

# The National Mediation Board

**July 9, 2009**

# Negotiations Overview

# Railway Labor Act - Labor Representation

		# of Employees	% of Total UA
IAM	<i>Public Contact</i>	7,802	16%
IAM	<i>Ramp and Stores</i>	7,165	15%
IAM	<i>Fleet Technical Instructors</i>	84	0.2%
IAM	<i>Security Officers</i>	46	0.1%
IAM	<i>Food Service</i>	38	0.1%
IAM	<i>Maintenance Instructors</i>	30	0.1%
AFA	<i>Flight Attendants</i>	13,486	28%
ALPA	<i>Pilots</i>	5,959	12%
IBT	<i>Mechanics and related</i>	4,654	10%
IFPTE	<i>Engineers and related</i>	229	0.5%
PAFCA	<i>Dispatchers</i>	<u>168</u>	<u>0.4%</u>
		39,661	83%

Total Employees at United ~ 48,000

Amendable dates **January 1, 2010** <sup>(1)</sup>

Exchange of notice of intended change in accordance with Section 6, Title 1 of RLA **April 6, 2009 through April 28, 2009** <sup>(2)</sup>

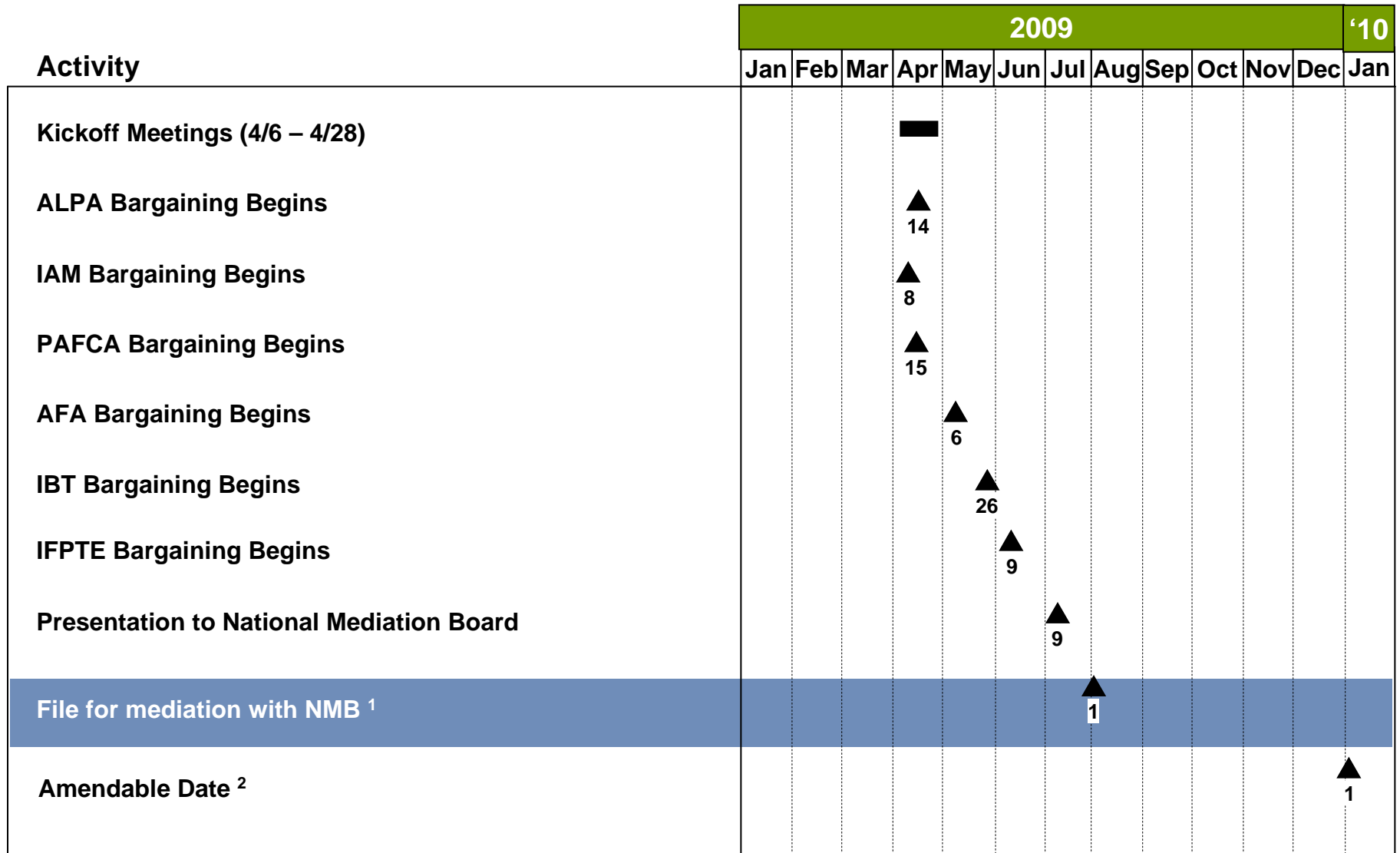
Commitment to jointly invoke National Mediation Board mediation services **August 1, 2009** <sup>(3)</sup>

(1) AFA January 8, 2010

(2) Written notice of intended change in accordance with Section 6, Title 1 of RLA; not more than 270 days prior to December 31, 2009 (AFA January 7, 2010)

(3) In the event a new tentative collective bargaining agreement has not been concluded by August 1, 2009 (AFA August 7, 2009) the parties shall, no later than August 1, 2009, jointly invoke the services of the Board under Section 5 of the Act.

# Negotiations Have Begun With All Unions



<sup>1</sup> August 1, 2009 (AFA August 7, 2009); <sup>2</sup> January 1, 2010 (AFA January 8, 2010)

# Negotiations Are An Opportunity To Create A Stronger Future For Our Employees And Our Company

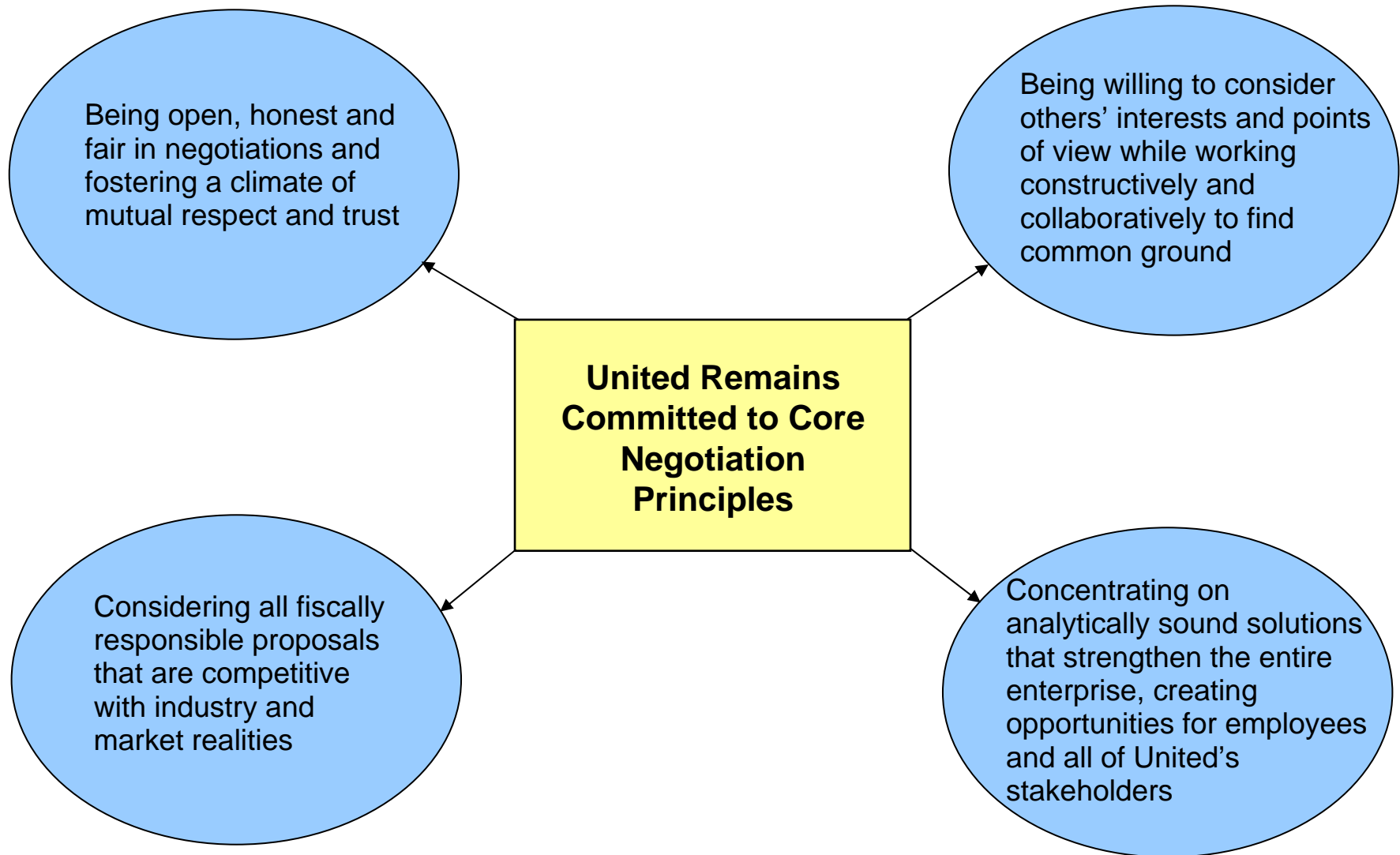
- **For United employees:**

- Competitive wages, benefits, and work rules
- Through variable pay, an opportunity to benefit financially when United succeeds
- More sustainable job security by making United less vulnerable to industry downturns

