CONTINENTAL AIRLINES INC /DE/
Form 10-K
February 22, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 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, 2011

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 Office Address and Telephone Number	State of Incorporation	I.R.S. Employer Identification No
001-06033	**United Continental Holdings, Inc.** **77 W. Wacker Drive** **Chicago, Illinois 60601** **(312) 997-8000**	Delaware	36-2675207
001-11355	**United Air Lines, Inc.**	Delaware	36-2675206

	77 W. Wacker Drive **Chicago, Illinois 60601** **(312) 997-8000**		
001-10323	**Continental Airlines, Inc.** **1600 Smith Street, Dept HQSEO,** **Houston, TX 77002** **(713) 324-2950**	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 Air Lines, Inc.	None	None
Continental Airlines, Inc.	None	None

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

United Continental Holdings, Inc.	None
United Air Lines, Inc.	None
Continental 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 Air Lines, Inc.	Yes x No ¨
Continental 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 Air Lines, Inc.	Yes ¨ No x
Continental 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 Air Lines, Inc.	Yes x No ¨

Continental 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 Air Lines, Inc.	Yes x No ¨
Continental 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 Air Lines, Inc.	x
Continental 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 Air Lines, Inc.	Large accelerated filer ¨	Accelerated filer ¨	Non-accelerated filer x	Smaller reporting company ¨
Continental 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 Air Lines, Inc.	Yes ¨ No x
Continental Airlines, Inc.	Yes ¨ No x

The aggregate market value of voting stock held by non-affiliates of United Continental Holdings, Inc. was $7,461,888,499 as of June 30, 2011. There is no market for United Air Lines, Inc. common stock or Continental Airlines, Inc. common stock.

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of February 16, 2012.

United Continental Holdings, Inc.	332,066,655 shares of common stock ($0.01 par value)
United Air Lines, Inc.	205 (100% owned by United Continental Holdings, Inc.)
Continental Airlines, Inc.	1,000 (100% owned by United Continental Holdings, Inc.)

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

OMISSION OF CERTAIN INFORMATION

United Air Lines, Inc. and Continental Airlines, Inc. meet 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 2012 Annual Meeting of Stockholders.

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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, and Section 21E of the Securities Exchange Act of 1934, as amended. 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 Item 1A, Risk Factors and in 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) is a holding company and its principal, wholly-owned subsidiaries are United Air Lines, Inc. (together with its consolidated subsidiaries, United) and Continental Airlines, Inc. (together with its consolidated subsidiaries, Continental). This combined Annual Report on Form 10-K is separately filed by each of United Continental Holdings, Inc., United Air Lines, Inc. and Continental Airlines, Inc. Each registrant hereto is filing on its own behalf all of the information contained in this report that relates to such registrant. Each registrant hereto is not filing any information that does not relate to such registrant, and therefore makes no representation as to any such information.

This Annual Report on Form 10-K is a combined report of UAL, United and Continental. We sometimes use the words we, our, us, and the Company in this Form 10-K for disclosures that relate to all of UAL, United and Continental. As UAL consolidated United and Continental beginning October 1, 2010 for financial statement purposes, disclosures that relate to United or Continental activities also apply to UAL, unless otherwise noted. When appropriate, UAL, United and Continental are named specifically for their related activities and disclosures. This report uses Continental Successor to refer to Continental subsequent to the Merger (defined below) and Continental Predecessor to refer to Continental prior to the Merger.

UAL was incorporated under the laws of the State of Delaware on December 30, 1968. Our world headquarters is located at 77 W. Wacker Drive, Chicago, Illinois 60601. The mailing address is P.O. Box 66919, Chicago, Illinois 60666 (telephone number (312) 997-8000).

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, 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.

Merger Integration

On May 2, 2010, UAL Corporation, Continental, and JT Merger Sub Inc., a wholly-owned subsidiary of UAL Corporation, entered into an Agreement and Plan of Merger providing for a merger of equals business combination. On October 1, 2010, JT Merger Sub Inc. merged with and into Continental, with Continental surviving as a wholly-owned subsidiary of UAL Corporation (the Merger). Upon closing of the Merger, UAL Corporation became the parent company of both United and Continental and UAL Corporation s name was changed to United Continental Holdings, Inc. UAL s consolidated financial statements include the results of operations of Continental and its subsidiaries for the period subsequent to October 1, 2010.

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Integration-related 2011 accomplishments and key 2012 initiatives include:

- During 2011, the Company received a single operating certificate from the Federal Aviation Administration (the FAA), marking a significant achievement in the integration of United and Continental. The certificate gives the FAA a single point of oversight for our combined operations. It also allows all maintenance and operating activities to be considered as United by the FAA;

- In 2011, the Company announced that MileagePlus will be the loyalty program for the Company beginning in 2012;

- The Company has co-located check-in, ticket counter and gate facilities at 66 airports since closing the Merger and now has a single area for check-in at 291 airports systemwide. More than 800 aircraft are now rebranded in the new United livery;

- Some key initiatives for the Company in 2012 include converting to a single passenger service system, harmonizing other information technology systems, moving to a single website, making substantial fleet reallocations around the system and working to integrate certain employee groups. We currently expect to migrate to a single passenger service system in early March 2012, allowing the Company to operate using a single carrier code, flight schedule, inventory, website and departure control system; and

- UAL expects the Merger to deliver $1.0 billion to $1.2 billion in net annual synergies on a run-rate basis in 2013, including between $800 million and $900 million of annual revenue synergies, in large part from expanded customer options resulting from the greater scope and scale of the network, fleet optimization and additional international service enabled by the broader network of the Company, and between $200 million and $300 million of net cost synergies. The Company has realized an estimated $400 million of synergies in 2011, comprised of $250 million of revenue synergies and $150 million of net cost synergies.

The Company will incur substantial expenses in connection with the Merger. The Company incurred approximately $450 million of integration-related cash costs in 2011 and expects to incur a similar amount in 2012 in categories generally consistent with 2011. There are many factors that could affect the total amount or the timing of those expenses, and many of the expenses that will be incurred are, by their nature, difficult to estimate accurately. See Notes 1 and 21 to the financial statements included in Item 8 of this report and Item 1A, Risk Factors, for additional information on the Merger.

Operations

Network. The Company transports people and cargo through its mainline operations, which utilize jet aircraft with at least 110 seats, and its regional operations. See Item 2, Properties, for a description of the Company s mainline and regional aircraft.

With key global air rights in the U.S., Asia-Pacific, Europe, Middle East, Africa, and Latin America, UAL has the world s most comprehensive global route network. UAL, through United and Continental and their regional carriers, operates more than 5,600 flights a day to more than 370 U.S. domestic and international destinations 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), Hopkins International Airport (Cleveland Hopkins), Los Angeles International Airport (LAX), A.B. Won Pat International Airport (Guam), San Francisco International Airport (SFO) and Washington Dulles International Airport (Washington Dulles). Including its regional operations, United operates approximately 3,200 flights a day to more than 235 U.S. domestic and international destinations based on its annual flight schedule as of January 1, 2012. Including its regional operations, Continental operates approximately 2,400 flights a day to more than 280 U.S. domestic and international destinations based on its annual flight schedule as of January 1, 2012.

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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. Our 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. Our 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 airline network.

Regional. The Company has contractual relationships with various regional carriers to provide regional jet and turboprop service branded as United Express, Continental Express and Continental Connection. In the future, the Company s regional operations will be 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 jet aircraft. Chautauqua Airlines, Colgan Airlines (Colgan), CommutAir Airlines, ExpressJet Airlines, GoJet Airlines, Mesa Airlines, Shuttle America, SkyWest Airlines (SkyWest) and Trans States Airlines (Trans States) are all regional carriers, which operate most of their capacity under capacity purchase agreements with United and/or Continental. Under these capacity purchase agreements, the Company pays the regional carriers contractually-agreed fees (carrier-controlled costs) for operating these flights plus a variable reimbursement (incentive payment for superior operational performance) based on agreed performance metrics. The 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 capacity purchase agreements, the Company is responsible for all fuel costs incurred as well as landing fees, facilities rent and other costs, which are passed through without any markup. In return, the regional carriers operate this capacity exclusively for United and/or Continental, on schedules determined by the Company. The Company also determines pricing and revenue management and assumes the inventory and distribution risk for the available seats.

While the regional carriers operating under capacity purchase agreements comprise more than 95% of all regional flights, the Company also has prorate agreements with Hyannis Air Service, Inc. (Cape Air), Colgan, Gulfstream International Airlines (Gulfstream), 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 capacity purchase agreements, 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.

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 10 to the financial statements included in Item 8 of this report.

Alliances. United and Continental have a number of bilateral and multilateral alliances with other airlines, which enhance travel options for customers by providing greater time of day coverage to common destinations, additional mileage accrual and redemption opportunities, and access to markets that United and Continental do not serve directly. These marketing alliances typically include one or more of the following features: loyalty program reciprocity; codesharing of flight operations (whereby seats on one carrier s selected flights can be marketed under the brand name of another carrier); coordination of reservations, ticketing, passenger check-in, baggage handling and flight schedules, and other resource-sharing activities.

United is a member of Star Alliance, a global integrated airline network co-founded by United in 1997 and the most comprehensive airline alliance in the world. As of January 1, 2012, Star Alliance carriers served 1,290 airports in 189 countries with over 21,000 daily flights. Current Star Alliance members, in addition to United and Continental, are Adria Airways, Aegean Airlines, Air Canada, Air China, Air New Zealand, All Nippon Airways,

Asiana Airlines, Austrian Airlines, Blue1, bmi, Brussels Airlines, Croatia Airlines, EGYPTAIR, Ethiopian Airlines, LOT Polish Airlines, Lufthansa, Scandinavian Airlines, Singapore Airlines, South African Airways, Swiss International Air Lines, TAM, TAP Portugal, THAI, Turkish Airlines and US Airways. Shenzhen Airlines, Avianca, TACA (TACA) and Copa Airlines (Copa) have been announced as future Star Alliance members.

In 2010, United, Continental and Air Canada entered into a memorandum of understanding to establish a revenue sharing trans-border joint venture. A joint venture agreement was subsequently drafted based on the trans-Atlantic joint venture agreement among United, Continental, Air Canada and Lufthansa. While the parties already have U.S. antitrust immunity, the Canadian Competition Bureau objected to the joint venture in June 2011 and the parties are currently involved in litigation before the Canadian Competition Tribunal which may affect the implementation or the scope of the joint venture.

In 2010, pursuant to antitrust immunity approval granted by the DOT, United, Continental, Air Canada and Lufthansa entered into a joint venture agreement as full participants covering trans-Atlantic routes. Between March 2011 and July 2011, Austrian Airlines, bmi and Swiss International Air Lines began participation in the joint venture as part of the Lufthansa Group. In November 2011, the DOT confirmed Brussels Airlines is covered as a Lufthansa Group affiliate within the existing antitrust-immunized alliance. Brussels Airlines is expected to be integrated into the trans-Atlantic joint venture during 2012 as a part of the Lufthansa Group. Lufthansa recently announced an agreement to sell bmi, and upon conclusion of that sale, bmi will no longer participate in the joint venture. The European Commission, which has been conducting a standard review of the competitive effects of the joint venture, has not yet completed its review. The joint venture, which enables the carriers to integrate the services they operate between the United States and Europe and to capture revenue synergies, delivers highly competitive flight schedules, fares and service. The joint venture has a revenue-sharing structure that results in payments among full participants based on a formula that compares current period unit revenue performance on trans-Atlantic routes to a historic period, or baseline, which is reset annually. The payments are calculated on a quarterly basis and subject to a cap. See *Industry Regulation* below.

In November 2010, United, Continental and All Nippon Airways received antitrust immunity approval from the Japanese government and the DOT, enabling the carriers to establish a trans-Pacific joint venture to integrate the services they operate between the United States and Japan, and other destinations in Asia, and to derive potentially significant benefits from coordinated scheduling, pricing, sales and inventory management. The integration of services will also allow the carriers to offer passengers highly competitive flight schedules, fares and services. We expect to fully implement the joint venture in 2012.

During 2011, United and Continental maintained independent marketing agreements with other air carriers including Aeromar, Aer Lingus, Avianca, Cape Air, Colgan, Copa, Emirates, EVA Air, Great Lakes Airlines, Gulfstream, Hawaiian Airlines, Island Air, Jet Airways, Qatar Airways, SkyWest, TACA, Trans States and Virgin Atlantic Airways. In addition, Continental offers a train-to-plane alliance with Amtrak from Newark Liberty to select regional destinations.

Fuel. Aircraft fuel has been the Company s single largest operating expense for the last several years. The table below summarizes UAL s fuel cost data during the last three years.

Year	Gallons Consumed (in millions)	Fuel Cost (in millions)	Average Price Per Gallon	Percentage of Total Operating Expense (b)
2011	4,038	$ 12,375	$ 3.06	36%
2010 (a)	2,798	$ 6,687	$ 2.39	31%
2009 (a)	2,338	$ 4,204	$ 1.80	26%

(a) Excludes fuel consumption and cost for Continental Predecessor prior to October 1, 2010.
(b) Calculation excludes special charges identified in Note 21 of this report.

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The availability and price of aircraft fuel significantly affects the Company s operations, results of operations and financial position. To ensure adequate supplies of fuel and to obtain a measure of control over prices in the short term, the Company arranges to have fuel shipped on major pipelines and stored close to its major hub locations. To protect against increases in the prices of fuel, the Company routinely hedges a portion of its future fuel requirements. The Company uses fixed price swaps, purchased call options, collars or other such commonly used financial hedge instruments based on aircraft fuel or closely related commodities including heating oil, diesel fuel and crude oil. The Company strives to maintain fuel hedging levels and exposure such that the Company s fuel cost is not disproportionate to the fuel costs of its major competitors.

Loyalty Program. United s Mileage Plus and Continental s OnePass (OnePass) programs build customer loyalty by offering awards and services to program participants. Members in these programs earn mileage credit for flights on United, United Express, Continental, Continental Express, Continental Connection, airlines in Star Alliance and certain other airlines that participate in the program. Miles can also be earned 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. Mileage credits can be redeemed for free, discounted or upgraded travel and non-travel awards.

In 2011, the Company announced that MileagePlus will be the loyalty program for the Company beginning in 2012. OnePass is expected to end in the first quarter 2012, at which point United will automatically enroll OnePass members in MileagePlus and deposit into those MileagePlus accounts award miles equal to their OnePass award miles balance.

The Company s loyalty program has The Consolidated Amended and Restated Co-Branded Card Marketing Services Agreement dated June 9, 2011, (the Co-Brand Agreement) with Chase Bank USA, N.A. (Chase). Under this agreement, loyalty program members accrue frequent flyer miles for making purchases using co-branded credit cards issued by Chase. The Co-Brand Agreement provides for joint marketing of the credit card programs and provides Chase with other benefits such as permission to market to the Company s customer database.

In 2011, 2.5 million Mileage Plus travel awards were used on United. These awards represented 8.2% of United s total revenue passenger miles in 2011. Also in 2011, 1.9 million OnePass travel awards were used on Continental. These awards represented 5.6% of Continental s total revenue passenger miles in 2011.

In addition, Mileage Plus members redeemed miles for approximately 1.3 million non-United travel awards in 2011 as compared to 975,000 in 2010. Non-United travel awards include United Club memberships, car and hotel awards, merchandise and travel solely on another air carrier, among others. Also in 2011, OnePass members redeemed miles for approximately 489,000 non-Continental travel awards as compared to 381,000 in 2010. The increase in the number of non-United and non-Continental travel awards redeemed in 2011 was due primarily to an increase in car and hotel redemptions. Total miles redeemed for travel on United and Continental in 2011, including class-of-service upgrades, represented 83% of the total miles redeemed.

Distribution Channels. The majority of the Company s airline seat inventory continues to be distributed through the traditional channels of travel agencies and global distribution systems (GDS). The growing use of direct sales websites, such as united.com and continental.com and alternative distribution systems provides the Company with an opportunity to de-commoditize its services, better control its content, make more targeted offerings, retain its customers, enhance its brand and lower its ticket distribution costs. To encourage customer use of lower-cost channels and capitalize on these cost-saving opportunities, the Company will continue to expand the capabilities of its websites and explore alternative distribution channels.

Industry Conditions

Domestic Competition. The domestic airline industry is highly competitive and dynamic. New and existing U.S. carriers are generally free to initiate service between any two points within the United States. The Company s competitors consist primarily of other airlines and, to a lesser extent, other forms of transportation and

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technological substitutes such as videoconferencing. 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. Among the numerous factors influencing a carrier s cost structure are the carrier s chosen business/service model and any reorganization undertaken pursuant to Chapter 11 of the United States Bankruptcy Code. Carriers with lower costs may deliver lower fares to passengers, which could have a potential negative impact on the Company s revenues. In addition, future airline mergers or acquisitions may enable airlines to improve their revenue and cost performance relative to peers and thus enhance their competitive position within the industry.

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 to maintain passenger traffic levels, we often find it necessary to match competitors discounted fares. Because 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, restructurings, liberalization of aviation bilateral agreements and new or increased service by competitors. 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. 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 and marketing arrangements that enable these carriers to exchange traffic between each other s flights and route networks. See *Alliances,* above, for further 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

General. 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. In recent years, the DOT has proposed and implemented a variety of far-reaching and expensive consumer protection regulations dealing with advertising, denied boarding compensation, tarmac delays, and baggage liability.

Airlines are also regulated by 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 various other federal laws and regulations. The U.S.

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Department of Homeland Security (DHS) has jurisdiction over virtually every aspect of civil aviation security. See *Legislation*, below. 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. Labor relations in the airline industry are generally governed by the Railway Labor Act (RLA). The Company is also subject to investigation inquiries by the DOT, FAA, DOJ 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. (Washington Reagan), John F. Kennedy International Airport (JFK), LaGuardia Airport (LaGuardia) and Newark Liberty. In addition, to address concerns about airport congestion, the FAA has designated certain airports, including Newark Liberty, JFK, and LaGuardia as high density traffic airports and has imposed operating restrictions at these three airports, which may include capacity reductions. Additional restrictions on airline routes and takeoff and landing slots may be proposed in the future that could affect the Company s rights of ownership and transfer.

Legislation. The airline industry is subject to legislative activity that may have an impact on operations and costs. In addition to significant federal, state and local taxes and fees that the Company is currently subject to, proposed taxes and fees are currently pending that may increase the Company s operating costs if imposed on the Company. Congress is currently attempting to pass comprehensive reauthorization legislation to impose a new funding structure and make other changes to FAA operations. Past aviation reauthorization bills have affected a wide range of areas of interest to the industry, including air traffic control operations, capacity control, airline competition, aircraft and airport technology requirements, safety, and taxes, fees and other funding sources. Congress may also pass other legislation that could increase labor and operating 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.

In December 2009, the DOT issued a final rule intended to enhance airline passenger protections. The final rule included regulations requiring certain air carriers, including United and Continental, to adopt detailed contingency plans applicable to tarmac delays exceeding three hours for domestic flights and four hours for international flights, subject to exceptions for safety and security. A carrier s failure to meet certain service performance criteria under the rule could subject it to substantial civil penalties. In April 2011, the DOT issued a second set of consumer protection regulations in the form of a final rule. This second initiative mandated the amount of compensation carriers must provide passengers when they are denied boarding, imposed regulations requiring carriers to charge the same baggage fee throughout a passenger s entire journey (even if on multiple carriers), and expanded the tarmac delay rule to foreign carriers operating to and from the United States. Additionally, since September 11, 2001, aviation security has been, and continues to be, a subject of frequent legislative and regulatory action, requiring changes to the Company s security processes and frequently increasing the cost of its security procedures.

In December 2011, the FAA issued a final rule amending the existing flight, duty, and rest regulations applicable to U.S. air carriers operating under Part 121 of the Federal Aviation Regulations. The provisions under the 2011 final rule may require us to make changes to our flight operations that could materially increase our costs.

International Regulation

General. 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.

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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 United and Continental serve 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 (London Heathrow), Frankfurt Rhein-Main Airport, Shanghai Pudong International Airport, Beijing Capital International Airport, Sao Paulo Guarhulos International Airport, Tokyo Narita International Airport and 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.

The U.S./EU open skies agreement provides U.S. and EU carriers with expansive rights, including the right to operate between any point in the United States and the EU. The agreement has no direct impact on airport slot rights or airport facilities nor does it provide for a reallocation of existing slots or facilities, including those at London Heathrow. Because of the diverse nature of potential impacts on the Company s business, the overall future impact of the U.S./EU agreement on the Company s business cannot be predicted with certainty.

In October 2010, the open skies agreement between the United States and Japan became effective, enabling U.S. or Japanese carriers to fly between any point in the United States and any point in Japan and, in the case of U.S. carriers, beyond Japan to points in other countries the carrier is authorized to serve. The agreement eliminates the restrictions on the number of frequencies carriers can operate and requires governments in both the United States and Japan to concur before taking action to regulate a carrier s fares or rates. However, under the terms of the bilateral agreement, certain points in Japan remain slot restricted and only four slot pairs at Tokyo Haneda International Airport are available to U.S. air carriers at this time, none of which is held by United and Continental.

Environmental Regulation

General. The airline industry is subject to increasingly stringent federal, state, local and international environmental laws and regulations concerning emissions to the air, discharges to surface and subsurface waters, safe drinking water, aircraft noise, and the management of hazardous substances, oils and waste materials. Areas of either proposed regulations or implementation of new regulations include regulations surrounding the emission of greenhouse gases (discussed further below), State of California regulations regarding air emissions from ground support equipment, a federal rule-making concerning the discharge of deicing fluid and a federal rule-making seeking to regulate airport fuel hydrant systems.

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

In 2009, the EU issued a directive to member states to include aviation in its greenhouse gas ETS. In December 2009, the Air Transportation Association, joined by United, Continental and American Airlines, filed a lawsuit in

the United Kingdom challenging regulations that transpose into UK law the EU ETS as applied to U.S. carriers (the United Kingdom being the specific implementing country designated to implement the EU ETS requirements as they apply to these carriers). The case was referred to the Court of Justice of the European Union (CJEU) and, on December 21, 2011, the CJEU issued an opinion that upheld the EU ETS. More than forty non-EU countries have gone on record opposing the scheme and based upon this significant international dispute, it is unclear whether or not the inclusion of aviation in the EU ETS will be sustained. If the scheme continues, it will increase the cost of carriers operating in the EU by requiring the purchase of carbon credits, although the precise cost to the Company is difficult to calculate with certainty due to a number of variables including the Company s future carbon emissions with respect to flights to and from the EU and the price of carbon credits. Management continues to evaluate what the impact would be for the Company in 2012.

While the EU ETS is being disputed, the Company has met and continues to meet its compliance obligations under the scheme including implementation in 2010 of detailed requirements for monitoring and reporting of emissions of carbon dioxide. As of January 1, 2012, the EU ETS required the Company to ensure that by each compliance date, it has obtained sufficient emission allowances equal to the amount of carbon dioxide emissions with respect to flights to and from EU member states in the preceding calendar year. Such allowances are to be surrendered on an annual basis to the relevant government with an initial compliance date of April 30, 2013 for emissions subject to the EU ETS in 2012. For 2012, the Company estimates it will receive from the United Kingdom allowances equal to approximately 80% of the Company s carbon emissions relative to the 2010 base year, leaving a remaining amount that will need to be purchased by the Company. The amount of such allowances provided by the United Kingdom is expected to decrease in future years, potentially leaving a greater amount of allowances that may be required to be purchased. Additionally, any increase in the amount of such carbon emissions would require the purchase of additional carbon allowances by the Company.

The International Civil Aviation Organization (ICAO) is in the process of developing a regulatory program for international aviation greenhouse gas emissions, with the intent to reach international agreement that the ICAO program would replace regional schemes such as the EU ETS. Without an international agreement, there could be other regulatory actions taken in the future by the U.S. government, state governments within the U.S., or foreign governments, to regulate the emission of greenhouse gases by the aviation industry, which could result in multiple schemes applying to the same emissions. The precise nature of any such 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, including the potential for increased fuel costs, carbon taxes or fees, or a requirement to purchase carbon credits.

