

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

	Year Ended December 31,		
	2016	2015	2014
Operating revenue:			
Passenger—Mainline	\$ 25,414	\$ 26,333	\$ 26,785
Passenger—Regional	6,043	6,452	6,977
Total passenger revenue	31,457	32,785	33,762
Cargo	876	937	938
Other operating revenue	4,223	4,142	4,201
	<u>36,556</u>	<u>37,864</u>	<u>38,901</u>
Operating expense:			
Salaries and related costs	10,275	9,713	8,935
Aircraft fuel	5,813	7,522	11,675
Regional capacity purchase	2,197	2,290	2,344
Landing fees and other rent	2,165	2,203	2,274
Depreciation and amortization	1,977	1,819	1,679
Aircraft maintenance materials and outside repairs	1,749	1,651	1,779
Distribution expenses	1,303	1,342	1,373
Aircraft rent	680	754	883
Special charges (Note 16)	638	326	443
Other operating expenses	5,421	5,078	5,143
	<u>32,218</u>	<u>32,698</u>	<u>36,528</u>
Operating income	4,338	5,166	2,373
Nonoperating income (expense):			
Interest expense	(614)	(669)	(735)
Interest capitalized	72	49	52
Interest income	42	25	22
Miscellaneous, net (Note 16)	(19)	(352)	(584)
	<u>(519)</u>	<u>(947)</u>	<u>(1,245)</u>
Income before income taxes	3,819	4,219	1,128
Income tax expense (benefit)	1,556	(3,121)	(4)
Net income	<u>\$ 2,263</u>	<u>\$ 7,340</u>	<u>\$ 1,132</u>
Earnings per share, basic	<u>\$ 6.86</u>	<u>\$ 19.52</u>	<u>\$ 3.05</u>
Earnings per share, diluted	<u>\$ 6.85</u>	<u>\$ 19.47</u>	<u>\$ 2.93</u>

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,	
	2016	2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,179	\$ 3,006
Short-term investments	2,249	2,190
Receivables, less allowance for doubtful accounts (2016—\$10; 2015—\$18)	1,176	1,128
Fuel hedge collateral deposits	—	26
Aircraft fuel, spare parts and supplies, less obsolescence allowance (2016—\$295; 2015—\$235)	873	738
Prepaid expenses and other	832	740
	<u>7,309</u>	<u>7,828</u>
Operating property and equipment:		
Owned—		
Flight equipment	25,873	23,728
Other property and equipment	5,652	4,542
	31,525	28,270
Less—Accumulated depreciation and amortization	(9,975)	(8,339)
	<u>21,550</u>	<u>19,931</u>
Purchase deposits for flight equipment	1,059	788
Capital leases—		
Flight equipment	1,319	1,527
Other property and equipment	331	332
	1,650	1,859
Less—Accumulated amortization	(941)	(998)
	<u>709</u>	<u>861</u>
	<u>23,318</u>	<u>21,580</u>
Other assets:		
Goodwill	4,523	4,523
Intangibles, less accumulated amortization (2016—\$1,234; 2015—\$1,144)	3,632	4,136
Deferred income taxes	655	2,037
Restricted cash	124	204
Other, net	579	553
	<u>9,513</u>	<u>11,453</u>
	<u>\$ 40,140</u>	<u>\$ 40,861</u>

(continued on next page)

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

	At December 31,	
	2016	2015
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Advance ticket sales	\$ 3,730	\$ 3,753
Frequent flyer deferred revenue	2,135	2,117
Accounts payable	2,139	1,869
Accrued salaries and benefits	2,307	2,350
Current maturities of long-term debt	849	1,224
Current maturities of capital leases	116	135
Fuel derivative instruments	—	124
Other	1,010	842
	<u>12,286</u>	<u>12,414</u>
Long-term debt	9,918	9,673
Long-term obligations under capital leases	822	727
Other liabilities and deferred credits:		
Frequent flyer deferred revenue	2,748	2,826
Postretirement benefit liability	1,581	1,882
Pension liability	1,892	1,488
Advanced purchase of miles	430	1,010
Lease fair value adjustment, net	277	359
Other	1,527	1,516
	<u>8,455</u>	<u>9,081</u>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock	—	—
Common stock at par, \$0.01 par value; authorized 1,000,000,000 shares; outstanding 314,612,744 and 364,609,108 shares at December 31, 2016 and 2015, respectively	3	4
Additional capital invested	6,569	7,946
Retained earnings	3,427	3,457
Stock held in treasury, at cost	(511)	(1,610)
Accumulated other comprehensive loss	(829)	(831)
	<u>8,659</u>	<u>8,966</u>
	<u>\$40,140</u>	<u>\$40,861</u>

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,		
	2016	2015	2014
Cash Flows from Operating Activities:			
Net income	\$ 2,263	\$ 7,340	\$ 1,132
Adjustments to reconcile net income to net cash provided by operating activities -			
Deferred income taxes	1,648	(3,177)	13
Depreciation and amortization	1,977	1,819	1,679
Special charges, non-cash portion	391	247	78
Other operating activities	109	115	(21)
Changes in operating assets and liabilities -			
(Increase) decrease in fuel hedge collateral	26	551	(577)
(Decrease) increase in fuel derivatives	(20)	(305)	436
Decrease in other liabilities	(114)	(198)	(238)
Decrease in frequent flyer deferred revenue and advanced purchase of miles	(641)	(200)	(88)
Increase in other assets	(298)	(160)	(34)
Increase (decrease) in accounts payable	239	(77)	(251)
Increase (decrease) in advance ticket sales	(22)	52	296
(Increase) decrease in receivables	(16)	(15)	209
Net cash provided by operating activities	5,542	5,992	2,634
Cash Flows from Investing Activities:			
Capital expenditures	(3,223)	(2,747)	(2,005)
Purchases of short-term and other investments	(2,768)	(2,517)	(3,569)
Proceeds from sale of short-term and other investments	2,712	2,707	3,112
Proceeds from sale of property and equipment	28	86	94
Other, net	13	(136)	37
Net cash used in investing activities	(3,238)	(2,607)	(2,331)
Cash Flows from Financing Activities:			
Repurchases of common stock	(2,614)	(1,233)	(312)
Payments of long-term debt	(1,215)	(2,178)	(2,503)
Proceeds from issuance of long-term debt	808	1,073	1,432
Principal payments under capital leases	(136)	(123)	(127)
Capitalized financing costs	(64)	(37)	(104)
Proceeds from the exercise of stock options	6	16	60
Other, net	2	(13)	(42)
Net cash used in financing activities	(3,213)	(2,495)	(1,596)
Net increase (decrease) in cash, cash equivalents and restricted cash	(909)	890	(1,293)
Cash, cash equivalents and restricted cash at beginning of year	3,212	2,322	3,615
Cash, cash equivalents and restricted cash at end of year	\$ 2,303	\$ 3,212	\$ 2,322
Investing and Financing Activities Not Affecting Cash:			
Property and equipment acquired through the issuance of debt	\$ 386	\$ 866	\$ 1,114
Airport construction financing	91	17	14
Operating lease conversions to capital lease	12	285	—
Exchange of convertible notes for common stock	—	202	260
Cash Paid (Refunded) During the Period for:			
Interest	\$ 584	\$ 660	\$ 748
Income taxes	14	15	(16)

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