

UAL CORP /DE/  
Form 10-K/A  
March 17, 2005

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

**FORM 10-K/A**  
**Amendment No. 1**

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2004

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 1-6033

**UAL CORPORATION**  
**(Exact name of registrant as specified in its charter)**

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**36-2675207**

(IRS Employer  
Identification No.)

**Location: 1200 East Algonquin Road, Elk Grove Township, Illinois**

**60007**

**Mailing Address: P. O. Box 66919, Chicago, Illinois**

**60666**

(Address of principal executive offices)

(Zip Code)

**Registrant's telephone number, including area code: (847) 700-4000**

**Securities registered pursuant to Section 12(b) of the Act: None**

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

Title of Each Class

Common Stock, \$.01 par value

Depository Shares each representing

1/1000 of a share of Series B

Preferred Stock, without par value

## Edgar Filing: UAL CORP /DE/ - Form 10-K/A

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  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 checkmark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2).

Yes  No

The aggregate market value of voting stock held by non-affiliates of the Registrant was \$159,222,577 as of June 30, 2004. The number of shares of common stock outstanding as of February 28, 2005 was 116,220,959.

### EXPLANATORY NOTE

We are filing this Form 10-K/A (Amendment No. 1) to our Annual Report on Form 10-K for the fiscal year ended December 31, 2004, which was originally filed on March 16, 2005, to re-file the Report of Independent Registered Public Accounting Firm, under Items 8 and 9A as well as Exhibit 23, the Consent of Independent Registered Public Accounting Firm. The sole reason we are filing this amendment is because the original filing inadvertently omitted the name and conformed signature of Deloitte & Touche LLP on both the Reports and Consent.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

### REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of  
UAL Corporation  
Elk Grove Township, Illinois

We have audited the accompanying consolidated statements of financial position of UAL Corporation (Debtor-in-Possession) and subsidiaries as of December 31, 2004 and 2003 and the related consolidated statements of operations, stockholders' deficit, and cash flows for each of the three years in the period ended December 31, 2004. Our audits also included the financial statement schedules listed in the Index at Item 15. These consolidated financial statements and the financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audit.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of UAL Corporation (Debtor-in-Possession) and subsidiaries as of December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2004 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in Note 1, the Company filed for reorganization under Chapter 11 of the United States Bankruptcy Code. The accompanying financial statements do not purport to reflect or provide for the consequences of the bankruptcy proceedings. In particular, such financial statements do not purport to show (a) as to assets, their realizable value on a liquidation basis or their availability to satisfy liabilities; (b) as to prepetition liabilities, the amounts that may be allowed for claims or contingencies, or the status and priority thereof; (c) as to stockholder accounts, the effect of any changes that may be made in the capitalization of the Company; or (d) as to operations, the effect of any changes that may be made in its business.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1, as a result of the bankruptcy filing, realization of assets and satisfaction of liabilities, without substantial adjustments and/or changes in ownership, are subject to uncertainty and raise substantial doubt about the Company's ability to continue as a going concern. Management's plan concerning these matters is also discussed in Note 1. The financial statements do not include adjustments that might result from the outcome of this uncertainty.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2004, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 15, 2005 expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP  
 DELOITTE & TOUCHE LLP  
 Chicago, Illinois  
 March 15, 2005

UAL Corporation and Subsidiary Companies  
 (Debtor and Debtor-In-Possession)  
Statements of Consolidated Operations  
 (In millions, except per share)

	<u>Year Ended December 31</u>		
	<u>2004</u>	<u>2003</u>	<u>2002</u>
Operating revenues:			
Passenger - United Airlines	\$ 12,483	\$ 11,317	\$ 12,127
Passenger - Regional affiliates	1,927	1,529	1,281
Cargo	704	630	673
Other operating revenues	<u>1,277</u>	<u>1,452</u>	<u>1,741</u>
	<u>16,391</u>	<u>14,928</u>	<u>15,822</u>

Edgar Filing: UAL CORP /DE/ - Form 10-K/A

Operating expenses:			
Salaries and related costs	5,006	5,377	7,018
Aircraft fuel	2,943	2,072	1,921
Regional affiliates	2,425	1,921	1,621
Purchased services	1,462	1,301	1,411
Landing fees and other rent	964	930	1,021
Depreciation and amortization	874	968	960
Aircraft maintenance	747	572	560
Cost of sales	709	959	1,166
Aircraft rent	533	612	851
Commissions	305	277	416
Other operating expenses	1,277	1,273	1,565
Special items (Note 3)	=	<u>26</u>	<u>149</u>
	<u>17,245</u>	<u>16,288</u>	<u>18,659</u>
Loss from operations	<u>(854)</u>	<u>(1,360)</u>	<u>(2,837)</u>
Other income (expense):			
Interest expense	(449)	(527)	(590)
Interest capitalized	1	3	25
Interest income	25	55	60
Gain on sale of investments	158	135	46
Gain on sale of affiliate's stock	-	23	-
Non-operating special items (Note 3)	5	(251)	-
Government compensation	-	300	130
Reorganization items, net	(611)	(1,173)	(10)
Miscellaneous, net	<u>(1)</u>	<u>(9)</u>	<u>(22)</u>
	<u>(872)</u>	<u>(1,444)</u>	<u>(361)</u>
Loss before income taxes, equity in earnings (losses) of affiliates and distributions on preferred securities	(1,726)	(2,804)	(3,198)
Credit for income taxes	=	=	=
Loss before equity in earnings (losses) of affiliates and distributions on preferred securities	(1,726)	(2,804)	(3,198)
Equity in earnings (losses) of affiliates	<u>5</u>	<u>(4)</u>	<u>(7)</u>
Loss before distributions on preferred securities	<u>(1,721)</u>	(2,808)	(3,205)
Distributions on preferred securities	=	=	<u>(7)</u>
Net loss	\$ <u>(1,721)</u>	\$ <u>(2,808)</u>	\$ <u>(3,212)</u>
Per share, basic and diluted:			
Net loss	\$ <u>(15.25)</u>	\$ <u>(27.36)</u>	\$ <u>(53.55)</u>

See accompanying Notes to Consolidated Financial Statements.

Edgar Filing: UAL CORP /DE/ - Form 10-K/A

UAL Corporation and Subsidiary Companies  
 (Debtor and Debtor-In-Possession)  
Statements of Consolidated Financial Position  
 (In millions)

<u>Assets</u>	<u>December 31</u>	
	<u>2004</u>	<u>2003</u>
Current assets:		
Cash and cash equivalents	\$ 1,223	\$ 1,640
Restricted cash	877	679
Short-term investments	78	78
Receivables, less allowance for doubtful accounts (2004 - \$24; 2003 - \$26)	951	929
Aircraft fuel, spare parts and supplies, less obsolescence allowance (2004 - \$42; 2003 - \$36)	234	264
Deferred income taxes	96	22
Prepaid expenses and other	<u>455</u>	<u>412</u>
	<u>3,914</u>	<u>4,024</u>
Operating property and equipment:		
Owned -		
Flight equipment	13,702	14,014
Advances on flight equipment	173	173
Other property and equipment	<u>3,870</u>	<u>3,818</u>
	17,745	18,005
Less - Accumulated depreciation and amortization	<u>(5,626)</u>	<u>(5,132)</u>
	<u>12,119</u>	<u>12,873</u>
Capital leases -		
Flight equipment	2,624	2,636
Other property and equipment	<u>84</u>	<u>84</u>
	2,708	2,720
Less - Accumulated amortization	<u>(653)</u>	<u>(555)</u>
	<u>2,055</u>	<u>2,165</u>
	<u>14,174</u>	<u>15,038</u>
Other assets:		
Investments	24	53
Intangibles, less accumulated amortization (2004 - \$217; 2003 - \$355)	399	406
Pension assets	665	904

Edgar Filing: UAL CORP /DE/ - Form 10-K/A

Aircraft lease deposits	540	679
Prepaid rent	158	158
Other	<u>831</u>	<u>717</u>
	<u>2,617</u>	<u>2,917</u>
	\$ <u>20,705</u>	\$ <u>21,979</u>

See accompanying Notes to Consolidated Financial Statements.

UAL Corporation and Subsidiary Companies  
(Debtor and Debtor-In-Possession)  
Statements of Consolidated Financial Position  
(In millions, except share data)

	<u>December 31</u>	
<u>Liabilities and Stockholders' Deficit</u>	<u>2004</u>	<u>2003</u>
Current liabilities:		
Long-term debt maturing within one year	\$ 875	\$ 663
Current obligations under capital leases	28	26
Advance ticket sales	1,361	1,330
Accounts payable	601	501
Accrued salaries, wages and benefits	2,100	2,299
Other accrued liabilities	<u>1,496</u>	<u>1,293</u>
	<u>6,461</u>	<u>6,112</u>
Long-term debt (Note 9)	<u>154</u>	-
Long-term obligations under capital leases	<u>147</u>	<u>163</u>
Other liabilities and deferred credits:		
Deferred pension liability (Note 15)	2,333	4,747
Postretirement benefit liability (Note 15)	1,920	1,924
Deferred income taxes	389	285
Other	<u>946</u>	<u>700</u>
	<u>5,588</u>	<u>7,656</u>
Liabilities subject to compromise (Note 8)	<u>16,035</u>	<u>13,964</u>
Commitments and contingencies (Note 16)		
Stockholders' deficit:		

Edgar Filing: UAL CORP /DE/ - Form 10-K/A

Serial preferred stock (Note 11)	-	-
ESOP preferred stock (Note 12)	-	-
Common stock at par, \$0.01 par value; authorized 200,000,000 shares; issued 132,342,405 shares at December 31, 2004 and 126,498,211 shares at December 31, 2003	1	1
Additional capital invested	5,064	5,066
Retained deficit	(7,946)	(6,225)
Stock held in treasury, at cost - Preferred, 10,213,519 depository shares at December 31, 2004 and 2003 (Note 11)	(305)	(305)
Common, 16,121,446 shares at December 31, 2004 and 16,083,032 shares at December 31, 2003	(1,162)	(1,164)
Accumulated other comprehensive loss	(3,332)	(3,288)
Other	=	(1)
	<u>(7,680)</u>	<u>(5,916)</u>
	<u>\$ 20,705</u>	<u>\$ 21,979</u>

See accompanying Notes to Consolidated Financial Statements.

UAL Corporation and Subsidiary Companies  
(Debtor and Debtor-In-Possession)  
Statements of Consolidated Cash Flows  
(In millions)

	<u>Year Ended December 31</u>		
	<u>2004</u>	<u>2003</u>	<u>2002</u>
Cash flows provided (used) by operating activities:			
Net loss before reorganization items	\$ (1,110)	\$ (1,635)	\$ (3,202)
Adj to reconcile to net cash provided (used) by operating activities -			
Gain on sale of investments	(158)	(158)	(46)
Pension funding less than expense	327	610	451
Deferred postretirement benefit expense	(51)	367	339
Depreciation and amortization	874	938	970
Provision for deferred income taxes	-	-	665
Undistributed (earnings) losses of affiliates	(5)	(2)	8
Decrease (increase) in receivables	(19)	(133)	262
Decrease (increase) in other current assets	(25)	(169)	130

Edgar Filing: UAL CORP /DE/ - Form 10-K/A

Increase (decrease) in advance ticket sales	31	309	(162)
Increase (decrease) in accrued income taxes	5	275	(85)
Decrease in accounts payable and accrued liabilities	27	(324)	(704)
Increase in accrued aircraft rent	25	427	63
Amortization of deferred gains	(93)	(99)	(64)
Other, net	<u>271</u>	<u>595</u>	<u>236</u>
	<u>99</u>	<u>1,001</u>	<u>(1,139)</u>
Cash flows provided (used) by reorganization activities:			
Reorganization items, net	(611)	(1,173)	(10)
Transfer of Company lease certificates	-	223	-
Increase in liabilities	311	732	10
Pension curtailment	152	-	-
Loss on disposition of property	-	<u>36</u>	-
	<u>(148)</u>	<u>(182)</u>	-
Cash flows provided (used) by investing activities:			
Additions to property and equipment	(267)	(150)	(157)
Proceeds on disposition of property and equipment	21	123	364
Proceeds on sale of investments	218	150	137
Decrease in short-term investments	-	310	552
Increase in restricted cash	(198)	(100)	(578)
Other, net	<u>(96)</u>	<u>(62)</u>	<u>(247)</u>
	<u>(322)</u>	<u>271</u>	<u>71</u>
Cash flows provided (used) by financing activities:			
Proceeds from issuance of long-term debt	-	-	950
Proceeds from DIP financing	513	252	700
Repayment of long-term debt	(180)	(257)	(1,338)
Repayment of DIP financing	(313)	(289)	-
Principal payments under capital leases	(244)	(270)	(220)
Decrease in equipment certificates under Company leases	-	-	296
Decrease in short-term borrowings	-	-	(133)
Aircraft lease deposits, net	173	216	19
Cash dividends	-	-	(7)
Other, net	<u>5</u>	<u>12</u>	<u>(1)</u>
	<u>(46)</u>	<u>(336)</u>	<u>266</u>
Increase (decrease) in cash and cash equivalents during the year	(417)	754	(802)
Cash and cash equivalents at beginning of year	<u>1,640</u>	<u>886</u>	<u>1,688</u>
Cash and cash equivalents at end of year	<u>\$ 1,223</u>	<u>\$ 1,640</u>	<u>\$ 886</u>

See accompanying Notes to Consolidated Financial Statements.



Edgar Filing: UAL CORP /DE/ - Form 10-K/A

UAL Corporation and Subsidiary Companies  
(Debtor and Debtor-In-Possession)  
Statements of Consolidated Stockholders' Deficit  
(In millions, except per share)

	Accumulated							Total
	Preferred	Common	Additional Capital	Retained	Treasury	Other		
						Stock	Stock	
Balance at December 31, 2001	\$ -	\$ 1	\$ 4,995	\$ (199)	\$ (1,485)	\$ (275)	\$ (4)	\$ 3,033
Net loss	-	-	-	(3,212)	-	-	-	(3,212)
Other comprehensive income, net:								
Unrealized losses on investments, net	-	-	-	-	-	(40)	-	(40)
Unrealized gains on derivatives, net	-	-	-	-	-	16	-	16
Minimum pension liability adj.	-	-	-	=	-	(2,364)	-	(2,364)
Total comprehensive income	-	-	-	(3,212)	-	(2,388)	-	(5,600)
Cash dividends on preferred								
stock (\$1.08 per Series B share)	-	-	-	(6)	-	-	-	(6)
Preferred stock committed to								
Supplemental ESOP	-	-	75	-	-	-	-	75
Other	=	=	=	=	13	=	2	15
Balance at December 31, 2002	=	1	5,070	(3,417)	(1,472)	(2,663)	(2)	(2,483)
Net loss	-	-	-	(2,808)	-	-	-	(2,808)
Other comprehensive income, net:								
Unrealized losses on investments, net	-	-	-	-	-	(2)	-	(2)
Unrealized gains on derivatives, net	-	-	-	-	-	7	-	7
Minimum pension liability adj.	-	-	-	=	-	(630)	-	(630)
Total comprehensive income	-	-	-	(2,808)	-	(625)	-	(3,433)
Preferred stock committed to								
Supplemental ESOP	-	-	2	-	-	-	-	2
Other	=	=	(6)	=	3	=	1	(2)
Balance at December 31, 2003	=	1	5,066	(6,225)	(1,469)	(3,288)	(1)	(5,916)
Net loss	-	-	-	(1,721)	-	-	-	(1,721)
Other comprehensive income, net:								
Unrealized gains on derivatives, net	-	-	-	-	-	3	-	3
Minimum pension liability adj.	=	=	=	=	=	(45)	=	(45)
Total comprehensive income	-	-	=	=	=	(42)	=	(42)
Other	=	=	(2)	=	2	(2)	1	(1)
Balance at December 31, 2004	\$ -	\$ 1	\$ 5,064	\$ (7,946)	\$ (1,467)	\$ (3,332)	\$ -	\$ (7,680)

See accompanying [Notes to Consolidated Financial Statements](#).