- **For United:**

- A competitive cost structure in a difficult economic and industry environment
- Enhanced productivity
- Flexibility to adapt to rapid changes in the marketplace, evolving customer expectations and emerging commercial opportunities

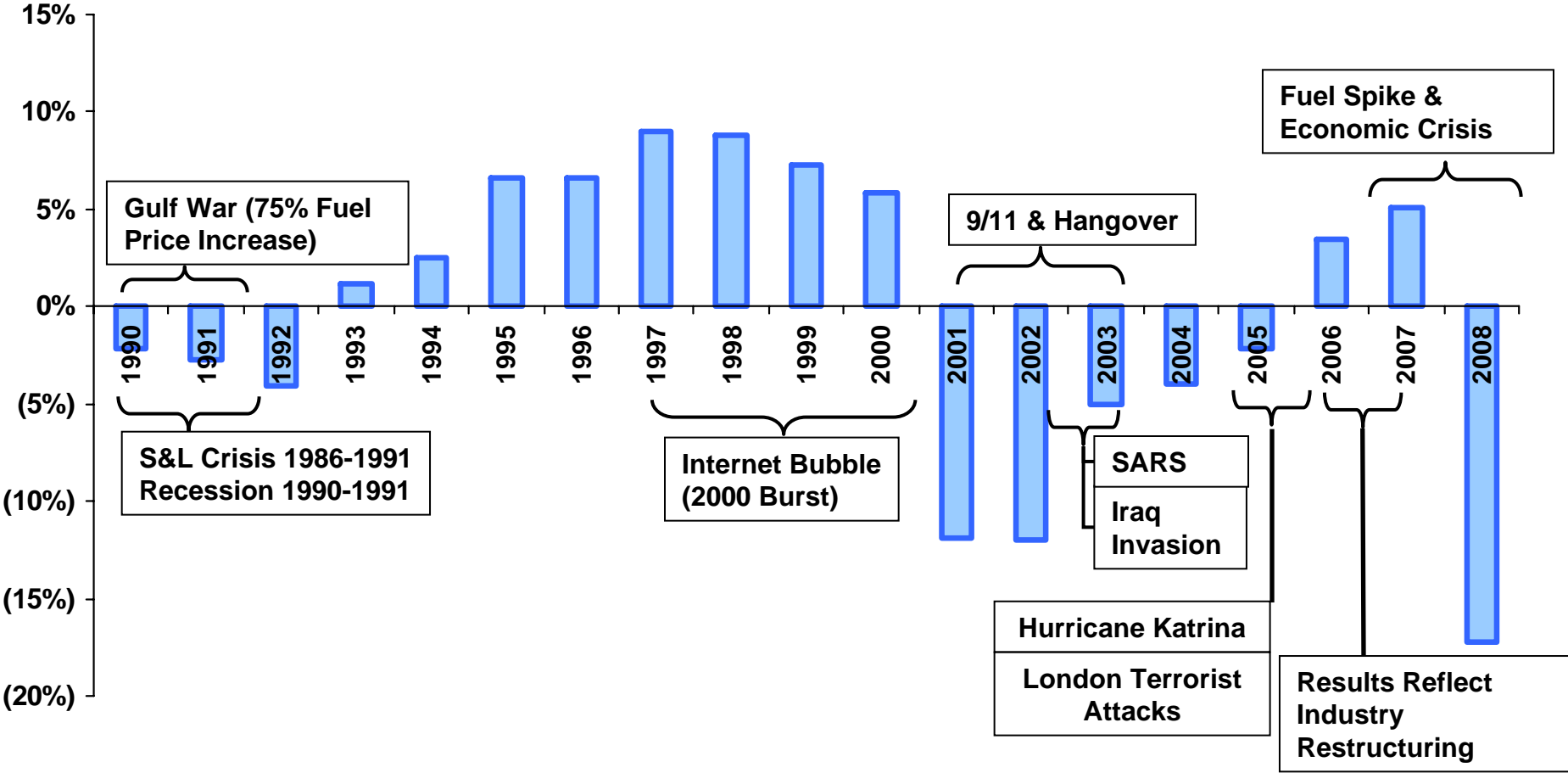
# United's Guiding Negotiation Principles



# Industry Overview

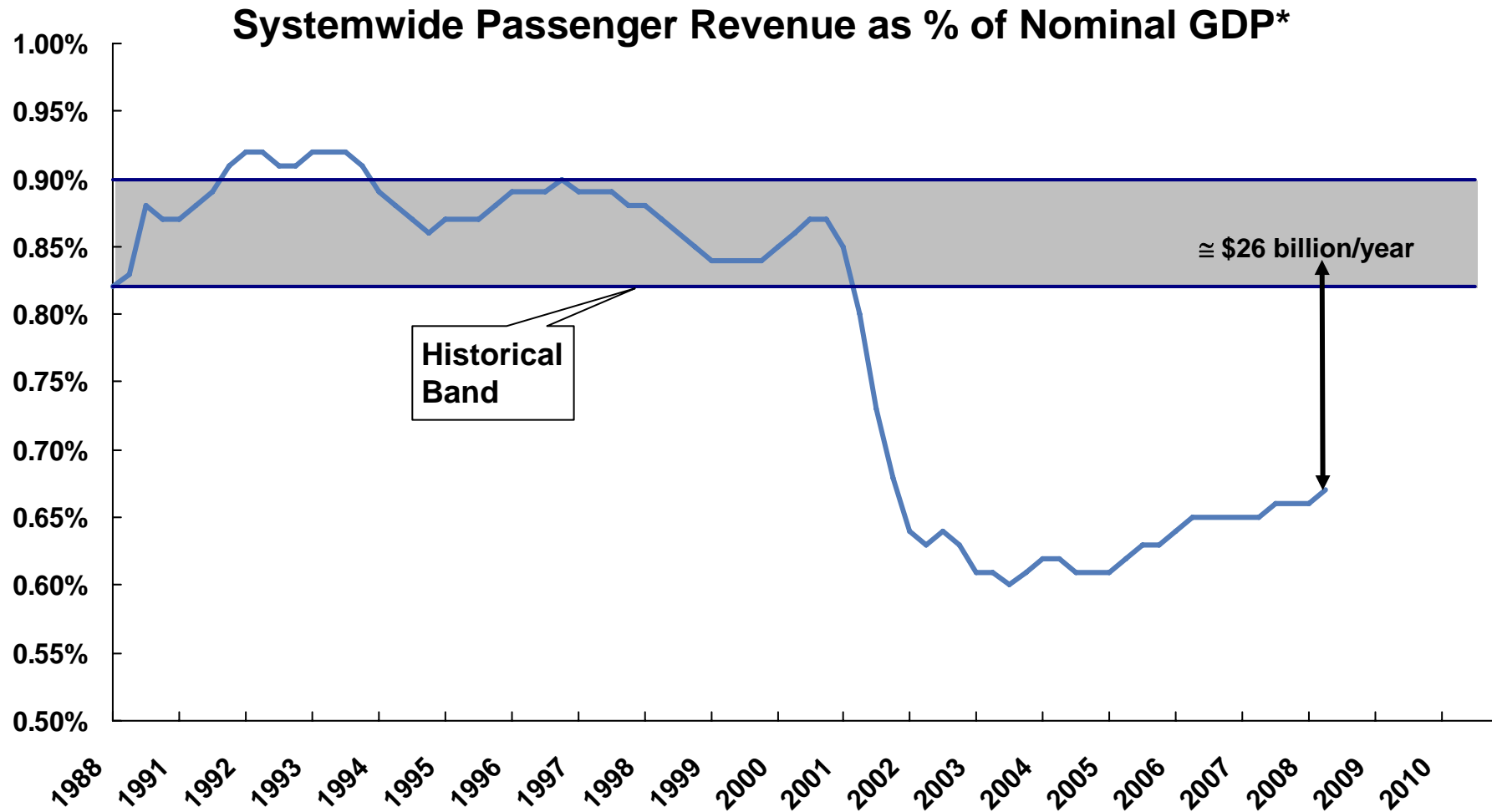
# The Industry Is Particularly Vulnerable To External Events

