# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**

# FORM 8-K

**CURRENT REPORT**
**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): **October 19, 2021**

# UNITED AIRLINES HOLDINGS, INC.
# UNITED AIRLINES, INC.

(Exact name of registrant as specified in its charter)

| | | |
|---|---|---|
| **Delaware** | **001-06033** | **36-2675207** |
| **Delaware** | **001-10323** | **74-2099724** |
| (State or other jurisdiction of incorporation) | (Commission File Number) | (IRS Employer Identification Number) |

| | | | |
|---|---|---|---|
| **233 S. Wacker Drive,** | **Chicago,** | **IL** | **60606** |
| **233 S. Wacker Drive,** | **Chicago,** | **IL** | **60606** |
| (Address of principal executive offices) | | | (Zip Code) |

**(872) 825-4000**
**(872) 825-4000**

Registrant's telephone number, including area code

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

| Registrant | Title of Each Class | Trading Symbol | Name of Each Exchange on Which Registered |
|---|---|---|---|
| United Airlines Holdings, Inc. | Common Stock, $0.01 par value | UAL | The Nasdaq Stock Market LLC |
| United Airlines Holdings, Inc. | Preferred Stock Purchase Rights | None | The Nasdaq Stock Market LLC |
| United Airlines, Inc. | None | None | None |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter). Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

**Item 2.02 Results of Operations and Financial Condition.**

On October 19, 2021, United Airlines Holdings, Inc. ("UAL"), the holding company whose primary subsidiary is United Airlines, Inc. ("United," and together with UAL, the "Company"), issued a press release announcing the financial results of the Company for third quarter 2021. The press release is attached as Exhibit 99.1 and is incorporated herein by reference.

The information in this Item 2.02, including Exhibit 99.1, is being furnished and shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that Section and shall not be deemed incorporated by reference into any registration statement or other document filed pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

**Item 9.01 Financial Statements and Exhibits.**

| | |
|---|---|
| 99.1 | Press Release issued by United Airlines Holdings, Inc. dated October 19, 2021. |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**UNITED AIRLINES HOLDINGS, INC.**
**UNITED AIRLINES, INC.**

| | |
|---|---|
| By: | /s/ Gerald Laderman |
| Name: | Gerald Laderman |
| Title: | Executive Vice President and Chief Financial Officer |

Date: October 19, 2021

Exhibit 99.1

**News Release**

**United Airlines**
**Worldwide Media Relations**
872.825.8640
media.relations@united.com

UNITED
A STAR ALLIANCE MEMBER

# United Airlines Third-Quarter Results; Remains on Track to Meet 2022 Targets; Poised to Capitalize on International Reopening

*Airline remains on track to reduce CASM-ex[1] next year below 2019 levels*

*Approximately $2.2 billion in structural cost reductions and returning aircraft to service will fuel strong CASM-ex[1] performance in 2022 and beyond*

*Returning business travelers and re-opening European borders are opportunities United is well positioned to capitalize on*

*Continuing improvements and reliability leads to all-time record Net Promoter Score year-to-date; a nearly 12% increase*

**CHICAGO, October 19, 2021** – United Airlines (UAL) today announced third-quarter 2021 financial results. Despite the impact of the COVID-19 Delta variant in the third quarter, the company remains confidently on track to achieve the range of longer term financial targets laid out as part of its United Next plan earlier this summer, and to reduce CASM-ex[1] below 2019 levels next year.

Citing the rebound in premium leisure travel, re-opening of European borders next month, continued recovery of business travel and early indications of loosening travel restrictions in key Pacific markets, United also announced plans to increase international capacity by 10% in 2022 - while keeping domestic capacity flat to 2019. The plan will capitalize on already improving international margins and United's ideally situated coastal hubs that have powered the airline's recent success in launching new routes to Africa and India. Expected flying at record levels to Europe, Latin America, India, Africa and the Middle East in summer 2022, will be enabled by the anticipated return of United's Pratt & Whitney-powered Boeing 777s to the fleet in 2022, which - when combined with already announced approximately $2.2 billion in structural cost reduction and planned gauge growth - will allow United to keep CASM-ex[1] in check as it continues on the path to recovery.

"The recovery was delayed by the Delta variant, but the United team remains focused on our long-term vision – and not getting sidetracked by near-term volatility – meaning we're solidly on track to achieve the targets we set for 2022," said United Airlines CEO Scott Kirby. "From the return of business travel and the planned re-opening of Europe and early indications for opening in the Pacific, the

[1] CASM-ex (adjusted cost or operating expense per available seat mile) is a non-GAAP measure that excludes fuel, profit sharing, third-party business expense and special charges. Please see the tables accompanying this release for more detailed information regarding non-GAAP financial measures used.

headwinds we've faced are turning to tailwinds, and we believe that United is better positioned to lead the recovery than any airline in the world. Our recovery will be supported by investments in technology and other efficiencies that will give our employees the tools they need to take great care of our customers - and keep costs under control. I am grateful to our United team members for their continued commitment to our customers, because it has been essential to our ability to weather the pandemic, and it will fuel our success in the years ahead."

## Third Quarter Financial Results

- Reported third quarter 2021 capacity down 28% compared to third quarter 2019.
- Reported third quarter 2021 net income of $0.5 billion, adjusted net loss[2] of $0.3 billion.
- Reported third quarter 2021 total operating revenue of $7.8 billion, down 31.9% compared to third quarter 2019.
- Reported third quarter 2021 Total Revenue Per Available Seat Mile (TRASM) of down 5.1% compared to third quarter 2019.
- Reported third quarter 2021 operating expenses down 32.2%, down 20.9% excluding special charges (credits)[2], compared to third quarter 2019.
- Reported third quarter 2021 Cost Per Available Seat Mile (CASM) of down 5.6%, CASM, excluding fuel, profit sharing, third-party business expenses and special charges (CASM-ex)[1] of up 14.9% compared to third quarter 2019.
- Reported third quarter 2021 pre-tax margin of 7.8%, negative 6.1% on an adjusted[2] basis.
- Reported third quarter 2021 adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) margin[2] of 7.4%.
- Reported third quarter 2021 ending available liquidity[3] of approximately $21 billion.

## Outlook[4]

- Expects fourth quarter 2021 capacity to be down approximately 23% versus fourth quarter 2019.[5]
- Expects fourth quarter 2021 total revenue to be down 25% to 30% versus the fourth quarter 2019.
- Expects fourth quarter 2021 CASM-ex[1] to be up 12% to 14% compared to fourth quarter 2019.
- Estimates fourth quarter 2021 fuel price of approximately $2.39 per gallon.[6]
- Continues to expect 2022 CASM-ex[1] to be lower than 2019.
- Expects 2022 capacity to be up approximately 5% versus 2019 driven by international growth.
- Expects adjusted capital expenditures[2] to be around $3 billion in full year 2021.
- Expects adjusted diluted earnings per share[2] in 2026 of around $20 assuming the same number of diluted shares outstanding as of September 30, 2021. United Next assumes 2026 TRASM remains down around 1% versus 2019.
- Remains on track to achieve long term financial targets from United Next plan.[7]

## Key Highlights

- First commercial airline to require U.S.-based employees to receive the COVID-19 vaccine. 99.7% of all United Airlines employees chose to comply with the requirement, excluding those who sought a religious or medical accommodation.

