

Investing in Dulles

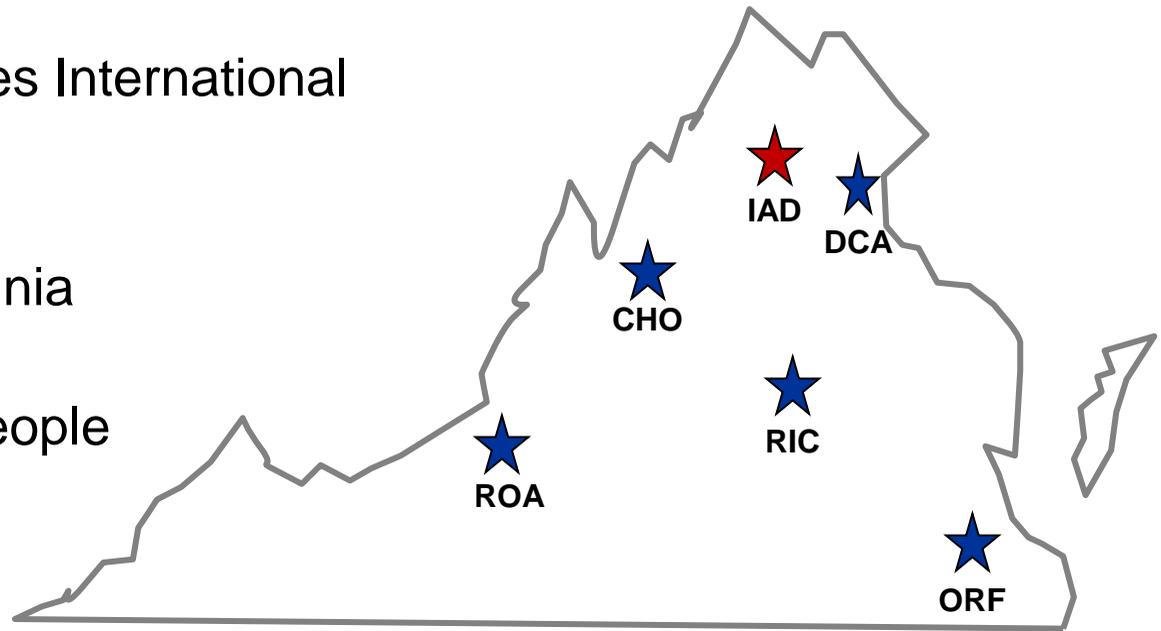
January 2016

A STAR ALLIANCE MEMBER 

UNITED 

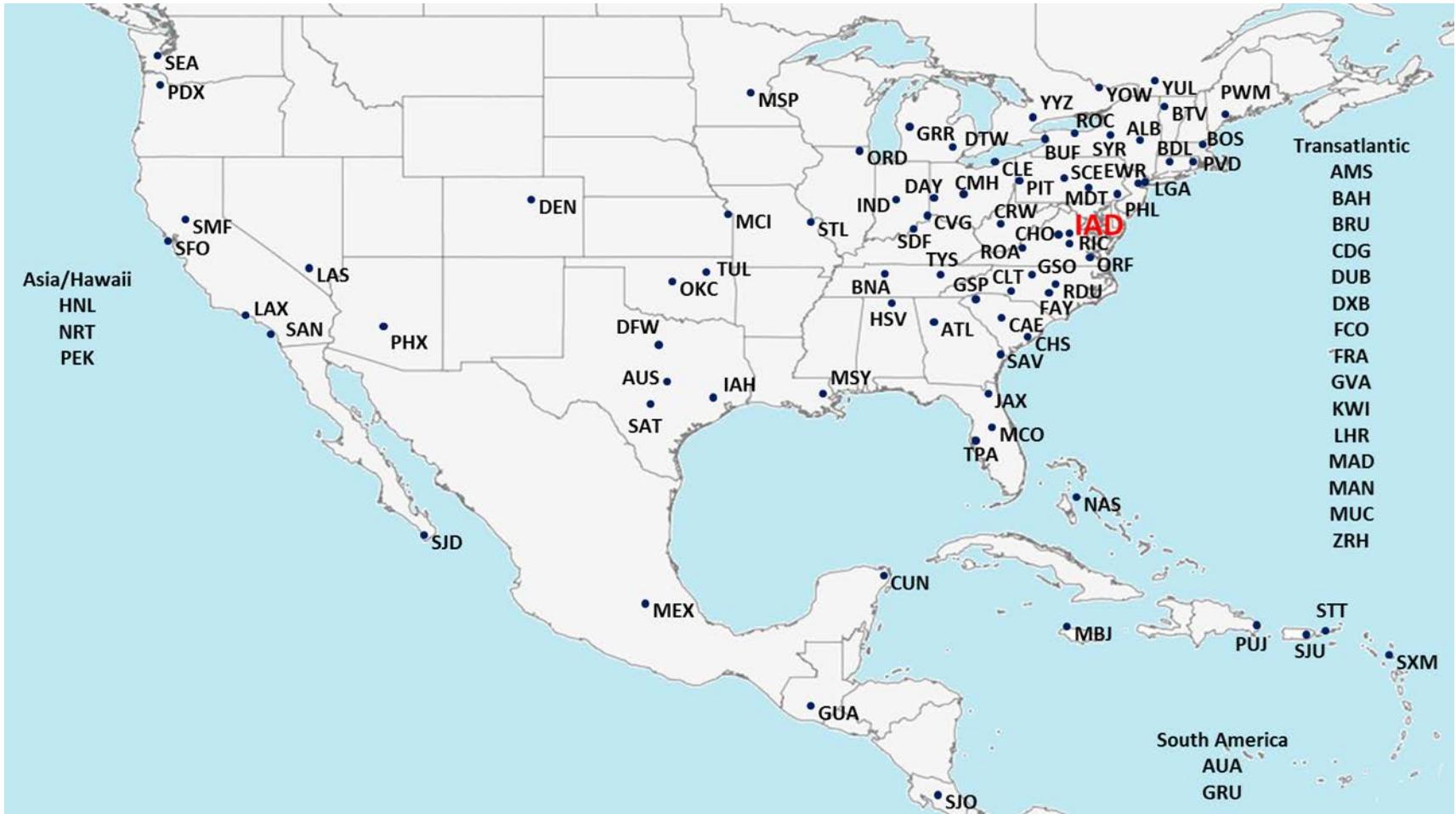
United's footprint in Virginia

- Hub at Washington Dulles International Airport since 1986
- Serves 6 airports in Virginia
- Employs nearly 5,400 people in the Commonwealth
- Invested \$45 million in a wide-body aircraft maintenance hangar in 2012



United's Dulles Hub

- United, together with United Express®, operates about 218 flights daily serving 69 domestic and 32 international destinations from IAD
- United serves approximately 12 million passengers annually at IAD



Economic impact of United's Hub at Dulles

- The economic impact of Washington Dulles and United's hub is huge.
- Direct, indirect and induced impacts include the airport's capital development, on-site employment, operations and maintenance, visitor spending, and freight/cargo.