## **Notes to Consolidated Financial Statements**

### **(1) Voluntary Reorganization Under Chapter 11**

***Bankruptcy Considerations.*** On December 9, 2002 ("Petition Date"), UAL, United and 26 direct and indirect wholly owned subsidiaries filed voluntary petitions to reorganize their businesses under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Illinois, Eastern Division (the "Bankruptcy Court"). The Bankruptcy Court is jointly administering these cases as "In re UAL Corporation, et al., Case No. 02-B-48191." The consolidated financial statements shown here include certain subsidiaries that did not file to reorganize under Chapter 11. The assets and liabilities of these subsidiaries are not considered material to the consolidated financial statements.

As required by the Bankruptcy Code, the United States Trustee for the Northern District of Illinois appointed on December 13, 2002 an official committee of unsecured creditors (the "Creditors' Committee"). The Creditors' Committee and its legal representatives have a right to be heard on all matters that come before the Bankruptcy Court concerning our reorganization. There can be no assurance that the Creditors' Committee will support our positions or our plan of reorganization, and any disagreements between the Creditors' Committee and us could protract the Chapter 11 process, hinder our ability to operate during the Chapter 11 process, and delay our emergence from Chapter 11.

With the exception of our non-filing subsidiaries, we continue to operate our businesses as "debtors-in-possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure and applicable court orders. In general, as debtors-in-possession, we are authorized under Chapter 11 to continue to operate as an ongoing business, but may not engage in transactions outside the ordinary course of business without the prior approval of the Bankruptcy Court.

All vendors are being paid for all goods furnished and services provided after the Petition Date in the ordinary course of business. However, under Section 362 of the Bankruptcy Code, actions to collect most of our pre-petition liabilities are automatically stayed, among other things, except for liabilities relating to certain qualifying aircraft, aircraft engines and other aircraft-related equipment that are leased or subject to a security interest or conditional sale contract. Under Section 1110 of the Bankruptcy Code, actions to collect such aircraft-related pre-petition liabilities are automatically stayed for 60 days after the Petition Date (the stay of such actions in our case ended on February 7, 2003), except under two conditions: (a) the debtor may extend the 60-day period by agreement with the relevant financier and with court approval; or (b) the debtor may agree to perform all of the obligations under the applicable lease or financing and cure any defaults as required under the Bankruptcy Code. If neither of these conditions is met, the lessor or financier may demand the return of the aircraft and enforce any of its contractual rights or remedies to sell, lease or otherwise retain or dispose of such property.

We have negotiated with our aircraft lessors and lenders to restructure existing financings to reduce aircraft ownership costs to better reflect current market rates, and we have reached agreements in principle to restructure transactions with respect to a majority of our financed aircraft. However, the need for further cost reductions due to difficult changes in the airline industry, substantially higher fuel prices and the continuing weak revenue environment, has required us to re-examine these agreements and to seek to renegotiate certain of those financings. To the extent we are unable to restructure any financings that we believe are unaffordable under our revised business plan, we may face

the possibility that one or more lessors or lenders may seek to repossess aircraft. We also will need to finalize those agreements in principle, and to the extent we are unable to do so, we may likewise face the possibility of repossessions. In either case, the loss of a significant number of aircraft could result in a material adverse affect on our financial and operational performance.

We are currently in discussions with a large group of mostly public-market financiers to renegotiate an agreement in principle for a group of aircraft reached in the summer of 2004 from which we subsequently withdrew due to the need for further cost reductions. While we believe we can ultimately reach a mutually acceptable restructuring for the continued use of these aircraft at affordable rates, the financiers have demanded the return of certain aircraft and there can be no assurance that these aircraft will be available for our continued use. To date, repossession of these aircraft has been enjoined by the Bankruptcy Court, but to the extent the Bankruptcy Court, or another court of competent jurisdiction, permits the repossession of these or other aircraft, our financial and operational performance could be adversely affected.

We have also rejected or abandoned certain surplus aircraft to adjust our fleet size and composition to more closely match market demand. In addition, as part of ongoing negotiations with financiers, we have converted many long-term financing arrangements into short-term operating leases and, in several instances, re-acquired previously rejected aircraft as circumstances warranted.

Under Section 365 of the Bankruptcy Code, we may assume, assume and assign, or reject certain executory contracts and unexpired leases, including leases of real property, subject to the approval of the Bankruptcy Court and certain other conditions. By order of the Bankruptcy Court, our Section 365 rights to assume, assume and assign, or reject unexpired leases of non-residential real estate expire on the earlier of the date of termination of our exclusive period to file a plan of reorganization (currently, April 30, 2005) or the date of the conclusion of a disclosure statement hearing in connection with a proposed plan of reorganization.

In general, if we reject an executory contract or unexpired lease, it is treated as a pre-petition breach of the lease or contract in question and, subject to certain exceptions, relieves us of performing any future obligations. However, such a rejection entitles the lessor or contract counterparty to a pre-petition general unsecured claim for damages caused by such deemed breach and accordingly, the counterparty may file a claim against us for such damages. As a result, liabilities subject to compromise are likely to change in the future as a result of damage claims created by our rejection of various aircraft, executory contracts and unexpired leases. Generally, if we assume an aircraft financing agreement, executory contract or unexpired lease we are required to cure existing defaults under such contract or lease. We expect that the future assumption of certain executory contracts and unexpired leases may convert liabilities currently shown as subject to compromise to liabilities not subject to compromise.

To successfully emerge from Chapter 11, in addition to obtaining non-guaranteed exit financing, the Bankruptcy Court must confirm a plan of reorganization, the filing of which will depend on the timing and outcome of numerous ongoing matters in the Chapter 11 process. We expect to file a plan of reorganization that provides for UAL's emergence from bankruptcy later in 2005, but there can be no assurance that the Bankruptcy Court will confirm a plan of reorganization or that any such plan will be implemented successfully.

The reorganization plan will determine the rights and claims of various creditors and security holders. At this time, it is not possible to predict accurately the effect of the Chapter 11 reorganization process on our business, nor can we make any predictions concerning how each of these claims will be valued in the bankruptcy proceedings. We believe that UAL's presently outstanding equity securities will have no value and will be canceled under any plan of reorganization that we propose. For this reason, we urge that caution be exercised with respect to existing and future investments in any UAL security.

**Financial Statement Presentation.** We have prepared the accompanying consolidated financial statements in accordance with American Institute of Certified Public Accountants' Statement of Position 90-7 ("SOP 90-7"),

"Financial Reporting by Entities in Reorganization Under the Bankruptcy Code," and on a going-concern basis, which assumes continuity of operations, realization of assets and satisfaction of liabilities in the ordinary course of business.

SOP 90-7 requires that the financial statements for periods subsequent to a Chapter 11 filing separate transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Accordingly, all transactions (including, but not limited to all professional fees, realized gains and losses and provisions for losses) directly associated with the reorganization and restructuring of the business are reported separately in the financial statements. As of December 31, 2004, 2003 and 2002, we had recognized the following reorganization expenses in our financial statements:

(In millions)	<u>Year Ended December 31</u>		
	<u>2004</u>	<u>2003</u>	<u>2002</u>
Aircraft rejection charges	\$ 341	\$ 721	\$ -
Transfer of lease certificates	-	223	-
Professional fees	160	142	10
Curtailement charges	152	-	-
Severance and employee retention	13	94	-
Interest income	(19)	(16)	-
Other	<u>(36)</u>	<u>2</u>	<u>-</u>
	<u>\$ 611</u>	<u>\$ 1,173</u>	<u>\$ 10</u>

Aircraft rejection charges are non-cash costs that include our estimate of claims resulting from United's rejection of certain aircraft leases and return of aircraft as part of the bankruptcy process.

During 2003, we renegotiated certain off-balance sheet leases subject to Section 1110 of the Bankruptcy Code. Under the terms of the revised leases, we surrendered our investment in the junior portion of the original lease debt to the original equity participant. As a result, our investment in the corresponding lease certificates was reduced to zero, resulting in a \$223 million non-cash charge in reorganization items.

As we restructure aircraft financings as permitted by Section 1110 of the Bankruptcy Code, our policy is to reflect the revised lease rates in aircraft rent once we have signed definitive term sheets for the financing.

During 2004, we recognized a pension curtailment charge of \$152 million associated with a motion filed by the PBGC to involuntarily terminate (on December 30, 2004) the Company's defined benefit pension plan for covered members of ALPA. Based upon the involuntary nature of the termination of the defined benefit pension plan and its direct relationship to the Company's reorganization, the 2004 curtailment charge is classified as a reorganization expense.

The Statements of Consolidated Financial Position distinguish pre-petition liabilities subject to compromise from both those pre-petition liabilities that are not subject to compromise and from post-petition liabilities. Liabilities subject to compromise are reported at the amounts expected to be allowed by the Bankruptcy Court, even if they may be settled for lesser amounts. For further details, see Note 8, "Liabilities Subject to Compromise".

In addition, as a result of the Chapter 11 filing, the realization of assets and satisfaction of liabilities, without substantial adjustments and/or changes in ownership, are subject to uncertainty. While operating as debtors-in-possession under the protection of Chapter 11 and subject to approval of the Bankruptcy Court and the terms of the applicable DIP Financing covenants, or otherwise as permitted in the ordinary course of business, we may sell or otherwise dispose of assets (including aircraft) and liquidate or settle liabilities for some amounts other than those reflected in the consolidated financial statements. Further, the forthcoming plan of reorganization could

materially change the amounts and classifications in the historical consolidated financial statements.

Pursuant to the Bankruptcy Code, we have filed schedules with the Bankruptcy Court identifying our assets and liabilities as of the Petition Date, while our creditors have been able to file proofs of claim with the Bankruptcy Court and we expect new claims to be filed in the future. Approximately 44,000 proofs of claim (including late-filed claims) have been filed so far with the Bankruptcy Court requesting payments from United. Through the claims resolution process we have identified many claims which we believe should be disallowed by the Bankruptcy Court, for a number of reasons such as our identification of claims that are duplicative, have been amended or superseded by later filed claims, are without merit, or are otherwise overstated. We have filed omnibus objections to many of these claims and will continue to file additional objections. As of December 31, 2004, approximately 31,000 of the total claims have either been withdrawn by the claimants or disallowed by the Bankruptcy Court.

As of December 31, 2004, approximately 13,000 proofs of claim totaling \$57 billion remain filed with the Bankruptcy Court. The remaining amount of the proofs of claim filed continues to far exceed our estimate of ultimate liability. Differences in amount between claims filed by creditors and liabilities shown in our records continue to be investigated and resolved in connection with our claims resolution process. While we have made significant progress to date, we expect this process to continue for some time and believe that further resolution of claims will enable us to determine with more precision the likely range of creditor distributions under a proposed plan of reorganization. We have recorded liability amounts for the claims that can be reasonably estimated and which we believe are probable of being allowed by the Bankruptcy Court and we have classified these as liabilities subject to compromise in the attached Statements of Consolidated Financial Position.

We will continue to evaluate existing and new claims filed and will make adjustments, as appropriate. To date, such adjustments have been material and we anticipate that future adjustments will be material as well. At this time, the ultimate number and allowed amount of such claims cannot be determined, due primarily to the uncertainties of the Chapter 11 process, and the in-progress state of our investigation and resolution of submitted claims.

**DIP Financing.** In connection with UAL's Chapter 11 case, the Company arranged DIP Financing. The initial DIP Financing consisted of two facilities, a \$300 million facility provided by Bank One N.A., which was repaid in full as of December 31, 2004, and a \$1.2 billion revolving credit and letter of credit facility. Subsequently, we reached agreements to modify terms of the DIP Financing. As of December 31, 2004, the DIP Financing consisted of a \$1.0 billion facility of which \$900 million was available due to a \$100 million holdback for collateral maintenance and liquidation expenses. The facility included a revolving credit and letter of credit facility of \$200 million and a term loan of \$800 million, which was scheduled to mature on June 30, 2005. We had the option of borrowing under the DIP Financing at an interest rate of the prime rate plus 4% or LIBOR plus 5% (with a LIBOR floor of 3%) and fees. As of December 31, 2004, we had outstanding borrowings of \$863 million at a rate of 8%. In addition, as of the end of 2004, letters of credit were issued under the DIP Financing in the amount of \$37 million. We were required to maintain a minimum unrestricted cash balance of \$750 million.

The terms of the DIP Financing include covenants that require us to satisfy ongoing monthly financial requirements, including minimum EBITDAR thresholds and limitations on capital expenditures. Failure to comply with these covenants would constitute a default of the DIP Financing, which would allow the lenders to accelerate the loan. For the months of October, November and December of 2004, we obtained a waiver from the providers of the DIP Financing for the default provisions regarding our EBITDAR covenant.

The terms of the DIP Financing also contain financial covenants that do not permit us to make payments inconsistent with our business plan, unless the lenders otherwise consent based on approval of a modified business plan. To preserve the Company's liquidity, our business plan does not provide for contributions to our defined benefit pension plans.

Effective February 22, 2005, we reached an agreement with the DIP Financing lenders to modify certain terms of the DIP Financing. The modified DIP Financing extends the maturity date to September 30, 2005, amends the interest rates to prime rate plus 3.5% or LIBOR plus 4.5%, modifies and extends the minimum EBITDAR covenants through August 31, 2005, allows for a future reduction in the minimum unrestricted cash balance from \$750 million to \$600 million if certain EBITDAR milestones are met and provides a waiver for the default provisions regarding our EBITDAR covenant for the month of January 2005.

Borrowing availability is determined by a formula based on a percentage of eligible assets. The eligible assets consist of certain previously unencumbered aircraft, spare engines, spare parts inventory, certain flight simulators and quick engine change kits. The underlying value of such assets may fluctuate periodically due to prevailing market conditions and fluctuations in value may have an impact on the borrowing availability under the DIP Financing. Availability may be further limited by additional reserves imposed by the lending banks in their commercially reasonable discretion.

The DIP Financing is guaranteed by UAL and United and all filing subsidiaries and is secured by first priority liens on all unencumbered present and future assets and by junior liens on all other assets, other than certain specified assets, including assets which are subject to financing agreements that are entitled to the benefits of Section 1110 and to the extent such financing agreements prohibit such junior liens.

## **(2) Summary of Significant Accounting Policies**

**(a) Basis of Presentation** - UAL is a holding company whose principal subsidiary is United. The consolidated financial statements include the accounts of UAL and all of our majority-owned affiliates. We sometimes collectively refer to UAL Corporation, together with our consolidated subsidiaries, as "we," "UAL" or the "Company." All significant intercompany transactions are eliminated. Certain prior year amounts have been reclassified to conform to the current year's presentation. See (i) "United Express" below for details.

**(b) Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**(c) Airline Revenues** - We record passenger fares and cargo revenues as operating revenues when the transportation is provided. The value of unused passenger tickets is included in current liabilities as advance ticket sales. We periodically evaluate the balance in advance ticket sales and record any adjustments, which can be material, in the period the evaluation is completed. In addition, we have code-sharing agreements with other airlines under which one carrier's flights can be marketed under the two-letter airline designator code of another carrier. Revenues earned under these arrangements are allocated between the code share partners based on existing contractual agreements and airline industry standard prorate formulas and are recognized as passenger revenue when the transportation is provided.

**(d) Cash and Cash Equivalents and Short-Term Investments** - Cash in excess of operating requirements is invested in short-term, highly liquid, income-producing investments. Investments with a maturity of three months or less on their acquisition date are classified as cash and cash equivalents. Other investments are classified as short-term investments.

At December 31, 2004 and 2003, we had \$10 million and \$140 million, respectively, of investments in debt securities that were classified as available-for-sale, and \$1.1 billion and \$1.5 billion, respectively, that were classified as held-to-maturity. Investments in debt securities classified as available-for-sale are stated at fair value, based on the quoted market prices for the securities, which does not differ significantly from their cost basis. Investments classified as held-to-maturity are stated at cost, which approximates market due to their short-term maturities. The gains or losses from sales of available-for-sale securities are included in interest income for each respective year.

We had \$877 million and \$679 million classified as short-term restricted cash at December 31, 2004 and 2003, respectively, representing security for worker compensation obligations, security deposits for airport leases and reserves with institutions that process our credit card ticket sales.