The Company is taking various actions to reduce its carbon emissions through fleet renewal, aircraft retrofits, and actions that are establishing the foundation for the commercialization of aviation biofuels.

Other Environmental Matters. Some U.S. and foreign airports have established airport restrictions to limit noise, including restrictions on aircraft types to be used and limits on the number and scheduling of hourly or daily operations. In some instances, these restrictions have caused curtailments in services or increased operating costs, and could limit our ability to expand our operations at the affected airports.

The airline industry is also subject to other environmental laws and regulations that require the Company to remediate soil or groundwater to meet certain objectives and which may require significant expenditures. Under the federal Comprehensive Environmental Response, Compensation and Liability Act, commonly known as Superfund, and similar environmental cleanup laws, generators of waste materials and owners or operators of facilities can be subject to liability for investigation and remediation costs at locations that have been identified as requiring response actions. The Company also conducts voluntary environmental assessment and remediation actions. Environmental cleanup obligations can arise from, among other circumstances, the operation of aircraft fueling facilities and primarily involve airport sites. Future costs associated with these activities are currently not expected to have a material adverse effect on the Company s business.

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Employees

As of December 31, 2011, UAL, including its subsidiaries, had approximately 87,000 active employees. As of December 31, 2011, United had approximately 47,000 active employees and Continental had approximately 40,000 active employees. Approximately 72% of the combined Company s employees were represented by various U.S. labor organizations as of December 31, 2011.

Collective bargaining agreements between the Company and its represented employee groups are negotiated under the RLA, which governs labor relations in the air transportation industry. 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 process for integrating the represented employee groups of United and Continental is governed by a combination of the RLA, the McCaskill-Bond Amendment, and where applicable, the existing provisions of United s and Continental s collective bargaining agreements and union policies. Under the RLA, the National Mediation Board (NMB) has exclusive authority to resolve union representation disputes arising out of airline mergers. Under the McCaskill-Bond Amendment, fair and equitable integration of seniority lists is required, including arbitration where the interested parties cannot reach a consensual agreement, consistent with the process set forth in the Allegheny-Mohawk Labor Protective Provisions or internal union Merger policies, if applicable. Pending operational integration, the Company will apply the terms of the existing collective bargaining agreements unless other terms have been negotiated.

The following table reflects the Company s represented employee groups, number of employees per represented group, union for each of United s and Continental s employee groups where applicable, amendable date for each employee group s collective bargaining agreement and whether the group is engaged in negotiations for a joint collective bargaining agreement:

Employee Group	Subsidiary	Number of Employees	Union	Contract Open for Amendment	Common Union Representation Determined	Joint Negotiations in Progress
Dispatchers						X
	Continental	130	Transport Workers Union	December 2013		
	United	191	Professional Airline Flight Control Association	January 2010		
	Total	321				
Engineers			Elected No Representation 11/29/2011	N/A		
	Continental	160				
	United	200				
	Total	360				
Fleet Service			Int l Association of Machinists and Aerospace Workers		X	X
	Continental	6,773		December 2012		
	Continental Micronesia	165		November 2011		
	United	6,167		January 2010		
	Total	13,105				
Flight Attendants			Association of Flight Attendants		X	
	Continental	8,506		September 2012		
	Continental Micronesia	258		December 2010		
	United	12,645		January 2010		
	Total	21,409				
Flight Simulator Technicians						

Continental	41	Transport Workers Union	December 2012
United	56	Int l Brotherhood of Teamsters	July 2013
Total	97		

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Maintenance Instructors			Int l Association of Machinists and Aerospace Workers		X	
Fleet Tech Instructors						
Security Officers						
Food Service Employees						
	Continental	23		N/A		
	United	212		January 2010		
	Total	235				
Passenger Service					*Election in Progress (ends March 7, 2012)*	
	Continental	7,179	Unrepresented			
	Continental Micronesia	237	Int l Association of Machinists and Aerospace Workers	November 2011		
	United	7,768	Int l Association of Machinists and Aerospace Workers	January 2010		
	Total	15,184				
Pilots			Air Line Pilots Association		X	X
	Continental	4,386		December 2008		
	United	5,543		January 2010		
	Total	9,929				
Stock Clerks			Int l Association of Machinists and Aerospace Workers		X	
	Continental	224		N/A		
	United	639		January 2010		
	Total	863				
Technicians and Related			Int l Brotherhood of Teamsters		X	
	Continental	3,626		December 2012		
	Continental Micronesia	113		December 2009		
	United	4,777		July 2013		
	Total	8,516				

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 could have an adverse financial impact on the Company.

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.

The Merger may present certain material risks to the Company s business and operations.

The Merger, described in Item 1, Business, may present certain risks to the Company s business and operations including, among other things, risks that:

- we may be unable to successfully integrate the businesses and workforces of United and Continental;
- conditions, terms, obligations or restrictions relating to the Merger that may be imposed on us by regulatory authorities may adversely affect the Company s business and operations;
- we may be unable to successfully manage the expanded business with respect to monitoring new operations and associated increased costs and complexity;
- we may be unable to avoid potential liabilities and unforeseen increased expenses or delays associated with the Merger and integration;

- we may be unable to successfully manage the complex integration of systems, technology, aircraft fleets, networks and other assets of United and Continental in a manner that minimizes any adverse impact on customers, vendors, suppliers, employees and other constituencies;

- branding or rebranding initiatives may involve substantial costs and may not be favorably received by customers; and

- we may experience disruption of, or inconsistencies in, each of United s and Continental s standards, controls, procedures, policies and services.

Accordingly, there can be no assurance that the Merger will result in the realization of the full benefits of synergies, innovation and operational efficiencies that we currently expect, that these benefits will be achieved within the anticipated timeframe or that we will be able to fully and accurately measure any such synergies.

Continued periods of historically high fuel costs or significant disruptions in the supply of aircraft fuel could have a material adverse impact on the Company s operating results, financial position and liquidity.

Aircraft fuel has been the Company s single largest operating expense for the last several years. The availability and price of aircraft fuel significantly affects the Company s operations, results of operations, financial position and liquidity. While the Company arranges to have fuel shipped on major pipelines and stored close to its major hub locations to ensure supply continuity in the short term, the Company cannot predict the continued future availability of aircraft fuel.

At times, due to the highly competitive nature of the airline industry, the Company has not been able to increase its fares or other fees sufficiently to offset increased fuel costs. Continued volatility in fuel prices may negatively impact the Company s liquidity in the future. The Company may not be able to increase its fares or other fees if fuel prices rise in the future and any such fare or fee increases may not be sustainable in the highly competitive airline industry. In addition, any increases in fares or other fees may not sufficiently offset the fuel price increase and may reduce the demand for air travel.

The Company enters into hedging arrangements to protect against rising fuel costs. However, the Company s hedging programs may use significant amounts of cash due to posting of cash collateral in some circumstances, may not be successful in controlling fuel costs and may be limited due to market conditions and other factors. In addition, significant declines in fuel prices may increase the costs associated with the Company s fuel hedging arrangements to the extent it has entered into swaps or collars. Swaps and sold put options (as part of a collar) may obligate us to make payments to the counterparty upon settlement of the contracts if the price of the commodity hedged falls below the agreed upon amount. Declining crude and related prices may result in the Company posting significant amounts of collateral to cover potential amounts owed (beyond certain credit-based thresholds) with respect to swap and collar contracts that have not yet settled. Also, lower fuel prices may result in increased industry capacity and lower fares, especially to the extent that reduced fuel costs justify increased utilization by airlines of less fuel efficient aircraft.

There can be no assurance that the Company s hedging arrangements will provide any particular level of protection against increases or declines in fuel costs 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.

See Note 13 to the financial statements included in Item 8 of this report for additional information on the Company s hedging programs.

Economic and industry conditions constantly change and unfavorable global economic 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. Robust demand for our 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 the global recession in 2008 and 2009, the Company s business and results of operations were 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. In addition to its effect on demand for the Company s services, the recession severely disrupted the global capital markets, resulting in a diminished availability of financing and a higher cost for financing that was obtainable.

While some economic indicators that may reflect an economic recovery have exhibited growth, other economic indicators, such as unemployment, may not improve materially for an extended period of time. Stagnant or worsening global economic conditions either in the United States or in other geographic regions and continued 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.

The Company is subject to economic and political instability and other risks of doing business globally.

The Company is a global business with operations outside of the United States from which it derives approximately one-third of its operating revenues, as measured and reported to the DOT. The Company s operations in Asia, Europe, Latin America, Africa and the Middle East 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. In addition, significant or volatile changes in exchange rates between the U.S. dollar and other currencies, and the imposition of exchange controls or other currency restrictions, may have a material adverse impact upon the Company s liquidity, revenues, costs and operating results.

The Company may not be able to maintain adequate liquidity.

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 non-cancelable commitments for capital expenditures, including 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 impacted 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 s failure to comply with certain financial covenants under its financing and credit card processing agreements, timely pay its debts, or comply with other material provisions of its contractual obligations could result in a variety of adverse consequences, including the acceleration of the Company s indebtedness, increase of required reserves under credit card processing agreements, the withholding of credit card sale proceeds by its credit card service providers and the exercise of other remedies by its creditors and equipment lessors that could result in material adverse effects on the Company s financial position and results of operations. Furthermore,

constrained liquidity may limit the Company s ability to withstand competitive pressures and limit its flexibility in responding to changing business and economic conditions, including increased competition and demand for new services, placing the Company at a disadvantage when compared to its competitors that have less debt, and making the Company more vulnerable than its competitors who have less debt to a downturn in the business, industry or 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 to raise additional capital to meet its liquidity needs on acceptable terms, or at all.

See Item 7, *Management s Discussion and Analysis of Financial Condition and Results of Operations,* for further information regarding the Company s liquidity.

Certain of the Company s financing agreements have covenants that impose operating and financial restrictions on the Company and its subsidiaries.

Certain of the Company s credit facilities and indentures governing its secured notes impose certain operating and financial covenants on the Company, on United and its material subsidiaries, or on Continental and its subsidiaries. Such covenants require the Company, United or Continental, as applicable, to maintain, depending on the particular agreement, minimum fixed charge coverage ratios, minimum liquidity and/or minimum collateral coverage ratios. A decline in the value of collateral could result in a situation where the Company, United or Continental, as applicable, may not be able to maintain the required collateral coverage ratio. In addition, the credit facilities and indentures contain other negative covenants customary for such financings.

The Company s ability to comply with these covenants may be affected by events beyond its control, including the overall industry revenue environment and the level of fuel costs, and the Company may be required to seek waivers or amendments of covenants, repay all or a portion of the debt or find alternative sources of financing. The Company cannot provide assurance that such waivers, amendments or alternative financing could be obtained or, if obtained, would be on terms acceptable to the Company. If the Company fails to comply with these covenants and is unable to obtain a waiver or amendment, an event of default would result which would allow the lenders, among other things, to declare outstanding amounts due and payable. The Company cannot provide assurance that it would have sufficient liquidity to repay or refinance such amounts if they were to become due. In addition, an event of default or declaration of acceleration under any of the credit facilities or indentures could also result in an event of default under certain of the Company s other financing agreements due to cross-default and cross-acceleration provisions.

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. The Company cannot provide any assurance that current laws and regulations, or laws or regulations enacted in the future, will not adversely affect its financial condition or results of operations.

Each of United and Continental 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 DOT is also responsible for promulgating consumer protection and other regulations that may impose significant compliance costs on the Company. The FAA regulates the safety of United s and Continental s operations. United and Continental operate pursuant to a single air carrier operating certificate issued by the FAA. 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, security measures, 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 existing travel 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 our 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.

The airline industry is subject to extensive federal, state and local taxes and fees that increase the cost of the Company s operations. In addition to taxes and fees that the Company is currently subject to, proposed taxes and fees are currently pending and if imposed, would increase the Company s operating expenses.

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 increasingly 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 its facilities, which could have an adverse effect on the Company s business. In addition, in 2008, the FAA planned to withdraw and auction a certain number of slots held by airlines at the three primary New York area airports, which the airlines challenged and the FAA terminated in 2009. If the FAA were to plan another auction that survived legal challenge by the airlines, the Company could incur substantial costs to obtain such slots. Further, the Company s operating costs at airports at which it operates, 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. In some circumstances, 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 U.S. carriers to operate international routes is subject to change because the applicable arrangements between the United States and foreign governments may be amended from time to time, or because appropriate slots or facilities may not be made available. The Company currently operates on a number of international routes under government arrangements that limit the number of carriers permitted to operate on the route, the capacity of the carriers providing services on the route, or the number of carriers allowed access to particular airports. If an open skies policy were to be adopted for any of these routes, such an event 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 continued 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 Emissions Trading Scheme (subject to international dispute), the State of California s cap and trade regulations, environmental taxes for certain international flights, limited greenhouse gas 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 greenhouse gases 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.

See Item 1, Business Industry Regulation*,* above, for further information on government regulation impacting the Company.

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, telecommunication systems and commercial websites, including www.united.com and www.continental.com. United s and Continental s websites and other automated systems must be able to accommodate a high volume of traffic and deliver important flight and schedule information, as well as process critical financial transactions. These systems could suffer substantial or repeated disruptions due to events 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 website, reservations systems or telecommunication systems failures or disruptions, including failures or disruptions related to the Company s integration of technology systems, could reduce the attractiveness of the Company s services versus 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, and result in increased costs, lost revenue and the loss or compromise of important data.

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, 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 or 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 carriers 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 adequately perform their service obligations, or other interruptions of services, may reduce the Company s revenues and increase its expenses or prevent the Company from operating its flights and providing other services to its customers. In addition, the Company s business and financial performance could be materially harmed if its customers believe that its services are unreliable or unsatisfactory.

UAL s obligations for funding Continental s defined benefit pension plans are affected by factors beyond UAL s control.

Continental has defined benefit pension plans covering substantially all of its U.S. employees, other than the employees of its Chelsea Food Services division and Continental Micronesia, Inc. The timing and amount of UAL s funding requirements under Continental s plans depend upon a number of factors, including labor negotiations with the applicable employee groups and changes to pension plan benefits as well as factors outside of UAL s control, such as the number of applicable retiring employees, asset returns, interest rates and changes in pension laws. Changes to these and other factors that can significantly increase UAL s funding requirements, such as its liquidity requirements, could have a material adverse effect on UAL s financial condition.

Union disputes, employee strikes or slowdowns, and other labor-related disruptions, as well as the integration of the United and Continental workforces in connection with the Merger, present the potential for a delay in achieving expected Merger synergies, or increased labor costs that could adversely affect the Company s operations and impair its financial performance.

United and Continental are both highly unionized companies. As of December 31, 2011, the Company and its subsidiaries had approximately 87,000 active employees, of whom approximately 72% were represented by various U.S. labor organizations.

The successful integration of United and Continental and achievement of the anticipated benefits of the combined company depend in part on integrating United and Continental employee groups and maintaining productive employee relations. In order to fully integrate the 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 of United and Continental is governed by a combination of the RLA, the McCaskill-Bond Amendment, and where applicable, the existing provisions of each company s collective bargaining agreements and union policy. A delay in or failure to integrate the United and Continental employee groups presents the potential for delays in achieving expected Merger synergies, increased labor costs and labor disputes that could adversely affect our operations.

The Company can provide no assurance that a successful or timely resolution of labor negotiations for all amendable collective bargaining agreements 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 Merger. Employee dissatisfaction with the results of the seniority integration may lead to litigation that in some cases can delay implementation of the integrated seniority list. There is also a possibility that employees or unions could engage in job actions such as slow-downs, work-to-rule campaigns, sick-outs or other actions designed to disrupt United s and Continental s normal operations, in an attempt to pressure the companies in collective bargaining negotiations. Although the RLA makes such actions unlawful until the parties have been lawfully released to self-help, and United and Continental can seek injunctive relief against premature self-help, such actions can cause significant harm even if ultimately enjoined.

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. In recent years, the market share held by low-cost carriers has increased significantly and is expected to continue to increase. The increased market

presence of low-cost carriers, which engage in substantial price discounting, has diminished the ability of large network carriers to achieve sustained profitability in domestic markets.

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 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 and certain of its competitors have implemented significant capacity reductions in recent years in response to the global recession. Further, certain of the Company s competitors may not reduce capacity or may increase capacity, thereby diminishing the expected benefit to the Company from capacity reductions. 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.

The airline industry may undergo further bankruptcy restructuring, industry consolidation, or the creation or modification of alliances or joint ventures, any of which could have a material adverse effect on the Company.

The Company faces and may to continue to face strong competition from other carriers due to bankruptcy restructuring, industry consolidation, and the creation and modification of alliances and joint ventures. A number of carriers have filed for bankruptcy protection in recent years and other domestic and international carriers could restructure in bankruptcy or threaten to do so in the future to reduce their costs. Most recently, AMR Corporation, the parent company of American Airlines, filed for Chapter 11 bankruptcy protection in November 2011. Carriers operating under bankruptcy protection can operate in a manner that could be adverse to the Company and could emerge from bankruptcy as more vigorous competitors.

Both the U.S. and international airline industries have experienced consolidation through a number of mergers and acquisitions. The Company is also facing stronger competition from expanded airline alliances and joint ventures. Carriers entering into and participating in airline alliances, slot swaps and/or joint ventures may also become strong competitors as they are able 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 EU and between the United States and Japan, may also give rise to additional consolidation or better integration opportunities among international carriers.

There is ongoing speculation that further airline industry consolidations or reorganizations could occur in the future. The Company routinely engages in analysis and discussions regarding its own strategic position, including 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.

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

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. The Company has obtained third-party war risk (terrorism) insurance through a special program administered by the FAA. Should the government discontinue this coverage, obtaining comparable coverage from commercial underwriters could result in substantially higher premiums and more restrictive terms, if such coverage is available at all. If the Company is unable to obtain adequate third-party war risk (terrorism) insurance, its business could be materially and adversely affected.

If any of the Company s aircraft were to be involved in an accident or if the Company s property or operations were to be affected by a significant natural catastrophe or other event, the Company could be exposed to

significant liability or loss. If the Company is unable to obtain sufficient insurance (including aviation hull and liability insurance 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.

The Company could experience adverse publicity, harm to its brand, reduced travel demand and potential tort liability as a result of an accident or other catastrophe 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 or catastrophe 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 created a public perception that the Company s operations, or the operations of its codeshare partners or regional carriers, are less safe or reliable than other airlines. Such public perception could in turn 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 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, 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 which may result in a material adverse effect on the Company s results of operations or financial position.

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, air traffic control congestion, geological events, natural disasters, changes in the competitive environment due to industry consolidation and other factors and general economic conditions. 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.

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 each of United s and Continental 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

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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.

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 that affects travel demand or travel behavior, such as Severe Acute Respiratory Syndrome, avian flu or H1N1 virus, or other illness, or travel restrictions or reduction in the demand for air travel caused by similar public health threats in the future, could have a material adverse impact on the Company s business, financial condition and results of operations.

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.

During the years ended December 31, 2010 and 2009, the Company performed impairment tests of certain intangible assets and certain long-lived assets (principally aircraft, related spare engines and spare parts). The interim impairment tests were due to events and changes in circumstances that indicated an impairment might have occurred. Certain of the factors deemed by management to have indicated that impairments may have occurred include a significant decrease in actual and forecasted revenues, record high fuel prices, significant losses, a weak U.S. economy, and changes in the planned use of assets. As a result of the impairment testing, the Company recorded significant impairment charges as described in Note 21 to the financial statements included in Item 8 of this report. The Company may be required to recognize additional 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 our 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, 2011, UAL reported consolidated federal net operating loss (NOL) carryforwards of approximately $10.0 billion.

The Company s ability to use its NOL carryforwards may be limited if it experiences an ownership change as defined in Section 382 of the Internal Revenue Code of 1986, as amended (Section 382). 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 the Company s convertible debt, repurchase of such debt with UAL common stock, 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 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, 2014, or until such later date as may be approved by the UAL Board of Directors (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 Company s website.

Certain provisions of UAL s Governance Documents could discourage or delay changes of control or changes to the Board of Directors.

Certain provisions of UAL s amended and restated certificate of incorporation and amended and restated bylaws (together, the Governance Documents) may make it difficult for stockholders to change the composition of the Board of Directors and may discourage takeover attempts that some of its stockholders may consider beneficial.

Certain provisions of the Governance Documents may have the effect of delaying or preventing changes in control if the Board of Directors determines that such changes in control are not in the best interests of UAL and its stockholders. These provisions of the Governance Documents are not intended to prevent a takeover, but are intended to protect and maximize the value of UAL s stockholders interests. While these provisions have the effect of encouraging persons seeking to acquire control of UAL to negotiate with the Board of Directors, they

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could enable the Board of Directors to prevent a transaction that some, or a majority, of its stockholders might believe to be in their best interests or, they could prevent or discourage attempts to remove and replace incumbent directors.

The issuance of additional shares of UAL s capital stock, including the issuance of common stock upon conversion of convertible notes and upon a noteholder s exercise of its option to require UAL to repurchase convertible notes, could cause dilution to the interests of its existing stockholders.

UAL s amended and restated certificate of incorporation authorizes up to one billion shares of common stock. In certain circumstances, UAL can issue shares of common stock without stockholder approval. In addition, the Board of Directors is authorized to issue up to 250 million shares of preferred stock, without par value, without any action on the part of UAL s stockholders. The Board of Directors also has the power, without stockholder approval, to set the terms of any series of shares of preferred stock that may be issued, including voting rights, conversion rights, dividend rights, preferences over UAL s common stock with respect to dividends or if UAL liquidates, dissolves or winds up its business and other terms. If UAL issues preferred stock in the future that has a preference over its common stock with respect to the payment of dividends or upon its liquidation, dissolution or winding up, or if UAL issues preferred stock with voting rights that dilute the voting power of its common stock, the rights of holders of its common stock or the market price of its common stock could be adversely affected.

The Company is also authorized to issue, without stockholder approval, other securities convertible into either preferred stock or, in certain circumstances, common stock. As of December 31, 2011, UAL had $1 billion of convertible debt outstanding. Holders of these securities may convert them into shares of UAL common stock according to their terms. In addition, certain of UAL s notes include noteholder early redemption options. If a noteholder exercises such option, UAL may elect to pay the repurchase price in cash, shares of its common stock or a combination thereof. See Note 14 to the financial statements included in Item 8 of this report for additional information related to these convertible notes. The number of shares issued could be significant and such an issuance could cause significant dilution to the interests of its existing stockholders. In addition, if UAL elects to pay the repurchase price in cash, its liquidity could be adversely affected.

In the future, UAL may decide to raise additional capital through offerings of UAL common stock, securities convertible into UAL common stock, or exercise rights to acquire these securities or its common stock. The issuance of additional shares of common stock, including upon the conversion or repurchase of convertible debt, could result in significant dilution of existing stockholders equity interests in UAL. Issuances of substantial amounts of its common stock, or the perception that such issuances could occur, may adversely affect prevailing market prices for UAL s common stock and UAL cannot predict the effect this dilution may have on the price of its common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

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ITEM 2. PROPERTIES

Flight Equipment

Including aircraft operating by regional carriers on their behalf, Continental and United operated 611 and 645 aircraft, respectively, as of December 31, 2011. UAL s combined fleet as of December 31, 2011 is presented in the table below:

Aircraft Type	Total	Owned	Leased	Seats in Standard Configuration	Average Age (In Years)
Mainline:					
747-400	23	15	8	374	16.1
777-200	19	18	1	258-348	14.6
777-200ER	55	38	17	253-276	11.8
767-300	14	13	1	244	12.3
767-400ER	16	14	2	235-256	10.3
757-300	21	9	12	213-216	6.6
767-300ER	21	6	15	183	19.4
757-200	134	38	96	110-182	18.2
767-200ER	8	8		174	10.9
737-900ER	33	33		167-173	3.0
737-900	12	8	4	167-173	10.3
737-800	130	57	73	152-160	9.0
A320-200	97	51	46	138-144	13.6
737-700	36	12	24	118-124	13.0
A319-100	55	41	14	120	12.0
737-500	27		27	108-114	16.6
Total mainline	701	361	340		12.4

Aircraft Type	Total	Owned	Leased	Capacity Purchase	Seats in Standard Configuration
Regional:					
Q400	30			30	71-74
E-170	38			38	70
CRJ700	115			115	66
Q300	5			5	50
CRJ200	79		29	50	50
ERJ-145 (XR/LR/ER)	263	16	226	21	50
Q200	16			16	37
EMB 120	9		9		30
Total regional	555	16	264	275	
Total	1,256	377	604	275	

Mainline aircraft is comprised of 355 aircraft at United and 346 at Continental. Regional aircraft is comprised of 290 aircraft at United and 265 at Continental. In addition to the aircraft operating in scheduled service presented in the tables above, United and Continental own or lease the following parked or subleased aircraft listed below as of December 31, 2011:

Five owned Boeing 747-400s, including one to be inducted into charter service;

One leased Boeing 767-200, which is being subleased to another airline;

- Three Airbus A330s which are subleased to another airline;
- Two leased 757-200s, which have been returned to the lessor;
- 16 Boeing 737-300s, of which four are owned and 12 are leased;
- 18 owned Boeing 737-500s; and
- 30 leased ERJ-135s, five of which are subleased to another airline.

