hedge contracts. The UAL Board of Directors (Board of Directors) has approved the Company s election of the CFTC s end-user exception, which permits the Company as a non-financial end user of derivatives to hedge commercial risk and be exempt from the CFTC mandatory clearing requirements. However, several of the Company s hedge counterparties are also subject to these requirements, which may raise the counterparties costs. Those increased costs may in turn be passed on to the Company, resulting in increased transaction costs to execute hedge contracts and lower credit thresholds to post collateral (margin).

See Note 10 to the financial statements included in Part II, Item 8 of this report for additional information on the Company s hedging programs.

Union disputes, employee strikes or slowdowns, and other labor-related disruptions, as well as the integration of United s workforces in connection with the Company s merger transaction in 2010, could adversely affect the Company s operations and could result in increased costs that impair its financial performance.

United is a highly unionized company. As of December 31, 2015, the Company and its subsidiaries had approximately 84,000 active employees, of whom approximately 80% were represented by various U.S. labor organizations.

The successful integration of United s workforces in connection with the Company s merger transaction in 2010 and achievement of the anticipated benefits of the combined company depend in part on integrating employee groups and maintaining productive employee relations. In order to fully integrate the Company s pre-merger represented employee groups, the Company must negotiate a joint collective bargaining agreement covering each combined group. The process for integrating the labor groups is governed by a combination of the RLA, the McCaskill-Bond Amendment, and where applicable, the existing provisions of collective bargaining agreements

and union policies. A delay in or failure to integrate employee groups presents the potential for increased operating costs and labor disputes that could adversely affect the Company s operations.

The Company has reached joint collective bargaining agreements with the majority of its employee groups since the merger transaction in 2010 with only two groups remaining without combined collective bargaining agreements. We continue to negotiate for a joint flight attendant collective bargaining agreement and its technician and related employees are in the process of submitting a recent Company proposal for ratification by its membership. The Company can provide no assurance that a successful or timely resolution of these labor negotiations will be achieved.

There is a risk that unions or individual employees might pursue judicial or arbitral claims arising out of changes implemented as a result of the Company s merger transaction in 2010. There is also a possibility that employees or unions could engage in job actions such as slowdowns, work-to-rule campaigns, sick-outs or other actions designed to disrupt the Company s normal operations, in an attempt to pressure the Company in collective bargaining negotiations. Although the RLA makes such actions unlawful until the parties have been lawfully released to self-help, and the Company can seek injunctive relief against premature self-help, such actions can cause significant harm even if ultimately enjoined. In addition, joint collective bargaining agreements with the Company s represented employee groups increase the Company s labor costs, which increase could be material for any applicable reporting period.

See Notes 15 and 16 to the financial statements included in Part II, Item 8 of this report for additional information on labor negotiations and costs.

An outbreak of a disease or similar public health threat could have a material adverse impact on the Company s business, financial position and results of operations.

An outbreak of a disease or similar public health threat that affects travel demand or travel behavior, or travel restrictions or reduction in the demand for air travel caused by an outbreak of a disease or similar public health threat in the future, could have a material adverse impact on the Company s business, financial condition and results of operations.

Extensive government regulation could increase the Company s operating costs and restrict its ability to conduct its business.

Airlines are subject to extensive regulatory and legal oversight. Compliance with U.S. and international regulations imposes significant costs and may have adverse effects on the Company. Laws, regulations, taxes and airport rates and charges, both domestically and internationally, have been proposed from time to time that could significantly increase the cost of airline operations or reduce airline revenue.

United provides air transportation under certificates of public convenience and necessity issued by the DOT. If the DOT altered, amended, modified, suspended or revoked these certificates, it could have a material adverse effect on the Company s business. The FAA regulates the safety of United s operations. United operates pursuant to an air carrier operating certificate issued by the FAA. In January 2014, the FAA s more stringent pilot flight and duty time requirements under Part 117 of the Federal Aviation Regulations took effect, which has increased costs for all carriers. In July 2014, minimum qualifications took effect for air carrier first officers. These regulations impact the Company and its regional partner flying, as they have caused mainline airlines to hire regional pilots, while simultaneously significantly reducing the pool of new pilots from which regional carriers themselves can hire. Although this is an industry issue, it directly affects the Company and requires it to reduce regional partner flying, as several regional partners have experienced difficulty flying their schedules due to reduced pilot availability. From time to time, the FAA also issues orders, airworthiness directives and other regulations relating to the maintenance and operation of aircraft that require material expenditures or operational restrictions by the Company. These FAA orders and directives could include the temporary grounding of an entire aircraft type if the FAA identifies design, manufacturing, maintenance or other issues requiring immediate corrective action. FAA requirements cover, among other things, retirement of older aircraft, collision avoidance

systems, airborne windshear avoidance systems, noise abatement and other environmental concerns, aircraft operation and safety and increased inspections and maintenance procedures to be conducted on older aircraft. These FAA directives or requirements could have a material adverse effect on the Company.

In addition, the Company s operations may be adversely impacted due to the existing antiquated air traffic control (ATC) system utilized by the U.S. government. During peak travel periods in certain markets, the current ATC system s inability to handle ATC demand has led to short-term capacity constraints imposed by government agencies and resulted in delays and disruptions of air traffic. In addition, the current system will not be able to effectively handle projected future air traffic growth. Imposition of these ATC constraints on a long-term basis may have a material adverse effect on the Company s results of operations. Failure to update the ATC system in a timely manner, and the substantial funding requirements of a modernized ATC system that may be imposed on air carriers may have an adverse impact on the Company s financial condition or results of operations.

Access to landing and take-off rights, or slots, at several major U.S. airports and many foreign airports served by the Company are, or recently have been, subject to government regulation. Certain of the Company s major hubs are among the most congested airports in the United States and have been or could be the subject of regulatory action that might limit the number of flights and/or increase costs of operations at certain times or throughout the day. The FAA may limit the Company s airport access by limiting the number of departure and arrival slots at high density traffic airports, which could affect the Company s ownership and transfer rights, and local airport authorities may have the ability to control access to certain facilities or the cost of access to their facilities, which could have an adverse effect on the Company s business. The FAA historically has taken actions with respect to airlines slot holdings that airlines have challenged; if the FAA were to take actions that adversely affect the Company s slot holdings, the Company could incur substantial costs to preserve its slots or may lose slots. Further, the Company s operating costs at airports, including the Company s major hubs, may increase significantly because of capital improvements at such airports that the Company may be required to fund, directly or indirectly. Such costs could be imposed by the relevant airport authority without the Company s approval and may have a material adverse effect on the Company s financial condition.

The ability of carriers to operate flights on international routes between the United States and other countries may be subject to change. Applicable arrangements between the United States and foreign governments may be amended from time to time, government policies with respect to airport operations may be revised, and the availability of appropriate slots or facilities may change. The Company currently operates a number of flights on international routes under government arrangements, regulations or policies that designate the number of carriers permitted to operate on such routes, the capacity of the carriers providing services on such routes, the airports at which carriers may operate international flights, or the number of carriers allowed access to particular airports. Any further limitations, additions or modifications to such arrangements, regulations or policies could have a material adverse effect on the Company s financial position and results of operations. Additionally, a change in law, regulation or policy for any of the Company s international routes, such as open skies, could have a material adverse impact on the Company s financial position and results of operations and could result in the impairment of material amounts of related tangible and intangible assets. In addition, competition from revenue-sharing joint ventures and other alliance arrangements by and among other airlines could impair the value of the Company s business and assets on the open skies routes. The Company s plans to enter into or expand U.S. antitrust immunized alliances and joint ventures on various international routes are subject to receipt of approvals from applicable U.S. federal authorities and obtaining other applicable foreign government clearances or satisfying the necessary applicable regulatory requirements. There can be no assurance that such approvals and clearances will be granted or will continue in effect upon further regulatory review or that changes in regulatory requirements or standards can be satisfied.

Many aspects of the Company s operations are also subject to increasingly stringent federal, state, local and international laws protecting the environment. Future environmental regulatory developments, such as climate change regulations in the United States and abroad could adversely affect operations and increase operating costs in the airline industry. There are certain climate change laws and regulations that have already gone into effect

and that apply to the Company, including the European Union s Emissions Trading Scheme, the State of California s GHG cap and trade regulations, environmental taxes for certain international flights, limited GHG reporting requirements and land-use planning laws which could apply to airports and could affect airlines in certain circumstances. In addition, there is the potential for additional regulatory actions in regard to the emission of GHGs by the aviation industry. The precise nature of future requirements and their applicability to the Company are difficult to predict, but the financial impact to the Company and the aviation industry would likely be adverse and could be significant.

In 2016, the U.S. Congress will continue to consider legislation to reauthorize the FAA, which encompasses all significant aviation tax and policy related issues. As with previous reauthorization legislation, the U.S. Congress may consider a range of policy changes that could impact the Company s operations and costs.

See Part I, Item 1, Business Industry Regulation, of this report for additional information on government regulation impacting the Company.

The airline industry may undergo further change with respect to alliances and joint ventures, either of which could have a material adverse effect on the Company.

The Company faces and may continue to face strong competition from other carriers due to the modification of alliances and formation of new joint ventures. Carriers may improve their competitive positions through airline alliances, slot swaps and/or joint ventures. Certain types of airline joint ventures further competition by allowing multiple airlines to coordinate routes, pool revenues and costs, and enjoy other mutual benefits, achieving many of the benefits of consolidation. Open Skies agreements, including the agreements between the United States and the European Union and between the United States and Japan, may also give rise to better integration opportunities among international carriers. Movement of airlines between current global airline alliances could reduce joint network coverage for members of such alliances while also creating opportunities for joint ventures and bilateral alliances that did not exist before such realignment. There is ongoing speculation that further airline and airline alliance consolidations or reorganizations could occur in the future, especially if new Open Skies agreements between Brazil and the United States and Mexico and the United States are fully implemented. The Company routinely engages in analysis and discussions regarding its own strategic position, including current and potential alliances, asset acquisitions and divestitures and may have future discussions with other airlines regarding strategic activities. If other airlines participate in such activities, those airlines may significantly improve their cost structures or revenue generation capabilities, thereby potentially making them stronger competitors of the Company and potentially impairing the Company s ability to realize expected benefits from its own strategic relationships.

Inadequate liquidity or a negative impact on the Company s liquidity from factors beyond the Company s control may have a material adverse effect on the Company s financial position and business.

The Company has a significant amount of financial leverage from fixed obligations, including aircraft lease and debt financings, leases of airport property and other facilities, and other material cash obligations. In addition, the Company has substantial noncancelable commitments for capital expenditures, including for the acquisition of new aircraft and related spare engines.

Although the Company s cash flows from operations and its available capital, including the proceeds from financing transactions, have been sufficient to meet these obligations and commitments to date, the Company s future liquidity could be negatively affected by the risk factors discussed in this Item 1A., including, but not limited to, substantial volatility in the price of fuel, adverse economic conditions, disruptions in the global capital markets and catastrophic external events.

If the Company s liquidity is constrained due to the various risk factors noted in this Item 1A. or otherwise, the Company might not be able to timely pay its debts or comply with certain operating and financial covenants under its financing and credit card processing agreements or with other material provisions of its contractual obligations. These covenants require the Company or United, as applicable, to maintain minimum liquidity and/

or minimum collateral coverage ratios, depending on the particular agreement. The Company s ability to comply with these covenants may be affected by events beyond its control, including the overall industry revenue environment, the level of fuel costs and the appraised value of certain collateral.

If the Company does not timely pay its debts or comply with such covenants, a variety of adverse consequences could result. These potential adverse consequences include an increase of required reserves under credit card processing agreements, withholding of credit card sale proceeds by its credit card service providers, loss of undrawn lines of credit, the occurrence of one or more events of default under the relevant agreements, the acceleration of the maturity of debt and/or the exercise of other remedies by its creditors and equipment lessors that could result in a material adverse effect on the Company s financial position and results of operations. The Company cannot provide assurance that it would have sufficient liquidity to repay or refinance such debt if it were accelerated. In addition, an event of default or acceleration of debt under certain of its financing agreements could result in one or more events of default under certain of the Company s other financing agreements due to cross default and cross acceleration provisions.

Furthermore, constrained liquidity may limit the Company s ability to withstand competitive pressures and downturns in the travel business and the economy in general.

