

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 8-K

CURRENT REPORT

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

Date of Report: February 2, 2001

(Date of earliest event reported)

UAL CORPORATION

(Exact name of registrant as specified in its charter)

<u>Delaware</u>	<u>1-6033</u>	<u>36-2675207</u>
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

<u>1200 Algonquin Road, Elk Grove Township, Illinois</u>	<u>60007</u>
(Address of principal executive offices)	(Zip Code)

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

Not Applicable

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

**ITEM 5.                    OTHER EVENTS.**

UAL Corporation (the "Company") is filing herewith a press release as Exhibit 99.1 and a presentation to Society of Airline Analysts dated February 2, 2001.

**ITEM 7.                    FINANCIAL STATEMENTS AND EXHIBITS.**

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release
99.2	Presentation on February 2, 2001 to Society of Airline Analysts

**SIGNATURES**

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

UAL CORPORATION

By:            /s/Francesca M. Maher

Name: Francesca M. Maher  
Title: Senior Vice President,  
General Counsel and  
Secretary

Dated:        February 2, 2001



*Corporate Communications Contact:*

Media Relations (847) 700-5538

**UAL CORP. EXPECTS EARNINGS PER SHARE FOR 2001 TO BREAK EVEN SHOULD THE US AIRWAYS ACQUISITION TAKE PLACE**

NEW YORK, Feb. 2, 2001 - In a presentation this morning to the Society of Airline Analysts in New York, UAL Corporation's Chairman and Chief Executive Officer James E. Goodwin discussed the strategic rationale behind the company's planned acquisition of US Airways and the financial prospects for UAL Corporation in 2001 in the event the acquisition is consummated. Citing the year as a transition period, the company said that it expects to post roughly breakeven earnings per share for the full year, should the acquisition be consummated.

Explaining the company's rationale behind the acquisition, Goodwin said, "United and US Airways are a perfect fit. Together, we will create the first truly national airline. By combining forces, we will solve both companies' geographic shortcomings and gain mutual access to valuable new market segments. The integration of the US Airways system will also allow us to serve trans-Atlantic, Latin American and Caribbean markets more effectively, and it will improve our ability to reach United's Asian destinations from across the United States.

"The combination of these two great airlines will result in improved travel convenience and efficiency for millions of passengers, as well as growth and economic benefits for communities large and small across the United States. We'll make it easier for our customers to get anywhere in the world, with one ticket, one baggage check, one airline club and one frequent-flier program. Together, United and US Airways will create a more efficient global airline network while at the same time forming the first carrier with a strong presence in forty-nine of the fifty United States."

- more -

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Also speaking at the presentation were Douglas Hacker, executive vice president-Finance and Planning and chief financial officer; and Frederic Brace, senior vice president-Finance.

The company broadcast the presentation simultaneously via the company's web site, [united.com](http://united.com). A replay of the webcast is available until Feb. 15 on the Investor Relations page of [united.com](http://united.com).

*Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995:* Certain information contained in this press release is forward looking and involves risks and uncertainties that could result in actual results differing materially from expected results. Forward-looking statements represent the company's expectations and beliefs concerning future events, based on information available to the company as of the date of this press release. Some factors that could significantly impact earnings per share include, without limitation: the outcome of the regulatory approval process for the United and US Airways merger; the ability to successfully integrate the businesses of United and US Airways; costs related to the United and US Airways merger; the ability to achieve cost-cutting synergies resulting from the United and US Airways merger; the airline pricing environment; industry capacity decisions; competitors' route decisions; the success of the company's cost-control efforts; the cost of crude oil and jet fuel; the results of union contract negotiations and their impact on labor costs; the growth of e-commerce and off-tariff distribution channels; the implementation of customer service improvement strategies; actions of the U.S., foreign and local governments; willingness of customers to travel; foreign currency exchange rate fluctuations; the stability of the U.S. economy; inflation; the economic environment of the airline industry and the economic environment in general. The company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

-UAL-

*The web page address for UAL Corp. and United Airlines is [united.com](http://united.com)*