Firm Order and Option Aircraft.

As of December 31, 2011, United and Continental had firm commitments and options to purchase the following aircraft:

United Aircraft Commitments. As of December 31, 2011, United had firm commitments to purchase 50 new aircraft (25 Boeing 787 aircraft and 25 Airbus A350XWB aircraft) scheduled for delivery from 2016 through 2019. United also has options to purchase 42 Airbus A319 and A320 aircraft, and purchase rights for 50 Boeing 787 aircraft and 50 Airbus A350XWB aircraft.

United has secured considerable backstop financing commitments from its aircraft and engine manufacturers, subject to certain customary conditions. However, United can provide no assurance that backstop financing, or any other financing not already in place, for aircraft and engine deliveries will be available to United on acceptable terms when necessary or at all.

Continental Aircraft Commitments. As of December 31, 2011, Continental had firm commitments to purchase 82 new aircraft (57 Boeing 737 aircraft and 25 Boeing 787 aircraft) scheduled for delivery from 2012 through 2016. Continental expects to place into service 19 Boeing 737 aircraft, of which two have been delivered prior to the filing of this report, and five Boeing 787 aircraft in 2012. Continental also has options to purchase 89 additional Boeing 737 and 787 aircraft.

Continental does not have backstop financing or any other financing currently in place for the Boeing aircraft on order. Financing will be necessary to satisfy Continental s capital commitments for its firm order aircraft and other related capital expenditures. Continental can provide no assurance that backstop financing, or any other financing not already in place, for aircraft and engine deliveries will be available to Continental on acceptable terms when necessary or at all.

The Company is currently in discussions with Boeing over potential compensation related to delays in the 787 aircraft deliveries. The Company is not able to estimate the ultimate success, amount of, nature or timing of any potential recoveries from Boeing over such delays.

See Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations, and Note 17 in Item 8 of this report for information related to future capital commitments to purchase these aircraft.

Facilities

United s and Continental s principal facilities relate to leases of airport facilities, gates, hangar sites, terminal buildings and other facilities in most of the municipalities they serve with their most significant leases at airport hub locations. United has major terminal facility leases at SFO, Washington Dulles, Chicago O Hare, LAX and Denver with expiration dates ranging from 2012 to 2025. Continental has major facility leases at Newark Liberty, Houston Bush, Cleveland Hopkins and Guam with expiration dates ranging from 2012 through 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 and Continental also maintain 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

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has multiple leases, which expire from 2022 through 2026 and include approximately 910,000 square feet of office space for its corporate headquarters and operations center in downtown Chicago. Continental also leases approximately 511,000 square feet of office and related space for certain administrative offices and an operations center in downtown Houston.

ITEM 3. LEGAL PROCEEDINGS.

Brazil Air Cargo Investigation

On July 31, 2008, state prosecutors in Sao Paulo, Brazil, commenced criminal proceedings against eight individuals, including United s cargo manager, for allegedly participating in cartel activity. Separately, Brazilian antitrust authorities initiated an administrative proceeding in order to verify the existence of a cartel among certain airlines for the determination and implementation of a fuel surcharge, including United and its cargo manager. On January 4, 2010, the Economic Law Secretariat of Brazil issued its opinion recommending that civil penalties be assessed against all parties being investigated, including United, to the Administrative Counsel of Economic Defense (CADE), which is charged with making a determination on the matter. On August 30, 2011, the Brazil Federal Public Prosecutor issued an opinion to CADE recommending the dismissal of the proceedings against United and its cargo manager, which is currently under consideration by CADE. United continues to vigorously defend itself before CADE.

United is currently cooperating with this investigation and continues to analyze whether any potential liability may result. Based on its evaluation of all information currently available, United has determined that no reserve for potential liability is required and will continue to defend itself against all allegations that it was aware of or participated in cartel activities. However, penalties for violation of competition laws can be substantial and an ultimate finding that United engaged in improper activity could have a material adverse impact on the Company s consolidated financial position and results of operations.

United Injunction Against ALPA and Four Individual Defendants for Unlawful Slowdown Activity under the Railway Labor Act

On July 30, 2008, United filed a lawsuit in the United States Federal Court for the Northern District of Illinois seeking a preliminary injunction against ALPA and four individual pilot employees for unlawful concerted activity that was disrupting the Company s operations. The court granted the preliminary injunction to United in November 2008, which was upheld by the U.S. Court of Appeals for the Seventh Circuit. ALPA and United reached an agreement to discontinue the ongoing litigation over United s motion for a permanent injunction and, instead, the preliminary injunction will remain in effect until the conclusion of the ongoing bargaining process for an amended collective bargaining agreement that began on April 9, 2009. By reaching this agreement, the parties are able to focus their efforts on the negotiations for the collective bargaining agreement. Nothing in this agreement precludes either party from reopening the permanent injunction litigation upon 30 days notice or from seeking enforcement of the preliminary injunction itself.

EEOC Claim Under the Americans with Disabilities Act

On June 5, 2009, the U.S. Equal Employment Opportunity Commission (EEOC) filed a lawsuit on behalf of five named individuals and other similarly situated employees alleging that United s reasonable accommodation policy for employees with medical restrictions does not comply with the requirements of the Americans with Disabilities Act. The EEOC maintains that qualified disabled employees should be placed into available open positions for which they are minimally qualified, even if there are better qualified candidates for these positions. Under United s accommodation policy, employees who are medically restricted and who cannot be accommodated in their current position are given the opportunity to apply and compete for available positions. If the medically restricted employee is similarly qualified to others who are competing for an open position, under United s policy, the medically restricted employee will be given a preference for the position. If, however, there are candidates that have superior qualifications competing for an open position, then no preference will be

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given. United successfully transferred the venue of the case to the United States Federal Court for the Northern District of Illinois. On November 22, 2010, United filed a motion to dismiss the matter which the Court granted on February 3, 2011. On April 1, 2011, the EEOC appealed the dismissal to the Seventh Circuit Court of Appeals. The court heard oral arguments on October 20, 2011 and the parties are awaiting a decision on the appeal.

Litigation Associated with September 11, 2001 Terrorism

Families of 94 victims of the September 11, 2001, terrorist attacks filed lawsuits asserting a variety of claims against the airline industry. United and American Airlines (the aviation defendants), as the two carriers whose flights were hijacked on September 11, 2001, are the central focus of the litigation, but a variety of additional parties, including Continental, have been sued on a number of legal theories ranging from collective responsibility for airport screening and security systems that allegedly failed to prevent the attacks to faulty design and construction of the World Trade Center towers. World Trade Center Properties, Inc., as lessee, also filed claims against the aviation defendants and The Port Authority of New York and New Jersey (the Port Authority), the owner of the World Trade Center, for property and business interruption damages. The Port Authority has also filed cross-claims against the aviation defendants in both the wrongful death litigation and for property damage sustained in the attacks. The insurers of various tenants at the World Trade Center filed subrogation claims for damages as well. By statute, these matters were consolidated in the U.S. District Court for the Southern District of New York and the aviation defendants exposure was capped at the limit of the liability coverage maintained by each carrier at the time of the attacks. In September 2011, United settled the last remaining wrongful death claim in connection with this matter. In 2010, insurers for the aviation defendants reached a settlement with all of the subrogated insurers and most of the uninsured plaintiffs with property and business interruption claims, which was approved by the court and has been affirmed by the U.S. Court of Appeals for the Second Circuit. The U.S. District Court for the Southern District of New York dismissed a claim for environmental cleanup damages filed by a neighboring property owner, Cedar & Washington Associates, LLC. This dismissal order has been appealed to the U.S. Court of Appeals for the Second Circuit. In the aggregate, claims related to the events of September 11, 2001 are estimated to be well in excess of $10 billion. The Company anticipates that any liability it could ultimately face arising from the events of September 11, 2001 could be significant, but the Company believes that it will have no financial exposure for claims arising out of the events of September 11, 2001 in light of the provisions of the Air Transportation Safety and System Stabilization Act of 2001 limiting claimants recoveries to insurance proceeds, the resolution of the wrongful death and personal injury cases by settlement, the resolution of the majority of the property damage claims and the withdrawal of all related proofs of claim from UAL Corporation s Chapter 11 bankruptcy proceeding.

Antitrust Litigation Related to the Merger Transaction

On June 29, 2010, forty-nine purported purchasers of airline tickets filed an antitrust lawsuit in the U.S. District Court for the Northern District of California against Continental and UAL Corporation in connection with the Merger. The plaintiffs alleged that the Merger may substantially lessen competition or tend to create a monopoly in the transportation of airline passengers in the United States and the transportation of airline passengers to and from the United States on international flights, in violation of Section 7 of the Clayton Act. On August 9, 2010, the plaintiffs filed a motion for preliminary injunction pursuant to Section 16 of the Clayton Act, seeking to enjoin the Merger. On September 27, 2010, the court denied the plaintiffs motion for a preliminary injunction, which allowed the Merger to close. After the closing of the Merger, the plaintiffs appealed the court s ruling to the United States Court of Appeals for the Ninth Circuit and moved for a hold separate order pending the appeal, which was denied. The Ninth Circuit affirmed the District Court s denial of the preliminary injunction on May 23, 2011 and, on July 8, 2011, denied the plaintiffs motions for rehearing and for rehearing en banc. The U.S. Supreme Court thereafter denied certiorari. On October 24, 2011, the District Court allowed the plaintiffs to amend their complaint in order to, among other things, add a claim for damages. Continental and United filed a motion to dismiss the complaint with prejudice which the District Court granted on December 29, 2011. The plaintiffs are appealing that dismissal.

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Environmental 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. Additionally, Continental could be responsible for environmental remediation costs primarily related to solvent contamination on and near this site.

In 2009, the EU issued a directive to member states to include aviation in its greenhouse gas ETS, which required the Company to begin monitoring emissions of carbon dioxide effective January 1, 2010. On December 17, 2009, the Air Transportation Association, joined by United, Continental and American Airlines, filed a lawsuit in the United Kingdom s High Court of Justice challenging regulations that transpose into UK law the EU ETS as applied to U.S. carriers as violating international law due to the extra-territorial reach of the scheme and as an improper tax. In June 2010, the case was referred to the Court of Justice of the European Union (Case C-366/10) and, on December 21, 2011, the CJEU issued an opinion that upheld the EU ETS. More than forty non-EU countries have gone on record opposing the scheme and based upon this significant international dispute, it is unclear whether or not the inclusion of aviation in the EU ETS will be sustained. If the scheme continues, it will increase the cost of carriers operating in the EU (by requiring the purchase of carbon allowances). As of January 1, 2012, the ETS required the Company to ensure that by each compliance date, it has obtained sufficient emission allowances equal to the amount of carbon dioxide emissions with respect to flights to and from EU member states in the preceding calendar year. Such allowances are to be surrendered on an annual basis to the relevant government with an initial compliance date of April 30, 2013 for emissions subject to the EU ETS in 2012.

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 contingencies will not materially affect its consolidated financial position or results of operations.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

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

UAL s common stock was listed on the New York Stock Exchange (NYSE) beginning on October 1, 2010 under the symbol UAL. Prior to October 1, 2010, UAL common stock was listed on the NASDAQ Global Select Market (NASDAQ) under the symbol UAUA. 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 NASDAQ through the third quarter of 2010 and as reported by the NYSE thereafter:

	UAL			
	2011		2010	
	High	Low	High	Low
1st quarter	$ 27.72	$ 21.65	$ 20.59	$ 12.13
2nd quarter	26.84	19.32	24.59	16.39
3rd quarter	23.28	15.92	25.00	18.42
4th quarter	21.45	15.51	29.75	23.10

Based on reports by the Company s transfer agent for UAL common stock, there were approximately 30,337 record holders of UAL common stock as of February 16, 2012. There is no trading market for the common stock of United or Continental.

UAL, United and Continental did not pay any dividends in 2011 or 2010. Under the provisions of the Amended and Restated Revolving Credit, Term Loan and Guaranty Agreement, dated as of February 2, 2007 (the Amended Credit Facility) and the terms of certain of the Company s other debt agreements, UAL s ability to pay dividends on or repurchase UAL s common stock is restricted. However, UAL may undertake $243 million in stockholder dividends or other distributions without any additional prepayment of the Amended Credit Facility, provided that all covenants within the Amended Credit Facility are met. The Amended Credit Facility provides that UAL and United can carry out further stockholder dividends or other distributions in an amount equal to future term loan prepayments, provided the covenants are met. In addition, under the provisions of the indentures governing United s 9.875% Senior Secured Notes due 2013 (the United Senior Secured Notes) and 12.0% Senior Second Lien Notes due 2013 (the United Senior Second Lien Notes) (collectively the United Senior Notes) and together with the indenture governing Continental s 6.75% Senior Secured Notes due 2015 (the 6.75% Notes) (collectively the Senior Notes), the ability of United and Continental to pay dividends is restricted. Any future determination regarding dividend or distribution payments will be at the discretion of the Board of Directors, subject to applicable limitations under Delaware law. We do not anticipate paying any dividends on our common stock for the foreseeable future.

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The following graph shows the cumulative total shareholder return for UAL s common stock during the period from December 31, 2006 to December 31, 2011. 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 13 investor-owned airlines. The comparison assumes $100 was invested on December 31, 2006 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 Company did not repurchase any UAL common stock during the fourth quarter of 2011. UAL does not have an active share repurchase program.

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ITEM 6. SELECTED FINANCIAL DATA.

UAL s consolidated financial statements and statistical data provided in the tables below include the results of Continental Successor for the periods from October 1, 2010 to December 31, 2011.

UAL Statement of Consolidated Operations Data

	Year Ended December 31,				
(In millions, except per share amounts)	**2011**	**2010**	**2009**	**2008**	**2007**
Income Statement Data:					
Operating revenue	$ 37,110	$ 23,325	$ 16,335	$ 20,194	$ 20,143
Operating expense	35,288	22,349	16,496	24,632	19,106
Operating income (loss)	1,822	976	(161)	(4,438)	1,037
Net income (loss)	840	253	(651)	(5,396)	360
Net income (loss) excluding special items (a)	1,323	942	(1,128)	(1,773)	298
Basic earnings (loss) per share	2.54	1.22	(4.32)	(42.59)	2.94
Diluted earnings (loss) per share	2.26	1.08	(4.32)	(42.59)	2.65
Cash distribution declared per common share					2.15
Balance Sheet Data at December 31:					
Unrestricted cash, cash equivalents and short-term investments	$ 7,762	$ 8,680	$ 3,042	$ 2,039	$ 3,554
Total assets	37,988	39,598	18,684	19,465	24,223
Debt and capital lease obligations	12,735	15,133	8,543	8,004	8,255

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

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UAL Selected Operating Data

Presented below is the Company s operating data for the years ended December 31. The 2011 and 2010 operating data includes results of Continental Successor.

	Year Ended December 31,				
Mainline	**2011**	**2010**	**2009**	**2008**	**2007**
Passengers (thousands) (a)	96,360	65,365	56,082	63,149	68,386
Revenue passenger miles (RPMs) (millions) (b)	181,763	122,182	100,475	110,061	117,399
Available seat miles (ASMs) (millions) (c)	219,437	145,738	122,737	135,861	141,890
Cargo ton miles (millions)	2,646	2,176	1,603	1,921	2,012
Passenger load factor (d)					
Mainline	82.8%	83.8%	81.9%	81.0%	82.7%
Domestic	85.1%	84.8%	83.7%	82.6%	83.2%
International	80.5%	82.7%	79.4%	79.0%	82.1%
Passenger revenue per available seat mile (PRASM) (cents)	11.84	10.99	9.22	10.91	10.49
Total revenue per available seat mile (cents)	13.77	12.91	10.81	12.58	12.03
Average yield per revenue passenger mile (Yield) (cents) (e)	14.29	13.11	11.26	13.47	12.67
Average fare per revenue passenger (f)	$ 269.56	$ 245.06	$ 201.72	$ 234.71	$ 217.57
Cost per available seat mile (CASM) (cents)	13.15	12.51	11.05	15.74	11.39
Average price per gallon of fuel, including fuel taxes	$ 3.01	$ 2.27	$ 1.75	$ 3.54	$ 2.18
Fuel gallons consumed (millions)	3,303	2,280	1,942	2,182	2,292
Aircraft in fleet at end of period (g)	701	710	360	409	460
Average stage length (miles) (h)	1,844	1,789	1,701	1,677	1,631
Average daily utilization of each aircraft (hours) (i)	10:42	10:47	10:47	10:42	11:00
Regional					
Passengers (thousands) (a)	45,439	32,764	25,344	23,278	25,426
RPMs (millions) (b)	25,768	18,675	13,770	12,155	12,649
ASMs (millions) (c)	33,091	23,827	17,979	16,164	16,301
Passenger load factor (d)	77.9%	78.4%	76.6%	75.2%	77.6%
PRASM (cents)	19.75	17.70	16.04	18.44	18.39
Yield (cents) (e)	25.36	22.58	20.95	24.52	23.70
Aircraft in fleet at end of period (g)	555	552	292	280	279
Consolidated					
Passengers (thousands) (a)	141,799	98,129	81,426	86,427	93,812
RPMs (millions) (b)	207,531	140,857	114,245	122,216	130,048
ASMs (millions) (c)	252,528	169,565	140,716	152,025	158,191
Passenger load factor (d)	82.2%	83.1%	81.2%	80.4%	82.2%
PRASM (cents)	12.87	11.93	10.09	11.71	11.30
Yield (cents) (e)	15.67	14.37	12.43	14.57	13.71
CASM (cents)	13.97	13.18	11.72	16.20	12.08
Average price per gallon of fuel, including fuel taxes	$ 3.06	$ 2.39	$ 1.80	$ 3.52	$ 2.22
Fuel gallons consumed (millions)	4,038	2,798	2,338	2,553	2,669

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

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Reconciliation of GAAP to non-GAAP Financial Measures

Non-GAAP financial measures are presented because they provide management and investors with the ability to measure and monitor UAL s performance using similar criteria on a consistent basis. Special items relate to activities that are not central to UAL s ongoing operations or are unusual in nature. Fuel hedge mark to market (MTM) gains (losses) are excluded as UAL did not apply cash flow hedge accounting for many of the periods presented, and these adjustments provide a better comparison to UAL s peers, most of which apply cash flow hedge accounting. A reconciliation of GAAP to Non-GAAP measures is provided below (in millions, except CASM amounts). Following this reconciliation is a summary of special items (in millions). For further information related to special items, see Note 21 to the financial statements included in Item 8 of this report.

	Year ended December 31,				
	2011	**2010**	**2009**	**2008**	**2007**
Net income (loss) excluding special items:					
Net income (loss)	$ 840	$ 253	$ (651)	$ (5,396)	$ 360
Special revenue item	(107)				(45)
Special charges (income)	592	669	374	2,616	(44)
Other operating expense items			35	191	
Operating non-cash MTM (gain) loss		32	(586)	568	(20)
Non-operating non-cash MTM (gain) loss			(279)	279	
Income tax (benefit) expense	(2)	(12)	(21)	(31)	47
Total special items (income) expense	483	689	(477)	3,623	(62)
Net income (loss) excluding special items	$ 1,323	$ 942	$ (1,128)	$ (1,773)	$ 298
Mainline CASM excluding special charges and aircraft fuel and related taxes:					
Operating expense	$ 28,850	$ 18,228			
Special charges	(592)	(669)			
Aircraft fuel and related taxes	(9,936)	(5,387)			
Operating expense excluding above items	$ 18,322	$ 12,172			
ASMs mainline	219,437	145,738			
CASM (cents)	13.15	12.51			
CASM, excluding special items	12.88	12.03			
CASM, excluding special items and third-party business expenses (a)	12.77	11.88			
CASM, excluding special items, third-party business expenses and fuel (a)	8.24	8.20			
CASM, excluding special items, third-party business expenses, fuel, profit sharing (a)	8.12	8.09			
Consolidated CASM excluding special charges and aircraft fuel and related taxes:					
Operating expense	$ 35,288	$ 22,349			
Special charges	(592)	(669)			
Aircraft fuel and related taxes	(12,375)	(6,687)			
Operating expense excluding above items	$ 22,321	$ 14,993			
Available seat miles consolidated	252,528	169,565			
CASM (cents)	13.97	13.18			

CASM, excluding special items	13.74	12.77
CASM, excluding special items and third-party business expenses (a)	13.65	12.64
CASM, excluding special items, third-party business expenses and fuel (a)	8.75	8.71
CASM, excluding special items, third-party business expenses, fuel, profit sharing (a)	8.64	8.62

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(a) The Company excludes business activities not associated with the generation of a seat mile (third-party businesses) from its core unit cost metrics. These third-party businesses include activities such as maintenance, ground handling and catering services for third parties, and non-air frequent flyer mile redemption activity. The Company recorded approximately $240 million of third-party business expenses in 2011.

	Year ended December 31,				
Special Items	**2011**	**2010**	**2009**	**2008**	**2007**
Special revenue item	$ 107	$	$	$	$ 45
Merger and integration-related costs	(517)	(564)			
Termination of maintenance service contract	(58)				
Gain on sale of aircraft	6				
Other asset impairments		(136)	(93)	(250)	
Other intangible impairments	(4)	(29)	(150)	(64)	
Municipal bond litigation			(27)		
Goodwill impairment (charge) credit		64		(2,277)	
Other	(19)	(4)	(104)	(25)	44
Special operating (expense) income	(592)	(669)	(374)	(2,616)	44
Other operating expense items			(35)	(191)	
Operating non-cash MTM gain (loss)		(32)	586	(568)	20
Non-operating non-cash MTM gain (loss)			279	(279)	
Other expense items		(32)	830	(1,038)	20
Income tax benefit (expense)	2	12	21	31	(47)
Total special items (a)	$ (483)	$ (689)	$ 477	$ (3,623)	$ 62

(a) See Note 21 to the financial statements in Item 8 of this report for additional information on special items.

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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) is a holding company and its principal, wholly-owned subsidiaries are United Air Lines, Inc. (together with its consolidated subsidiaries, United) and, effective October 1, 2010, Continental Airlines, Inc. (together with its consolidated subsidiaries, Continental). Upon closing of the Merger, UAL Corporation changed its name to United Continental Holdings, Inc. We sometimes use the words we, our, us, and the Company in this Form 10-K for disclosures that relate to all of UAL, United and Continental.

This Annual Report on Form 10-K is a combined report of UAL, United, and Continental including their respective consolidated financial statements. As UAL consolidated United and Continental beginning October 1, 2010 for financial statement purposes, disclosures that relate to United or Continental activities also apply to UAL, unless otherwise noted. When appropriate, UAL, United and Continental are named specifically for their related activities and disclosures.

2011 Financial Highlights

UAL recorded net income of $840 million for the year ended December 31, 2011, as compared to net income of $253 million for the year ended December 31, 2010. Excluding special items, UAL recorded net income of $1.3 billion for the year ended December 31, 2011, compared to net income of $942 million for the year ended December 31, 2010. See Item 6 of this report for a reconciliation of GAAP to non-GAAP net income.

UAL s unrestricted cash, cash equivalents and short-term investments at December 31, 2011 was $7.8 billion as compared to $8.7 billion at December 31, 2010.