**(e) Aircraft Fuel, Spare Parts and Supplies** - Aircraft fuel and maintenance and operating supplies are stated at average cost. Flight equipment spare parts are stated at average cost less an obsolescence allowance.

**(f) Operating Property and Equipment** - Owned operating property and equipment are stated at cost. Property under capital leases, and the related obligation for future lease payments, is recorded at an amount equal to the initial present value of those lease payments.

Depreciation and amortization of owned depreciable assets is based on the straight-line method over the assets' estimated service lives. Leasehold improvements are amortized over the remaining period of the lease or the estimated service life of the related asset, whichever is less. Aircraft are depreciated to estimated salvage values, generally over lives of 25 to 30 years; buildings are depreciated over lives of 25 to 45 years; and other property and equipment are depreciated over lives of 3 to 15 years.

Properties under capital leases are amortized on the straight-line method over the life of the lease or, in the case of certain aircraft, over their estimated service lives. Lease terms are 10 to 22 years for aircraft and 29 years for buildings. Amortization of capital leases is included in depreciation and amortization expense.

Maintenance and repairs, including the cost of minor replacements, are charged to maintenance expense as incurred, except for our costs incurred under our power by the hour engine maintenance agreement, which are accrued monthly based upon the number of hours flown. Costs of additions to and renewals of units of property are capitalized as property and equipment additions.

**(g) Mileage Plus Awards** - United's Mileage Plus frequent flyer program awards miles to passengers who fly on United, Ted, United Express, the Star Alliance carriers and certain other airlines that participate in the program. Additionally, United sells mileage credits to participating airline partners in the Mileage Plus program and ULS sells mileage credits to non-airline business partners. In either case, the outstanding miles may be redeemed for travel on any airline that participates in the program.

When a travel award level is attained by a Mileage Plus member, we record a liability for the estimated cost of such awards. Our cost includes an estimated incremental cost to United for future travel redeemed on United, or the contractually determined amount per award for travel redeemed on other participating airline partners.

Members may not reach the threshold necessary for a free ticket award and outstanding miles may not always be redeemed for free travel. Therefore, based on historical data and other information, we estimate how many miles will never be used for an award and exclude those miles from our estimate of the Company's liability. We also estimate the number of miles that will be used per award which can vary depending upon member choices from alternatives.

For miles earned by members through non-airline business partners, a portion of revenue from the sale of mileage is deferred and recognized when the transportation is provided.

**(h) Deferred Gains** - Gains on aircraft sale and leaseback transactions are deferred and amortized over the terms of the related leases as a reduction of aircraft rent expense.

**(i) United Express** - United has marketing agreements under which independent regional carriers, flying under the United Express ("UAX") name, connect passengers to other United-branded flights, which we refer to as mainline operations.

Historically, we have paid UAX regional carriers on a fee-per-departure basis and included the revenues derived from them in passenger revenue, net of these expenses. Beginning in the third quarter of 2004, our Statements of Consolidated Operations reflect reclassifications of regional carrier revenue and expenses in order to provide better presentation of results of operations for our United Airlines mainline and United Express (Regional affiliates). Revenues and expenses for all of our UAX carriers are now presented gross on our financial statements as "Regional affiliates". Prior periods have been reclassified to conform to the current year's presentation. These reclassifications did not impact our operating loss, net loss or related per share amounts for any period presented.

The following table shows the effect of these reclassifications on operating revenues and operating expenses for amounts previously reported in prior years:

<u>(In millions)</u>	<u>Year Ended December 31</u>	
	<u>2003</u>	<u>2002</u>
Increase in operating revenues	\$ 1,204	\$ 1,536
Increase in operating expenses	1,204	1,536

Additionally, contractual payments made to UAX regional carriers include payments for aircraft operated by them as United Express and as a result, we consider these aircraft to be effectively leased by UAL. Accordingly, the minimum future lease payments for these UAX-operated aircraft are included in our lease obligations as described in Note 10, "Lease Obligations."

We also have call options on 185 regional jets owned or leased by these carriers. The call option is intended to allow United to secure control over regional jets used for United Express flying in the event a United Express agreement is terminated and are exercisable only if United maintains a specified credit rating and the United Express carrier fails to meet required operating and/or financial performance levels for a specified period of time. None of the call options are exercisable at this time.

Generally, the marketing agreements (or capacity purchase agreements) with our regional carriers are not considered to be variable interest entities ("VIEs"), as all but one regional carrier meets the definition of an independent business. In the case of one agreement, substantially all of that regional carrier's revenues are derived from United. The current capacity purchase agreement with this entity is effective from October 1, 2003 through December 31, 2014. Qualitatively, we have determined that United is not the primary beneficiary of this VIE. We believe our exposure to loss under this agreement is not material.

**(j) Advertising** - Advertising costs, which are included in other operating expenses, are expensed as incurred. Advertising expense was \$250 million, \$190 million and \$169 million for the years ended December 31, 2004, 2003 and 2002, respectively.

**(k) Intangibles** - Intangibles consist primarily of route acquisition costs and intangible pension assets (see Note 15, "Retirement and Postretirement Plans").

SFAS No. 142, "Goodwill and Other Intangible Assets" requires companies to test intangibles for impairment on an annual basis or on an interim basis when a triggering event occurs. At December 31, 2004, we performed an evaluation of our intangibles and determined that the fair value remained in excess of the book value.

The following information relates to our intangibles at December 31, 2004 and 2003:

<u>(In millions)</u>	<u>2004</u>	<u>2003</u>
----------------------	-------------	-------------



Edgar Filing: UAL CORP /DE/ - Form 10-K/A

	Gross Carrying <u>Amount</u>	Accumulated <u>Amortization</u>	Gross Carrying <u>Amount</u>	Accumulated <u>Amortization</u>
Amortized intangible assets				
Airport Slots and Gates	\$ 38	\$ 23	\$ 184	\$ 167
Other	<u>51</u>	<u>28</u>	<u>51</u>	<u>23</u>
	<u>\$ 89</u>	<u>\$ 51</u>	<u>\$ 235</u>	<u>\$ 190</u>
Unamortized intangible assets				
Route Authorities	\$ 344		\$ 344	
Goodwill	<u>17</u>		<u>17</u>	
	<u>\$ 361</u>		<u>\$ 361</u>	

Gates are amortized on a straight-line basis over the life of the related leases. Airport slots and other intangibles are amortized over periods of 2 to 5 years. Total amortization expense recognized was \$5 million in 2004, \$8 million in 2003 and \$12 million in 2002. We expect to record amortization expense of \$4 million in 2005, and \$3 million in each of 2006, 2007, 2008 and 2009, with respect to amortized intangible assets recorded as of December 31, 2004.

During 2004, we removed the book value on certain airport slots that were fully-amortized in accordance with Company policy. This lowered our gross carrying amount and accumulated amortization by approximately \$145 million each.

Route authorities are rights granted by governments to operate flights to and from a particular country. These authorities are very specific and limited, fixed in nature and are rarely available in the marketplace. Accordingly, route authorities are highly valued and sought-after assets by all airlines. During 2004, we obtained third-party appraisals of our route authorities that indicated that the market value of these assets continues to be in excess of their book value.

Slots and gates, like routes, are highly valued assets that do not frequently come into the marketplace. We believe that their market value continues to be in excess of recorded book value.

**(l) Measurement of Impairments** - We recognize an impairment charge when an asset's carrying value exceeds its net undiscounted future cash flows and its fair market value. The amount of the charge is the difference between the asset's carrying value and fair market value.

**(m) Stock Option Accounting** - At December 31, 2004, we had certain stock-based employee compensation plans, as described in Note 14, "Stock Options and Awards." We account for these plans under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," ("APB 25") and related Interpretations. No stock-based employee compensation cost for stock options is reflected in our financial statements as provided under APB 25, as all options granted under the plans had an exercise price equal to the market value of the underlying common stock on the date of grant.

If compensation cost for stock-based employee compensation plans had been determined using the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," we would have reported our net loss and loss per share as the pro forma amounts indicated below:

(In millions, except per share)

Year Ended December 31

2004

2003

2002

Edgar Filing: UAL CORP /DE/ - Form 10-K/A

Net loss, as reported	\$(1,721)	\$(2,808)	\$ (3,212)
Less: Total compensation expense determined under			
fair value method	<u>(10)</u>	<u>(14)</u>	<u>(28)</u>
Net loss, pro forma	<u>\$(1,731)</u>	<u>\$(2,822)</u>	<u>\$(3,240)</u>
Net loss per share:			
Basic and Diluted - as reported	\$ (15.25)	\$ (27.36)	\$ (53.55)
Basic and Diluted - pro forma	\$ (15.34)	\$ (27.50)	\$ (54.01)

**(n) New Accounting Pronouncements** - In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123 (Revised 2004), "*Share-Based Payment*" ("SFAS 123R") which establishes standards for accounting for transactions in which an entity obtains employee services in exchange for stock options or share-based payments. SFAS 123R requires that the compensation cost (as measured by the fair value of the equity or liability instruments issued) relating to share-based payment transactions be recognized in financial statements. This statement replaces SFAS No. 123, "*Accounting for Stock-Based Compensation*," and supersedes APB Opinion No. 25, "*Accounting for Stock Issued to Employees*." Currently we account for stock options under APB Opinion No. 25 as permitted by SFAS No. 123. SFAS No. 123R is effective for the first interim or annual reporting period that begins after June 15, 2005. The Company will recognize compensation expense for its participation in stock-based compensation plans for the portion of outstanding awards for which the employee service has not yet been rendered, based on the grant date fair value of those awards calculated under SFAS 123R. We anticipate the adoption of SFAS 123R will have no material impact on our financial statements.

**(o) Tax Contingencies** - We have recorded reserves for taxes and associated interest in accordance with SFAS No. 5, "*Accounting for Contingencies*", that may become payable in future years as a result of audits by tax authorities. Although we believe that the positions taken by the Company on previously filed tax returns are reasonable, we nevertheless have established tax and interest reserves in recognition that various taxing authorities may challenge the positions taken by the Company resulting in additional liabilities for taxes and interest. The tax reserves are reviewed as circumstances warrant and adjusted as events occur that affect our potential liability for additional taxes, such as lapsing of applicable statutes of limitations, conclusion of tax audits, additional exposure based on current calculations, identification of new issues, release of administrative guidance, or rendering a court decision affecting a particular tax issue.

**(3) Special Items**

**2004 -**

**Air Canada.** During the third quarter of 2004, Air Canada successfully emerged from bankruptcy protection under the Companies' Creditors Arrangement Act ("CCAA") of the Canada Business Corporation Act. We had filed a pre-petition claim against Air Canada based on our equity interest in three Airbus A330 aircraft leased to Air Canada. As part of its plan of reorganization, Air Canada offered its unsecured creditors the opportunity to participate in their initial public offering. We subscribed to 986,986 shares in the reorganized company in August 2004 and sold them in October 2004 for a nominal gain. Separately, we sold our interest in our pre-petition claim to a third party and recorded a non-operating gain of \$18 million during the third quarter of 2004.

**Aircraft Write-down.** During the first quarter of 2004, we incurred a \$13 million charge in non-operating expense for the write-down of certain non-operating B767 aircraft.

**2003 -**

**Aircraft Impairment.** As a result of our review of our operating fleet as part of our overall restructuring, we decided to accelerate the retirement of our B767-200 aircraft from 2008 to 2005. Therefore, in accordance with SFAS No. 144, we reviewed the B767-200 fleet for impairment and adjusted the carrying value of these aircraft to their fair

market values, as estimated using third party appraisals. An impairment charge of \$26 million was recorded in the third quarter of 2003.

**Aircraft Write-down.** During the third quarter of 2003, we also incurred a \$25 million charge in non-operating expense for the write-down of certain non-operating B767 aircraft.

**Curtailed Charge.** Due to the ratification of new labor contracts for our major employee groups, which resulted in lower wage and benefit levels and significant levels of employee attrition (both voluntary and involuntary), we recorded a curtailment charge of \$152 million in the second quarter of 2003, which is included in salaries and related costs.

**Air Canada.** On April 1, 2003, Air Canada filed for protection under the CCAA of the Canada Business Corporation Act. During 2003, we recorded a non-operating special charge of \$226 million in connection with Air Canada's CCAA filing. The charge included \$46 million for the impairment of our investment in Air Canada preferred stock, \$91 million to record a liability resulting from our guarantee of Air Canada debt, and \$89 million for the write-off of our equity interest in three Airbus A330 aircraft leased to Air Canada. We consider the liability for the guarantee to be a pre-petition obligation and accordingly, have classified it in liabilities subject to compromise.

**Government Compensation.** On April 16, 2003, the Emergency Wartime Supplemental Appropriations Act ("Wartime Act") was signed into law. The legislation included approximately \$3 billion of direct compensation for U.S. airlines. Of the total, \$2.4 billion was intended to compensate air carriers for lost revenues and costs related to aviation security (including \$100 million for reinforcing cockpit doors). In addition, collection of passenger security fees and payment of air carrier security fees were suspended from June 1 through September 30, 2003.

In addition, the Wartime Act required that the total compensation of the two most highly-compensated executives of certain airlines (including United) be limited, during the period between April 1, 2003 and April 1, 2004, to the salary they were paid in 2002. We executed a contract with the government agreeing to comply with these limits. Any violation of this provision would have required us to repay the government the amount of compensation we received for airline security fees described above. We believe that we complied with this provision and that the likelihood of repaying the government is remote. In May 2003, we received approximately \$300 million in compensation under the Wartime Act. In September 2003, we received an additional \$14 million for cockpit door reinforcement, which was accounted for as recovery of the capitalized cost of door reinforcements previously completed.

## 2002 -

**Avolar.** On March 22, 2002, we announced the orderly shutdown of our wholly owned subsidiary Avolar, which was formed in early 2001 to operate and sell fractional ownership interests in premium business aircraft. In connection with Avolar's closing, we recorded a special charge of \$82 million in the first quarter 2002 which included aircraft deposits and termination fees (\$55 million), operating-related expenses (\$18 million), severance-related costs (\$7 million) and other costs (\$2 million). This charge was classified as other operating expense.

In accordance with EITF No. 94-3, "*Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity*," we identified those charges that should be recognized at the time management had committed to an exit plan. The resulting special charge included current period and future estimated liabilities incurred that would not produce any future economic benefits.

Specifically, the current period expenses included in the charge were related to obligations incurred prior to the commitment date, including costs for promotional flights, consultant fees for the development of computer systems, advertising in anticipation of operations and other miscellaneous expenses.

**Government Compensation.** As part of the Act enacted in response to the events of September 11, 2001, the federal government made \$5.0 billion in federal grants available to the airline industry. During 2002, we received our

final allocation of the grant money under the Act of \$130 million.

**Severance.** During the fourth quarter of 2002, we announced the closing of three reservation centers, a maintenance line and four international stations and the conversion of five stations to United Express service, which resulted in the furloughing of a number of employees. Additionally, in connection with our plan to decrease the airline's flying schedule, as well as overall cost-saving measures, we announced a reduction in employment levels effective January and February 2003. As a result of the announced furloughs, we recorded a special charge of \$67 million.

**Reconciliation of Accruals** - In the period following September 11, 2001, we recorded an accrual of \$162 million to reflect our estimate of the early termination fees associated with certain contracts. This obligation has yet to be resolved, and therefore continues to be included in liabilities subject to compromise in its entirety.

Following is a reconciliation of activity related to the accruals for the reduction in force:

(In millions)	<u>Reduction in force</u>
Balance at December 31, 2002	\$ <u>67</u>
Accruals	59
Payments	(81)
Reversal of overaccruals	<u>(40)</u>
Balance at December 31, 2003	\$ <u>5</u>
Accruals	8
Payments	(10)
Reversal of overaccruals	
Balance at December 31, 2004	\$ <u>3</u>

**(4) Per Share Amounts**

Basic loss per share amounts were computed by dividing net loss by the weighted-average number of shares of common stock outstanding during the year.