The Company s substantial level of indebtedness and non-investment grade credit rating, as well as market conditions and the availability of assets as collateral for loans or other indebtedness, may make it difficult for the Company to raise additional capital if needed to meet its liquidity needs on acceptable terms, or at all.

See Part II, Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations, of this report for additional information regarding the Company s liquidity.

Increases in insurance costs or reductions in insurance coverage may materially and adversely impact the Company s results of operations and financial condition.

The Company could be exposed to significant liability or loss if its property or operations were to be affected by a natural catastrophe or other event, including aircraft accidents. If the Company is unable to obtain sufficient insurance (including but not limited to aviation hull and liability insurance, workers compensation, and property and business interruption coverage) to cover such liabilities or losses, whether due to insurance market conditions or otherwise, its results of operations and financial condition could be materially and adversely affected.

Following the terrorist attacks on September 11, 2001, the Company s insurance costs increased significantly and the availability of third-party war risk (terrorism) insurance decreased significantly. From September 2001 through May 2014, the Company obtained third-party war risk (terrorism) insurance through a FAA-administered program. In anticipation of the government discontinuing this program, effective May 2014, the Company terminated its FAA-administered insurance and returned to the commercial insurance markets to obtain third-party war risk (terrorism) insurance. The government subsequently discontinued the FAA-administered program in December 2014. If the Company is unable in the future to obtain third-party war risk (terrorism) insurance with acceptable terms, or if the coverage obtained is insufficient relative to actual liability or losses that the Company experiences, its results of operations and financial condition could be materially and adversely affected.

The Company s results of operations fluctuate due to seasonality and other factors associated with the airline industry.

Due to greater demand for air travel during the spring and summer months, revenues in the airline industry in the second and third quarters of the year are generally stronger than revenues in the first and fourth quarters of the year, which are periods of lower travel demand. The Company s results of operations generally reflect this seasonality, but have also been impacted by numerous other factors that are not necessarily seasonal including, among others, the imposition of excise and similar taxes, extreme or severe weather, ATC control congestion, geological events, natural disasters, changes in the competitive environment due to industry consolidation,

general economic conditions and other factors. As a result, the Company s quarterly operating results are not necessarily indicative of operating results for an entire year and historical operating results in a quarterly or annual period are not necessarily indicative of future operating results.

The Company may never realize the full value of its intangible assets or its long-lived assets causing it to record impairments that may negatively affect its financial position and results of operations.

In accordance with applicable accounting standards, the Company is required to test its indefinite-lived intangible assets for impairment on an annual basis on October 1 of each year, or more frequently if conditions indicate that an impairment may have occurred. In addition, the Company is required to test certain of its other assets for impairment if conditions indicate that an impairment may have occurred.

The Company may be required to recognize impairments in the future due to, among other factors, extreme fuel price volatility, tight credit markets, a decline in the fair value of certain tangible or intangible assets, unfavorable trends in historical or forecasted results of operations and cash flows and an uncertain economic environment, as well as other uncertainties. The Company can provide no assurance that a material impairment charge of tangible or intangible assets will not occur in a future period. The value of the Company s aircraft could be impacted in future periods by changes in supply and demand for these aircraft. Such changes in supply and demand for certain aircraft types could result from grounding of aircraft by the Company or other carriers. An impairment charge could have a material adverse effect on the Company s financial position and results of operations.

The Company s ability to use its net operating loss carryforwards to offset future taxable income for U.S. federal income tax purposes may be significantly limited due to various circumstances, including certain possible future transactions involving the sale or issuance of UAL common stock, or if taxable income does not reach sufficient levels.

As of December 31, 2015, UAL reported consolidated federal net operating loss (NOL) carryforwards of approximately $8.0 billion.

The Company s ability to use its NOL carryforwards may be limited if it experiences an ownership change as defined in Section 382 (Section 382) of the Internal Revenue Code of 1986, as amended. An ownership change generally occurs if certain stockholders increase their aggregate percentage ownership of a corporation s stock by more than 50 percentage points over their lowest percentage ownership at any time during the testing period, which is generally the three-year period preceding any potential ownership change.

There is no assurance that the Company will not experience a future ownership change under Section 382 that may significantly limit or possibly eliminate its ability to use its NOL carryforwards. Potential future transactions involving the sale or issuance of UAL common stock, including the exercise of conversion options under the terms of any convertible debt that UAL may issue in the future, the repurchase of such debt with UAL common stock, any issuance of UAL common stock for cash and the acquisition or disposition of such stock by a stockholder owning 5% or more of UAL common stock, or a combination of such transactions, may increase the possibility that the Company will experience a future ownership change under Section 382.

Under Section 382, a future ownership change would subject the Company to additional annual limitations that apply to the amount of pre-ownership change NOLs that may be used to offset post-ownership change taxable income. This limitation is generally determined by multiplying the value of a corporation s stock immediately before the ownership change by the applicable long-term tax-exempt rate. Any unused annual limitation may, subject to certain limits, be carried over to later years, and the limitation may under certain circumstances be increased by built-in gains in the assets held by such corporation at the time of the ownership change. This limitation could cause the Company s U.S. federal income taxes to be greater, or to be paid earlier, than they otherwise would be, and could cause all or a portion of the Company s NOL carryforwards to expire unused. Similar rules and limitations may apply for state income tax purposes. The Company s ability to use its NOL

carryforwards will also depend on the amount of taxable income it generates in future periods. Its NOL carryforwards may expire before the Company can generate sufficient taxable income to use them in full.

UAL s amended and restated certificate of incorporation limits certain transfers of its stock, which limits are intended to preserve our ability to use our NOL carryforwards, and these limits could have an effect on the market price of UAL common stock.

To reduce the risk of a potential adverse effect on the Company s ability to use its NOL carryforwards for federal income tax purposes, UAL s amended and restated certificate of incorporation contains a 5% ownership limitation. This limitation generally remains effective until February 1, 2017, or until such later date as may be approved by the Board of Directors in its sole discretion. The limitation prohibits (i) an acquisition by a single stockholder of shares that results in that stockholder owning 5% or more of UAL common stock and (ii) any acquisition or disposition of common stock by a stockholder that already owns 5% or more of UAL common stock, unless prior written approval is granted by the Board of Directors.

Any transfer of common stock in violation of these restrictions will be void and will be treated as if such transfer never occurred. This provision of UAL s amended and restated certificate of incorporation may impair or prevent a sale of common stock by a stockholder and adversely affect the price at which a stockholder can sell UAL common stock. In addition, this limitation may have the effect of delaying or preventing a change in control of the Company, creating a perception that a change in control cannot occur or otherwise discouraging takeover attempts that some stockholders may consider beneficial, which could also adversely affect the market price of the UAL common stock. The Company cannot predict the effect that this provision in UAL s amended and restated certificate of incorporation may have on the market price of the UAL common stock. For additional information regarding the 5% ownership limitation, please refer to UAL s amended and restated certificate of incorporation available on the Investor Relations section of the Company s website at http://ir.united.com.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.
Fleet

Including aircraft operating by United s regional carriers, United operated 1,236 aircraft as of December 31, 2015, the details of which are presented in the tables below:

Aircraft Type	Total	Owned	Leased	Seats in Standard Configuration	Average Age (In Years)
Mainline:					
747-400	22	15	7	374	20.1
777-200ER	55	38	17	267-269	15.8
777-200	19	19		266-348	18.9
787-9	13	13		252	0.6
787-8	12	12		219	2.5
767-400ER	16	14	2	242	14.3
767-300ER	35	22	13	183-214	20.5
757-300	21	9	12	213	13.3
757-200	60	45	15	142-182	20.0
737-900ER	128	128		167-179	3.3
737-900	12	8	4	167	14.3
737-800	130	57	73	154-166	12.9
737-700	40	14	26	118-124	16.8
A320-200	97	52	45	150	17.5
A319-100	55	45	10	128	15.9
Total mainline	715	491	224		13.5

Aircraft Type	Capacity Purchase Agreement Total	Owned	Leased	Owned or Leased by Regional Carrier	Regional Carrier Operator and Number of Aircraft	Seats in Standard Configuration
Regional:						
Embraer E175	80	30		50	SkyWest: 40 Mesa: 30 Republic:10	76
Bombardier Q400	13			13	Republic: 13	71
Embraer 170	38			38	Shuttle: 28 Republic: 10	70
CRJ700	115			115	SkyWest: 70 GoJet: 25 Mesa: 20	70
CRJ200	50		29	21	SkyWest: 50	50
Embraer ERJ 145 (XR/LR/ER)	199	16	175	8	ExpressJet:166 Trans States: 33	50
Q300	5			5	CommutAir: 5	50
Embraer ERJ 135	5		5		ExpressJet: 5	37
Q200	16			16	CommutAir: 16	37
Total regional	521	46	209	266		
Total	1,236	537	433	266		

In addition to the aircraft operating in scheduled service presented in the tables above, United owns or leases the following aircraft listed below as of December 31, 2015:

- One owned Boeing 767-200 which is being subleased to another airline;
- Eight Boeing 757-200s, seven of which are in the process of being returned to the lessor and one of which is owned and being held for disposition;
- One owned Airbus A330, which is subleased to another airline; and
- 25 leased Embraer ERJ 135s that are permanently grounded.

Firm Order and Option Aircraft

In January 2016, UAL entered into a purchase agreement amendment with The Boeing Company (Boeing) for a firm narrowbody aircraft order of 40 Boeing 737 Next Generation (737NG) aircraft. As of December 31, 2015 (as adjusted to include the order discussed above), United had firm commitments and options to purchase aircraft from Boeing, Embraer S.A. (Embraer) and Airbus S.A.S. (Airbus) presented in the table below:

Aircraft Type	Number of Firm Commitments (a)
Airbus A350-1000	35
Boeing 737NG/737 MAX 9	155
Boeing 777-300ER	10
Boeing 787-8/-9/-10	30
Embraer E175	10

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

The aircraft listed in the table above are scheduled for delivery from 2016 through 2024. In 2016, United expects to take delivery of 15 Boeing 737NG aircraft, five Boeing 787-9 aircraft, one Boeing 777-300ER aircraft and 10 Embraer E175 aircraft. See Notes 11 and 15 to the financial statements included in Part II, Item 8 of this report for additional information.

United expects to take delivery of nine and five used Airbus A319s in 2016 and 2017, respectively. In addition, up to 14 additional used Airbus A319s may be delivered between 2018 and 2021, subject to certain conditions.

In 2015, the Company continued its multi-year initiative to reduce its reliance on 50-seat regional aircraft operated by regional carriers doing business as United Express. The Company expects to reduce its remaining 50-seat regional fleet by approximately half by the end of 2019. Republic is scheduled to complete removal of the Bombardier Q400 aircraft from United Express service by the second quarter of 2016.

Facilities

United s principal facilities relate to leases of airport facilities, gates, hangar sites, terminal buildings and other facilities in most of the municipalities it serves with its most significant leases at airport hub locations. United has major terminal facility leases at SFO, Washington Dulles, Chicago O Hare, LAX, Denver, Newark Liberty, Houston Bush, Hopkins International Airport and Guam with expiration dates ranging from 2016 to 2041. Substantially all of these facilities are leased on a net-rental basis, resulting in the Company s responsibility for maintenance, insurance and other facility-related expenses and services.

United also maintains administrative offices, terminal, catering, cargo and other airport facilities, training facilities, maintenance facilities and other facilities to support operations in the cities served. United also has multiple leases, which expire from 2022 through 2028 and include approximately 1,100,000 square feet of office space for its corporate headquarters and operations center in downtown Chicago, and certain administrative offices in downtown Houston.

ITEM 3. LEGAL PROCEEDINGS.

In 2001, the California Regional Water Quality Control Board (CRWQCB) mandated a field study of the area surrounding Continental s aircraft maintenance hangar in Los Angeles. The study was completed in September 2001 and identified aircraft fuel and solvent contamination on and adjacent to this site. In April 2005, Continental began environmental remediation of aircraft fuel contamination surrounding its aircraft maintenance hangar pursuant to a workplan submitted to and approved by the CRWQCB and its landlord, the Los Angeles World Airports. The Company accrued a reserve in an amount expected by the Company to cover environmental remediation costs for this site.

