HAWAIIAN HOLDINGS INC
Form 10-K
February 09, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K
(Mark One)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014
or

o 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 1-31443
HAWAIIAN HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	71-0879698 (I.R.S. employer identification no.)
3375 Koapaka Street, Suite G-350, Honolulu, Hawai'i (Address of principal executive offices)	96819 (Zip code)

Registrant's telephone number, including area code: (808) 835-3700
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock ($0.01 par value)	NASDAQ Stock Market, LLC (NASDAQ Global Select Market)

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. 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. 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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. ¨
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.

Large accelerated filer ¨	Accelerated filer x	Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Rule Act 12b-2). Yes ¨ No x

The aggregate market value of the voting and non-voting common equity stock held by non-affiliates of the registrant was approximately $659 million, computed by reference to the closing sale price of the Common Stock on the NASDAQ Global Select Market, on June 30, 2014, the last business day of the registrant's most recently completed second fiscal quarter.

As of January 23, 2015, 54,475,352 shares of Common Stock of the registrant were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for Annual Meeting of Stockholders to be held on May 20, 2015 will be incorporated by reference into Part III of this Form 10-K.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 that reflect our current views with respect to certain current and future events and financial performance. Such forward-looking statements include, without limitation: any expectations of operating expenses, deferred revenue, interest rates, income taxes, deferred tax assets, valuation allowance or other financial items; statements regarding factors that may affect our operating results; statements regarding our goals, mission and areas of focus; statements regarding factors that may affect our ability to fund our working capital, capital expenditures or other general purpose needs; statements related to the impact of our low-cost structure on funding our growth strategy and market opportunities; statements regarding our ability to pay taxes with working capital; estimates of fair value measurements; statements related to aircraft maintenance and repair costs and deposits and timing of maintenance activities; statements related to cash flow from operations and seasonality; estimates of required funding of and contributions to our defined benefit pension and disability plan; estimates of annual fuel expenses and measure of the effects of fuel prices on our business; statements regarding the availability and cost of fuel; statements regarding our wages and benefits and labor costs and agreements; statements regarding the implementation, effective date and costs of compliance with regulations promulgated by the FAA, DOT and other regulatory agencies; statements related to airport rent rates and landing fees; statements regarding aircraft rent expense; statements regarding the status of federal and state legislation; statements regarding our total capacity and yields on routes; statements regarding compliance with potential environmental regulations; statements regarding potential dilution of our securities; statements regarding cost liability and deferred revenue estimates related to the frequent flyer program; statements related to our hedging program; statements concerning the impact of, and changes to, accounting principles, policies and estimates; statements regarding our net operating loss carryforwards; statements regarding credit card holdback; statements regarding the availability of financing; statements regarding our capital expenditures; statements regarding potential violations under the our debt or lease obligations; statements regarding our intent to settle the principal amount of our convertible notes in cash; statements regarding our ability to comply with covenants under our financing arrangements; statements regarding our intention to obtain additional debt or lease financing for aircraft deliveries; statements related to capital expenditures impacting future debt levels and pre-delivery payments; statements regarding the expiration of aircraft leases; statements related to risk management, credit risks and air traffic liability; statements related to future U.S. and global economic conditions or performance; statements related to changes in our fleet plan and related cash outlays; statements related to expected delivery of new aircraft and associated costs for spare engines, replacement parts, maintenance, employee training and other implementation activities; statements projecting non-aircraft related capital expenditures; statements related to commissions and selling expenses; statements related to potential route expansion; statements related to aircraft and passenger servicing; statements related to service expansion and related operating expenses; statements related to the effects of any litigation on our operations or business; statements related to the amount of competition on our routes by other domestic and foreign carriers; statements related to fare modifications; statements related to continuous investments in technology and systems; and statements as to other matters that do not relate strictly to historical facts or statements of assumptions underlying any of the foregoing. Words such as "expects," "anticipates," "projects," "intends," "plans," "believes," "estimates," variations of such words, and similar expressions are also intended to identify such forward-looking statements. These forward-looking statements are and will be, as the case may be, subject to many risks, uncertainties and factors relating to our operations and business environment, all of which may cause our actual results to be materially different from any future results, expressed or implied, in these forward-looking statements. The risks, uncertainties and assumptions referred to above that could cause our results to differ materially from the results expressed or implied by such forward-looking statements include those discussed under the heading "Risk Factors" in Item 1A in this Annual Report on Form 10-K and the risks, uncertainties and assumptions discussed from time to time in our other public filings and public announcements. All forward-looking statements included in this document are based on information available to us as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that may arise after the date hereof.

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PART I

ITEM 1. BUSINESS.

Overview

Hawaiian Holdings, Inc. (the "Company," "Holdings," "we," "us" and "our") is a holding company incorporated in the State of Delaware. The Company's primary asset is the sole ownership of all issued and outstanding shares of common stock of Hawaiian Airlines, Inc. ("Hawaiian"). Hawaiian was originally incorporated in January 1929 under the laws of the Territory of Hawai'i and became our indirect wholly-owned subsidiary pursuant to a corporate restructuring that was consummated in August 2002. Hawaiian became a Delaware corporation and the Company's direct wholly-owned subsidiary concurrent with its reorganization and reacquisition by the Company in June 2005.

Our Business

We are engaged in the scheduled air transportation of passengers and cargo amongst the Hawaiian Islands (the Neighbor Island routes), between the Hawaiian Islands and certain cities in the United States (the North America routes), and between the Hawaiian Islands and the South Pacific, Australia, New Zealand and Asia (the International routes), collectively referred to as our Scheduled Operations. We offer non-stop service to Hawai'i from more U.S. gateway cities (11) than any other airline, and also provide approximately 166 daily flights between the Hawaiian Islands. In addition, we also operate various charter flights.

We are the longest serving airline as well as the largest airline headquartered in the State of Hawai'i, and the 11th largest domestic airline in the United States based on revenue passenger miles (RPMs) reported by the Research and Innovative Technology Administration Bureau of Transportation Services as of October 2014, the latest data available.

At December 31, 2014, our fleet consisted of 18 Boeing 717-200 aircraft for the Neighbor Island routes and 10 Boeing 767-300 aircraft and 19 Airbus A330-200 aircraft for the North America, International and charter routes. We also own three ATR42 turboprop aircraft for the "'Ohana by Hawaiian" Neighbor Island service which began in 2014.

Our goal is to be the number one destination carrier serving Hawai'i. We are a leisure airline devoted to the travel needs of the residents and visitors of Hawai'i and offer a unique travel experience. We are strongly rooted in the culture and people of Hawai'i and seek to provide quality service to our customers that exemplifies the spirit of aloha.

Outlook

Our mission every year is to grow a profitable airline with a passion for excellence, our customers, our people and the spirit of Hawai'i. In 2015, we will focus on developing our existing markets, controlling our costs, preparing for the integration of new aircraft into our fleet, operating an innovative business to meet the needs of our new and existing customers, and maximizing shareholder value.

Flight Operations

Our flight operations are based in Honolulu, Hawai'i. At December 31, 2014, we operated 218 scheduled flights with:

- Daily service on our North America routes between the State of Hawai'i and Los Angeles, Oakland, Sacramento, San Diego, San Francisco and San Jose, California; Las Vegas, Nevada; Phoenix, Arizona; Portland, Oregon; and Seattle, Washington; and scheduled service between the State of Hawai'i and New York City, New York.
- Daily service on our Neighbor Island routes among the four major islands of the State of Hawai'i;
- Daily service on our International routes between the State of Hawai'i and Sydney, Australia; and Tokyo and Osaka, Japan and scheduled service between the State of Hawai'i and Pago Pago, American Samoa; Papeete, Tahiti; Brisbane, Australia; Auckland, New Zealand; Sapporo and Sendai, Japan; Seoul, South Korea; and Beijing, China.
- Other ad hoc charters.

Fuel

Our operations and financial results are significantly affected by the availability and price of jet fuel. The following table sets forth statistics about our aircraft fuel consumption and cost.

Year	Gallons consumed	Total cost, including taxes	Average cost per gallon	Percent of operating expenses
	(in thousands)			

2014	230,199	$678,253	$2.95	32.8	%
2013	226,214	$698,802	$3.09	34.6	%
2012	199,465	$631,741	$3.17	34.5	%

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As illustrated by the table above, fuel costs constitute a significant portion of our operating expenses. We purchase aircraft fuel at prevailing market prices, but seek to manage market risk through the execution of a hedging strategy. To manage economic risks associated with fluctuations in aircraft fuel prices, we periodically enter into derivative financial instruments such as heating oil puts and swaps and crude oil call and put options and collars.

Aircraft Maintenance

Our aircraft maintenance programs consist of a series of phased or continuous checks for each aircraft type. These checks are performed at specified intervals measured by calendar months, time flown or by the number of takeoffs and landings, or cycles operated. In addition, we perform inspections, repairs and modifications of our aircraft in response to Federal Aviation Administration (FAA) directives. Checks range from "walk around" inspections before each flight's departure, to major overhauls of the airframes which can take several weeks to complete. Aircraft engines are subject to phased maintenance programs designed to detect and remedy potential problems before they occur. The service lives of certain airframe and engine parts and components are time or cycle controlled, and such parts and components are replaced or refurbished prior to the expiration of their time or cycle limits. We have contracts with third parties to provide certain maintenance on our aircraft and aircraft engines.

Marketing and Ticket Distribution

We utilize various distribution channels including our website, www.hawaiianairlines.com, primarily for our North America and Neighbor Island routes, and travel agencies and wholesale distributors primarily for our International routes.

Our website, now available in English, Japanese, Korean and Chinese, offers our customers information on our flight schedules, information on our HawaiianMiles frequent flyer program, the ability to book reservations on our flights or connecting flights with any of our code-share partners, the status of our flights as well as the ability to purchase hotels, cars and vacation packages. We also publish fares with web-based travel services such as Orbitz, Travelocity, Expedia, Hotwire and Priceline. These comprehensive travel planning websites provide customers with convenient online access to airline, hotel, car rental and other travel services.

Frequent Flyer Program

The HawaiianMiles frequent flyer program was initiated in 1983 to encourage and develop customer loyalty. HawaiianMiles allows passengers to earn mileage credits by flying with us and our partner carriers. In addition, members earn mileage credits for patronage with our other program partners, including credit card issuers, hotels, car rental firms and general merchants, pursuant to our exchange partnership agreements. We also sell mileage credits to other companies participating in the program.

HawaiianMiles members have a choice of various awards based on accumulated mileage credits, with most of the awards being for free air travel on Hawaiian.

HawaiianMiles accounts with no activity (frequent flyer miles earned or redeemed) for 18 months automatically expire. The number of free travel awards used for travel on Hawaiian was approximately 536,000 in 2014. The amount of free travel awards as a percentage of total revenue passengers was approximately 5.3% in 2014. We believe displacement of revenue passengers is minimal due to our ability to manage frequent flyer seat inventory, and the relatively low ratio of free award usage to total revenue passengers.

Code-Share and Other Alliances

We have marketing alliances with other airlines that provide reciprocal frequent flyer mileage accrual and redemption privileges and code-shares on certain flights (one carrier placing its name and flight numbers, or code, on flights operated by the other carrier). These programs enhance our revenue opportunities by:

- increasing value to our customers by offering easier access to more travel destinations and better mileage accrual/redemption opportunities;
- gaining access to more connecting traffic from other airlines; and
- providing members of our alliance partners' frequent flyer programs an opportunity to travel on our system while earning mileage credit in the alliance partners' programs.

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Our marketing alliances with other airlines as of December 31, 2014 were as follows:

	Hawaiian Miles Frequent Flyer Agreement	Other Airline Frequent Flyer Agreement	Code-share—Hawaiian Flight # on Flights Operated by Other Airline	Code-share—Other Airline Flight # on Flights Operated by Hawaiian
Air China	No	No	Yes	Yes
All Nippon Airways (ANA)	Yes	Yes	Yes	Yes
American Airlines (American)	Yes	Yes	No	Yes
China Airlines	Yes	Yes	Yes	Yes
Delta Air Lines (Delta)	No	Yes	No	Yes
JetBlue	Yes	Yes	Yes	No
Korean Air	Yes	Yes	Yes	Yes
United Airlines (United)	No	Yes	No	Yes
US Airways	No	Yes	No	Yes
Virgin America	Yes	Yes	Yes	No
Virgin Atlantic Airways	Yes	Yes	No	No
Virgin Australia	Yes	Yes	No	Yes

Although these programs and services increase our ability to be more competitive, they also increase our reliance on third parties.

Competition

The airline industry is extremely competitive. We believe that the principal competitive factors in the airline industry are:

- Price;
- Flight frequency and schedule;
- On-time performance and reliability;
- Name recognition;
- Marketing affiliations;
- Frequent flyer benefits;
- Customer service;
- Aircraft type; and
- In-flight services.