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[2] Please see the tables accompanying this release for more detailed information regarding non-GAAP financial measures used.
[3] Includes cash, cash equivalents, short-term investments and undrawn credit facilities.
[4] The forward-looking measures listed below are subject to risks and uncertainties applicable to all forward-looking statements as described elsewhere in this press release.
[5] Forward capacity is matched with current observed bookings trends and published flight schedules for the quarter.
[6] Fuel guidance is based on the Jet A forward curve as of October 6, 2021.
[7] Please refer to our Current Report on Form 8-K filed on June 29, 2021 with the U.S. Securities and Exchange Commission, which contains the United Next financial targets.

- Assisted in the evacuation of 15,000 passengers on 94 flights as part of Afghan relief efforts.
- Committed to purchase 1.5 billion gallons of sustainable aviation fuel (SAF) over 20 years, which is one and a half times the size of the rest of the world's airlines' publicly announced SAF commitments combined.
- Announced a commercial agreement with Airlink to provide customers with easy travel to more than 40 destinations in Southern Africa and the ability to earn or redeem miles on Airlink flights.

**Taking Care of Our Customers**

- Achieved highest ever Net Promoter Score year-to-date, a 12% improvement year-to-date; with the new Boeing 737 MAX 8 aircraft with the United signature interior receiving the highest scores in the fleet.
- On time departure performance is at 71.8% and is on pace for the best yearly performance in company history.
- This year, more than 500,000 customers have benefited from ConnectionSaver and the number of customers that have misconnected in 2021 is the lowest since 2011.
- Most improved mishandled bag performance among mainline competitors year-to-date and a 38% improvement over 2019.

**United Next**

- Awarded free flights for a year to the grand prize winners of the "Your Shot to Fly" sweepstakes to promote COVID-19 vaccinations.
- Gave customers access to even more COVID-19 testing locations, including more than 3,000 new Walmart and Albertsons Companies locations across the U.S., through the United website and mobile app in the Travel Ready Center.
- Re-opened 18 United Club℠ lounge locations across the domestic network.
- First U.S. airline to offer economy customers the option to pre-order snacks and beverages.
- Offered customers the most transparent and user-friendly options in the industry to encourage and simplify using travel credits.
- Announced five new domestic routes and three new international routes and launched three domestic routes and three international routes – with six more international routes planned to launch in the fourth quarter 2021.
- Received approval to start selling tickets for the first-ever nonstop flight between Washington, D.C., and Lagos, Nigeria, allowing United to offer more flights between Washington, D.C. and Africa than any other carrier (flights operations remain subject to government approval).
- Resumed nonstop service on 23 domestic routes and 13 international routes compared to the second quarter of 2021.

**Environmental, Social and Governance (ESG)**

- In July, United Airlines Ventures (UAV) announced, along with Breakthrough Energy Ventures (BEV) and Mesa Airlines, an investment in electric aircraft startup Heart Aerospace.
- Announced a new goal to reduce its carbon emissions intensity by 50% compared to 2019 by 2035.
- More than 43 million miles donated by MileagePlus® members to charities in need of travel through United's mile crowd-sourcing platform "Miles on a Mission".
- Over 30 million miles were raised to help support Afghan refugee resettlement efforts.
- Over 4,300 volunteer hours were served by more than 1,000 United employee volunteers in the third-quarter.
- September of Service, a month-long series of employee-driven volunteer events honoring the 20th anniversary of 9/11, included over 2,200 hours served by nearly 800 United volunteers, with nearly 185,000 meals packed, as well as 5,000 pounds of trash collected, and volunteer events held at 17 different cities across the country, including all United hubs.
- Through a combination of cargo-only flights and passenger flights, United has transported nearly 255 million pounds of freight, which includes nearly 22 million pounds of vital shipments, such as medical kits, personal protective equipment, pharmaceuticals, and medical equipment, and more than 800,000 pounds of military packages in the third-quarter.
- Transported more than 160 million COVID-19 vaccines all over the world in the third-quarter.

## Earnings Call

UAL will hold a conference call to discuss third quarter 2021 financial results as well as its financial and operational outlook for fourth quarter 2021 and beyond, on Wednesday, October 20, at 9:30 a.m. CT/10:30 a.m. ET. A live, listen-only webcast of the conference call will be available at ir.united.com.

The webcast will be available for replay within 24 hours of the conference call and then archived on the website for three months.

## About United

United’s shared purpose is "Connecting People. Uniting the World." In 2019, United and United Express® carriers operated more than 1.7 million flights carrying more than 162 million customers. United has the most comprehensive route network among North American carriers, including U.S. mainland hubs in Chicago, Denver, Houston, Los Angeles, New York/Newark, San Francisco and Washington, D.C. For more about how to join the United team please visit united.com/careers and more information about the company is available at ir.united.com. United Airlines Holdings, Inc. common stock is traded on Nasdaq under the symbol "UAL."