2011 Operational Highlights

For the year ended December 31, 2011, United and Continental achieved solid results in DOT on-time arrival and completion factor, as summarized in the following table:

	2011	
	United	Continental
On-time arrival	80.2%	77.1%
Completion factor	98.5%	98.6%

Consolidated traffic (RPMs) for 2011 decreased 1.4% as compared to 2010, while consolidated capacity (ASMs) remained flat from the prior year, resulting in a consolidated load factor of 82.2% in 2011 versus a consolidated load factor of 83.2% in 2010, including Continental Predecessor prior to October 1, 2010.

The Company announced it will invest $550 million in onboard product improvements, including the addition of flat-bed seating on 62 additional long-haul aircraft, addition of Economy Plus seating to more than 300 aircraft, increase in the overhead storage space on more than 150 aircraft, installation of advanced broadband Wi-Fi on its mainline fleet, introduction of streaming wireless video onboard its Boeing 747-400 aircraft, and completely retrofitting its p.s. (Premium Service) fleet with upgraded interiors including flat-bed seats, Economy Plus and on-demand audio and video.

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 our forward-looking statements in this report. See Item 1A, *Risk Factors*, for further discussion of these and other factors that could affect us.

Merger Integration. During 2011, the Company received a single operating certificate from the Federal Aviation Administration (the FAA), marking a significant achievement in the integration of United and Continental. The certificate gives the FAA a single point of oversight for our combined operations. It also allows all maintenance and operating activities to be considered as United by the FAA.

In 2011, the Company announced that MileagePlus will be the loyalty program for the Company beginning in 2012.

The Company has co-located check-in, ticket counter and gate facilities at 66 airports since closing the Merger and now has a single area for check-in at 291 airports systemwide. More than 800 aircraft are now rebranded in the new United livery.

Some key initiatives for the Company in 2012 include converting to a single passenger service system, harmonizing other information technology systems, moving to a single website, making substantial fleet reallocations around the system and working to integrate certain employee groups. We currently expect to migrate to a single passenger service system in early March 2012, allowing the Company to operate using a single carrier code, flight schedule, inventory, website and departure control system.

UAL expects the Merger to deliver $1.0 billion to $1.2 billion in net annual synergies on a run-rate basis in 2013, including between $800 million and $900 million of annual revenue synergies, in large part from expanded customer options resulting from the greater scope and scale of the network, fleet optimization and additional international service enabled by the broader network of the Company, and between $200 million and $300 million of net cost synergies. The Company has realized an estimated $400 million of synergies in 2011, comprised of $250 million of revenue synergies and $150 million of net cost synergies.

The Company will incur substantial expenses in connection with the Merger. The Company incurred approximately $450 million of integration-related cash costs in 2011 and expects to incur a similar amount in 2012 in categories generally consistent with 2011. There are many factors that could affect the total amount or the timing of those expenses, and many of the expenses that will be incurred are, by their nature, difficult to estimate accurately. See Notes 1 and 21 to the financial statements included in Item 8 of this report and Item 1A, Risk Factors, for additional information on the Merger.

Economic Conditions. The severe global economic recession in 2008 and 2009 significantly diminished the demand for air travel, resulting in a difficult financial environment for U.S. network carriers. UAL s financial performance improved significantly in 2010 and 2011 as a result of improving global economic conditions, the Merger, increasing passenger unit revenue and industry capacity discipline. Although we continue to see indications that the airline industry is experiencing a recovery, including stronger demand, increasing passenger unit revenue and improving revenue, we cannot predict whether the demand for air travel will continue to improve or the rate of such improvement. Worsening economic conditions, such as continued European sovereign debt uncertainty, political and socioeconomic tensions in regions such as the Middle East and Africa may result in diminished demand for air travel and may impair our ability to sustain the profitability we achieved in 2011 going into 2012.

Capacity. Over the past year, UAL leveraged the flexibility of its combined fleet to better match market demand and added new routes from its hubs on the east and west coasts to international destinations such as Lagos, Nigeria; Guadalajara, Mexico; Montreal, Canada; Port au Prince, Haiti; Providenciales, Turks and Caicos; Shanghai, China; and Stuttgart, Germany, along with new intra-Asia routes between its Tokyo hub and Hong Kong and between its Guam hub and Okinawa, Japan. In addition, for 2012, UAL expects to add new routes from its hubs to Manchester, U.K.; Buenos Aires, Argentina; Dublin, Ireland; and Durango, Mexico, subject to government approval. We expect capacity for 2012 to be relatively flat compared to 2011. Should fuel prices increase significantly, we would likely adjust our capacity plans downward.

Additional Revenue-Generating and Cost Saving Measures. We offer, and intend to offer additional goods and services relating to air travel, a portion of which will come from unbundling our current product and a portion of which will come from goods and services that we do not presently offer. The revenues that we derive from these products and services, which are generally referred to as ancillary revenues, typically have higher margins than that of our core transportation services and are an important element of our strategy to sustain the profitability that we achieved in 2011 and 2010. The unbundling of our current products and services, as well as our additional value-added products, offer customers flexibility and choice in selecting the products and services they are willing to purchase. Additionally, we expect to continue to invest in technology that is designed to both assist customers with self-service efficiently and allow us to make better operational decisions, while lowering our operating costs.

Fuel Costs. Fuel prices continued to be volatile in 2011. UAL s average aircraft fuel price per gallon including related taxes was $3.06 in 2011 as compared to $2.39 in 2010. If fuel prices rise significantly from their current levels, we may be unable to raise fares or other fees sufficiently to fully offset our increased costs. In addition, high fuel prices may impair our ability to sustain the profitability we achieved in 2011 and 2010. Based on projected fuel consumption in 2012, a one dollar change in the price of a barrel of crude oil would change UAL s annual fuel expense by approximately $95 million. To protect against increases in the prices of fuel, the Company routinely hedges a portion of its future fuel requirements.

Labor Costs. As of December 31, 2011, the Company had approximately 72% of employees represented by unions. We are in the process of negotiating amended collective bargaining agreements with our employee groups. The Company cannot predict the outcome of negotiations with its unionized employee groups, although significant increases in the pay and benefits resulting from new collective bargaining agreements could have an adverse financial impact on the Company.

Results of Operations

In this section, we compare UAL s results of operations for the year ended December 31, 2011 with UAL s results on a combined basis for the year ended December 31, 2010. UAL s results of operations for 2010 on a combined basis consist of (1) UAL s results of operations for 2010, which includes Continental s results from October 1 to December 31, 2010; and (2) Continental s results from January 1 to September 30, 2010. Given the significant level of integration activity in 2011, we believe this presentation of the 2010 financial results provides a more meaningful basis for comparing UAL s financial performance in 2011 and 2010. This presentation differs from the comparison of 2010 and 2009 results, which compares UAL s financial performance year-over-year excluding the Merger impact in 2010, represented by Continental Successor results in the fourth quarter of 2010. Non-GAAP financial measures are presented because they provide management and investors with the ability to measure and monitor UAL s performance on a consistent basis.

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2011 compared to 2010

Operating Revenue

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

UAL	Year Ended December 31, 2011	Year Ended December 31	2010 Continental Predecessor January 1 to September 30	Combined Year Ended December 31	Increase (Decrease)	% Change
Passenger Mainline	$ 25,975	$ 16,019	$ 7,777	$ 23,796	$ 2,179	9.2
Passenger Regional	6,536	4,217	1,726	5,943	593	10.0
Total passenger revenue	32,511	20,236	9,503	29,739	2,772	9.3
Cargo	1,167	832	328	1,160	7	0.6
Special revenue item	107				107	NM
Other operating revenue	3,325	2,257	957	3,214	111	3.5
	$ 37,110	$ 23,325	$ 10,788	$ 34,113	$ 2,997	8.8

The table below presents UAL s passenger revenues and operating data based on geographic region:

	Increase (decrease) in 2011 from 2010 (a):						
	Domestic	Pacific	Atlantic	Latin	Total Mainline	Regional	Consolidated
Passenger revenue (in millions)	$ 949	$ 319	$ 407	$ 504	$ 2,179	$ 593	$ 2,772
Passenger revenue	7.9%	7.5%	7.6%	23.7%	9.2%	10.0%	9.3%
Average fare per passenger	12.5%	10.8%	8.7%	19.6%	12.7%	11.6%	12.2%
Yield	10.6%	9.3%	8.7%	19.5%	10.8%	10.8%	10.9%
PRASM	10.9%	6.4%	5.1%	17.6%	9.5%	9.8%	9.6%
Average stage length	1.9%	1.4%	(1.0)%	(0.5)%	8.5%	0.5%	1.7%
Passengers	(4.1)%	(3.0)%	(1.0)%	3.5%	(3.1)%	(1.4)%	(2.6)%
RPMs (traffic)	(2.5)%	(1.6)%	(1.0)%	3.5%	(1.5)%	(0.7)%	(1.4)%
ASMs (capacity)	(2.8)%	1.0%	2.4%	5.3%	(0.3)%	0.2%	(0.2)%
Passenger load factor	0.2 pts.	(2.2) pts.	(2.7) pts.	(1.3) pts.	(1.1) pts.	(0.7) pts.	(1.0) pts.

(a) 2010 passenger revenue and operating data prepared from UAL results combined with Continental Predecessor results for the period in 2010 prior to the Merger.

On a combined basis, consolidated passenger revenue in 2011 increased approximately $2.8 billion, or 9.3%, as compared to 2010. These increases were due to increases of 12.2% and 10.9% in average fare per passenger and yield, respectively, over the same period as a result of improved pricing primarily from industry capacity discipline. The reduced traffic from both business and leisure passengers in 2011 was offset by higher fares, which drove improvements in both average fare per passenger and yield. The average fare per passenger also increased in the 2011 period, as compared to the 2010 period, due to a number of fare increases implemented in response to higher fuel prices.

Passenger revenue also increased in 2011 as a result of certain accounting changes, as described in Note 2 to the financial statements in Item 8 of this report. In conjunction with these changes, the Company recorded a special adjustment in 2011 to decrease frequent flyer deferred revenue

and increase revenue by $107 million in connection with a modification to its Co-Brand Agreement.

Cargo revenue increased by $7 million, or 0.6%, on a combined basis in 2011 as compared to 2010. Reduced cargo volume in 2011 was offset by higher yields. UAL s freight ton miles decreased 13.7% in 2011 as compared to 2010, while mail ton miles improved slightly by 2.2% during the same period, for a composite cargo traffic

decline of 11.9%. Freight yields in 2011 increased 18% compared to 2010 due to higher fuel surcharges and processing fees. Mail yields decreased nearly 10% in 2011 as compared to 2010 in all geographic regions except for Latin America.

On a combined basis, other operating revenue was up $111 million, or 3.5%, in 2011 as compared to 2010, which was primarily due to growth in ancillary passenger-related charges.

Operating Expense

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

UAL	Year Ended December 31, 2011	Year Ended December 31	2010 Continental Predecessor January 1 to September 30	Combined Year Ended December 31	Increase (Decrease)	% Change
Aircraft fuel	$ 12,375	$ 6,687	$ 2,872	$ 9,559	$ 2,816	29.5
Salaries and related costs	7,652	5,002	2,527	7,529	123	1.6
Regional capacity purchase	2,403	1,812	608	2,420	(17)	(0.7)
Landing fees and other rent	1,928	1,307	656	1,963	(35)	(1.8)
Aircraft maintenance materials and outside repairs	1,744	1,115	399	1,514	230	15.2
Depreciation and amortization	1,547	1,079	380	1,459	88	6.0
Distribution expenses	1,435	912	474	1,386	49	3.5
Aircraft rent	1,009	500	689	1,189	(180)	(15.1)
Special charges	592	669	47	716	(124)	NM
Other operating expenses	4,603	3,266	1,416	4,682	(79)	(1.7)
	$ 35,288	$ 22,349	$ 10,068	$ 32,417	$ 2,871	8.9

The significant increase in aircraft fuel expense was primarily attributable to increased fuel prices, as shown in the table below which reflects the significant changes in aircraft fuel cost per gallon for the year ended December 31, 2011 as compared to the year ended December 31, 2010 (in millions). See Note 13 to the financial statements in Item 8 of this report for additional details regarding gains and losses from settled fuel hedge positions and unrealized gains and losses at the end of the periods.

	2011	2010	% Change	Average price per gallon 2011	2010	% Change
Aircraft fuel expense	$ 12,375	$ 9,559	29.5	$ 3.06	$ 2.35	30.2
Fuel hedge gains (losses)	503	(70)	NM	0.13	(0.02)	NM
Total fuel purchase cost	$ 12,878	$ 9,489	35.7	$ 3.19	$ 2.33	36.9
Total fuel consumption (gallons)	4,038	4,072	(0.8)			

Salaries and related costs increased $123 million, or 1.6%, in 2011 as compared to 2010. The increase was due to several factors including a slight increase in the number of average full-time employees year-over-year, higher pay rates primarily driven by new collective bargaining agreements, increase in seniority levels, a one-time signing bonus for certain employee groups and increased accruals in profit sharing and related payroll tax payments in 2011 as compared to 2010.

Expenses related to aircraft maintenance materials and outside repairs increased by $230 million, or 15.2%, in 2011 as compared to 2010, primarily due to increased rates on aircraft engine maintenance.

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Depreciation and amortization increased by $88 million, or 6%, in 2011 as compared to 2010, due to increased expense associated with the increase in basis from recording Continental s assets at fair value in connection with the Merger, including the frequent flyer database, and the increased capitalization of new projects, including those related to United s international premium travel products, which are the products used on our international service.

Aircraft rent expense decreased by $180 million, or 15.1%, in 2011 as compared to 2010, primarily due to the amortization of a lease fair value adjustment which was recorded as part of acquisition accounting.

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

	2011	2010
Integration and Merger-related costs	$ 517	$ 564
Termination of maintenance service contract	58	
Aircraft-related (gain), net and aircraft impairment	(6)	136
Goodwill impairment credit		(64)
Intangible asset impairments	4	29
Other	19	4
Total special items	592	669
Tax benefit on intangible asset impairments	(2)	(12)
Total special items, net of tax	$ 590	$ 657

Integration and Merger-related costs include compensation costs related to systems integration and training, costs to repaint aircraft in the new livery and other branding activities, costs to write-off or accelerate depreciation on systems and facilities that are no longer used or planned to be used for significantly shorter periods, severance primarily associated with administrative headcount reductions and a charge related to the Company s obligation to issue 8% Contingent Senior Unsecured Notes (the 8% Notes). See Notes 1 and 21 to the financial statements in Item 8 of this report for additional information related to special items.

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):

UAL	Year Ended December 31, 2011	Year Ended December 31	2010 Continental Predecessor January 1 to September 30	Combined Year Ended December 31	Increase (Decrease)	% Change
Interest expense	$ (949)	$ (798)	$ (288)	$ (1,086)	$ (137)	(12.6)
Interest capitalized	32	15	17	32		
Interest income	20	15	6	21	(1)	(4.8)
Miscellaneous, net	(80)	45	(13)	32	(112)	NM
Total	$ (977)	$ (723)	$ (278)	$ (1,001)	$ (250)	(25.0)

The decrease in interest expense of $137 million, or 12.6%, in 2011 as compared to 2010 was primarily due to a decrease in outstanding debt.

In 2011, miscellaneous, net included fuel hedge ineffectiveness of $59 million primarily resulting from a decrease in fuel hedge values in excess of the decrease in aircraft fuel prices. The ineffectiveness is primarily

related to the Company s portfolio of crude oil derivative contracts. In 2010, miscellaneous, net included a gain of $21 million from the distribution to United of the remaining United Series 2001-1 enhanced equipment trust certificate (EETC) trust assets upon repayment of the note obligations.

2010 compared to 2009

Operating Revenue

To provide a more meaningful comparison of UAL s 2010 financial performance to 2009, we quantified the increases relating to our operating results that are due to Continental s results after the Merger closing date. The increases due to the Merger, presented in the tables below, represent actual Continental Successor results for the fourth quarter of 2010. The discussion of UAL s results excludes the impact of Continental Successor results in the fourth quarter of 2010.

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

UAL	2010	2009	$ Change	$ Increase due to Merger	$ Change Excluding Merger Impact	% Change Excluding Merger Impact
Passenger Mainline	$ 16,019	$ 11,313	$ 4,706	$ 2,605	$ 2,101	18.6
Passenger Regional	4,217	2,884	1,333	560	773	26.8
Total passenger revenue	20,236	14,197	6,039	3,165	2,874	20.2
Cargo	832	536	296	119	177	33.0
Other operating revenue	2,257	1,602	655	279	376	23.5
	$ 23,325	$ 16,335	$ 6,990	$ 3,563	$ 3,427	21.0

The table below presents selected UAL passenger revenue and selected operating data based on geographic region:

	Increase (decrease) in 2010 from 2009:						
	Domestic	Pacific	Atlantic	Latin	Total Mainline	Regional Carriers	Consolidated
Passenger revenue (in millions)	$ 581	$ 817	$ 560	$ 143	$ 2,101	$ 773	$ 2,874
Passenger revenue	8.9%	36.6%	25.4%	42.1%	18.6%	26.8%	20.2%
Average fare per passenger	15.3%	26.6%	20.6%	31.9%	23.0%	12.7%	18.6%
Yield	10.6%	26.4%	20.0%	31.0%	16.4%	6.5%	15.7%
PRASM	12.2%	37.0%	20.6%	35.5%	19.6%	9.2%	18.7%
Average stage length	5.8%	(1.3)%	(1.8)%	(1.3)%	5.8%	8.5%	3.0%
Passengers	(5.5)%	7.8%	3.9%	7.7%	(3.7)%	12.5%	1.4%
RPMs (traffic)	(1.5)%	8.0%	4.4%	8.4%	1.9%	19.0%	3.9%
ASMs (capacity)	(3.0)%	(0.4)%	4.0%	4.8%	(0.9)%	16.1%	1.3%
Passenger load factor	1.3 pts.	6.6 pts.	0.3 pts.	2.7 pts.	2.2 pts.	1.9 pts.	2.1 pts.

Excluding the impact of the Merger, consolidated passenger revenue in 2010 increased approximately $2.9 billion, or 20.2%, as compared to 2009. These increases were due to increases of 18.6% and 15.7% in average fare per passenger and yield, respectively, over the same period as a result of strengthening economic conditions and industry capacity discipline. An increase in volume in 2010, as measured by passenger volume also contributed to the increase in revenues in 2010 as compared to 2009. The revenue improvement in 2010 was also driven by the return of business and international premium cabin passengers whose higher ticket prices combined to increase average fare per passenger and yields. The

international regions in particular had the largest increases in demand with international passenger unit revenue per ASM increasing 29.4% on a 1.8% increase in capacity. Passenger revenue in 2010 included approximately $250 million of additional revenue due to changes in the Company s estimate and methodology related to loyalty program accounting as noted in *Critical Accounting Policies,* below.

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Excluding the impact of the Merger, cargo revenue increased by $177 million, or 33%, in 2010 as compared to 2009, primarily due to improved economic conditions resulting in improved traffic and yield. UAL s freight ton miles improved by 22.1% in 2010 as compared to 2009, while mail ton miles dropped approximately 8.8% during the same period, for a composite cargo traffic gain of 18.3%. Freight yields in 2010 were 15% better than in 2009 due to stronger freight traffic, reduced industry capacity and numerous tactical rate recovery initiatives, particularly in UAL s Pacific markets. On a composite basis, cargo yield in 2010 increased 12.6% as compared to 2009.

Excluding the impact of the Merger, other operating revenue was up 23.5% in 2010 as compared to 2009, which was primarily due to growth in ancillary passenger-related charges such as baggage fees.

Operating Expense

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

	2010	2009	$ Change	$ Increase due to Merger	$ Change Excluding Merger Impact	% Change Excluding Merger Impact
Aircraft fuel	$ 6,687	$ 4,204	$ 2,483	$ 986	$ 1,497	35.6
Salaries and related costs	5,002	3,919	1,083	786	297	7.6
Regional capacity purchase	1,812	1,523	289	202	87	5.7
Landing fees and other rent	1,307	1,011	296	231	65	6.4
Aircraft maintenance materials and outside repairs	1,115	965	150	135	15	1.6
Depreciation and amortization	1,079	917	162	177	(15)	(1.6)
Distribution expenses	912	670	242	156	86	12.8
Aircraft rent	500	346	154	174	(20)	(5.8)
Special charges	669	374	295	201	94	NM
Other operating expenses	3,266	2,567	699	537	162	6.3
	$ 22,349	$ 16,496	$ 5,853	$ 3,585	$ 2,268	13.7

The increase in aircraft fuel expense was primarily attributable to increased market prices for fuel, as shown in the table below which reflects the significant changes in aircraft fuel cost per gallon for the year ended December 31, 2010 as compared to the year ended December 31, 2009. The 2010 amounts presented in the table below exclude the impact of Continental Successor after the closing date of the Merger. See Note 13 to the financial statements in Item 8 of this report for additional details regarding gains and losses from settled positions and unrealized gains and losses at the end of the period.

	(In millions)			Average price per gallon		
	2010	2009	% Change	2010	2009	% Change
Aircraft fuel expense	$ 5,700	$ 4,204	35.6	$ 2.39	$ 1.80	32.8
Fuel hedge gains (losses)	(119)	104	NM	(0.05)	0.04	NM
Total fuel purchase cost	$ 5,581	$ 4,308	29.5	$ 2.34	$ 1.84	27.2
Total fuel consumption (gallons)	2,388	2,338	2.1			

Excluding the impact of the Merger, salaries and related costs increased $297 million, or 7.6%, in 2010 as compared to 2009. The increase was primarily due to increased accruals for profit sharing and other annual incentive plans. In 2010, UAL s accrual for profit sharing was $166 million. Expense for the plan was not accrued in 2009 as the profit sharing and other incentive plan payouts were not earned based on UAL s adjusted pre-tax losses.

Excluding the impact of the Merger, regional capacity purchase expense increased $87 million, or 5.7%, in 2010 as compared to 2009 primarily due to an increase in capacity in the same period.

Excluding the impact of the Merger, distribution expenses increased $86 million, or 12.8%, in 2010 as compared to 2009 primarily due to an increase in passenger revenue on higher traffic and yields driving increases in commissions, credit card fees and GDS fees.

Excluding the impact of the Merger, aircraft rent expense decreased by $20 million, or 5.8%, in 2010 as compared to 2009, primarily as a result of United s retirement of its entire fleet of Boeing 737 aircraft, some of which were financed through operating leases. This fleet retirement was completed during 2009.

During the fourth quarter of 2010, UAL recorded $130 million to other operating expenses, $65 million each for United and Continental, due to revenue sharing obligations related to the trans-Atlantic joint venture with Lufthansa and Air Canada. This expense relates to UAL s retroactive payments for the first nine months of 2010, prior to execution of the joint venture agreement.

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

	2010	2009
Merger-related costs	$ 564	$
Aircraft impairments	136	93
Intangible asset impairments	29	150
Goodwill impairment credit	(64)	
Municipal bond litigation		27
Lease termination and other charges	4	104
Total Merger-related items and special charges	669	374
Tax benefit on intangible asset impairments	(12)	(21)
Total special items, net of tax	$ 657	$ 353

See Note 21 to the financial statements in Item 8 of this report for additional information related to special items.

Merger-related costs include costs related to the planning and execution of the Merger, including costs for items such as financial advisor, legal and other advisory fees. Also included in Merger-related costs are salary and severance related costs that are primarily associated with administrative headcount reductions and compensation costs related to the Merger. Merger-related costs also include integration costs, costs to terminate certain service contracts that will not be used by the Company, costs to write-off system assets that are no longer used or planned to be used by the Company and payments to third-party consultants to assist with integration planning and organization design. See Notes 1 and 21 to the financial statements in Item 8 of this report for additional information.

The aircraft impairments in 2010 and 2009 are primarily related to a decrease in the estimated market value of UAL s nonoperating Boeing 737 and 747 aircraft. In 2010, UAL recorded a $29 million impairment ($18 million, net of taxes) of its indefinite-lived Brazil routes due to an estimated decrease in the value of these routes as a result of the open skies agreement between the United States and Brazil.