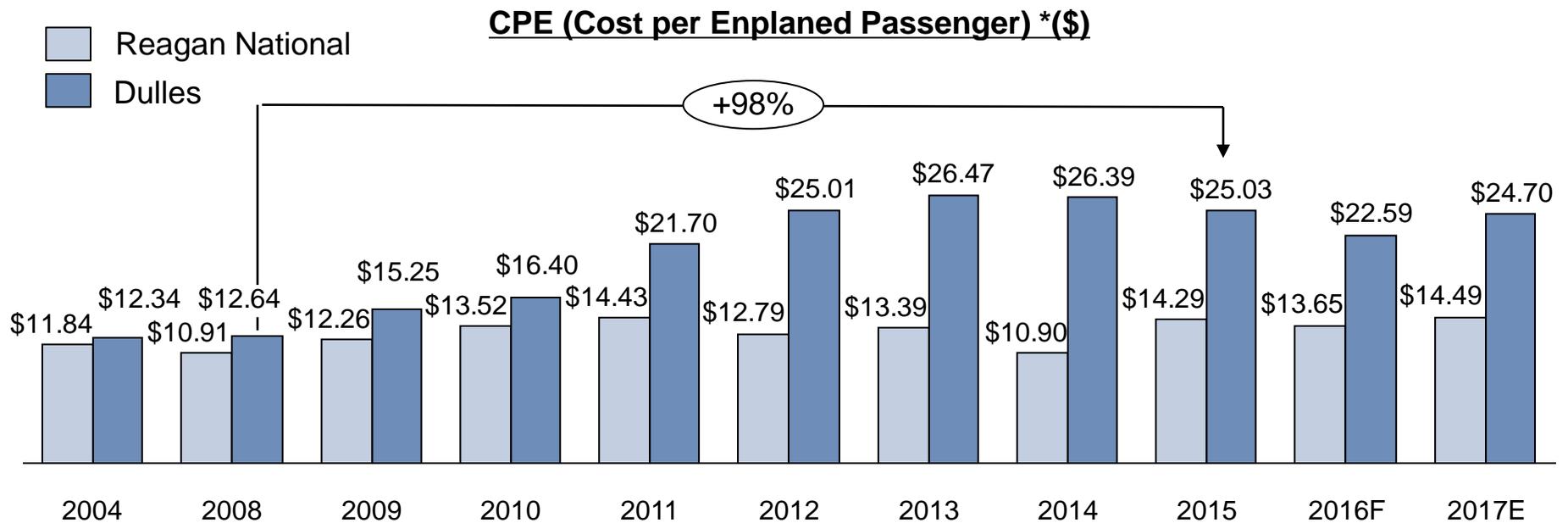
	Jobs	Labor Income
Dulles Total	248,000	~ \$10 billion
United at Dulles	135,000	~ \$5 billion

- About 60 percent of these impacts flow to the Commonwealth

Source: InterVISTAS Consulting Inc; 2015 Virginia Commercial Air Service Review

Due to infrastructure investments and other factors, costs at Dulles have dramatically increased

- Since 2008, the Dulles CPE has nearly doubled while Reagan National CPE has been relatively flat