On October 13, 2015, United received a Civil Investigative Demand (CID) from the Civil Division of the United States Department of Justice (DOJ). The CID requested documents and oral testimony from United in connection with a DOJ investigation related to delivery scan and other data purportedly required for payment for the carriage of mail under United s International Commercial Air Contracts with the United States Postal Service. The Company is responding to the DOJ s request. The Company cannot predict what action, if any, might be taken in the future by the DOJ or other governmental authorities as a result of the investigation.

On June 30, 2015, UAL received a CID from the Antitrust Division of the DOJ seeking documents and information from the Company in connection with a DOJ investigation related to statements and decisions about airline capacity. The Company is working with the DOJ and has completed its response to the CID. The Company is not able to predict what action, if any, might be taken in the future by the DOJ or other governmental authorities as a result of the investigation. Beginning on July 1, 2015, subsequent to the announcement of the CID, UAL and United were named as defendants in multiple class action lawsuits that asserted claims under the Sherman Antitrust Act, which have been consolidated in the United States District Court for the District of Columbia. The complaints generally allege collusion among U.S. airlines on capacity impacting airfares and seek treble damages. The Company intends to vigorously defend against the class action lawsuits.

As disclosed in the Company s annual report on Form 10-K for the year ended December 31, 2014, the Company and certain of its current and former executive officers and employees have received federal grand jury subpoenas requesting records and testimony related to certain individuals formerly associated with the Port Authority of New York and New Jersey and related operations of the Company and the Company continues to conduct an internal investigation in response. As announced in September 2015, certain of the Company s executives stepped down in connection with this internal investigation. The Company is cooperating with the ongoing investigation by the U.S. Attorney s Office for the District of New Jersey and a related investigation by the SEC, and has participated in discussions with representatives of governmental authorities. The Company cannot predict what action, if any, might be taken in the future by government authorities.

Other Legal Proceedings

The Company is involved in various other claims and legal actions involving passengers, customers, suppliers, employees and government agencies arising in the ordinary course of business. Additionally, from time to time, the Company becomes aware of potential non-compliance with applicable environmental regulations, which have either been identified by the Company (through internal compliance programs such as its environmental compliance audits) or through notice from a governmental entity. In some instances, these matters could potentially become the subject of an administrative or judicial proceeding and could potentially involve monetary sanctions. After considering a number of factors, including (but not limited to) the views of legal counsel, the nature of contingencies to which the Company is subject and prior experience, management believes that the ultimate disposition of these other claims and legal actions will not materially affect its consolidated financial position or results of operations. However, the ultimate resolutions of these matters are inherently unpredictable. As such, the Company s financial condition and results of operations could be adversely affected in any particular period by the unfavorable resolution of one or more of these matters.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

UAL s common stock is listed on the New York Stock Exchange (NYSE) under the symbol UAL. The following table sets forth the ranges of high and low sales prices per share of UAL common stock during the last two fiscal years, as reported by the NYSE:

	UAL			
	2015		2014	
	High	Low	High	Low
1st quarter	$ 74.52	$ 62.37	$ 49.20	$ 37.50
2nd quarter	65.85	49.85	48.20	38.06
3rd quarter	62.21	49.20	52.45	36.65
4th quarter	61.87	49.76	67.77	39.46

Based on reports by the Company s transfer agent for UAL common stock, as of February 9, 2016, there were 8,994 holders of record of UAL common stock.

UAL did not pay any dividends in 2015 or 2014. Under the restricted payment provisions of the Company s Credit and Guaranty Agreement, dated as of March 27, 2013 (the Credit Agreement), and certain indentures, UAL s ability to pay dividends on or repurchase UAL s common stock is subject to limits on the amount of such payments and to certain conditions, including that no default or event of default exists under those instruments and that after giving effect to the making of any such payments, UAL would be in compliance with a minimum fixed charge coverage ratio. Any future determination regarding dividend or distribution payments will be at the discretion of the UAL Board of Directors, subject to the foregoing limits and applicable limitations under Delaware law.

United paid dividends of $1.2 billion and $212 million to UAL in 2015 and 2014, respectively.

The following graph shows the cumulative total stockholder return for UAL s common stock during the period from December 31, 2010 to December 31, 2015. The graph also shows the cumulative returns of the Standard and Poor s (S&P) 500 Index and the NYSE Arca Airline Index (AAI) of 18 investor-owned airlines. The comparison assumes $100 was invested on December 31, 2010 in UAL common stock.

Note: The stock price performance shown in the graph above should not be considered indicative of potential future stock price performance. The foregoing performance graph is being furnished as part of this report solely in accordance with the requirement under Rule 14a-3(b)(9) to furnish our stockholders with such information, and therefore, shall not be deemed to be filed or incorporated by reference into any filings by the Company under the Securities Act or the Exchange Act.

The following table presents repurchases of UAL common stock made in the fourth quarter of 2015:

Period	Total number of shares purchased (a)(b)	Average price paid per share (c)	Total number of shares purchased as part of publicly announced plans or programs (a)(b)	Approximate dollar value of shares that may yet be purchased under the plans or programs (in millions) (a)(b)
October 1, 2015 through October 31, 2015	6,212,103	$ 57.09	6,212,103	$ 2,552
November 1, 2015 through November 30, 2015	1,905,963	58.49	1,905,963	2,502
December 1, 2015 through December 31, 2015	925,099	58.18	925,099	2,448
Total	9,043,165		9,043,165	

(a) In 2014, UAL s Board of Directors authorized a share repurchase program to acquire up to $1 billion of UAL s common stock (the 2014 Program). On July 21, 2015, UAL s Board of Directors authorized a $3 billion share repurchase program, which the Company expects to complete substantially earlier than its original expected completion date of December 31, 2017 (the 2015 Program). Under the programs, UAL may repurchase shares through the open market, privately negotiated transactions, block trades, or accelerated share repurchase transactions from time to time in accordance with applicable securities laws. UAL will repurchase shares of common stock subject to prevailing market conditions, and may discontinue such repurchases at any time. In October, 2015, pursuant to the 2015 Program, the Company entered into agreements to repurchase approximately $300 million of shares of UAL common stock through an accelerated share repurchase program (the ASR Program). The ASR Program was completed in November 2015 and in total, United purchased approximately 5 million shares at an average price of $58.14 under the program. The aggregate number of shares repurchased by UAL under the ASR Program was based on the volume-weighted average price per share of UAL s common stock during the calculation period, less a discount. In addition to the ASR Program, UAL spent $932 million to repurchase approximately 16 million shares of UAL common stock in open market transactions in the year ended December 31, 2015. As of December 31, 2015, the Company had completed purchases under the 2014 Program and had $2.4 billion remaining to spend under the 2015 Program.

(b) UAL made open market purchases of approximately 4 million shares of UAL common stock at an average price of $56.65 per share in the fourth quarter of 2015.

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

ITEM 6. SELECTED FINANCIAL DATA.

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,**				
	2015	**2014**	**2013**	**2012**	**2011**
Income Statement Data:					
Operating revenue	$ 37,864	$ 38,901	$ 38,279	$ 37,152	$ 37,110
Operating expense	32,698	36,528	37,030	37,113	35,288
Operating income	5,166	2,373	1,249	39	1,822
Net income (loss)	7,340	1,132	571	(723)	840
Basic earnings (loss) per share	19.52	3.05	1.64	(2.18)	2.55
Diluted earnings (loss) per share	19.47	2.93	1.53	(2.18)	2.26
Balance Sheet Data at December 31:					
Unrestricted cash, cash equivalents and short-term investments	$ 5,196	$ 4,384	$ 5,121	$ 6,543	$ 7,762
Total assets (a)	40,861	36,595	36,021	36,963	37,266
Debt and capital lease obligations (a)	11,759	11,947	12,293	13,043	12,629

(a) Amounts for years 2014, 2013, 2012 and 2011 differ from prior Form 10-K reports due to the adoption of an accounting standard update in 2015.

See Note 1(t) Recently Issued Accounting Standards to the financial statements included in Part II, Item 8 of this report for additional information.

UAL Selected Operating Data

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

	Year Ended December 31,				
Mainline	**2015**	**2014**	**2013**	**2012**	**2011**
Passengers (thousands) (a)	96,327	91,475	91,329	93,595	96,360
Revenue passenger miles (RPMs) (millions) (b)	183,642	179,015	178,578	179,416	181,763
Available seat miles (ASMs) (millions) (c)	219,989	214,105	213,007	216,330	219,437
Cargo ton miles (millions)	2,614	2,487	2,213	2,460	2,646
Passenger load factor (d)	83.5%	83.6%	83.8%	82.9%	82.8%
Passenger revenue per available seat mile (PRASM) (cents)	11.97	12.51	12.20	11.93	11.84
Total revenue per available seat mile (cents)	14.19	14.81	14.51	13.92	13.77
Average yield per revenue passenger mile (Yield) (cents) (e)	14.34	14.96	14.56	14.38	14.29
Cost per available seat mile (CASM) (cents)	12.42	14.03	14.31	14.12	13.15
Average price per gallon of fuel, including fuel taxes	$ 1.96	$ 2.98	$ 3.12	$ 3.27	$ 3.01
Fuel gallons consumed (millions)	3,216	3,183	3,204	3,275	3,303
Average stage length (miles) (f)	1,922	1,958	1,934	1,895	1,844
Average daily utilization of each aircraft (hours) (g)	10:24	10:26	10:28	10:38	10:42
Consolidated					
Passengers (thousands) (a)	140,369	138,029	139,209	140,441	141,799
RPMs (millions) (b)	208,611	205,559	205,167	205,485	207,531
ASMs (millions) (c)	250,003	246,021	245,354	248,860	252,528
Passenger load factor (d)	83.4%	83.6%	83.6%	82.6%	82.2%
PRASM (cents)	13.11	13.72	13.50	13.09	12.87
Yield (cents) (e)	15.72	16.42	16.14	15.86	15.67
CASM (cents)	13.08	14.85	15.09	14.91	13.97
Average price per gallon of fuel, including fuel taxes	$ 1.94	$ 2.99	$ 3.13	$ 3.27	$ 3.06
Fuel gallons consumed (millions)	3,886	3,905	3,947	4,016	4,038

(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) Average stage length equals the average distance a flight travels weighted for size of aircraft.

(g) 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 excluding special charges, net earnings/loss per share excluding special charges and 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. 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. In addition, the Company believes that reflecting Hedge Program Adjustments, consisting of mark-to-market (MTM) gains and losses recorded in Nonoperating expense from fuel derivative contracts settling in future periods and of prior period gains and losses recorded in Nonoperating expense on fuel derivative contracts settled in the current period, is useful because the adjustments allow investors to better understand the cash impact of settled hedges in a given period. The Company excludes profit sharing because this exclusion allows investors to better understand and analyze its recurring cost performance and provides a more meaningful comparison of its core operating costs to the airline industry. 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 additional information related to special items, see Note 16 to the financial statements included in Part II, Item 8 of this report.

	Year ended December 31,		
	2015	2014	2013
Special operating and nonoperating items (millions)			
Severance and benefit costs	$ 107	$ 199	$ 105
Impairment of assets	79	49	33
Integration-related costs	60	96	205
Labor agreement costs	18		127
(Gains) losses on sale of assets and other miscellaneous (gains) losses, net	62	99	50
Special operating expense	326	443	520
Loss on extinguishment of debt and other, net	202	74	
Income tax benefit related to special charges	(11)	(10)	(7)
Income tax benefit associated with valuation allowance release	(3,130)		
Total operating and nonoperating special items, net of income taxes (a)	$ (2,613)	$ 507	$ 513

Net income excluding operating and nonoperating special items, net and reflecting Hedge Program Adjustments (millions):	**2015**	**2014**	**2013**
Net income GAAP	$ 7,340	$ 1,132	$ 571
Operating and nonoperating special items, net	(2,613)	507	513
MTM (gains) losses from fuel derivative contracts settling in future periods	(8)	244	(84)
Prior period gains (losses) on fuel derivative contracts settled in the current period	(241)	83	39
Net income excluding operating and nonoperating special items, net and reflecting Hedge Program Adjustments Non-GAAP	$ 4,478	$ 1,966	$ 1,039

Diluted earnings per share excluding operating and nonoperating special items, net and reflecting Hedge Program Adjustments Non-GAAP	**2015**	**2014**	**2013**
Diluted earnings per share GAAP	$ 19.47	$ 2.93	$ 1.53
Operating and nonoperating special items, net	(6.93)	1.29	1.31
MTM (gains) losses from fuel derivative contracts settling in future periods	(0.02)	0.62	(0.21)
Prior period gains (losses) on fuel derivative contracts settled in the current period	(0.64)	0.21	0.10
Impact of dilution		0.01	
Diluted earnings per share excluding operating and nonoperating special items, net and reflecting Hedge Program Adjustments Non-GAAP	$ 11.88	$ 5.06	$ 2.73

Consolidated CASM (expense in millions, ASM in millions, CASM in cents)	**2015**	**2014**	**2013**
Operating expense	$ 32,698	$ 36,528	$ 37,030
Special charges	326	443	520
Third-party business expenses	291	534	694
Aircraft fuel and related taxes	7,522	11,675	12,345
Profit sharing	698	235	190
Operating expense excluding above items	$ 23,861	$ 23,641	$ 23,281
ASMs consolidated	250,003	246,021	245,354
CASM	13.08	14.85	15.09
CASM, excluding special charges	12.95	14.67	14.88
CASM, excluding special charges and third-party business expenses	12.83	14.45	14.60
CASM, excluding special charges, third-party business expenses and fuel	9.82	9.70	9.57
CASM, excluding special charges, third-party business expenses, fuel and profit sharing	9.54	9.61	9.49

(a) See Note 16 to the financial statements included in Part II, Item 8 of this report for additional information.