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

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In 2009, UAL recorded a $150 million intangible asset impairment ($95 million, net of taxes) to decrease the value of United s tradename, which was primarily due to a decrease in estimated future revenues resulting from the weak economic environment and United s capacity reductions, among other factors.

In 2009, UAL recorded special charges of $27 million related to the final settlement of the LAX municipal bond litigation and $104 million primarily related to Boeing 737 aircraft lease terminations.

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):

			Favorable/(Unfavorable)			
	2010	2009	$ Change	Increase due to Merger	$ Change Excluding Merger Impact	% Change Excluding Merger Impact
Interest expense	$ (798)	$ (577)	$ (221)	$ (86)	$ (135)	(23.4)
Interest capitalized	15	10	5	4	1	10.0
Interest income	15	19	(4)	3	(7)	(36.8)
Miscellaneous, net	45	41	4	2	2	4.9
Total	$ (723)	$ (507)	$ (216)	$ (77)	$ (139)	(27.4)

The increase in interest expense in 2010 as compared to 2009, excluding the Merger impact, was primarily due to higher interest rates on average debt outstanding in 2010 as compared to comparable rates on average debt outstanding in 2009, as certain of the Company s financings have terms with higher interest rates as compared to debt that has been repaid. The higher interest rates were due to distressed capital markets and the Company s credit and liquidity outlook at the time of the financings.

In 2010, miscellaneous, net included a gain of $21 million from the distribution to United of the remaining United Series 2001-1 EETC assets upon repayment of the note obligations. In addition, miscellaneous, net included $10 million of hedge ineffectiveness gains in 2010 on fuel hedge contracts that were designated as cash flow hedges, as compared to $31 million of fuel hedge gains in 2009. The fuel hedge gains in 2009 resulted from hedge contracts that were not designated as cash flow hedges.

United and Continental Results of Operations 2011 Compared to 2010

United and Continental s *Management s Discussion and Analysis of Financial Condition and Results of Operations* have been abbreviated pursuant to General Instructions I(2)(a) of Form 10-K.

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United

The following table presents information related to United s results of operations (in millions, except percentage changes):

	2011	2010	% Change
Operating Revenue:			
Passenger revenue	$ 18,088	$ 17,070	6.0
Cargo and other revenue	3,067	2,708	13.3
Total operating revenue	$ 21,155	$ 19,778	7.0
Operating Expense:			
Aircraft fuel	$ 7,080	$ 5,700	24.2
Salaries and related costs	4,172	4,212	(0.9)
Regional capacity purchase	1,574	1,610	(2.2)
Landing fees and other rent	1,028	1,077	(4.5)
Aircraft maintenance materials and outside repairs	1,160	980	18.4
Depreciation and amortization	921	903	2.0
Distribution expenses	748	756	(1.1)
Aircraft rent	323	326	(0.9)
Special charges	433	468	NM
Other operating expenses	2,829	2,728	3.7
Total operating expense	$ 20,268	$ 18,760	8.0
Operating income	$ 887	$ 1,018	(12.9)
Nonoperating expense	603	631	(4.4)

United had net income of $281 million in 2011 as compared to net income of $399 million in 2010. As compared to 2010, United s consolidated revenue increased $1.4 billion, or 7%, to $21.2 billion during 2011. These increases were primarily due to year-over-year capacity discipline, which in turn resulted in improved pricing and higher average fares, as discussed in UAL s results of operations above. United s traffic and capacity decreased approximately 2.2% and 1.9%, respectively, while passenger revenue per available seat mile increased approximately 8.0%. Average fares were also higher due to fare increases implemented in response to higher fuel prices.

United s passenger revenue also increased in 2011 as a result of certain accounting changes as described in Note 2 to the financial statements in Item 8 of this report. In conjunction with these changes, the Company recorded a special adjustment to decrease frequent flyer deferred revenue and increase revenue by $88 million in connection with a modification to its Chase Co-Brand Agreement in 2011.

United s operating expenses increased approximately $1.5 billion, or 8%, in 2011 as compared to 2010, which was primarily due to the following:

An increase of approximately $1.4 billion, or 24.2%, in aircraft fuel expense, which was primarily driven by increased prices for aircraft fuel, as highlighted in the fuel table in *2011 compared to 2010 Operating Expense*, above;

A decrease of $49 million, or 4.5%, in landing fees and other rent was primarily due to higher than anticipated credits (refunds) received in 2011 as a result of airports audits of prior period payment; and

An increase of $180 million, or 18.4%, in aircraft maintenance materials and outside repairs primarily due to increased rates and volume on aircraft maintenance.

United s nonoperating expense decreased $28 million, or 4.4%, in 2011 as compared to 2010, which was primarily due to the pay down of debt obligations in 2011.

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Continental

The table below presents the Continental Successor and Predecessor periods in 2010. The combined presentation for the year ended December 31, 2010 does not represent a GAAP presentation. Management believes that the combined non-GAAP results for 2010 provide a more meaningful comparison to the full year 2011. Continental s operating income and net income in the 2011 period were $950 million and $569 million, respectively, as compared to operating and net income of $698 million and $346 million, respectively, in the combined 2010 period. These improvements were largely due to year-over-year capacity discipline.

	Successor		Predecessor		
(In millions)	**Year Ended December 31, 2011**	**Three Months Ended December 31, 2010**	**Nine Months Ended September 30, 2010**	**Combined 2010**	**% Change**
Operating Revenue:					
Passenger revenue	$ 14,417	$ 3,165	$ 9,503	$ 12,668	13.8
Cargo and other revenue	1,758	398	1,285	1,683	4.5
Total operating revenue	$ 16,175	$ 3,563	$ 10,788	$ 14,351	12.7
Operating Expense:					
Aircraft fuel	$ 5,294	$ 986	$ 2,872	$ 3,858	37.2
Salaries and related costs	3,405	786	2,527	3,313	2.8
Regional capacity purchase	830	202	608	810	2.5
Landing fees and other rent	900	231	656	887	1.5
Aircraft maintenance materials and outside repairs	595	135	399	534	11.4
Depreciation and amortization	626	177	380	557	12.4
Distribution expenses	688	156	474	630	9.2
Aircraft rent	686	174	689	863	(20.5)
Special charges	159	201	47	248	NM
Other operating expenses	2,042	537	1,416	1,953	4.6
Total operating expense	$ 15,225	$ 3,585	$ 10,068	$ 13,653	11.5
Operating income (loss)	$ 950	$ (22)	$ 720	$ 698	36.1
Nonoperating expense	(387)	(77)	(278)	(355)	9.0

Total revenues increased 12.7% in 2011 as compared to the combined 2010 period, primarily due to higher passenger fares driven by improving global economic conditions and an increased demand for air travel. Continental s capacity increased approximately 1.9% while its traffic remained flat. PRASM increased approximately 11.7%. Continental s year-over-year improvement in Yield of approximately 13.1% is driven primarily by increases in its domestic and Latin markets. Additionally, the Company recorded a special adjustment in 2011 to decrease frequent flyer deferred revenue and increase revenue by $19 million in connection with a modification to its Chase Co-Brand Agreement.

Aircraft fuel expense increased 37.2% in 2011 as compared to the combined 2010 period, primarily due to an increase in the prices of aircraft fuel. Continental had fuel hedge gains of $86 million in 2011 as compared to fuel hedge losses of $9 million in 2010. Continental s fuel purchase cost, without hedge impacts, increased approximately 39.8% in 2011 as compared to 2010, which is relatively consistent with UAL s unhedged cost of fuel summarized in the tables above.

Aircraft maintenance materials and outside repairs increased by $61 million, or 11.4%, in 2011 as compared to the combined 2010 period, primarily due to increased rates on aircraft engine maintenance and the expiration of warranty coverage on certain aircraft parts.

Continental s depreciation and amortization expense increased by $69 million, or 12.4%, in 2011 as compared to the combined 2010 period, primarily due to increased expense associated with recording Continental s assets at fair value as of the Merger closing date.

Aircraft rent decreased $177 million, or 20.5%, in 2011 as compared to the combined 2010 period, primarily due to the amortization of a lease fair value adjustment which was recorded as part of acquisition accounting.

Liquidity and Capital Resources

As of December 31, 2011, UAL had $7.8 billion in unrestricted cash, cash equivalents and short-term investments, which is $918 million lower than at December 31, 2010. The Company also has a $500 million undrawn Credit and Guaranty Agreement (the Revolving Credit Facility) as of December 31, 2011. At December 31, 2011, UAL also had $569 million of restricted cash and cash equivalents, which is primarily collateral for performance bonds, letters of credit, credit card processing agreements and estimated future workers compensation claims. We may be required to post significant additional cash collateral to provide security for obligations that are not currently backed by cash. Restricted cash and cash equivalents at December 31, 2010 totaled $387 million. As of December 31, 2011, United had cash collateralized $194 million of letters of credit, most of which had previously been issued and collateralized under the Amended Credit Facility. As of December 31, 2011, the Company had all of its commitment capacity under its new $500 million Revolving Credit Facility available for letters of credit or borrowings.

As is the case with many of our principal competitors, we have a high proportion of debt compared to capital. We have a significant amount of fixed obligations, including debt, aircraft leases and financings, leases of airport property and other facilities and pension funding obligations. At December 31, 2011, UAL had approximately $12.7 billion of debt and capital lease obligations, including $1.3 billion that are due within the next 12 months. In addition, we have substantial non-cancelable commitments for capital expenditures, including the acquisition of new aircraft and related spare engines. The Company reduced debt and capital lease obligations by $2.6 billion in 2011.

As of December 31, 2011, United had firm commitments to purchase 50 new aircraft (25 Boeing 787 aircraft and 25 Airbus A350XWB aircraft) scheduled for delivery from 2016 through 2019. United also has options to purchase 42 Airbus A319 and A320 aircraft, and purchase rights for 50 Boeing 787 aircraft and 50 Airbus A350XWB aircraft. United has secured considerable backstop financing commitments from its aircraft and engine manufacturers, subject to certain customary conditions. However, United can provide no assurance that backstop financing, or any other financing not already in place, for aircraft and engine deliveries will be available to United on acceptable terms when necessary or at all.

As of December 31, 2011, Continental had firm commitments to purchase 82 new aircraft (57 Boeing 737 aircraft and 25 Boeing 787 aircraft) scheduled for delivery from 2012 through 2016. Continental expects to place into service 19 Boeing 737 aircraft, of which two have been delivered prior to the filing of this report, and five Boeing 787 aircraft in 2012. Continental also has options to purchase 89 additional Boeing 737 and 787 aircraft. Continental does not have backstop financing or any other financing currently in place for the Boeing aircraft on order. Financing will be necessary to satisfy Continental s capital commitments for its firm order aircraft and other related capital expenditures. Continental can provide no assurance that backstop financing, or any other financing not already in place, for aircraft and engine deliveries will be available to Continental on acceptable terms when necessary or at all.

The Company is currently in discussions with Boeing over potential compensation related to delays in the 787 aircraft deliveries. The Company is not able to estimate the ultimate success, amount of, nature or timing of any potential recoveries from Boeing over such delays.

As of December 31, 2011, a substantial portion of UAL s assets, principally aircraft, spare engines, aircraft spare parts, route authorities and certain other intangible assets, was pledged under various loan and other agreements. See Note 14 to the financial statements in Item 8 of this report for additional information on assets provided as collateral by the Company.

Although access to the capital markets improved in 2011 and 2010, as evidenced by our financing transactions in both years, we cannot give any assurances that we will be able to obtain additional financing or otherwise access

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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 UAL s sources and uses of cash from 2009 to 2011. As UAL applied the acquisition method of accounting to the Merger, UAL s cash activities discussed below include Continental s activities only after October 1, 2010.

Cash Flows from Operating Activities

2011 compared to 2010

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

2010 compared to 2009

UAL s cash from operating activities increased by $941 million in 2010, as compared to 2009. This year-over-year increase was primarily due to increased cash from passenger and cargo services. Higher cash operating expenses, including fuel, distribution costs and interest expense, partially offset the benefit from increased revenues. Operating cash flows in the 2009 period included the receipt of $160 million related to the relocation of UAL s O Hare cargo facility.

Cash Flows from Investing Activities

2011 compared to 2010

UAL s capital expenditures were $700 million and $371 million in 2011 and 2010, respectively. Approximately half of the capital expenditures in 2011 related to aircraft upgrades across the Company s fleet for its international premium travel product as well as various facility and ground equipment projects. Some of these capital expenditures relate to improvements to assets as a result of the Merger. Also, in 2011, the Company had purchased nine aircraft that were operated under leases for $88 million and were immediately sold to third parties upon acquisition for proceeds of $72 million.

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

UAL increased its short-term investments, net of proceeds, by $898 million in 2011 as compared to 2010. This was primarily due to the placement of additional funds with outside money managers and movement of liquid assets from cash to short-term investments. United s short-term investments, net of proceeds, increased by $269 million while Continental s short-term investments, net of proceeds, increased by $629 million in 2011 as compared to 2010.

2010 compared to 2009

UAL s capital expenditures were $371 million and $317 million in 2010 and 2009, respectively. Included in UAL s 2010 capital expenditures are Continental s capital expenditures in the fourth quarter of 2010. In addition to cash capital expenditures, UAL s asset additions include Continental s acquisition of three Boeing 737 aircraft in the fourth quarter of 2010. The proceeds of Continental s EETC financing in the fourth quarter of 2010 (described below) were directly issued to the aircraft manufacturers; therefore, these proceeds are not presented as capital expenditures and financing proceeds in the statements of consolidated cash flows. UAL limited its spending in both 2010 and 2009 by focusing its capital resources only on its highest-value projects.

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In 2009, United received $175 million from three sale-leaseback agreements. These transactions were accounted for as capital leases, resulting in an increase to capital lease assets and capital lease obligations during 2009.

Cash Flows from Financing Activities

Significant financing events in 2011 were as follows:

The Company entered into a new $500 million Revolving Credit Facility with a syndicate of banks, led by Citibank, N.A., as administrative agent. The facility was undrawn at December 31, 2011 and has an expiration date of January 30, 2015. It is secured by take-off and landing slots at Newark Liberty, LaGuardia and Washington Reagan and certain other assets of United and Continental. The Company terminated its prior $255 million revolver under the Amended Credit Facility on December 21, 2011. As of December 31, 2011, United had cash collateralized $194 million of letters of credit, most of which had previously been issued and collateralized under the Amended Credit Facility. As of December 31, 2011, the Company had all of its commitment capacity under its new $500 million Revolving Credit Facility available for letters of credit or borrowings;

During 2011, UAL made debt and capital lease payments of $2.6 billion. These payments include $150 million related to UAL s 5% Senior Convertible Notes and $570 million related to UAL s 4.5% Senior Limited-Subordination Convertible Notes; and

Continental received $239 million in 2011 from its December 2010 pass-through trust financing. The proceeds were used to fund the acquisition of new aircraft and in the case of the currently owned aircraft, for general corporate purposes.

Significant financing events in 2010 were as follows:

In January 2010, United issued $500 million of the United Senior Secured Notes due 2013 and $200 million of the United Senior Second Lien Notes due 2013, which are secured by United s route authority to operate between the United States and Japan and beyond Japan to points in other countries, certain airport takeoff and landing slots and airport gate leaseholds utilized in connection with these routes;

In January 2010, United issued the remaining $1.3 billion in principal amount of the equipment notes relating to the Series 2009-1 and 2009-2 EETCs. Issuance proceeds of approximately $1.1 billion were used to repay the Series 2000-2 and 2001-1 EETCs and the remaining proceeds were used for general corporate purposes;

In December 2010, Continental issued approximately $427 million of Series 2010-1 Class A and Class B pass-through certificates through two pass-through trusts. In December 2010, Continental issued $188 million in principal amount of equipment notes relating to its December 2010 pass-through trust financing. Continental used $90 million of the proceeds for general corporate purposes and $98 million of the proceeds to purchase three new Boeing 737 aircraft. The proceeds used to purchase the three new Boeing 737 aircraft were accounted for as a noncash investing and financing activity; and

In 2010, United acquired six aircraft through the exercise of its lease purchase options. Aircraft lease deposits of $236 million provided financing cash that was primarily utilized by United to make the final payments due under these capital lease obligations.

Significant financing events in 2009 for UAL and United were as follows:

$322 million from multiple financings by United that are secured by certain aircraft spare parts, aircraft and spare engines;

$345 million from UAL s issuance of 6% Senior Convertible Notes due 2029;

$161 million from United s partial issuance of equipment notes related to the Series 2009-1 and Series 2009-2 EETCs described above in 2010 financing activities; and

$222 million in net proceeds from the issuance of UAL common stock, consisting of $90 million from the completion of UAL s equity offering program that began in 2008 and $132 million, net of fees, from the issuance of 19.0 million shares of UAL common stock in an underwritten, public offering for a price of $7.24 per share.

The proceeds from these transactions were partially offset by $984 million used for scheduled long-term debt and capital lease payments during 2009, as well as $49 million used for payment of various costs associated with such transactions.

For additional information regarding these matters and other liquidity events, see Notes 5, 14 and 15 to the financial statements in Item 8 of this report.

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

	S&P	Moody s	Fitch
UAL	B	B2	B
United	B	B2	B
Continental	B	B2	B

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

Other Liquidity Matters

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

Pension and other postretirement benefit obligations	Note 9
Investment in student loan-related auction rate securities	Note 12
Fuel hedges	Note 13
Long-term debt and related covenants	Note 14
Operating leases	Note 15
Regional capacity purchase agreements	Note 15
Guarantees and indemnifications, credit card processing agreements, and environmental liabilities	Note 17

Debt Covenants. Certain of the Company s financing agreements have covenants that impose certain operating and financial restrictions, as applicable, on the Company, on United and its material subsidiaries, or on Continental and its subsidiaries. Among other covenants, the Amended Credit Facility requires UAL, United and certain of United s material subsidiaries who are guarantors under the Amended Credit Facility to maintain a minimum unrestricted cash balance (as defined in the Amended Credit Facility) of $1.0 billion at all times; a minimum ratio of collateral value to debt obligations (that may increase if a specified dollar value of the route collateral is released); and a minimum fixed charge coverage ratio of 1.5 to 1.0 for twelve month periods measured at the end of each calendar quarter. The Revolving Credit Facility requires the Company to maintain at least $3.0 billion of unrestricted liquidity at all times, which includes unrestricted cash, short term investments and any undrawn amounts under any revolving credit facility, and to maintain a minimum ratio of appraised value of collateral to the outstanding obligations under the Revolving Credit Facility of 1.67 to 1.0. Among other covenants, the indentures governing the Senior Notes require the issuer to maintain a minimum ratio of collateral value to debt obligations as of certain reference periods. If the value of the collateral underlying that issuer s Senior Notes declines such that the issuer no longer maintains the minimum required ratio of collateral value to

debt obligations, the issuer may be required to pay additional interest at the rate of 2% per annum, provide additional collateral to secure the noteholders lien or repay a portion of the Senior Notes. A breach of certain of the covenants or restrictions contained in the Amended Credit Facility, the Revolving Credit Facility or the indentures governing the Senior Notes could result in a default and a subsequent acceleration of the applicable debt obligations. The indentures governing the United Senior Notes contain a cross-acceleration provision pursuant to which a default resulting in the acceleration of indebtedness under the Amended Credit Facility would result in a default under such indentures. The Revolving Credit Facility includes events of default customary for similar financings. In addition, the Amended Credit Facility and the Revolving Credit Facility contain cross-default and/or cross-acceleration provisions pursuant to which default and/or acceleration of certain other material indebtedness of the Company could result in a default under the Amended Credit Facility, the Revolving Credit Facility, or both.

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

The table below provides a summary of UAL s material contractual obligations as of December 31, 2011 (in millions):

	2012	2013	2014	2015	2016	After 2016	Total
Long-term debt (a)	$ 1,186	$ 1,857	$ 2,123	$ 1,963	$ 904	$ 3,874	$ 11,907
Capital lease obligations principal portion	125	122	118	116	109	463	1,053
Total debt and capital lease obligations	1,311	1,979	2,241	2,079	1,013	4,337	12,960
Interest on debt and capital lease obligations (b)	800	736	585	463	340	1,702	4,626
Aircraft operating lease obligations	1,688	1,597	1,518	1,243	984	2,391	9,421
Capacity purchase agreements (c)	1,653	1,568	1,403	1,261	1,022	2,855	9,762
Other operating lease obligations	1,222	998	919	795	723	5,738	10,395
Postretirement obligations (d)	147	150	156	163	170	971	1,757
Pension obligations (e)	178	180	181	185	184	1,060	1,968
Capital purchase obligations (f)	1,625	1,091	1,025	1,772	1,817	5,697	13,027
Total contractual obligations	$ 8,624	$ 8,299	$ 8,028	$ 7,961	$ 6,253	$ 24,751	$ 63,916

(a) Long-term debt presented in UAL s financial statements is net of a $225 million debt discount which is being amortized over the debt terms. Contractual payments are not net of the debt discount. Contractual long-term debt includes $93 million of non-cash obligations as these debt payments are made directly to the creditor by a company that leases three aircraft from United. The creditor s only recourse to United is repossession of the aircraft.

(b) Includes interest portion of capital lease obligations of $103 million in 2012, $99 million in 2013, $89 million in 2014, $71 million in 2015, $64 million in 2016 and $373 million thereafter. Future interest payments on variable rate debt are estimated using estimated future variable rates based on a yield curve.

(c) Represents our estimates of future minimum noncancelable commitments under our capacity purchase agreements and does not include the portion of the underlying obligations for aircraft and facility rent that is disclosed as part of aircraft and nonaircraft operating leases. Amounts also exclude a portion of United s capital lease obligation recorded for certain of its capacity purchase agreements. See Note 15 to the financial statements in 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 2021. Benefit payments approximate plan contributions as plans are substantially unfunded.

(e) Represents estimate of the minimum funding requirements as determined by government regulations for Continental plans only, as the United plans are not material. Amounts are subject to change based on numerous assumptions, including the performance of assets in the plan and bond rates. See *Critical Accounting Policies,* below, for a discussion of our assumptions regarding UAL s pension plans.

(f) Represents contractual commitments for firm order aircraft and spare engines only, net of previously paid purchase deposits, and noncancelable commitments to purchase goods and services, primarily information technology support. See Note 17 to the financial statements in Item 8 of this report for a discussion of our purchase commitments.

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Contingencies

Contingent Senior Unsecured Notes

UAL is obligated under an indenture to issue to the Pension Benefit Guaranty Corporation (PBGC) up to $500 million aggregate principal amount of 8% Notes in up to eight equal tranches of $62.5 million if a triggering event occurs (with each tranche issued no later than 45 days following the end of any applicable fiscal year). A triggering event occurs when UAL s EBITDAR (as defined in the 8% Notes indenture) exceeds $3.5 billion over the prior 12 months ending June 30 or December 31 of any applicable fiscal year. The 12 month measurement periods began with the fiscal year ended December 31, 2009 and will end with the fiscal year ending December 31, 2017. If any 8% Notes are issued, the Company will not receive any cash.

Financial triggering events under the 8% Notes indenture occurred at June 30, 2011 and December 31, 2011 and, as a result, UAL issued two tranches of $62.5 million of the 8% Notes to the PBGC in January 2012. These tranches will mature 15 years from their respective triggering dates with interest accruing from the triggering date at a rate of 8% per annum. The notes are payable in cash in semi-annual installments starting June 30, 2012 and will be callable, at UAL s option, at any time at par, plus accrued and unpaid interest.

These are the first two such occurrences of UAL s obligation to issue the 8% Notes. Since the issuance of subsequent tranches of the 8% Notes is based upon future operating results, UAL cannot predict whether future issuances will occur or the timing of any such issuances. Any future issuances of the 8% Notes could adversely impact the Company s results of operations because of increased charges to earnings for the then fair value of the principal amount of the notes issued and increased interest expense related to the 8% Notes. Issuance of such notes could adversely impact the Company s liquidity due to increased cash required to meet interest and principal payments.