# UAL Corporation US Airways Acquisition

Society of Airline Analysts  
February 2, 2001

## James E. Goodwin

Chairman and Chief Executive Officer

UAL Corporation

## Safe Harbor

This presentation contains certain "forward-looking" statements within the meaning of the Private Securities Reform Act of 1995. These statements are based on management's current expectations and are naturally subject to uncertainty and changes in circumstances. Actual results may vary materially from the expectations contained herein. The forward-looking statements contained herein include statements about future financial and operating results and benefits of the pending merger between United and US Airways. Factors that could cause actual results to differ materially from those described herein include: industry capacity decisions; the airline pricing environment; competitors' route decisions; the inability to obtain regulatory approvals; actions of the U.S., foreign and local governments; domestic and international travel patterns; the inability to successfully integrate the businesses of United and US Airways; costs related to the merger; the inability to achieve cost-cutting synergies resulting from the merger; labor integration issues; the economic environment of the airline industry and the general economic environment. More detailed information about these factors is set forth in the reports filed by United and US Airways with the Securities and Exchange Commission. Neither United nor US Airways is under any obligation to (and expressly disclaims any such obligation to) update or alter its forward-looking statements, whether as a result of new information, future events or otherwise.

## Agenda

Overview - US Airways Acquisition

Transaction Update

Revenue Benefits

Economic Benefits

Integration

Summary

## Consolidation - The Next Step for Airlines

Mature industry with modest growth potential

Competitors well established geographically

Capital intensive

Economies of scale

Infrastructure constraints

## Situation

Given the likelihood that the industry would consolidate, United had two choices:

-Act --Get best partner

-Wait --Get what's left

United made the decision to act in order to reap the first mover benefits

Our preferred partner was a clear target of other carriers

# Why US Airways?

## Strategic Rationale

East Coast has the largest population in the US

-Northeast alone is a \$16 billion travel market

United has only a 13% revenue share in the Northeast

United has a significant opportunity to create a nationwide network

## US Airways Completes United's Domestic Network

(Graphics omitted)

## Consumer Benefits - Better Service for Travelers

Benefits for all customers

-Seamless access to the premier global network

-Enhanced convenience

Benefits to US Airways' customers

-147 new online destinations

-United's East-West route network complements US Airways' North-South network

-New reach to Europe, South America, Asia and Australia

-Access to Star Alliance

Benefits to United's customers

-100 new online destinations

-First true nationwide network

-Increased East Coast access

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## Jake Brace

Senior Vice President Finance

UAL Corporation

## Transaction Update

### Original Transaction Overview

-Purchase equity and Assume Debt -- \$12B

-Spin off DC Air to Robert Johnson

-Hub to hub issues left open

## UA/AA Transaction Elements

Dispose of unneeded assets

-86 aircraft to AA over a four year period

-22 jet & 14 commuter slots at LGA

-Total of 14 gates (LGA, DCA, BOS, PHL, ATL, EWR)

Shuttle "joint venture"

DC Air

-AA gets 49% of the equity in DC Air

-Exclusive marketing alliance for 20 year term including code-share, frequent flier program, and lounges

Employees

Hub-to-hub routes

Major Airline Transaction

## American and DC Air have Agreed to Operate Hub-to-Hub Routes

Pre-Transaction	Post-Transaction		
Route	UA and US	UA	AA
PHL-LAX	9	10	2
PHL-DEN	8	8	2
PHL-SFO/SJC	7	9	2
CLT-ORD	12	12	3
DCA-PIT	9	9	2

## Major Airline Transaction

If AA completes a "Major Airline Transaction" within four years:

-UA can terminate Shuttle JV and all Shuttle gates and slots revert to UA with no payment to AA

-DCA, LGA, and BOS gates and slots may be repurchased by UA at the price sold to AA

-UA has the right of first offer/refusal on divestitures associated with such transaction

"Major Airline Transaction" is defined as

-Acquisition, JV or reciprocal code-share with DL, CO, NW, Southwest, or any domestic airline of similar size

-AA annual ASMs exceed UA annual ASMs by 7.5%

## Impact of American Transaction

Disposes of surplus assets

- Small percent of total assets
- Little network impact
- Improves fleet commonality
- Improves value of US Airways acquisition
- Reduces post-merger debt
- Addresses regulatory concerns
- DC Air viability and independence
- Hub-to-hub routes
- Reduces intensity of industry consolidation

## Impact of American Transaction

- Reduced nominal transaction value by \$1B
- Sold 15% of US Airways' fleet value
- Sold 3% of gates
- Sold 2% of revenue
- Sold no hubs
- Sold no frequent flier base

## Another Transaction Likely

- US Airways has three wholly-owned regional express carriers (Allegheny, Piedmont, PSA) that UA will acquire when the merger closes
  - This raises several potential concerns
  - Economic
  - Labor scope restrictions and union representation issues
  - Strategy is not consistent with current UA/UAX structure
  - Divestiture is likely solution
  - Such divestitures will not effect United's commitment to serve all communities served by US Airways
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## Douglas Hacker

Executive Vice President - Finance and Planning and Chief Financial Officer  
 UAL Corporation

## Revenue Benefits

### Combined Network Strength will Drive Revenue Gains

<u>Network</u>	<u>Revenue Drivers</u>
Nationwide Network	City Presence
Best Domestic Hubs	Connectivity
East Coast Strength	Reallocation Opportunities



## US Airways Enables United to Create the First National Network

(Graphics omitted)

## Best Domestic Hub Network

(Graphics omitted)

## United's East Coast Flying will Increase

April 2001		Future Daily	
City	Daily Depts	City	Depts
ORD	618	ORD	640
DEN	515	PIT	533
LAX	393	DEN	532
IAD	355	CLT	528
SFO	314	PHL	447
SEA	116	LAX	413
PDX	73	IAD	402
SAN	59	SFO	332
EWR	49	LGA	227
BOS	45	BOS	183

Departures are on a gross day basis

## United will be the Largest Carrier in 5 of the 10 Largest Eastern Cities

City Revenue Rankings East of Ohio

	UA/US	AA/TW
New York	3	2
Washington	1	2
Atlanta	3	4
Boston	1	2
Orlando	2	3
Philadelphia	1	2
Miami	2	1
Tampa	1	3
Ft. Lauderdale	2	3
Pittsburgh	1	2

Note: Domestic revenue, includes American transaction with United and TWA

## Business Travel News Top 100 Corporate Accounts

Headquartered in the Northeast

Number of Corporations 58%

Share of purchased air volume 62%

Of Those Reporting a Preferred Airline

Preferred US Airways 33%

Preferred TWA 10%

## Customer Base - Comparison

	<u>US</u>	<u>TWA</u>
Enrolled FFP Members	12M	8M
Elite FFP Members	?	?
High Yield Booking Share (%)	13.5	2.5
Total Booking Share (%)	10.6	4.6

CRS Data TME 9/30/00

## City Presence Benefits

Increasing presence in a city drives revenue benefits

As an airline gets larger in a city, it offers:

-Increased frequencies in key markets

-A wider selection of destinations

This leads to increased revenue due to

-Corporate volume agreements

-A more attractive frequent flyer program

-Becoming the "natural choice"

(Graphics omitted)

## Efficiency in BOS and NYC is Improved

(Graphics omitted)

### Efficiency Change

(Assuming AA/TW Transaction)

Industry		Efficiency
Rev (\$mil)	City	Increase
\$5,531	New York	2%
2,485	Washington	2%
2,216	Atlanta	7%
1,909	Boston	5%
1,454	Philadelphia	3%
735	Orlando	7%
733	Tampa	6%
687	Pittsburgh	1%
636	Ft. Lauderdale	2%
523	Miami	8%

# Connections

## US Airways' CLT-DEN Service only takes Passengers as Far as Denver Online

(Graphics omitted)

## If United Served the Market, Online Service would only Extend to Charlotte

(Graphics omitted)

## Linking Two Hubs Provides Additional Connections and Connecting Passengers

(Graphics omitted)

## Linking 5 UA Hubs to 3 US Hubs Produces a Significant Increase in Connecting Passengers

(Graphics omitted)

## Route Reallocation - Proposed Changes Leverage the Combined Network

(Graphics omitted)

## Revenue Benefits

(Graphics omitted)

# Economic Benefits

## 2001 will be a Transition Year

Above industry labor costs

High fuel costs

Revenue benefits ramp-in late in the year

- UA\*

-Schedule Changes

"One-Time" integration costs

## 2001 Pro Forma P and L

(Assumes mid-year close)

	UA/US	Integration (Cost/Benefits)	Total
(\$ billions)			
Revenues	\$25.9	\$0.1	\$26.0
Expenses	24.9	(0.4)	25.3
Operating Earnings	1.0	(0.3)	0.7
Non-Operating Earnings	(0.5)	(0.1)	(0.6)
Pre-Tax Earnings	\$0.5	\$(0.5)	\$0.0
EPS	Modest*		Breakeven

\*UAL Stand alone

Assumes UAL keeps US Airways regional express carriers and excludes goodwill amortization

## Future Profitability Grows Quickly

Revenue benefits will ramp up

Integration costs will decline

Other airlines' costs will increase

-Industry revenues will increase

Anticipated accounting standard change will revise Goodwill accounting

## Over Time, Merger Costs will Decrease and Benefits will Increase

(Graphics omitted)

## How Long will it Take for Our Competitors' Costs to Catch Up?

(Graphics omitted)

## Industry Revenues have Increased as Costs have Increased

(Graphics omitted)

## Net Earnings will Decline Initially, then Increase

(Graphics omitted)

## Financial Ratios

UA

Merged Entity

	2001	2001	2002	2003
Total Debt (\$B)	\$18	\$31	\$31	\$31
EBIT Interest Coverage	1.37	1.02	1.37	2.39
Funds Flow/Total Debt	12%	7%	10%	17%
Adj. Net Debt/Capital	74%	83%	82%	78%

## Integration

Labor

Process

Principles

Timeline

## Labor Groups

Pilots

-ALPA merger policy guides the creation of a merged seniority list

-To help align interests of both groups, United and ALPA are negotiating a pay protection mechanism for United pilots

Paid out over 30+ years, back-loaded

IAM

-Seniority integration is a relatively straightforward process

-CWA representation issue

AFA

- AFA merger policy guides the creation of a merged seniority list
- Wage adjustment process

## **Integration - Process**

- Researched other mergers
- Hired consultants who have worked on over 35 large mergers
- Dedicated resources - since August 2000
- Currently 94 teams, 500 people
- Working with US Airways
- Orderly process

## **Integration - Principles**

- Operate safely
- Deliver the basics
- Do not over promise
- Focus on the premium customer
- Focus on the revenue benefits

## **Overarching Philosophy: Integration will Proceed through Stages**

### Airlines In Transition

- Separate networks (two codes)
- Separate products
- Two service experiences
- Partial recognition
- Look and feel in transition

### Connected Airlines

- Integrated Network
- Integrated Pricing
- Cross-airline service
- Harmonized Mileage program
- Selective on-board product similarity
- Selective similar look and feel

### One Airline Integrating Operations

- One network
- Single Mileage program
- Harmonized service
- Increasingly common look and feel

### 1 Airline: 1 Face

- Single SOP
- Single face
- Single product

- Consistent service
- Selective split facilities
- Single look and feel
- Single organization
- "Better" Airline
- New services and product
- Single culture
- Next level of performance

## Regulatory Process

EC approved January 12, 2001

DOJ deadline April 2, 2001

DOJ is currently reviewing the transaction including the solutions offered in the American transaction

DOT approval on transfer of international route  
authorities pending

## External Concerns

You sold DC Air too cheaply

- We did
- AA transaction increases value

You sold the assets to American for less than you paid US Airways

- Did not sell strategic assets
- Did not sell customer base
- Expedited disposal of surplus assets at fair market value
- Antitrust issues addressed without value deterioration

## External Concerns

You paid too much for US Airways

- We didn't want a bidding war
- Strategic purchase
- Transaction provides substantial shareholder value

You should renegotiate price

- Fixed price contract is typical for all cash deal
- It is a fair price for value received

## Summary

Overall, this is a good transaction

US Airways acquisition completes a national network

Strategic value of the transaction has improved

- American transaction

-Industry consolidation

UAL Corporation has taken a bold step to improve shareholder value