## U.S. Airline Industry Operating Margin



Note: "Industry" includes AirTran, Alaska, America West, American, Continental, Delta, Frontier, JetBlue, Northwest, Reno Air, Southwest, Trans World Airways, United, US Airways; numbers reported according to GAAP  
 Source: 1990 - 2007 Form 41; 2008 annual reports

# Industry Revenues, As Percentage Of Total Economy, Permanently Declined After 9/11



\*Four-quarter rolling passenger revenue

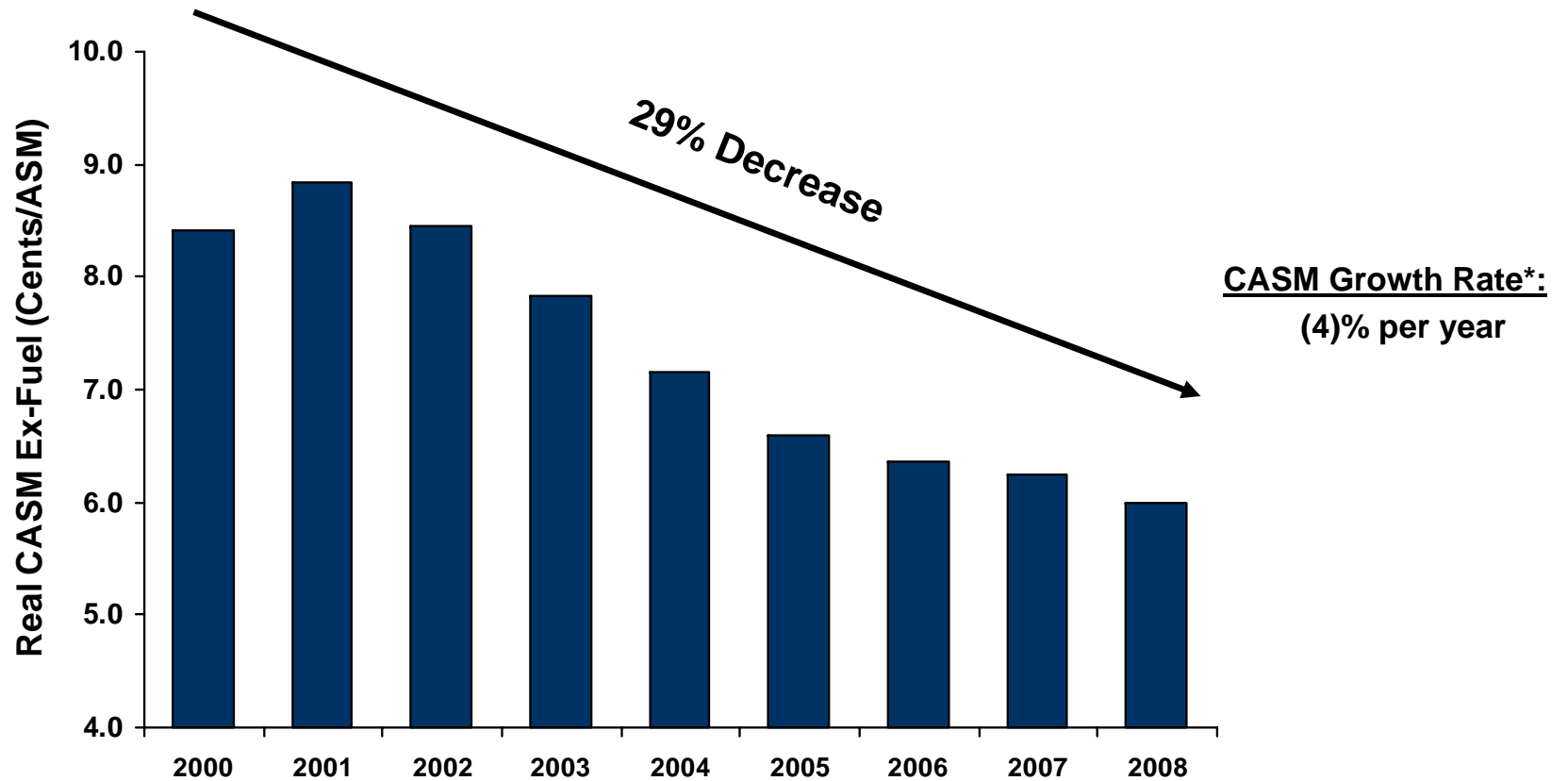
Note: "Industry" includes AirTran, Alaska, America West, American, Continental, Delta, Frontier, JetBlue, Northwest, Piedmont, Reno Air, Southwest, Trans World Airways, United, US Airways

Source: ATA; U.S. Department of Transportation, Global Insight as of April 2, 2009



A STAR ALLIANCE MEMBER

# The Industry Responded By Significantly Cutting Costs



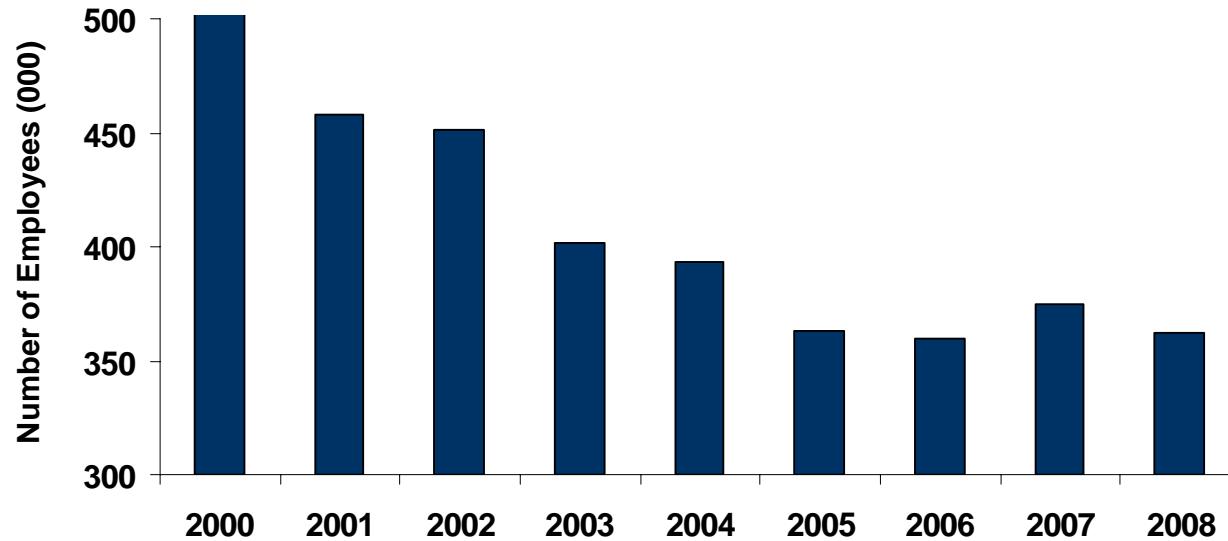
\*Compound annual growth rate

Note: "Industry" includes AirTran, Alaska, America West, American, Continental, Delta, Frontier, JetBlue, Northwest, Reno Air, Southwest, Trans World Airways, United, US Airways; all CASM estimates adjusted for CPI changes with 2000 as base