**Cautionary Statement Regarding Forward-Looking Statements:**
This earnings release and the related attachments (as well as the oral statements made with respect to information contained in this release and the attachments) contain certain "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, including under "Outlook" and elsewhere in this release, relating to, among other things, the potential impacts of the COVID-19 pandemic and steps the company plans to take in response thereto and goals, plans and projections regarding the company's financial position, results of operations, market position, product development, ESG targets and business strategy. Such forward-looking statements are based on historical performance and current expectations, estimates, forecasts and projections about the company's future financial results, goals, plans and objectives and involve inherent risks, assumptions and uncertainties, known or unknown, including internal or external factors that could delay, divert or change any of them, that are difficult to predict, may be beyond the company's control and could cause the company's future financial results, goals, plans and objectives to differ materially from those expressed in, or implied by, the statements. Words such as "should," "could," "expects," "will," "plans," "intends," "anticipates," "indicates," "remains," "believes," "estimates," "may," "projects," "forecast," "guidance," "outlook," "goals," "targets" and other words and terms of similar meaning and expression are intended to identify forward-looking statements, although not all forward-looking statements contain such terms. Additionally, forward-looking statements include statements that do not relate solely to historical facts, such as conditional statements, 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 release are based upon information available to us on the date of this release. We undertake 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 or regulation. Our actual results could differ materially from these forward-looking statements due to numerous factors including, without limitation, the following: the adverse impacts of the ongoing COVID-19 global pandemic, and possible outbreaks of another disease or similar public health threat in the future, on our business, operating results, financial condition, liquidity and near-term and long-term strategic operating plan, including possible additional adverse impacts resulting from the duration and spread of the pandemic; unfavorable economic and political conditions in the United States and globally; the highly competitive nature of the global airline industry and susceptibility of the industry to price discounting and changes in capacity; high and/or volatile fuel prices or significant disruptions in the supply of aircraft fuel; our reliance on technology and automated systems to operate our business and the impact of any significant failure or disruption of, or failure to effectively integrate and implement, the technology or systems; our reliance on third-party service providers and the impact of any significant failure of these parties to perform as expected, or interruptions in our relationships with these providers or their provision of services; adverse publicity, harm to our brand; reduced travel demand, potential tort liability and voluntary or mandatory operational restrictions as a result of an accident, catastrophe or incident involving us, our regional carriers, our codeshare partners, or another airline; terrorist attacks, international hostilities or other security events, or the fear of terrorist attacks or hostilities, even if not made directly on the airline industry; increasing privacy and data security obligations or a significant data breach; disruptions to our regional network and United Express flights provided by third-party regional carriers; the failure of our significant investments in other airlines, equipment manufacturers and other aviation industry participants to produce the returns or results we expect; further changes to the airline industry with respect to alliances and joint business arrangements or due to consolidations; changes in our network strategy or other factors outside our control resulting in less economic aircraft orders, costs related to modification or termination of aircraft orders or entry into less favorable aircraft orders, as well as any inability to accept or integrate new aircraft into our fleet as planned; our reliance on single suppliers to source a majority of our aircraft and certain parts, and the impact of any failure to obtain timely deliveries, additional equipment or support from any of these suppliers; the impacts of union disputes, employee strikes or slowdowns, and other labor-related disruptions on our operations; extended interruptions or disruptions in service at major airports where we operate; the impacts of seasonality and other factors associated with the airline industry; our failure to realize the full value of our intangible assets or our long-lived assets, causing us to record impairments; any damage to our reputation or brand image; the limitation of our ability to use our net operating loss carryforwards and certain other tax attributes to offset future taxable income for U.S. federal income tax purposes; the costs of compliance with extensive government regulation of the airline industry; costs, liabilities and risks associated with environmental regulation and climate change; the impacts of our significant amount of financial leverage from fixed obligations, the possibility we may seek material amounts of additional financial liquidity in the short-term and the impacts of insufficient liquidity on our financial condition and business; failure to comply with the covenants in the MileagePlus financing agreements, resulting in the possible acceleration of the MileagePlus indebtedness, foreclosure upon the collateral securing the MileagePlus indebtedness or the exercise of other remedies; failure to comply with financial and other covenants governing our other debt; changes in, or failure to retain, our senior management team or other key employees; current or future litigation and regulatory actions, or failure to comply with the terms of any settlement, order or arrangement relating to these actions; increases in insurance costs or inadequate insurance coverage; and other risks and uncertainties set forth under Part II, Item 1A., "Risk Factors," of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2021, as well as other risks and uncertainties set forth from time to time in the reports we file with the U.S. Securities and Exchange Commission.

The foregoing list sets forth many, but not all, of the factors that could impact our ability to achieve results described in any forward-looking statements. Investors should understand that it is not possible to predict or identify all such factors and should not consider this list to be a complete statement of all potential risks and uncertainties. In addition, certain forward-looking outlook provided in this release relies on assumptions about the duration and severity of the COVID-19 pandemic, the timing of the return to a more stable business environment, the volatility of aircraft fuel prices, customer behavior changes and return in demand for air travel, among other things (together, the "Recovery Process"). If the actual Recovery Process differs materially from our assumptions, the impact of the COVID-19 pandemic on our business could be worse than expected and our actual results may be negatively impacted and may vary materially from our expectations and projections. It is routine for our internal projections and expectations to change as the year or each quarter in the year progresses, and therefore it should be clearly understood that the internal projections, beliefs and assumptions upon which we base our expectations may change . For instance, we will monitor future demand and booking trends and adjust capacity, as needed. As such, our actual flown capacity may differ materially from currently published flight schedules or current estimations.

Please refer to the tables accompanying this release for reconciliations of the non-GAAP financial measures used to the most comparable GAAP financial measure and related disclosures.

-tables attached-

**UNITED AIRLINES HOLDINGS, INC**
STATEMENTS OF CONSOLIDATED OPERATIONS (UNAUDITED)

| (In millions, except per share data) | Three Months Ended September 30, 2021 | Three Months Ended September 30, 2020 | Three Months Ended September 30, 2019 | % Increase/ (Decrease) 2021 vs. 2019 | Nine Months Ended September 30, 2021 | Nine Months Ended September 30, 2020 | Nine Months Ended September 30, 2019 | % Increase/ (Decrease) 2021 vs. 2019 |
|---|---|---|---|---|---|---|---|---|
| Operating revenue: | | | | | | | | |
| Passenger revenue | $ 6,637 | $ 1,649 | $ 10,481 | (36.7) | $ 13,319 | $ 9,395 | $ 29,692 | (55.1) |
| Cargo | 519 | 422 | 282 | 84.0 | 1,622 | 1,088 | 863 | 87.9 |
| Other operating revenue | 594 | 418 | 617 | (3.7) | 1,501 | 1,460 | 1,816 | (17.3) |
| Total operating revenue | 7,750 | 2,489 | 11,380 | (31.9) | 16,442 | 11,943 | 32,371 | (49.2) |
| | | | | | | | | |
| Operating expense: | | | | | | | | |
| Salaries and related costs | 2,487 | 2,229 | 3,063 | (18.8) | 6,987 | 7,354 | 8,993 | (22.3) |
| Aircraft fuel | 1,710 | 508 | 2,296 | (25.5) | 3,793 | 2,474 | 6,704 | (43.4) |
| Depreciation and amortization | 623 | 626 | 575 | 8.3 | 1,866 | 1,859 | 1,682 | 10.9 |
| Landing fees and other rent | 652 | 500 | 645 | 1.1 | 1,735 | 1,552 | 1,893 | (8.3) |
| Regional capacity purchase | 520 | 425 | 721 | (27.9) | 1,546 | 1,550 | 2,124 | (27.2) |
| Aircraft maintenance materials and outside repairs | 346 | 115 | 490 | (29.4) | 917 | 659 | 1,319 | (30.5) |
| Distribution expenses | 218 | 53 | 432 | (49.5) | 442 | 379 | 1,234 | (64.2) |
| Aircraft rent | 58 | 50 | 67 | (13.4) | 165 | 147 | 221 | (25.3) |
| Special charges (credits) | (1,098) | (1,081) | 27 | NM | (3,423) | (2,467) | 116 | NM |
| Other operating expenses | 1,197 | 679 | 1,591 | (24.8) | 3,028 | 2,660 | 4,645 | (34.8) |
| Total operating expense | 6,713 | 4,104 | 9,907 | (32.2) | 17,056 | 16,167 | 28,931 | (41.0) |
| | | | | | | | | |
| Operating income (loss) | 1,037 | (1,615) | 1,473 | (29.6) | (614) | (4,224) | 3,440 | NM |
| | | | | | | | | |
| Nonoperating income (expense): | | | | | | | | |
| Interest expense | (449) | (345) | (191) | 135.1 | (1,228) | (712) | (570) | 115.4 |
| Interest capitalized | 18 | 16 | 22 | (18.2) | 57 | 54 | 65 | (12.3) |
| Interest income | 11 | 8 | 36 | (69.4) | 30 | 45 | 103 | (70.9) |
| Unrealized gains (losses) on investments, net | (34) | 15 | 21 | NM | 91 | (295) | 72 | 26.4 |
| Miscellaneous, net | 20 | (411) | (12) | NM | (48) | (1,317) | (40) | 20.0 |
| Total nonoperating expense, net | (434) | (717) | (124) | 250.0 | (1,098) | (2,225) | (370) | 196.8 |
| | | | | | | | | |
| Income (loss) before income taxes | 603 | (2,332) | 1,349 | (55.3) | (1,712) | (6,449) | 3,070 | NM |
| | | | | | | | | |
| Income tax expense (benefit) | 130 | (491) | 325 | (60.0) | (394) | (1,277) | 702 | NM |
| Net income (loss) | $ 473 | $ (1,841) | $ 1,024 | (53.8) | $ (1,318) | $ (5,172) | $ 2,368 | NM |
| | | | | | | | | |
| Diluted earnings (loss) per share | $ 1.44 | $ (6.33) | $ 3.99 | (63.9) | $ (4.10) | $ (18.91) | $ 9.04 | NM |
| Diluted weighted average shares | 329.0 | 291.0 | 256.4 | 28.3 | 321.3 | 273.5 | 262.0 | 22.6 |