<u>Loss Attributable to Common Stockholders (in millions)</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Net loss	\$(1,721)	\$(2,808)	\$(3,212)
Preferred stock dividend requirements	<u>(10)</u>	<u>(10)</u>	<u>(10)</u>
Loss attributable to common stockholders	<u>\$(1,731)</u>	<u>\$(2,818)</u>	<u>\$(3,222)</u>

Shares (in millions)

Weighted average shares outstanding	113.5	103.0	60.2
-------------------------------------	-------	-------	------

<u>Loss Per Share</u>	\$(15.25)	\$(27.36)	\$(53.55)
-----------------------	-----------	-----------	-----------

Stock options to purchase approximately 10 million shares of common stock at December 31, 2004, 11 million shares of common stock at December 31, 2003 and 13 million shares of common stock at December 31, 2002 were outstanding but were not included in the computation of earnings per share because the exercise price of the options in all periods was greater than the average market price of the common shares. In addition, approximately 6 million and

34 million shares of convertible ESOP preferred stock for years 2003 and 2002, respectively, were not included in the computation as the result would have been antidilutive.

**(5) Comprehensive Income (Loss)**

Accumulated other comprehensive income (loss) is made up of the following (net of taxes in 2001):

(In millions)	Unrealized Gain/(Loss) <u>on Investments</u>	Unrealized Losses on <u>Derivatives</u>	Minimum Pension <u>Liability</u>	<u>Other</u>	<u>Total</u>
Balance at December 31, 2001	\$ 43	\$ (46)	\$ (272)	\$ -	\$ (275)
Current year net change	<u>(40)</u>	<u>16</u>	<u>(2,364)</u>	-	<u>(2,388)</u>
Balance at December 31, 2002	3	(30)	(2,636)	-	(2,663)
Current year net change	<u>(2)</u>	<u>7</u>	<u>(630)</u>	-	<u>(625)</u>
Balance at December 31, 2003	1	(23)	(3,266)	-	(3,288)
Current year net change	<u>(1)</u>	<u>3</u>	<u>(45)</u>	<u>(1)</u>	<u>(44)</u>
Balance at December 31, 2004	\$-	\$ <u>(20)</u>	\$ <u>(3,311)</u>	\$ <u>(1)</u>	\$ <u>(3,332)</u>

**(6) Income Taxes**

In 2004, UAL incurred both a regular and an alternative minimum tax ("AMT") loss. The primary differences between our regular tax loss and AMT loss are the depreciation adjustments and preferences.

In assessing the realizability of our deferred tax assets, management considers whether it is more likely than not that some portion of the deferred tax asset will be realized. During 2004, 2003 and 2002, we recorded a valuation allowance against our deferred tax assets.

The 2002 provision (credit) for income taxes is summarized as follows:

<u>(In millions)</u>	<u>2002</u>
Current -	
Federal	\$ (669)
State	<u>4</u>
	<u>(665)</u>
Deferred -	
Federal	755
State	<u>(90)</u>
	<u>665</u>
	\$-

The significant components of the deferred income tax provision (credit) are as follows:

<u>(In millions)</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
----------------------	-------------	-------------	-------------

Edgar Filing: UAL CORP /DE/ - Form 10-K/A

Deferred tax provision (exclusive of the other components listed below)	\$ (640)	\$ (1,017)	\$ (495)
Increase in the valuation allowance for deferred tax assets	<u>640</u>	<u>1,017</u>	<u>1,160</u>
	\$-	\$-	<u>\$ 665</u>

The income tax provision differed from amounts computed at the statutory federal income tax rate, as follows:

<u>(In millions)</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Income tax provision at statutory rate	\$ (602)	\$ (983)	\$(1,124)
State income taxes, net of federal income tax benefit	(28)	(48)	(56)
Nondeductible employee meals	9	10	13
Valuation allowance	640	1,017	1,160
Other, net	<u>(19)</u>	<u>4</u>	<u>7</u>
	\$-	\$-	\$-

Temporary differences and carryforwards that give rise to a significant portion of deferred tax assets and liabilities for 2004 and 2003 are as follows:

<u>(In millions)</u>	<u>2004</u>		<u>2003</u>	
	Deferred Tax	Deferred Tax	Deferred Tax	Deferred Tax
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Employee benefits, including postretirement medical and ESOP	\$ 2,026	\$ 30	\$ 1,918	\$ 33
Depreciation, capitalized interest and transfers of tax benefits	-	3,539	-	3,928
Federal and state net operating loss carryforwards	2,370	-	1,917	-
Mileage Plus deferred revenue	147	-	205	-
Gains on sale and leasebacks	115	-	220	-
Rent expense	706	-	735	-
AMT credit carryforwards	294	-	294	-
Restructuring charges	408	-	450	-
Other	1,369	1,340	1,099	957
Less: Valuation allowance	<u>(2,819)</u>	=	<u>(2,183)</u>	=
	<u>\$ 4,616</u>	<u>\$ 4,909</u>	<u>\$ 4,655</u>	<u>\$ 4,918</u>

At December 31, 2004, UAL and its subsidiaries had \$294 million of federal AMT credits and \$2.4 billion of federal and state tax benefits resulting from \$6.1 billion of net operating losses which may be carried forward to reduce the tax liabilities of future years. Federal tax benefits of \$0.2 billion expire in 2022, \$1.2 billion expire in 2023, \$0.3 billion expire in 2024 and \$0.3 billion expire in 2025.

We have determined that it is more likely than not that our net deferred tax asset at December 31, 2004, will be realized through the reversals of existing deferred tax credits.

### **(7) Investments**

In January 2002, we sold our remaining investment in Cendant for net proceeds of \$137 million, resulting in a gain of \$46 million.

At December 31, 2002, we owned approximately 14% of Hotwire, a leading discount travel website, through a combination of stocks and warrants. On November 5, 2003, IAC/InterActive Corp acquired all of the outstanding common stock of Hotwire for cash and the assumption of outstanding options and warrants. As a result, we tendered all of our shares, including options and warrants, in Hotwire for \$85 million in cash, resulting in a gain of \$81 million.

In December 2003, Orbitz completed an initial public offering of its stock, which resulted in a reduction of our ownership percentage. As a result, we recognized a gain of \$23 million in accordance with Staff Accounting Bulletin No. 51 "*Accounting for Sales of Stock by a Subsidiary*". In addition, we sold a portion of our investment in Orbitz for cash proceeds of \$65 million and recognized a gain of \$54 million. On September 29, 2004, Cendant and Orbitz announced their planned merger. Cendant offered to acquire all of the outstanding common stock of Orbitz for cash. In addition, we entered into a Stockholder Agreement to tender our shares. Subsequent to Bankruptcy Court approval, we tendered all of our shares in Orbitz for \$185 million in cash, resulting in a gain of \$158 million.

### **(8) Liabilities Subject to Compromise**

Liabilities subject to compromise refers to both secured and unsecured obligations which will be accounted for under a plan of reorganization, including claims incurred prior to the Petition Date. They represent the estimated amount expected to be allowed on known or potential claims to be resolved through the Chapter 11 process, and remain subject to future adjustments arising from negotiated settlements, actions of the Bankruptcy Court, rejection of executory contracts and unexpired leases, the determination as to the value of any collateral securing claims, proofs of claim or other events. To date, such adjustments, as reflected in reorganization expense, have been material and we anticipate that future adjustments will be material as well.

Differences between liability amounts we have estimated and claims filed by our creditors are being investigated and the Bankruptcy Court will make a final determination of the allowable claims. The determination of how these liabilities ultimately will be treated cannot be made until the Bankruptcy Court approves a plan of reorganization. We will continue to evaluate the amounts of these liabilities through the remainder of the Chapter 11 process. To the extent that we identify additional amounts subject to compromise, we recognize them accordingly. As a result, the amounts of liabilities subject to compromise are subject to change.

At December 31, we had liabilities subject to compromise consisting of the following:

<u>(In millions)</u>	<u>2004</u>	<u>2003</u>
Long-term debt, including accrued interest	\$ 7,261	\$ 7,695
Aircraft-related accruals and deferred gains	3,480	3,235
Pilots' qualified defined benefit pension plan	2,478	-
Capital lease obligations, including accrued interest	1,779	1,989
Accounts payable	295	301
Other	<u>742</u>	<u>744</u>

\$ 16.035      \$ 13.964

**(9) Long-Term Debt**

As of December 31, 2004, long-term debt consisted of the DIP Financing and debt associated with certain aircraft operated by Air Canada ("Air Canada debt"). All of the DIP Financing (which is described more fully in Note 1, "Voluntary Reorganization Under Chapter 11 - DIP Financing") is classified as current. As of December 31, 2004, we had outstanding debt of \$166 million associated with an operating lease for aircraft operated by Air Canada. The debt has a fixed interest rate of 7.15% and is scheduled to mature at various times through January 2016.

All of our pre-petition debt is in default due to the Chapter 11 filing. In general, we are not permitted to make payments on pre-petition debt while in Chapter 11; however, to the extent we have reached agreements with certain financiers on specific aircraft governed by Section 1110 of the Bankruptcy Code, we have continued to make payments on the secured notes financing the aircraft with approval of the Bankruptcy Court. In addition, we have rejected certain aircraft that were originally financed under secured notes and have written off \$624 million in principal amount of these notes. Our pre-petition debt, which is included in liabilities subject to compromise, consisted of the following as of December 31:

(In millions)	<u>December 31</u>	
	<u>2004</u>	<u>2003</u>
Secured notes, 1.62% to 9.52%, averaging 4.82%, due through 2014	\$ 6,019	\$ 6,388
Debentures, 9.00% to 11.21%, averaging 9.89%, due through 2021	646	646
Special facility bonds, 5.63% to 6.38%, averaging 5.90%, due through 2035	493	493
Preferred securities of trust, 13.25%, due 2026	<u>97</u>	<u>97</u>
	<u>\$ 7,255</u>	<u>\$ 7,624</u>

At December 31, 2004, we had recorded \$493 million in special facilities revenue bonds to finance the acquisition and construction of certain facilities at Los Angeles, San Francisco, Miami and Chicago. We guarantee the payment of these bonds under various payment and loan agreements. The bond proceeds are restricted to expenditures on the facilities and unspent amounts are classified as other assets in the Statements of Consolidated Financial Position.

As a result of reaching agreements for specific aircraft under Section 1110, we currently anticipate making the following principal payments under long-term debt agreements (including the DIP Financing and Air Canada debt) in each of the next five years: 2005 - \$985 million; 2006 - \$140 million; 2007 - \$144 million; 2008 - \$186 million and 2009 - \$132 million. However, because the agreements are subject to change until such time as we emerge from bankruptcy, these expected payment amounts are also subject to change.

Various assets, principally aircraft, having an aggregate book value of \$9.4 billion at December 31, 2004, were pledged as security under various loan agreements.

The carrying amount of our borrowings under the DIP Financing approximates fair value. The fair value of our debt included in liabilities subject to compromise cannot be reasonably estimated at December 31, 2004.



We have a subsidiary trust that has Trust Originated Preferred Securities ("TOPrS") outstanding with a liquidation value of \$97 million. These securities were issued in December 1996 and were previously reported on our Statements of Consolidated Financial Position as Company-Obligated Mandatorily Redeemable Preferred Securities of a Subsidiary Trust. The trust is considered a variable interest entity under FASB Interpretation No. 46R, "*Consolidation of Variable Interest Entities - Revised*" ("FIN 46R") because we have a limited ability to make decisions about its activities. However, we are not considered the primary beneficiary of the trust. Therefore, the trust and the Mandatorily Redeemable Preferred Securities issued by the trust are no longer reported on our Statements of Consolidated Financial Position. Instead, we report our Junior Subordinated Debentures held by the trust as long-term debt included in liabilities subject to compromise.

### **(10) Lease Obligations**

UAL leases aircraft, airport passenger terminal space, aircraft hangars and related maintenance facilities, cargo terminals, other airport facilities, real estate, office and computer equipment and vehicles. As allowed under Section 365 of the Bankruptcy Code, we may assume, assume and assign, or reject certain executory contracts and unexpired leases, including leases of real property, aircraft and aircraft engines, subject to the approval of the Bankruptcy Court and certain other conditions. Consequently, we anticipate that our liabilities pertaining to leases, and related amounts discussed below, will change significantly in the future.

At December 31, 2004, scheduled future minimum lease payments under capital leases (substantially all of which are for aircraft) and operating leases having initial or remaining noncancelable lease terms of more than one year were as follows:

(In millions)	Operating Leases		Capital
	<u>Aircraft</u>	<u>Non-aircraft</u>	<u>Leases</u>
Payable during -			
2005	\$ 885	\$ 546	\$ 157
2006	802	469	169
2007	785	442	249
2008	785	433	207
2009	753	422	197
After 2009	<u>4,333</u>	<u>3,872</u>	<u>756</u>
Total minimum lease payments	<u>\$ 8,343</u>	<u>\$ 6,184</u>	<u>\$ 1,735</u>

As of December 31, 2004, we leased 260 aircraft, 57 of which were under capital leases. These leases have initial terms of 10 to 26 years, and expiration dates ranging from 2006 through 2024. Under the terms of all leases, we have the right to purchase the aircraft at the end of the lease term, in some cases at fair market value and in others at fair market value or a percentage of cost. Additionally, the above amounts include lease payments related to our UAX contracts for 46 aircraft under capital leases and 128 aircraft under operating leases as described in Note 2(i), "Summary of Significant Accounting Policies - United Express."

Certain of our aircraft lease transactions contain provisions such as put options giving the lessor the right to require us to purchase the aircraft at lease termination for a certain amount resulting in residual value guarantees. Leases containing this or similar provisions are recorded as capital leases on the balance sheet and, accordingly, any and all residual value guarantee amounts contained in an aircraft lease are fully reflected as capital lease obligations on the Statements of Consolidated Financial Position.

In connection with the financing of certain aircraft accounted for as capital leases, United had on deposit at December 31, 2004 an aggregate 385 million euro (\$525 million) and \$15 million in certain banks and had pledged an

irrevocable security interest in such deposits to certain of the aircraft lessors. These deposits will be used to pay off an equivalent amount of recorded capital lease obligations.

Amounts charged to rent expense, net of minor amounts of sublease rentals, were \$1.1 billion in 2004, \$1.2 billion in 2003 and \$1.5 billion in 2002.

In the first quarter of 2004, we adopted FASB Interpretation No. 46, "*Consolidation of Variable Interest Entities*" ("FIN 46") and FIN 46R which requires disclosure of certain information about VIEs that are consolidated and certain other information about VIEs that are not consolidated.

We have various financing arrangements for aircraft in which the lessors are trusts established specifically to purchase, finance and lease aircraft to us. These leasing entities meet the criteria for variable interest entities; however, we are not considered the primary beneficiary of the leasing entities if the lease terms are consistent with market terms at the inception of the lease and do not include a residual value guarantee, fixed-price purchase option or similar feature that obligates us to absorb decreases in value or entitles us to participate in increases in the value of the aircraft. These financing arrangements include 114 aircraft operating leases which contain a fair market value purchase option. These leases are subject to, and will become effective upon, the assumption of the leases by United and confirmation of the plan of reorganization. In addition, the Company has 84 operating leases that have either fixed price or fair market value purchase options, the majority of which the Company expects to renegotiate as permitted under Section 1110. United does not guarantee the residual value of these aircraft.

#### **(11) Serial Preferred Stock**

At December 31, 2004, we had outstanding 3,203,177 depositary shares, each representing 1/1000 of one share of Series B 12 1/4% preferred stock, with a liquidation preference of \$25 per depositary share (\$25,000 per Series B preferred share) and a stated capital of \$0.01 per Series B preferred share. We have the option to redeem any portion of the Series B preferred stock or the depositary shares for cash after July 11, 2004, at the equivalent of \$25 per depositary share, plus accrued dividends. The Series B preferred stock is not convertible into any other securities, has no stated maturity and is not subject to mandatory redemption. As a result of our bankruptcy filing, we do not intend to redeem any portion of the Series B preferred stock or the depositary shares.

The Series B preferred stock ranks senior to all other preferred and common stock outstanding, except the TOPrS, as to receipt of dividends and amounts distributed upon liquidation. The Series B preferred stock has voting rights only to the extent required by law and with respect to charter amendments that adversely affect the preferred stock or the creation or issuance of any security ranking senior to the preferred stock. Additionally, if dividends are not paid for six cumulative quarters, the Series B preferred stockholders are entitled to elect two additional members to the UAL Board of Directors until all dividends are paid in full. In accordance with our restated certificate of incorporation, we are authorized to issue a total of 50,000 shares of Series B preferred stock.