*excludes cost of support facilities

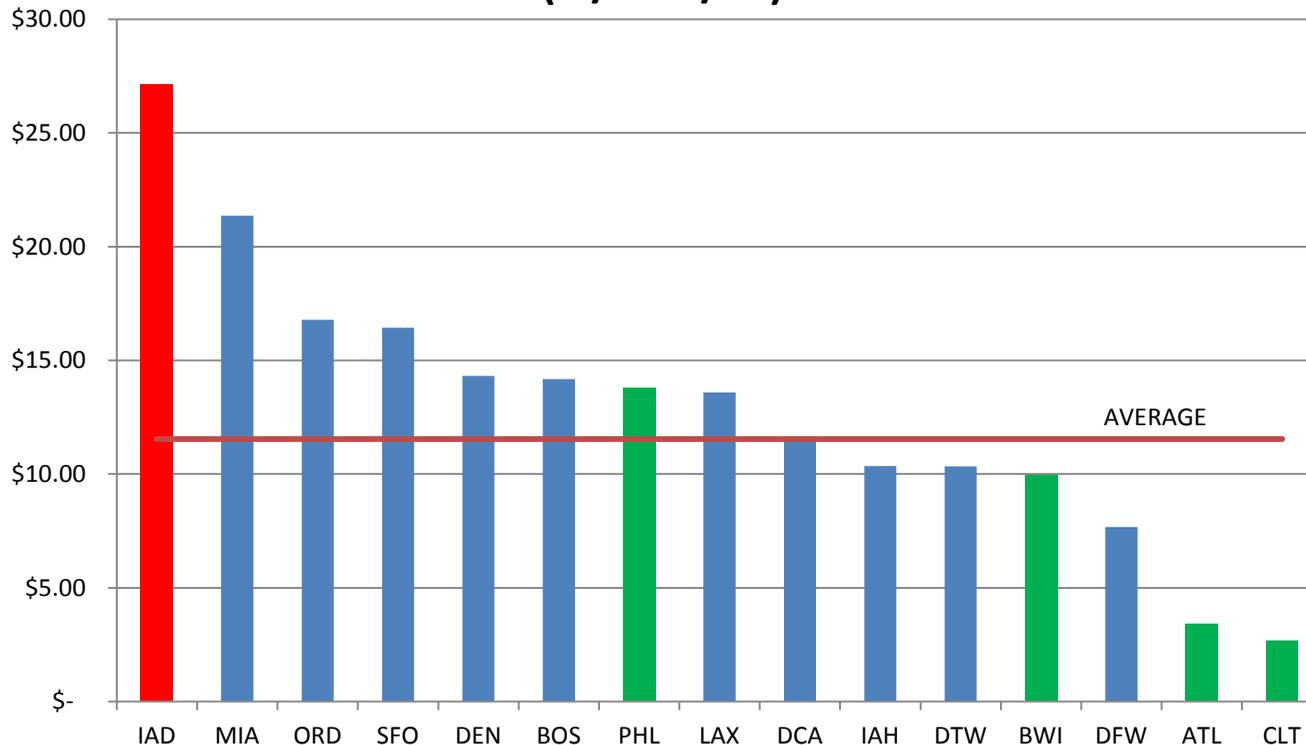
**projected

Sources: 2011 POS, MWAA rates and charges summary, MWAA 2015 Feasibility Study

Dulles' CPE is not competitive with other United Hubs and East Coast Hubs

- Dulles competes for connecting traffic against airports with lower CPE like Charlotte, Atlanta, and Philadelphia

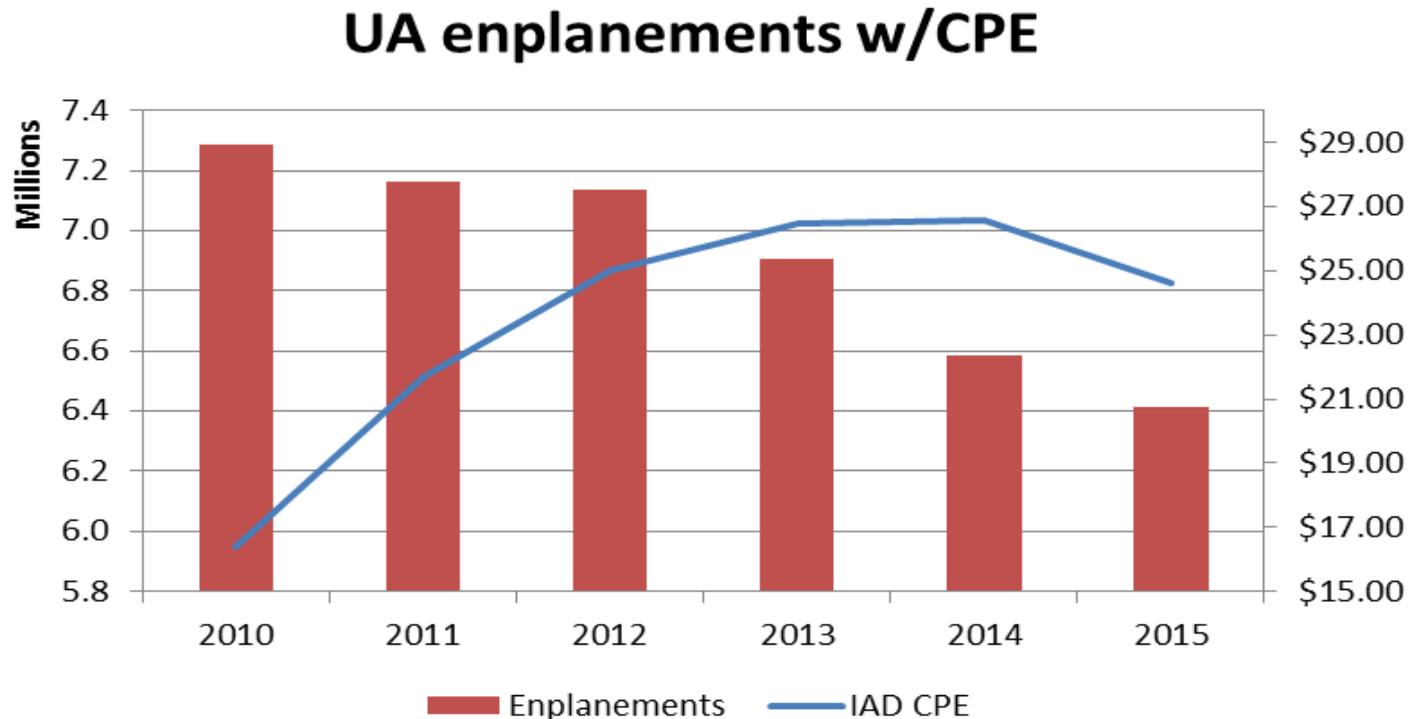
**CPE at UA Hubs and East Coast Hubs
(w/o NY/NJ)**



Source: 2014 A4A Passenger Airline Cost Per Enplanement Data

United enplanements have been trending down as the CPE increased

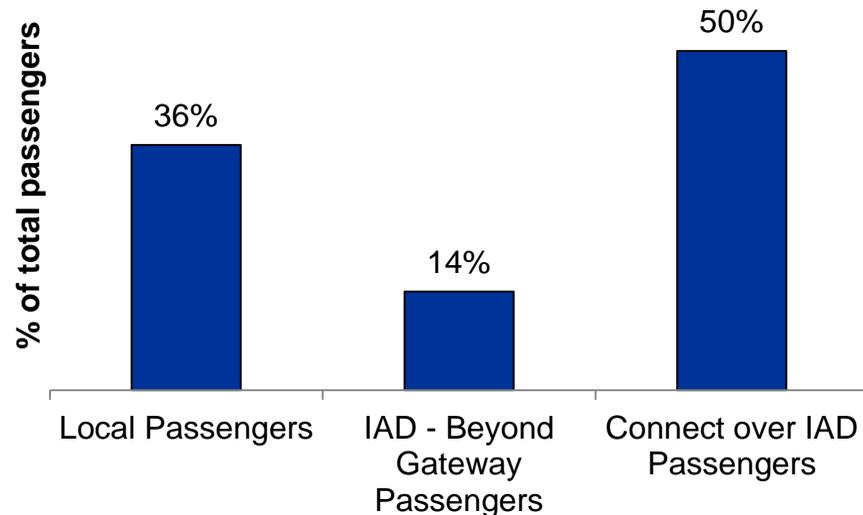
- Since peaking in 2005, overall IAD traffic has declined by 19%, led by a 32% decline in domestic traffic



Connecting passengers are very important to United's long haul Dulles flights

- Half of all passengers on long haul Dulles flights connect from another destination
- A shrinking domestic network limits United's ability to grow or even maintain capacity on these routes
 - United's domestic network also feeds Joint Venture flights at Dulles to Brussels, Frankfurt, Munich, Tokyo, Vienna, and Zurich

Local/Flow Ratio on UA's Long Haul IAD Flights

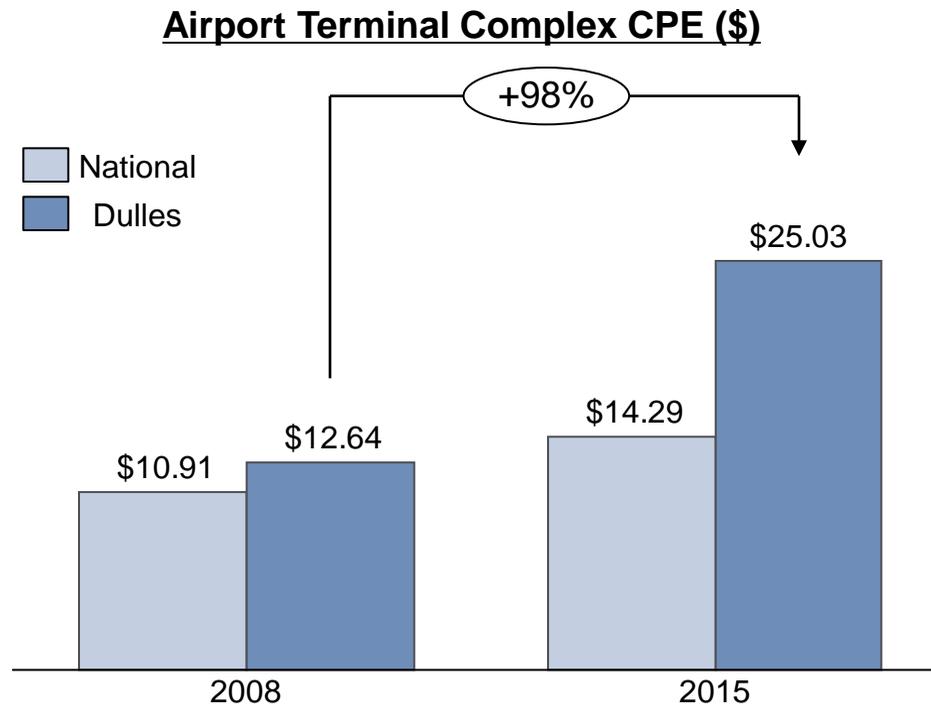


United has been reducing unprofitable flights at Dulles

- Market exit examples in 2014-2015
 - Albuquerque
 - Beckley
 - Colorado Springs
 - Miami
 - Nassau
 - Kuwait
 - Altoona
 - Binghamton
 - Ft. Lauderdale
 - New York JFK
 - San Salvador
 - Dubai
- Other adjustments in 2015
 - Scheduled seats down 15% year over year in Q1
 - Departures down 11.8% year of year from 2014
 - Market Suspensions: Dublin; Manchester UK; Portland, OR; Portland, ME; Rome; Sacramento; Tulsa
 - San Diego reduced from 3 to 2 flights in January and February
 - Seattle reduced from 3 to 1 flight in January and February

Airlines renewed leases for Reagan and Dulles in 2015 with varying lease terms

- The new DCA lease expires in 10 years, with IAD expiring in 3 years
- A shorter term at IAD was initiated due to the uncertain cost structure
- Airport cost per enplaned passenger at Dulles has almost doubled during the past seven years, and is now more than twice the cost for National



Investing in Dulles to lower costs will make it more competitive and help drive economic growth

- When airports lower the CPE, they are better positioned for growth (holding other factors constant).
 - For example, Denver International Airport lowered its CPE by \$3 and experienced growth of nearly 6% over the last 2 years.
- What would growth mean for Dulles and the Commonwealth?
 - 2 percent growth at Dulles would translate into 431,000 additional passengers (289,000 domestic and 142,000 international). **This growth could in turn generate an additional 3,600 jobs and \$128 million in labor income annually.** (Source: InterVISTAS Consulting Inc; 2015 Virginia Commercial Air Service Review)

Commonwealth support coupled with further efforts by MWAA to reduce the CPE at Dulles could help generate more air service, resulting in greater economic activity for Virginia.