North America—We face multiple competitors on our North America routes including major network carriers such as Alaska Airlines, American, United and Delta. Various charter companies also provide non scheduled service to Hawai'i mostly under public charter arrangements.

Neighbor Island—Our Neighbor Island competitors consist of regional carriers, which include Island Air, Mokulele Airlines, Pacific Wings and a number of other "air taxi" companies.

International—Currently, we are the only provider of direct service between Honolulu and each of Brisbane, Australia, Sapporo and Sendai, Japan; Pago Pago, American Samoa; and Papeete, Tahiti. However, we face multiple competitors from both domestic and foreign carriers on our other International routes.

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Employees

As of December 31, 2014, we had 5,380 active employees, and approximately 86% of our employees were covered by labor agreements with the following organized labor groups:

Employee Group	Represented by	Number of Employees	Agreement amendable on(*)
Flight deck crew members	Air Line Pilots Association (ALPA)	601	September 15, 2015
Cabin crew members	Association of Flight Attendants (AFA)	1,670	January 1, 2017
Maintenance and engineering personnel	International Association of Machinists and Aerospace Workers (IAM-M)	760	April 20, 2014
Clerical	IAM-C	1,534	January 1, 2014
Flight dispatch personnel	Transport Workers Union (TWU)	39	November 1, 2013

(*) Our relations with our labor organizations are governed by Title II of the Railway Labor Act of 1926, pursuant to which the collective bargaining agreements between us and these organizations do not expire but instead become amendable as of a certain date if either party wishes to modify the terms of the agreement.

Seasonality

Hawai'i is a popular vacation destination for travelers. For that reason, our operations and financial results are subject to substantial seasonal and cyclical volatility, primarily due to leisure and holiday travel patterns. Demand levels are typically weaker in the first quarter of the year with stronger demand periods occurring during June, July, August and December. We may adjust our pricing or the availability of particular fares to obtain an optimal passenger load factor depending on seasonal demand differences.

Customers

Our business is not dependent upon any single customer, or a few customers. The loss of any one customer would not have a material adverse effect on our business.

Regulation

Our business is subject to extensive and evolving federal, state and local laws and regulations. Many governmental agencies regularly examine our operations to monitor compliance with applicable laws and regulations. Governmental authorities can enforce compliance with applicable laws and regulations and obtain injunctions or impose civil or criminal penalties or modify, suspend or revoke our operating certificates in case of violations.

Industry Regulations

We are subject to the regulatory jurisdiction of the U.S. Department of Transportation (DOT) and the Federal Aviation Administration (FAA). The DOT has jurisdiction over international routes and fares for some countries (based upon treaty relations with those countries), consumer protection policies including baggage liability and denied boarding compensation, and unfair competitive practices as set forth in the Airline Deregulation Act of 1978. The FAA has regulatory jurisdiction over flight operations, including equipment, ground facilities, security systems, maintenance and other safety matters. Pursuant to these regulations, we have established, and the FAA has approved, a maintenance program for each type of aircraft we operate that provides for the ongoing maintenance of our aircraft, ranging from frequent routine inspections to major overhauls.

Maintenance Directives

The FAA approves all airline maintenance programs, including modifications to the programs. In addition, the FAA licenses the repair stations and mechanics that perform inspections, repairs and overhauls, as well as the inspectors who monitor the work.

The FAA frequently issues airworthiness directives, often in response to specific incidents or reports by operators or manufacturers, requiring operators of specified equipment types to perform prescribed inspections, repairs or modifications within stated time periods or numbers of cycles. In the last several years, the FAA has issued a number of maintenance directives and other regulations relating to, among other things, wiring requirement for aging aircraft, fuel tank flammability, cargo compartment fire detection/suppression systems, collision avoidance systems, airborne windshear avoidance systems, noise abatement and increased inspection requirements.

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Airport Security

The Aviation and Transportation Security Act (ATSA) mandates that the Transportation Security Administration (TSA) provide for the screening of all passengers and property, including mail, cargo, carry-on and checked baggage, and other articles that will be carried aboard a passenger aircraft. Under the ATSA, substantially all security screeners at airports are federal employees and significant other elements of airline and airport security are now overseen and performed by federal employees, including security managers, law enforcement officers and Federal Air Marshals. The ATSA also provides for increased security on flight decks of aircraft and requires Federal Air Marshals to be present on certain flights, improved airport perimeter access security, airline crew security training, enhanced security screening of passengers, baggage, cargo, mail, employees and vendors, enhanced training and qualifications of security screening personnel, provision of passenger data to U.S. Customs and Border Protection and enhanced background checks.

The TSA also has the authority to impose additional fees on the air carriers, if necessary, to cover additional federal aviation security costs. In 2002, the TSA imposed an Aviation Security Infrastructure Fee (ASIF) on all airlines in operation prior to 2000 to assist in the cost of providing aviation security. The ASIF was assessed based on airlines' actual security costs for the year ended December 31, 2000. However, in connection with the passage of the Bipartisan Budget Act of 2013, the ASIF was repealed effective October 1, 2014.

Environmental and Employee Safety and Health

We are subject to various laws and government regulations concerning environmental matters and employee safety and health in the U.S. and other countries in which we do business. Many aspects of airlines' operations are subject to increasingly stringent federal, state, local and foreign laws protecting the environment. U.S. federal laws that have a particular impact on us include the Airport Noise and Capacity Act of 1990, the Clean Air Act, the Resource Conservation and Recovery Act, the Clean Water Act, the Safe Drinking Water Act, and the Comprehensive Environmental Response, Compensation, and Liability Act. Certain of our operations are also subject to the oversight of the Occupational Safety and Health Administration (OSHA) concerning employee safety and health matters. The U.S. Environmental Protection Agency (EPA), OSHA, and other federal agencies have been authorized to promulgate regulations that affect our operations. In addition to these federal activities, various states have been delegated certain authority under the aforementioned federal statutes. Many state and local governments have adopted environmental and employee safety and health laws and regulations, some of which are similar to or stricter than federal requirements, such as California.

The EPA is authorized to regulate aircraft emissions and has historically implemented emissions control standards previously adopted by the International Civil Aviation Organization. Our aircraft comply with the existing EPA standards as applicable by engine design date.

We seek to minimize the impact of carbon emissions from our operations through reductions in our fuel consumption and other efforts. We have reduced the fuel needs of our aircraft fleet through the retirement and replacement of certain elements of our fleet and with newer, more fuel efficient aircraft. In addition, we have implemented fuel saving procedures in our flight and ground support operations that further reduce carbon emissions. In 2012, we earned the first-ever aviation based carbon credits, through the reduction of our carbon dioxide emissions with the use of an eco-friendly engine washing technology. We are also supporting efforts to develop alternative fuels and efforts to modernize the air traffic control system in the U.S. as part of our efforts to reduce our emissions and minimize our impact on the environment.

Noise Abatement

Under the Airport Noise and Capacity Act, the DOT allows local airport authorities to implement procedures designed to abate special noise problems, provided such procedures do not unreasonably interfere with interstate and foreign commerce, or the national transportation system. Certain airports, including the major airports at Los Angeles, San Diego, San Francisco, and San Jose, California and Sydney, Australia, have established airport restrictions to limit noise, including restrictions on aircraft types to be used and limits on the number of hourly or daily operations or the time of such operations. Local authorities at other airports could consider adopting similar noise regulations. In some instances, these restrictions have caused curtailments in services or increases in operating costs, and such restrictions could limit our ability to expand our operations.

Civil Reserve Air Fleet Program

The U.S. Department of Defense regulates the Civil Reserve Air Fleet (CRAF) and government charters. We have elected to participate in the CRAF program by agreeing to make aircraft available to the federal government for use by the U.S. military under certain stages of readiness related to national emergencies. The program is a standby arrangement that allows the U.S. Department of Defense U.S. Transportation Command to call on as many as nine contractually committed Hawaiian aircraft and crews to supplement military airlift capabilities. None of our aircraft are presently mobilized under this program.

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Other Regulations

The State of Hawai'i is uniquely dependent upon air transportation. The 2008 shutdowns of air carriers Aloha Airlines and ATA Airlines affected the State of Hawai'i, and its legislature responded by enacting legislation that reflects and attempts to address its concerns. For example, House Bill 2250 HD1, Act 1 of the 2008 Special Session, establishes a statutory scheme for the regulation of Hawai'i neighbor island air carriers, provided that federal legislation is enacted to permit its implementation. Congress has not enacted any legislation that would allow this legislation to go into effect.

Additionally, several aspects of airline operations are subject to regulation or oversight by federal agencies other than the FAA and the DOT. Federal antitrust laws are enforced by the U.S. Department of Justice. The U.S. Postal Service has jurisdiction over certain aspects of the transportation of mail and related services provided by our cargo services. Labor relations in the air transportation industry are generally regulated under the Railway Labor Act. We and other airlines certificated prior to October 24, 1978 are also subject to preferential hiring rights granted by the Airline Deregulation Act to certain airline employees who have been furloughed or terminated (other than for cause). The Federal Communications Commission issues licenses and regulates the use of all communications frequencies assigned to us and the other airlines. There is increased focus on consumer protection both on the federal and state level. We cannot predict the cost of such requirements on our operations.

Additional laws and regulations are proposed from time to time, which could significantly increase the cost of airline operations by imposing additional requirements or restrictions. U.S. law restricts the ownership of U.S. airlines to corporations where no more than 25% of the voting stock may be held by non-U.S. citizens and the airline must be under the actual control of U.S. citizens. The President and two thirds of the Board of Directors and other managing officers must also be U.S. citizens. Regulations also have been considered from time to time that would prohibit or restrict the ownership and/or transfer of airline routes or takeoff and landing slots and authorizations. Also, the award of international routes to U.S. carriers (and their retention) is regulated by treaties and related agreements between the U.S. and foreign governments, which are amended from time to time. We cannot predict what laws and regulations will be adopted or what changes to international air transportation treaties will be adopted, if any, or how we will be affected by those changes.

Business Segment Data

We operate in a single industry segment. All required financial segment information can be found in the consolidated financial statements.

Information about Geographic Revenue and Foreign Operations

Information concerning revenues by geographic area is set forth in Note 14 to the consolidated financial statements. Information on risks attendant to our foreign operations is set forth in Item 1A, Risk Factors.

Available Information

General information about us, including the charters for the committees of our Board of Directors, can be found at http://www.hawaiianairlines.com/aboutus. Our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, as well as any amendments and exhibits to those reports, are available free of charge through our website as soon as reasonably practicable after we electronically file them with, or furnish them to, the Securities and Exchange Commission (SEC). The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, which can be found at http://www.sec.gov. Information on our website is not incorporated into this Annual Report on Form 10-K or our other securities filings and is not a part of such filings.

ITEM 1A. RISK FACTORS.

In addition to the risks identified elsewhere in this report, the following risk factors apply to our business, results of operations and financial conditions:

ECONOMIC RISKS

Our business is affected by global economic volatility.

Our business and results of operations are significantly impacted by general world-wide economic conditions. Demand for discretionary purchases including air travel and vacations to Hawai'i remains unpredictable. Deterioration in demand may result in a reduction in our passenger traffic and/or increased competitive pressure on fares in the

markets we serve, resulting in a negative impact to our results of operations and financial condition. We cannot assure that we would be able to offset such revenue reductions by reducing our costs.

Our business is highly dependent on the price and availability of fuel.

Our results and operations are heavily impacted by the price and availability of jet fuel. Fuel costs represented the single largest of Hawaiian's operating expenses for the last several years (33% of total operating expenses in 2014). The cost and availability of jet fuel remain volatile and are subject to political, economic and market factors that are generally outside of our control. Prices may be affected by many factors including, without limitation, the impact of political instability, crude oil production and refining capacity, unexpected changes in the availability of petroleum products due to disruptions at distribution systems or refineries, unpredicted increases in demand due to weather or the pace of global economic growth, inventory reserve levels of crude oil and other petroleum products, the relative fluctuation between the U.S. dollar and other major currencies and the actions of speculators in commodity markets. Because of the effects of these factors on the price and availability of jet fuel, the cost and future availability of fuel cannot be predicted with any degree of certainty. Also, due to the competitive nature of the airline industry, there can be no assurance that we will be able to increase our fares or other fees to sufficiently offset increased fuel prices.

We enter into derivative agreements to protect against rising fuel costs. There is no assurance that such agreements will protect us against price volatility during unfavorable market conditions or that our counterparties will be able to perform under these hedge arrangements. Also, if fuel prices fall significantly below the levels in existence at the time we enter into our hedging contracts, we may be required to post a significant amount of cash collateral, which could have an impact on the level of our unrestricted cash and cash equivalents and adversely affect our liquidity.

Also, see Item 7A, Quantitative and Qualitative Disclosures About Market Risk, for further information regarding our exposure to the price of fuel.

Our business is highly dependent on tourism to, from and amongst the Hawaiian Islands and our financial results could suffer if there is a downturn in tourism levels.