NM Not meaningful

**UNITED AIRLINES HOLDINGS, INC.**
PASSENGER REVENUE INFORMATION AND STATISTICS

**Passenger revenue information is as follows (in millions, except for percentage changes):**

| | 3Q 2021 Passenger Revenue | Passenger Revenue vs. 3Q 2020 | PRASM vs. 3Q 2020 | PRASM vs. 3Q 2019 | Yield vs. 3Q 2020 | Available Seat Miles vs. 3Q 2020 | Available Seat Miles vs. 3Q 2019 | 3Q 2021 Available Seat Miles | 3Q 2021 Revenue Passenger Miles |
|---|---|---|---|---|---|---|---|---|---|
| Domestic | $ 4,845 | 288.8% | 67.6% | (8.1%) | 10.6% | 132.0% | (19.5%) | 34,337 | 28,287 |
| | | | | | | | | | |
| Atlantic | 840 | 361.5% | 91.9% | (34.3%) | (8.7%) | 140.5% | (34.9%) | 9,902 | 6,601 |
| Pacific | 209 | 115.5% | 33.6% | (24.8%) | (3.7)% | 61.4% | (75.2%) | 2,694 | 920 |
| Latin America | 743 | 499.2% | 40.3% | (19.7%) | (2.0%) | 327.1% | 9.9% | 6,953 | 5,223 |
| International | 1,792 | 344.7% | 68.6% | (24.3%) | (10.3%) | 163.7% | (39.7%) | 19,549 | 12,744 |
| | | | | | | | | | |
| Consolidated | $ 6,637 | 302.5% | 66.0% | (11.7%) | 4.1% | 142.6% | (28.2%) | 53,886 | 41,031 |

**Select operating statistics are as follows:**

| | Three Months Ended September 30, | | | % Increase/ (Decrease) 2021 vs. 2019 | Nine Months Ended September 30, | | | % Increase/ (Decrease) 2021 vs. 2019 |
|---|---|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2019 | | 2021 | 2020 | 2019 | |
| Passengers (thousands) | 32,145 | 9,739 | 43,091 | (25.4) | 70,728 | 42,911 | 122,137 | (42.1) |
| Revenue passenger miles (millions) | 41,031 | 10,613 | 64,629 | (36.5) | 86,793 | 56,812 | 180,727 | (52.0) |
| Available seat miles (millions) | 53,886 | 22,212 | 75,076 | (28.2) | 123,869 | 92,113 | 213,961 | (42.1) |
| Passenger load factor: | | | | | | | | |
| Consolidated | 76.1 % | 47.8 % | 86.1 % | (10.0) pts. | 70.1 % | 61.7 % | 84.5 % | (14.4) pts. |
| Domestic | 82.4 % | 54.4 % | 86.6 % | (4.2) pts. | 78.5 % | 62.7 % | 85.7 % | (7.2) pts. |
| International | 65.2 % | 34.7 % | 85.4 % | (20.2) pts. | 55.8 % | 60.0 % | 82.9 % | (27.1) pts. |
| Passenger revenue per available seat mile (cents) | 12.32 | 7.42 | 13.96 | (11.7) | 10.75 | 10.20 | 13.88 | (22.6) |
| Total revenue per available seat mile (cents) | 14.38 | 11.21 | 15.16 | (5.1) | 13.27 | 12.97 | 15.13 | (12.3) |
| Average yield per revenue passenger mile (cents) | 16.18 | 15.54 | 16.22 | (0.2) | 15.35 | 16.54 | 16.43 | (6.6) |
| Cargo revenue ton miles (millions) | 758 | 685 | 804 | (5.7) | 2,415 | 1,876 | 2,440 | (1.0) |
| Aircraft in fleet at end of period | 1,338 | 1,319 | 1,348 | (0.7) | 1,338 | 1,319 | 1,348 | (0.7) |
| Average stage length (miles) | 1,334 | 1,212 | 1,473 | (9.4) | 1,313 | 1,312 | 1,464 | (10.3) |
| Employee headcount, as of September 30 (in thousands) (a) | 85.3 | 87.9 | 95.0 | (10.2) | 85.3 | 87.9 | 95.0 | (10.2) |
| Average aircraft fuel price per gallon | $ 2.14 | $ 1.31 | $ 2.02 | 5.9 | $ 1.98 | $ 1.65 | $ 2.08 | (4.8) |
| Fuel gallons consumed (millions) | 800 | 387 | 1,134 | (29.5) | 1,915 | 1,501 | 3,221 | (40.5) |

(a) The 2021 employee headcount includes employees who participated in the company's voluntary leave programs.

**Note:** See Part II, Item 6, Selected Financial Data, of UAL's Annual Report on Form 10-K for the fiscal year ended December 31, 2020, for definitions of these statistics.