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

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

2015 Financial Highlights

2015 net income was $7.3 billion, or $19.47 diluted earnings per share, which reflects $3.1 billion of income tax benefits primarily due to the release of the income tax valuation allowance. Non-GAAP net income was $4.5 billion for 2015, or $11.88 diluted earnings per share, which excludes $2.6 billion of special items and reflects $249 million of Hedge Program Adjustments. See Part II, Item 6 of this report for a reconciliation of GAAP to Non-GAAP net income.

United s consolidated PRASM decreased 4.4% in 2015 compared to 2014.

Aircraft fuel cost decreased 36% year-over-year due mainly to lower fuel prices.

2015 consolidated CASM, excluding special charges, third-party business expenses, fuel and profit sharing, decreased 0.7% year-over-year on a consolidated capacity increase of 1.6%. 2015 CASM, including those items, decreased 11.9% year-over-year.

The Company used $1.2 billion of cash to purchase 21 million shares of its common stock during 2015 under its share repurchase programs. As of December 31, 2015, the Company has $2.4 billion remaining to spend under the 2015 Program. See Part II, Item 5, Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities of this report for additional information.

UAL ended the year with $6.5 billion in unrestricted liquidity, which consisted of unrestricted cash, cash equivalents, short-term investments and available capacity under the revolving credit facility of the Company s Credit Agreement.

UAL, United and Mileage Plus Holdings, LLC, a wholly-owned subsidiary of UAL and United, entered into a Second Amended and Restated Co-Branded Card Marketing Services Agreement (the Co-Brand Agreement) with Chase Bank USA, N.A. (Chase), pursuant to which members of the Company s MileagePlus® loyalty program earn frequent flyer miles for making purchases using a MileagePlus® credit card issued by Chase. The Co-Brand Agreement also provides for joint marketing and other support for the MileagePlus® credit card. This increased 2015 operating revenues by approximately $200 million from the combined impact of the Co-Brand Agreement, agreements ancillary to the Co-Brand Agreement and updated accounting assumptions for accounting purposes.

2015 Operational Highlights

Consolidated RPMs for 2015 increased 1.5% as compared to 2014, and consolidated ASMs increased 1.6% from the prior year, resulting in a consolidated load factor of 83.4% in 2015.

For 2015 and 2014, the Company recorded a DOT on-time arrival rate of 78.1% and 76.0%, respectively, and a system completion factor of 98.7% and 98.6%, respectively.

The Company took delivery of 11 new Boeing 787-9 Dreamliners in 2015, bringing its total Dreamliner fleet to 25 aircraft. The Company also took delivery of 23 new Boeing 737-900ERs, 11 new Embraer E175s and four used Boeing 737-700 aircraft in 2015. United exited from scheduled service 13 Boeing 757-200s, 46 Embraer ERJ 145s and one Boeing 747-400. The Company also exited one Boeing 747-400 operating exclusively in charter service.

Effective March 1, 2015, the Company modified its MileagePlus program for most tickets from the prior model in which members earn redeemable miles based on distance traveled to the current model, which is based on ticket price (including base fare and carrier imposed surcharges). Members are now able to earn between five and eleven miles per dollar spent based on their MileagePlus status. The modified program enhances the rewards for customers who spend more with United and gives them improved mileage-earning opportunities.

2016 Outlook

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 report. See Item 1A., Risk Factors, of this report and the factors described under Forward-Looking Information below for additional discussion of these and other factors that could affect us.

The Company is committed to improving the efficiency and quality of all aspects of its business in 2016. Key initiatives for the year include improving our operational reliability and the handling of customers during irregular operations, such as adverse weather, refurbishing aircraft interiors, investing in our airports and taking delivery of more than 30 new, highly-efficient and customer-pleasing aircraft.

Economic Conditions. The economic outlook for the aviation industry in 2016 is characterized by expected slow or modest U.S. and global economic growth. In such conditions, we expect a modest increase in the demand for air travel. Continuing economic uncertainty, along with the strengthening U.S. dollar, is providing uncertainty in key Asian and European markets, and along with continued political and socioeconomic tensions in regions such as the Middle East, may result in diminished demand for air travel. The global economy is also being impacted by declining oil prices, putting pressure on certain geographic markets.

Capacity. Over the past three years, the Company leveraged the flexibility of its fleet to better match capacity with market demand. In 2016, the Company expects consolidated ASMs to grow between 1.5% and 2.5% year-over-year.

Fuel. The Company s average aircraft fuel price per gallon including related taxes was $1.94 in 2015 as compared to $2.99 in 2014. Since 2014, the price of jet fuel has declined and remains volatile. Based on projected fuel consumption in 2016, a one dollar change in the price of a barrel of crude oil would change the Company s annual fuel expense by approximately $94 million. To protect against increases in the prices of aircraft fuel, the Company may hedge a portion of its future fuel requirements.

Labor. As of December 31, 2015, United had approximately 80% of employees represented by unions. We are in the process of negotiating joint collective bargaining agreements with our technicians and flight attendants and negotiating extensions to the IAM represented employees agreements. 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 a material financial impact on the Company. The cost associated with the ratification of the pilots agreement will add an additional approximate 1.5 points of non-fuel unit cost in both the first-quarter and full-year 2016 versus 2015.

CASM. In 2016, the Company expects CASM, excluding fuel, third-party business expense, profit sharing, special charges and the impact of the recently ratified pilot agreement to be up between 0.5% and 1.5% year-over-year. We are unable to project CASM on a GAAP basis as the nature and amount of special charges are not determinable at this time.

The Company s cost initiative project that began in 2014 has a goal to reduce the Company s annual costs by $2 billion and generate an incremental $700 million in additional ancillary revenue by the end of 2017. The anticipated savings are comprised of $1 billion in annual fuel savings, based on fuel prices in 2013, and $1 billion of non-fuel savings. In 2015, the Company achieved approximately $555 million in fuel savings and $851 million in non-fuel savings.

Income Taxes. The Company anticipates its effective tax rate will be approximately 37%, which reflects a more normalized rate after the release of the tax valuation allowance in 2015 and is based on the Company s relative mix of domestic, foreign and state income tax expense.

Results of Operations

In this section, we compare results of operations for the year ended December 31, 2015 with results of operations for the year ended December 31, 2014, and results of operations for the year ended December 31, 2014 with results of operations for the year ended December 31, 2013. 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.

2015 compared to 2014

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):

	2015	2014	Increase (Decrease)	% Change
Passenger Mainline	$ 26,333	$ 26,785	$ (452)	(1.7)
Passenger Regional	6,452	6,977	(525)	(7.5)
Total passenger revenue	32,785	33,762	(977)	(2.9)
Cargo	937	938	(1)	(0.1)
Other operating revenue	4,142	4,201	(59)	(1.4)
	$ 37,864	$ 38,901	$ (1,037)	(2.7)

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 2015 from 2014 (a):						
	Domestic	Pacific	Atlantic	Latin	Total Mainline	Regional	Consolidated
Passenger revenue (in millions)	$ 132	$ (331)	$ (159)	$ (94)	$ (452)	$ (525)	$ (977)
Passenger revenue	1.0 %	(7.0)%	(2.6)%	(3.4)%	(1.7)%	(7.5)%	(2.9)%
Average fare per passenger	(5.0)%	(7.5)%	(1.2)%	(10.2)%	(6.6)%	(2.2)%	(4.5)%
Yield	(1.9)%	(9.4)%	(1.7)%	(10.3)%	(4.1)%	(1.7)%	(4.3)%
PRASM	(1.6)%	(9.2)%	(3.1)%	(11.3)%	(4.3)%	(1.6)%	(4.4)%
Average stage length	(2.9)%	3.9 %	1.3 %	1.1 %	(1.8)%	(0.4)%	0.4 %
Passengers	6.3 %	0.5 %	(1.4)%	7.6 %	5.3 %	(5.4)%	1.7 %
RPMs (traffic)	3.0 %	2.7 %	(0.9)%	7.7 %	2.6 %	(5.9)%	1.5 %
ASMs (capacity)	2.6 %	2.4 %	0.5 %	8.9 %	2.7 %	(6.0)%	1.6 %
Passenger load factor (points)	0.3	0.2	(1.0)	(1.0)	(0.1)		(0.2)

(a) See Part II, Item 6 of this report for the definition of these statistics.

Consolidated passenger revenue in 2015 decreased $977 million, or 2.9%, as compared to 2014 primarily due to a decrease in consolidated yield of 4.3% year-over-year. Yields were impacted by a competitive domestic fare environment, unfavorable foreign currency results due to the strengthening of the U.S. dollar, international surcharge declines, travel reductions from corporate customers in the energy sector and increased industry capacity in certain regions. The decline in yields was partially offset by a 1.5% year-over-year increase in traffic.

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):

	2015	2014	Increase (Decrease)	% Change
Salaries and related costs	$ 9,713	$ 8,935	$ 778	8.7
Aircraft fuel	7,522	11,675	(4,153)	(35.6)
Regional capacity purchase	2,290	2,344	(54)	(2.3)
Landing fees and other rent	2,203	2,274	(71)	(3.1)
Depreciation and amortization	1,819	1,679	140	8.3
Aircraft maintenance materials and outside repairs	1,651	1,779	(128)	(7.2)
Distribution expenses	1,342	1,373	(31)	(2.3)
Aircraft rent	754	883	(129)	(14.6)
Special charges (Note 16)	326	443	(117)	NM
Other operating expenses	5,078	5,143	(65)	(1.3)
	$ 32,698	$ 36,528	$ (3,830)	(10.5)

Salaries and related costs increased $778 million, or 8.7%, in 2015 as compared to 2014 primarily due to a $463 million increase in profit sharing costs as a result of improved profitability, higher pay rates driven by new collective bargaining agreements, an increase in medical and dental costs and an increase in pension expense resulting from changes in actuarial assumptions.

The decrease in aircraft fuel expense was primarily attributable to decreased fuel prices partially offset by losses from fuel hedging activity and a 1.6% increase in capacity. The table below presents the significant changes in aircraft fuel cost per gallon for the year ended December 31 (in millions, except percentage changes):

	(In millions)			Average price per gallon		
	2015	2014	% Change	2015	2014	% Change
Total aircraft fuel purchase cost excluding fuel hedge impacts	$ 6,918	$ 11,586	(40.3)	$ 1.78	$ 2.97	(40.1)
Hedge losses reported in fuel expense	(604)	(89)	NM	(0.16)	(0.02)	NM
Fuel expense as reported	7,522	11,675	(35.6)	1.94	2.99	(35.1)
Cash paid on settled hedges that did not qualify for hedge accounting	(329)	(138)	NM	(0.08)	(0.04)	NM
Fuel expense including all losses from settled hedges	$ 7,851	$ 11,813	(33.5)	$ 2.02	$ 3.03	(33.3)
Total fuel consumption (gallons)	3,886	3,905	(0.5)			

Depreciation and amortization increased $140 million, or 8.3%, in 2015 as compared to 2014 primarily due to additions in owned property and equipment, specifically related to new aircraft, information technology assets and several aircraft capital lease conversions from operating leases.