Our principal base of operations is in Hawai'i and our revenue is linked primarily to the number of travelers (mostly tourists) to, from and amongst the Hawaiian Islands. Hawai'i tourism levels are affected by, among other things, the political and economic climate in Hawai'i's main tourism markets, the availability of hotel accommodations, promotional spending by competing destinations, the popularity of Hawai'i as a tourist destination relative to other vacation destinations and other global factors, including natural disasters, safety and security. From time to time, various events and industry specific problems such as labor strikes have had a negative impact on tourism in Hawai'i. The occurrence of natural disasters, such as earthquakes and tsunamis, in Hawai'i or other parts of the world, could also have a material adverse effect on Hawai'i tourism. In addition, the potential or actual occurrence of terrorist attacks, wars, and the threat of other negative world events have had, and may in the future again have, a material adverse effect on Hawai'i tourism. No assurance can be given that the level of passenger traffic to Hawai'i will not decline in the future. A decline in the level of Hawai'i passenger traffic could have a material adverse effect on our results of operations and financial condition.

Our business is exposed to foreign currency exchange rate fluctuations.

Our business is expanding internationally with an increasing percentage of our passenger revenue generated from our International routes. Fluctuations in foreign currencies can significantly affect our results of operations and financial condition. To manage the effects of fluctuating exchange rates, we periodically enter into foreign currency forward contracts. There is no assurance that such agreements will protect us against foreign currency exchange rate fluctuations during unfavorable market conditions or that our counterparties will be able to perform under these hedge arrangements.

LIQUIDITY RISKS

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

Our financial liquidity could be adversely affected by credit market conditions.

Our business requires access to capital markets to finance equipment purchases, including aircraft, and to provide liquidity in seasonal or cyclical periods of weaker revenue generation. In particular, we will face specific funding requirements with respect to our obligation under purchase agreements with Airbus to acquire new aircraft. We intend to finance these upcoming aircraft deliveries; however, the unpredictability of global credit market conditions may adversely affect the availability of financing or may result in unfavorable terms and conditions. We can offer no

assurance that the financing we need will be available when required or that the economic terms on which it is available will not adversely affect our financial condition. If we cannot obtain financing or we cannot obtain financing on commercially reasonable terms, our business and financial condition will be adversely affected.

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Our substantial debt could adversely affect our liquidity and financial condition, and include covenants that impose restrictions on our financial and business operations.

As of December 31, 2014, we had $948 million in outstanding debt. Our substantial debt and related covenants could:

- expose us to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing the availability of our cash flow for other operational purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- limit, along with the financial and other restrictive covenants in the agreements governing our debt, our ability to borrow additional funds;
- place us at a competitive disadvantage compared to other less leveraged competitors and competitors with debt agreements on more favorable terms than us; and
- adversely affect our ability to secure additional financing in the future on acceptable terms or at all, which would impact our ability to fund our working capital, capital expenditures, acquisitions or other general purpose needs.

The terms of certain of our financing agreements restrict our ability to, among other things, incur additional indebtedness, issue preferred stock or pay dividends.

These agreements also require us to meet certain financial covenants. If we breach any of these covenants it could result in a default under these facilities, which could cause our outstanding obligations under these facilities to accelerate and become due and payable immediately, and could also cause us to default under our other debt or lease obligations and lead to an acceleration of the obligations related to such other debt or lease obligations. The existence of such a default could also preclude us from borrowing funds under our credit facilities.

Our ability to comply with the provisions of financing agreements can be affected by events beyond our control and a default under any such financing agreements if not cured or waived, could have a material adverse effect on us. In the event our debt is accelerated, we may not have sufficient liquidity to repay these obligations or to refinance our debt obligations, resulting in a material adverse effect on our financial condition.

We could be required to maintain reserves under our credit card processing agreements which could adversely affect our financial and business operations.

Under our bank-issued credit card processing agreements, certain proceeds from advance ticket sales may be held back to serve as collateral to cover any possible chargebacks or other disputed charges that may occur. These holdbacks totaled $5.0 million as of December 31, 2014. In the event of a material adverse change in our business, the holdback could incrementally increase to an amount up to 100% of the applicable credit card air traffic liability, which would also cause an increase in the level of restricted cash. If we are unable to obtain a waiver, or otherwise mitigate the increase in restricted cash, it could adversely affect our liquidity and also cause a covenant violation under other debt or lease obligations and have a material adverse effect on our financial condition.

Our obligations for funding our defined benefit pension plans are significant and are affected by factors beyond our control.

We sponsor three defined benefit pension plans, as well as a separate plan to administer pilots' disability benefits. As of December 31, 2014, the unfunded pension and disability obligation related to these plans was $222 million. The timing and amount of funding requirements depend upon a number of factors, including labor negotiations and changes to pension plan benefits as well as factors outside our control, such as the number and demographic data of qualified retiring employees, asset returns, interest rates and changes in pension laws. These factors, along with the impact of results that can vary significantly from estimates, may significantly impact our funding requirements and have an adverse effect on our financial condition.

Our ability to use our net operating loss ("NOL") 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 our common stock.

Our ability to use our NOL carryforwards may be limited if we experience an "ownership change" as defined in Section 382 ("Section 382") of the Internal Revenue Code of 1986, as amended. 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 we will not experience a future ownership change under Section 382 that may significantly limit or possibly eliminate our ability to use our NOL carryforwards. Potential future transactions involving the sale or issuance of our

common stock, including the exercise of conversion options under the terms of our convertible notes, repurchase of such debt with our common stock, issuance of our common stock for cash and the acquisition or disposition of such stock by a stockholder owning 5% or more of our common stock, or a combination of such transactions, may increase the possibility that we will experience a future ownership change under Section 382.

Under Section 382, a future ownership change could subject us to additional annual limitations that apply to the amount of pre-ownership change NOL carryforwards 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 (for example, the amount by which the fair market value of an asset exceeds our adjusted basis) in the assets held by us at the time of the ownership change. This limitation could cause our 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 our NOL carryforwards to expire unused. Similar rules and limitations may apply for state income tax purposes.

The settlement of our convertible notes in cash and/or common stock could negatively impact our liquidity position and cause dilution to the interests of our existing stockholders.

As of December 31, 2014, we had $71 million aggregate principal amount of convertible notes outstanding. During the quarter ended December 31, 2014, a condition for conversion was satisfied, which permits holders of the convertible notes to surrender their notes for conversion during the quarter ending March 31, 2015. It is our intent to settle the principal amount of the convertible notes in cash upon conversion. However, we have the right to alternatively deliver shares of our common stock or a combination thereof to settle this obligation. Settlement of the outstanding convertible notes in cash may have an adverse impact on our liquidity, while the issuance of shares to settle this obligation could cause significant dilution to the interests of the existing stockholders.

COMPETITIVE ENVIRONMENT RISKS

We operate in an extremely competitive environment.

The airline industry is characterized by low profit margins, high fixed costs and significant price competition. We currently compete with other airlines on our Neighbor Island, North America and International routes. The commencement of, or increase in, service on our routes by existing or new carriers could negatively impact our operating results. Many of our competitors on our North America and International routes are larger and have greater financial resources and brand recognition than we do. Aggressive marketing tactics or a prolonged fare war initiated by one or more of these competitors could adversely affect our financial resources and our ability to compete in these markets. Since airline markets have few natural barriers to entry, we also face the threat of new entrants in all of our markets, including competition from low-cost carriers (LCC). For example, Allegiant, a LCC, launched flights from the West Coast to Hawai'i in 2012 while Southwest Airlines has taken steps to enable it to provide service to Hawai'i in the future, but has yet to formally announce the service.

Furthermore, large network carriers have significantly reduced their costs and adjusted their routes to compete with LCCs in their existing markets by diverting resources to long-haul markets such as Hawai'i, where LCC competition has been less severe. Additional capacity to Hawai'i, whether from network carriers or LCCs, could decrease our share of the markets in which we operate, could cause a decline in our yields, or both, which could have a material adverse effect on our results of operations and financial condition.

Airline bankruptcy restructuring, strategic combinations or industry consolidation could have an impact on our competitive environment.

Many of our competitors have dramatically reduced operating costs through a combination of bankruptcy restructuring, industry consolidation and vendor and labor negotiations to increase market strength. Several domestic airlines were able to reduce labor costs, restructure debt and lease agreements and implement other financial improvements through the bankruptcy process. In addition, certain of our competitors have merged (for example the American Airlines and US Airways merger in December 2013) to create larger and more financially sound airlines. Through consolidation, carriers have the opportunity to achieve cost reductions by eliminating redundancy in their networks and operating structures. With reduced costs, these competitors are more capable of operating profitably in an environment of reduced fares and may, as a result, increase service in our primary markets or reduce fares to attract

additional customers. Because airline customers are price sensitive, we cannot ensure that we will be able to attract a sufficient number of customers at sufficiently high fare levels to generate profitability, or that we will be able to reduce our operating costs sufficiently to remain competitive with these other airlines.

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The concentration of our business in Hawai'i, and between Hawai'i and the U.S. mainland, provides little diversification of our revenue.

During fiscal year 2014, approximately 73% of our passenger revenue was generated from air transportation between the Hawaiian Islands and the U.S. mainland, and amongst the Hawaiian Islands. Many of our competitors, particularly major network carriers with whom we compete on our North America routes, enjoy greater geographical diversification of their revenue. A reduction in the level of demand for travel within Hawai'i, or to Hawai'i from the U.S. mainland, or an increase in the level of industry capacity on these routes may reduce the revenue we are able to generate and adversely affect our financial results. As these routes account for a significantly higher proportion of our revenue than they do for many of our competitors, such a reduction would have a relatively greater adverse effect on our financial results.

Our business is affected by the competitive advantages held by network carriers in the North America market.

During fiscal year 2014, approximately 49% of our passenger revenue was generated from our North America routes. The majority of competition on our North America routes is from network carriers such as Alaska, American, Delta and United that have a number of competitive advantages. Primarily, network carriers generate passenger traffic from and throughout the U.S. mainland, which enable them to attract higher customer traffic levels as compared to us.

In contrast, we lack a comparable direct network to feed passengers to our North America flights and are therefore more reliant on passenger demand in the specific cities we serve. We also rely on our code-share partner agreements (jetBlue, Virgin America Airlines, etc.) to provide customers access to and from North America destinations currently unserved by us. Most network carriers operate from hubs, which can provide a built-in market of passengers, depending on the economic strength of the hub city and the size of the customer group that frequent the airline. Our Honolulu and Maui hubs do not originate a large proportion of North American travel, nor do they have the population or potential customer franchise of a larger city to provide us with a built-in market. Passengers in the North America market, for the most part, do not originate in Honolulu, but rather on the U.S. mainland, making Honolulu primarily a destination rather than an origin of passenger traffic.

Our Neighbor Island market is affected by narrow body competition from regional carriers.

During fiscal year 2014, approximately 24% of our passenger revenue was generated from our Neighbor Island routes. Although we enjoy a strong competitive position on the Neighbor Island service, increased competition from regional carriers is possible. A decline in our share of the Neighbor Island market due to increased capacity provided by our competitors could have a material adverse effect on our results of operations and financial condition.

Our International routes are affected by competition from domestic and foreign carriers.

During fiscal year 2014, approximately 27% of our revenue was generated from our International routes. Our competitors on these routes include both domestic and foreign carriers. Both domestic and foreign competitors have a number of competitive advantages that may enable them to attract higher customer traffic levels as compared to us. Many of our domestic competitors have joined airline alliances, which provide customers access to each participating airline's international network, allowing for convenience and connectivity to their destinations. These alliances formed by our domestic competitors have increased in recent years. In some instances our domestic competitors have been granted antitrust exemptions to form joint venture arrangements in certain geographies, further deepening their cooperation on certain routes. We currently do not participate in a world-wide airline alliance or any joint ventures, which may negatively impact our market share and operations as capacity provided by our competitors increase. To mitigate this risk, we rely on code-share agreements with partner airlines to provide customers access to international destinations currently unserved by us.

Many of our foreign competitors are network carriers that generate passenger traffic throughout International routes that we service. In contrast, we lack a comparable direct network to feed passengers to our International flights, and are therefore more reliant on passenger demand in the specific destinations that we serve. Most network carriers operate from hubs, which can provide a built-in home base market of passengers. Passengers on our International routes, for the most part, do not originate in Hawai'i, but rather internationally, in these foreign markets' home base. We also rely on our code-share agreements and our relationships with travel agencies and wholesale distributors to provide customers access to and from International destinations currently unserved by us.

STRATEGY AND BRAND RISKS

Our failure to successfully implement our route and network maturation strategy could harm our business.
Our route maturation strategy includes initiatives to increase revenue, decrease costs, mature our network, and improve our distribution sales channels. It is critical that we execute upon our planned strategy in order for our business to attain economies of scale and to sustain or improve our results of operations. If we are unable to utilize and fill increased capacity provided by

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additional aircraft entering our fleet, hire and retain skilled personnel, or secure the required equipment and facilities in a cost-effective manner, we may be unable to successfully develop and grow our existing markets, which may adversely affect our business and operations.