**UNITED AIRLINES HOLDINGS, INC.**
NON-GAAP FINANCIAL RECONCILIATION

UAL evaluates its financial performance utilizing various accounting principles generally accepted in the United States of America (GAAP) and non-GAAP financial measures, including adjusted earnings before interest, taxes, depreciation and amortization (adjusted EBITDA), adjusted operating income (loss), adjusted operating margin, adjusted pre-tax income (loss), adjusted pre-tax margin, adjusted net income (loss), adjusted diluted earnings (loss) per share, CASM, excluding special charges, third-party business expenses, fuel, and profit sharing (CASM-ex), and operating expenses excluding special charges, among others. The non-GAAP financial measures are provided as supplemental information to the financial measures presented in this press release that are calculated and presented in accordance with GAAP and are presented because management believes that they supplement or enhance management's, analysts' and investors' overall understanding of the company’s underlying financial performance and trends and facilitate comparisons among current, past and future periods.

Because the non-GAAP financial measures are not calculated in accordance with GAAP, they should not be considered superior to and are not intended to be considered in isolation or as a substitute for the related GAAP financial measures presented in the press release and may not be the same as or comparable to similarly titled measures presented by other companies due to possible differences in method and in the items being adjusted. We encourage investors to review our financial statements and publicly-filed reports in their entirety and not to rely on any single financial measure.

The company does not provide a reconciliation of forward-looking measures on a forward-looking basis where the company believes such a reconciliation would imply a degree of precision and certainty that could be confusing to investors and is unable to reasonably predict certain items contained in the GAAP measures without unreasonable efforts. This is due to the inherent difficulty of forecasting the timing or amount of various items that have not yet occurred and are out of the company's control or cannot be reasonably predicted. For the same reasons, the company is unable to address the probable significance of the unavailable information. Forward-looking measures provided without the most directly comparable GAAP financial measures may vary materially from the corresponding GAAP financial measures. See "Cautionary Statement Regarding Forward-Looking Statements" above.

The information below provides an explanation of certain adjustments reflected in the non-GAAP financial measures and shows a reconciliation of non-GAAP financial measures reported in this press release to the most directly comparable GAAP financial measures. Within the financial tables presented, certain columns and rows may not add due to the use of rounded numbers. Percentages and earnings per share amounts presented are calculated from the underlying amounts.

**UNITED AIRLINES HOLDINGS, INC.**
NON-GAAP FINANCIAL RECONCILIATION (Continued)

UAL believes that adjusting for special charges (credits), nonoperating debt extinguishment and modification fees, nonoperating special termination benefits and settlement losses and nonoperating credit losses is useful to investors because these items are not indicative of UAL's ongoing performance. UAL believes that adjusting for unrealized (gains) losses on investments, net is useful to investors because those unrealized gains or losses may not ultimately be realized on a cash basis. UAL believes that adjusting for interest expense related to finance leases of Embraer ERJ 145 aircraft is useful to investors because of the accelerated recognition of interest expense.

CASM is a common metric used in the airline industry to measure an airline's cost structure and efficiency. UAL reports CASM excluding special charges (credits), third-party business expenses, fuel and profit sharing. UAL believes that adjusting for special charges (credits) is useful to investors because special charges (credits) are not indicative of UAL's ongoing performance. UAL also believes that excluding third-party business expenses, such as maintenance, ground handling and catering services for third parties, provides more meaningful disclosure because these expenses are not directly related to UAL's core business. UAL also believes that excluding fuel costs from certain measures is useful to investors because it provides an additional measure of management's performance excluding the effects of a significant cost item over which management has limited influence. UAL excludes profit sharing because it believes that this exclusion allows investors to better understand and analyze UAL’s operating cost performance and provides a more meaningful comparison of our core operating costs to the airline industry.

| | Three Months Ended September 30, | | | Nine Months Ended September 30, | | | Year Ended December 31, |
|---|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 | 2019 |
| **CASM (cents)** | | | | | | | |
| Cost per available seat mile (CASM) (GAAP) | 12.46 | 18.48 | 13.20 | 13.77 | 17.55 | 13.52 | 13.67 |
| Special charges (credits) | (2.04) | (4.86) | 0.04 | (2.76) | (2.68) | 0.05 | 0.09 |
| Third-party business expenses | 0.07 | 0.06 | 0.07 | 0.07 | 0.13 | 0.06 | 0.06 |
| Fuel expense | 3.17 | 2.28 | 3.05 | 3.06 | 2.68 | 3.13 | 3.14 |
| Profit sharing | — | — | 0.24 | — | — | 0.17 | 0.17 |
| CASM-ex (Non-GAAP) | 11.26 | 21.00 | 9.80 | 13.40 | 17.42 | 10.11 | 10.21 |

| **Adjusted EBITDA** | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 |
| Net income (loss) | $ 473 | $ (1,841) | $ 1,024 | $ (1,318) | $ (5,172) | $ 2,368 |
| Adjusted for: | | | | | | |
| Depreciation and amortization | 623 | 626 | 575 | 1,866 | 1,859 | 1,682 |
| Interest expense, net of capitalized interest and interest income | 420 | 321 | 133 | 1,141 | 613 | 402 |
| Income tax expense (benefit) | 130 | (491) | 325 | (394) | (1,277) | 702 |
| Special charges (credits) | (1,098) | (1,081) | 27 | (3,423) | (2,467) | 116 |
| Nonoperating unrealized (gains) losses on investments, net | 34 | (15) | (21) | (91) | 295 | (72) |
| Nonoperating debt extinguishment and modification fees | (12) | — | — | 50 | — | — |
| Nonoperating special termination benefits and settlement losses | — | 415 | — | 46 | 646 | — |
| Nonoperating credit loss on BRW term loan and guarantee | — | — | — | — | 697 | — |
| Adjusted EBITDA | $ 570 | $ (2,066) | $ 2,063 | $ (2,123) | $ (4,806) | $ 5,198 |
| Adjusted EBITDA margin | 7.4 % | (83.0)% | 18.1 % | (12.9)% | (40.2)% | 16.1 % |

**UNITED AIRLINES HOLDINGS, INC.**

NON-GAAP FINANCIAL RECONCILIATION (Continued)