Aircraft maintenance materials and outside repairs decreased $128 million, or 7.2%, in 2015 as compared to 2014 primarily due to a year-over-year decrease in significant airframe maintenance visits as a result of the cyclical timing of these visits, improvements in the efficiency of in-house maintenance programs, a reduced volume of seat and landing gear maintenance and a reduction of flying hours under certain power-by-the-hour engine maintenance agreements, partially offset by increases in expenses related to aircraft reliability projects and Wi-Fi systems maintenance.

Aircraft rent decreased $129 million or 14.6% in 2015 as compared to 2014 primarily due to lease expirations, the purchase or capital lease conversion of several operating leased aircraft and lower lease renewal rates for certain aircraft.

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

	2015	2014
Severance and benefit costs	$ 107	$ 199
Impairment of assets	79	49
Integration-related costs	60	96
Labor agreement costs	18	
(Gains) losses on sale of assets and other miscellaneous (gains) losses, net	62	99
Total special charges	$ 326	$ 443

See Note 16 to the financial statements included in Part II, Item 8 of this report for additional information.

Nonoperating Income (Expense)

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

	2015	2014	Increase (Decrease)	% Change
Interest expense	$ (669)	$ (735)	$ (66)	(9.0)
Interest capitalized	49	52	(3)	(5.8)
Interest income	25	22	3	13.6
Miscellaneous, net	(352)	(584)	(232)	(39.7)
Total	$ (947)	$ (1,245)	$ (298)	(23.9)

The decrease in interest expense of $66 million, or 9.0%, in 2015 as compared to 2014 was primarily due to the prepayment of certain debt issuances and declining balances of other debt, partially offset by interest expense on debt issued for the acquisition of new aircraft.

Miscellaneous, net included losses of $80 million and $462 million from fuel derivatives not qualifying for hedge accounting in 2015 and 2014, respectively. Foreign currency losses were approximately $129 million and $41 million in 2015 and 2014, respectively. Foreign currency results included $61 million and $10 million of foreign exchange losses for 2015 and 2014, respectively, related to the Company s cash holdings in Venezuela. Miscellaneous, net for 2015 includes a $134 million special charge related to the write-off of unamortized non-cash debt discounts for the early redemption of the 6% Notes due 2026 (2026 Notes) and the 6% Notes due 2028 (2028 Notes). 2014 Miscellaneous, net includes a $64 million debt extinguishment charge related to the retirement of the $248 million 6% Convertible Junior Subordinated Debentures due 2030.

2014 compared to 2013

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):

	2014	2013	Increase (Decrease)	% Change
Passenger Mainline	$ 26,785	$ 25,997	$ 788	3.0
Passenger Regional	6,977	7,125	(148)	(2.1)
Total passenger revenue	33,762	33,122	640	1.9
Cargo	938	882	56	6.3
Other operating revenue	4,201	4,275	(74)	(1.7)
	$ 38,901	$ 38,279	$ 622	1.6

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 2014 from 2013 (a):						
	Domestic	Pacific	Atlantic	Latin	Total Mainline	Regional	Consolidated
Passenger revenue (in millions)	$ 490	$ (41)	$ 169	$ 170	$ 788	$ (148)	$ 640
Passenger revenue	3.9 %	(0.9)%	2.9 %	6.5 %	3.0 %	(2.1)%	1.9 %
Average fare per passenger	4.7 %	2.2 %	4.1 %	(4.2)%	2.9 %	0.7 %	2.8 %
Yield	4.9 %	(1.6)%	3.6 %	(1.9)%	2.7 %	(1.9)%	1.7 %
PRASM	5.2 %	(3.6)%	2.6 %	%	2.5 %	(0.8)%	1.6 %
Average stage length	0.5 %	4.8 %	0.9 %	(1.8)%	1.2 %	3.5 %	2.4 %
Passengers	(0.8)%	(3.0)%	(1.2)%	11.2 %	0.2 %	(2.8)%	(0.8)%
RPMs (traffic)	(1.0)%	0.8 %	(0.8)%	8.5 %	0.2 %	(0.2)%	0.2 %
ASMs (capacity)	(1.3)%	2.8 %	0.3 %	6.5 %	0.5 %	(1.3)%	0.3 %
Passenger load factor (points)	0.3	(1.6)	(0.8)	1.5	(0.2)	1.0	

(a) See Part II, Item 6 of this report for the definition of these statistics.

Consolidated passenger revenue in 2014 increased $640 million, or 1.9%, as compared to 2013. This increase was primarily due to an increase in consolidated yield of 1.7% and an increase in average fare per passenger of 2.8%. There was also an increase in capacity and traffic of 0.3% and 0.2%, respectively, as compared to 2013. The 2014 average fare increase was due in part to a strong domestic demand environment and a number of new long-haul routes that generated higher fares than the system average. Also in 2014, the Company improved its revenue management demand forecast process related to close-in bookings which improved yields. 2013 consolidated passenger revenue was negatively impacted by factors including additional competitive capacity in China and the Japanese yen weakening against the U.S. dollar, resulting in lower Pacific yields.

Cargo revenue increased by $56 million, or 6.3%, in 2014 as compared to 2013, which was primarily due to higher freight volumes and an improvement in mail revenue year-over-year, partially offset by lower yield on freight.

Other operating revenue decreased $74 million, or 1.7%, in 2014 as compared to 2013, which was primarily due to the Company s decision to discontinue sales of aircraft fuel to a third party, partially offset by increases in ancillary, MileagePlus and contract services revenue.

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):

	2014	2013	Increase (Decrease)	% Change
Aircraft fuel	$ 11,675	$ 12,345	$ (670)	(5.4)
Salaries and related costs	8,935	8,625	310	3.6
Regional capacity purchase	2,344	2,419	(75)	(3.1)
Landing fees and other rent	2,274	2,090	184	8.8
Depreciation and amortization	1,679	1,689	(10)	(0.6)
Aircraft maintenance materials and outside repairs	1,779	1,821	(42)	(2.3)
Distribution expenses	1,373	1,390	(17)	(1.2)
Aircraft rent	883	936	(53)	(5.7)
Special charges	443	520	(77)	NM
Other operating expenses	5,143	5,195	(52)	(1.0)
	$ 36,528	$ 37,030	$ (502)	(1.4)

The decrease in aircraft fuel expense was primarily attributable to decreased fuel prices partially offset by losses from fuel hedge activity and a 0.3% increase in capacity. The table below presents the significant changes in aircraft fuel cost per gallon for the year ended December 31 (in millions, except percentage changes):

	(In millions)			Average price per gallon		
	2014	2013	% Change	2014	2013	% Change
Total aircraft fuel purchase cost excluding fuel hedge impacts	$ 11,586	$ 12,363	(6.3)	$ 2.97	$ 3.13	(5.1)
Hedge gains (losses) reported in fuel expense	(89)	18	NM	(0.02)		NM
Fuel expense as reported	11,675	12,345	(5.4)	2.99	3.13	(4.5)
Cash received (paid) on settled hedges that did not qualify for hedge accounting	(138)	39	NM	(0.04)	0.01	NM
Fuel expense including all gains (losses) from settled hedges	$ 11,813	$ 12,306	(4.0)	$ 3.03	$ 3.12	(2.9)
Total fuel consumption (gallons)	3,905	3,947	(1.1)			

Salaries and related costs increased $310 million, or 3.6%, in 2014 as compared to 2013 primarily due to higher pay rates driven by collective bargaining agreements, increased medical and dental costs and costs associated with crew shortages and new crew rest rules, partially offset by lower post-employment benefit costs.

Landing fees and other rent increased $184 million, or 8.8%, in 2014 as compared to 2013 primarily due to a transition from paying regional carriers for landing fees to paying airports directly. Landing fees also increased due to airport security services and modernization projects at certain airport locations.

Aircraft rent decreased $53 million, or 5.7%, in 2014 as compared to 2013 primarily due to aircraft lease expirations and terminations of several Boeing 757-200 aircraft leases resulting from the Company s purchase of the leased aircraft.

The table below presents special items incurred by UAL during the years ended December 31 (in millions):

	2014	2013
Severance and benefit costs	$ 199	$ 105
Impairment of assets	49	33
Integration-related costs	96	205
Labor agreement costs		127
(Gains) losses on sale of assets and other miscellaneous (gains) losses, net	99	50
Total special charges	$ 443	$ 520

See Note 16 to the financial statements included in Part II, Item 8 of this report for additional information.

Nonoperating Income (Expense)

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

	2014	2013	Increase (Decrease)	% Change
Interest expense	$ (735)	$ (783)	$ (48)	(6.1)
Interest capitalized	52	49	3	6.1
Interest income	22	21	1	4.8
Miscellaneous, net	(584)	3	(587)	NM
Total	$ (1,245)	$ (710)	$ 535	75.4

The decrease in interest expense of $48 million, or 6.1%, in 2014 as compared to 2013 was primarily due to the Company s extinguishment of certain of its debt instruments and the refinancing of certain of its debt instruments at lower interest rates.

In 2014, Miscellaneous, net included a MTM loss of $462 million from fuel derivatives not qualifying for hedge accounting as compared to a gain of $79 million in 2013. Miscellaneous, net also included foreign currency losses of $41 million and $29 million in 2014 and 2013, respectively. 2014 Miscellaneous, net includes a $64 million debt extinguishment charge related to the retirement of the $248 million 6% Convertible Junior Subordinated Debentures due 2030.

United s nonoperating expense also included a net gain of $19 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 as compared to a net gain of $70 million in 2013. These net gains and related derivatives are reflected only in the United stand-alone financial statements as they are eliminated at the consolidated level. See Note 9 to the financial statements included in Part II, Item 8 of this report for additional information.

Liquidity and Capital Resources

As of December 31, 2015, the Company had $5.2 billion in unrestricted cash, cash equivalents and short-term investments, an increase of $0.8 billion from December 31, 2014. The Company had its entire commitment capacity of $1.35 billion under the Credit Agreement available for letters of credit or borrowings as of December 31, 2015. As of December 31, 2015, the Company had $206 million of restricted cash and cash equivalents, which is primarily collateral for performance bonds, letters of credit and estimated future workers compensation claims. We may be required to post significant additional cash collateral to provide security for obligations. Restricted cash and cash equivalents at December 31, 2014 totaled $320 million.

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, 2015, the Company had approximately $11.8 billion of debt and capital lease obligations, including $1.4 billion that are due within the next 12 months. In addition, we have substantial noncancelable commitments for capital expenditures, including the acquisition of new aircraft and related spare engines. As of December 31, 2015, our current liabilities exceeded our current assets by approximately $4.6 billion. However, approximately $5.9 billion of our current liabilities are related to our Advance ticket sales and Frequent flyer deferred revenue, both of which largely represent revenue to be recognized for travel in the near future and not actual cash outlays. The deficit in working capital does not have an adverse impact to our cash flows, liquidity or operations. The Company made principal payments of debt and capital lease obligations totaling $2.3 billion in 2015.

The Company will continue to evaluate opportunities to prepay its debt, including open market repurchases, to reduce its indebtedness and related interest.

For 2016, the Company expects between $2.7 billion and $2.9 billion of gross capital expenditures. See Notes 11 and 15 to the financial statements included in Part II, Item 8 of this report for additional information on commitments.

As of December 31, 2015, a substantial portion of the Company s assets, principally aircraft, route authorities and loyalty program intangible assets, was pledged under various loan and other agreements. See Note 11 to the financial statements included in Part II, Item 8 of this report for additional information on assets provided as collateral by the Company.

Although access to the capital markets improved in recent years as evidenced by our financing transactions, 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 2013 through 2015.

Cash Flows from Operating Activities

2015 compared to 2014

Cash flow provided by operations for the year ended December 31, 2015 was $6.0 billion compared to $2.6 billion in the same period in 2014. The $3.4 billion increase is primarily attributable to an increase of $3.1 billion in income before income taxes and a $0.4 billion increase in non-cash items for the year ended December 31, 2015 as compared to the same period in 2014. Working capital changes reduced cash flow from operations by $0.1 billion year-over-year in 2015 as compared to 2014. The following were significant working capital items in 2015: Cash flow increased by $0.2 billion from the return of hedge collateral net of the impact of changes in fuel derivative positions. Cash flow from other liabilities, including accrued wages, decreased $0.2 billion, which included $0.8 billion in pension contributions offset by $0.7 billion in profit sharing accruals to be paid in 2016. Frequent flyer deferred revenue and advanced purchase of miles decreased $0.2 billion.