We continue to strive toward aggressive cost-containment goals which are an important part of our business strategy to offer the best value to passengers through competitive fares while maintaining acceptable profit margins and return on capital. We believe a lower cost structure will better position us to fund our strategy and take advantage of market opportunities. If we are unable to adequately contain our non-fuel unit costs, our financial results may suffer.

Our reputation and financial results could be harmed in the event of adverse publicity, including the event of an aircraft accident.

Our customer base is broad and our business activities have significant prominence, particularly in Hawai'i and other destinations we serve. Consequently, negative publicity resulting from real or perceived shortcomings in our customer service, employee relations, business conduct, or other events affecting our operations could negatively affect the public image of our company and the willingness of customers to purchase services from us, which could affect our financial results.

Additionally, we are exposed to potential losses that may be incurred in the event of an aircraft accident. Any such accident could involve not only the repair or replacement of a damaged aircraft and its consequential temporary or permanent loss of revenue, but also significant potential claims of injured passengers and others. We are required by the U.S. Department of Transportation (DOT) to carry liability insurance, and although we currently maintain liability insurance in amounts consistent with the industry, we cannot be assured that our insurance coverage will adequately cover us from all claims and we may be forced to bear substantial losses incurred with the accident. In addition, any aircraft accident or incident could cause a public perception that we are less safe or reliable than other airlines, which would harm our business.

FLEET AND FLEET-RELATED RISKS

We are dependent on a limited number of suppliers for aircraft, aircraft engines and parts.

We are dependent on The Boeing Company (Boeing) and Airbus S.A.S. (Airbus) as our primary suppliers of aircraft and aircraft-related items. As a result, we are vulnerable to any problems associated with the supply of those aircraft and parts which could result in increased parts and maintenance costs in future years.

Our agreements to purchase Airbus A330-200, A321neo aircraft, and A330-800neo aircraft represent significant future financial commitments and operating costs.

As of December 31, 2014, we had the following firm order commitments and purchase rights for aircraft:

Aircraft Type	Firm Orders	Purchase Rights	Expected Delivery Dates
A330-200 aircraft	3	3	In 2015
A330-800neo aircraft	6	6	Between 2019 and 2021
A321neo aircraft	16	9	Between 2017 and 2020

We have made substantial pre-delivery payments for Airbus aircraft under existing purchase agreements and are required to continue these pre-delivery payments as well as payments for the balance of the purchase price through delivery of each aircraft. These commitments substantially increase our future capital spending requirements and will require us to significantly increase our level of debt in future years. There can be no assurance that we will be able to raise capital to finance these requirements or that such financing can be obtained on favorable terms, or at all.

The Airbus aircraft will replace expiring leased and retiring Boeing 767-300 aircraft in future years. We cannot be assured that the associated return and retirement costs will not exceed our expectations and adversely impact our results of operations and liquidity.

Delays in scheduled aircraft deliveries or other loss of fleet capacity may adversely impact our operations and financial results.

The success of our business depends on, among other things, the ability to effectively operate a certain number and type of aircraft. As mentioned above, we have contractual commitments to purchase and integrate Airbus aircraft into

our fleet. If for any reason we are unable to secure deliveries of the Airbus aircraft on contractually scheduled delivery dates and successfully introduce these aircraft into our fleet, then our business, operations and financial performance could be negatively impacted. Our failure to integrate newly purchased Airbus aircraft into our fleet as planned may require us to seek extensions on our

existing leased aircraft. Such extensions may require us to operate existing aircraft beyond the point at which it is economically optimal to retire them, resulting in increased maintenance costs.

COMMON STOCK RISKS

Our share price is subject to fluctuations and stockholders could have difficulty trading shares.

The market price of our stock is influenced by many factors, a number of which are outside of our control, and include the following:

- operating results and financial condition;
- changes in the competitive environment in which we operate;
- fuel price volatility including the availability of fuel;
- announcements concerning our competitors including bankruptcy filings, mergers, restructurings or acquisitions by other airlines;
- increases or changes in government regulation;
- general and industry specific market conditions;
- changes in financial estimates or recommendations by securities analysts; and
- sales of our common stock or other actions by investors with significant shareholdings.

In recent years the stock market has experienced volatile price and volume fluctuations that often have been unrelated to the operating performance of individual companies. These market fluctuations, as well as general economic conditions may affect the price of our common stock.

In the past, securities class action litigation has often been instituted against a company following periods of volatility in the company's stock price. This type of litigation, if filed against us, could result in substantial costs and divert our management's attention and resources. In addition, the future sale of a substantial number of shares of common stock by us or by our existing stockholders may have an adverse impact on the market price of the shares of common stock. There can be no assurance that the trading price of our common stock will remain at or near its current level.

INFORMATION TECHNOLOGY AND THIRD-PARTY RISKS

We are increasingly dependent on technology and automated systems to operate our business.

We depend heavily on technology and automated systems to effectively operate our business. These systems include flight operations systems, communications systems, airport systems, reservations systems, management and accounting systems, commercial websites, including www.hawaiianairlines.com, and other systems, all of which must be able to accommodate high traffic volumes, maintain secure information and provide accurate flight information, as well as process critical financial related transactions. Any substantial or repeated failures of these systems could negatively affect our customer service, compromise the security of customer information, result in the loss of important data, loss of revenue and increased costs, and generally harm our business. Like other companies, our systems may be vulnerable to disruptions due to events beyond our control, including natural disasters, power disruptions, software or equipment failures, terrorist attacks, cybersecurity threats, computer viruses and hackers. There can be no assurance that the measures we have taken to reduce the adverse effects of certain potential failures or disruptions are adequate to prevent or remedy disruptions of our systems. In addition, we will need to continuously make significant investments in technology to periodically upgrade and replace existing systems. If we are unable to make these investments or fail to successfully implement, upgrade or replace our systems, our business could be adversely impacted.

If we do not maintain the privacy and security of customer-related information, we could damage our reputation, incur substantial additional costs and become subject to litigation.

We receive, retain, and transmit certain personal information about our customers. In addition, our online operation at www.hawaiianairlines.com relies on the secure transmission of confidential information over public networks, including credit card information. A compromise of our physical and network security systems through a cybersecurity attack, including those of our business partners, may result in our customers' personal information being obtained by unauthorized persons, which could adversely affect our reputation, as well as negatively impact our business, results of operations, financial position and liquidity, and could result in the imposition of penalties or litigation against us. In addition, a cybersecurity breach could require that we expend significant additional resources related to the security of information systems which could result in a disruption of our operations.

We are highly reliant on third-party contractors to provide certain facilities and services for our operations, and termination of our third-party agreements could have a potentially adverse effect on our financial results.

We have historically relied on outside vendors for a variety of services and functions critical to our business, including aircraft maintenance and parts, code-sharing, reservations, computer services including hosting and software maintenance, accounting, frequent flyer programs, passenger processing, ground facilities, baggage and cargo handling, personnel training and the distribution and sale of airline seats. As part of our cost-reduction efforts, our reliance on outside vendors has increased and may continue to do so in the future.

The failure of any of our third-party service providers to adequately perform our service obligations, or other interruptions of services, may reduce our revenues, increase expenses, and prevent us from operating our flights and providing other services to our customers. In addition, our business and financial performance could be materially harmed if our customers believe that our services are unreliable or unsatisfactory.

LABOR RELATIONS AND RELATED COSTS RISKS

We are dependent on satisfactory labor relations.

Labor costs are a significant component of airline expenses and can substantially impact an airline's results of operations. A significant portion of our workforce is represented by labor unions. We may make strategic and operational decisions that require the consent of one or more of these labor unions, and these labor unions could demand additional wages, benefits or other consideration in return for their consent.

In addition, we have entered into collective bargaining agreements with our pilots, mechanical group employees, clerical group employees, flight attendants and dispatchers. We cannot ensure that future agreements with our employees' labor unions will be on terms in line with our expectations or comparable to agreements entered into by our competitors, and any future agreements may increase our labor costs or otherwise adversely affect our business. If we are unable to reach an agreement with any unionized work group, we may be subject to future work interruptions and/or stoppages, which may hamper or halt operations.

Our operations may be adversely affected if we are unable to attract and retain qualified personnel and key executives.

We are dependent on the knowledge and expertise of our key executives. Attracting and retaining such personnel in the airline industry is highly competitive. We cannot be certain that we will be able to retain our key executives or attract other qualified personnel in the future. Any inability to retain our key executives, or attract and retain additional qualified executives, could have a negative impact on our operations.

In addition, as we continue to expand our operations through the acquisition of new aircraft and introduction of service to new markets, it may be challenging to attract qualified personnel including pilots, mechanics and other skilled labor. As we compete with other carriers for qualified personnel we also face the challenge of attracting individuals who embrace our team-oriented, friendly and customer-driven corporate culture. Our inability to attract and retain qualified personnel who embrace our corporate culture could have a negative impact on our reputation and overall operations.

A higher than normal number of pilot retirements could adversely affect us.

We currently have a large number of pilots eligible for retirement. Among other things, the extension of pilot careers facilitated by the FAA’s 2007 modification of the mandatory retirement age from age 60 to age 65 has now been fully implemented, resulting in large numbers of pilots in the industry approaching the revised mandatory retirement age. If pilot retirements were to exceed normal levels in the future, it may adversely affect our operations.

AIRLINE INDUSTRY, REGULATION AND RELATED COSTS RISKS

The airline industry has substantial operating leverage and is affected by many conditions that are beyond its control, including delays, cancellations and other conditions, which could harm our financial condition and results of operations.

The airline industry operates on low gross profit margins as a result of a high percentage of fixed costs. Due to these fixed costs, there is a disproportionate relationship between the cost of operating each flight and the number of passengers carried. However, the revenue generated from a particular flight is directly related to the number of passengers carried and the respective average fares applied. Accordingly, a decrease in the number of passengers carried would cause a corresponding decrease in revenue (if not offset by higher fares), and it may result in a disproportionately greater decrease in profits. Therefore, any general reduction in airline passenger traffic as a result

of any of the following or other factors, which are largely outside of our control, could harm our business, financial condition and results of operations:

- decline in general economic conditions;
- continued threat of terrorist attacks and conflicts overseas;

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- actual or threatened war and political instability;
- adverse weather and natural disasters;
- changes in consumer preferences, perceptions or spending patterns;
- increased costs related to security and safety measures;
- outbreak of contagious diseases; and
- actual or potential disruptions in the air traffic control system.

Our results from operations may be volatile due to the conditions identified above. We cannot ensure that our financial resources will be sufficient to absorb the effects of any of these unexpected factors should they arise.

Our business is subject to substantial seasonal and cyclical volatility.

Our results of operations will reflect the impact of seasonal volatility primarily due to passenger leisure and holiday travel patterns. As Hawai'i is a popular vacation destination, demand from North America, our largest source of visitors, is typically stronger during June, July, August and December and considerably weaker at other times of the year. Because of fluctuations in our results from seasonality, operating results for a historical period are not necessarily indicative of operating results for a future period and operating results for an interim period are not necessarily indicative of operating results for an entire year.

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 us and the airline industry.

Terrorist attacks, even if not made directly on the airline industry, or the fear of such attacks, hostilities or act of war, could adversely affect the airline industry, including us, and could result in a significant decrease in demand for air travel, increased security costs, increased insurance costs covering war-related risks, and increased flight operational loss due to cancellations and delays. Any future terrorist attacks or the implementation of additional security-related fees could have a material adverse effect on our business, financial condition and results of operations and on the airline industry in general.

The airline industry is subject to extensive government regulation, new regulations, and taxes which could have an adverse effect on our financial condition and results of operations.

Airlines are subject to extensive regulatory requirements that result in significant costs. Additional laws, regulations, taxes and airport rates and charges imposed by domestic and foreign governments have been proposed from time to time that could significantly increase the cost of airline operations or reduce revenue. For example, the ATSA, which became law in November 2001, mandates the federalization of certain airport security procedures and imposes additional security requirements on airlines. The FAA from time to time issues directives and other regulations relating to the maintenance and operation of aircraft that require significant expenditures. Some 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, commuter aircraft safety and increased inspections and maintenance procedures to be conducted on older aircraft. A failure to be in compliance, or a modification, suspension or revocation of any of our DOT/FAA authorizations or certificates would have a material adverse impact on our operations.

We cannot predict the impact that laws or regulations may have on our operations, nor can we ensure that laws or regulations enacted in the future will not adversely affect our business. Further we cannot guarantee that we will be able to obtain or maintain necessary governmental approvals. Once obtained, operating permits are subject to modification and revocation by the issuing agencies. Compliance with these and any future regulatory requirements could require us to incur significant capital and operating expenditures.