UAL believes that adjusting capital expenditures for assets acquired through the issuance of debt, finance leases and other financial liabilities is useful to investors in order to appropriately reflect the total amounts spent on capital expenditures. UAL also believes that adjusting net cash provided by operating activities for capital expenditures, adjusted capital expenditures, and aircraft operating lease additions is useful to allow investors to evaluate the company's ability to generate cash that is available for debt service or general corporate initiatives.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| **Capital Expenditures** (in millions) | 2021 | 2020 | 2021 | 2020 |
| Capital expenditures, net of flight equipment purchase deposit returns (GAAP) | $ 266 | $ (368) | $ 1,571 | $ 1,630 |
| Property and equipment acquired through the issuance of debt, finance leases, and other financial liabilities | 40 | 887 | 801 | 1,513 |
| Adjustment to property and equipment acquired through other financial liabilities (a) | — | (132) | (14) | (185) |
| Adjusted capital expenditures (Non-GAAP) | $ 306 | $ 387 | $ 2,358 | $ 2,958 |
| **Free Cash Flow** (in millions) | | | | |
| Net cash provided by (used in) operating activities (GAAP) | $ (786) | $ (1,889) | $ 2,336 | $ (1,956) |
| Less capital expenditures, net of flight equipment purchase deposit returns | 266 | (368) | 1,571 | 1,630 |
| Free cash flow, net of financings (Non-GAAP) | $ (1,052) | $ (1,521) | $ 765 | $ (3,586) |
| | | | | |
| Net cash provided by (used in) operating activities (GAAP) | $ (786) | $ (1,889) | $ 2,336 | $ (1,956) |
| Less adjusted capital expenditures (Non-GAAP) | 306 | 387 | 2,358 | 2,958 |
| Less aircraft operating lease additions | 366 | 7 | 541 | 40 |
| Free cash flow (Non-GAAP) | $ (1,458) | $ (2,283) | $ (563) | $ (4,954) |

(a) United entered into agreements with third parties to finance through sale and leaseback transactions new Boeing model 787 aircraft and Boeing model 737 MAX aircraft subject to purchase agreements between United and Boeing. In connection with the delivery of each aircraft from Boeing, United assigned its right to purchase such aircraft to the buyer, and simultaneous with the buyer's purchase from Boeing, United entered into a long-term lease for such aircraft with the buyer as lessor. Twenty Boeing model aircraft were delivered in 2021 under these transactions (and each is presently subject to a long-term lease to United). Upon delivery, the company accounted for the aircraft, which have a repurchase option at a price other than fair value, as part of Flight equipment on the company's balance sheet and the related obligation as Other current liabilities and Other financial liabilities from sale-leasebacks (noncurrent) since they do not qualify for sale recognition. If the repurchase option is not exercised, these aircraft will be accounted for as leased assets at the time of the option expiration and the related assets and liabilities will be adjusted to the present value of the remaining lease payments at that time. This adjustment reflects the difference between the recorded amounts and the present value of future lease payments at inception.

**UNITED AIRLINES HOLDINGS, INC.**
NON-GAAP FINANCIAL RECONCILIATION (Continued)

| | Three Months Ended September 30, | | | % Increase/ (Decrease) 2021 vs. 2019 | Nine Months Ended September 30, | | | % Increase/ (Decrease) 2021 vs. 2019 |
|---|---|---|---|---|---|---|---|---|
| (in millions) | 2021 | 2020 | 2019 | | 2021 | 2020 | 2019 | |
| Operating expenses (GAAP) | $ 6,713 | $ 4,104 | $ 9,907 | (32.2) | $ 17,056 | $ 16,167 | $ 28,931 | (41.0) |
| Special charges (credits) | (1,098) | (1,081) | 27 | NM | (3,423) | (2,467) | 116 | NM |
| Operating expenses, excluding special charges (credits) | 7,811 | 5,185 | 9,880 | (20.9) | 20,479 | 18,634 | 28,815 | (28.9) |
| Adjusted to exclude: | | | | | | | | |
| Third-party business expenses | 33 | 13 | 49 | (32.7) | 89 | 115 | 120 | (25.8) |
| Fuel expense | 1,710 | 508 | 2,296 | (25.5) | 3,793 | 2,474 | 6,704 | (43.4) |
| Profit sharing | — | — | 174 | (100.0) | — | — | 368 | (100.0) |
| Adjusted operating expenses (Non-GAAP) | $ 6,068 | $ 4,664 | $ 7,361 | (17.6) | $ 16,597 | $ 16,045 | $ 21,623 | (23.2) |
| Operating income (loss) (GAAP) | $ 1,037 | $ (1,615) | $ 1,473 | (29.6) | $ (614) | $ (4,224) | $ 3,440 | NM |
| Adjusted to exclude: | | | | | | | | |
| Special charges (credits) | (1,098) | (1,081) | 27 | NM | (3,423) | (2,467) | 116 | NM |
| Adjusted operating loss (Non-GAAP) | $ (61) | $ (2,696) | $ 1,500 | NM | $ (4,037) | $ (6,691) | $ 3,556 | NM |
| *Operating margin* | *13.4 %* | *(64.9)%* | *12.9 %* | *.5 pts.* | *(3.7)%* | *(35.4)%* | *10.6 %* | *(14.3) pts.* |
| *Adjusted operating margin (Non-GAAP)* | *(0.8)%* | *(108.3)%* | *13.2 %* | *(14.0) pts.* | *(24.6)%* | *(56.0)%* | *11.0 %* | *(35.6) pts.* |
| Pre-tax income (loss) (GAAP) | $ 603 | $ (2,332) | $ 1,349 | (55.3) | $ (1,712) | $ (6,449) | $ 3,070 | NM |
| Adjusted to exclude: | | | | | | | | |
| Special charges (credits) | (1,098) | (1,081) | 27 | NM | (3,423) | (2,467) | 116 | NM |
| Unrealized (gains) losses on investments, net | 34 | (15) | (21) | NM | (91) | 295 | (72) | NM |
| Debt extinguishment and modification fees | (12) | — | — | NM | 50 | — | — | NM |
| Special termination benefits and settlement losses | — | 415 | — | NM | 46 | 646 | — | NM |
| Credit loss on BRW term loan and guarantee | — | — | — | NM | — | 697 | — | NM |
| Interest expense on ERJ 145 finance leases | — | — | 22 | NM | — | — | 68 | NM |
| Adjusted pre-tax loss (Non-GAAP) | $ (473) | $ (3,013) | $ 1,377 | NM | $ (5,130) | $ (7,278) | $ 3,182 | NM |
| *Pre-tax margin* | *7.8 %* | *(93.7)%* | *11.9 %* | *(4.1) pts.* | *(10.4)%* | *(54.0)%* | *9.5 %* | *(19.9) pts.* |
| *Adjusted pre-tax margin (Non-GAAP)* | *(6.1)%* | *(121.1)%* | *12.1 %* | *(18.2) pts.* | *(31.2)%* | *(60.9)%* | *9.8 %* | *(41.0) pts.* |
| Net income (loss) (GAAP) | $ 473 | $ (1,841) | $ 1,024 | (53.8) | $ (1,318) | $ (5,172) | $ 2,368 | NM |
| Adjusted to exclude: | | | | | | | | |
| Special charges (credits) | (1,098) | (1,081) | 27 | NM | (3,423) | (2,467) | 116 | NM |
| Unrealized (gains) losses on investments, net | 34 | (15) | (21) | NM | (91) | 295 | (72) | NM |
| Debt extinguishment and modification fees | (12) | — | — | NM | 50 | — | — | NM |
| Special termination benefits and settlement losses | — | 415 | — | NM | 46 | 646 | — | NM |
| Credit loss on BRW term loan and guarantee | — | — | — | NM | — | 697 | — | NM |
| Interest expense on ERJ 145 finance leases | — | — | 22 | NM | — | — | 68 | NM |
| Income tax expense (benefit) on adjustments, net | 274 | 148 | (6) | NM | 768 | 375 | (25) | NM |
| Adjusted net income (loss) (Non-GAAP) | $ (329) | $ (2,374) | $ 1,046 | NM | $ (3,968) | $ (5,626) | $ 2,455 | NM |
| Diluted earnings (loss) per share (GAAP) | $ 1.44 | $ (6.33) | $ 3.99 | (63.9) | $ (4.10) | $ (18.91) | $ 9.04 | NM |
| Adjusted to exclude: | | | | | | | | |
| Special charges (credits) | (3.39) | (3.72) | 0.10 | NM | (10.65) | (9.02) | 0.44 | NM |
| Unrealized (gains) losses on investments, net | 0.10 | (0.05) | (0.08) | NM | (0.28) | 1.08 | (0.27) | NM |
| Debt extinguishment and modification fees | (0.04) | — | — | NM | 0.15 | — | — | NM |
| Special termination benefits and settlement losses | — | 1.43 | — | NM | 0.14 | 2.36 | — | NM |
| Credit loss on BRW term loan and guarantee | — | — | — | NM | — | 2.55 | — | NM |
| Interest expense on ERJ 145 finance leases | — | — | 0.08 | NM | — | — | 0.26 | NM |
| Income tax expense (benefit) on adjustments, net | 0.85 | 0.51 | (0.02) | NM | 2.39 | 1.37 | (0.10) | NM |
| Dilutive share impact | 0.02 | — | — | NM | — | — | — | NM |
| Adjusted diluted income (loss) per share (Non-GAAP) | $ (1.02) | $ (8.16) | $ 4.07 | NM | $ (12.35) | $ (20.57) | $ 9.37 | NM |