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

Other Contingencies. Many aspects of the Company s operations are subject to increasingly stringent federal, state and local and international laws protecting the environment. Future environmental regulatory developments, such as climate change regulations in the U.S. and abroad, could adversely affect operations and increase operating costs in the airline industry. There are certain laws and regulations relating to climate change that apply to the Company, including the EU ETS (which is subject to international dispute), environmental taxes for certain international flights (including the United Kingdom s Air Passenger Duty and Germany s departure ticket tax), limited greenhouse gas reporting requirements, and the State of California s cap and trade regulations (which impacts United s San Francisco maintenance center). In addition, there are land-based planning laws that could apply to airport expansion projects, requiring a review of greenhouse gas emissions, and could affect airlines in certain circumstances.

As of January 1, 2012, the EU ETS required the Company to ensure that by each compliance date, it has obtained sufficient emission allowances equal to the amount of carbon dioxide emissions with respect to flights to and from EU member states in the preceding calendar year. Such allowances are to be surrendered on an annual basis to the relevant government with an initial compliance date of April 30, 2013 for emissions subject to the EU ETS in 2012. For 2012, the Company estimates it will receive from the United Kingdom allowances equal to approximately 80% of the Company s carbon emissions relative to the 2010 base year, leaving a remaining amount that will need to be purchased by the Company. The amount of such allowances provided by the United Kingdom is expected to decrease in the future, potentially leaving a greater amount of allowances that may be required to be purchased. Additionally, any increase in emissions would require the purchase of additional carbon

allowances by the Company. As the scheme continues to be the subject of international dispute, it is unclear whether or not the inclusion of aviation in the EU ETS will be sustained. Management continues to evaluate what the impact would be for the Company in 2012.

Off-Balance Sheet Arrangements. An off-balance sheet arrangement is any transaction, agreement or other contractual arrangement involving an unconsolidated entity under which a company has (1) made guarantees, (2) a retained or a contingent interest in transferred assets, (3) an obligation under derivative instruments classified as equity, or (4) any obligation arising out of a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support, or that engages in leasing, hedging or research and development arrangements. The Company s primary off-balance sheet arrangements include operating leases, which are summarized in the contractual obligations table in *Capital Commitments and Off-Balance Sheet Arrangements,* above, and certain municipal bond obligations, as discussed below. As of December 31, 2011, the Company had cash collateralized $194 million of letters of credit, most of which had previously been issued and collateralized under the Amended Credit Facility, and $163 million of performance bonds. Continental had letters of credit and performance bonds relating to various real estate, customs and aircraft financing obligations at December 31, 2011 in the amount of $71 million. Most of the United and Continental letters of credit have evergreen clauses and are expected to be renewed on an annual basis and the bonds have expiration dates through 2015.

As of December 31, 2011, United and Continental are the guarantors of approximately $270 million and $1.6 billion, respectively, in aggregate principal amount of tax-exempt special facilities revenue bonds and interest thereon, excluding the US Airways contingent liability described below. These bonds, issued by various airport municipalities, are payable solely from rentals paid under long-term agreements with the respective governing bodies. The leasing arrangements associated with a majority of these obligations are accounted for as operating leases and are not recorded in United s and Continental s financial statements. The leasing arrangements associated with a minority of these obligations are accounted for as capital leases. The annual lease payments for those obligations accounted for as operating leases are included in the operating lease payments in the contractual obligations table in *Capital Commitments and Off-Balance Sheet Arrangements,* above.

Continental is contingently liable for US Airways obligations under a lease agreement between US Airways and the Port Authority of New York and New Jersey related to the East End Terminal at LaGuardia (which lease agreement was assigned by US Airways to Delta Air Lines, Inc. (Delta)). These obligations include the payment of ground rentals to the Port Authority and the payment of other rentals in respect of the full amounts owed on special facilities revenue bonds issued by the Port Authority having an outstanding par amount of $79 million at December 31, 2011, and a final scheduled maturity in 2015. If both US Airways and Delta default on these obligations, Continental would be obligated to cure the default and would have the right to occupy the terminal after US Airways and Delta s interest in the lease had been terminated.

Increased Cost Provisions. In the Company s financing transactions that include loans, the Company typically agrees to reimburse lenders for any reduced returns with respect to the loans due to any change in capital requirements and, in the case of loans in which the interest rate is based on LIBOR, for certain other increased costs that the lenders incur in carrying these loans as a result of any change in law, subject in most cases to certain mitigation obligations of the lenders. At December 31, 2011, UAL had $2.9 billion of floating rate debt (consisting of United s $2.1 billion and Continental s $820 million of debt) and $405 million of fixed rate debt (consisting of United s $205 million and Continental s $200 million of debt), with remaining terms of up to ten years, that are subject to these increased cost provisions. In several financing transactions involving loans or leases from non-U.S. entities, with remaining terms of up to ten years and an aggregate balance of $3.3 billion (consisting of United s $2.3 billion and Continental s $964 million balance), we bear the risk of any change in tax laws that would subject loan or lease payments thereunder to non-U.S. entities to withholding taxes, subject to customary exclusions.

Fuel Consortia. The Company participates in numerous fuel consortia with other carriers at major airports to reduce the costs of fuel distribution and storage. Interline agreements govern the rights and responsibilities of the

consortia members and provide for the allocation of the overall costs to operate the consortia based on usage. The consortia (and in limited cases, the participating carriers) have entered into long-term agreements to lease certain airport fuel storage and distribution facilities that are typically financed through tax-exempt bonds (either special facilities 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, 2011, approximately $1.4 billion principal amount of such bonds were secured by significant fuel facility leases in which UAL participates, as to which UAL and each of the signatory airlines have provided indirect guarantees of the debt. As of December 31, 2011, UAL s contingent exposure was approximately $271 million principal amount of such bonds based on its recent consortia participation. As of December 31, 2011, United s and Continental s contingent exposure related to these bonds, based on its recent consortia participation, was approximately $214 million and $57 million, respectively. The Company s contingent exposure could increase if the participation of other carriers decreases. The guarantees will expire when the tax-exempt bonds are paid in full, which range from 2011 to 2041. The Company did not record a liability at the time these indirect guarantees were made.

United and Continental Cash Flows Activities 2011 Compared to 2010

United

Operating Activities

United s cash from operating activities decreased by $379 million in 2011 as compared to 2010. This year-over-year decrease was primarily due to a decrease in frequent flyer deferred revenue and advanced purchase of miles. United s net income in 2011 was $118 million lower than 2010.

Investing Activities

United s capital expenditures were $464 million and $318 million in 2011 and 2010, respectively. Consistent with UAL s investing activities discussed above, United s capital expenditures in 2011 related to aircraft upgrades across the Company s fleet for its international premium travel product as well as various facility and ground equipment projects.

In 2011, purchases of short-term investments, net of proceeds, was $269 million. United did not have any short-term investments in 2010. This year-over-year increase was primarily due to the placement of additional funds with outside money managers and movement of liquid assets from cash to short-term investments.

Also, as of December 31, 2011, United had cash collateralized $194 million of letters of credit, most of which had previously been issued and collateralized under the Amended Credit Facility, resulting in an increase in restricted cash, as discussed in *Liquidity and Capital Resources,* above.

Financing Activities

United s significant financing activities in 2011 and 2010 are described in the above discussion of UAL s financing activities in *Liquidity and Capital Resources* and Note 14 to the financial statements in Item 8 of this report.

Continental

Operating Activities

Continental s cash from operating activities decreased by $411 million in 2011 as compared to the combined 2010 period. This year-over-year decrease was primarily due to a decrease in frequent flyer deferred revenue and advanced purchase of miles, a decrease in receivables and a decrease in advance ticket sales.

Investing Activities

Continental s capital expenditures were $236 million and $300 million in 2011 and 2010, respectively. In addition, Continental acquired aircraft in both 2011 and 2010 with proceeds from financings that were delivered directly to the manufacturer. See Note 18 to the financial statements in Item 8 of this report for information related to these non-cash financing and investing activities.

In 2011, purchases of short-term investments, net of proceeds, was $629 million, as compared to $273 million in 2010. This year-over-year variance was primarily due to investment of higher cash balances and more funds being placed with outside money managers and moving liquid assets from cash to short-term investments.

Financing Activities

Continental s significant financing activities in 2011 and 2010 are described in the above discussion of UAL s financing activities in *Liquidity and Capital Resources* and Note 14 to the financial statements in Item 8 of this report.

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.

Passenger Revenue Recognition. The value of unused passenger tickets is included in current liabilities as advance ticket sales. The Company records passenger ticket sales and tickets sold by other airlines for use on United and Continental as passenger revenues when the transportation is provided or upon estimated breakage. Tickets sold by other airlines are recorded at the estimated values to be billed to the other airlines. Non-refundable tickets generally expire on the date of the intended flight, unless the date is extended by notification from the customer on or before the intended flight date. Fees charged in association with changes or extensions to non-refundable tickets are recorded as other revenue at the time the fee is collected. The fare on the changed ticket, including any additional collection, is deferred and recognized in accordance with our transportation revenue recognition policy at the time the transportation is provided. Change fees related to non-refundable tickets are considered a separate transaction from the air transportation because they represent a charge for the Company s additional service to modify a previous sale. Therefore, the pricing of the change fee and the initial customer reservation are separately determined and represent distinct earnings processes. Refundable tickets expire after one year. The Company records an estimate of breakage revenue for tickets that will expire in twelve months without usage. These estimates are based on the evaluation of actual historical results. The Company recognizes cargo and other revenue as service is provided. See separate discussion in *Frequent Flyer Accounting,* below.

Frequent Flyer Accounting. United and Continental have frequent flyer programs that are designed to increase customer loyalty. Program participants earn mileage credits (miles) by flying on United, Continental 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 programs. We sell miles to these partners, which include credit card issuers, retail merchants, hotels, car rental companies and our participating airline partners. Miles can be redeemed for free, discounted or upgraded air travel and non-travel awards. The Company records its obligation for future award redemptions using a deferred revenue model.

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In the case of the sale of air services, the Company recognizes a portion of the ticket sales as revenue when the air transportation occurs and defers a portion of the ticket sale representing the value of the related miles. The adoption of Accounting Standards Update 2009-13, Multiple-Deliverable Revenue Arrangements a consensus of the FASB Emerging Issues Task Force (ASU 2009-13) resulted in the revision of this accounting, effective January 1, 2011.

Under the Company s prior accounting policy, the Company estimated the weighted average equivalent ticket value by assigning a fair value to the miles that were issued in connection with the sale of air transportation. The equivalent ticket value is a weighted average ticket value of each outstanding mile, based upon projected redemption patterns for available award choices when such miles are consumed. The fair value of the miles was deferred and the residual amount of ticket proceeds was recognized as passenger revenue at the time the air transportation was provided.

The Company began applying the new guidance in 2011 and determines the estimated selling price of the air transportation and miles as if each element is sold on a separate basis. The total consideration from each ticket sale is then allocated to each of these elements individually on a pro rata basis. The estimated selling price of miles is computed using an estimated weighted average equivalent ticket value that is adjusted by a sales discount that considers a number of factors, including ultimate fulfillment expectations associated with miles sold in flight transactions to various customer groups.

Generally, as compared to the historical accounting policy, the new accounting policy decreases the value of miles that the Company records as deferred revenue and increases the passenger revenue recorded at the time air transportation is provided. The application of the new accounting method to passenger ticket transactions resulted in the following estimated increases to revenue (in millions, except per share amounts):

	Year Ended December 31, 2011		
	UAL	**United**	**Continental**
Operating revenue	$ 340	$ 215	$ 125
Per basic share	1.03	NM	NM
Per diluted share	0.89	NM	NM

United and Continental also each had significant contracts to sell frequent flyer miles to their co-branded credit card partner, Chase. In June 2011, these contracts were modified and the Company entered into The Consolidated Amended and Restated Co-Branded Card Marketing Services Agreement dated June 9, 2011, (the Co-Brand Agreement) with Chase.

The Company historically had two primary revenue elements, marketing and air transportation, in the case of miles sold to non- airline third parties. The Company applied the material modification provisions of ASU 2009-13 to the Co-Brand Agreement in June 2011 when the contract was amended. After the adoption of ASU 2009-13, the Company identified five revenue elements in the Co-Brand Agreement: the air transportation element represented by the value of the mile (generally resulting from its redemption for future air transportation); use of the United brand and access to frequent flyer member lists; advertising; baggage services; and airport lounge usage (together, excluding the air transportation element , the marketing-related deliverables).

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

The estimated selling price of miles calculated is generally consistent with the methodology as described above in *Passenger Revenue Recognition.*

Under accounting prior to the adoption of ASU 2009-13, the Company used an equivalent ticket value to determine the fair value of miles. The new guidance changed the allocation of arrangement consideration to the number of units of accounting; however, the pattern and timing of revenue recognition for those units did not change. 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. Pending new or materially modified contracts after January 1, 2011, certain other non-airline partners who participate in the loyalty programs and to which we sell miles remain subject to our historical residual accounting method.

The application of the new accounting standard decreases the value of the air transportation deliverable related to the Co-Brand Agreement that the Company records as deferred revenue (and ultimately passenger revenue when redeemed awards are flown) and increases the value primarily of the marketing-related deliverables recorded in other revenue at the time these marketing-related deliverables are provided. The annual impact of this accounting change on operating revenue will decrease over time. Our ability to project the annual decline for each year is significantly impacted by credit card sales volumes, frequent flyer redemption patterns and other factors. Excluding the effects disclosed in the Special Revenue Item section below, the impact of adoption of ASU 2009-13 resulted in the following estimated increases to revenue (in millions, except per share amounts):

	Year Ended December 31, 2011		
	UAL	**United**	**Continental**
Operating revenue	$ 260	$ 180	$ 80
Per basic share	0.79	NM	NM
Per diluted share	0.68	NM	NM

Effective January 1, 2012, UAL updated its estimated selling price for miles to the rate at which we sell miles to our Star Alliance partners participating in reciprocal frequent flyer programs, as the estimated selling price for miles. Management believes this change is a change in estimate, and as such, the change will be applied as a prospective change effective January 1, 2012. The estimated impact of this change is to reduce 2012 consolidated revenue by approximately $100 million.

UAL accounts for miles sold and awarded that will never be redeemed by program members, which we referred to as breakage, using the redemption method. UAL reviews its breakage estimates annually based upon the latest available information regarding redemption and expiration patterns. During the first quarter of 2010, UAL obtained additional historical data, previously unavailable, which enabled it to refine its estimate of the amount of breakage in its population of miles, increasing the estimate of miles in the population expected to expire. Both the change in estimate and methodology have been applied prospectively effective, January 1, 2010. UAL and United estimate these changes increased passenger revenue by approximately $250 million, or $1.21 per UAL basic share ($0.99 per UAL diluted share), in the year ended December 31, 2010.

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:

	UAL	United	Continental
Frequent flyer deferred revenue at December 31, 2011 (in millions)	$ 5,658	$ 3,502	$ 2,156
% of miles earned expected to expire or go unredeemed	24%	24%	25%
Impact of 1% change in outstanding miles or weighted average ticket value on deferred revenue (in millions)	$ 74	$ 33	$ 41

In 2011, the Company announced that MileagePlus will be the loyalty program for the Company beginning in 2012. Moving to a single loyalty program will be a significant milestone in the integration of the two airlines. Continental s OnePass program will formally end in the first quarter of 2012 at which point United will automatically enroll OnePass members in MileagePlus and deposit into those MileagePlus accounts award miles equal to their OnePass award miles balance. The Company currently does not expect a material impact in redemptions from merging its two loyalty programs.

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

Goodwill as of December 31, 2011 represents the excess purchase price over the fair value of Continental s assets acquired and liabilities assumed in the Merger. All goodwill and other purchase accounting adjustments have been pushed down to Continental s financial statements.

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

The Company has one consolidated reporting unit. In 2011, the Company estimated the fair value of the consolidated reporting unit using both an income and a market approach. The income approach computes fair value by discounting future cash flows of the business and is dependent on a number of critical management assumptions including estimates of future capacity, passenger yield, traffic, operating costs (including fuel prices), appropriate discount rates and other relevant assumptions. The market approach computes fair value by adding a control premium to the Company s market capitalization. The Company s fair value exceeded its carrying value under both approaches and no goodwill impairment was recorded in 2011.

The Company is also required to assess the goodwill recorded on the separate financial statements of Continental for impairment. The fair value of Continental was determined by allocating a percentage of the fair value of the consolidated Company (as determined and described in the paragraph above). The percentage of the consolidated fair value allocated to Continental was based on a number of measures, including revenue share, operating earnings share, available seat mile share, revenue passenger mile share and passenger share. Based on these criteria, this resulted in a fair value allocation of such assets to Continental and United of 44% and 56%, respectively. The fair value of Continental exceeded its carrying value and no goodwill impairment was recorded as of December 31, 2011.

The Company s indefinite-lived intangible assets include certain international route authorities, take-off and landing slots at various airports, airline partner alliances, the UAL trade name and logo. The fair values of the assets for purposes of the annual impairment test were determined using the market and income approaches. The fair value measurements were primarily based on significant inputs that are not observable in the market. We utilized the market approach to value certain intangible assets such as airport take-off and landing slots when sufficient market information was available. The income approach was primarily used to value the international

route authorities, airline partner alliances, the UAL logo and trade name, and certain airport take-off and landing slots. The income approach indicates value for a subject asset based on the present value of cash flows projected to be generated by the asset. Projected cash flows are discounted at a required market rate of return that reflects the relative risk of achieving the cash flows and the time value of money.

In most cases, these indefinite-lived assets are separately associated with and directly assignable to each separate subsidiary. In cases where the asset is shared between separate subsidiaries, the fair value was allocated using the same method as described above for the goodwill impairment test. Any impairment charges resulting from the testing of the fair values of these indefinite-lived intangible assets are also assigned to the applicable separate subsidiary.

UAL recorded impairment charges for indefinite-lived intangible assets of $4 million and $29 million during the years ended December 31, 2011 and 2010, respectively. In 2011, Continental recorded a $4 million impairment of certain intangible assets related to foreign take-off and landing slots due to a change in our slot allocation times. In 2010, UAL recorded a $29 million impairment of its Brazil routes primarily due to the open skies agreement between the United States and Brazil which may result in a decrease in revenue from these routes. The valuation of the Brazil routes is based on an income methodology using estimated future cash flows from operation of the routes.

In 2009, using an income methodology which was based on estimated future cash flows, United recorded impairment charges of $150 million to decrease the carrying value of its tradename. The most significant impact on the estimated fair value was a significant decrease in actual and forecasted revenues due to poor global economic conditions.

Accounting for Long-Lived Assets. The net book value of operating property and equipment for UAL was $16.4 billion and $16.9 billion at December 31, 2011 and 2010, 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. Older generation aircraft are assigned lives that are generally consistent with the experience of United and Continental and the practice of other airlines. 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 current dollars 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 UAL s flight equipment would reduce annual depreciation expense on flight equipment by approximately $45 million.

United s aircraft impairments during 2010 and 2009 were due to aircraft that were grounded or planned to be grounded, or certain aircraft that were not operated by United. The aircraft impairments primarily related to United s Boeing 737 fleet, which United removed from service, and five Boeing 747 aircraft, which it removed from service as part of United s capacity reduction plans that were initiated in 2008. Fair value was estimated using the market approach. Asset appraisals, published aircraft pricing guides and recent transactions for similar aircraft were considered by United in its market value determination. Several impairments of the Boeing 737 and 747 aircraft occurred from 2008 to 2010 due to the weak economy and reduced demand for these particular aircraft, among other factors.

In addition to the Boeing 737 and 747 aircraft, in 2009, UAL tested five of its owned regional jets, which were leased to a third party, for impairment due to a weak market for these aircraft and a remaining lease term of

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approximately one year. As a result of this testing, UAL recorded impairment charges of $19 million to record the regional aircraft at estimated fair value as of December 31, 2009.

Benefit Accounting. UAL s pension plans under-funded status was $1.8 billion at December 31, 2011, nearly all of which is attributable to Continental s plans. Funding requirements for tax-qualified defined benefit pension plans are determined by government regulations. We estimate that our minimum funding requirements for the Continental plans during calendar year 2012 is approximately $184 million. The fair value of the plans assets was $1.9 billion at December 31, 2011, of which $1.7 billion is attributed to assets of Continental s plans.

The following discussion relates only to the Continental plans, as the United plans are not material.

When calculating pension expense for 2012, Continental assumed that its plans assets would generate a long-term rate of return of 7.75%. The expected long-term rate of return assumption was developed based on historical experience and input from the trustee managing the plans assets. The expected long-term rate of return on plan assets is based on a target allocation of assets, which is based on a goal of earning the highest rate of return while maintaining risk at acceptable levels. Our projected long-term rate of return is slightly higher than some market indices due to the active management of our plans assets, and is supported by the historical returns on our plans assets. The plans strive to have assets sufficiently diversified so that adverse or unexpected results from one security class will not have an unduly detrimental impact on the entire portfolio. We regularly review actual asset allocation and the pension plans investments are periodically rebalanced to the targeted allocation when considered appropriate.

The combined UAL 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, 2011:

	Percent of Total	Expected Long-Term Rate of Return
Equity securities	46%	10%
Fixed-income securities	29	6
Alternatives	20	7
Other	5	4

Pension expense increases as the expected rate of return on plan assets decreases. When calculating pension expense for 2012, we assume that our plans assets will generate a weighted-average long-term rate of return of 7.75%. Lowering the expected long-term rate of return on plan assets by an additional 50 basis points (from 7.75% to 7.25%) would increase estimated 2012 pension expense by approximately $8 million.

Future pension obligations for the Continental plans were discounted using a weighted average rate of 5.13% at December 31, 2011. UAL selected the 2011 discount rate for each of its plans by using a hypothetical portfolio of high quality bonds at December 31, 2011 that would provide the necessary cash flows to match the projected benefit payments.

UAL selected the 2011 discount rate for each of its plans by using a hypothetical portfolio of high quality bonds at December 31, 2011, that would provide the necessary cash flows to match projected benefit payments. Prior to 2011, the discount rate was selected using a cash flow matching technique where projected benefit payments were matched to a yield curve based on high quality bond yields as of the measurement date. This change increased the discount rate which lowered the present value of the liability by approximately $325 million.

This approach can result in different discount rates for different plans, depending on each plan s 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 5.13% to 4.63%) would increase the pension liability at December 31, 2011 by approximately $325 million and increase the estimated 2012 pension expense by approximately $41 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.

Other Postretirement Benefit Accounting. United s postretirement plan provides certain health care benefits, primarily in the U.S., to retirees and eligible dependents, as well as certain life insurance benefits to certain retirees reflected as Other Benefits. Continental s retiree medical programs 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. The Company has not been required to pre-fund its current and future plan obligations, which has resulted in a significant net obligation, as discussed below.

UAL s benefit obligation was $2.54 billion and $2.49 billion for the other postretirement benefit plans at December 31, 2011 and 2010, respectively. The year-over-year increase is due to changes in the assumptions used to value the obligation for UAL s plan, such as the decrease in the discount rate.

The calculation of other postretirement benefit expense and obligations requires the use of a number of assumptions, including the assumed discount rate for measuring future payment obligations and the health care cost trend rate. UAL determines the appropriate discount rate for each of its plans based on current rates on high quality corporate bonds that would generate the cash flow necessary to pay plan benefits when due. United s weighted average discount rate to determine its benefit obligations as of December 31, 2011 was 4.93%, as compared to 5.15% for December 31, 2010. Continental s weighted average discount rate to determine its benefit obligations as of December 31, 2011 was 4.78%, as compared to 4.97% for December 31, 2010. The health care cost trend rate assumed by United and Continental for 2011 was 8% and 7.5%, respectively, as compared to assumed trend rate for 2012 of 7%. A 1.0% increase (decrease) in assumed health care trend rates would increase (decrease) UAL s total service and interest cost for the year ended December 31, 2011 by $21 million and $(18) million, respectively. A one percentage point decrease in the weighted average discount rate would increase UAL s postretirement benefit liability by approximately $308 million and increase the estimated 2011 benefits expense by approximately $21 million.