Source: Form 41 and SEC filings

# Continuing Losses Have Forced Industry To Eliminate 140,000 Jobs

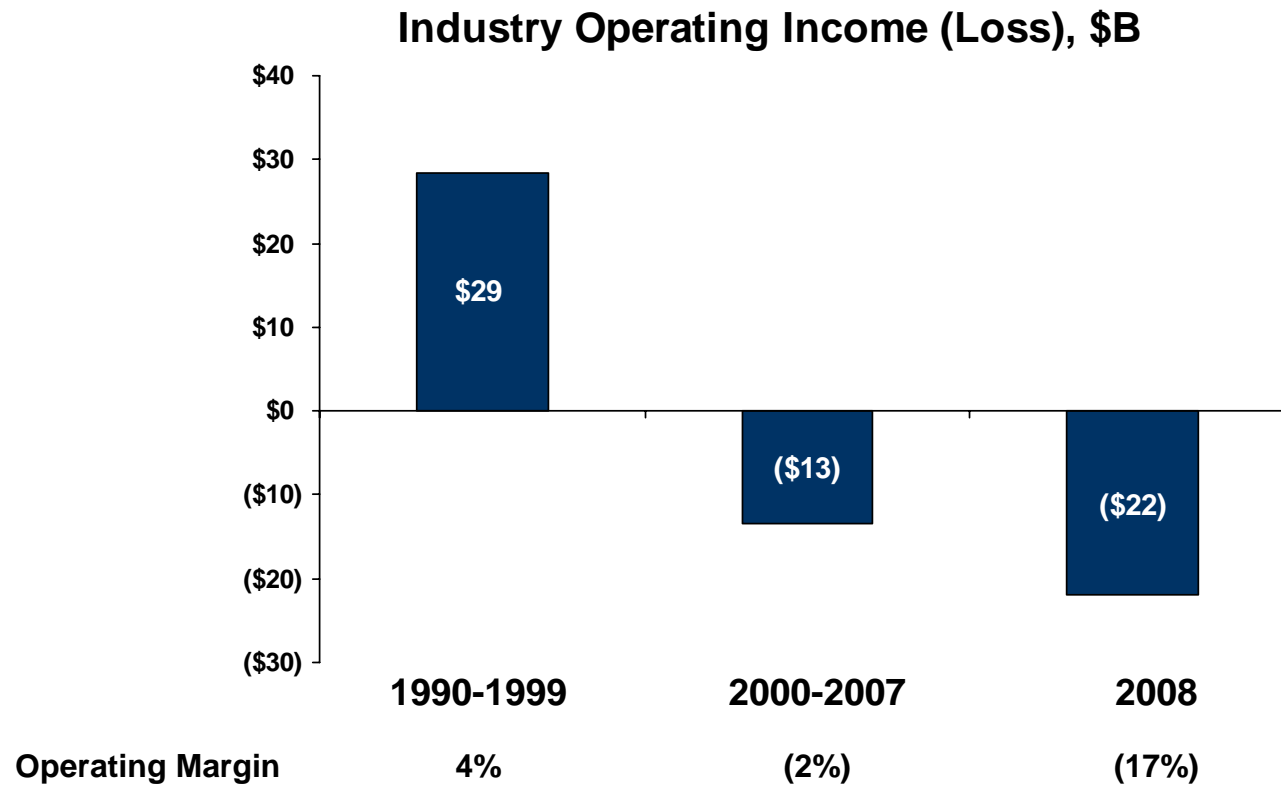
## U.S. Airline Industry Employment (2000-2008)



Note: "Industry" includes AirTran, Alaska, America West, American, Continental, Delta, Frontier, JetBlue, Northwest, Reno Air, Southwest, Trans World Airways, United, US Airways

Source: SEC Filings

# Industry Losses In 2008 Alone Exceed Total Profits Since 1990



Note: "Industry" includes AirTran, Alaska, America West, American, Continental, Delta, Frontier, JetBlue, Northwest, Reno Air, Southwest, Trans World Airways, United, US Airways; numbers reported according to GAAP

Source: 1990 - 2007 Form 41; 2008 annual reports

# United – Financial And Operational Update

## First Quarter Highlights

- **First quarter pre-tax loss of \$571 million, excluding net, non-cash mark-to-market hedge gains and certain accounting items, effectively flat to last year, in seasonally weak quarter**
- **Consolidated PRASM declined 11.1% year over year in the first quarter, as the current economic environment weighed on demand**

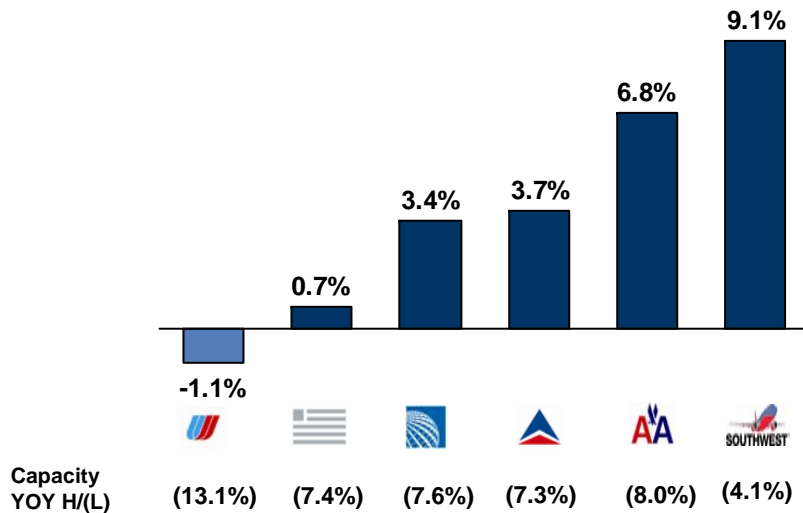


- **Mainline CASM\* excluding fuel was down 1.1% year over year in the first quarter, despite a 13.1% capacity reduction**
- **~\$300 million hedge loss in the quarter offset by return of posted collateral**
- **To bolster cash position, raised nearly \$500 million of liquidity in the first quarter despite difficult credit markets ending the quarter with \$2.5B of unrestricted cash**

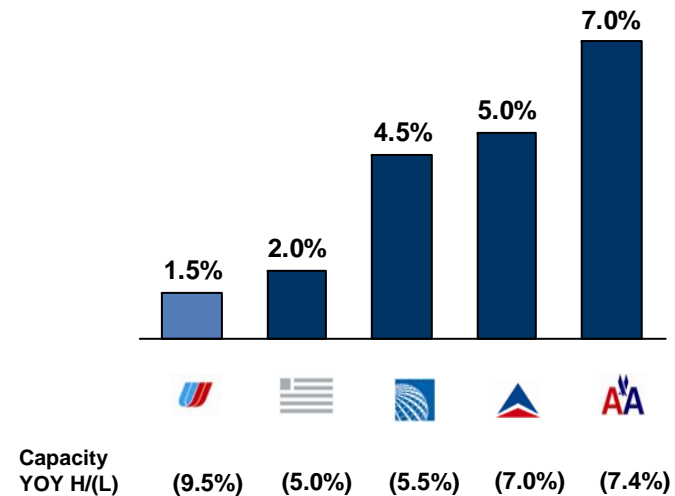
\*Excludes impairments and certain accounting items

# Demonstrating Continued Top Tier Non-Fuel Cost Control

**Mainline CASM Guidance Excluding Fuel  
Year-Over-Year Growth  
First Quarter 2009**



**Mainline CASM Excluding Fuel  
Year-Over-Year Growth  
Full Year 2009 Guidance\***

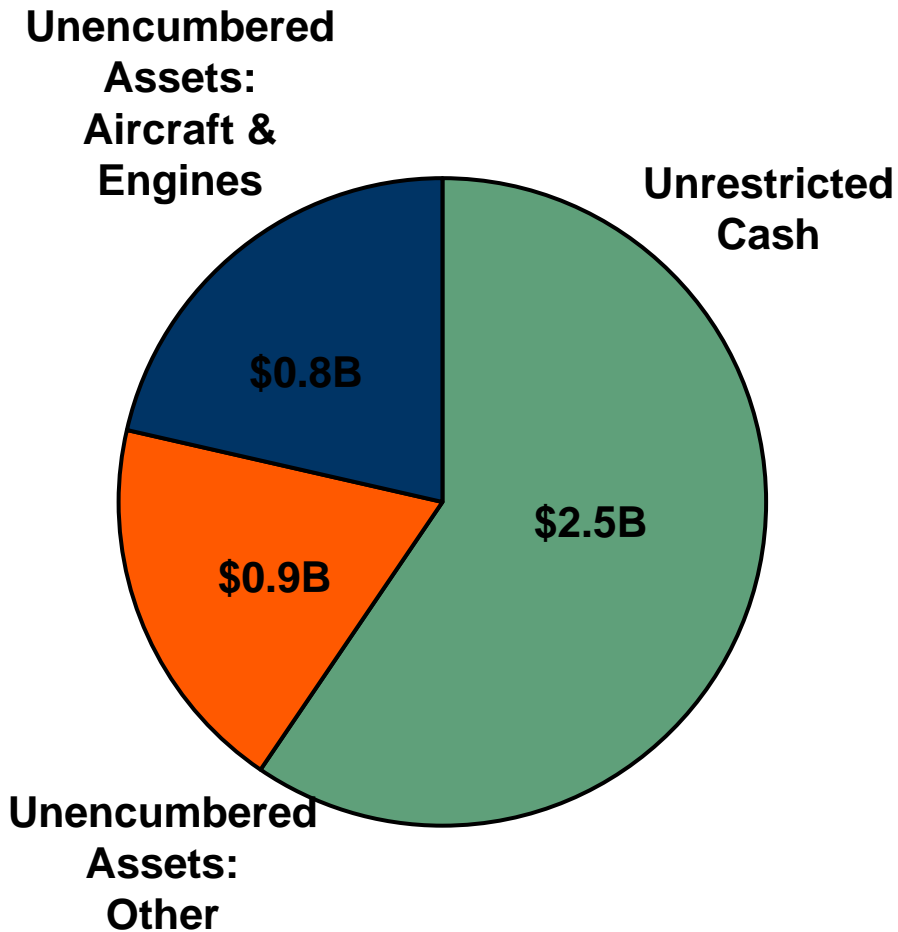


- **Top-tier cost control performance that started in 2008 continues in 2009**
- **Cost control is top-tier despite largest capacity reductions in both 2008 and 2009**