NM Not Meaningful

**UNITED AIRLINES HOLDINGS, INC**
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

| (In millions) | September 30, 2021 | December 31, 2020 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 19,256 | $ 11,269 |
| Short-term investments | 166 | 414 |
| Restricted cash | 254 | 255 |
| Receivables, less allowance for credit losses (2021 — $70; 2020 — $78) | 1,709 | 1,295 |
| Aircraft fuel, spare parts and supplies, less obsolescence allowance (2021 — $532; 2020 — $478) | 955 | 932 |
| Prepaid expenses and other | 717 | 635 |
| Total current assets | 23,057 | 14,800 |
| | | |
| Total operating property and equipment, net | 32,128 | 31,466 |
| Operating lease right-of-use assets | 4,697 | 4,537 |
| Other assets: | | |
| Goodwill | 4,527 | 4,527 |
| Intangibles, less accumulated amortization (2021 — $1,532; 2020 — $1,495) | 2,815 | 2,838 |
| Restricted cash | 215 | 218 |
| Deferred income taxes | 519 | 131 |
| Investments in affiliates and other, less allowance for credit losses (2021 — $611; 2020 — $522) | 1,336 | 1,031 |
| Total other assets | 9,412 | 8,745 |
| Total assets | $ 69,294 | $ 59,548 |
| | | |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 2,199 | $ 1,595 |
| Accrued salaries and benefits | 2,207 | 1,960 |
| Advance ticket sales | 6,363 | 4,833 |
| Frequent flyer deferred revenue | 2,129 | 908 |
| Current maturities of long-term debt | 2,269 | 1,911 |
| Current maturities of operating leases | 569 | 612 |
| Current maturities of finance leases | 116 | 182 |
| Other | 1,083 | 724 |
| Total current liabilities | 16,935 | 12,725 |
| | | |
| Long-term liabilities and deferred credits: | | |
| Long-term debt | 31,520 | 24,836 |
| Long-term obligations under operating leases | 5,163 | 4,986 |
| Long-term obligations under finance leases | 250 | 224 |
| Frequent flyer deferred revenue | 4,088 | 5,067 |
| Pension liability | 2,180 | 2,460 |
| Postretirement benefit liability | 961 | 994 |
| Other financial liabilities from sale-leasebacks | 1,406 | 1,140 |
| Other | 1,360 | 1,156 |
| Total long-term liabilities and deferred credits | 46,928 | 40,863 |
| Total stockholders' equity | 5,431 | 5,960 |
| Total liabilities and stockholders' equity | $ 69,294 | $ 59,548 |

**UNITED AIRLINES HOLDINGS, INC.**
CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS (UNAUDITED)

| (In millions) | Nine Months Ended September 30, 2021 | Nine Months Ended September 30, 2020 |
|---|---|---|
| Cash Flows from Operating Activities: | | |
| Net cash provided by (used in) operating activities | $ 2,336 | $ (1,956) |
| Cash Flows from Investing Activities: | | |
| Capital expenditures, net of flight equipment purchase deposit returns | (1,571) | (1,630) |
| Purchases of short-term and other investments | (47) | (552) |
| Proceeds from sale of short-term and other investments | 271 | 2,182 |
| Other, net | 23 | 10 |
| Net cash provided by (used in) investing activities | (1,324) | 10 |
| Cash Flows from Financing Activities: | | |
| Proceeds from issuance of debt, net of discounts and fees | 11,098 | 12,730 |
| Proceeds from equity issuance | 532 | 1,135 |
| Payments of long-term debt, finance leases and other financing liabilities | (4,632) | (1,017) |
| Repurchases of common stock | — | (353) |
| Other, net | (27) | (19) |
| Net cash provided by financing activities | 6,971 | 12,476 |
| Net increase in cash, cash equivalents and restricted cash | 7,983 | 10,530 |
| Cash, cash equivalents and restricted cash at beginning of the period | 11,742 | 2,868 |
| Cash, cash equivalents and restricted cash at end of the period | $ 19,725 | $ 13,398 |
| Investing and Financing Activities Not Affecting Cash: | | |
| Property and equipment acquired through the issuance of debt, finance leases and other | $ 801 | $ 1,513 |
| Lease modifications and lease conversions | 111 | 503 |
| Right-of-use assets acquired through operating leases | 627 | 64 |
| Notes receivable and warrants received for entering into aircraft and other ancillary business agreements | 129 | — |

**UNITED AIRLINES HOLDINGS, INC.**
NOTES (UNAUDITED)

**Special charges (credits) and unrealized (gains) and losses on investments, net include the following:**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| (In millions) | 2021 | 2020 | 2021 | 2020 |
| Operating: | | | | |
| CARES Act grant | $ (1,132) | $ (1,494) | $ (4,021) | $ (3,083) |
| Impairment of assets | 46 | 38 | 105 | 168 |
| Severance and benefit costs | 5 | 350 | 433 | 413 |
| (Gains) losses on sale of assets and other special charges | (17) | 25 | 60 | 35 |
| Total operating special charges (credits) | (1,098) | (1,081) | (3,423) | (2,467) |
| Nonoperating: | | | | |
| Nonoperating unrealized (gains) losses on investments, net | 34 | (15) | (91) | 295 |
| Nonoperating debt extinguishment and modification fees | (12) | — | 50 | — |
| Nonoperating special termination benefits and settlement losses | — | 415 | 46 | 646 |
| Nonoperating credit loss on BRW Aviation Holding LLC and BRW Aviation LLC ("BRW") term loan and related guarantee | — | — | — | 697 |
| Total nonoperating special charges and unrealized (gains) losses on investments, net | 22 | 400 | 5 | 1,638 |
| Total operating and nonoperating special charges (credits) and unrealized (gains) losses on investments, net | (1,076) | (681) | (3,418) | (829) |
| Income tax expense, net of valuation allowance | 274 | 148 | 768 | 375 |
| Total operating and non-operating special charges (credits) and unrealized (gains) losses on investments, net of income taxes | $ (802) | $ (533) | $ (2,650) | $ (454) |

CARES Act grant: During the nine months ended September 30, 2021, the company received approximately $5.8 billion in funding pursuant to Payroll Support Program agreements under the CARES Act (the "PSP2 Agreement" and the "PSP3 Agreement"), which included an approximately $1.7 billion unsecured loan. The company recorded $1.1 billion and $4.0 billion as grant income in Special charges (credits) during the three and nine months ended September 30, 2021, respectively. The company also recorded $99 million for warrants issued to Treasury as part of the PSP2 Agreement and PSP3 Agreement, within stockholders' equity, as an offset to the grant income in the nine months ended September 30, 2021.

During the nine months ended September 30, 2020, the company received approximately $5.1 billion in funding pursuant to the first Payroll Support Program under the CARES Act, which consisted of a $3.6 billion grant and a $1.5 billion unsecured loan. The company recognized $3.1 billion of the grant as a credit to Special charges (credits) and $66 million in warrants issued to Treasury, within stockholders' equity, as an offset to the grant income.

Impairment of assets: During the three months ended September 30, 2021, the company recorded $46 million of impairment charges for nine Airbus A319 aircraft and 13 Boeing 737-700 airframes as a result of current market conditions for used aircraft. These aircraft are all considered held for sale and classified as part of other assets. During the nine months ended September 30, 2021, in addition to the third quarter impairments described above, the company recorded impairment charges of $59 million for 64 Embraer EMB 145LR aircraft and related spare engines that United retired from its regional fleet.

During the three and nine months ended September 30, 2020, the company recorded an impairment charge of $38 million of the right-of-use asset associated with the embedded aircraft lease in one of our capacity purchase agreements. Also, during the nine months ended September 30, 2020, the company recorded impairment charges of $130 million for its China routes which were primarily caused by the COVID-19 pandemic, the company's subsequent suspension of flights to China and a further delay in the expected return of full capacity to the China markets.

Severance and benefit costs: During the three and nine months ended September 30, 2021, the company recorded charges of $5 million and $433 million, respectively, related to pay continuation and benefits-related costs provided to employees who chose to voluntarily separate from the company. The company offered, based on employee group, age and completed years of service, pay continuation, health care coverage, and travel benefits. Approximately 4,500 employees elected to voluntarily separate from the company.

In 2020, the company enacted a workforce reduction as part of the company's strategic realignment of its business and new organizational structure as a result of the impacts of the COVID-19 pandemic on the company's operations and cost structure. The company recorded $350 million and $413 million during the three and nine months ended September 30, 2020, respectively, related to the workforce reduction and voluntary plans for employee severance, pay continuance from voluntary retirements, and benefits-related costs.

(Gains) losses on sale of assets and other special charges: During the three months ended September 30, 2021, the company recorded net gains of $17 million primarily related to gains on aircraft sale-leaseback transactions and aircraft component manufacturer credits. During the nine months ended September 30, 2021, the company recorded net charges of $60 million primarily related to incentives for its employees to receive a COVID-19 vaccination and the termination of the lease associated with three floors of its headquarters at the Willis Tower in Chicago partially offset by the third quarter's gains.

Nonoperating unrealized gains and losses on investments, net: During the three and nine months ended September 30, 2021, the company recorded losses of $34 million and gains of $91 million, respectively, primarily for the change in market value of its investment in equity securities.

During the three and nine months ended September 30, 2020, the company recorded gains of $15 million and losses of $271 million, respectively, primarily for the change in the market value of its investment in equity securities. Also during the nine months ended September 30, 2020, the company recorded a loss of $24 million for the decrease in fair value of the Avianca Holdings S.A.("AVH") share call options, AVH share appreciation rights, and AVH share-based upside sharing agreement that United obtained as part of the BRW Term Loan (as defined below) and related agreements with Kingsland Holdings.

Nonoperating debt extinguishment and modification fees: During the nine months ended September 30, 2021, the company recorded $50 million of charges for fees and discounts related to the issuance of new debt and the prepayment of certain debt agreements.

Nonoperating special termination benefits and settlement losses: During the nine months ended September 30, 2021, as part of the first quarter voluntary separation programs, the company recorded $46 million of special termination benefits in the form of additional subsidies for retiree medical costs for certain U.S.-based front-line employees. The subsidies were in the form of a one-time contribution to a notional Retiree Health Account of $125,000 for full-time employees and $75,000 for part-time employees.

During the three and nine months ended September 30, 2020, the company recorded $415 million and $646 million, respectively, of settlement losses related to the company's primary defined benefit pension plans covering certain U.S. non-pilot employees, and special termination benefits offered under voluntary separation programs to certain front-line U.S. based employees participating in the non-pilot defined benefit pension plan and postretirement medical programs.

Nonoperating credit loss on BRW term loan and related guarantee: During the nine months ended September 30, 2020, the company recorded a $697 million expected credit loss allowance for the company's Term Loan Agreement (the "BRW Term Loan"), with, among others, BRW Aviation Holding LLC and BRW Aviation LLC, and the related guarantee. BRW's equity and BRW's holdings of AVH equity are secured as a pledge under the BRW Term Loan, which is currently in default.

Effective tax rate:

The company's effective tax rates for the three and nine months ended September 30, 2021 were 21.6% and 23.0%, respectively. The effective tax rates for the three and nine months ended September 30, 2020 were 21.1% and 19.8%, respectively. The provision for income taxes is based on the estimated annual effective tax rate which represents a blend of federal, state and foreign taxes and includes the impact of certain nondeductible items. The effective tax rate was impacted by $52 million of additional valuation allowance related to unrealized capital losses for the three months ended September 30, 2021, and by $27 million of valuation allowance release related to unrealized capital gains and state attributes for the nine months ended September 30, 2021. The effective tax rates for the three and nine months ended September 30, 2020 were impacted by $27 million and $157 million, respectively, of changes in valuation allowance related to unrealized capital losses.

# # #