UAL selected the 2011 discount rate for each of its plans by using a hypothetical portfolio of high quality bonds at December 31, 2011 that would provide the necessary cash flows to match the projected benefit payments. Prior to 2011, the discount rate was selected using a cash flow matching technique where projected benefit payments were matched to a yield curve based on high quality bond yields as of the measurement date. This change increased the discount rate which lowered the present value of the liability by approximately $200 million.

Detailed information regarding the Company s other postretirement plans, including key assumptions, is included in Note 9 to the financial statements in Item 8 of this report.

Actuarial gains or losses are triggered by changes in assumptions or experience that differ from the original assumptions. Under the applicable accounting standards for postretirement welfare benefit plans, those gains and

losses are not required to be recognized currently as other postretirement expense, but instead may be deferred as part of accumulated other comprehensive income and amortized into expense over the average remaining service life of the covered active employees. The Company s accounting policy for postretirement welfare benefit plans is to not apply the corridor approach available under applicable GAAP with respect to amortization of amounts included in accumulated other comprehensive income. Under the corridor approach, amortization of any gain or loss in accumulated other comprehensive income is required only if, at the beginning of the year, the accumulated gain or loss exceeds 10% of the greater of the benefit obligation or the fair value of assets. If amortization is required, the minimum amount outside the corridor divided by the average remaining service period of active employees is recognized as expense. The corridor approach is intended to reduce volatility of amounts recorded in postretirement welfare benefit plan expense each year. Since the Company has elected not to apply the corridor approach, 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, 2011 and 2010, UAL had unrecognized actuarial gains for postretirement welfare benefit plans of $33 million and $24 million, respectively, recorded in accumulated other comprehensive income.

Income Taxes

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income (including the reversals of deferred tax liabilities) during the periods in which those deferred tax assets will become deductible. The Company s management assesses available positive and negative evidence regarding the realizability of its deferred tax assets, and records a valuation allowance when it is more likely than not that all or a portion of the deferred tax assets will not be realized. To form a conclusion, management considers positive evidence in the form of reversing temporary differences, projections of future taxable income and tax planning strategies, and negative evidence such as recent history of losses. Prior to 2011, the Company was in a cumulative three-year loss position, which we weighted as a significant source of negative evidence indicating the need for a valuation allowance on our net deferred tax assets. Although the Company was no longer in a three-year cumulative loss position at the end of 2011, management determined that the size and frequency of financial losses in recent years and the uncertainty associated with projecting future taxable income supported the conclusion that the valuation allowance was still needed on net deferred assets. If UAL achieves significant profitability in 2012, then management will evaluate whether its recent history of profitability constitutes sufficient positive evidence to support a reversal of a portion, or all, of the remaining valuation allowance.

Forward-Looking Information

Certain statements throughout Item 7, *Management s Discussion and Analysis of Financial Condition and Results of Operations,* and elsewhere in this 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 and s 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

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arrangements; the costs and availability of financing; its ability to maintain adequate liquidity; its ability to execute its operational plans; its ability to control its costs, including realizing benefits from its resource optimization efforts, cost reduction initiatives and fleet replacement programs; its ability to utilize its net operating losses; its ability to attract and retain customers; demand for transportation in the markets in which it operates; an outbreak of a disease that affects travel demand or travel behavior; demand for travel and the impact that global economic conditions have on customer travel patterns; excessive taxation and the inability to offset future taxable income; general economic conditions (including interest rates, foreign currency exchange rates, investment or credit market conditions, crude oil prices, costs of aircraft fuel and energy refining capacity in relevant markets); its ability to cost-effectively hedge against increases in the price of aircraft fuel; any potential realized or unrealized gains or losses related to fuel or currency hedging programs; the effects of any hostilities, act of war or terrorist attack; the ability of other air carriers with whom the Company has alliances or partnerships to provide the services contemplated by the respective arrangements with such carriers; the costs and availability of aviation and other insurance; the costs associated with security measures and practices; 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); labor costs; its ability to maintain satisfactory labor relations and the results of the collective bargaining agreement process with its union groups; any disruptions to operations due to any potential actions by its labor groups; weather conditions; the possibility that expected Merger synergies will not be realized or will not be realized within the expected time period; and other risks and uncertainties set forth under Item 1A, *Risk Factors*, of 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 and by entering into swap agreements, depending upon market conditions. The following table summarizes information related to the Company s interest rate market risk at December 31 (in millions):

	2011			2010		
	UAL	United	Continental	UAL	United	Continental
Variable rate debt						
Carrying value of variable rate debt at December 31	$ 3,280	$ 2,109	$ 1,171	$ 3,758	$ 2,400	$ 1,358
Impact of 100 basis point increase on projected interest expense for the following year	31	20	11	37	24	13
Fixed rate debt						
Carrying value of fixed rate debt at December 31	8,402	3,636	4,357	10,087	4,626	5,043
Fair value of fixed rate debt at December 31	8,996	3,717	4,420	11,292	5,026	5,284
Impact of 100 basis point increase in market rates on fair value	(272)	(110)	(159)	(369)	(159)	(206)

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 2011 levels, a 100 basis point increase in interest rates would result in a corresponding increase in UAL, United and Continental interest income of approximately $63 million, $37 million and $26 million, respectively, during 2012.

Commodity Price Risk (Aircraft Fuel). Our results of operations and liquidity are significantly impacted by changes in the price of aircraft fuel.

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To protect against increases in the prices of aircraft fuel, the Company routinely hedges a portion of its future fuel requirements. The Company uses fixed price swaps, purchased call options, collars or other such commonly used financial hedge instruments. These hedge instruments are based directly on aircraft fuel or closely related commodities like heating oil, diesel fuel and crude oil. The Company strives to maintain fuel hedging levels and exposure such that the Company s fuel cost is not disproportionate to the fuel costs of its major competitors.

Some hedge instruments may result in losses if the underlying commodity prices drop below specified floors or swap prices. However, the negative impact of these losses may be outweighed by the benefit of lower aircraft fuel cost since the Company typically hedges a portion of its future fuel requirements, and uses swaps or sold puts (as a part of a collar) on only a portion of the fuel requirement that it does hedge. The Company does not enter into hedge instruments for trading purposes.

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):

	UAL	United	Continental
Fuel Costs			
In 2011, fuel cost as a percent of total operating expenses (a)	37%	37%	36%
Impact of $1 increase in price per barrel of aircraft fuel on annual fuel expense (b)	$ 95	$ 54	$ 41
Fuel Hedges			
Asset fair value at December 31, 2011 (c)	$ 73	$ 44	$ 29
Impact of 10% decrease in forward prices of aircraft fuel, crude oil and heating oil on the value of fuel hedges (d)	$ (155)	$ (97)	$ (58)

(a) Includes related taxes and excludes hedging impacts and special charges. In 2010, UAL s, United s and Continental s fuel cost was 31%, 31%, and 29% of total operating expense, respectively.
(b) Based on 2012 projected fuel consumption.
(c) As of December 31, 2010, the net fair value of UAL s, United s and Continental s fuel hedges was $375 million, $277 million and $98 million, respectively.
(d) Based on fuel hedge positions at December 31, 2011, as summarized in the table below.

As of December 31, 2011, our projected fuel requirements for 2012 were hedged as follows:

	Maximum Price		Minimum Price	
	% of Expected Consumption	Weighted Average Price (per gallon)	% of Expected Consumption	Weighted Average Price (per gallon)
UAL (a)				
Heating oil collars	11%	$ 3.13	11%	$ 2.52
Heating oil call options	7	3.22	N/A	N/A
Brent crude oil collars	6	2.74	6	1.91
Diesel fuel collars	4	3.12	4	2.35
Aircraft fuel swaps	1	2.90	1	2.90
WTI crude oil call options	1	2.37	N/A	N/A
WTI crude oil swaps	1	2.25	1	2.25
Total	31%		23%	

(a) Represents a hedge of approximately 47% of UAL s expected first quarter consumption with decreasing hedge coverage later throughout 2012.

Foreign Currency. The Company generates revenues and incurs expenses in numerous foreign currencies. Changes in foreign currency exchange rates impact the Company s results of operations through changes in the dollar value of foreign currency-denominated operating

revenues and expenses. Some of the Company s more significant foreign currency exposures include the Canadian dollar, Chinese renminbi, European euro and

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

The result of a uniform 10 percent strengthening in the value of the U.S. dollar from December 31, 2011 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 $235 million for the year ending December 31, 2012. This sensitivity analysis was prepared based upon projected 2012 foreign currency-denominated revenues and expenses as of December 31, 2011.

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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, 2011 and December 31, 2010, and the related statements of consolidated operations, comprehensive income (loss), cash flows, and stockholders equity (deficit) for each of the two years in the period ended December 31, 2011. Our audits also included the financial statement schedule listed in the Index at Item 15(a) for the years ended December 31, 2011 and 2010. These financial statements and the financial statement schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2011 and December 31, 2010, and the consolidated results of its operations and its cash flows for each of the two years in the period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, the Company elected to change its method of accounting for frequent flyer award breakage in 2010.

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

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company s internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 22, 2012, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Chicago, Illinois

February 22, 2012

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

United Continental Holdings, Inc.

Chicago, Illinois

We have audited the accompanying statements of consolidated operations, consolidated comprehensive income (loss), consolidated stockholders equity (deficit), and consolidated cash flows of United Continental Holdings, Inc. and subsidiaries (the Company) for the year ended December 31, 2009. Our audit also included the financial statement schedule for 2009 listed in the Index at Item 15. These consolidated 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 audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether 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 audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the results of the operations and the cash flows of United Continental Holdings, Inc. and subsidiaries for the year ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule for 2009, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 2 (Reclassifications) to the consolidated financial statements, the accompanying 2009 financial statements have been retrospectively adjusted for the reclassifications.

As discussed in Note 10 to the consolidated financial statements, the disclosures in the accompanying 2009 financial statements have been retrospectively adjusted for a change in the composition of reportable segments.

/s/ Deloitte & Touche LLP
Chicago, Illinois
February 25, 2010, except for Note 2 (Reclassifications) and Note 10, as to which the date is February 22, 2011

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholder of

United Air Lines, Inc.

We have audited the accompanying consolidated balance sheets of United Air Lines, Inc. (the Company) as of December 31, 2011 and December 31, 2010, and the related statements of consolidated operations, comprehensive income (loss), cash flows, and stockholder s deficit for each of the two years in the period ended December 31, 2011. Our audits also included the financial statement schedule listed in the Index at Item 15(a) for the years ended December 31, 2011 and 2010. 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 audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether 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 audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2011 and December 31, 2010, and the consolidated results of its operations and its cash flows for each of the two years in the period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, the Company elected to change its method of accounting for frequent flyer award breakage in 2010.

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

/s/ Ernst & Young LLP

Chicago, Illinois

February 22, 2012

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholder of

United Air Lines, Inc.

Chicago, Illinois

We have audited the accompanying statements of consolidated operations, consolidated comprehensive income (loss), consolidated stockholder s deficit, and consolidated cash flows of United Air Lines, Inc. and subsidiaries (the Company) for the year ended December 31, 2009. Our audit also included the financial statement schedule for 2009 listed in the Index at Item 15. These consolidated 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 audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of the Company s internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the results of the operations and the cash flows of United Air Lines, Inc. and subsidiaries for the year ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule for 2009, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 2 (Reclassifications) to the consolidated financial statements, the accompanying 2009 financial statements have been retrospectively adjusted for the reclassifications.

As discussed in Note 10 to the consolidated financial statements, the disclosures in the accompanying 2009 financial statements have been retrospectively adjusted for a change in the composition of reportable segments.

/s/ Deloitte & Touche LLP
Chicago, Illinois
February 25, 2010, except for Note 2 (Reclassifications) and Note 10, as to which the date is February 22, 2011

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholder of

Continental Airlines, Inc.

We have audited the accompanying consolidated balance sheets of Continental Airlines, Inc. (the Company) as of December 31, 2011 and December 31, 2010 (Successor), and the related statements of consolidated operations, comprehensive income (loss), cash flow, and stockholder s equity for the year ended December 31, 2011 (Successor), the period from October 1, 2010 to December 31, 2010 (Successor), the period from January 1, 2010 to September 30, 2010 (Predecessor), and the year ended December 31, 2009 (Predecessor). 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 audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether 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 audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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, 2011 and December 31, 2010 (Successor), and the consolidated results of its operations and its cash flows for the year ended December 31, 2011 (Successor), the period from October 1, 2010 to December 31, 2010 (Successor), the period from January 1, 2010 to September 30, 2010 (Predecessor), and the year ended December 31, 2009 (Predecessor), in conformity with U.S. generally accepted accounting principles. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

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

/s/ Ernst & Young LLP

Chicago, Illinois

February 22, 2012

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UNITED CONTINENTAL HOLDINGS, INC.

STATEMENTS OF CONSOLIDATED OPERATIONS

(In millions, except per share amounts)

	Year Ended December 31,		
	2011	**2010**	**2009**
Operating revenue:			
Passenger Mainline	$ 25,975	$ 16,019	$ 11,313
Passenger Regional	6,536	4,217	2,884
Total passenger revenue	32,511	20,236	14,197
Cargo	1,167	832	536
Special revenue item	107		
Other operating revenue	3,325	2,257	1,602
	37,110	23,325	16,335
Operating expense:			
Aircraft fuel	12,375	6,687	4,204
Salaries and related costs	7,652	5,002	3,919
Regional capacity purchase	2,403	1,812	1,523
Landing fees and other rent	1,928	1,307	1,011
Aircraft maintenance materials and outside repairs	1,744	1,115	965
Depreciation and amortization	1,547	1,079	917
Distribution expenses	1,435	912	670
Aircraft rent	1,009	500	346
Special charges	592	669	374
Other operating expenses	4,603	3,266	2,567
	35,288	22,349	16,496
Operating income (loss)	1,822	976	(161)
Nonoperating income (expense):			
Interest expense	(949)	(798)	(577)
Interest capitalized	32	15	10
Interest income	20	15	19
Miscellaneous, net	(80)	45	41
	(977)	(723)	(507)
Income (loss) before income taxes	845	253	(668)
Income tax expense (benefit)	5		(17)
Net income (loss)	$ 840	$ 253	$ (651)
Earnings (loss) per share, basic	$ 2.54	$ 1.22	$ (4.32)
Earnings (loss) per share, diluted	$ 2.26	$ 1.08	$ (4.32)

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

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UNITED CONTINENTAL HOLDINGS, INC.

STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME (LOSS)

(In millions)

	Year Ended December 31,		
	2011	**2010**	**2009**
Net income (loss)	$ 840	$ 253	$ (651)
Other comprehensive income (loss), net:			
Net change related to employee benefit plans	(464)	95	(73)
Net change in gains (losses) on financial instruments	(340)	257	15
	(804)	352	(58)
Total comprehensive income (loss), net	$ 36	$ 605	$ (709)

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

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UNITED CONTINENTAL HOLDINGS, INC.

CONSOLIDATED BALANCE SHEETS

(In millions, except shares)

	At December 31,	
ASSETS	**2011**	**2010**
Current assets:		
Cash and cash equivalents	$ 6,246	$ 8,069
Short-term investments	1,516	611
Total unrestricted cash, cash equivalents and short-term investments	7,762	8,680
Restricted cash	40	37
Receivables, less allowance for doubtful accounts (2011 $7; 2010 $6)	1,358	1,613
Aircraft fuel, spare parts and supplies, less obsolescence allowance (2011 $89; 2010 $64)	615	466
Deferred income taxes	615	591
Prepaid expenses and other	607	658
	10,997	12,045
Operating property and equipment:		
Owned		
Flight equipment	15,786	15,181
Other property and equipment	3,126	2,890
	18,912	18,071
Less Accumulated depreciation and amortization	(4,005)	(2,858)
	14,907	15,213
Purchase deposits for flight equipment	382	230
Capital leases		
Flight equipment	1,458	1,741
Other property and equipment	237	217
	1,695	1,958
Less Accumulated amortization	(565)	(456)
	1,130	1,502
	16,419	16,945
Other assets:		
Goodwill	4,523	4,523
Intangibles, less accumulated amortization (2011 $670; 2010 $504)	4,750	4,917
Restricted cash	529	350
Other, net	770	818
	10,572	10,608

	$ 37,988	$ 39,598

(continued on next page)

UNITED CONTINENTAL HOLDINGS, INC.

CONSOLIDATED BALANCE SHEETS

(In millions, except shares)

LIABILITIES AND STOCKHOLDERS EQUITY	At December 31, 2011	2010
Current liabilities:		
Advance ticket sales	$ 3,114	$ 2,998
Frequent flyer deferred revenue	2,405	2,582
Accounts payable	1,998	1,805
Accrued salaries and benefits	1,509	1,470
Current maturities of long-term debt	1,186	2,411
Current maturities of capital leases	125	252
Other	1,057	1,127
	11,394	12,645
Long-term debt	10,496	11,434
Long-term obligations under capital leases	928	1,036
Other liabilities and deferred credits:		
Frequent flyer deferred revenue	3,253	3,491
Postretirement benefit liability	2,407	2,344
Pension liability	1,862	1,473
Advanced purchase of miles	1,711	1,159
Deferred income taxes	1,603	1,585
Lease fair value adjustment, net	1,133	1,371
Other	1,395	1,333
	13,364	12,756
Commitments and contingencies		
Stockholders equity:		
Preferred stock		
Common stock at par, $0.01 par value; authorized 1,000,000,000 shares; outstanding 330,906,192 and 327,922,565 shares at December 31, 2011 and 2010, respectively	3	3
Additional capital invested	7,114	7,071
Retained deficit	(4,863)	(5,703)
Stock held in treasury, at cost	(31)	(31)
Accumulated other comprehensive income (loss)	(417)	387
	1,806	1,727
	$ 37,988	$ 39,598

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

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UNITED CONTINENTAL HOLDINGS, INC.

STATEMENTS OF CONSOLIDATED CASH FLOWS

(In millions)

	Year Ended December 31,		
	2011	**2010**	**2009**
Cash Flows from Operating Activities:			
Net income (loss)	$ 840	$ 253	$ (651)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities			
Depreciation and amortization	1,547	1,079	917
Special charges, non-cash portion	46	166	374
Proceeds from lease amendment			160
Debt and lease discount amortization	(186)	28	97
Deferred income taxes	(6)	(10)	(16)
Share-based compensation	17	14	21
Other operating activities	77	86	74
Changes in operating assets and liabilities, net of Merger			
Increase (decrease) in other liabilities	220	265	(217)
(Increase) decrease in other assets	(181)	59	(25)
Increase in accounts payable	177	255	94
Increase (decrease) in advance ticket sales	115	(205)	(38)
Increase (decrease) in frequent flyer deferred revenue and advanced purchase of miles	(110)	(67)	123
(Increase) decrease in receivables	(87)	(33)	105
(Increase) decrease in fuel hedge collateral	(59)	10	955
Unrealized (gain) loss on fuel derivatives and change in related pending settlements	(2)	7	(1,007)
Net cash provided by operating activities	2,408	1,907	966
Cash Flows from Investing Activities:			
Increase in short-term and other investments, net	(898)	(84)	
Capital expenditures	(700)	(371)	(317)
(Increase) decrease in restricted cash, net	(185)	68	(19)
Aircraft purchase deposits paid, net	(140)	(45)	
Proceeds from sale of property and equipment	123	48	77
Increase in cash from acquisition of Continental		3,698	
Proceeds from asset sale-leasebacks			175
Other, net	1	6	4
Net cash provided by (used in) investing activities	(1,799)	3,320	(80)
Cash Flows from Financing Activities:			
Payments of long-term debt	(2,367)	(2,023)	(794)
Principal payments under capital leases	(250)	(484)	(190)
Proceeds from issuance of long-term debt	152	2,086	907
Proceeds from exercise of stock options	26	21	
Decrease in aircraft lease deposits	15	236	23
Increase in deferred financing costs	(8)	(33)	(49)
Purchases of treasury stock		(3)	(2)
Proceeds from sale of common stock			222
Net cash provided by (used in) financing activities	(2,432)	(200)	117

Net increase (decrease) in cash and cash equivalents	(1,823)	5,027	1,003
Cash and cash equivalents at beginning of year	8,069	3,042	2,039
Cash and cash equivalents at end of year	$ 6,246	$ 8,069	$ 3,042

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

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UNITED CONTINENTAL HOLDINGS, INC.

STATEMENTS OF CONSOLIDATED STOCKHOLDERS EQUITY (DEFICIT)

(In millions)

	Common Stock						
	Shares	Amount	Additional Capital Invested	Treasury Stock	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2008	140	$ 1	$ 2,919	$ (26)	$ (5,308)	$ 93	$ (2,321)
Net loss					(651)		(651)
Other comprehensive loss						(58)	(58)
Issuance of common stock	26	1	206				207
Share-based compensation			11				11
Other	2				3		3
Treasury stock acquisitions				(2)			(2)
Balance at December 31, 2009	168	2	3,136	(28)	(5,956)	35	(2,811)
Net income					253		253
Other comprehensive income						352	352
Shares issued in exchange for Continental common stock	148	1	3,501				3,502
Equity component of Continental convertible debt assumed in Merger			157				157
Shares issued in exchange for redemption of Continental convertible debt	9		164				164
Fair value of Continental stock options related to Merger			78				78
Share-based compensation			14				14
Proceeds from exercise of stock options	3		21				21
Treasury stock acquisitions				(3)			(3)
Balance at December 31, 2010	328	3	7,071	(31)	(5,703)	387	1,727
Net income					840		840
Other comprehensive loss						(804)	(804)
Share-based compensation			17				17
Proceeds from exercise of stock options	3		26				26
Balance at December 31, 2011	331	$ 3	$ 7,114	$ (31)	$ (4,863)	$ (417)	$ 1,806

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

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UNITED AIR LINES, INC.

STATEMENTS OF CONSOLIDATED OPERATIONS

(In millions)

	Year Ended December 31,		
	2011	**2010**	**2009**
Operating revenue:			
Passenger Mainline	$ 14,153	$ 13,412	$ 11,313
Passenger Regional	3,935	3,658	2,884
Total passenger revenue	18,088	17,070	14,197
Cargo	718	714	536
Special revenue item	88		
Other operating revenue	2,261	1,994	1,626
	21,155	19,778	16,359
Operating expense:			
Aircraft fuel	7,080	5,700	4,204
Salaries and related costs	4,172	4,212	3,919
Regional capacity purchase	1,574	1,610	1,523
Landing fees and other rent	1,028	1,077	1,011
Aircraft maintenance materials and outside repairs	1,160	980	965
Depreciation and amortization	921	903	917
Distribution expenses	748	756	670
Aircraft rent	323	326	349
Special charges	433	468	374
Other operating expenses	2,829	2,728	2,564
	20,268	18,760	16,496
Operating income (loss)	887	1,018	(137)
Nonoperating income (expense):			
Interest expense	(595)	(695)	(577)
Interest capitalized	15	11	10
Interest income	10	11	19
Miscellaneous, net	(33)	42	41
	(603)	(631)	(507)
Income (loss) before income taxes	284	387	(644)
Income tax expense (benefit)	3	(12)	(16)
Net income (loss)	$ 281	$ 399	$ (628)

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

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UNITED AIR LINES, INC.

STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME (LOSS)

(In millions)

	Year Ended December 31,		
	2011	2010	2009
Net income (loss)	$ 281	$ 399	$ (628)
Other comprehensive income (loss), net:			
Net change related to employee benefit plans	29	(148)	(73)
Net change in gains (losses) on financial instruments	(248)	204	15
	(219)	56	(58)
Total comprehensive income (loss), net	$ 62	$ 455	$ (686)

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

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UNITED AIR LINES, INC.

CONSOLIDATED BALANCE SHEETS

(In millions, except shares)

	At December 31,	
ASSETS	**2011**	**2010**
Current assets:		
Cash and cash equivalents	$ 3,458	$ 4,665
Short-term investments	275	
Total unrestricted cash, cash equivalents and short-term investments	3,733	4,665
Restricted cash	40	37
Receivables, less allowance for doubtful accounts (2011 $5; 2010 $5)	763	1,004
Aircraft fuel, spare parts and supplies, less obsolescence allowance (2011 $73; 2010 $61)	340	321
Deferred income taxes	348	373
Receivables from related parties	228	135
Prepaid expenses and other	447	366
	5,899	6,901
Operating property and equipment:		
Owned		
Flight equipment	9,135	8,718
Other property and equipment	2,260	2,086
	11,395	10,804
Less Accumulated depreciation and amortization	(3,359)	(2,717)
	8,036	8,087
Purchase deposits for flight equipment	57	51
Capital leases		
Flight equipment	1,458	1,741
Other property and equipment	67	49
	1,525	1,790
Less Accumulated amortization	(548)	(453)
	977	1,337
	9,070	9,475
Other assets:		
Intangibles, less accumulated amortization (2011 $534; 2010 $473)	2,283	2,343
Restricted cash	393	190
Other, net	600	719
	3,276	3,252

$ 18,245	$ 19,628

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UNITED AIR LINES, INC.

CONSOLIDATED BALANCE SHEETS

(In millions, except shares)

	At December 31,	
LIABILITIES AND STOCKHOLDER S DEFICIT	**2011**	**2010**
Current liabilities:		
Advance ticket sales	$ 1,652	$ 1,536
Frequent flyer deferred revenue	1,484	1,703
Accounts payable	1,109	907
Accrued salaries and benefits	988	938
Current maturities of long-term debt	615	1,546
Current maturities of capital leases	122	249
Payables to related parties	104	63
Other	853	950
	6,927	7,892
Long-term debt	5,130	5,480
Long-term obligations under capital lease	735	858
Other liabilities and deferred credits:		
Frequent flyer deferred revenue	2,018	2,321
Postretirement benefit liability	2,115	2,091
Pension liability	92	101
Advanced purchase of miles	1,442	1,159
Deferred income taxes	707	731
Other	983	972
	7,357	7,375
Commitments and contingencies		
Stockholder s deficit:		
Common stock at par, $5 par value; authorized 1,000 shares; issued 205 shares at December 31, 2011 and 2010		
Additional capital invested	3,432	3,421
Retained deficit	(5,208)	(5,489)
Accumulated other comprehensive income (loss)	(128)	91
	(1,904)	(1,977)
	$ 18,245	$ 19,628

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

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UNITED AIR LINES, INC.

STATEMENTS OF CONSOLIDATED CASH FLOWS

(In millions)

	Year Ended December 31,		
	2011	**2010**	**2009**
Cash Flows from Operating Activities:			
Net income (loss)	$ 281	$ 399	$ (628)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities			
Depreciation and amortization	921	903	917
Special charges, non-cash portion	36	166	374
Proceeds from lease amendment			160
Debt and lease discount amortization	56	93	97
Deferred income taxes		(12)	(16)
Share-based compensation	9	13	21
Other operating activities	77	83	48
Changes in operating assets and liabilities			
Increase (decrease) in frequent flyer deferred revenue and advanced purchase of miles	(235)	(126)	123
Increase in accounts payable	241	221	94
Increase (decrease) in other liabilities	200	262	(213)
Increase (decrease) in advance ticket sales	116	44	(38)
Increase in other current assets	(129)	(103)	(19)
(Increase) decrease in receivables	(123)	(160)	110
(Increase) decrease in fuel hedge collateral	(59)	10	955
Unrealized (gain) loss on fuel derivatives and change in related pending settlements	27	4	(1,007)
Net cash provided by operating activities	1,418	1,797	978
Cash Flows from Investing Activities:			
Capital expenditures	(464)	(318)	(317)
(Increase) decrease in short-term and other investments, net	(269)	18	
(Increase) decrease in restricted cash, net	(210)	68	(24)
Proceeds from sale of property and equipment	15	40	77
Aircraft purchase deposits paid, net	(6)	(42)	
Proceeds from asset sale-leasebacks			175
Other, net	2	7	3
Net cash used in investing activities	(932)	(227)	(86)
Cash Flows from Financing Activities:			
Payments of long-term debt	(1,456)	(1,667)	(793)
Principal payments under capital leases	(246)	(482)	(190)
Decrease in aircraft lease deposits	15	236	23
Increase in deferred financing costs	(8)	(33)	(49)
Proceeds from exercise of stock options	2	9	
Proceeds from issuance of long-term debt		1,995	562
Capital contribution from parent			559
Other, net		1	(1)
Net cash provided by (used in) financing activities	(1,693)	59	111

Net increase (decrease) in cash and cash equivalents	(1,207)	1,629	1,003
Cash and cash equivalents at beginning of year	4,665	3,036	2,033
Cash and cash equivalents at end of year	$ 3,458	$ 4,665	$ 3,036

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

UNITED AIR LINES, INC.

STATEMENTS OF CONSOLIDATED STOCKHOLDER S DEFICIT

(In millions)

	Common Stock	Additional Capital Invested	Retained Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2008		$ 2,831	$ (5,260)	$ 93	$ (2,336)
Net loss			(628)		(628)
Other comprehensive loss				(58)	(58)
Capital contributions from parent		559			559
Share-based compensation		11			11
Balance at December 31, 2009		3,401	(5,888)	35	(2,452)
Net income			399		399
Other comprehensive income				56	56
Share-based compensation		12			12
Parent Company contribution related to stock plans		8			8
Balance at December 31, 2010		3,421	(5,489)	91	(1,977)
Net income			281		281
Other comprehensive loss				(219)	(219)
Share-based compensation		9			9
Parent Company contribution related to stock plans		2			2
Balance at December 31, 2011		$ 3,432	$ (5,208)	$ (128)	$ (1,904)

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

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CONTINENTAL AIRLINES, INC.

STATEMENTS OF CONSOLIDATED OPERATIONS

(In millions, except per share amounts)

	Successor		Predecessor	
	Year Ended December 31, 2011	Three Months Ended December 31, 2010	Nine Months Ended September 30, 2010	Year Ended December 31, 2009
Operating revenue:				
Passenger Mainline	$ 11,816	$ 2,605	$ 7,777	$ 9,024
Passenger Regional	2,601	560	1,726	2,016
Total passenger revenue	14,417	3,165	9,503	11,040
Cargo	448	119	328	366
Special revenue item	19			
Other operating revenue	1,291	279	957	1,217
	16,175	3,563	10,788	12,623
Operating expense:				
Aircraft fuel	5,294	986	2,872	3,401
Salaries and related costs	3,405	786	2,527	3,137
Regional capacity purchase	830	202	608	826
Landing fees and other rent	900	231	656	841
Aircraft maintenance materials and outside repairs	595	135	399	597
Depreciation and amortization	626	177	380	494
Distribution expenses	688	156	474	537
Aircraft rent	686	174	689	934
Special charges	159	201	47	145
Other operating expenses	2,042	537	1,416	1,855
	15,225	3,585	10,068	12,767
Operating income (loss)	950	(22)	720	(144)
Nonoperating income (expense):				
Interest expense	(342)	(86)	(288)	(367)
Interest capitalized	17	4	17	33
Interest income	10	3	6	12
Miscellaneous, net	(72)	2	(13)	27
	(387)	(77)	(278)	(295)
Income (loss) before income taxes	563	(99)	442	(439)
Income tax expense (benefit)	(6)	(4)	1	(157)
Net income (loss)	$ 569	$ (95)	$ 441	$ (282)
Earnings (loss) per share, basic			$ 3.16	$ (2.18)

Earnings (loss) per share, diluted	$	2.81	$	(2.18)

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

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CONTINENTAL AIRLINES, INC.

STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME (LOSS)

(In millions)

	Successor		Predecessor	
	Year Ended December 31, 2011	Three Months Ended December 31, 2010	Nine Months Ended September 30, 2010	Year Ended December 31, 2009
Net income (loss)	$ 569	$ (95)	$ 441	$ (282)
Other comprehensive income (loss):				
Net change related to employee benefit plans	(493)	243	82	305
Net change in gains (losses) on financial instruments	(94)	53	11	424
Tax expense on other comprehensive income (loss)		(6)		(158)
	(587)	290	93	571
Total comprehensive income (loss), net	$ (18)	$ 195	$ 534	$ 289

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

CONTINENTAL AIRLINES, INC.

CONSOLIDATED BALANCE SHEETS

(In millions, except shares)

ASSETS	**At December 31, 2011**	**2010**
Current assets:		
Cash and cash equivalents	$ 2,782	$ 3,398
Short-term investments	1,241	611
Total cash, cash equivalents and short-term investments	4,023	4,009
Receivables, less allowance for doubtful accounts (2011 $2; 2010 $1)	595	609
Aircraft fuel, spare parts and supplies, less obsolescence allowance (2011 $16; 2010 $3)	275	246
Deferred income taxes	267	225
Receivables from related parties		3
Prepaid expenses and other	165	185
	5,325	5,277
Operating property and equipment:		
Owned		
Flight equipment	6,651	6,463
Other property and equipment	866	804
	7,517	7,267
Less Accumulated depreciation and amortization	(646)	(141)
	6,871	7,126
Purchase deposits for flight equipment	324	178
Capital leases other property and equipment	170	168
Less Accumulated amortization	(17)	(3)
	153	165
	7,348	7,469
Other assets:		
Goodwill	4,523	4,523
Intangibles, less accumulated amortization (2011 $136; 2010 $31)	2,469	2,575
Restricted cash	135	160
Other, net	364	375
	7,491	7,633
	$ 20,164	$ 20,379

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CONTINENTAL AIRLINES, INC.

CONSOLIDATED BALANCE SHEETS

(In millions, except shares)

LIABILITIES AND STOCKHOLDER S EQUITY	**At December 31, 2011**	**2010**
Current liabilities:		
Advance ticket sales	$ 1,462	$ 1,463
Frequent flyer deferred revenue	921	879
Accounts payable	894	902
Accrued salaries and benefits	521	532
Current maturities of long-term debt	571	865
Current maturities of capital leases	3	3
Payables to related parties	11	
Other	279	236
	4,662	4,880
Long-term debt	4,957	5,536
Long-term obligation under capital leases	193	178
Other liabilities and deferred credits:		
Frequent flyer deferred revenue	1,235	1,170
Postretirement benefit liability	292	253
Pension liability	1,770	1,372
Advanced purchase of miles	270	
Deferred income taxes	820	784
Lease fair value adjustment, net	1,133	1,374
Other	507	522
	6,027	5,475
Commitments and contingencies		
Stockholder s equity:		
Common stock at par, $0.01 par value; authorized 1,000 shares; issued and outstanding 1,000 shares at December 31, 2011 and 2010		
Additional capital invested	4,148	4,115
Retained earnings (deficit)	474	(95)
Accumulated other comprehensive income (loss)	(297)	290
	4,325	4,310
	$ 20,164	$ 20,379

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

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CONTINENTAL AIRLINES, INC.

STATEMENTS OF CONSOLIDATED CASH FLOWS

(In millions)

	Successor		Predecessor	
	Year Ended December 31, 2011	Three Months Ended December 31, 2010	Nine Months Ended September 30, 2010	Year Ended December 31, 2009
Cash Flows from Operating Activities:				
Net income (loss)	$ 569	$ (95)	$ 441	$ (282)
Adjustments to reconcile net income (loss) to net cash provided by operating activities				
Depreciation and amortization	626	177	380	494
Special charges, non-cash portion	10		18	145
Debt and lease discount amortization	(242)	(64)	8	15
Deferred income taxes	(6)	(6)		(158)
Share-based compensation	9	1	10	9
Other operating activities	25	(10)	10	11
Changes in operating assets and liabilities, net of Merger				
Increase in frequent flyer deferred revenue and advanced purchase of miles	125	59	141	24
(Increase) decrease in other current assets	(71)	56	(176)	71
(Increase) decrease in receivables	(54)	5	(188)	442
Increase (decrease) in other liabilities	40	1	230	(275)
Unrealized (gain) loss on fuel derivatives and change in related pending settlements	(29)	4	(11)	(81)
Increase (decrease) in accounts payable	(12)	213	44	(3)
Increase (decrease) in advance ticket sales	(1)	(248)	400	(50)
Net cash provided by operating activities	989	93	1,307	362
Cash Flows from Investing Activities:				
(Increase) decrease in short-term and other investments, net	(629)	(102)	(171)	180
Capital expenditures	(236)	(54)	(246)	(381)
Aircraft purchase deposits refunded (paid), net	(134)	(2)	10	29
Proceeds from sale of property and equipment	108	20	32	64
Decrease in restricted cash, net	25		3	26
Proceeds from sale of investments, net				30
Expenditures for airport operating rights				(22)
Other, net				(4)
Net cash used in investing activities	(866)	(138)	(372)	(78)
Cash Flows from Financing Activities:				
Payments of long-term debt and capital lease obligations	(915)	(358)	(836)	(610)
Proceeds from issuance of long-term debt, net	152	90	1,025	538
Proceeds from issuance of common stock pursuant to stock plans	24	13	28	11
Proceeds from public offering of common stock, net				158
Net cash provided by (used in) financing activities	(739)	(255)	217	97

Net increase (decrease) in cash and cash equivalents	(616)	(300)	1,152	381
Cash and cash equivalents at beginning of period	3,398	3,698	2,546	2,165
Cash and cash equivalents at end of period	$ 2,782	$ 3,398	$ 3,698	$ 2,546

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

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CONTINENTAL AIRLINES, INC.

STATEMENTS OF CONSOLIDATED STOCKHOLDER S EQUITY (DEFICIT)

(In millions)

	Common Stock					
	Shares	Amount	Additional Capital Invested	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total
Predecessor Company						
Balance at December 31, 2008	123	$ 1	$ 2,038	$ (160)	$ (1,756)	$ 123
Net loss				(282)		(282)
Other comprehensive income					571	571
Issuance of common stock pursuant to stock plans	2		11			11
Issuance of common stock pursuant to stock offerings	14		158			158
Share-based compensation			9			9
Balance at December 31, 2009	139	1	2,216	(442)	(1,185)	590
Net income from January 1 to September 30				441		441
Other comprehensive income (January 1 to September 30)					93	93
Issuance of common stock pursuant to stock plans	2		28			28
Share-based compensation			10			10
Balance at September 30, 2010	141	$ 1	$ 2,254	$ (1)	$ (1,092)	$ 1,162
Successor Company						
Merger Impact:						
Elimination of equity accounts in connection with the Merger	(141)	$ (1)	$ (2,254)	$ 1	$ 1,092	$ (1,162)
Issuance of new stock by UAL pursuant to Merger			3,579			3,579
Contribution of indenture derivative asset by UAL			520			520
Net loss from October 1 to December 31				(95)		(95)
Other comprehensive income (October 1 to December 31)					290	290
Parent Company contribution related to stock plans			13			13
Other			3			3
Balance at December 31, 2010			4,115	(95)	290	4,310
Net income				569		569
Other comprehensive loss					(587)	(587)
Parent Company contribution related to stock plans			24			24
Share-based compensation			9			9
Balance at December 31, 2011		$	$ 4,148	$ 474	$ (297)	$ 4,325

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

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UNITED CONTINENTAL HOLDINGS, INC.,

UNITED AIR LINES, INC. AND CONTINENTAL AIRLINES, INC.,

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

United Continental Holdings, Inc. (together with its consolidated subsidiaries, UAL) is a holding company and its principal, wholly-owned subsidiaries are United Air Lines, Inc. (together with its consolidated subsidiaries, United) and Continental Airlines, Inc. (together with its consolidated subsidiaries, Continental). All significant intercompany transactions are eliminated.

We sometimes use the words we, our, us, and the Company in this Form 10-K for disclosures that relate to all of UAL, United and Continental. As UAL consolidated United and Continental beginning October 1, 2010 for financial statement purposes, disclosures that relate to United or Continental activities also apply to UAL, unless otherwise noted. When appropriate, UAL, United and Continental are named specifically for their related activities and disclosures.

Continental

As a result of the application of the acquisition method of accounting, the Continental financial statements prior to October 1, 2010 are not comparable with the financial statements for periods on or after October 1, 2010. References to Continental Successor refer to Continental on or after October 1, 2010, after giving effect to the application of acquisition accounting. References to Continental Predecessor refer to Continental prior to October 1, 2010.

NOTE 1 MERGER

Merger

Description of Transaction

On May 2, 2010, UAL Corporation, Continental and JT Merger Sub Inc., a wholly-owned subsidiary of UAL Corporation, entered into an Agreement and Plan of Merger (the Merger agreement). On October 1, 2010, JT Merger Sub Inc. merged with and into Continental, with Continental surviving as a wholly-owned subsidiary of UAL Corporation (the Merger). Upon closing of the Merger, UAL Corporation became the parent company of both Continental and United and UAL Corporation s name was changed to United Continental Holdings, Inc.

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

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

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Expenses Related to the Merger

The Merger-related and integration expenses have been and are expected to be significant. While the Company has assumed that a certain level of expenses would be incurred, there are many factors that could affect the total amount or the timing of these expenses, and many of the expenses that will be incurred are, by their nature, difficult to estimate. These expenses could, particularly in the near term, exceed the financial benefits that the Company expects to achieve from the Merger and could result in the Company taking significant charges against earnings. For the year ended December 31, 2011, UAL, United and Continental incurred integration-related costs of $517 million, $360 million and $157 million, respectively. For the year ended December 31, 2010, UAL and United incurred Merger-related costs of $564 million and $363 million, respectively. Continental Successor and Continental Predecessor incurred Merger-related costs of $201 million and $29 million, respectively, in 2010. These costs are classified within special charges in the consolidated statement of operations. See Note 21 for additional information related to Merger and integration costs.

Pro-forma Impact of the Merger

The UAL unaudited pro-forma results presented below include the effects of the Continental acquisition as if it had been consummated as of January 1, 2009. The pro-forma results include the depreciation and amortization associated with the acquired tangible and intangible assets, lease fair value adjustments, elimination of any deferred gains or losses from other comprehensive income and the impact of income changes on profit sharing expense, among others. However, pro-forma results do not include any anticipated synergies or other expected benefits of the acquisition. Accordingly, the unaudited pro-forma financial information below is not necessarily indicative of either future results of operations or results that might have been achieved had the acquisition been consummated as of January 1, 2009 (in millions, except per share amounts):

	Year Ended December 31,	
	2010	**2009**
Revenue	$ 33,946	$ 28,677
Net income (loss)	958	(689)
Basic earnings (loss) per share	3.02	(2.41)
Diluted earnings (loss) per share	2.62	(2.41)

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

The following policies are applicable to UAL, United and Continental, except as noted below under *Continental Predecessor Accounting Policies,* for accounting policies followed by Continental Predecessor that are materially different than the Company s accounting policies.

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

(b) **Passenger Revenue Recognition** The value of unused passenger tickets are included in current liabilities as advance ticket sales. The Company records passenger ticket sales and tickets sold by other airlines for use on United or Continental as passenger revenue when the transportation is provided or upon estimated breakage. Tickets sold by other airlines are recorded at the estimated values to be billed to the other airlines. Non-refundable tickets generally expire on the date of the intended flight, unless the date is extended by notification from the customer on or before the intended flight date. Fees charged in association with changes or extensions to non-refundable tickets are recorded as other revenue at the time the fee is incurred. The fare on the changed ticket, including any additional collection, is deferred and recognized in accordance with our transportation revenue recognition policy at the time the transportation is provided. Change fees related to non-refundable tickets are considered a separate transaction from the air transportation because

they represent a charge for the Company s additional service to modify a previous sale. Therefore, the pricing of the change fee and the initial customer order are separately determined and represent distinct earnings processes. Refundable tickets expire after one year.

The Company records an estimate of breakage revenue on the flight date for tickets that will expire without usage. These estimates are based on the evaluation of actual historical results. The Company recognizes cargo and other revenue as service is provided.

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

In the separate financial statements of United and Continental, for tickets sold by one carrier but flown by the other, the carrier that operates the aircraft recognizes the associated revenue. See Note 20 for additional information regarding related party transactions.

Accounts receivable primarily consist of amounts due from credit card companies and customers of our aircraft maintenance and cargo transportation services. We provide an allowance for uncollectible accounts equal to the estimated losses expected to be incurred based on historical write-offs and other specific analyses. Bad debt expense and write-offs were not material for the years ended December 31, 2011, 2010 and 2009.

(c) **Frequent Flyer Accounting** United and Continental have frequent flyer programs that are designed to increase customer loyalty. Program participants earn mileage credits (miles) by flying on United, Continental 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 programs. We sell miles to these partners, which include credit card issuers, retail merchants, hotels, car rental companies, and our participating airline partners. Miles can be redeemed for free, discounted or upgraded air travel and non-travel awards. The Company records its obligation for future award redemptions using a deferred revenue model.

Miles Earned in Conjunction with Flights

In the case of the sale of air services, the Company recognizes a portion of the ticket sales as revenue when the air transportation occurs and defers a portion of the ticket sale representing the value of the related miles. The adoption of Accounting Standards Update 2009-13, Multiple-Deliverable Revenue Arrangements a consensus of the FASB Emerging Issues Task Force (ASU 2009-13) resulted in the revision of this accounting, effective January 1, 2011.

Under the Company s prior accounting policy, the Company estimated the weighted average equivalent ticket value by assigning a fair value to the miles that were issued in connection with the sale of air transportation. The equivalent ticket value is a weighted average ticket value of each outstanding mile, based upon projected redemption patterns for available award choices when such miles are consumed. The fair value of the miles was deferred and the residual amount of ticket proceeds was recognized as passenger revenue at the time the air transportation was provided.

The Company began applying the new guidance in 2011 and determines the estimated selling price of the air transportation and miles as if each element is sold on a separate basis. The total consideration from each ticket sale is then allocated to each of these elements individually on a pro rata basis. The estimated selling price of miles is computed using an estimated weighted average equivalent ticket value that is adjusted by a sales discount that considers a number of factors, including ultimate fulfillment expectations associated with miles sold in flight transactions to various customer groups.

Generally, as compared to the historical accounting policy, the new accounting policy decreases the value of miles that the Company records as deferred revenue and increases the passenger revenue recorded at the time air transportation is provided. The application of the new accounting method to passenger ticket transactions resulted in the following estimated increases to revenue (in millions, except per share amounts):

	Year Ended December 31, 2011		
	UAL	United	Continental
Operating revenue	$ 340	$ 215	$ 125
Per basic share	1.03	NM	NM
Per diluted share	0.89	NM	NM

Co-branded Credit Card Partner Mileage Sales

United and Continental also each have significant contracts to sell frequent flyer miles to their co-branded credit card partner, Chase Bank USA, N.A. (Chase). On June 9, 2011, these contracts were modified and the Company entered into The Consolidated Amended and Restated Co-Branded Card Marketing Services Agreement dated June 9, 2011, (the Co-Brand Agreement) with Chase.

The Company historically had two primary revenue elements, marketing and air transportation, in the case of miles sold to non-airline third parties. The Company applied the material modification provisions of ASU 2009-13 to the Co-Brand Agreement in June 2011 when the contract was amended. After the adoption of ASU 2009-13, the Company identified five revenue elements in the Co-Brand Agreement: the air transportation element represented by the value of the mile (generally resulting from its redemption for future air transportation); use of the United brand and access to frequent flyer member lists; advertising; baggage services; and airport lounge usage (together, excluding the air transportation element , the marketing-related deliverables).

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

The estimated selling price of miles is calculated generally consistent with the methodology as described in *Miles Earned in Conjunction with Flights*, above.

Under accounting prior to the adoption of ASU 2009-13, the Company used an equivalent ticket value to determine the fair value of miles. The new guidance changed the allocation of arrangement consideration to the number of units of accounting; however, the pattern and timing of revenue recognition for those units did not change. 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. Pending new or materially modified contracts after January 1, 2011, certain other non-airline partners who participate in the loyalty programs and to which we sell miles remain subject to our historical residual accounting method.

Generally, as compared to the historical accounting policy, the new accounting policy decreases the value of the air transportation deliverable related to the Co-Brand Agreement that the Company records as deferred revenue (and ultimately, passenger revenue when redeemed awards are flown) and increases the value primarily of the marketing-related deliverables recorded in other revenue at the time these marketing-related deliverables are provided. The annual impact of this accounting change on operating revenue will decrease over time. Our ability to project the annual decline for each year is significantly impacted by credit card sales volumes, frequent flyer redemption patterns and other factors. Excluding the effects disclosed in