Sources: Company press releases and Earnings Calls

\*- Reflects public guidance as of June 30, 2009

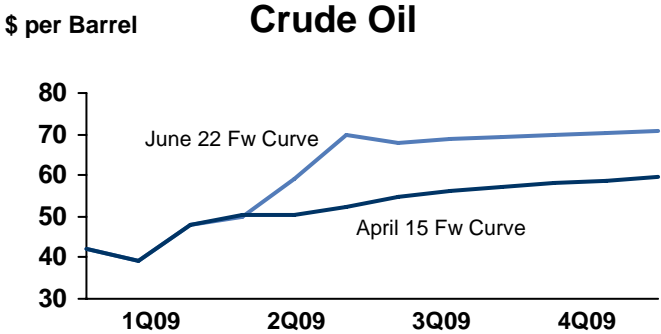
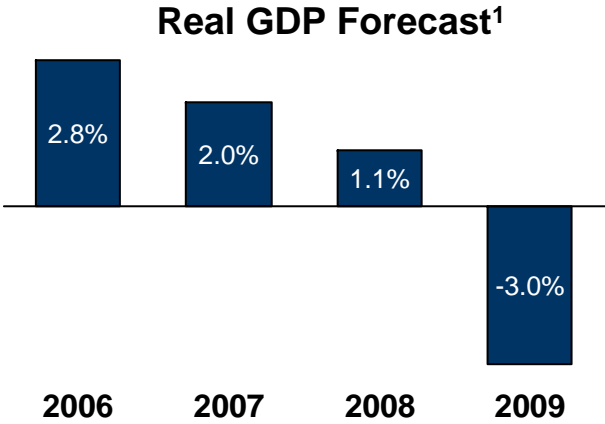
# United Closed First Quarter 2009 With A Solid Liquidity Position



- **\$2.5 billion in unrestricted cash**
  - Almost \$500 million of additional liquidity raised in first quarter
- **\$1.7 billion in unencumbered assets**
- **Fuel hedge collateral fully covers entire hedge portfolio losses at current prices**

# Current Economic Outlook Is Extremely Challenging And Is Accentuated by Recent Increases In Fuel Price

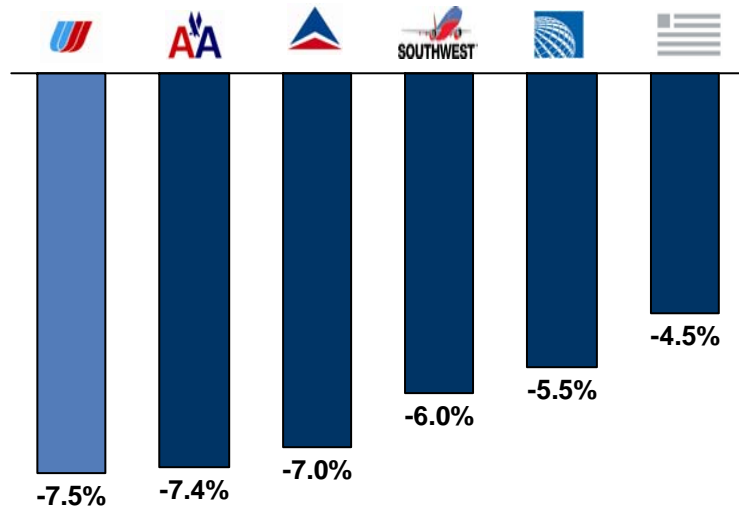
- **Macroeconomic forecasts suggest sustained economic weakness through 2009**
- **Oil prices have risen 21% in the last two months**
  - Despite weak fundamentals, oil prices moving in conjunction with equity markets, in anticipation of economic recovery
  - June 22 forward curve indicated an average \$69.54 per barrel crude oil (\$79.28 per barrel jet fuel) for the second half of 2009
  - Every \$1 increase in the price of crude oil increases United’s annual costs by \$57 million



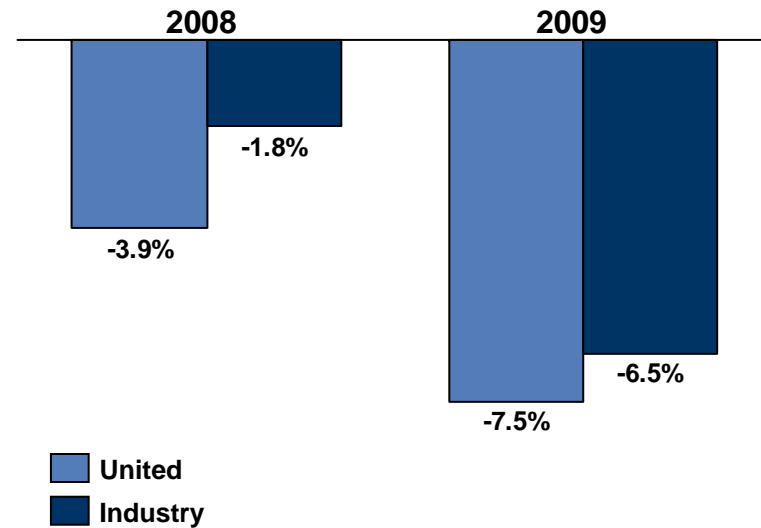
1. Forecast by Global Insight, a third party economic analyst

# Industry Has Responded Aggressively With Capacity Reductions

Full Year 2009 Year-Over-Year Consolidated Capacity



United vs. Industry Year-Over-Year Consolidated Capacity

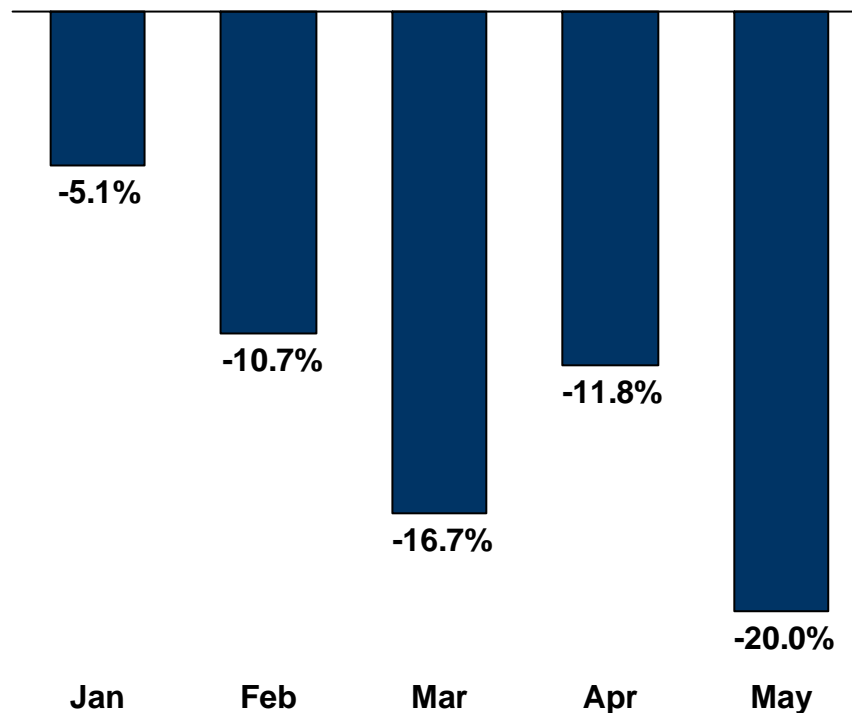


- **United led the industry in capacity reductions, with reductions made earlier and deeper than peers**

Note: CAL full year guidance was derived using CAL published data  
 Source: Company press releases and SEC filings