In addition to extensive government regulations, the airline industry is dependent on certain services provided by government agencies (DOT, FAA, etc.). For example, spending restrictions due to federal sequestration of air traffic controllers in the United States subject to furlough may lead to a reduction in air traffic control services. A reduction in such services could have a material adverse effect on our results of operations.

Furthermore, because of significantly higher security and other costs incurred by airports since September 11, 2001, many airports have significantly increased their rates and charges to airlines, including us, and may do so again in the future.

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The airline industry is required to comply with various environmental laws and regulations, which could inhibit our ability to operate and could also have an adverse effect on our results of operations.

Many aspects of airlines' operations are subject to increasingly stringent federal, state, local and foreign laws protecting the environment. U.S. federal laws that have a particular impact on us include the Airport Noise and Capacity Act of 1990, the Clean Air Act, the Resource Conservation and Recovery Act, the Clean Water Act, the Safe Drinking Water Act, the Comprehensive Environmental Response Act and the Compensation and Liability Act. Compliance with these and other environmental laws and regulations can require significant expenditures, and violations can lead to significant fines and penalties. Governments globally are increasingly focusing on the environmental impact caused by the consumption of fossil fuels and as a result have proposed or enacted legislation which may increase the cost of providing airline service or restrict its provision. We expect the focus on environmental matters to increase.

Concern about climate change and greenhouse gases may result in additional regulation of aircraft emissions in the U.S. and abroad. As a result, we may become subject to taxes, charges or additional requirements to obtain permits or purchase allowances or emission credits for greenhouse gas emissions in various jurisdictions, which could result in taxation or permitting requirements from multiple jurisdictions for the same operations.

Cap and trade restrictions have also been proposed in Congress. In addition, other legislative or regulatory action to regulate greenhouse gas emissions is possible. In particular, the EPA has found that greenhouse gases threaten the public health and welfare, which could result in regulation of greenhouse gas emissions from aircraft. In the event that legislation or regulation is enacted in the U.S. or in the event similar legislation or regulation is enacted in jurisdictions where we operate or where we may operate in the future, it could adversely affect operations and result in significant costs for us and the airline industry. At this time, we cannot predict whether any such legislation or regulation would apportion costs between one or more jurisdictions in which we operate flights. Under these systems, certain credits may be available to reduce the costs of permits in order to mitigate the impact of such regulations on consumers, but we cannot predict whether we or the airline industry in general will have access to offsets or credits. We are monitoring and evaluating the potential impact of such legislative and regulatory developments.

In addition to direct costs, such regulation may have a greater effect on the airline industry through increases in fuel costs that could result from fuel suppliers passing on increased costs that they incur under such a system. The impact to us and our industry from such actions is likely to be adverse and could be significant, particularly if regulators were to conclude that emissions from commercial aircraft cause significant harm to the upper atmosphere or have a greater impact on climate change than other industries.

Our operations may be adversely affected by our expansion into non-U.S. jurisdictions and the related increase in laws to which we are subject.

The expansion of our operations into non-U.S. jurisdictions has expanded the scope of the laws to which we are subject, both domestically and internationally. In addition, operations in non-U.S. jurisdictions are in many cases subject to the laws of those jurisdictions rather than U.S. law. Laws in some jurisdictions differ in significant respects from those in the United States, and these differences can affect our ability to react to changes in our business. Further, enforcement of laws in some jurisdictions can be inconsistent and unpredictable, which can affect our ability to enforce our rights and to undertake activities that we believe are beneficial to our business.

Our financial results and operations may be negatively affected by the State of Hawai'i's airport modernization plan.

The State of Hawai'i has begun to implement a modernization plan encompassing the airports we serve within the State. Our landing fees and airport rent rates have increased to fund the modernization program. Additionally, we expect the costs for our Neighbor Island operations to increase more than the costs related to our North America and International operations due to phased adjustments to the airport's funding mechanism. Therefore, costs related to the modernization program will have a greater impact on our operations as compared to our competitors, who do not have significant Neighbor Island operations. We can offer no assurance that we will be successful in offsetting these cost increases through other cost reductions or increases in our revenue and, therefore, can offer no assurance that our future financial results will not be negatively affected by them.

The construction work that is performed in connection with the State's modernization plan has temporarily narrowed the taxilanes used by our aircraft to depart and arrive at our assigned terminal. The temporary narrowing of the

taxilanes has congested the aircraft traffic in these areas, which has resulted in the delay of the departure and arrival of our aircraft. Significant delays and potential displacement resulting from the State's modernization plan may have a negative impact on our operations and on-time performance.

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Our operations may be disrupted if we are unable to obtain and maintain adequate facilities and infrastructure at airports within the State of Hawai'i.

We must be able to maintain and/or obtain adequate gates, office space, operations area and ticketing facilities at the airports within the State of Hawai'i to be able to operate our existing and proposed flight schedules. Failure to maintain such facilities and infrastructure may adversely impact our operations and financial performance.

Our insurance costs are susceptible to significant increases and further increases in insurance costs or reductions in coverage could have an adverse effect on our financial results.

We carry types and amounts of insurance customary in the airline industry, including coverage for general liability, passenger liability, property damage, aircraft loss or damage, baggage and cargo liability and workers' compensation. We are required by the DOT to carry liability insurance on each of our aircraft. We currently maintain commercial airline insurance with a major group of independent insurers that regularly participate in world aviation insurance markets, including public liability insurance and coverage for losses resulting from the physical destruction or damage to our aircraft. However, there can be no assurance that the amount of such coverage will not change or that we will not bear substantial losses from accidents or damage to, or loss of, aircraft or other property due to other factors such as natural disasters. We could incur substantial claims resulting from an accident or damage to, or loss of, aircraft or other property due to other factors such as natural disasters in excess of related insurance coverage that could have a material adverse effect on our results of operations and financial condition.

Following the terrorist attacks on September 11, 2001, our insurance costs increased significantly and the availability of third-party war risk (terrorism) insurance decreased significantly. We have obtained third-party war risk (terrorism) insurance through a special program administered by the FAA. An extension of such authority will require legislation by the U.S. Congress. Should the government discontinue this coverage, obtaining comparable coverage from commercial underwriters could result in substantially higher premiums and more restrictive terms, if it is available at all. If we are unable to obtain adequate third-party war risk (terrorism) insurance, our business could be materially and adversely affected.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

Aircraft

The table below summarizes our total fleet as of December 31, 2013, 2014 and expected 2015 (based on existing agreements):

	December 31, 2013			December 31, 2014			December 31, 2015			Seating Capacity (Per Aircraft)	Simple Average Age (In Years)
Aircraft Type	Leased(4)	Owned	Total	Leased(4)	Owned	Total	Leased(4)	Owned	Total		
A330-200(1)	7	7	14	7	12	19	10	12	22	294	2.2
767-300(2)	6	6	12	6	4	10	4	4	8	252 - 264	15.1
717-200	3	15	18	3	15	18	3	15	18	118 - 123	13.0
ATR42(3)	—	3	3	—	3	3	—	3	3	48	10.5
Total	16	31	47	16	34	50	17	34	51		

(1) During 2014, we took delivery and placed into revenue service five Airbus A330-200 aircraft for service on our North America and International routes. These aircraft were financed in part through proceeds from our EETC financing transaction. The increase in the number of leased aircraft in 2015 is due to the planned delivery of three aircraft to be financed through purchase assignment and lease transactions. See Note 8 for further discussion regarding the EETC financing transaction and Note 13 for further discussion regarding the purchase assignment and lease transactions.

(2) During 2014, we retired two Boeing 767-300 aircraft at the end of their estimated useful life. The decrease in the number of owned Boeing 767-300 aircraft from 2014 to 2015 is due to the planned return of two aircraft at the end of their lease terms.

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(3) The ATR42 aircraft are owned by Airline Contract Maintenance & Equipment, Inc., a wholly-owned subsidiary of the Company.

(4) Leased aircraft include both aircraft under capital and operating leases. See Note 9 to the consolidated financial statements for further discussion regarding our aircraft leases.

At December 31, 2014, we had firm aircraft orders as detailed below:

Delivery Year	A330-200 Aircraft	A321neo Aircraft(2)	A330-800neo Aircraft(3)	Total
2015	3	—	—	3
2016	—	—	—	—
2017	—	3	—	3
2018	—	6	—	6
2019	—	6	2	8
2020	—	1	2	3
2021	—	—	2	2
	3	16	6	25

(1) Firm orders include three Airbus A330-200 aircraft for which Hawaiian has secured financing through purchase assignment and lease transactions as discussed in Note 13 to the consolidated financial statements.

(2) In 2013, Hawaiian executed a purchase agreement for the purchase of 16 new Airbus A321neo aircraft scheduled for delivery between 2017 and 2020. The A321neo narrow-body aircraft will be used to complement Hawaiian's existing fleet of wide-body aircraft for travel to and from the West Coast on its North America routes.

(3) In 2014, Hawaiian entered into an amendment (the "Purchase Agreement Amendment") to the Airbus A330/A350XWB Purchase Agreement to convert its order for six firm A350XWB-800 aircraft with an additional six purchase rights into an order for six firm A330-800neo aircraft with an additional six purchase rights. The Purchase Agreement Amendment provides for delivery, subject to certain flexibility rights, of six A330-800neo aircraft starting in 2019. These fuel efficient, long-range aircraft will complement our existing fleet of wide-body, twin aisle aircraft used for long-haul flying on our North America and International routes.

Hawaiian has purchase rights for an additional three A330-200 aircraft, nine A321neo aircraft and six A330-800neo aircraft and can utilize these rights subject to production availability. Leases on three of the remaining six Boeing 767-300 leased aircraft will expire by the end of 2016. See Note 9 to the consolidated financial statements for additional information regarding our aircraft lease agreements.

Ground Facilities

Our principal terminal facilities, cargo facilities and hangar and maintenance facilities are located at the Honolulu International Airport (HNL). The majority of the facilities at HNL are leased on a month-to-month basis. We are also charged for the use of terminal facilities at the four major Neighbor Island airports owned by the State of Hawai'i. Some terminal facilities, including gates and holding rooms, are considered by the State of Hawai'i to be common areas and thus are not exclusively controlled by us. Other facilities, including station managers' offices, Premier Club lounges and operations support space, are considered exclusive-use space by the State of Hawai'i.

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The table below sets forth the airport locations we utilize pursuant to various agreements as of December 31, 2014:

Name of Airport	Location	
Phoenix Sky Harbor International Airport	Phoenix	Arizona
Los Angeles International Airport	Los Angeles	California
Oakland International Airport	Oakland	California
Sacramento International Airport	Sacramento	California
San Diego International Airport	San Diego	California
San Francisco International Airport	San Francisco	California
Norman Y. Mineta San Jose International Airport	San Jose	California
Hilo International Airport	Hilo	Hawai'i
Honolulu International Airport	Honolulu	Hawai'i
Kahului Airport	Kahului	Hawai'i
Kapalua Airport	Lahaina	Hawai'i
Kona International Airport	Kona	Hawai'i
Lana'i Airport	Lana'i	Hawai'i
Lihu'e Airport	Lihu'e	Hawai'i
Moloka'i Airport	Moloka'i	Hawai'i
McCarran International Airport	Las Vegas	Nevada
John F. Kennedy International Airport	New York	New York
Portland International Airport	Portland	Oregon
Seattle-Tacoma International Airport	Seattle	Washington
Pago Pago International Airport	Pago Pago	American Samoa
Faa'a International Airport	Papeete	Tahiti
Brisbane International Airport	Brisbane	Australia
Sydney International Airport	Sydney	Australia
Auckland Airport	Auckland	New Zealand
Kansai International Airport	Osaka	Japan
Haneda International Airport	Tokyo	Japan
New Chitose International Airport	Sapporo	Japan
Sendai Airport	Sendai	Japan
Incheon International Airport	Seoul	South Korea
Beijing Capital International Airport	Beijing	China

Our corporate headquarters are located in leased premises adjacent to the Honolulu International Airport.

ITEM 3. LEGAL PROCEEDINGS.

We are subject to legal proceedings arising in the normal course of our operations. We do not anticipate that the disposition of any currently pending proceeding will have a material effect on our operations, business or financial condition.

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.

Our common stock is traded on the NASDAQ Stock Market, LLC (NASDAQ) under the symbol "HA." The following table sets forth the range of high and low sales prices of our common stock as reported on the NASDAQ for the periods indicated.

	High	Low
2014		
Fourth Quarter	$26.06	$12.62
Third Quarter	15.84	12.97
Second Quarter	16.25	12.67
First Quarter	14.73	9.62
2013		
Fourth Quarter	$9.63	$7.40
Third Quarter	7.72	6.16
Second Quarter	6.32	5.30
First Quarter	7.20	5.43

Holders

There were 1,041 stockholders of record of our common stock as of January 23, 2015, which does not reflect those shares held beneficially or those shares held in "street" name.

