The Tech Ops Perspective

Labor relations update

January 2014

Welcome to the first edition of The Tech Ops Perspective, a publication for United's Technicians and Related Employees.

We will provide factual information, objective analysis and our perspective on the competitive challenges we face, as well as updates on our joint collective bargaining agreement negotiations.

You may disagree with some of the views we share – and that's fine. We simply hope that sharing our perspective will foster a dialogue with Technicians and Related Employees to benefit all stakeholders, including employees and their families, customers, shareholders and the communities we serve.

Thank you for taking the time to consider our perspective.

A brief history and status of contract negotiations

The separate negotiations

When the merger was announced in May 2010, technician negotiations were ongoing at both Continental Airlines and United Air Lines. Working with the National Mediation Board (NMB), Continental and the Teamsters ratified a new agreement in November 2010. While the Company proposed building on this agreement to bring the two subsidiary workgroups together under a joint contract, the Teamsters required a stand-alone agreement for s-UA technicians before starting joint negotiations. That agreement, reached towards the end of 2011, largely mirrored the s-CO contract and provided top of scale increases of over 20%, as well as restructuring of important work rules such as scope, qualifications and bid areas, and overtime.

The expedited bargaining process

In 2012, United and the Teamsters agreed to engage the NMB to assist in an expedited, facilitated, problem-solving process to accelerate negotiations through a more informal and collaborative model. We set an aggressive goal of reaching a ratified joint agreement by June 30, 2013. Over the following months, we made significant progress, working article by article to develop agreements-in-principle and contract language. In May 2013 the company made a comprehensive proposal which was rejected by the negotiating committee. Although the initial June 30 goal passed without agreement following the Teamsters negotiating committee's rejection of the Company's May 2013 comprehensive proposal, the NMB extended its services through two additional weeks of facilitated negotiations in September and November 2013.

The current status of negotiations

Little was accomplished in September 2013. In November 2013, the Company came prepared to finalize a joint agreement, but it appeared the Teamsters had changed their approach. Rather than working collaboratively to bridge the differences that remained, Teamster negotiators told us that any proposal we offered would be unacceptable unless it met a number of new conditions, which we considered unrealistic.

Teamsters negotiators propose to freeze CARP

One of the more challenging aspects of the November 2013 negotiations was a new demand by the Teamster negotiators to freeze the CARP pension plan and force technician participants into an undefined "new" pension plan. Combined with several other preconditions, their demands were disappointing, especially considering we offered industry-leading compensation and benefits, as well as furlough protection for all active technicians.

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A brief history and status of contract negotiations *continued*

Because we weren't able to reach agreement and the facilitated process was at an end, United filed for mediation.

Now for some perspective

None of this is unique. Neither set of negotiators just fall off the turnip truck, and we've been down this road before. Talking about a strike that won't happen or fictional pay cuts is a distraction and waste of time, and denigrating United's brand to our own passengers only serves our competitors' interests.

We'd prefer to start off the new year by focusing on what we've accomplished and the interests we have in common. For example, working together over the past 12 months, we've made more progress in securing the future of the SFO base than we have in a decade. While we are not far from reaching a collective agreement in terms of the number of issues to solve, the fact is we are very far apart in terms of economic expectations and competitive reality. We're all dedicated to an industry-leading, yet competitive contract, and we just need to find the path that gets us there. More than anything – we need to work together to support a viable and profitable enterprise that will provide good careers and good retirements.

Competitive and successful

United continues to believe the Teamsters can be a productive partner in making this airline competitive and successful. But the two go hand-in-hand: competitive AND successful. We can't be successful if our product isn't competitive and if our costs – including labor costs – aren't competitive. We've been ready to finalize an agreement for months: that agreement will be something both sides can live with, and something neither side is 100% happy with. That's the give and take of negotiations.

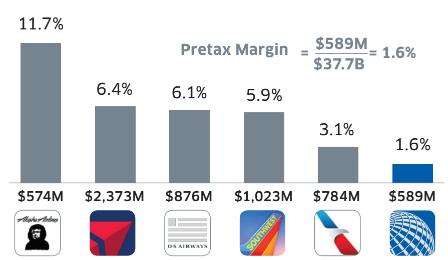
Competitive update

In October, United announced net income of $590 million (excluding $211 million in special charges for the third quarter of 2013). This brings United's last twelve months (LTM) net income to $604 million (or $589 pretax income). Full year 2013 results will be announced on January 23, 2014.

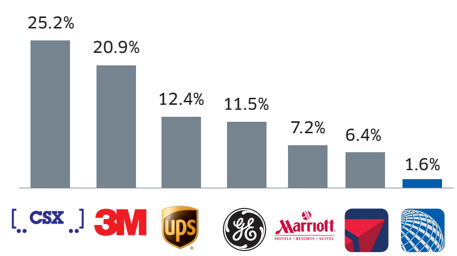
While $589 million pretax income seems like a healthy return, it is not – especially compared to Delta who earned four times what we did ($2.37 billion). With LTM revenues of $37.7 billion, our LTM pretax margin (pretax profit divided by revenue) is only 1.6%. In other words, United only made 1.6 cents of pretax profit per every dollar of revenue. Delta on the other hand made over 6 cents per every dollar of revenue.

Comparing United's pretax margin to that of our competitors and other companies shows how much we need to improve our financial performance.

Last 12 months airlines' pretax margin



Last 12 months select companies' pretax margin



While we generate the highest unit revenues (revenue per available seat mile) among major airlines, our costs are out of line with our competitors. We must improve our financial strength so we can:

- **Be a strong, stable company:** strong profitability creates career stability for our employees.
- **Invest in our people and our product:** the ability to make investments in our business comes from what we earn – strong profitability provides us with the resources we need to invest in employees and a competitive product.
- **Provide returns to our investors:** increased profitability provides shareholders with a reasonable return on their investments, so they will continue to invest in United.
- **Beat our competition:** we need to improve our profitability to better position ourselves to compete.

Providing a high-quality product in a more efficient way is crucial to building a strong airline that can provide long-term value to our shareholders, as well as long-term careers and secure retirement benefits for technicians.

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For more updates on United's negotiations visit
unitednegotiations.com