# Demand Decline Has Outpaced Capacity Reduction Causing Steep Fall In Industry Unit Revenue

2009 ATA Industry PRASM % Change From 2008



- **Net airline losses exceeded \$3 billion in the first quarter of 2009**
- **\$9 billion loss forecasted for the full year by IATA**

# United Is Focusing on Five Core Performance Imperatives

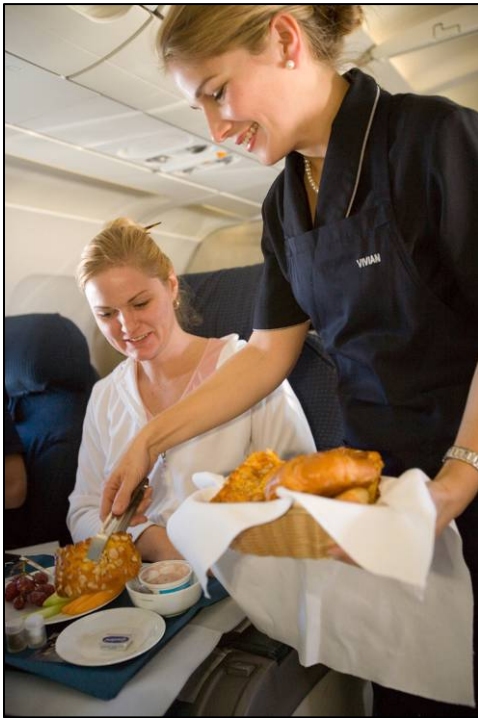


Always With A  
**SAFETY MINDSET**

## Core Performance Imperatives

- 1 Industry-leading revenues
- 2 Competitive costs
- 3 DOT service basics
- 4 Clean, workable product
- 5 Courteous, caring, respectful

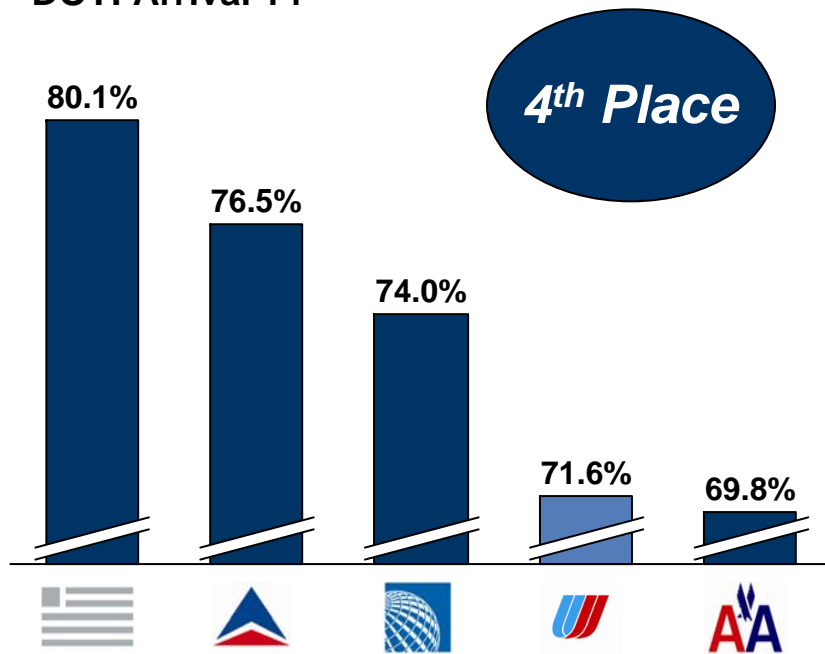
# Compensation Structure Aligned to Deliver Results



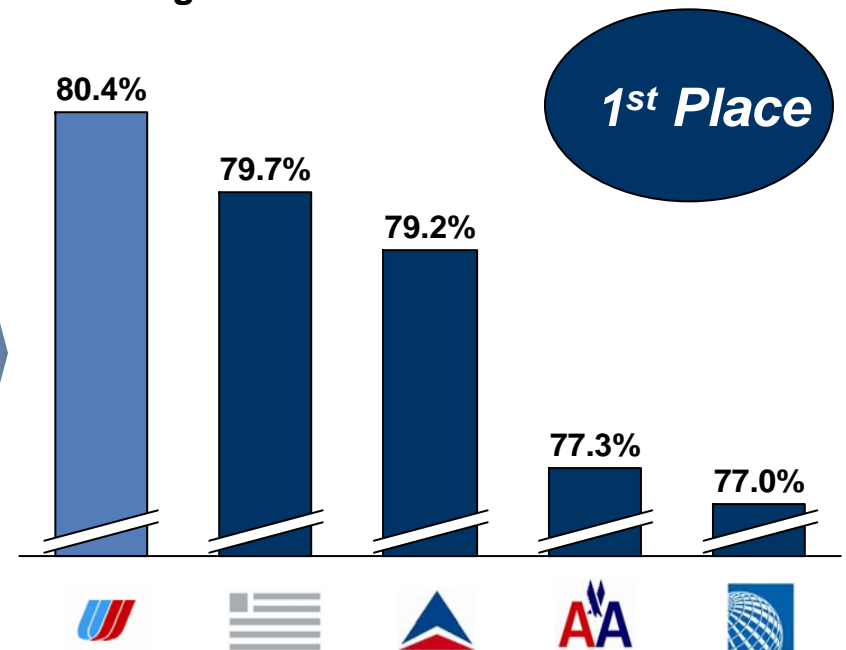
- **New front-line employee cash incentive program announced**
  - Eligible employees will receive a monthly cash payout if we achieve a first or second-place DOT A:14 ranking amongst the largest network carriers
  - The company has paid out more than \$18 million under this program in 2009
- **Management incentive programs directly aligned across the five core performance imperatives**

# Despite Industry Leading Cost Control, Achieving Top-Tier Operational Performance

**Full Year 2008**  
**On-Time Arrival Performance**  
**DOT: Arrival 14**



**First Five Months 2009**  
**On-Time Arrival Performance**  
**DOT/Flight Stats: Arrival 14\***

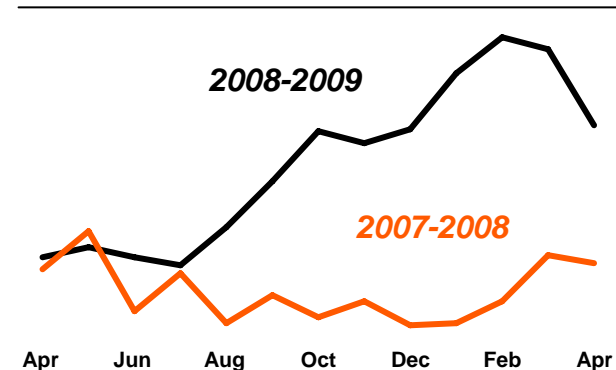


\* Based on DOT Data Jan-Apr and Exchange/Flightstats.com for May

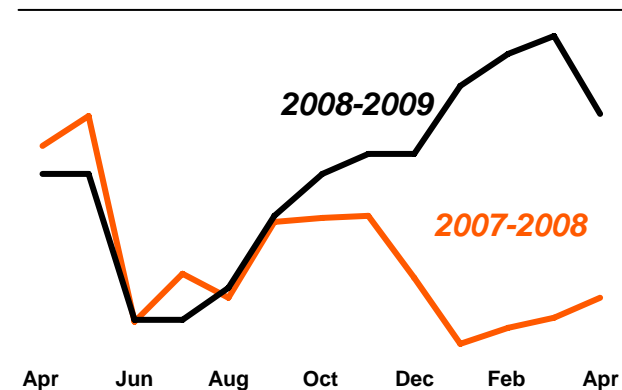
# And Product Quality Improvements Are Beginning To Deliver Results For Our Customers

- **Ensuring the workability of onboard equipment**
  - Increasing frequency of in-flight entertainment equipment maintenance
  - Upgrading entertainment equipment
- **Focused on improving cabin cleanliness**
  - Doubling the frequency of heavy cleans