Dividends and Other Restrictions

We paid no dividends in 2014 or 2013. Restrictions contained in our financing agreements and certain of our aircraft lease agreements limit our ability to pay dividends on our common stock. We do not anticipate paying periodic cash dividends on our common stock for the foreseeable future. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

United States law prohibits non-U.S. citizens from owning more than 25% of the voting interest of a U.S. air carrier or controlling a U.S. air carrier. Our certificate of incorporation prohibits the ownership or control of more than 25% (to be increased or decreased from time to time, as permitted under the laws of the U.S.) of our issued and outstanding voting capital stock by persons who are not "citizens of the U.S." As of December 31, 2014, we believe we are in compliance with the law as it relates to voting stock held by non-U.S. citizens.

Stockholder Return Performance Graph

The following graph compares cumulative total stockholder return on our common stock, the S&P 500 Index and the AMEX Airline Index from January 1, 2010 to December 31, 2014. The comparison assumes $100 was invested on January 1, 2010 in our common stock and each of the foregoing indices and assumes reinvestment of dividends before consideration of income taxes. We have paid no dividends on our common stock.

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The stock performance depicted in the graph above is not to be relied upon as indicative of future performance. The stock performance graph shall not be deemed to be incorporated by reference into any of our filings under the Securities Act or the Exchange Act, except to the extent that we specifically incorporate the same by reference, nor shall it be deemed to be "soliciting material" or to be "filed" with the SEC or subject to Regulations 14A or 14C or to the liabilities of Section 18 of the Exchange Act.

ITEM 6. SELECTED FINANCIAL DATA.

The Selected Financial Data should be read in conjunction with our accompanying audited consolidated financial statements and the notes related thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" below.

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Hawaiian Holdings, Inc.
Selected Financial Data

	Year ended December 31,				
	2014	2013	2012	2011	2010
	(in thousands, except per share data)				
Summary of Operations:					
Operating revenue	$2,314,879	$2,155,865	$1,962,353	$1,650,459	$1,310,093
Operating expenses	2,069,747	2,022,118	1,832,955	1,630,176	1,218,815
Operating income	245,132	133,747	129,398	20,283	91,278
Net Income (Loss)(a)	68,926	51,854	52,237	(2,649)	110,255
Net Income (Loss) Per Common Stock Share:					
Basic	$1.29	$1.00	$1.04	$(0.05)	$2.15
Diluted	1.10	0.98	1.01	(0.05)	2.10
Balance Sheet Items as of December 31:					
Total assets	$2,602,528	$2,164,261	$1,865,824	$1,487,529	$1,117,499
Long-term debt, less discount, and capital lease obligations, excluding current maturities (b)	893,288	744,286	553,009	424,436	171,884

(a) In 2010, as a result of our demonstrated ability to generate sufficient taxable income, combined with certain tax planning strategies, management concluded that it was more likely than not that we would realize our deferred tax assets. Therefore, net income was positively affected by the release of our remaining valuation allowance of $57.5 million.

(b) In 2014, we received proceeds of $368.4 million in connection with the EETC financing for the purchase of five Airbus A330-200 aircraft. In 2013, we borrowed $132.0 million to finance a portion of the purchase price of two Airbus A330-200 aircraft, and received proceeds of $76.1 million in connection with the EETC financing for the purchase of one Airbus A330-200 aircraft. In 2012, we borrowed $133.0 million to finance a portion of the purchase price of two Airbus A330-200 aircraft and took delivery of three aircraft (two Boeing 717 aircraft and one Airbus A330-200 aircraft) under capital leases. In 2011, we issued $86.25 million principal amount of convertible notes due March 2016 and used the proceeds to pay off our outstanding secured revolving credit facility, borrowed $192.8 million through secured loan agreements to finance a portion of the purchase price of 15 Boeing 717-200 aircraft and borrowed $132.0 million to finance a portion of the purchase price of two Airbus A330-200 aircraft. See further discussion at Note 8 to the consolidated financial statements.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Overview

The following Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is intended to help the reader understand the Company and its operations. This discussion and analysis of our financial condition and results of operations contains forward-looking statements that involve risks and uncertainties. We have based these forward-looking statements on our current expectations and projections of future events. However, our actual results could differ materially from those discussed herein as a result of the risks that we face, including but not limited to those risks stated in "Risk Factors." See "Cautionary Note Regarding Forward-Looking Statements," above. In addition, the following discussion should be read in conjunction with the audited consolidated financial statements and the related notes thereto included elsewhere in this report.

Year in Review

2014 Financial Highlights

- Operating income grew to $245 million compared to $134 million in the prior-year period.
- Pre-tax income grew to $113 million compared to $86 million in the prior-year period.
- GAAP net income of $69 million or $1.10 per diluted share compared to $52 million or $0.98 per diluted share in the prior-year period.
- Adjusted net income, reflecting economic fuel expense, of $97 million or $1.55 per diluted share compared to $47 million or $0.88 per share in the prior-year period.
- Unrestricted cash and cash equivalents and short-term investments of $524 million compared to $423 million in the prior year period.

See "Non-GAAP Financial Measures" below for our reconciliation of non-GAAP measures.

Outlook

We expect our financial performance to improve in the first quarter of 2015 compared to the same quarter in 2014, primarily the result of lower fuel costs. We expect available seat miles during the first quarter of 2015 to increase by 3.5% to 5.5% from the same prior year period. However, with the continued strengthening of the U.S. dollar, decrease in fuel surcharges on our international routes, and increase in industry capacity on our North America routes, operating revenue per available seat mile is expected to decrease by 3.5% to 6.5% from the same prior year period. We expect operating cost per available seat mile, excluding fuel, for the first quarter of 2015 to increase by 1.5% to 4.5% from the same prior year period.

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Selected Consolidated Statistical Data

Below are the operating statistics we use to measure our operating performance.

	Year ended December 31,		
	2014	2013	2012
	(in thousands, except as otherwise indicated)		
Scheduled Operations (c) :			
Revenue passengers flown	10,191	9,929	9,476
Revenue passenger miles (RPM)	13,910,804	13,658,072	12,195,875
Available seat miles (ASM)	17,062,264	16,761,761	14,660,030
Passenger revenue per RPM (Yield)	14.70 ¢	14.22 ¢	14.49 ¢
Passenger load factor (RPM/ASM)	81.5 %	81.5 %	83.2 %
Passenger revenue per ASM (PRASM)	11.99 ¢	11.59 ¢	12.05 ¢
Total Operations (c) :			
Revenue passengers flown	10,195	9,936	9,484
RPM	13,921,147	13,677,645	12,217,635
ASM	17,073,630	16,785,827	14,687,472
Operating revenue per ASM (RASM)	13.56 ¢	12.84 ¢	13.36 ¢
Operating cost per ASM (CASM)	12.12 ¢	12.05 ¢	12.48 ¢
CASM excluding aircraft fuel (b)	8.15 ¢	7.88 ¢	8.18 ¢
Aircraft fuel expense per ASM (a)	3.97 ¢	4.17 ¢	4.30 ¢
Revenue block hours operated	166,362	161,965	147,810
Gallons of jet fuel consumed	230,199	226,214	199,465
Average cost per gallon of jet fuel (actual) (a)	$2.95	$3.09	$3.17

(a) Includes applicable taxes and fees.

(b) Represents adjusted unit costs, a non-GAAP measure. We believe this is a useful measure because it better reflects our controllable costs. See "Non-GAAP Financial Measures" below for our reconciliation of non-GAAP measures.

(c) Includes the operations of our contract carrier under a capacity purchase agreement.

Operating Revenue

Our revenue is derived primarily from transporting passengers on our aircraft. Revenue is recognized when either the transportation is provided or when the related ticket expires unused. We measure capacity in terms of available seat miles, which represent the number of seats available for passengers multiplied by the number of miles the seats are flown. Yield, or the average amount one passenger pays to fly one mile, is calculated by dividing passenger revenue by RPMs. We strive to increase passenger revenue primarily by increasing our yield per flight or by filling a higher proportion of available seats, which produces higher operating revenue per available seat mile. Other revenue primarily consists of baggage fees, cargo revenue, ticket change and cancellation fees, incidental services revenue, sale of frequent flyer miles, inflight revenue, contract services and charter services revenue.

Operating revenue was $2.31 billion, $2.16 billion and $1.96 billion for the years ended December 31, 2014, 2013 and 2012, respectively, driven primarily by an increase in passenger revenue.

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Passenger Revenue

Passenger revenue was $2.05 billion, $1.94 billion and $1.77 billion for the years ended December 31, 2014, 2013 and 2012, respectively. Details of these changes are described in the table below:

	Year Ended December 31, 2014 as compared to December 31, 2013				Year Ended December 31, 2013 as compared to December 31, 2012			
	Change in scheduled passenger revenue (in millions)	Change in Yield	Change in RPM	Change in ASM	Change in scheduled passenger revenue (in millions)	Change in Yield	Change in RPM	Change in ASM
North America	$111.4	5.1 %	6.9 %	10.2 %	$81.7	3.7 %	6.2 %	5.8 %
Neighbor Island	35.7	6.0	1.8	3.7	33.6	5.9	1.9	(2.7)
International	(44.8)	(0.8)	(6.9)	(10.4)	60.5	(11.6)	26.1	33.0
Total scheduled	$102.3	3.4 %	1.9 %	1.8 %	$175.8	(1.9)%	12.0 %	14.3 %

North America

North America revenue increased by $111.4 million in 2014, as compared to 2013, due to an increase in the number of revenue passengers flown and the yield generated on these routes. The increase in the number of revenue passengers was driven by an increase in capacity provided by the addition of new Airbus A330-200 aircraft delivered during the year, the initiation of new routes from Honolulu to Oakland, California (January 2014) and from Maui to Los Angeles (May 2014) and San Francisco, California (November 2014), the reintroduction of the Honolulu to San Jose, California service (May 2014), and the introduction of our summer service from both Lihu'e, Kaua'i and Kona, Hawai'i Island to Oakland and Los Angeles, California.

North America revenue increased by $81.7 million in 2013, as compared to 2012, primarily due to an increase in the number of revenue passengers flown and the yield generated on these routes. The increase in the number of revenue passengers was driven by an increase in capacity provided by the addition of new Airbus A330-200 aircraft delivered during the year, and the effects of full-year results from routes initiated in 2012.

Neighbor Island

Neighbor Island revenue increased by $35.7 million in 2014, as compared to 2013, due to our turboprop operations which launched in March 2014, the impact of improved traffic mix, and a slight increase in average fares.

Neighbor Island revenue increased by $33.6 million, in 2013, as compared to 2012, primarily due to schedule adjustments and changes in pricing and revenue management practices, which allowed us to improve our yield and load factors on these routes.

International

International revenue decreased by $44.8 million in 2014, as compared to 2013, due to a decrease in our international capacity which was a result of changes to our network during the year. These changes consisted of the suspension of our routes from Honolulu to Manila, Philippines (August 2013) and from Honolulu to Fukuoka, Japan (June 2014). Also, the continued strengthening of the U.S. Dollar resulted in decreased average fares from 2013.

International revenue increased by $60.5 million in 2013, as compared to 2012, primarily due to an increase in the number of revenue passengers flown and offset by decreased yield. The increase in the number of revenue passengers was driven by an increase in capacity provided by the addition of new Airbus A330-200 aircraft delivered during the year and the initiation of routes from Honolulu to Auckland, New Zealand (March 2013), Sendai, Japan (June 2013) and Taipei, Taiwan (July 2013) and the effects of the full year results from routes initiated in 2012. We experienced a decrease in yield as a result of increased competition on our Japanese, Australia and New Zealand routes, and the continued strengthening of the U.S. Dollar in most currencies, primarily the Japanese Yen and Australian Dollar, which resulted in decreased average fares from the prior-year period.

Other Operating Revenue

Other operating revenue increased by $56.8 million, or 26.7%, in 2014, as compared to 2013, due to $29.1 million of ancillary revenue generated by increased sales of frequent flyer miles under our new co-branded credit card agreement and $13.1 million of cargo revenue driven by an increase in the volume of cargo transported, as compared to the prior

year period. The increase in volume was the result of additional cargo capacity and improved revenue generation on our existing routes.

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Other operating revenue increased by $17.7 million, or 9.1%, in 2013, as compared to 2012, due primarily to a $16.2 million increase in cargo revenue, which was due to the additional cargo capacity provided by the Airbus A330-200 aircraft, the expansion of our network, and improved revenue generation on our existing routes.

Operating Expenses

The largest components of our operating expenses are aircraft fuel (including taxes and delivery), wages and benefits provided to our employees and aircraft maintenance materials and repairs. The price and availability of aircraft fuel is extremely volatile due to global economic and geopolitical factors that we can neither control nor accurately predict. Maintenance and repair costs are expensed when incurred unless covered by third-party power-by-the-hour services contracts, which are expensed as flight hours are incurred. Increases (decreases) in operating expenses are detailed below.