2014 compared to 2013

Cash flow provided by operations for the year ended December 31, 2014 was $2.6 billion compared to $1.4 billion in the same period in 2013. The $1.2 billion increase was primarily attributable to an increase of $0.6 billion in income before income taxes and $0.6 billion of changes in working capital items year-over-year in 2014 as compared to 2013. The following were significant working capital items in 2014: Cash flow from advance ticket sales increased by $0.3 billion. Accounts receivable decreased by $0.2 billion mainly due to the timing of settlements with airline partners for interline billing. Cash flow from other liabilities, including accrued

wages, decreased $0.2 billion, which included $0.5 billion in pension contributions offset by $0.2 billion in profit sharing accruals. In 2014, cash flow decreased by $0.1 billion from the posting of fuel hedge collateral, net of changes in fuel derivative positions. Accounts payable decreased by $0.3 billion primarily due to the timing of settlements with airline partners for interline billing along with changes in various accruals.

Cash Flows from Investing Activities

2015 compared to 2014

The Company s capital expenditures were $2.7 billion and $2.0 billion in 2015 and 2014, respectively. The Company s capital expenditures for both years were primarily attributable to the purchase of aircraft, facility and fleet-related costs. In 2015, the Company announced a strategic partnership with Azul Linhas Aereas Brasileiras S.A. (Azul). Through a wholly-owned subsidiary, the Company invested $100 million for an economic stake of approximately five percent in Azul, Brazil s largest carrier by cities served, which provides a range of customer benefits including codesharing of flights, joint loyalty program participation and expanded connection opportunities on routes between the U.S. and Brazil, a key market for United, in addition to other points in North and South America.

2014 compared to 2013

The Company s capital expenditures were $2.0 billion and $2.2 billion in 2014 and 2013, respectively. The Company s capital expenditures for both years were primarily attributable to the purchase of aircraft, facility and fleet-related costs.

Cash Flows from Financing Activities

Significant financing events in 2015 were as follows:

Share Repurchases

The Company used $1.2 billion of cash to purchase 21 million shares of its common stock during 2015 under its share repurchase programs. As of December 31, 2015, the Company has $2.4 billion remaining to spend under its share repurchase program. See Part II, Item 5, Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities of this report for additional information.

Debt Issuances

During 2015, United issued $1.4 billion of debt related to enhanced equipment trust certificate (EETC) offerings to finance aircraft. United has received and recorded all of the proceeds from its pass-through trusts as debt as of December 31, 2015.

In 2015, United borrowed approximately $590 million aggregate principal amount from various financial institutions to finance the purchase of several aircraft delivered in 2015.

Debt and Capital Lease Principal Payments

During the year ended December 31, 2015, the Company made debt and capital lease principal payments of $2.3 billion, including the following prepayments:

UAL used cash to repurchase all $321 million par value 2026 Notes.

UAL used cash to repurchase all $311 million par value 2028 Notes.

UAL used cash to prepay, at par, $300 million principal amount of its $500 million term loan due September 2021 under the Credit Agreement.

Financing Activities Not Affecting Cash

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

Significant financing events in 2014 were as follows:

Share Repurchases

The Company used $320 million of cash to purchase approximately 7 million shares of its common stock under the 2014 Program. See Part II, Item 5, Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities of this report for additional information.

Debt Issuances

During 2014, United issued debt related to three separate EETC offerings to finance new aircraft deliveries, bringing the total issued at year end 2014 pursuant to these three EETC offerings to $2.0 billion. Including the EETC offering in 2013, United recorded $1.8 billion of proceeds as debt during 2014.

United borrowed a $500 million term loan under the Credit Agreement.

Debt and Capital Lease Principal Payments

During the year ended December 31, 2014, the Company made debt and capital lease principal payments of $2.6 billion, including the following prepayments:

- UAL retired, at par, $400 million principal balance of its 8% Notes due 2024.
- United used cash to purchase approximately $276 million principal amount of convertible notes and retired the notes.
- United retired, at par, the entire $800 million principal balance of its 6.75% Senior Secured Notes.

Financing Activities Not Affecting Cash

UAL amended its revolving credit facility under the Credit Agreement increasing the capacity from $1.0 billion to $1.35 billion and establishing the maturity date for $1.315 billion in lender commitments as January 2, 2019.

UAL issued approximately 17 million shares in exchange for, or conversion of, $260 million of convertible notes and retired the notes.

Significant financing events in 2013 were as follows:

Debt Issuances

During 2013, United issued debt related to three separate EETC offerings to finance new aircraft deliveries, bringing the total issued at year end 2013 pursuant to these three EETC offerings to $1.5 billion. Including the EETC offerings in 2012, United recorded $900 million of proceeds as debt during 2013.

UAL issued $600 million unsecured Senior Notes.

United and UAL entered into the Credit Agreement as the borrower and guarantor, respectively. The Company s Credit Agreement originally consisted of a $900 million term loan due April 1, 2019 and a $1.0 billion revolving credit facility available for drawing until April 1, 2018.

Debt and Capital Lease Principal Payments

During the year ended December 31, 2013, the Company made debt and capital lease principal payments of $2.3 billion, including the following prepayments:

The Company used $900 million from the Credit Agreement, together with approximately $300 million of cash to retire the entire principal balance of a $1.2 billion term loan due 2014 that was outstanding under United s Amended and Restated Revolving Credit, Term Loan and Guaranty Agreement, dated as of February 2, 2007.

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.

United redeemed $303 million aggregate principal amount of EETC notes.

Financing Activities Not Affecting Cash

UAL issued approximately 28 million shares of UAL common stock pursuant to agreements that UAL entered into with certain of its securityholders in exchange for approximately $240 million in aggregate principal amount of UAL s outstanding 6% Convertible Senior Notes held by the holders of these notes. The Company retired the 6% Convertible Senior Notes acquired in the exchange.

For additional information regarding these Liquidity and Capital Resource matters, see Notes 3, 11, 13 and 14 to the financial statements included in Part II, Item 8 of this report. For information regarding non-cash investing and financing activities, see the Company s statements of consolidated cash flows.

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

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

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

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

Other Liquidity Matters

Below is a summary of additional liquidity matters. See the indicated notes to our consolidated financial statements included in Part II, Item 8 of this report for additional details related to these and other matters affecting our liquidity and commitments.

Pension and other postretirement plans	Note 8
Hedging activities	Note 10
Long-term debt and debt covenants	Note 11
Leases and capacity purchase agreements	Note 13
Commitments and contingencies	Note 15

Contractual Obligations. 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, 2015 (in billions):

	2016	2017	2018	2019	2020	After 2020	Total
Long-term debt (a)	$ 1.2	$ 0.8	$ 1.4	$ 1.8	$ 0.9	$ 4.9	$ 11.0
Capital lease obligations principal portion	0.1	0.1	0.1	0.1		0.5	0.9
Total debt and capital lease obligations	1.3	0.9	1.5	1.9	0.9	5.4	11.9
Interest on debt and capital lease obligations (b)	0.6	0.5	0.4	0.3	0.3	0.9	3.0
Aircraft operating lease obligations	1.3	1.3	1.1	0.9	0.7	2.7	8.0
Regional CPAs (c)	1.8	1.9	1.6	1.3	1.2	4.8	12.6
Other operating lease obligations	1.3	1.2	0.9	0.8	0.9	6.7	11.8
Postretirement obligations (d)	0.1	0.1	0.1	0.1	0.2	0.8	1.4
Pension obligations (e)					0.4	1.6	2.0
Capital purchase obligations (f)	3.4	3.1	3.3	2.9	2.8	7.7	23.2
Total contractual obligations	$ 9.8	$ 9.0	$ 8.9	$ 8.2	$ 7.4	$ 30.6	$ 73.9

(a) Long-term debt presented in the Company s financial statements is net of $145 million of debt discount, premiums and debt issuance costs which are being amortized over the debt terms. Contractual payments are not net of the debt discount, premiums and debt issuance costs. Contractual long-term debt includes $20 million of non-cash obligations as these debt payments are made directly to the creditor by a company that leases one aircraft from United. The creditor s only recourse to United is repossession of the aircraft.

(b) Includes interest portion of capital lease obligations of $71 million in 2016, $55 million in 2017, $45 million in 2018, $39 million in 2019, $37 million in 2020 and $309 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 CPAs 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 CPAs. See Note 13 to the financial statements included in Part II, Item 8 of this report for the significant assumptions used to estimate the payments.

(d) Amounts represent postretirement benefit payments, net of subsidy receipts, through 2025. 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 pension 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 current year assumptions regarding United s pension plans.

(f) Represents contractual commitments for firm order aircraft and spare engines only and noncancelable commitments to purchase goods and services, primarily information technology support. In January 2016, UAL entered into a purchase agreement amendment with Boeing for a firm narrowbody aircraft order of 40 Boeing 737NG aircraft and the table above is adjusted to include that impact. See Note 15 to the financial statements included in Part II, Item 8 of this report for a discussion of our purchase commitments.

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 *Contractual Obligations,* above, and certain municipal bond obligations, as discussed below.

As of December 31, 2015, United had cash collateralized $70 million of letters of credit. United also had $437 million of performance bonds relating to various real estate, customs and aircraft financing obligations at December 31, 2015. 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 2019.

As of December 31, 2015, 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. The leasing arrangements associated with a portion 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 above.

EETCs. In November 2015 and August 2014, United completed two separate EETC offerings for a total principal amount of $1.5 billion. United has received and recorded all of the proceeds from these offerings as debt as of December 31, 2015. See Notes 11 and 14 to the financial statements included in Part II, Item 8 of this report for additional information on EETC pass-through trusts and variable interest entity consideration.

Increased Cost Provisions. See Note 15 to the financial statements included in Part II, Item 8 of this report for additional information on increased cost provisions related to the Company s debt.

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, 2015, 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, 2015, the Company s contingent exposure was approximately $224 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 2017 to 2041. The Company did not record a liability at the time these indirect guarantees were made. See Note 15 to the financial statements included in Part II, Item 8 of this report for additional information related to the Company s fuel consortia.

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 GAAP, 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.

Revenue Recognition. 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. The value of unused passenger tickets is included in current liabilities as Advance ticket sales. Tickets sold by other airlines are recorded at the estimated values to be billed to the other airlines. Differences between amounts billed and the actual amounts may be rejected and rebilled or written off if the amount recorded was different from the original estimate. When necessary, the Company records a reserve against our interline billings and payables if historical experience indicates that these amounts are different. 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 of fare, 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.

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 and forecasted trends. Refundable tickets expire after one year from the date of issuance.

In May 2014, the Financial Accounting Standards Board (FASB) amended the FASB Accounting Standards Codification and created a new Topic 606, *Revenue from Contracts with Customers*. This amendment prescribes that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendment supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry-specific guidance throughout the Industry Topics of the Codification. The amendment will become effective for the Company s annual and interim reporting periods beginning after December 15, 2017. Under the new standard, certain airline ancillary fees directly related to passenger revenue tickets, such as airline change fees and baggage fees, are likely to no longer be considered distinct performance obligations separate from the passenger travel component. In addition, the change fees which were previously recognized when received, will likely be recognized when transportation is provided. The Company is evaluating other impacts on its consolidated financial statements.

Frequent Flyer Accounting. The Company s MileagePlus program is designed to increase customer loyalty. Program participants earn 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 (other than taxes and government imposed fees), 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 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 as a multiple-deliverable revenue arrangement. The miles are recorded in Frequent flyer deferred revenue on the Company s consolidated balance sheet and recognized into revenue when the transportation is provided.

The Company determines the estimated selling price of 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 s estimated selling price of miles is based on an equivalent ticket value less fulfillment discount, which incorporates the expected redemption of miles, as the best estimate of selling price for these miles. The equivalent ticket value is based on the prior 12 months weighted average equivalent ticket value of similar fares as those used to settle award redemptions while taking into consideration such factors as redemption pattern, cabin class, loyalty status and geographic region. The estimated selling price of miles is adjusted by a fulfillment discount that considers a number of factors, including redemption patterns of various customer groups.

United has a significant contract to sell MileagePlus miles to its co-branded credit card partner, Chase. United identified the following significant 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 and whose fair value is described above); use of the United brand and access to MileagePlus member lists; advertising; and other travel related benefits.