**Workability of Onboard Equipment  
Customer Satisfaction Score**



**Onboard Cabin Cleanliness  
Customer Satisfaction Score**



# United Is Taking Aggressive Actions In Response To The Challenging Environment



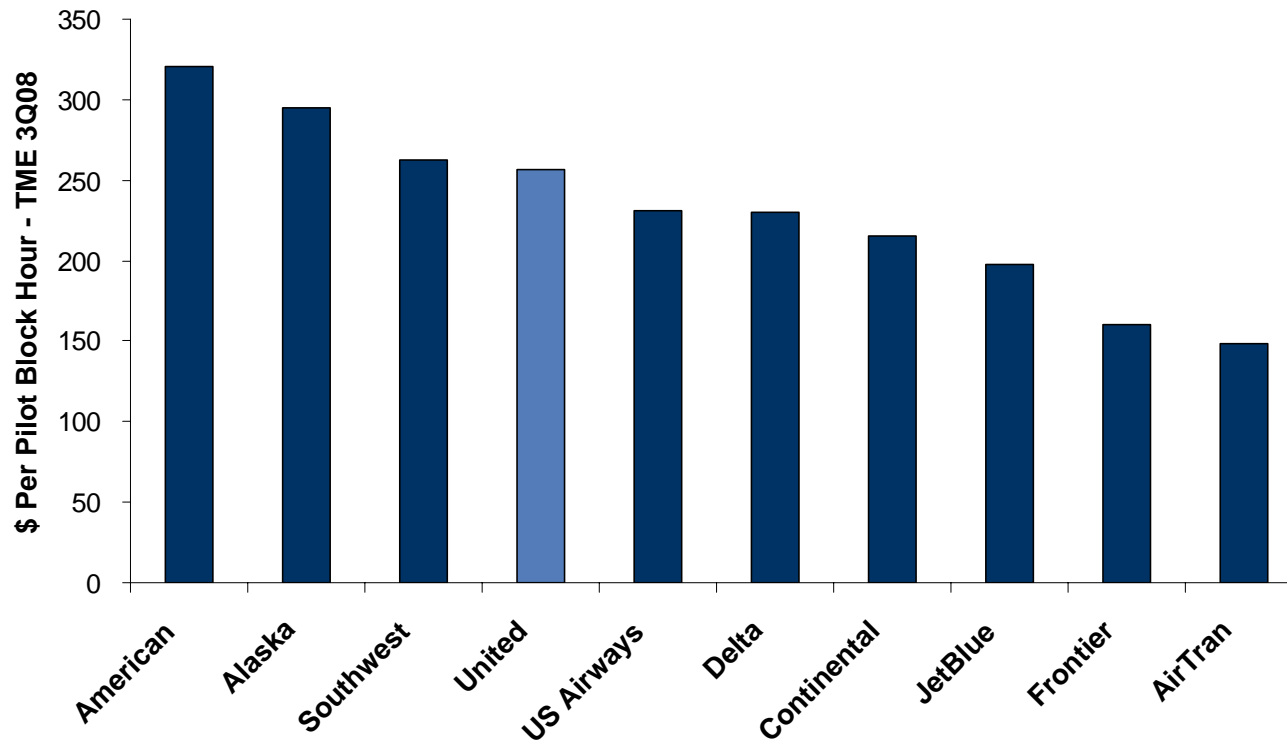
- **Significantly reducing capacity to match the demand environment**
- **Leading the industry revenue initiatives and cost control**
- **Raising new capital despite the tough credit markets**



**Maintaining flexibility to adapt to the uncertain economic environment**

# Status Of Negotiations

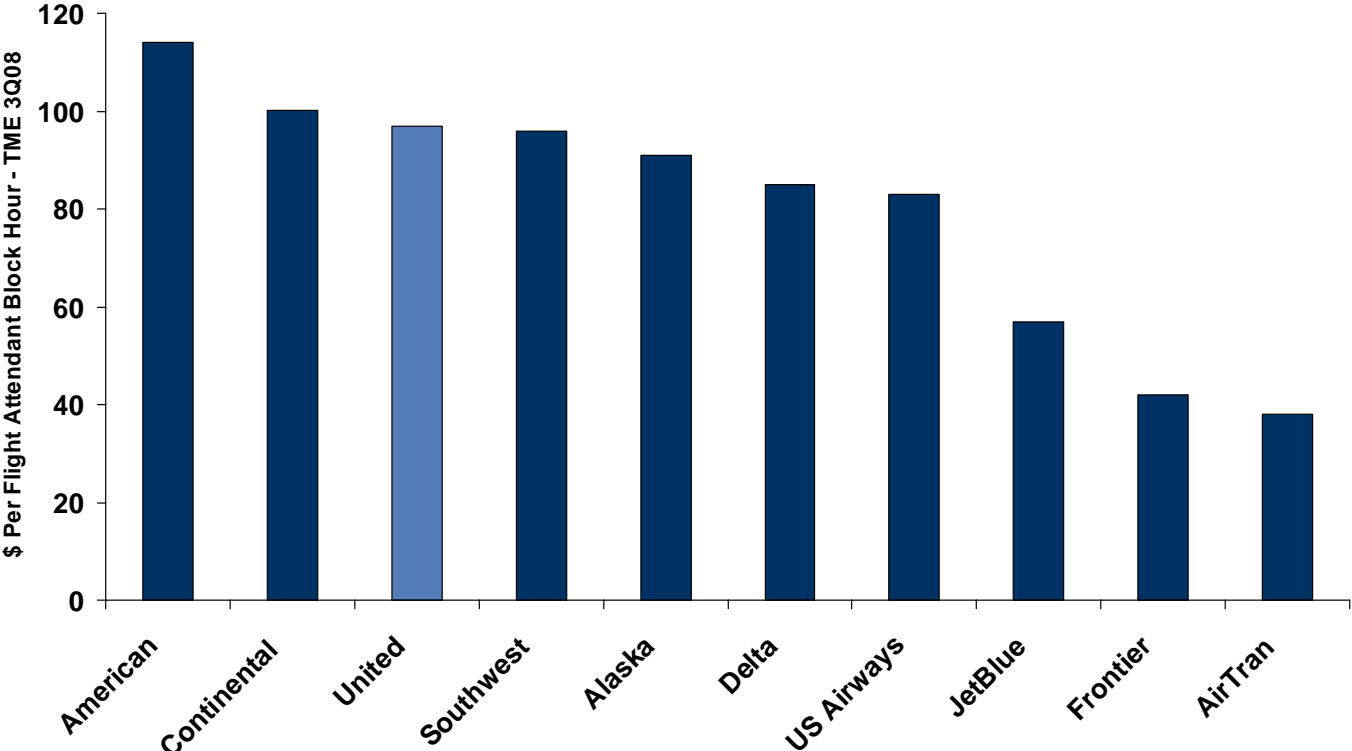
# United's Pilot Costs Per Block Hour Exceed Those Of Most Carriers



Note: Costs include salary and fringe; pilot block hours estimated based on Form 41 block hours and United crew complements

Source: Costs from Form 41, headcounts from AirCon as of 3Q08

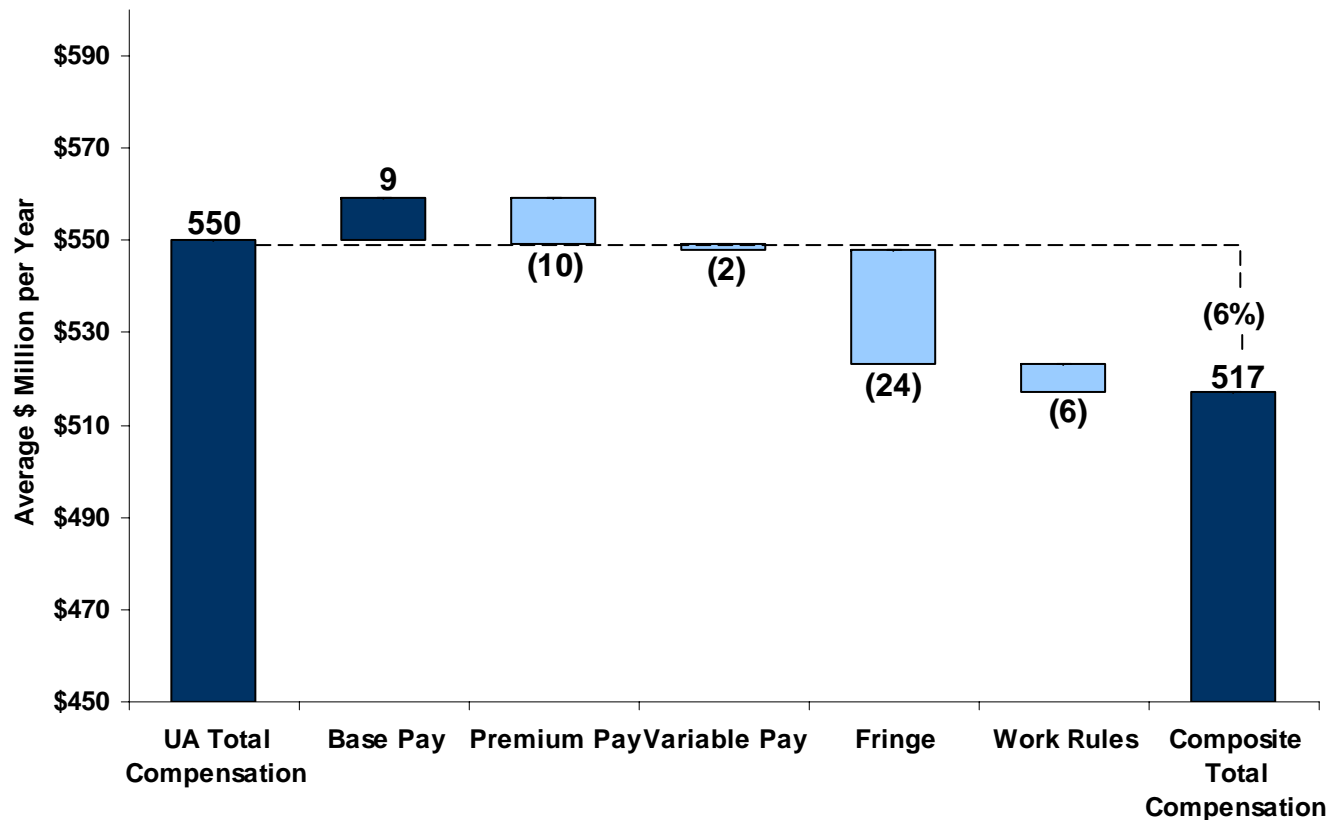
# United's Flight Attendant Costs Per Block Hour Also Exceed Those Of Most Carriers



Note: Costs include salary and fringe; block hours estimated based on crew complement for United and FAA regulations for all others  
Source: Cost and block hours from Form 41

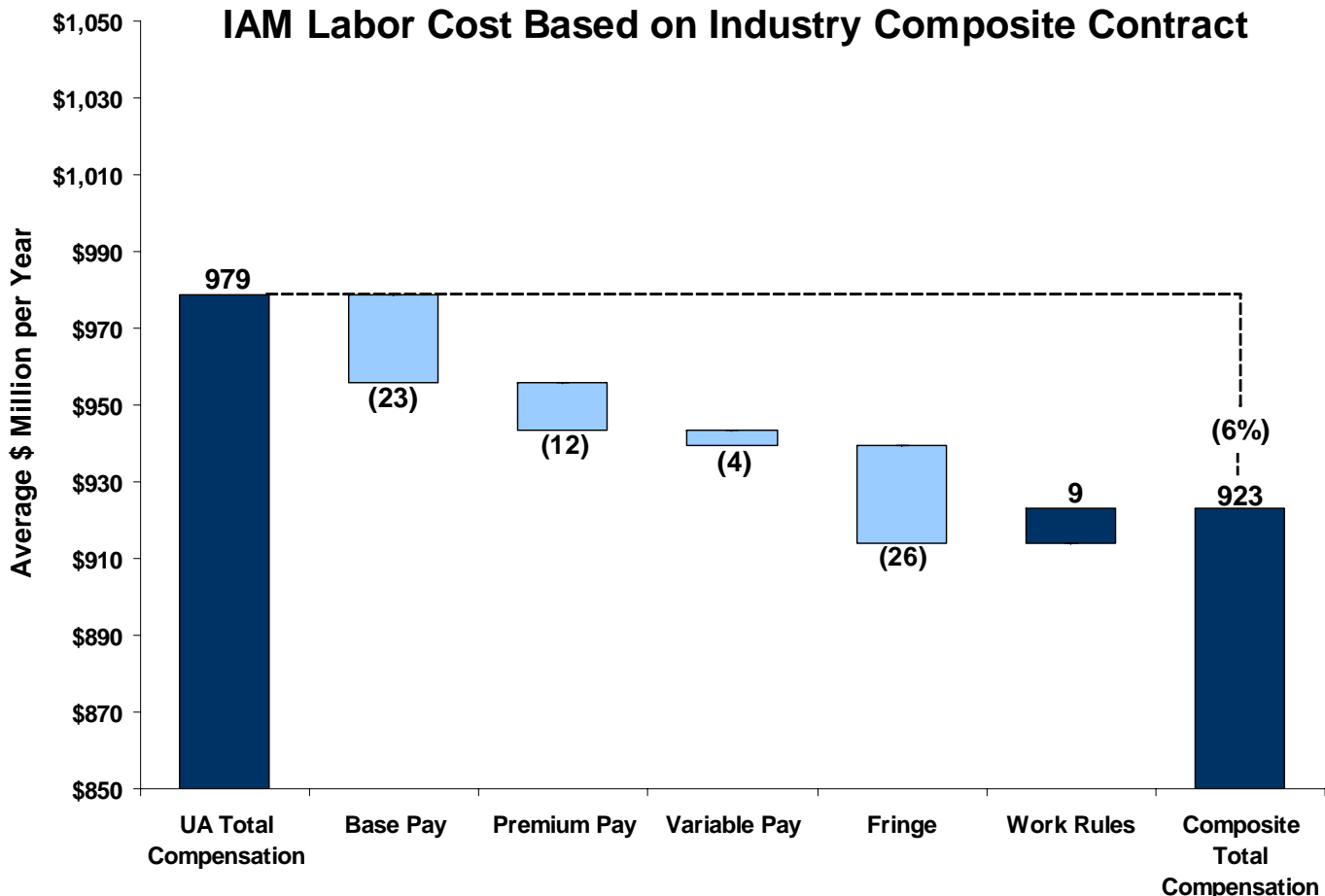
# United Mechanic Costs Are Higher Than They Would Be If We Had Average Network Carrier Terms

## Mechanic Labor Cost Based on Industry Composite Contract



Note: Composite weighting (based on ASMs): DL/NW: 39%; AA: 29%; CO: 19%; US: 13%; comparisons based on standards such as block hour or ASM not possible due to impact of outsourcing  
 Source: United internal analysis

# United IAM Labor Costs Are Higher Than They Would Be If We Had Average Network Carrier Terms



Notes: Composite weighting (based on ASMs): DL/NW: 39%; AA: 29%; CO: 19%; US: 13%; comparisons based on standards such as block hour or ASM not possible due to impact of outsourcing  
 Source: United internal analysis

# We Are in the Early Stages of Bargaining

## SUMMARY OF BARGAINING STATISTICS TO DATE

Updated: 7/7/09

	<b>AFA</b>	<b>ALPA</b>	<b>IAM</b>	<b>IBT</b>	<b>IFPTE</b>	<b>PAFCA</b>
<b>Kickoff Dates:</b>	April 6th	April 9th	April 7th	April 28th	April 15th	April 10th
<b>Dates Bargaining Began:</b>	May 6th	April 14th	April 8th	May 26th	June 9th	April 23rd
<b>Total Sections in Contract</b> (existing + new):	35	24	25	25	14	21
<b>Tentative Agreements:</b>	5	3	2	0	0	2
% of Total Sections in Contract	14%	13%	8%	0%	0%	10%
<b>Sections Discussed (inc TA'd):</b>	24	21	11	17	3	9
% of Total Sections in Contract	69%	88%	44%	68%	21%	43%
<b>Sections in Progress (ex TA'd):</b>	19	18	9	17	3	7
% of Total Sections in Contract	54%	75%	36%	68%	21%	33%
<b><u>Status of All Sections in Contract (inc TA'd):</u></b>						
Not Yet Discussed	11	3	14	8	11	12
<25% Complete	18	10	6	17	3	3
25% Complete	0	2	2	0	0	0
50% Complete	0	4	0	0	0	0
75% Complete	1	2	1	0	0	4
100% Complete (TA'd) - per "book"	4	1	0	0	0	0
100% Complete (TA'd) - negotiated	1	2	2	0	0	2
<b>Total Sections</b>	<b>35</b>	<b>24</b>	<b>25</b>	<b>25</b>	<b>14</b>	<b>21</b>

# Opening Positions Reflect a Significant Gap in Respective Positions and Suggest Extended Discussions

## ALPA

The United MEC has directed the Negotiating Committee to seek major improvements in nearly every area of our contract. Pilot expectations are rightfully high because of how we have been treated under the current contract for nearly six years.

*ACF Waypoints*

*April 7, 2009*

...I think that we will end up going into next year and very well into the following year.

*Captain Steve Wallach*

*United MEC Live Webcast*

*May 27, 2009*

## AFA

Compensation is normally the last item on the table during negotiations and we will stand together to substantially increase our pay. You'll notice that an exact percentage is not delineated in our Opening Proposal – and we make it clear that we expect United Flight Attendants to lead the industry in hourly rates of pay.

*Greg Davidowitch, President – United MEC*

*Letter to all flight attendants*

*April 6, 2009*

Thank you for calling and remain informed as we stand strong together to do *Whatever it takes!* to achieve an industry leading Contract!

*Closing for all Dear AFA communication*