	Changes in operating expenses for the year ended December 31, 2014 as compared to December 31, 2013		Changes in operating expenses for the year ended December 31, 2013 as compared to December 31, 2012	
	$ (in thousands)	%	$ (in thousands)	%
Operating expense:				
Aircraft fuel, including taxes and delivery	$(20,549)	(2.9)%	$67,061	10.6%
Wages and benefits	20,008	4.7	50,864	13.5
Aircraft rent	(2,112)	(1.9)	9,748	9.9
Maintenance materials and repairs	22,232	10.9	19,835	10.8
Aircraft and passenger servicing	2,145	1.8	16,810	16.2
Commissions and other selling	(3,382)	(2.7)	11,576	10.1
Depreciation and amortization	13,324	16.0	(2,549)	(3.0)
Other rentals and landing fees	6,585	8.1	(4,306)	(5.0)
Other	9,378	5.4	20,124	13.2
Total	$47,629	2.4%	$189,163	10.3%

Aircraft Fuel

Increases (decreases) in aircraft fuel expense are illustrated in the following table:

	Year Ended December 31,			% Change from Year Ended	
	2014	2013	2012	2013	2012
	(in thousands, except per-gallon amounts)				
Aircraft fuel expense, including taxes and delivery	$678,253	$698,802	$631,741	(2.9)%	10.6%
Fuel gallons consumed	230,199	226,214	199,465	1.8%	13.4%
Average fuel price per gallon, including taxes and delivery	$2.95	$3.09	$3.17	(4.5)%	(2.5)%

The decrease in fuel expense from 2013 to 2014 is primarily due to a decrease in the average fuel price per gallon, partially offset by increased fuel consumption due to the additional aircraft in the fleet (five additional A330-200 offset by the retirement of two B767-300 aircraft).

The increase in fuel expense from 2012 to 2013 is primarily due to an increase in fuel consumption due to the additional aircraft in the fleet (five additional A330-200 offset by the return/retirement of three B767-300 aircraft), but was partially offset by a decrease in the average fuel price per gallon.

We believe economic fuel expense is the best measure of the effect of fuel prices on our business as it most closely approximates the net cash outflow associated with the purchase of fuel for our operations in a period and is consistent with how management manages our business and assesses our operating performance. We define economic fuel expense as raw fuel expense plus (gains)/losses realized through actual cash payments to/(receipts from) hedge counterparties for fuel derivatives settled in the period inclusive of costs related to hedging premiums. Economic fuel

expense is calculated as follows:

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	Year Ended December 31,			% Change from Year Ended	
	2014	2013	2012	2013	2012
	(in thousands, except per-gallon amounts)				
Aircraft fuel expense, including taxes and delivery	$678,253	$698,802	$631,741	(2.9)%	10.6%
Realized losses on settlement of fuel derivative contracts	20,365	14,018	7,372	45.3%	90.2%
Economic fuel expense	$698,618	$712,820	$639,113	(2.0)%	11.5%
Fuel gallons consumed	230,199	226,214	199,465	1.8%	13.4%
Economic fuel costs per gallon	$3.03	$3.15	$3.20	(3.8)%	(1.6)%

See Item 7A, Quantitative and Qualitative Disclosures about Market Risk, for additional discussion of our jet fuel costs and related derivative program.

Wages and Benefits

Wages and benefits expense increased by $20.0 million, or 4.7%, in 2014, as compared to 2013, due to a 2.5% increase in the number of employees as we continue to expand our operations with additional aircraft. Our profit-sharing expense also increased in 2014, which was driven by our improved financial performance in the current period.

Wages and benefits expense increased by $50.9 million, or 13.5%, in 2013, as compared to 2012, primarily due to a 7.0% increase in the number of employees as we continue to expand our operations with additional aircraft and new routes, which also resulted in an $8.4 million increase in health and fringe benefits provided to our employees.

Aircraft Rent

Aircraft rent expense decreased by $2.1 million, or 1.9%, in 2014, as compared to 2013, primarily due to the full year effect of three Boeing 767-300 aircraft leases that ended in 2013, partially offset by full year effect of the addition of two Airbus A330-200 aircraft under operating leases.

Aircraft rent expense increased by $9.7 million, or 9.9%, in 2013, as compared to 2012, primarily due to the addition of two Airbus A330-200 aircraft under operating leases (one in February 2013 and one in April 2013), partially offset by the return of three Boeing 767-300 aircraft at the end of their lease terms in April, August, and October 2013.

Maintenance Materials and Repairs

Maintenance materials and repairs expense increased by $22.2 million, or 10.9%, in 2014, as compared to 2013, primarily due to the increase in the number and utilization of Airbus A330-200 aircraft in our fleet, partially offset by a decrease in the number and utilization of Boeing 767-300 aircraft in our fleet.

Maintenance materials and repairs expense increased by $19.8 million, or 10.8%, in 2013, as compared to 2012, primarily due to the increase in the number and utilization of Airbus A330-200 aircraft in our fleet.

Depreciation and Amortization

Depreciation and amortization expense increased by $13.3 million, or 16.0%, in 2014, as compared to 2013, primarily due to the increase in the number of owned aircraft (five A330-200 aircraft offset by the retirement of two B767-300 aircraft).

Depreciation and amortization expense decreased by $2.5 million, or 3.0%, in 2013, as compared to 2012, primarily due to our frequent flyer marketing relationship intangible asset which was fully amortized as of December 31, 2012. This decrease was partially offset by the increase in the number of owned aircraft (three A330-200 aircraft).

Other Rentals and Landing Fees

Other rentals and landing fees expense increased by $6.6 million, or 8.1%, in 2014, as compared to 2013, primarily due to increased rates and landing frequencies. Other rentals and landing fees expense decreased by $4.3 million, or 5.0%, in 2013, as compared to 2012, primarily due to decreased rental and landing fee rates at our Honolulu operational facility.

Other Expense

Other expense increased by $9.4 million, or 5.4%, in 2014, as compared to 2013, primarily due to costs incurred in connection with our turboprop operations that began in March 2014.

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Other expense increased by $20.1 million, or 13.2%, in 2013, as compared to 2012, due to increased travel related expenses and increased expenses incurred on services outsourced to third-party vendors. Both increases were primarily the result of our continued expansion.

Nonoperating Expense

Net nonoperating expense increased by $84.3 million in 2014, as compared to 2013, primarily due to our fuel hedge portfolio generating losses of $63.5 million in the current period compared to losses of $5.3 million in the prior year period. The strengthening of the US dollar resulted in foreign exchange loss of $8.7 million in the current period compared to a loss of $4.4 million in the prior period. The interest expense incurred in connection with the equipment notes under the EETC financing also contributed to the increase in nonoperating expense for the period.

Net nonoperating expense increased by $3.7 million in 2013, as compared to 2012, primarily due to increased interest and amortization of debt discounts and issuance costs of $6.9 million and $19.0 million, respectively, due to the additional financings we entered into subsequent to December 31, 2013 and 2012.

Income Tax Expense

We recorded income tax expense of $44.5 million, $34.6 million and $32.5 million during the years ended December 31, 2014, 2013, and 2012, respectively. In 2014, 2013 and 2012, we had an effective tax rate of 39.2%, 40.0% and 37.9%, respectively.

See Note 10 to the consolidated financial statements for further discussion.

Liquidity and Capital Resources

Our liquidity is dependent on the cash we generate from operating activities and our debt financing arrangements. As of December 31, 2014, we had $264.1 million in cash and cash equivalents and $260.1 million in short-term investments, representing an increase of $100.8 million from December 31, 2013. As of December 31, 2014 and 2013, our restricted cash balance of $6.6 million and $21.0 million, respectively, consisted of cash held as collateral by entities that process our credit card transactions for advanced ticket sales and cash held as collateral for future interest payments owed in connection with the EETC financing which closed in May 2013.

We have been able to generate sufficient funds from our operations to meet our working capital requirements and typically finance our aircraft through secured debt and lease financings. At December 31, 2014, Hawaiian had $1,049.6 million of debt and capital lease obligations, including $156.3 million classified as a current liability in the Consolidated Balance Sheets. During the quarter ended December 31, 2014 a condition for conversion of the convertible notes was satisfied, which permits holders of the convertible notes to surrender their notes for conversion during the quarter ending March 31, 2015. As a result, the carrying value of $66.5 million is reflected as a current liability in the Consolidated Balance Sheets.

In September 2014, we terminated our secured revolving credit facility with Wells Fargo Capital Finance LLC, which provided for a secured revolving credit facility of $75 million. In November 2014, the Company entered into a credit agreement with Citigroup Global Markets Inc. providing for a secured revolving credit and letter of credit facility ("Revolving Credit Facility") in an amount of up to $175 million. As of December 31, 2014 we had no outstanding borrowings under the Revolving Credit Facility.

Cash Flows

Net cash provided by operating activities was $300.4 million, $243.3 million and $311.0 million in 2014, 2013 and 2012, respectively. The increase in 2014 was primarily due to increased net income before the expense associated with unrealized loss positions on our fuel derivative contracts, which do not immediately impact our cash flows from operating activities because the losses were unrealized as of December 31, 2014. The decrease in 2013 was primarily due to a smaller increase in our air traffic liability as of December 31, 2013 compared to December 31, 2012, primarily because we introduced fewer new routes in 2013 compared to 2012.

Net cash used in investing activities was $686.8 million, $327.8 million and $290.7 million for 2014, 2013 and 2012, respectively. The increase in 2014 was due to the $261.5 million in net purchases of investments, and the acquisition of five Airbus A330-200 aircraft during the year. The increase in 2013 was primarily due to increases in purchases of property and equipment of $79.5 million, offset by decreases in pre-delivery deposits for upcoming aircraft and engine deliveries of $28.0 million, and the proceeds received from the disposition of equipment of $14.4 million.

Net cash provided by financing activities was $227.1 million, $102.0 million and $81.4 million for 2014, 2013 and 2012, respectively. The increase in 2014 was due to the receipt of $368.4 million in proceeds from the EETC financing, partially offset by the $54.2 debt extinguishment in October 2014 and the $15.1 convertible note repurchase. The increase in the net

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cash provided by financing activities in 2013 is primarily due to increases in long-term borrowings of $110.1 million, offset by increases in cash repayments for debt and capital lease obligations of $64.5 million and the collateral payment that was made in connection with the issuance of the EETCs of $16.0 million.

Capital Commitments

In December 2014, we entered into a Purchase Agreement Amendment to convert our order for six firm A350XWB-800 aircraft with an additional six purchase rights into an order for six firm A330-800neo aircraft with an additional six purchase rights. The Purchase Agreement Amendment provides for delivery, subject to certain flexibility rights, of six A330-800neo aircraft starting in 2019. These fuel efficient, long-range aircraft will complement our existing fleet of wide-body, twin aisle aircraft used for long-haul flying on our North America and International routes. In December 2014, we entered into a General Terms Agreement with Rolls-Royce for the supply of products and services in support of the Trent 7000 engines to be installed on the Airbus A330-800neo aircraft. The General Terms Agreement includes the terms for the supply of spare engines, product warranties and performance guarantees.

As of December 31, 2014, we had the following capital commitments consisting of firm aircraft and engine orders and purchase rights:

Aircraft Type	Firm Orders	Purchase Rights	Expected Delivery Dates
A330-200 aircraft	3	3	In 2015
A330-800neo aircraft	6	6	Between 2019 and 2021
A321neo aircraft	16	9	Between 2017 and 2020
Rolls-Royce spare engines:			
A330-800neo spare engines	2	—	Between 2019 and 2020
Pratt & Whitney spare engines:			
A321neo spare engines	2	—	Between 2017 and 2018

Committed expenditures for these aircraft, engines and related flight equipment approximates $203 million in 2015, $67 million in 2016, $234 million in 2017, $411 million in 2018, $497 million in 2019 and $435 million thereafter. For 2015, we expect our other non-aircraft related capital expenditures, which include software, improvements, ramp and maintenance equipment to total approximately $45 million to $55 million.

In order to complete the purchase of these aircraft and fund related costs, we must secure acceptable financing. We have backstop financing available from aircraft and engine manufacturers, subject to certain customary conditions. Financing will be necessary to satisfy the Company's capital commitments for its firm order aircraft and other related capital expenditures. The Company can provide no assurance that any financing not already in place for aircraft and spare engine deliveries will be available to the Company on acceptable terms when necessary or at all.

See Note 13 for further discussion of the purchase assignment and leaseback transactions for our remaining three A330-200 aircraft deliveries in 2015.

Covenants under our Financing Arrangements

The terms of certain of our financing agreements restrict our ability to, among other things, incur additional indebtedness, issue preferred stock or pay dividends. These agreements also require us to meet certain financial covenants. These financial tests include maintaining a minimum amount of unrestricted cash and achieving certain levels of fixed charge coverage. As of December 31, 2014 we were in compliance with these covenants.