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. We also evaluate volumes on an annual basis, which may result in a change in the allocation of estimated selling price on a prospective basis.

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 Company accounts for miles sold and awarded that will never be redeemed by program members, which we refer to as breakage. The Company reviews its breakage estimates annually based upon the latest available information regarding redemption and expiration patterns. Miles expire after 18 months of member account inactivity. 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 following table summarizes information related to the Company s Frequent flyer deferred revenue liability:

Frequent flyer deferred revenue at December 31, 2015 (in millions)	$ 4,943
% of miles earned expected to expire	16%
Impact of 1% change in outstanding miles or weighted average ticket value on deferred revenue (in millions)	$ 60

Effective March 1, 2015, the Company modified its MileagePlus program for most tickets from a model in which members earned redeemable miles based on distance traveled to one based on ticket price (including base fare and carrier imposed surcharges). Members now earn between five and eleven miles per dollar spent based on their MileagePlus status. The updated program enhances the rewards for customers who spend more with United and gives them improved mileage-earning opportunities. This modification had no material impact to the Frequent flyer deferred revenue on the Company s consolidated balance sheet.

Long-Lived Assets. The net book value of operating property and equipment for the Company was $22 billion and $19 billion at December 31, 2015 and December 31, 2014, 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 $1.5 billion at December 31, 2015. Funding requirements for tax-qualified defined benefit pension plans are determined by government regulations. In 2016, we anticipate contributing at least $400 million to our pension plans. The fair value of the plans assets was $3.0 billion at December 31, 2015.

When calculating pension expense for 2016, the Company assumed that its plans assets would generate a long-term rate of return of approximately 7.0%. 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 reflects the active management of 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. Plan fiduciaries 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, 2015:

	Percent of Total	Expected Long-Term Rate of Return
Equity securities	38 %	9.5 %
Fixed-income securities	37	5.0
Alternatives	18	7.3
Other	7	7.0

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 7.0% to 6.5%) would increase estimated 2016 pension expense by approximately $15 million.

Future pension obligations for United s plans were discounted using a weighted average rate of 4.58% at December 31, 2015. The Company selected the discount rate for substantially all of its plans by using a hypothetical portfolio of high quality bonds at December 31, 2015 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 4.58% to 4.08%) would increase the pension liability at December 31, 2015 by approximately $477 million and increase the estimated 2016 pension expense by approximately $55 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, 2015 and 2014, the Company had unrecognized actuarial losses for pension benefit plans of $844 million and $982 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 United States, 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 $2.0 billion and $2.1 billion for the other postretirement benefit plans at December 31, 2015 and 2014, respectively.

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, 2015 was 4.49%, as compared to 4.07% for December 31, 2014. The health care cost trend rate assumed for 2015 was 7.00%, declining to 5.0% in 2023, as compared to assumed trend rate for 2016 of 6.75%, declining to 5.0% in 2023. 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, 2015 by $13 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, 2015 by $11 million. A one percentage point decrease in the weighted average discount rate would increase the Company s postretirement benefit liability by approximately $227 million and increase the estimated 2015 benefits expense by approximately $12 million.

Actuarial gains or losses are triggered by changes in assumptions or experience that differ from the original assumptions and prior service credits result from a retroactive reduction in benefits due under the plans. Under the applicable accounting standards for postretirement welfare benefit plans, actuarial gains and losses and prior service credits are not required to be recognized currently, 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 or the average life expectancy of inactive participants. At December 31, 2015 and 2014, the Company had unrecognized actuarial gains for postretirement welfare benefit plans of $236 million and $233 million, respectively, recorded in accumulated other comprehensive income.

Income Taxes. The Company s income tax benefit was $3.1 billion for the year ended December 31, 2015. A discrete tax benefit of $3.1 billion for the reduction to the U.S. net federal and state deferred tax asset valuation allowance was included in the income tax benefit for the year ended December 31, 2015.

During 2015, after considering all positive and negative evidence and the four sources of taxable income, the Company concluded that its deferred income tax assets are more likely than not to be realized. In evaluating the likelihood of utilizing the Company s net federal and state deferred tax assets, the significant relevant factors that the Company considered are: (1) its recent history and forecasted profitability; (2) growth in the U.S. and global economies; and (3) future impact of taxable temporary differences. Although the Company was not in a three-year cumulative loss position at December 31, 2014, management concluded that the low level of cumulative pre-tax income, coupled with the Company s history of operating losses resulted in a determination that a valuation allowance was still necessary. We considered past profitability and future expectations of profitability to determine whether it is more likely than not that we will generate sufficient taxable income to realize our net deferred tax assets. Management placed significant weight on past performance (i.e., losses or near break-even results in 2009 to 2013) as it is more objectively verifiable than projections of future taxable income. However, during 2015, the Company s pre-tax profit of $4.2 billion benefited from lower oil prices and improved efficiency that resulted in significant taxable income. Additionally, based upon current projection of future

earnings, the Company evaluated the NOLs expiration periods and change in ownership limitations under Section 382 of the Internal Revenue Code of 1986, as amended, and determined the NOLs would be realized before expiring beginning in 2025. Therefore, the Company released almost all of its valuation allowance in 2015, resulting in a $3.1 billion benefit in its provision for income taxes. The valuation allowance recorded in accumulated other comprehensive income (loss) (AOCI) in prior years was released through the income statement and resulted in remaining debits within AOCI of $285 million and $180 million related to pension and derivatives, respectively, which will not be recognized into income tax expense until either the plans are exited or the Company no longer has any outstanding derivatives.

The Company has retained a valuation allowance of $48 million against certain state and local NOLs and credit carryforwards at the end of 2015. The Company expects these NOLs and credits will expire unused due to limited carryforward periods. The ability to utilize these state NOLs and credits will be evaluated on a quarterly basis to determine if there are any significant events or any prudent and feasible tax planning strategies that would affect the Company s ability to realize these deferred tax assets.

The Company has a net deferred tax asset totaling $2.0 billion as of December 31, 2015 that relates primarily to its federal and state NOL carryforwards. 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 $8.0 billion for UAL. If not utilized, these federal pre-tax NOLs will expire as follows (in billions): $2.1 in 2025, $2.0 in 2026, $1.4 in 2027 and $2.5 after 2028. In addition, the majority of tax benefits of the state net operating losses of $103 million for UAL will expire over a five to 20-year period. Additionally, the Company has $232 million of alternative minimum tax credit carryforwards which do not expire.

Forward-Looking Information

Certain statements throughout Part II, Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations, and elsewhere in this report 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, 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 report are based upon information available to the Company on the date of this report. 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 and revenue-generating initiatives, including optimizing its revenue; 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); economic and political instability and other risks of doing business globally; its ability to cost-effectively hedge against increases in the price of aircraft fuel; any potential realized or unrealized gains or losses related to fuel or currency hedging programs; the effects of any hostilities, act of war or terrorist attack; the ability of other air carriers with whom the Company has alliances or partnerships to provide the services contemplated by the respective arrangements with such carriers; disruptions to its regional network; 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 (including open skies agreements and environmental regulations); the impact of regulatory, investigative and legal proceedings and legal compliance risks; the impact of any management changes; our CEO s health prognosis and return to work on a full-time basis; 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; and other risks and uncertainties set forth under Part I, Item 1A., Risk Factors, of this report, 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):

	2015	**2014**
Variable rate debt		
Carrying value of variable rate debt at December 31	$ 2,345	$ 2,495 (a)
Impact of 100 basis point increase on projected interest expense for the following year	23	24
Fixed rate debt		
Carrying value of fixed rate debt at December 31	8,552	8,771 (a)
Fair value of fixed rate debt at December 31	9,022	9,971
Impact of 100 basis point increase in market rates on fair value	(369)	(385)

(a) 2014 amount differs from the amount reported in the Company s Form 10-K for the fiscal year ended December 31, 2014 due to the adoption of an accounting standard update in 2015. See Note 1(t) to the financial statements included in Part II, Item 8 of this report for additional information.

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 2015 levels, a 100 basis point increase in interest rates would result in a corresponding increase in the Company s interest income of approximately $54 million during 2016.

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

To protect against increases in the prices of aircraft fuel, the Company may hedge a portion of its future fuel requirements. The Company may restructure hedges in response to market conditions prior to their original settlement dates which may result in changes in hedge coverage levels and the potential recognition of gains or losses on such hedge contracts. 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 (a sold put option combined with a purchased call option), three-ways (a collar with a higher strike sold call option) and four-way collars (a collar with a higher strike sold call option and a lower strike purchased put option). These hedge instruments are generally based on aircraft fuel or closely related commodities including diesel fuel and crude oil.

If the prices of the underlying commodity drop and stay below specified floor prices in some hedge contracts such as fixed-price swaps and collars, the Company may incur losses. However, the negative impact of these losses would be significantly outweighed by the benefit of lower aircraft fuel cost since the Company typically hedges only a portion of its future fuel requirements. In addition, the Company continually monitors its portfolio of hedge contracts and may take actions to curtail or limit its losses from such hedge contracts if market conditions change.

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 depositing additional 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, requires its counterparties to post collateral above certain thresholds and generally 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 2015, fuel cost as a percent of total operating expenses (a)	23%
Impact of $1 increase in price per barrel of aircraft fuel on annual fuel expense (b)	$ 94
Fuel Hedges	
Liability fair value at December 31, 2015 (c)	$ 124
Increase in fuel hedge liability that would result from a concurrent 10% decrease in forward prices of the underlying commodities of fuel hedges (d)	$ 13
Collateral deposited with fuel hedge counterparties as of December 31, 2015	$ 26
Additional collateral the Company would be required to deposit with fuel hedge counterparties upon a concurrent 10% decrease in forward prices of the underlying commodities of fuel hedges (e)	$ 5

(a) Includes related taxes and fuel hedge impacts and excludes special charges. In 2014, the Company s fuel cost was 32% of total operating expenses.

(b) Based on 2016 projected fuel consumption. Does not include the impact of fuel hedges.

(c) As of December 31, 2014, the net fair value of the Company s fuel hedges was a liability of $717 million.

(d) Based on fuel hedge positions at December 31, 2015.

(e) Assumes instantaneous change in prices.

As of December 31, 2015, the Company had hedged approximately 17% of its projected fuel requirements (652 million gallons) for 2016, with commonly used financial hedge instruments based on aircraft fuel or crude oil. As of December 31, 2015, the Company had fuel hedges expiring through December 2016.

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 2016 fuel costs given significant moves (up to +/-30%) in market fuel prices from December 31, 2015 (in millions).

Year ending December 31, 2016

Change in market fuel prices (a)	(Increase) decrease to unhedged fuel cost (b)	Hedge gain (loss) (c)	Net (increase) decrease to fuel cost
30%	$(1,351)	$95	$(1,256)
20%	(900)	71	(829)
10%	(450)	34	(416)
(10)%	450	(13)	437
(20)%	900	(25)	875
(30)%	1,351	(37)	1,314

(a) Projected using equal shifts in spot and forward prices for aircraft fuel and crude oil underlying hedge contracts from December 31, 2015 levels.
(b) Projection based on a price of $1.14 per gallon, excluding taxes and other delivery costs and estimated consumption of 3.95 billion gallons for the year ending December 31, 2016.
(c) Change in projected cash gain/(loss) on existing fuel derivatives as of December 31, 2015. Includes all fuel derivatives whether or not the fuel derivatives 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, British pound and Japanese yen. At times, the Company uses derivative financial instruments, such as options, collars and forward contracts, to hedge its exposure to foreign currency. At December 31, 2015, the Company had foreign currency derivative contracts in place to hedge European euro denominated sales. The notional amount of the hedges equates to 18% of the Company s projected European euro denominated net cash inflows for 2016. Net cash relates primarily to passenger ticket sales inflows partially offset by expenses paid in local currencies. At December 31, 2015, the fair value of the Company s foreign currency derivatives was not material to the Company s financial statements.

The result of a uniform 10 percent strengthening in the value of the U.S. dollar from December 31, 2015 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 $236 million for the year ending December 31, 2016. This sensitivity analysis was prepared based upon projected 2016 foreign currency-denominated revenues and expenses as of December 31, 2015 and reflects the potential benefit of the European euro hedges mentioned above.

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, 2015 and 2014, and the related statements of consolidated operations, comprehensive income (loss), cash flows, and stockholders equity for each of the three years in the period ended December 31, 2015. Our audits also included the financial statement schedule listed in the Index at Item 15(a). 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2015 and 2014, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2015, 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.

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, 2015, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) and our report dated February 18, 2016, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Chicago, Illinois

February 18, 2016

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, 2015 and 2014, and the related statements of consolidated operations, comprehensive income (loss), cash flows, and stockholder s equity for each of the three years in the period ended December 31, 2015. Our audits also included the financial statement schedule listed in the Index at Item 15(a). 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, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2015 and 2014, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2015, 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.

/s/ Ernst & Young LLP

Chicago, Illinois

February 18, 2016

UNITED CONTINENTAL HOLDINGS, INC.

STATEMENTS OF CONSOLIDATED OPERATIONS

(In millions, except per share amounts)

	Year Ended December 31,		
	2015	**2014**	**2013**
Operating revenue:			
Passenger Mainline	$ 26,333	$ 26,785	$ 25,997
Passenger Regional	6,452	6,977	7,125
Total passenger revenue	32,785	33,762	33,122
Cargo	937	938	882
Other operating revenue	4,142	4,201	4,275
	37,864	38,901	38,279
Operating expense:			
Salaries and related costs	9,713	8,935	8,625
Aircraft fuel	7,522	11,675	12,345
Regional capacity purchase	2,290	2,344	2,419
Landing fees and other rent	2,203	2,274	2,090
Depreciation and amortization	1,819	1,679	1,689
Aircraft maintenance materials and outside repairs	1,651	1,779	1,821
Distribution expenses	1,342	1,373	1,390
Aircraft rent	754	883	936
Special charges (Note 16)	326	443	520
Other operating expenses	5,078	5,143	5,195
	32,698	36,528	37,030
Operating income	5,166	2,373	1,249
Nonoperating income (expense):			
Interest expense	(669)	(735)	(783)
Interest capitalized	49	52	49
Interest income	25	22	21
Miscellaneous, net (Note 16)	(352)	(584)	3
	(947)	(1,245)	(710)
Income before income taxes	4,219	1,128	539
Income tax benefit	(3,121)	(4)	(32)
Net income	$ 7,340	$ 1,132	$ 571
Earnings per share, basic	$ 19.52	$ 3.05	$ 1.64
Earnings per share, diluted	$ 19.47	$ 2.93	$ 1.53

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,		
	2015	**2014**	**2013**
Net income	$ 7,340	$ 1,132	$ 571
Other comprehensive income (loss), net change related to:			
Employee benefit plans	70	(1,171)	1,626
Fuel derivative financial instruments	182	(510)	21
Investments and other	(4)	(6)	7
	248	(1,687)	1,654
Total comprehensive income (loss), net	$ 7,588	$ (555)	$ 2,225

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,	
ASSETS	**2015**	**2014**
Current assets:		
Cash and cash equivalents	$ 3,006	$ 2,002
Short-term investments	2,190	2,382
Receivables, less allowance for doubtful accounts (2015 $18; 2014 $22)	1,128	1,146
Fuel hedge collateral deposits	26	577
Aircraft fuel, spare parts and supplies, less obsolescence allowance (2015 $235; 2014 $169)	738	666
Prepaid expenses and other	740	774
	7,828	7,547
Operating property and equipment:		
Owned		
Flight equipment	23,728	21,107
Other property and equipment	4,542	4,016
	28,270	25,123
Less Accumulated depreciation and amortization	(8,339)	(7,079)
	19,931	18,044
Purchase deposits for flight equipment	788	706
Capital leases		
Flight equipment	1,527	1,272
Other property and equipment	332	331
	1,859	1,603
Less Accumulated amortization	(998)	(886)
	861	717
	21,580	19,467
Other assets:		
Goodwill	4,523	4,523
Intangibles, less accumulated amortization (2015 $1,144; 2014 $1,049)	4,136	4,284
Deferred income taxes	2,037	
Restricted cash	204	276
Other, net	553	498
	11,453	9,581
	$ 40,861	$ 36,595

(continued on next page)

UNITED CONTINENTAL HOLDINGS, INC.

CONSOLIDATED BALANCE SHEETS

(In millions, except shares)

	At December 31,	
LIABILITIES AND STOCKHOLDERS EQUITY	**2015**	**2014**
Current liabilities:		
Advance ticket sales	$ 3,753	$ 3,701
Frequent flyer deferred revenue	2,117	2,058
Accounts payable	1,869	1,882
Accrued salaries and benefits	2,350	1,818
Current maturities of long-term debt	1,224	1,313
Current maturities of capital leases	135	110
Fuel derivative instruments	124	694
Other	842	932
	12,414	12,508
Long-term debt	9,673	9,953
Long-term obligations under capital leases	727	571
Other liabilities and deferred credits:		
Frequent flyer deferred revenue	2,826	2,879
Postretirement benefit liability	1,882	1,933
Pension liability	1,488	2,226
Advanced purchase of miles	1,010	1,217
Deferred income taxes		1,000
Lease fair value adjustment, net	359	466
Other	1,516	1,446
	9,081	11,167
Commitments and contingencies		
Stockholders equity:		
Preferred stock		
Common stock at par, $0.01 par value; authorized 1,000,000,000 shares; outstanding 364,609,108 and 374,525,916 shares at December 31, 2015 and 2014, respectively	4	4
Additional capital invested	7,946	7,721
Retained earnings (accumulated deficit)	3,457	(3,883)
Stock held in treasury, at cost	(1,610)	(367)
Accumulated other comprehensive loss	(831)	(1,079)
	8,966	2,396
	$ 40,861	$ 36,595

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,		
	2015	**2014**	**2013**
Cash Flows from Operating Activities:			
Net income	$ 7,340	$ 1,132	$ 571
Adjustments to reconcile net income to net cash provided by operating activities -			
Deferred income taxes	(3,177)	13	(14)
Depreciation and amortization	1,819	1,679	1,689
Special charges, non-cash portion	247	78	50
Other operating activities	115	(21)	18
Changes in operating assets and liabilities -			
(Increase) decrease in fuel hedge collateral	551	(577)	
Unrealized (gain) loss on fuel derivatives	(305)	436	(56)
Decrease in other liabilities	(198)	(238)	(201)
Decrease in frequent flyer deferred revenue and advanced purchase of miles	(200)	(88)	(415)
(Increase) decrease in other assets	(160)	(34)	164
Decrease in accounts payable	(77)	(251)	(265)
Increase in advance ticket sales	52	296	45
(Increase) decrease in receivables	(15)	209	(142)
Net cash provided by operating activities	5,992	2,634	1,444
Cash Flows from Investing Activities:			
Capital expenditures	(2,747)	(2,005)	(2,164)
Proceeds from sale of short-term and other investments	2,707	3,112	2,827
Purchases of short-term and other investments	(2,517)	(3,569)	(2,947)
Proceeds from sale of property and equipment	86	94	152
Other, net	(22)	112	110
Net cash used in investing activities	(2,493)	(2,256)	(2,022)
Cash Flows from Financing Activities:			
Payments of long-term debt	(2,178)	(2,503)	(2,185)
Repurchases of common stock	(1,233)	(312)	
Proceeds from issuance of long-term debt	1,073	1,432	1,423
Principal payments under capital leases	(123)	(127)	(134)
Capitalized financing costs	(37)	(104)	(103)
Proceeds from the exercise of stock options	16	60	29
Other	(13)	(42)	(2)
Net cash used in financing activities	(2,495)	(1,596)	(972)
Net increase (decrease) in cash and cash equivalents	1,004	(1,218)	(1,550)
Cash and cash equivalents at beginning of year	2,002	3,220	4,770
Cash and cash equivalents at end of year	$ 3,006	$ 2,002	$ 3,220
Investing and Financing Activities Not Affecting Cash:			
Property and equipment acquired through the issuance of debt	$ 866	$ 1,114	$ 229
Operating lease conversions to capital lease	285		
Exchange of convertible notes for common stock	202	260	240
Airport construction financing	17	14	40
Cash Paid (Refunded) During the Period for:			
Interest (net of amounts capitalized)	$ 660	$ 748	$ 752
Income taxes	15	(16)	(20)

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

UNITED CONTINENTAL HOLDINGS, INC.

STATEMENTS OF CONSOLIDATED STOCKHOLDERS EQUITY

(In millions)

	Common Stock		Additional Capital		Retained Earnings	Accumulated Other Comprehensive	
	Shares	Amount	Invested	Treasury Stock	(Accumulated Deficit)	Income (Loss)	Total
Balance at December 31, 2012	332	$ 3	$ 7,145	$ (35)	$ (5,586)	$ (1,046)	$ 481
Net income					571		571
Other comprehensive income						1,654	1,654
Convertible debt redemption	28	1	240				241
Share-based compensation			11				11
Proceeds from exercise of stock options	2		29				29
Other				(3)			(3)
Balance at December 31, 2013	362	4	7,425	(38)	(5,015)	608	2,984
Net income					1,132		1,132
Other comprehensive loss						(1,687)	(1,687)
Convertible debt redemption	17		260				260
Repurchase of convertible debt			(34)				(34)
Share-based compensation			10				10
Proceeds from exercise of stock options	2		60				60
Repurchases of common stock	(6)			(320)			(320)
Other				(9)			(9)
Balance at December 31, 2014	375	4	7,721	(367)	(3,883)	(1,079)	2,396
Net income					7,340		7,340
Other comprehensive income						248	248
Convertible debt redemptions	11		202				202
Share-based compensation			7				7
Proceeds from exercise of stock options			16				16
Repurchases of common stock	(21)			(1,232)			(1,232)
Other				(11)			(11)
Balance at December 31, 2015	365	$ 4	$ 7,946	$ (1,610)	$ 3,457	$ (831)	$ 8,966

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,		
	2015	**2014**	**2013**
Operating revenue:			
Passenger Mainline	$ 26,333	$ 26,785	$ 25,997
Passenger Regional	6,452	6,977	7,125
Total passenger revenue	32,785	33,762	33,122
Cargo	937	938	882
Other operating revenue	4,142	4,201	4,283
	37,864	38,901	38,287
Operating expense:			
Salaries and related costs	9,713	8,935	8,625
Aircraft fuel	7,522	11,675	12,345
Regional capacity purchase	2,290	2,344	2,419
Landing fees and other rent	2,203	2,274	2,090
Depreciation and amortization	1,819	1,679	1,689
Aircraft maintenance materials and outside repairs	1,651	1,779	1,821
Distribution expenses	1,342	1,373	1,390
Aircraft rent	754	883	936
Special charges (Note 16)	326	443	520
Other operating expenses	5,076	5,139	5,193
	32,696	36,524	37,028
Operating income	5,168	2,377	1,259
Nonoperating income (expense):			
Interest expense	(670)	(742)	(781)
Interest capitalized	49	52	49
Interest income	25	22	21
Miscellaneous, net (Note 16)	(351)	(599)	89
	(947)	(1,267)	(622)
Income before income taxes	4,221	1,110	637
Income tax benefit	(3,080)	(4)	(17)
Net income	$ 7,301	$ 1,114	$ 654

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,		
	2015	2014	2013
Net income	$ 7,301	$ 1,114	$ 654
Other comprehensive income (loss), net change related to:			
Employee benefit plans	70	(1,171)	1,626
Fuel derivative financial instruments	182	(510)	21
Investments and other	(4)	(6)	8
Other			6
	248	(1,687)	1,661
Total comprehensive income (loss), net	$ 7,549	$ (573)	$ 2,315

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,	
ASSETS	**2015**	**2014**
Current assets:		
Cash and cash equivalents	$ 3,000	$ 1,996
Short-term investments	2,190	2,382
Receivables, less allowance for doubtful accounts (2015 $18; 2014 $22)	1,128	1,146
Fuel hedge collateral deposits	26	577
Aircraft fuel, spare parts and supplies, less obsolescence allowance (2015 $235; 2014 $169)	738	666
Prepaid expenses and other	787	823
	7,869	7,590
Operating property and equipment:		
Owned		
Flight equipment	23,728	21,107
Other property and equipment	4,542	4,016
	28,270	25,123
Less Accumulated depreciation and amortization	(8,339)	(7,079)
	19,931	18,044
Purchase deposits for flight equipment	788	706
Capital leases		
Flight equipment	1,527	1,272
Other property and equipment	332	331
	1,859	1,603