On September 30, 2002, we announced the suspension of the payment of dividends on the Series B preferred stock. As a result of our Chapter 11 filing, we are no longer accruing for dividends on the Series B preferred stock. The amount of dividends in arrears is approximately \$22 million as of December 31, 2004.

UAL is authorized to issue up to 15,986,584 additional shares of serial preferred stock.

#### **(12) ESOP Preferred Stock**

The following activity relates to outstanding shares of ESOP preferred stocks:

Edgar Filing: UAL CORP /DE/ - Form 10-K/A

	<u>Class 1 ESOP</u>	<u>Class 2 ESOP</u>	<u>Voting ESOP</u>
Balance December 31, 2001	<u>11,858,902</u>	<u>1,973,712</u>	<u>15,243,624</u>
Shares issued	-	980,724	-
Converted to common	<u>(5,346,850)</u>	<u>(1,362,881)</u>	<u>(6,790,616)</u>
Balance December 31, 2002	<u>6,512,052</u>	<u>1,591,555</u>	<u>8,453,008</u>
Shares issued	-	253,763	-
Converted to common	<u>(5,330,851)</u>	<u>(1,565,612)</u>	<u>(7,040,647)</u>
Balance December 31, 2003	<u>1,181,201</u>	<u>279,706</u>	<u>1,412,361</u>
Converted to common	<u>(1,181,201)</u>	<u>(279,706)</u>	<u>(1,412,361)</u>
Balance December 31, 2004	-	-	-

On June 26, 2003, the ESOP was terminated following the publication of a regulation by the Internal Revenue Service that would permit the distribution of the remaining ESOP shares to plan participants without jeopardizing our ability to utilize our net operating losses. As a result of the termination of the ESOP, employees were given until August 18, 2003 to make elections for distribution of their stock in the plan. For participants who did not make an election regarding their stock prior to the August 18 deadline, the stock remained in the plan and distributions continued on a monthly basis until June of 2004, when we implemented a forced distribution of the remaining shares in the plan. On June 28, 2004, all remaining ESOP shares were converted to common and either distributed to participants at their request or transferred to a broker account in their name.

Each share of Class 1 and Class 2 ESOP Preferred Stock was convertible into four shares of UAL common stock. Shares typically were converted to common as employees retired or otherwise left the Company. The stock was nonvoting, with a par value of \$0.01 per share and a liquidation value of \$126.96 per share. The Class 1 ESOP Preferred Stock provided a fixed annual dividend of \$8.8872 per share, which ceased on March 31, 2000; the Class 2 ESOP Preferred Stock did not pay a fixed dividend.

The Voting ESOP Preferred Stock had a par value and liquidation preference of \$0.01 per share. The stock was not entitled to receive any dividends and was convertible into .0004 shares of UAL common stock.

**(13) Common Stockholders' Equity**

Changes in the number of shares of UAL common stock outstanding during the years ended December 31 were as follows:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Shares outstanding at beginning of year	110,415,179	82,367,963	54,984,178
Shares issued from treasury under compensation arrangements	21,078	113,735	181,401
Shares acquired for treasury	(59,483)	(10,317)	(1,398)
Forfeiture of restricted stock	-	(84,000)	-
Conversion of ESOP preferred stock	5,844,194	28,027,830	27,197,566
Other	<u>(9)</u>	<u>(32)</u>	<u>6,216</u>
Shares outstanding at end of year	<u>116,220,959</u>	<u>110,415,179</u>	<u>82,367,963</u>

**(14) Stock Options and Awards**

Edgar Filing: UAL CORP /DE/ - Form 10-K/A

The Company has granted options to purchase common stock to various officers and employees. The option price for all stock options is at least 100% of the fair market value of UAL common stock at the date of grant. The options generally vest and become exercisable in four equal, annual installments beginning one year after the date of grant, and generally expire in ten years. We did not issue any stock options during 2004 or 2003. We expect that our existing stock options will become worthless upon emergence from bankruptcy.

We have also awarded shares of restricted stock to certain officers and key employees. These shares generally vest over a five-year period and are subject to certain transfer restrictions and forfeiture under certain circumstances prior to vesting. Unearned compensation, representing the fair market value of the stock at the measurement date for the award, is amortized to salaries and related costs over the vesting period. During 2002, 175,000 shares of restricted stock were issued from treasury. No shares were issued in 2004 or 2003. The amortization of restricted stock resulted in \$1 million in compensation expense being recorded in 2002. As of December 31, 2004, all restricted shares were fully vested.

SFAS No. 123 establishes a fair value based method of accounting for stock options. As discussed in Note 2(m), "Summary of Significant Accounting Policies - Stock Option Accounting," we have elected to continue using the intrinsic value method of accounting prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," as permitted by SFAS No. 123, and amended by SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure."

The fair value of each option grant made in 2002 was estimated on the date of grant using the Black-Scholes option valuation model with the following assumptions:

	<u>2002</u>
Risk-free interest rate	4.8%
Dividend yield	0.0%
Volatility	46.0%
Expected life (years)	4.0

Stock option activity for the past three years was as follows:

	<u>2004</u>		<u>2003</u>		<u>2002</u>	
	Shares	Wtd. Avg. Exer. Price	Shares	Wtd. Avg. Exer. Price	Shares	Wtd. Avg. Exer. Price
Outstanding at beginning of year	11,205,495	\$ 34.19	14,452,150	\$ 33.69	10,744,224	\$ 47.44
Granted	-	-	-	\$ -	5,785,975	\$ 10.22
Terminated	<u>(1,640,884)</u>	22.65	<u>(3,246,655)</u>	\$ 31.77	<u>(2,078,049)</u>	\$ 39.42
Outstanding at end of year	9,564,611	36.17	11,205,495	\$ 34.19	14,452,150	\$ 33.69
Options exercisable at year-end	7,531,153	\$ 41.97	7,530,761	\$ 41.99	6,567,992	\$ 47.89
Reserved for future grants at year-end	18,973,645		17,332,761		14,051,244	

Wtd. avg. fair value of options

Edgar Filing: UAL CORP /DE/ - Form 10-K/A

granted during the year \$ - \$ - \$ 4.15

The following information relates to stock options outstanding as of December 31, 2004:

Range of Exercise Prices	Outstanding at December 31, 2004	<u>Options Outstanding</u>		<u>Options Exercisable</u>	
		Remaining Contractual Life	Weighted-Average Exercise Price	Exercisable at December 31, 2004	Weighted-Average Exercise Price
\$ 1 to 13	3,540,936	7.4 years	\$ 8.93	1,936,803	\$ 9.25
\$ 14 to 29	486,500	5.7 years	\$ 17.04	486,500	\$ 17.04
\$ 30 to 45	1,756,925	6.0 years	\$ 37.52	1,327,600	\$ 37.56
\$ 46 to 59	1,608,300	3.4 years	\$ 53.34	1,608,300	\$ 53.31
\$ 60 to 69	1,180,000	4.2 years	\$ 62.77	1,180,000	\$ 62.77
\$ 70 to 88	<u>991,950</u>	3.3 years	\$ 81.04	<u>991,950</u>	\$ 81.04
	9,564,611			7,531,153	

**(15) Retirement and Postretirement Plans**

We have various retirement plans, both defined benefit (qualified and non-qualified) and defined contribution, which cover substantially all employees. We also provide certain health care benefits, primarily in the U.S., to retirees and eligible dependents, as well as certain life insurance benefits to certain retirees. The Company has reserved the right, subject to collective bargaining agreements, to modify or terminate the health care and life insurance benefits for both current and future retirees.

On December 30, 2004, the PBGC filed a complaint against the Company in the District Court to seek the involuntary termination of the defined benefit pension plan of United's pilots. The PBGC is seeking to assume pension responsibility for the Company's active and retired pilots, with benefit accruals terminated effective December 30, 2004. The Company's motion to refer the PBGC's involuntary termination action to the Bankruptcy Court was granted by the District Court on January 27, 2005. The PBGC has indicated that it may appeal the District Court's decision. The Company is evaluating its legal and other options. The Company recorded a \$152 million curtailment charge in the fourth quarter of 2004 relating to the PBGC's involuntary termination action and reclassified the associated pension obligations of \$2.5 billion to liabilities subject to compromise.

On May 19, 2004, the FASB issued FASB Staff Position No. 106-2 ("FSP 106-2") which superseded FASB Staff Position No. 106-1 ("FSP 106-1") and provided specific guidance on accounting for the federal subsidy provided to sponsors of certain retiree health care benefit plans. The issuance of FSP 106-2 did not significantly change our accounting for the federal subsidy, which reduced the accumulated postretirement benefit obligation by approximately \$280 million when we adopted FSP 106-1 in late 2003. The expected federal subsidy decreased our postretirement cost in 2004 by approximately \$37 million.

The following table sets forth the reconciliation of the beginning and ending balances of the benefit obligation and plan assets, the funded status and the amounts recognized in the Statements of Consolidated Financial Position for

Edgar Filing: UAL CORP /DE/ - Form 10-K/A

the defined benefit and other postretirement plans as of December 31 (utilizing a measurement date of December 31):

(In millions)

<u>Change in Benefit Obligation</u>	<u>Pension Benefits</u>		<u>Other Benefits</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Benefit obligation at beginning of year	\$ 13,117	\$ 12,673	\$ 3,186	\$ 3,965
Service cost	241	295	42	86
Interest cost	787	815	151	225
Plan participants' contributions	1	2	36	23
Amendments	-	(66)	(674)	(1,382)
Actuarial (gain) loss	437	279	(98)	583
Curtailements	(160)	(81)	-	(113)
Foreign currency exchange rate changes	9	19	-	-
Special termination benefits	-	10	-	4
Benefits paid	<u>(855)</u>	<u>(829)</u>	<u>(242)</u>	<u>(205)</u>
Benefit obligation at end of year	<u>\$ 13,577</u>	<u>\$ 13,117</u>	<u>\$ 2,401</u>	<u>\$ 3,186</u>

Change in Plan Assets

	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Fair value of plan assets at beginning of year	\$ 6,961	\$ 6,298	\$ 117	\$ 119
Actual return on plan assets	843	1,400	5	6
Employer contributions	200	86	201	175
Plan participants' contributions	1	2	36	22
Foreign currency exchange rate changes	3	4	-	-
Benefits paid	<u>(856)</u>	<u>(829)</u>	<u>(242)</u>	<u>(205)</u>
Fair value of plan assets at end of year	<u>\$ 7,152</u>	<u>\$ 6,961</u>	<u>\$ 117</u>	<u>\$ 117</u>
Funded status	\$ (6,425)	\$ (6,156)	\$ (2,284)	\$ (3,069)
Unrecognized actuarial (gains) losses	3,953	3,903	1,865	2,048
Unrecognized prior service costs	636	870	(1,677)	(1,128)
Unrecognized net transition obligation	<u>8</u>	<u>11</u>	=	=
Net amount recognized	<u>\$ (1,828)</u>	<u>\$ (1,372)</u>	<u>\$ (2,096)</u>	<u>\$ (2,149)</u>

Amounts recognized in the statement of

<u>financial position consist of:</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Prepaid (accrued) benefit cost	\$ (1,828)	\$ (1,372)	\$ (2,096)	\$ (2,149)
Additional minimum liability	(4,133)	(4,327)	-	-
Intangible asset	665	904	-	-
Accumulated other comprehensive income	<u>3,468</u>	<u>3,423</u>	=	=
Net amount recognized	<u>\$ (1,828)</u>	<u>\$ (1,372)</u>	<u>\$ (2,096)</u>	<u>\$ (2,149)</u>

Increase in minimum liability included

in other comprehensive income \$ 45 \$ 630 na na

The following information relates to all pension plans with an accumulated benefit obligation in excess of plan assets:

	<u>December 31</u>	
<u>(In millions)</u>	<u>2004</u>	<u>2003</u>
Projected benefit obligation	\$ 13,577	\$ 13,117
Accumulated benefit obligation	13,107	12,653
Fair value of plan assets	7,152	6,961

The net periodic benefit cost included the following components:

<u>(In millions)</u>	<u>Pension Benefits</u>			<u>Other Benefits</u>		
	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Service cost	\$ 241	\$ 295	\$ 399	\$ 42	\$ 86	\$ 100
Interest cost	787	815	809	151	225	211
Expected return on plan assets	(706)	(718)	(822)	(9)	(9)	(9)
Amortization of prior service cost						
including transition obligation/(asset)	85	93	89	(125)	(57)	10
Curtailement charge	152	125	-	-	13	-
Special termination benefit	-	10	-	-	4	-
Recognized actuarial (gain)/loss	<u>93</u>	<u>73</u>	<u>26</u>	<u>89</u>	<u>102</u>	<u>27</u>
Net periodic benefit costs	<u>\$ 652</u>	<u>\$ 693</u>	<u>\$ 501</u>	<u>\$ 148</u>	<u>\$ 364</u>	<u>\$ 339</u>

Total pension expense for all retirement plans (including defined contribution plans) recognized in 2004, 2003 and 2002 respectively was \$598 million, \$804 million, and \$683 million.

The weighted-average assumptions used for the U.S. plans were as follows:

	<u>Pension Benefits</u>		<u>Other Benefits</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Weighted-average assumptions used to determine <u>benefit obligations at December 31</u>				
Discount rate	5.84%	6.25%	5.83%	6.25%
Rate of compensation increase	3.45%	3.44%	-	-
Weighted-average assumptions used to determine <u>net periodic benefit cost for years ended December 31</u>				
Discount rate	6.25%	6.51%	6.25%	6.43%
Expected long-term rate of return on plan assets	9.00%	9.00%	8.00%	8.00%

Edgar Filing: UAL CORP /DE/ - Form 10-K/A

Rate of compensation increase	3.44%	3.24%	-	-
-------------------------------	-------	-------	---	---

The expected return on plan assets is based on an evaluation of the historical behavior of the broad financial markets and the Company's investment portfolio, taking into consideration input from the plans' investment consultant and actuary regarding expected long-term market conditions and investment management performance.

<u>(In millions)</u>	<u>2004</u>	<u>2003</u>
Health care cost trend rate assumed for next year	9.00%	9.00%
Rate to which the cost trend rate is assumed to decline (ultimate trend rate)	4.50%	4.50%
Year that the trend rate reaches the ultimate trend rate	2010	2009

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one-percentage-point change in the assumed health care trend rate would have the following effects:

<u>(In millions)</u>	<u>1% Increase</u>	<u>1% Decrease</u>
Effect on total service and interest cost	\$ 21	\$ 17
Effect on postretirement benefit obligation	260	226

The weighted-average asset allocations for our qualified U.S. pension plans at December 31, 2004 and 2003, by asset category are as follows:

	<u>Plan Assets at December 31</u>	
<u>Asset Category</u>	<u>2004</u>	<u>2003</u>
Equity securities	63%	60%
Fixed income	32	35
Other	5	5
Total	100%	100%

Our targeted allocation of assets is to the following fund types: 60% equities, 35% fixed income and 5% other, with approximate expected long-term rates of return of 10%, 7.5% and 15%, respectively.

We believe that the long-term asset allocation on average will approximate the targeted allocation and regularly review the actual asset allocation to periodically rebalance the investments to the targeted allocation when appropriate. Pension expense is reduced by the expected return on plan assets, which is measured by assuming the market-related value of plan assets increases at the expected rate of return. The market-related value is a calculated value that phases in differences between the expected rate of return and the actual return over a period of five years.

The weighted-average asset allocation for our other benefit plans at December 31, 2004 and 2003, by asset category are as follows:

	<u>Plan Assets at December 31</u>	
<u>Asset Category</u>	<u>2004</u>	<u>2003</u>
Fixed income	100%	99%
Other	-	1
Total	100%	100%



We do not expect to make any further cash contributions to our qualified defined benefit pension plan trusts in 2005. However, we do plan to contribute approximately \$176 million to our other benefit plans in 2005. In addition, the following benefit payments, which include expected future service, as appropriate, are expected to be paid from the trusts:

(In millions)	<u>Pension Benefits</u>	<u>Other Benefits</u>	<u>Other Benefits - subsidy receipts</u>
2005	\$ 842	\$ 221	\$ -
2006	862	220	(16)
2007	884	231	(18)
2008	887	238	(21)
2009	896	245	(23)
Years 2010 - 2014	4,575	1,310	(138)

### **(16) Commitments, Contingent Liabilities and Uncertainties**

**General Guarantees and Indemnifications.** In the normal course of business, we enter into numerous real estate leasing and aircraft financing arrangements that have various guarantees included in the contracts. These guarantees are primarily in the form of indemnities. In both leasing and financing transactions, we typically indemnify the lessors, and any tax/financing parties against tort liabilities that arise out of the use, occupancy, operation or maintenance of the leased premises or financed aircraft. Currently, we believe that any future payments required under these guarantees or indemnities would be immaterial, as most tort liabilities and related indemnities are covered by insurance (subject to deductibles). Additionally, certain leased premises such as fueling stations or storage facilities include indemnities of such parties for any environmental liability that may arise out of or relate to the use of the leased premises.

**Financings and Guarantees.** In addition to common commercial lease transactions, we have entered into numerous long-term agreements to lease certain airport and maintenance facilities that are financed through tax-exempt special facilities revenue bonds and issued by various local municipalities to build or improve airport and maintenance facilities. Under these lease agreements, we are required to make rental payments in amounts sufficient to pay the maturing principal and interest payments on the bonds. However, as a result of our bankruptcy filing, we are not permitted to make payments on unsecured pre-petition debt. We have been advised that our municipal bonds may be unsecured (or in certain instances, partially secured) pre-petition debt. At December 31, 2004, \$1.2 billion in principal of such bonds was outstanding but not recorded in the Statements of Consolidated Financial Position in accordance with GAAP. As of December 31, 2004, UAL and United had jointly guaranteed \$60 million of such bonds and United had guaranteed \$1.2 billion of such bonds, including accrued interest.

During 2003, we filed four complaints for declaratory judgment and corresponding motions for temporary restraining orders concerning United's municipal bond obligations for facilities at DEN, JFK, SFO, and LAX. In each case, we sought clarification of our obligations to pay principal and interest under the applicable municipal bonds, and the protection of our rights concerning related airport lease agreements at the applicable airports.

On March 30, 2004, the Bankruptcy Court granted our motions for summary judgment with respect to the JFK, SFO and LAX municipal bonds, holding that our payment obligations related to municipal bonds financing airport improvements at these sites are not obligations arising under "leases" pursuant to Section 365 of the Bankruptcy Code. Based on this ruling, the outstanding \$248 million in principal in connection with these municipal bonds is considered pre-petition debt and the applicable accrued rent has been classified as liabilities subject to compromise.

In our adversary proceeding involving DEN, however, the Bankruptcy Court did not grant our motion for summary judgment. Rather, the Bankruptcy Court found that our payment obligations for the municipal bonds

financing airport improvements at DEN (which represents approximately \$261 million in principal) are obligations arising under a true lease. We have appealed the adverse ruling of the DEN proceeding, but in accordance with the Bankruptcy Court's order, we paid \$36 million into escrow for the April 2003, October 2003, April 2004 and October 2004 interest payments due for the DEN municipal bonds.

The defendants in the JFK, SFO and LAX adversary proceedings also appealed the Bankruptcy Court's ruling in the District Court. In November 2004, the District Court reversed the Bankruptcy Court's ruling and held in favor of the defendants in the SFO adversary proceeding. In January 2005, the District Court affirmed the Bankruptcy Court's ruling with respect to the DEN adversary proceeding and reversed the Bankruptcy Court's ruling with respect to the LAX adversary proceeding. On February 18, 2005, the District Court affirmed the Bankruptcy Court's ruling in the Company's favor in the JFK adversary proceeding.

The Company has appealed the District Court's ruling with respect to the SFO, LAX and DEN adversary proceedings to the United States Court of Appeals, Seventh Circuit. We expect that the defendants will appeal the ruling in the Company's favor in the JFK matter. The outcome of these matters is uncertain and, therefore, the ultimate treatment of these municipal bond obligations in reorganization is uncertain.

Similarly, in September 2003, we filed a complaint for declaratory judgment for all seven municipal bond issues (which represents approximately \$601 million in principal) relating to our facilities at Chicago O'Hare International Airport ("O'Hare"), seeking, among other things, a declaration that a certain cross-default provision in the O'Hare airport lease is unenforceable. On February 15, 2005, the Bankruptcy Court approved an agreement resolving the disputes between the parties to this proceeding that in effect reduces the Company's indebtedness related to these bond issues from approximately \$601 million to \$150 million. The City of Chicago, a party to these adversary proceedings, is not a party to the O'Hare Settlement Agreement.

The O'Hare Settlement Agreement requires the indenture trustees and certain designated bondholders to waive any existing defaults with respect to the bonds, and not to seek any further payment on account of the bonds beyond the consideration set forth in the O'Hare Settlement Agreement. It requires the Company, in connection with the confirmation of its plan of reorganization, to relinquish any claims to certain unused construction fund monies (which currently total approximately \$65 million) and to issue convertible debt to the counterparties in the O'Hare Settlement Agreement, upon emergence from bankruptcy of the reorganized UAL Corporation, having a par value of \$150 million.

As of December 31, 2004, we have paid into escrow cash payments totaling \$22 million related to interest due on the O'Hare municipal bonds for March, April, May, September, October and November of 2003 and for March, April and May of 2004. As part of the O'Hare Settlement Agreement, these escrow funds, less legal fees, will be remitted to the Company.

**Fuel Consortia.** We also participate in numerous fuel consortia with other carriers at major airports to reduce the costs of fuel distribution and storage. Interline agreements govern the rights and responsibilities of the consortia members and provide for the allocation of the overall costs to operate the consortia based on usage. The consortias (and in limited cases, the participating carriers) have entered into long-term agreements to lease certain airport fuel storage and distribution facilities that are typically financed through tax-exempt bonds (either special facilities lease revenue bonds or general airport revenue bonds), issued by various local municipalities. In general, the consortium lease agreement requires the consortium to make lease payments in amounts sufficient to pay the maturing principal and interest payments on the bonds. As of December 31, 2004, approximately \$488 million principal amount of such bonds were secured by fuel facility leases at major hubs in which we participate. United's maximum exposure is approximately \$166 million principal amount of such bonds based on our past consortia participation and will only trigger if the other participating carriers or consortia members default on their lease payments. The guarantees are set to expire when the tax-exempt bonds are paid in full, which ranges from 2010 to 2028. We did not record a liability at the time the indirect guarantees were made.

**EETC Debt.** In 1997 and 2000, we issued Enhanced Equipment Trust Certificates ("EETCs") to refinance certain owned aircraft and aircraft under operating leases. A portion of these proceeds are direct obligations of United and were recognized in the Statements of Consolidated Financial Position while certain proceeds were placed in trusts not owned or affiliated with United. The proceeds placed in off-balance sheet trusts were used to refinance the remaining bank debt of the lessors in existing leveraged leases with United. As of December 31, 2004, approximately \$300 million of these proceeds were placed in off-balance sheet trusts. For one of the trusts, United is the swap provider and pays fixed interest and receives variable interest that converts the trust's variable rate assets to fixed rate assets and converts United's variable rate lease payments to fixed rate lease payments.

**Legal and Environmental Contingencies.** UAL has certain contingencies resulting from litigation and claims (including environmental issues) incident to the ordinary course of business. Management believes, after considering a number of factors, including (but not limited to) the views of legal counsel, the nature of contingencies to which we are subject and prior experience, that the ultimate disposition of these contingencies will not materially affect the Company's consolidated financial position or results of operations.

We record liabilities for legal and environmental claims against us in accordance with GAAP. These amounts are recorded based on our assessments of the likelihood of their eventual settlements. The amounts of these liabilities could increase or decrease in the near term, based on revisions to estimates relating to the various claims. In addition, as a result of the bankruptcy filing, as of the Petition Date, virtually all pending litigation is stayed, and absent further order of the Bankruptcy Court, no party, subject to certain exceptions, may take any action, again subject to certain exceptions, to recover on pre-petition claims against us. Accordingly, we have classified certain of these liabilities as liabilities subject to compromise.

The Company anticipates that its liability from claims arising from the events of September 11, 2001 will be significant; however, we believe that, under the Act, our liability will be limited to our insurance coverage.

We have not incurred any material environmental obligations relating to the events of September 11, 2001.

**Commitments.** At December 31, 2004, commitments for the purchase of property and equipment, principally aircraft, approximated \$1.8 billion, after deducting advance payments. Since September 11, 2001, we have reached agreements with the aircraft manufacturers enabling us to delay delivery of future orders. Since resetting our fleet plan is critical to our overall restructuring, we continue to hold discussions regarding these deliveries. Our current commitments would require the payment of an estimated \$0.1 billion in 2005, \$0.6 billion in 2006 and 2007, \$0.5 billion in 2008 and \$0.6 billion in 2009 and thereafter primarily for the purchase of A319, A320 and B777 aircraft. It is likely that the amount and timing of these obligations will change, and could potentially be eliminated in their entirety. Additionally, the disposition of advance payments to the manufacturers of \$161 million is subject to the ultimate outcome of these discussions. In March 2005, United reached an agreement with respect to the undelivered B777 aircraft, eliminating this obligation and allowing United to use a significant portion of the approximately \$45 million in associated advance payments for other purposes. However, since that agreement remains subject to Bankruptcy Court approval, we have not excluded those commitments from the obligations above.

Approximately 80% of United's employees are represented by various U.S. labor organizations. In April 2003, we reached agreements with all of our labor unions for new collective bargaining agreements. These agreements became effective on May 1, 2003 and were to become amendable in six years. Subsequently, in January 2005, we reached new agreements with four of our six labor unions for new collective bargaining agreements. These agreements became effective January, 2005.

## **(17) Financial Instruments and Risk Management**

**Aircraft Fuel** - Aircraft fuel represented 17%, 13% and 10% of our total operating expenses for 2004, 2003 and 2002, respectively.

During the second quarter of 2004, we began to implement a strategy to hedge a portion of our price risk related to projected jet fuel requirements primarily through collar options. The collars (designated as cash flow hedges) involve the purchase of fuel call options with the simultaneous sale of fuel put options with identical expiration dates. These contracts are recorded at fair value with the changes in fair value, to the extent they are effective, recorded in other comprehensive income until the underlying hedged fuel is consumed. See Note 5 "Comprehensive Income (Loss)" for details. The fair value is determined by the use of standard option value models using commodity-related assumptions derived from prices observed in underlying markets. The impact of these hedge transactions was immaterial to our results of operations in 2004.

We have hedged approximately 11% of our 2005 projected fuel requirements at an average price of \$1.27 per gallon, excluding taxes. The fair value of these contracts was approximately \$3 million as of December 31, 2004 that was included in other comprehensive loss. We expect that the entire amount of \$3 million will be recognized as adjustments to fuel expense within the next 12 months. We plan to continue to hedge future fuel purchases for 2005 and beyond as circumstances and market conditions allow.

The following is a reconciliation of current period changes of the portion of stockholders' equity relating to derivatives that qualify as cash flow hedges:

<u>(In millions)</u>	<u>(decrease)/increase</u>
Balance as of December 31, 2003	\$ (23)
Current period change in fair value	58
Reclassifications into earnings	<u>(55)</u>
Balance as of December 31, 2004	<u>\$ (20)</u>

*Interest Rate* - United is a party to a series of interest rate swaps that convert floating-rate operating leases to fixed-rate leases. We have designated these swaps as cash flow hedges of the floating-rate leases and recorded these contracts at fair value with the effective portion recorded as a component of other comprehensive loss. As of December 31, 2004, we had \$130 million notional amount of interest rate swaps outstanding with a fair value to United of \$(29) million. The ineffectiveness resulting from the change in fair value of our interest rate hedge position was immaterial.

As the majority of this balance is associated with aircraft financings for which we have yet to reach agreements with the financiers, we are unable to determine what amount, if any, will be recorded in earnings in the next twelve months.

### **(18) Segment Information**

As is more fully discussed in Note 2(i) "Summary of Significant Accounting Policies - United Express", the Company has reclassified UAX revenues and expenses in its Consolidated Statement of Operations to reflect both gross revenue and gross expenses as opposed to prior practice in which these amounts were reported as net revenue. Segment disclosures have been restated for all periods presented to conform to these changes.

In accordance with DOT guidelines, we allocate mainline and regional affiliate passenger and cargo revenues to the North America segment based on the actual flown revenue for flights with an origin and destination wholly within the U.S. Passenger and cargo revenue is allocated to international segments based on the actual flown revenue for flights with an international origin or destination in that segment. Other revenues that are not directly associated with a specific flight (such as Red Carpet Club membership fees) are allocated based on the pro rata share of available seat miles flown in each segment.

Edgar Filing: UAL CORP /DE/ - Form 10-K/A

The accounting policies for each of these segments are the same as those described in Note 2, "Summary of Significant Accounting Policies," except that segment financial information has been prepared using a management approach which is consistent with how we internally disperse financial information for the purpose of making internal operating decisions. We evaluate segment financial performance based on earnings before income taxes, special items, reorganization items, government compensation and gain on sale of investments.

	<u>Year Ended December 31, 2004</u>							Inter- segment Elimination	UAL Consolidated Total
	<u>United Air Lines, Inc.</u>								
	North <u>America</u>	<u>Pacific</u>	<u>Atlantic</u>	Latin <u>America</u>	<u>ULS</u>	<u>Other</u>			
Revenue	\$10,510	\$2,684	\$1,964	\$ 406	\$ 822	\$ 5	\$ -	\$ 16,391	
Intersegment revenue	302	84	64	13	47	4	(514)	-	
Interest income	41	17	12	2	-	(47)	-	25	
Interest expense	265	109	74	14	47	(60)	-	449	
Equity in earnings of affiliates	3	1	1	-	-	-	-	5	
Depreciation and amortization	551	162	127	25	9	-	-	874	
Earnings (losses) before special items, gain on sale of investments and reorganization items	(1,408)	(42)	(62)	(33)	302	(30)	-	(1,273)	

	<u>Year Ended December 31, 2003</u>							Inter- segment Elimination	UAL Consolidated Total
	<u>United Air Lines, Inc.</u>								
	North <u>America</u>	<u>Pacific</u>	<u>Atlantic</u>	Latin <u>America</u>	<u>ULS</u>	<u>Other</u>			
Revenue	\$10,004	\$2,053	\$1,705	\$ 418	\$ 741	\$ 7	\$ -	\$ 14,928	
Intersegment revenue	283	69	56	14	39	1	(462)	-	
Interest income	77	15	15	3	-	(55)	-	55	
Interest expense	280	144	96	22	55	(70)	-	527	
Equity in losses of affiliates	(4)	-	-	-	-	-	-	(4)	
Depreciation and amortization	595	188	140	37	8	-	-	968	
Earnings (losses) before special items, gain on sale of affiliate's stock, gain on sale of investments, gov't compensation and reorganization items	(1,237)	(361)	(164)	(92)	230	(40)	-	(1,664)	

Edgar Filing: UAL CORP /DE/ - Form 10-K/A

<u>(In millions)</u>	<u>Year Ended December 31, 2002</u>							UAL Consolidated Total
	<u>United Air Lines, Inc.</u>			Inter-			segment Elimination	
	North America	Pacific	Atlantic	Latin America	ULS	Other		
Revenue	\$10,376	\$2,415	\$1,830	\$ 477	\$ 703	\$ 21	-	\$ 15,822
Intersegment revenue	221	68	53	12	51	4	(409)	-
Interest income	74	20	15	4	6	(59)	-	60
Interest expense	338	126	106	31	60	(71)	-	590
Equity in earnings (losses) of affiliates	1	-	-	-	(8)	-	-	(7)
Depreciation and amortization	599	175	138	36	12	-	-	960
Earnings (losses) before special items, gain on sale of investments, gov't compensation and reorganization items	(2,298)	(565)	(369)	(194)	226	(22)	-	(3,222)

A reconciliation of the total amounts reported by reportable segments to the applicable amounts in the consolidated financial statements follows:

<u>(In millions)</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Total losses for reportable segments	\$ (1,243)	\$ (1,624)	\$ (3,200)
Special items (Note 3)	5	(429)	(149)
Reorganization items	(611)	(1,173)	(10)
Government compensation	-	300	130
Gain on sale of investments	158	135	46
Gain on sale of affiliate's stock	-	23	-
Other UAL subsidiary losses	<u>(30)</u>	<u>(40)</u>	<u>(22)</u>
Loss before income taxes and distributions on preferred securities	\$ <u>(1,721)</u>	\$ <u>(2,808)</u>	\$ <u>(3,205)</u>

UAL's operations involve an insignificant level of dedicated revenue producing assets by reportable segment. ULS has \$991 million in total assets as of December 31, 2004. The overwhelming majority of United's revenue producing assets (which are primarily U.S. registered aircraft) can be deployed in any of United's four remaining reportable segments, as any given aircraft may be used in multiple segments on any given day. Therefore, we allocate depreciation and amortization expense associated with those assets on the basis of available seat miles flown in each segment. In addition, we have significant intangible assets related to the acquisition of our Atlantic and Latin America route authorities.

We did not have any significant customers requiring disclosure in any period presented.

**(19) Statement of Consolidated Cash Flows - Supplemental Disclosures**

Supplemental disclosures of cash flow information and non-cash investing and financing activities were as follows:

(In millions)	<u>2004</u>	<u>2003</u>	<u>2002</u>
Cash paid during the year for:			
Interest (net of amounts capitalized)	\$ 397	\$ 385	\$ 493
Income taxes	-	-	58
Non-cash transactions:			
Long-term debt incurred for equipment additions	172	-	730
Capital lease obligations incurred	-	191	-
Increase (decrease) in pension intangible assets	(239)	(258)	600
Net unrealized gain (loss) on investments	-	2	(24)

**(20) Subsequent Events**

As of December 31, 2004, the Company had recorded a receivable of approximately \$77 million for certain air and ground handling services. Based upon events subsequent to the date of the financial statements, the Company has determined that it is probable that this receivable has been impaired. Therefore, the Company has adjusted its financial statements by reducing the receivable and recording additional cost of sales.

The following table shows the effect of the impairment of this receivable on amounts previously reported on our Form 8-K:

(In millions, except per share)	4 <sup>th</sup> Qtr	Year-to-date
	<u>Increase</u>	<u>Increase</u>
Operating expenses	\$ 77	\$ 77
Loss from operations	\$ 77	\$ 77
Net loss	\$ 77	\$ 77
Per share amounts, basic and diluted:		
Net Loss	\$0.66	\$0.68

**(21) Selected Quarterly Financial Data (Unaudited)**

(In millions, except per share)	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	
	<u>Quarter</u>	<u>Quarter</u>	<u>Quarter</u>	<u>Quarter</u>	<u>Year</u>
2004:					
Operating revenues	\$ 3,909	\$ 4,189	\$ 4,305	\$ 3,988	\$ 16,391
Earnings (loss) from operations	(211)	7	(80)	(570)	(854)
Net loss	(459)	(247)	(274)	(741)	(1,721)

Per share amounts, basic and diluted:

Edgar Filing: UAL CORP /DE/ - Form 10-K/A

Net loss	\$ (4.17)	\$ (2.25)	\$ (2.38)	\$ (6.39)	\$ (15.25)
2003:					
Operating revenues	\$ 3,587	\$ 3,520	\$ 4,024	\$ 3,797	\$ 14,928
Earnings (loss) from operations	(813)	(431)	19	(135)	(1,360)
Net loss	(1,343)	(623)	(367)	(475)	(2,808)
Per share amounts, basic and diluted:					
Net loss	\$ (14.16)	\$ (6.26)	\$ (3.47)	\$ (4.33)	\$ (27.36)

The sum of quarterly loss per share amounts is not the same as annual loss per share amounts because of changing numbers of shares outstanding.

As discussed in Note 2(i) "Summary of Significant Accounting Policies - United Express", revenues and expenses for all of our UAX regional carriers are now presented gross on our financial statements as "Regional Affiliates". Prior periods have been reclassified to conform to the current year's presentation. These reclassifications did not impact our earnings (loss) from operations, net loss or related per share amounts for any period presented.

The following table shows the effect of these reclassifications on operating revenues for amounts previously reported on our Form 10-Q and 2003 Form 10-K:

(In millions)	<u>2004</u>		<u>2003</u>			
	1 <sup>st</sup> <u>Quarter</u>	2 <sup>nd</sup> <u>Quarter</u>	1 <sup>st</sup> <u>Quarter</u>	2 <sup>nd</sup> <u>Quarter</u>	3 <sup>rd</sup> <u>Quarter</u>	4 <sup>th</sup> <u>Quarter</u>
Increase in operating revenues	177	148	403	411	207	183
Increase in operating expenses	177	148	403	411	207	183

The quarterly results are impacted by the following significant items:

During the first quarter of 2004, we adjusted our mainline passenger revenue and recognized an additional \$60 million in passenger revenue. In addition, we incurred a \$13 million charge in non-operating expense for the write-down of certain non-operating B767 aircraft and recorded \$130 million in reorganization items.

During the second quarter of 2004, we recorded \$144 million in reorganization items.

During the third quarter of 2004, Air Canada successfully emerged from protection under the CCAA. We had filed a pre-petition claim against Air Canada based on our equity interest in three Airbus A330 aircraft leased to Air Canada. As part of its plan of reorganization, Air Canada offered its unsecured creditors the opportunity to participate in their initial public offering. We subscribed to 986,986 shares in the reorganized company in August 2004 and sold them in October 2004 for a nominal gain. Separately, we sold our pre-petition claim and recorded a non-operating gain of \$18 million during the third quarter of 2004. Additionally, we recorded \$115 million in reorganization items.

During the fourth quarter of 2004, we adjusted our Mileage Plus liability and recognized a charge of \$47 million. Additionally, we sold our investment in Orbitz and recognized a gain of \$158 million in non-operating expense and recorded \$222 million in reorganization items.



During the first quarter of 2003, we recorded a non-operating special charge of \$137 million in connection with Air Canada's CCAA filing. We also recorded \$248 million for reorganization items in connection with our bankruptcy filing in non-operating expense.

During the second quarter of 2003, we recorded \$152 million in curtailment charges as a result of the revaluation of certain pension and postretirement plans. Additionally, we recognized \$300 million in compensation under the Wartime Act in non-operating income and recorded an additional \$397 million in reorganization items.

During the third quarter of 2003, we recorded an impairment charge of \$26 million in operating expense for the impairment of the B767-200 fleet and incurred a \$25 million charge in non-operating expense for the write-down of certain non-operating B767 aircraft. We also recorded an additional \$234 million in reorganization items in the third quarter.

During the fourth quarter of 2003, we recognized gains of \$158 million on the sale of investments in Hotwire and Orbitz. Additionally, we recorded a special charge of \$89 million for the write-off of certain non-operating aircraft leased to Air Canada and recorded an additional \$294 million in reorganization items.

Certain items are described more fully in Note 3, "Special Items" and Note 7, "Investments."

## **ITEM 9A. CONTROLS AND PROCEDURES.**

An evaluation was carried out under the supervision and with the participation of the Company's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the Company's disclosure controls and procedures as of December 31, 2004. Based on that evaluation, the Company's management, including the CEO and CFO, has concluded that the Company's disclosure controls and procedures are effective. During the period covered by this report, there was no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

### **Management Report on Internal Control Over Financial Reporting**

March 15, 2005  
To the Stockholders of  
UAL Corporation  
Elk Grove Village, Illinois

The management of UAL Corporation and subsidiaries (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2004. In making this assessment, the Company's management used the criteria as set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework.

Based on their assessment, management has concluded that, as of December 31, 2004, the Company's internal control over financial reporting was effective based on those criteria.

The Company's independent auditors have issued an audit report on management's assessment of the Company's internal control over financial reporting. This report appears in this Item 9A.

#### REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of  
UAL Corporation  
Chicago, Illinois

We have audited management's assessment, included in the accompanying Management Report on Internal Control Over Financial Reporting, that UAL Corporation (Debtor-in-Possession) and subsidiaries maintained effective internal control over financial reporting as of December 31, 2004, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are

recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial position, the related consolidated statements of operations, stockholders' deficit, and cash flows, and the financial statement schedules included in Item 15 as of and for the year ended December 31, 2004 of the Company and our report dated March 15, 2005 expressed an unqualified opinion on those financial statements and financial statement schedules and included explanatory paragraphs related to (i) the Company's reorganization under Chapter 11 and (ii) the Company's ability to continue as a going concern.

/s/ DELOITTE & TOUCHE LLP  
DELOITTE & TOUCHE LLP  
Chicago, Illinois  
March 15, 2005

## **ITEM 15. EXHIBITS, FINANCIAL STATEMENTS AND SCHEDULES.**

Financial Statements. The financial statements required by this item are listed in Item 8, "Financial Statements and Supplementary Data" herein.

Financial Statement Schedules. The financial statement schedule required by this item is listed below and included in this report after the signature page hereto.

Schedule II - Valuation and Qualifying Accounts for the years ended December 31, 2004, 2003 and 2002.

All other schedules are omitted because they are not applicable, not required or the required information is shown in the consolidated financial statements or notes thereto.

Exhibits. The exhibits required by this item are listed in the Exhibit Index which immediately precedes the exhibits filed with this Form 10-K, and is incorporated herein by this reference. Each of Exhibits 10.4 through 10.16 and 10.18 through 10.43 listed in the Exhibit Index is a management contract or compensatory plan or arrangement.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this amended report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 17th day of March, 2005.

UAL CORPORATION

/s/ Frederic F. Brace

Frederic F. Brace

Executive Vice President and

Chief Financial Officer

(principal financial and accounting officer)

**EXHIBIT INDEX**

- \*3.1 Restated Certificate of Incorporation of UAL Corporation ("UAL"), as amended April 16, 2003 (filed as Exhibit 3.1 to UAL's Form 10-Q for the quarter ended March 31, 2003 and incorporated herein by reference)
- \*3.2 By-laws of UAL Corporation as amended April 16, 2003 (filed as Exhibit 3.2 to UAL's Form 10-Q for the quarter ended March 31, 2003 and incorporated herein by reference)
- \*4.1 Deposit Agreement dated as of July 12, 1994 between UAL Corporation and holders from time to time of Depository Receipts described herein (filed as Exhibit 4.1 to UAL's Form 10-K for the year ended December 31, 2000 and incorporated herein by reference)
- \*4.2 Indenture dated as of December 20, 1996 between UAL Corporation and The First National Bank of Chicago, as Trustee (filed as Exhibit 4.2 to UAL's Form 10-K for the year ended December 31, 2001 and incorporated herein by reference)
- \*4.3 Officer's Certificate relating to UAL's 13-1/4% Junior Subordinated Debentures due 2026 (filed as Exhibit 4.3 to UAL's Form 10-K for the year ended December 31, 2001 and incorporated herein by reference)
- \*4.4 Form of UAL's 13-1/4% Junior Subordinated Debenture due 2026 (filed as Exhibit 4.4 to UAL's Form 10-K for the year ended December 31, 2001 and incorporated herein by reference)
- \*4.5

Edgar Filing: UAL CORP /DE/ - Form 10-K/A

Guarantee Agreement dated as of December 30, 1996 with respect to the 13-1/4% Trust Originated Preferred Securities of UAL Corporation Capital Trust I (filed as Exhibit 4.5 to UAL's Form 10-K for the year ended December 31, 2001 and incorporated herein by reference)

- \*4.6 Amended and Restated Declaration of Trust of UAL Corporation Capital Trust I dated as of December 30, 1996 (filed as Exhibit 4.6 to UAL's Form 10-K for the year ended December 31, 2001 and incorporated herein by reference)
- \*4.7 Debtor in Possession Credit Agreement dated December 24, 2002 by and among United Air Lines, Inc., the United subsidiaries named therein, the Lenders named therein and Bank One, NA, as agent (filed as Exhibit 4.7 to UAL's Form 10-K for the year ended December 31, 2002 and incorporated herein by reference)
- \*4.8 First Amendment and Limited Waiver dated February 19, 2003 to Debtor in Possession Credit Agreement dated December 24, 2002 by and among United Air Lines, Inc., the United subsidiaries named therein, the Lenders named therein and Bank One, NA, as agent (filed as Exhibit 4.8 to UAL's Form 10-K for the year ended December 31, 2002 and incorporated herein by reference)
- \*4.9 Second Amendment and Limited Waiver dated March 27, 2003 to Debtor in Possession Credit Agreement dated December 24, 2002 by and among United Air Lines, Inc., the United subsidiaries named therein, the Lenders named therein and Bank One, NA, as agent (filed as Exhibit 4.1 to UAL's Form 10-Q for the quarter ended June 30, 2004 and incorporated herein by reference)
- \*4.10 Third Amendment and Limited Waiver dated May 15, 2003 to Debtor in Possession Credit Agreement dated December 24, 2002 by and among United Air Lines, Inc., the United subsidiaries named therein, the Lenders named therein and Bank One, NA, as agent (filed as Exhibit 4.2 to UAL's Form 10-Q for the quarter ended June 30, 2004 and incorporated herein by reference)
- \*4.11 Fourth Amendment and Limited Waiver dated September 30, 2003 to Debtor in Possession Credit Agreement dated December 24, 2002 by and among United Air Lines, Inc., the United subsidiaries named therein, the Lenders named therein and Bank One, NA, as agent (filed as Exhibit 4.3 to UAL's Form 10-Q for the quarter ended June 30, 2004 and incorporated herein by reference)
- \*4.12 Fifth Amendment and Limited Waiver dated October 10, 2003 to Debtor in Possession Credit Agreement dated December 24, 2002 by and among United Air Lines, Inc., the United subsidiaries named therein, the Lenders named therein and Bank One, NA, as agent (filed as Exhibit 4.4 to UAL's Form 10-Q for the quarter ended June 30, 2004 and incorporated herein by reference)
- \*4.13 Sixth Amendment and Limited Waiver dated May 24, 2004 to Debtor in Possession Credit Agreement dated December 24, 2002 by and among United Air Lines, Inc., the United

subsidiaries named therein, the Lenders named therein and Bank One, NA, as agent (filed as Exhibit 4.5 to UAL's Form 10-Q for the quarter ended June 30, 2004 and incorporated herein by reference)

- \*4.14 Revolving Credit, Term Loan and Guaranty Agreement dated December 24, 2002 by and among United Air Lines, Inc., UAL Corporation, certain Subsidiaries of United Air Lines, Inc. and UAL Corporation as named therein, the Lenders named therein, JP Morgan Chase Bank, Et al. (filed as Exhibit 4.9 to UAL's Form 10-K for the year ended December 31, 2002 and incorporated herein by reference)
- \*4.15 First Amendment dated February 10, 2003 to Revolving Credit, Term Loan and Guaranty Agreement dated December 24, 2002 by and among United Air Lines, Inc., UAL Corporation, certain subsidiaries of United Air Lines, Inc. and UAL Corporation as named therein, the Lenders named therein, JP Morgan Chase Bank, Et al. (filed as Exhibit 4.10 to UAL's Form 10-K for the year ended December 31, 2002 and incorporated herein by reference)
- \*4.16 Second Amendment dated February 10, 2003 to Revolving Credit, Term Loan and Guaranty Agreement dated December 24, 2002 by and among United Air Lines, Inc., UAL Corporation, certain subsidiaries of United Air Lines, Inc. and UAL Corporation as named therein, the Lenders named therein, JP Morgan Chase Bank, Et al. (filed as Exhibit 4.11 to UAL's Form 10-K for the year ended December 31, 2002 and incorporated herein by reference)
- \*4.17 Third Amendment dated February 18, 2003 to Revolving Credit, Term Loan and Guaranty Agreement dated December 24, 2002 by and among United Air Lines, Inc., UAL Corporation, certain subsidiaries of United Air Lines, Inc. and UAL Corporation as named therein, the Lenders named therein, JP Morgan Chase Bank, Et al. (filed as Exhibit 4.12 to UAL's Form 10-K for the year ended December 31, 2002 and incorporated herein by reference)
- \*4.18 Fourth Amendment dated March 27, 2003 to Revolving Credit, Term Loan and Guaranty Agreement dated December 24, 2002 by and among United Air Lines, Inc., UAL Corporation, certain subsidiaries of United Air Lines, Inc. and UAL Corporation as named therein, the Lenders named therein, JP Morgan Chase Bank, Et al. (filed as Exhibit 4.6 to UAL's Form 10-Q for the quarter ended June 30, 2004 and incorporated herein by reference)
- \*4.19 Fifth Amendment dated May 15, 2003 to Revolving Credit, Term Loan and Guaranty Agreement dated December 24, 2002 by and among United Air Lines, Inc., UAL Corporation, certain subsidiaries of United Air Lines, Inc. and UAL Corporation as named therein, the Lenders named therein, JP Morgan Chase Bank, Et al. (filed as Exhibit 4.7 to UAL's Form 10-Q for the quarter ended June 30, 2004 and incorporated herein by reference)
- \*4.20 Sixth Amendment dated October 10, 2003 to Revolving Credit, Term Loan and Guaranty Agreement dated December 24, 2002 by and among United Air Lines, Inc., UAL Corporation, certain subsidiaries of United Air Lines, Inc. and UAL Corporation as named therein, the Lenders named therein, JP Morgan Chase Bank, Et al. (filed as Exhibit 4.8 to UAL's Form 10-Q for the quarter ended June 30, 2004 and incorporated herein by reference)

- \*4.21 Seventh Amendment dated May 7, 2004 to Revolving Credit, Term Loan and Guaranty Agreement dated December 24, 2002 by and among United Air Lines, Inc., UAL Corporation, certain subsidiaries of United Air Lines, Inc. and UAL Corporation as named therein, the Lenders named therein, JP Morgan Chase Bank, Et al. (filed as Exhibit 4.9 to UAL's Form 10-Q for the quarter ended June 30, 2004 and incorporated herein by reference)
- \*4.22 Eighth Amendment dated July 22, 2004 to Revolving Credit, Term Loan and Guaranty Agreement dated December 24, 2002 by and among United Air Lines, Inc., UAL Corporation, certain subsidiaries of United Air Lines, Inc. and UAL Corporation as named therein, the Lenders named therein, JP Morgan Chase Bank, Et al. (filed as Exhibit 4.1 to UAL's Form 8-K filed September 8, 2004 and incorporated herein by reference)
- \*4.23 Ninth Amendment dated November 5, 2004 to Revolving Credit, Term Loan and Guaranty Agreement dated December 24, 2002 by and among United Air Lines, Inc., UAL Corporation, certain subsidiaries of United Air Lines, Inc. and UAL Corporation as named therein, the Lenders named therein, JP Morgan Chase Bank, Et al.
- \*4.24 Tenth Amendment dated January 26, 2005 to Revolving Credit, Term Loan and Guaranty Agreement dated December 24, 2002 by and among United Air Lines, Inc., UAL Corporation, certain subsidiaries of United Air Lines, Inc. and UAL Corporation as named therein, the Lenders named therein, JP Morgan Chase Bank, Et al.

UAL's indebtedness under any single instrument does not exceed 10% of UAL's total assets on a consolidated basis. Copies of such instruments will be furnished to the Securities and Exchange Commission upon request.

- \*10.1 Amended and Restated Agreement and Plan of Recapitalization, dated as of March 25, 1994 (the "Recapitalization Agreement"), as amended, among UAL Corporation, the Air Line Pilots Association ("ALPA"), International and the International Association of Machinists and Aerospace Workers ("IAM") (filed as Exhibit 10.1 to UAL's Form 10-K for the year ended December 31, 2000 and incorporated herein by reference)
- \*10.2 Second Amendment to the Agreement and Plan of Recapitalization, dated as of June 2, 1994, among UAL, ALPA and the IAM (filed as Exhibit 10.2 to UAL's Form 10-K for the year ended December 31, 2000 and incorporated herein by reference)
- \*10.3 Agreement, dated as of July 16, 1996, pursuant to Section 1.6q of the Recapitalization Agreement among UAL, ALPA and IAM (filed as Exhibit 10.3 to UAL's Form 10-K for the year ended December 31, 2001 and incorporated herein by reference)
- \*10.4 Class SAM Preferred Stockholders' Agreement, dated as of July 12, 1994 (filed as Exhibit 10.30 to UAL's Form 10-K for the year ended December 31, 2000 and incorporated herein by reference)

- \*10.5 UAL Corporation 2000 Incentive Stock Plan (filed as Exhibit 10.1 to UAL's Form 10-Q for the quarter ended June 30, 2000 and incorporated herein by reference)
- \*10.6 UAL Corporation Employees Performance Incentive Plan (filed as Exhibit 10.2 to UAL's Form 10-Q for the quarter ended June 30, 2000 and incorporated herein by reference)
- \*10.7 UAL Corporation 1998 Restricted Stock Plan (filed as Exhibit 10.1 to UAL's Form 10-Q for the quarter ended June 30, 1998 and incorporated herein by reference)
- \*10.8 UAL Corporation 2002 Share Incentive Plan (filed as Exhibit 10.1 to UAL's Form 10-Q for the quarter ended September 30, 2002 and incorporated herein by reference)
- \*10.9 UAL Corporation Retention and Recognition Bonus Plan (filed as Exhibit 10.2 to UAL's Form 10-Q for the quarter ended September 30, 2003 and incorporated herein by reference)
- \*10.10 UAL Corporation Executive Severance Policy (filed as Exhibit 10.3 to UAL's Form 10-Q for the quarter ended September 30, 2003 and incorporated herein by reference)
- \*10.11 United NewVentures Long Term Incentive Plan (filed as Exhibit 10.44 to UAL's Form 10-K for the year ended December 31, 2001 and incorporated herein by reference)
- \*10.12 First Amendment to United NewVentures Long Term Incentive Plan, dated June 24, 2003 (filed as Exhibit 10.1 to UAL's Form 10-Q for the quarter ended June 30, 2003 and incorporated herein by reference)
- \*10.13 UAL Corporation Success Sharing Program - Performance Incentive Plan (filed as Exhibit 10.41 to UAL's Form 10-K for the year ended December 31, 2003 and incorporated herein by reference)
- \*10.14 Summary Description of Compensation and Benefits for Directors (filed as Exhibit 10.42 to UAL's Form 10-K for the year ended December 31, 2003 and incorporated herein by reference)
- \*10.15 UAL Corporation 1995 Directors Plan, as amended and restated effective October 24, 2002 (filed as Exhibit 10.37 to UAL's Form 10-K for the year ended December 31, 2002 and incorporated herein by reference)
- \*10.16 Description of Officer Benefits (filed as Exhibit 10.45 to UAL's Form 10-K for the year ended December 31, 2003 and incorporated herein by reference)
- \*10.17 2000 Agreement between United Air Lines, Inc. and the Air Line Pilots in the service of United Air Lines, Inc. represented by ALPA (filed as Exhibit 10.41 to UAL's Form 10-K for the year



Edgar Filing: UAL CORP /DE/ - Form 10-K/A

ended December 31, 2000 and incorporated herein by reference)

- \*10.18 Employment Agreement dated September 5, 2002 by and among United Air Lines, Inc., UAL Corporation and Glenn F. Tilton (filed as Exhibit 10.3 to UAL's Form 10-Q for the quarter ended September 30, 2002 and incorporated herein by reference)
- \*10.19 Amendment No. 1 dated December 8, 2002 to the Employment Agreement dated September 5, 2002 by and among United Air Lines, Inc., UAL Corporation and Glenn F. Tilton (filed as Exhibit 10.44 to UAL's Form 10-K for the year ended December 31, 2002 and incorporated herein by reference)
- \*10.20 Amendment No. 2 dated February 17, 2003 to the Employment Agreement dated September 5, 2002 by and among United Air Lines, Inc., UAL Corporation and Glenn F. Tilton (filed as Exhibit 10.45 to UAL's Form 10-K for the year ended December 31, 2002 and incorporated herein by reference)
- \*10.21 Letter Agreement dated April 4, 2003 between Glenn F. Tilton, UAL Corporation and United Air Lines, Inc. (filed as Exhibit 10.50 to UAL's Form 10-K for the year ended December 31, 2003 and incorporated herein by reference)
- \*10.22 Glenn F. Tilton Secular Trust Agreement No. 1 dated September 5, 2002 by and among UAL Corporation, Glenn F. Tilton and the Northern Trust Company (filed as Exhibit C to Exhibit 10.3 to UAL's Form 10-Q for the quarter ended September 30, 2002 and incorporated herein by reference)
- \*10.23 Amendment No. 1 dated February 17, 2003 to the Glenn F. Tilton Secular Trust Agreement No. 1 dated September 5, 2002 by and among UAL Corporation, Glenn F. Tilton and The Northern Trust Company (filed as Exhibit 10.47 to UAL's Form 10-K for the year ended December 31, 2002 and incorporated herein by reference)
- \*10.24 Amendment No. 2 dated February 28, 2003 to the Glenn F. Tilton Secular Trust Agreement No. 1 dated September 5, 2002 by and among UAL Corporation, Glenn F. Tilton and The Northern Trust Company (filed as Exhibit 10.48 to UAL's Form 10-K for the year ended December 31, 2002 and incorporated herein by reference)
- \*10.25 Amendment No. 3 dated December 31, 2003 to the Glenn F. Tilton Secular Trust Agreement No. 1 dated September 5, 2002 by and among UAL Corporation, Glenn F. Tilton and The Northern Trust Company (filed as Exhibit 10.54 to UAL's Form 10-K for the year ended December 31, 2003 and incorporated herein by reference)
- \*10.26 Glenn F. Tilton Secular Trust Agreement No. 2 dated September 5, 2002 by and among UAL Corporation, Glenn F. Tilton and the Northern Trust Company (filed as Exhibit D to Exhibit 10.3 to UAL's Form 10-Q for the quarter ended September 30, 2002 and incorporated herein by reference)

- \*10.27 Amendment No. 1 dated February 17, 2003 to the Glenn F. Tilton Secular Trust Agreement No. 2 dated September 5, 2002 by and among UAL Corporation, Glenn F. Tilton and The Northern Trust Company (filed as Exhibit 10.50 to UAL's Form 10-K for the year ended December 31, 2002 and incorporated herein by reference)
- \*10.28 Amendment No. 2 dated February 28, 2003 to the Glenn F. Tilton Secular Trust Agreement No. 2 dated September 5, 2002 by and among UAL Corporation, Glenn F. Tilton and The Northern Trust Company (filed as Exhibit 10.51 to UAL's Form 10-K for the year ended December 31, 2002 and incorporated herein by reference)
- \*10.29 Amendment No. 3 dated December 31, 2003 to the Glenn F. Tilton Secular Trust Agreement No. 2 dated September 5, 2002 by and among UAL Corporation, Glenn F. Tilton and The Northern Trust Company (filed as Exhibit 10.58 to UAL's Form 10-K for the year ended December 31, 2003 and incorporated herein by reference)
- \*10.30 Glenn F. Tilton Secular Trust Agreement No. 3 dated September 5, 2002 by and among UAL Corporation, Glenn F. Tilton and the Northern Trust Company (filed as Exhibit E to Exhibit 10.3 to UAL's Form 10-Q for the quarter ended September 30, 2002 and incorporated herein by reference)
- \*10.31 Amendment No. 1 dated February 17, 2003 to the Glenn F. Tilton Secular Trust Agreement No. 3 dated September 5, 2002 by and among UAL Corporation, Glenn F. Tilton and The Northern Trust Company (filed as Exhibit 10.53 to UAL's Form 10-K for the year ended December 31, 2002 and incorporated herein by reference)
- \*10.32 Amendment No. 2 dated February 28, 2003 to the Glenn F. Tilton Secular Trust Agreement No. 3 dated September 5, 2002 by and among UAL Corporation, Glenn F. Tilton and The Northern Trust Company (filed as Exhibit 10.54 to UAL's Form 10-K for the year ended December 31, 2002 and incorporated herein by reference)
- \*10.33 Amendment No. 3 dated December 31, 2003 to the Glenn F. Tilton Secular Trust Agreement No. 3 dated September 5, 2002 by and among UAL Corporation, Glenn F. Tilton and The Northern Trust Company (filed as Exhibit 10.62 to UAL's Form 10-K for the year ended December 31, 2003 and incorporated herein by reference)
- \*10.34 Restricted Stock Agreement dated September 2, 2002 between Glenn F. Tilton and UAL Corporation (filed as Exhibit B to Exhibit 10.3 to UAL's Form 10-Q for the quarter ended September 30, 2002 and incorporated herein by reference)
- \*10.35 Agreement between UAL Corporation, United Air Lines, Inc. and Douglas A. Hacker (filed as Exhibit 10.1 to UAL's Form 10-Q for the quarter ended September 30, 2001 and incorporated herein by reference)

Edgar Filing: UAL CORP /DE/ - Form 10-K/A

- \*10.36 Addendum to Restricted Stock Agreement dated October 24, 2002 between UAL Corporation and Peter D. Mc Donald (filed as Exhibit 10.65 to UAL's Form 10-K for the year ended December 31, 2003 and incorporated herein by reference)
- \*10.37 Addendum to Non-qualified Stock Option Agreement dated March 1, 2002 between UAL Corporation and Frederic F. Brace (filed as Exhibit 10.66 to UAL's Form 10-K for the year ended December 31, 2003 and incorporated herein by reference)
- \*10.38 Addendum to Non-qualified Stock Option Agreement dated February 27, 2002 between UAL Corporation and Peter D. Mc Donald (filed as Exhibit 10.67 to UAL's Form 10-K for the year ended December 31, 2003 and incorporated herein by reference)
- \*10.39 Letter Agreement dated May 13, 2004 between Glenn F. Tilton, UAL Corporation and United Air Lines, Inc. (filed as Exhibit 10.1 to UAL's Form 10-Q for the quarter ended September 30, 2004 and incorporated herein by reference)
- \*10.40 Letter Agreement dated July 29, 2004 between Glenn F. Tilton, UAL Corporation and United Air Lines, Inc. (filed as Exhibit 10.2 to UAL's Form 10-Q for the quarter ended September 30, 2004 and incorporated herein by reference)
- \*10.41 Declaration of Amendment to UAL Corporation Success Sharing Program - Performance Incentive Plan dated July 15, 2004. (filed as Exhibit 10.1 to UAL's Form 10-Q for the quarter ended September 30, 2004 and incorporated herein by reference)
- \*10.42 Declaration of Amendment to UAL Corporation Success Sharing Program - Performance Incentive Plan dated August 24, 2004. (filed as Exhibit 10.2 to UAL's Form 10-Q for the quarter ended September 30, 2004 and incorporated herein by reference)
- \*10.43 Letter Agreement dated March 11, 2005 between Glenn F. Tilton, UAL Corporation and United Air Lines, Inc.
- \*12.1 Computation of Ratio of Earnings to Fixed Charges
- \*12.2 Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividend Requirements
- \*21 List of UAL's subsidiaries
- 23 Consent of Independent Public Accountants
- 31.1 Certification of the Principal Executive Officer Pursuant to 15 U.S.C. 78m(a) or 78o(d) (Section 302 of the Sarbanes-Oxley Act of 2002)

Edgar Filing: UAL CORP /DE/ - Form 10-K/A

- 31.2 Certification of the Principal Financial Officer Pursuant to 15 U.S.C. 78m(a) or 78o(d) (Section 302 of the Sarbanes-Oxley Act of 2002)
  
- 32.1 Certification of the Chief Executive Officer Pursuant to 18 U.S.C. 1350 (Section 906 of the Sarbanes-Oxley Act of 2002)
  
- 32.2 Certification of the Chief Financial Officer Pursuant to 18 U.S.C. 1350 (Section 906 of the Sarbanes-Oxley Act of 2002)

With respect to the documents incorporated by reference to this Form 10-K, UAL's Commission File Number is 1-6033.

\* As Previously Filed