Under our bank-issued credit card processing agreements, certain proceeds from advance ticket sales may be held back to serve as collateral to cover any possible chargebacks or other disputed charges that may occur. These holdbacks, which are included in restricted cash in our Consolidated Balance Sheets, totaled $5.0 million as of December 31, 2014 and 2013.

Pension and Other Postretirement Benefit Plan Funding

As of December 31, 2014, the excess of the projected benefit obligations over the fair value of plan assets was approximately $410.7 million. We contributed $8.9 million, $18.7 million and $19.4 million, to our defined benefit pension plans and disability plan during 2014, 2013 and 2012, respectively. Future funding requirements for our defined benefit and other postretirement plans are dependent upon many factors such as interest rates, funded status, applicable regulatory requirements

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and the level and timing of asset returns. In 2015, our minimum required contribution to our defined benefit pension plans and disability plan is $5.1 million.

Income Tax Net Operating Loss Carryforwards

We have net operating loss (NOLs) carryforwards for federal and state income tax purposes of $365.8 million as of December 31, 2014. The tax benefit of the NOLs carryforwards as of December 31, 2014 is $122.1 million, substantially all of which will not begin to expire until 2031. Although we expect to generate taxable income in future years, we cannot be assured our NOLs will be sufficient to offset our tax liability. We believe we will have sufficient working capital to pay income taxes as they become due.

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 (i) made guarantees, (ii) retained a contingent interest in transferred assets, (iii) an obligation under derivative instruments classified as equity or (iv) any obligation arising out of a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the company, or that engages in leasing, hedging or research and development arrangements with the company. We have no arrangements of the types described in the first three categories that we believe may have a current or future material effect on our financial condition, liquidity or results of operations. We do have obligations arising out of variable interests in unconsolidated entities related to certain aircraft leases. To the extent our leases and related guarantees are with a separate legal entity other than a governmental entity, we are not the primary beneficiary because the lease terms are consistent with market terms at the inception of the lease, and the lease does not include a residual value guarantee, fixed price purchase option or similar feature.

Contractual Obligations

Our estimated contractual obligations as of December 31, 2014 are summarized in the following table:

Contractual Obligations	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
	(in thousands)				
Debt and capital lease obligations(1)(2)	$1,332,613	$214,241	$271,082	$271,270	$576,020
Operating leases—aircraft and related equipment(3)	605,214	102,972	168,248	162,332	171,662
Operating leases—non-aircraft	46,261	5,228	9,508	8,190	23,335
Purchase commitments—Capital(4)	1,848,052	203,156	301,631	908,424	434,841
Purchase commitments—Operating(5)	547,353	70,003	115,625	97,688	264,037
Projected employee benefit contributions(6)	31,666	5,122	26,544	—	—
Total contractual obligations	$4,411,159	$600,722	$892,638	$1,447,904	$1,469,895

(1) Amounts represent contractual amounts due, including interest. Interest on variable-rate debt was estimated using rates in effect as of December 31, 2014. Amount reflects capital lease obligations for one Airbus A330-200 aircraft, two Boeing 717 aircraft and one A330 flight simulator.

(2) During the quarter ended December 31, 2014 a condition for conversion of the Convertible Note was satisfied, which permits holders of the Convertible Notes to surrender their notes for conversion in the first quarter of 2015. Therefore, the principal balance is classified accordingly in the above table. However, the 5% interest-only, semiannual payments are excluded from the table.

(3) Amounts reflect leases for six Airbus A330-200 aircraft, six Boeing 767 aircraft, one Boeing 717 aircraft and aircraft-related equipment as of December 31, 2014.

(4) Amounts include our firm commitments for aircraft and aircraft related equipment. See Note 13 for further discussion over the purchase assignment and leaseback transactions over our remaining three A330-200 aircraft deliveries in 2015.

(5) Amounts include commitments for services provided by third-parties for aircraft maintenance for our Airbus fleet, accounting, IT and reservations. Total contractual obligations do not include long-term contracts where the commitment is variable in nature (with no minimum guarantee), such as aircraft maintenance deposits due under operating leases and fees due under certain other agreements such as aircraft maintenance power-by-the-hour, computer reservation systems and credit card processing agreements, or when the agreements contain short-term cancellation provisions.

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(6) Amounts include our estimated contributions to our pension plans (based on actuarially determined estimates) and our pilots' disability plan. Amounts are subject to change based on numerous factors, including interest rate levels, the amount and timing of asset returns and the impact of future legislation. We are currently unable to estimate the projected contributions beyond 2017.

Non-GAAP Financial Measures

We believe the disclosure of non-GAAP financial measures is useful information to readers of our financial statements because:

- We believe it is the basis by which we are evaluated by industry analysts and investors;
- These measures are often used in management and board of directors decision making analysis;
- It improves a reader's ability to compare our results to those of other airlines; and
- It is consistent with how we present information in our quarterly earnings press releases.

Adjusted net income reflecting economic fuel expense and excluding loss on extinguishment of debt

See table below for reconciliation between GAAP consolidated net income to adjusted consolidated net income, including per share amounts (in thousands unless otherwise indicated). The adjustments are described below:

- Unrealized (gains) losses on fuel derivative contracts, net of tax, are based on market prices for open contracts as of the end of the reporting period. As the cost and availability of fuel is volatile, excluding the impact of fuel derivative adjustments allow investors to better analyze our operational performance and compare our results to other airlines in the periods presented below.
- Loss on extinguishment of debt, net of tax, is excluded to allow investors to better analyze our core operational performance and compare our results to other airlines in the periods presented below.

	Year Ended December 31,					
	2014		2013		2012	
	Net Income	Diluted Net Income Per Share	Net Income	Diluted Net Income Per Share	Net Income	Diluted Net Income Per Share
As reported—GAAP	$68,926	$1.10	$51,854	$0.98	$53,237	$1.01
Add: unrealized (gains) losses on fuel derivative contracts, net of tax	25,864	0.41	(5,210)	(0.10)	2,375	0.05
Add: loss on extinguishment of debt, net of tax	2,331	0.04	—	—	—	—
Reflecting economic fuel expense and excluding loss on extinguishment of debt	$97,121	$1.55	$46,644	$0.88	$55,612	$1.06

Operating Costs per Available Seat Mile (CASM)

We have listed separately in the table below our fuel costs per ASM and our non-GAAP unit costs, excluding fuel. These amounts are included in CASM, but for internal purposes we consistently use unit cost metrics that exclude fuel and non-recurring items (if applicable) to measure and monitor our costs.

CASM and CASM, excluding fuel, are summarized in the table below:

	Year Ended December 31,		
	2014	2013	2012
GAAP operating expenses	$2,069,747	$2,022,118	$1,832,955
Less: aircraft fuel, including taxes and delivery	(678,253)	(698,802)	(631,741)
Adjusted operating expenses—excluding aircraft fuel	$1,391,494	$1,323,316	$1,201,214
Available Seat Miles	17,073,630	16,785,827	14,687,472
CASM—GAAP	12.12 ¢	12.05 ¢	12.48 ¢
Less: aircraft fuel	(3.97)	(4.17)	(4.30)
CASM—excluding aircraft fuel	8.15 ¢	7.88 ¢	8.18 ¢

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based upon financial statements that have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amount of assets and liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities as of the date of the financial statements.

Critical accounting policies and estimates are defined as those accounting policies and accounting estimates that are reflective of significant judgments and uncertainties, and that potentially result in materially different results under different assumptions and conditions.

Frequent Flyer Accounting

HawaiianMiles, Hawaiian's frequent flyer travel award program, provides a variety of awards to program members based on accumulated mileage. We utilize the incremental cost method of accounting for free travel awards earned in connection with the purchase of passenger tickets. This method utilizes a number of estimates including the incremental cost per mile and breakage. We record a liability for the estimated incremental cost of providing travel awards that are expected to be redeemed on Hawaiian or the contractual rate of expected redemption on other airlines. We estimate the incremental cost of travel awards based on periodic studies of actual costs and apply these cost estimates to all issued miles, less an appropriate breakage factor for estimated miles that will not be redeemed. Incremental costs include the cost of fuel, meals and beverages, insurance and certain other passenger traffic-related costs, but does not include any costs for aircraft ownership and maintenance. The breakage factor is estimated based on an analysis of historical expirations.

We also sell mileage credits to companies participating in our frequent flyer program. These sales are accounted for as multiple-element arrangements, with one element representing the transportation that will ultimately be provided when the mileage credits are redeemed and the other elements consisting of marketing related activities that we conduct with the participating company.

In 2013, Hawaiian entered into a co-branded credit card agreement, which provides for the sale of frequent flyer miles to Barclays Bank Delaware (Barclays) which began in 2014. The agreement is a new multiple element arrangement subject to Accounting Standards Update 2009-13, Multiple Deliverable Revenue Arrangements — A consensus of the FASB Emerging Issues Task Force (ASU 2009-13), which is effective for new and materially modified revenue arrangements entered into by the Company after January 1, 2011. ASU 2009-13 requires the allocation of the overall consideration received to each deliverable using the estimated selling price. The objective of using estimated selling price based methodology is to determine the price at which the Company would transact a sale if the product or service were sold on a stand-alone basis.

The following four deliverables or elements were identified in the agreement: (i) travel miles; (ii) use of the Hawaiian brand and access to member lists; (iii) advertising elements; and (iv) other airline benefits including checked baggage services and travel discounts. The Company determined the relative fair value of each element by estimating the selling prices of the deliverables by considering discounted cash flows using multiple inputs and assumptions, including: (1) the expected number of miles to be awarded and redeemed; (2) the estimated weighted average equivalent ticket value, adjusted by a fulfillment discount; (3) the estimated total annual cardholder spend; (4) an estimated royalty rate for the Hawaiian portfolio; and (5) the expected use of each of the airline benefits. The overall consideration received is allocated to the deliverables based on their relative selling prices. The transportation element is deferred and recognized as passenger revenue over the period when the transportation is expected to be provided (24 months). The other elements will generally be recognized as other revenue when earned.

In the previous co-branded credit card agreement, the estimated fair value of the transportation element was deferred and recognized as passenger revenue over the period the transportation was expected to be provided. Amounts received in excess of the transportation's estimated fair value were recognized immediately as other revenue.

Under the programs of certain participating companies, credits are accumulated in accounts maintained by the participating company, then transferred into a member's HawaiianMiles account for immediate redemption of free travel awards. For those transactions, revenue is recognized over the period during which the mileage is projected to be used for travel (five months).

On an annual basis, we review the deferral period and deferral rate for mileage credits sold to participating companies (except for miles sold under our co-branded credit card agreement), as well as the breakage rate assumption for free travel awards earned in connection with the purchase of passenger tickets. The cost components of the incremental cost assumption are reviewed on a quarterly basis.

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Pension and Other Postretirement and Postemployment Benefits

The calculation of pension and other postretirement and postemployment benefit expenses and its corresponding liabilities require the use of significant assumptions, including the assumed discount rate, the expected long-term rate of return on plan assets, expected mortality rates of the plan participants, and the expected health care cost trend rate. Changes in these assumptions will impact the expense and liability amounts, and future actual experience may differ from these assumptions. The significant assumptions as of December 31, 2014 are as follows:

Pension:			
Discount rate to determine projected benefit obligation	4.19	%	
Expected return on plan assets	6.92	%	+
Postretirement:			
Discount rate to determine projected benefit obligation	4.30	%	
Expected return on plan assets	N/A		
Expected health care cost trend rate:			
Initial	7.50	%	
Ultimate	4.75	%	
Years to reach ultimate trend rate	4		
Disability:			
Discount rate to determine projected benefit obligation	4.16	%	
Expected return on plan assets	5.92	%	+

N/A Not Applicable

+ Expected return on plan assets used to determine the net periodic benefit expense for 2015 is 6.89% for the pension plans and 5.40% for the disability plan.

The expected long-term rate of return assumption is developed by evaluating input from the trustee managing the plans' assets, including the trustee's review of asset class return expectations by several consultants and economists, as well as long-term inflation assumptions. Our expected long-term rate of return on plan assets is based on a target allocation of assets, which is based on our goal of earning the highest rate of return while maintaining risk at acceptable levels. The plan strives to sufficiently diversify assets so that adverse or unexpected results from one security class will not have an unduly detrimental impact on the entire portfolio. We believe that our long-term asset allocation on average will approximate the targeted allocation. We periodically review our actual asset allocation and rebalance the pension plan's investments to our targeted allocation when considered appropriate. Pension expense increases as the expected rate of return on plan assets decreases. Lowering the expected long-term rate of return will have the following effects on our estimated 2015 pension and disability benefit expense:

	100 Basis Point Decrease (in millions)
Increase in estimated 2015 pension expense	$2.6
Increase in estimated 2015 disability benefit expense	0.2

We determine the appropriate discount rate for each of our plans based on current rates on high quality corporate bonds that would generate the cash flow necessary to pay plan benefits when due. The pension and other postretirement benefit liabilities and future expense both increase as the discount rate is reduced. Lowering the discount rate would have the following effects: