

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

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended March 31, 1996, Commission File Number 1-6033  
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UAL CORPORATION  
-----

(Exact name of Registrant as specified in its charter)

Delaware 36-2675207  
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(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

1200 East Algonquin Road, Elk Grove Township, Illinois 60007  
Mailing Address: P. O. Box 66919, Chicago, Illinois 60666  
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(Address of principal executive offices) (Zip Code)

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No  
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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class -----	Outstanding at April 30, 1996 -----
Common Stock (\$0.01 par value)	14,565,809

UAL Corporation and Subsidiary Companies Report on Form 10-Q  
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For the Quarter Ended March 31, 1996  
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

UAL Corporation and Subsidiary Companies  
 Condensed Statements of Consolidated Financial Position

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(In Millions)

Assets	March 31, 1996 (Unaudited)	December 31, 1995
- - - - -	-----	-----
Current assets:		
Cash and cash equivalents	\$ 248	\$ 194
Short-term investments	643	949
Receivables, net	1,042	951
Inventories, net	230	298
Deferred income taxes	236	236
Prepaid expenses and other	405	415
	-----	-----
	2,804	3,043
	-----	-----
Operating property and equipment:		
Owned	11,146	11,213
Accumulated depreciation and amortization	(5,205)	(5,153)
	-----	-----
	5,941	6,060
	-----	-----
Capital leases	1,709	1,464
Accumulated amortization	(521)	(503)
	-----	-----
	1,188	961
	-----	-----
	7,129	7,021
	-----	-----

Other assets:

Intangibles, net	750	763
Deferred income taxes	238	238
Other	651	576
	-----	-----
	1,639	1,577
	-----	-----
	\$ 11,572	\$ 11,641
	=====	=====

See accompanying notes to consolidated financial statements.

UAL Corporation and Subsidiary Companies  
Condensed Statements of Consolidated Financial Position

(In Millions)

Liabilities and Stockholders' Equity	March 31, 1996 (Unaudited)	December 31, 1995
-----	-----	-----
Current liabilities:		
Current portions of long-term debt and capital lease obligations	\$ 433	\$ 189
Advance ticket sales	1,299	1,100
Accounts payable	666	696
Other	2,501	2,448
	-----	-----
	4,899	4,433
	-----	-----
Long-term debt	2,155	2,919
	-----	-----
Long-term obligations under capital leases	1,215	994
	-----	-----
Other liabilities and deferred credits:		
Deferred pension liability	197	368
Postretirement benefit liability	1,248	1,225
Deferred gains	1,198	1,214
Other	549	608
	-----	-----
	3,192	3,415
	-----	-----
Minority interest	63	59
	-----	-----
Preferred stock committed to Supplemental ESOP	78	60
	-----	-----
Stockholders' equity:		
Preferred stock	-	-
Common stock at par	-	-
Additional capital invested	1,630	1,353
Accumulated deficit	(1,078)	(1,039)
Unearned ESOP preferred stock	(169)	(175)
Other	(413)	(378)
	-----	-----
	(30)	(239)
	-----	-----
Commitments and contingent liabilities (See note)		
	\$ 11,572	\$ 11,641
	=====	=====

See accompanying notes to consolidated financial statements.

UAL Corporation and Subsidiary Companies  
Statements of Consolidated Operations (Unaudited)

-----  
(In Millions, Except Per Share)

	Three Months Ended	
	March 31,	
	1996	1995
	-----	-----
Operating revenues:		
Passenger	\$ 3,278	\$ 2,920
Cargo	175	175
Other	282	239
	-----	-----
	3,735	3,334
	-----	-----
Operating expenses:		
Salaries and related costs	1,169	1,113
ESOP compensation expense	163	89
Aircraft fuel	474	378
Commissions	337	342
Purchased services	276	239
Aircraft rent	240	249
Landing fees and other rent	206	169
Depreciation and amortization	189	163
Food services	125	119
Aircraft maintenance	112	107
Personnel expenses	73	63
Other	309	265
	-----	-----
	3,673	3,296
	-----	-----
Earnings from operations	62	38
	-----	-----
Other income (expense):		
Interest expense	(85)	(102)
Interest capitalized	15	12
Interest income	18	22
Equity in earnings of affiliates	20	14
Miscellaneous, net	(20)	22
	-----	-----
	(52)	(32)
	-----	-----
Earnings before income taxes and extraordinary item	10	6
Provision for income taxes	4	3
	-----	-----
Earnings before extraordinary item	6	3
Extraordinary loss on early extinguishment of debt, net of tax	(29)	-
	-----	-----
Net earnings (loss)	\$ (23)	\$ 3
	=====	=====
Per share:		
Loss before extraordinary item	\$ (0.32)	\$ (0.26)
Extraordinary loss on early extinguishment of debt, net of tax	(0.58)	-
	-----	-----
Net loss	\$ (0.90)	\$ (0.26)
	=====	=====
Average shares	50.4	49.3

See accompanying notes to consolidated financial statements.

UAL Corporation and Subsidiary Companies  
Condensed Statements of Consolidated Cash Flows (Unaudited)

-----  
(In Millions)

	Three Months Ended March 31	
	1996	1995
	----	----
Cash and cash equivalents at beginning of period	\$ 194	\$ 500
	-----	-----
Cash flows from operating activities	374	454
	-----	-----
Cash flows from investing activities:		
Additions to property and equipment	(67)	(82)
Proceeds on disposition of property and equipment	9	132
Decrease (increase) in short-term investments	306	(145)
Other, net	40	(4)
	-----	-----
	288	(99)
	-----	-----
Cash flows from financing activities:		
Repayment of long-term debt	(304)	(267)
Conversion of subordinated debentures	(161)	-
Principal payments under capital lease obligations	(48)	(41)
Other, net	(95)	(18)
	-----	-----
	(608)	(326)
	-----	-----
Increase in cash and cash equivalents	54	29
	-----	-----
Cash and cash equivalents at end of period	\$ 248	\$ 529
	=====	=====
Cash paid during the period for:		
Interest (net of amounts capitalized)	\$ 80	\$ 79
Income taxes	\$ -	\$ 5
Non-cash transactions:		
Capital lease obligations incurred	\$ 293	\$ -
Increase in equity in connection with the conversion of subordinated debentures to common stock	\$ 111	\$ -

See accompanying notes to consolidated financial statements.

UAL Corporation and Subsidiary Companies  
Notes to Consolidated Financial Statements (Unaudited)

The Company  
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UAL Corporation ("UAL") is a holding company whose principal subsidiary is United Air Lines, Inc. ("United").

Interim Financial Statements

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The consolidated financial statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to or as permitted by such rules and regulations, although UAL believes that the disclosures are adequate to make the information presented not misleading. In management's opinion, all adjustments (which include only normal recurring adjustments) necessary for a fair presentation of the results of operations for the three month periods have been made. These financial statements should be read in conjunction with the consolidated financial statements and footnotes thereto included in UAL's Annual Report on Form 10-K for the year 1995.

#### Employee Stock Ownership Plans

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Pursuant to amended labor agreements which provide for wage and benefit reductions and work-rule changes which commenced July 1994, UAL has agreed to issue convertible preferred stock to employees. Notes 2 and 14 of the Notes to Consolidated Financial Statements in the 1995 Annual Report on Form 10-K contain additional discussion of the agreements, stock to be issued to employees and the related accounting treatment. Shares earned in 1995 were allocated in March 1996 as follows: 359,577 shares of Class 2 ESOP Preferred Stock were contributed to the Non-Leveraged ESOP and an additional 312,086 shares were allocated in "book entry" form under the Supplemental Plan. Additionally, 2,402,310 shares of Class 1 ESOP Preferred Stock were allocated under the Leveraged ESOP. Finally, an additional 768,493 shares of Class 1 and Class 2 ESOP Preferred Stock have been earned by employees in 1996.

#### Other Income (Expense) - Miscellaneous

-----

Included in "Miscellaneous, net" in the first quarter of 1996 and 1995 were foreign exchange losses of \$6 million and \$8 million, respectively. In addition, the 1995 first quarter included a \$38 million gain on the disposition of aircraft owned by Air Wisconsin, Inc.

#### Income Taxes

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The provisions for income taxes are based on the estimated annual effective tax rate, which differs from the federal statutory rate of 35% principally due to state income taxes and certain nondeductible expenses. Deferred tax assets are recognized based upon UAL's history of operating earnings and expectations for future taxable income.

#### Per Share Amounts

-----

In April 1996, the stockholders of UAL Corporation approved an increase in the number of authorized shares of common stock from 100 million to 200 million shares, in connection with a four-for-one split in the corporation's common stock in the form of a 300% dividend for stockholders of record at the close of business on May 6, 1996. All share and per share data have been retroactively restated to give effect to this stock split.

During the first quarter, UAL repurchased 843,210 depositary shares, representing 843 shares of its Series B 12 1/4% preferred stock at an aggregate cost of \$27 million. These transactions had no effect on earnings; however, the difference of \$6 million between the cash paid and the carrying value of the preferred stock acquired is included in the computation of earnings per share.

Per share amounts are based on weighted average common shares outstanding and were calculated after providing for dividends on preferred stock, including ESOP convertible preferred stock, of \$16 million in each of the 1996 and 1995 first quarters. Common stock equivalents, including ESOP shares outstanding or committed to be released, were not included in the computations as they did not have a dilutive effect.

Prepayment of Obligations  
- -----

In the first quarter of 1996, UAL repaid prior to maturity \$242 million in principal amount of various debt securities, resulting in an aggregate extraordinary loss of \$29 million, after a tax benefit of \$18 million. The securities were scheduled for repayment periodically through 2021.

Revolving Credit Facility  
- -----

In April 1996, United entered into an agreement with a syndicate of banks for a \$750 million revolving credit facility expiring in 1999. Interest on drawn amounts under the facility is calculated at floating rates based on the London interbank offered rate plus a margin which is subject to adjustment based on certain changes in the credit ratings of UAL's long-term senior unsecured debt. Among other restrictions, the credit facility contains a covenant which restricts United's ability to grant liens on or otherwise encumber certain identified assets with a market value of approximately \$1.1 billion.

Convertible Debentures  
- -----

On March 20, 1996, UAL issued a redemption notice for all of its outstanding 6 3/8% convertible subordinated debentures, due 2025, which took place on May 1, 1996. As of March 31, 1996, holders of \$306 million in principal amount of debentures exercised their right to convert the debentures into an aggregate of \$166 million of cash and 976,040 shares of common stock (3,904,160 shares after the stock split). These conversions resulted in a net reduction to long-term debt of \$279 million and an increase of \$111 million in additional capital invested. At March 31, \$5 million of the cash consideration had not been paid to these holders. An additional \$291 million face amount of the debentures were converted by holders during April, resulting in cash payments of \$158 million and the issuance of 929,733 shares of common stock (3,718,932 shares after the stock split). While not reflected in the balance sheet at March 31, these conversions resulted in an additional net reduction to long-term debt of \$266 million and an increase of \$107 million in additional capital invested.

Contingencies and Commitments  
- -----

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 UAL is subject and its prior experience, that the ultimate disposition of these contingencies is not expected to materially affect UAL's consolidated financial position or results of operations.

At March 31, 1996, commitments for the purchase of property and equipment, principally aircraft, approximated \$3.6 billion, after deducting advance payments. An estimated \$1.3 billion will be spent during the remainder of 1996, \$1.6 billion in 1997, \$0.5 billion in 1998, and \$0.2 billion in 1999 and thereafter. The major commitments are for the purchase of 23 B777 aircraft, 4 B747 aircraft and 4 B757 aircraft. The B777s are scheduled to be delivered through 1999 and the B747s and

B757s are expected to be delivered in 1996.

In addition to aircraft orders, United has arrangements with Airbus Industrie and International Aero Engines to lease an additional 19 A320 aircraft, which are scheduled for delivery through 1998. At March 31, 1996, United also had options for an additional 131 B737 aircraft, 23 B757 aircraft, 34 B777 aircraft, 40 B747 aircraft, 5 B767 aircraft and 43 A320 aircraft. Under the terms of certain of these options which are exercisable during 1996 and 1997, United would forfeit significant deposits on such options not exercised.

United's contract with the Association of Flight Attendants ("AFA") became amendable March 1, 1996. On April 9, 1996, United announced that the flight attendants had rejected a previously announced tentative agreement. United and the AFA are now scheduled to resume traditional negotiations under the Railway Labor Act, which historically have taken two to three years to complete. While negotiations continue, the terms of United's current flight attendant agreement will remain in effect.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
- ----- CONDITION AND RESULTS OF OPERATIONS

LIQUIDITY AND CAPITAL RESOURCES  
- -----

UAL's total of cash and cash equivalents and short-term investments was \$891 million at March 31, 1996, compared to \$1.143 billion at December 31, 1995. Cash flows from operating activities amounted to \$374 million, which was net of a \$250 million discretionary pension contribution. Investing activities resulted in cash flows of \$288 million, mainly due to the decrease in short-term investments. Financing activities included principal payments under debt and capital lease obligations of \$304 million and \$48 million, respectively. Included in the debt payments above was the retirement of \$242 million of long-term debt prior to maturity. Financing activities also included payments of \$161 million for conversions of UAL's 6 3/8% convertible debentures and \$27 million for repurchases of UAL's Series B preferred stock.

In the first quarter of 1996, United took delivery of two A320 aircraft under operating leases and three B777 aircraft under capital leases. Property additions, including aircraft spare parts, amounted to \$67 million. Property dispositions resulted in proceeds of \$9 million.

At March 31, 1996, commitments for the purchase of property and equipment, principally aircraft, approximated \$3.6 billion, after deducting advance payments. An estimated \$1.3 billion will be spent during the remainder of 1996, \$1.6 billion in 1997, \$0.5 billion in 1998, \$0.2 billion in 1999 and thereafter. The major commitments are for the purchase of 23 B777 aircraft, 4 B747 aircraft and 4 B757 aircraft. The B777s are scheduled to be delivered through 1999 and the B747s and B757s are expected to be delivered in 1996.

In addition to aircraft orders, United has arrangements with Airbus Industrie and International Aero Engines to lease 19 A320 aircraft, which are scheduled for delivery through 1998. At March 31, 1996, United also had options for an additional 131 B737 aircraft, 23 B757 aircraft, 34 B777 aircraft, 40 B747 aircraft, 5 B767 aircraft and 43 A320 aircraft. Under the terms of certain of these options which are exercisable during 1996 and 1997, United would forfeit significant deposits on such options not exercised. Funds necessary to finance aircraft acquisitions are expected to be obtained from internally generated funds, irrevocable external financing arrangements or other external sources.



In April 1996, United entered into an agreement with a syndicate of banks for a \$750 million revolving credit facility expiring in 1999. Interest on drawn amounts under the facility is calculated at floating rates based on the London interbank offered rate plus a margin which is subject to adjustment based on certain changes in the credit ratings of UAL's long-term senior unsecured debt. Among other restrictions, the credit facility contains a covenant which restricts United's ability to grant liens on or otherwise encumber certain identified assets with a market value of approximately \$1.1 billion.

In April 1996, the stockholders of UAL Corporation approved an increase in the number of authorized shares of common stock from 100 million to 200 million shares, in connection with a four-for-one split in the corporation's common stock in the form of a 300% dividend for stockholders of record at the close of business on May 6, 1996. Certificates representing additional shares to be received will be distributed on May 20, 1996 to entitled holders.

#### RESULTS OF OPERATIONS

UAL's results of operations for interim periods are not necessarily indicative of those for an entire year, as a result of seasonal factors to which United is subject. First and fourth quarter results are normally affected by reduced travel demand in the fall and winter and United's operations, particularly at its Chicago and Denver hubs and at certain east coast cities, are adversely affected by winter weather on occasion.

The results of operations in the airline business historically fluctuate significantly in response to general economic conditions. This is because small fluctuations in yield (passenger revenue per revenue passenger mile) and cost per available seat mile can have a significant effect on operating results. UAL anticipates industrywide fare levels, increasing low-cost competition, general economic conditions, fuel costs, international governmental policies and other factors will continue to affect its operating results.

#### Summary of Results

UAL's earnings from operations were \$62 million in the first quarter of 1996, compared to operating earnings of \$38 million in the first quarter of 1995. UAL had a net loss in the 1996 first quarter of \$23 million (\$0.90 per share), compared to net earnings of \$3 million in the same period of 1995 (a loss of \$0.26 per share after preferred stock dividends). The 1996 first quarter results include an extraordinary loss of \$29 million (\$0.58 per share) on early extinguishment of debt.

The per share amounts for the 1996 first quarter above include the effects on equity of the repurchase of Series B preferred stock. See "Per Share Amounts" in the notes to consolidated financial statements.

Management believes that a more complete understanding of UAL's results can be gained by viewing them on a pro forma, "fully distributed" basis. This approach considers all ESOP shares which will ultimately be distributed to employees throughout the ESOP (rather than just the shares committed to be released) to be immediately outstanding and thus fully distributed. Consistent with this method, the ESOP compensation expense is excluded from fully distributed net earnings and ESOP convertible preferred stock dividends are not deducted from earnings attributable to common stockholders. On a fully distributed basis, UAL's net earnings for the 1996 first quarter would have been \$76 million (\$0.50 per share) compared to a loss of \$23 million (\$0.90 per share) as reported under generally accepted accounting principles. For the first quarter of 1995, fully distributed net earnings would have been \$59 million

(\$0.38 per share) compared to \$3 million (loss of \$0.26 per share) as reported under generally accepted accounting principles.

Specific factors affecting UAL's consolidated operations for the first quarter of 1996 are described below.

First Quarter 1996 Compared with First Quarter 1995.  
-----

Operating revenues increased \$401 million (12%). United's revenue per available seat mile increased 8% to 9.57 cents. Passenger revenues increased \$358 million (12%) due to a 6% increase in yield to 12.22 cents and a 6% increase in revenue passenger miles. The following analysis by market is based on information reported to the U.S. Department of Transportation:

Atlantic revenue passenger miles increased 17% over the same period last year, with a nearly 5% increase in yield. In the Pacific, revenue passenger miles increased 9% and yield decreased 3% from the same period last year, largely due to a weakening Japanese yen to the dollar. Domestic revenue passenger miles increased 4% and Latin America increased 3%. Domestic yield increased 10% as a result of depressed yields in 1995's first quarter, a larger proportion of high yield business traffic and fare levels influenced by the expiration of the Federal passenger excise tax. United is unable to determine at this time whether or not the tax will be reinstated, and if it is, what effect it will have on the domestic pricing environment. Available seat miles increased 4% systemwide, reflecting increases of 9% in both the Atlantic and Latin America, 4% in the Pacific and 2% on Domestic routes. The system passenger load factor increased 1.7 points to 68.7%.

Cargo revenues remained unchanged as a slight increase in freight revenues was offset by a decrease in mail revenues. Other operating revenues increased \$43 million (18%) due to increases in Mileage Plus partner-related revenues and fuel sales to third parties.

Operating expenses increased \$377 million (11%) and United's cost per available seat mile increased 8%, from 8.73 cents to 9.40 cents, including ESOP compensation expense. Without the ESOP compensation expense, United's cost per available seat mile would have increased 6%, from 8.49 cents to 8.98. ESOP compensation expense increased \$74 million (83%), reflecting the increase in the estimated average fair value of ESOP stock committed to be released to employees as a result of UAL's higher common stock price. Aircraft fuel expense increased \$96 million (25%) due to a 4% increase in consumption and a 20% increase in the average price per gallon of fuel to 68.40 cents. The federal jet fuel tax which went into effect October 1, 1995, accounted for approximately \$20 million of this increase. Salaries and related costs increased \$56 million (5%) due mainly to increased staffing in certain customer-oriented positions. Other operating expenses increased \$44 million (17%) due principally to higher fuel sales. Landing fees and other rent increased \$37 million (22%) due to increased facilities rent, particularly at the new Denver International Airport. Purchased services increased \$37 million (16%) due principally to volume-related increases in computer reservations fees and credit card discounts. Depreciation and amortization increased \$26 million (16%) due primarily to the acquisition of 39 aircraft off operating leases in 1995 and new B777 aircraft accounted for under capital leases. Personnel expenses increased \$10 million (16%), reflecting increased layover costs incurred principally in support of international operations. Food services increased \$6 million (5%) due primarily to higher passenger volumes. Aircraft maintenance increased \$5 million (5%) due to the timing of maintenance cycles.

Aircraft rent decreased \$9 million (4%) due to a decrease in the number of aircraft on operating leases. Commissions decreased \$5 million (2%) due to savings recognized as a result of a new travel agent commission payment plan implemented in

March 1995, partly offset by higher commissionable revenues.

Other expense amounted to \$52 million in the first quarter of 1996 compared to \$32 million in the first quarter of 1995. Interest expense decreased \$17 million (17%) due to the prepayment of long-term debt in 1995 and 1996. Equity in earnings of affiliates increased \$6 million (43%) due primarily to higher Galileo earnings resulting from increased booking revenues. Included in "Miscellaneous, net" in the 1996 and 1995 first quarters were foreign exchange losses of \$6 million and \$8 million, respectively. In addition, the 1995 first quarter included a \$38 million gain on the disposition of ten Dash 8 aircraft owned by Air Wisconsin, Inc.

OUTLOOK FOR 1996

Given first quarter results, available seat miles are expected to grow approximately 3% for the full year over 1995. While yields are expected to remain strong, UAL does not necessarily expect to maintain the year-over-year growth levels reached in the first quarter. Unit cost for the full year, excluding the ESOP compensation expense, is expected to increase 2% to 3% due largely to higher revenues and fuel prices. Net interest expense for the year should be lower due to the early repayments of relatively high-interest rate debentures and the conversion of \$597 million in principal amount of 6 3/8% convertible debentures.

The information included in the previous paragraph is forward-looking and involves risks and uncertainties that could result in actual results differing materially from expected results. It is not reasonably possible to itemize all of the many factors and specific events that could affect the outlook of an airline operating in the global economy. Some factors that could significantly impact expected capacity, yields and expenses include the airline pricing environment, fuel costs, low-fare carrier expansion, capacity decisions of other carriers, actions of the U.S. and foreign governments, foreign currency exchange rate fluctuations, the price of UAL common stock, inflation, the general economic environment, and other factors discussed herein and in UAL's 1995 Annual Report on Form 10-K.

Part II

Other Information

Item 1. Legal Proceedings.

Summers et al. v. State Street Bank and Trust Company et al. On April 14, 1995, plaintiffs filed a class action complaint against State Street Bank and Trust Company ("State Street"), the UAL Corporation Employee Stock Ownership Plan and the UAL Corporation Supplemental ESOP (together, the "Plans") in the United States District Court for the Northern District of Illinois. The complaint was brought on behalf of a putative class of all persons who are, or were as of July 12, 1994, participants or beneficiaries of the Plans. Plaintiffs alleged that State Street breached various fiduciary duties under the Employee Retirement Income Security Act of 1974 ("ERISA") in connection with the 1994 purchase of UAL preferred stock by the Plans. The Plans were nominal defendants; no relief was sought from them. The complaint sought a declaration that State Street violated ERISA, restoration to the Plans by State Street of the amount of an alleged "overpayment" for the stock, and other relief. United Air Lines, Inc. ("United") is obligated, subject to certain exceptions, to indemnify State Street for part or all of an adverse judgment and State Street's defense costs. The defendants filed a motion to dismiss the complaint in its entirety on July 12, 1995. On

March 29, 1996 the judge granted defendants' motion to dismiss in its entirety. On April 15, 1996 the defendants filed with the court a motion for attorneys' fees and costs under ERISA. Thereafter, plaintiffs filed a notice of appeal of the judge's decision in favor of State Street and an opposition to defendants' motion for attorneys' fees and costs.

Mileage Plus Class Actions - On December 10, 1993, January 18, 1994, November 3, 1994 and February 9, 1995 class actions were brought in the Circuit Court of Cook County, Illinois, Chancery Division, on behalf of members of the Mileage Plus Program. The actions, as amended, claimed that various changes instituted by United in the Mileage Plus Program breached United's contracts with its program members. On October 13, 1995, the court granted United's motion to dismiss the cases with prejudice but permitted the plaintiffs to file an amended complaint. The amended complaint which was filed solely on behalf of program members who joined prior to 1988, was dismissed by the court on United's motion on March 29, 1996.

Item 4. Submission of Matters to a Vote of Security Holders.

At the annual meeting of the stockholders of UAL Corporation on April 24, 1996, the following matters were voted upon:

Description -----	Votes -----	
1. Election of Board of Directors		
Public Directors:		
John A. Edwardson	10,953,577	For
	31,816	Withheld
Gerald Greenwald	10,952,784	For
	32,609	Withheld
John F. McGillicuddy	10,949,846	For
	35,547	Withheld
James J. O'Connor	10,950,313	For
	35,080	Withheld
Paul E. Tierney	10,941,973	For
	43,420	Withheld
Independent Directors:		
Duane D. Fitzgerald	4	For
	0	Withheld
Richard D. McCormick	4	For
	0	Withheld
John K. Van de Kamp	4	For
	0	Withheld
Paul A. Volcker	4	For
	0	Withheld
ALPA Director:		
Michael H. Glawe	1	For
	0	Withheld
IAM Director:		
John F. Peterpaul	1	For
	0	Withheld
Salaried/Management Employee Director:		
Joseph V. Vittoria	3	For
	0	Withheld
2. Approval of Charter Amendments in connection with Stock Split	25,665,465 614,924	For Against

160,682 Abstain  
0 Broker Non-Votes

3. Approval of Amendment to the 1981 Incentive Stock Plan	19,216,994 5,135,230 783,316 1,305,531	For Against Abstain Broker Non-Votes
4. Ratification of the Appointment of Independent Public Accountants	24,967,973 660,115 812,983 0	For Against Abstain Broker Non-Votes

Item 5. Other Information.

- -----

On March 20, 1996, UAL Corporation ("UAL") issued a notice of redemption for all of its outstanding 6-3/8% Convertible Subordinated Debentures due 2025 (the "Debentures"). The redemption occurred on May 1, 1996. As of March 31, 1996, holders of \$306 million in principal amount of the Debentures exercised their right to convert the Debentures into an aggregate of \$166 million of cash and 976,040 shares of Common Stock, \$.01 par value ("Common Stock"), of UAL. An additional \$291 million in principal amount of the Debentures were converted by holders during April, resulting in cash payments of \$158 million and the issuance of 929,733 shares of Common Stock.

On April 24, 1996, the stockholders of UAL approved an amendment to the Restated Certificate of Incorporation of UAL to increase the number of authorized shares of its Common Stock in connection with a four-for-one stock split in the form of a 300% stock dividend to holders of record at the close of business on May 6, 1996. Certificates representing additional shares to be received will be distributed on May 20, 1996 to entitled holders.

Item 6. Exhibits and Reports on Form 8-K.

- -----

- (a) Exhibit 3.1 - Certificate of Amendment of the Restated Certificate of Incorporation of UAL Corporation filed in Delaware on April 26, 1996.

Exhibit 10.1 - UAL Corporation 1981 Incentive Stock Plan as amended April 24, 1996.

Exhibit 11 - Calculation of fully diluted net earnings per share.

Exhibit 12.1 - Computation of Ratio of Earnings to Fixed Charges.

Exhibit 12.2 - Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividend Requirements.

Exhibit 27 - Financial Data Schedule.

- (b) Form 8-K dated January 23, 1996 to report a press release issued regarding UAL earnings release.

Form 8-K dated January 29, 1996 to report a press release issued regarding UAL credit improvement initiatives.

Form 8-K dated March 19, 1996 to report a press release issued regarding UAL to redeem 6-3/8% Convertible Subordinated Debentures; discusses higher first quarter expectations.

SIGNATURES

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Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on

its behalf by the undersigned thereunto duly authorized.

UAL CORPORATION

By: /s/ Gerald Greenwald

-----  
Gerald Greenwald  
Chairman and Chief  
Executive Officer

By: /s/ Douglas A. Hacker

-----  
Douglas A. Hacker  
Senior Vice President and  
Chief Financial Officer  
(principal financial and  
accounting officer)

Dated: May 3, 1996

Exhibit Index

Exhibit No.	Description
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3.1	Certificate of Amendment of the Restated Certificate of Incorporation of UAL Corporation as filed in Delaware on April 26, 1996.
10.1	UAL Corporation 1981 Incentive Stock Plan as amended April 24, 1996.
11	Calculation of fully diluted net earnings per share.
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.
27	Financial Data Schedule.

CERTIFICATE OF AMENDMENT  
OF THE  
RESTATED CERTIFICATE OF INCORPORATION  
OF  
UAL CORPORATION

UAL CORPORATION, a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, DOES HEREBY CERTIFY:

FIRST: That as of February 29, 1996, the Board of Directors of the Corporation adopted resolutions proposing and declaring advisable that the Restated Certificate of Incorporation of this Corporation (the "Restated Certificate") be amended as follows:

(A) that the first paragraph of Article FOURTH of the Restated Certificate be amended to read as follows:

FOURTH. The total number of shares of capital stock of all classes of which the Corporation shall have authority to issue is 291,100,022, divided into eleven (11) classes, as follows: 16,000,000 shares of Preferred Stock, without par value (hereinafter referred to as "Serial Preferred Stock"), 25,000,000 shares of Class 1 ESOP Convertible Preferred Stock, of the par value of \$0.01 per share (hereinafter referred to as "Class 1 ESOP Convertible Preferred Stock"), 25,000,000 shares of Class 2 ESOP Convertible Preferred Stock, of the par value of \$0.01 per share (hereinafter referred to as "Class 2 ESOP Convertible Preferred Stock"), 11,600,000 shares of Class P ESOP Voting Junior Preferred Stock, of the par value of \$0.01 per share (hereinafter referred to as "Class P Voting Preferred Stock"), 9,300,000 shares of Class M ESOP Voting Junior Preferred Stock, of the par value of \$0.01 per share (hereinafter referred to as "Class M Voting Preferred Stock"), 4,200,000 shares of Class S ESOP Voting Junior Preferred Stock, of the par value of \$0.01 per share (hereinafter referred to as "Class S Voting Preferred Stock"), one (1) share of Class Pilot MEC Junior Preferred Stock, of the par value of \$0.01 per share (hereinafter referred to as "Class Pilot MEC Preferred Stock"), one (1) share of Class IAM Junior Preferred Stock, of the par value of \$0.01 per share (hereinafter referred to as "Class IAM Preferred Stock"), ten (10) shares of Class SAM Junior Preferred Stock, of the par value of \$0.01 per share (hereinafter referred to as "Class SAM Preferred Stock"), ten (10) shares of Class I Junior Preferred Stock, of the par value of \$0.01 per share (hereinafter referred to as "Class I Preferred Stock" and, together with the Serial Preferred Stock, the Class 1 ESOP Convertible Preferred Stock, the Class 2 ESOP Convertible Preferred Stock, the Class P Voting Preferred Stock, the Class M Voting Preferred Stock, the Class S Voting Preferred Stock, the Class Pilot MEC Preferred Stock, the Class IAM Preferred Stock, and the Class SAM Preferred Stock, collectively, as "Preferred Stock") and 200,000,000 shares of Common Stock, of the par value of \$0.01 per share (hereinafter referred to as "Common Stock").

SECOND: That the foregoing amendment has been duly adopted in accordance with the provisions of Section 242 of the Delaware General Corporation Law by the affirmative vote of a majority of the shares of stock of the Corporation entitled to vote thereon at the annual meeting of stockholders held on April 24, 1996, voting together as a single class.

The effective time of the amendment herein certified shall be May 6, 1996.

IN WITNESS WHEREOF, UAL Corporation has caused this Certificate to be signed and attested by the Corporation's duly authorized officer this 25th day of April, 1996.

UAL CORPORATION

By: /s/ Francesca M. Maher  
Print Name: Francesca M. Maher  
Title: Vice President - Law and  
Corporate Secretary

ATTEST:

By: /s/ Francesca M. Maher  
Print Name: Francesca M. Maher  
Title: Vice President - Law and  
Corporate Secretary



As Amended  
April 24, 1996

UAL CORPORATION  
-----

1981 INCENTIVE STOCK PLAN  
-----

1. Purpose. The purpose of the UAL Corporation 1981 Incentive Stock Plan (the "Plan") is to attract and retain outstanding individuals as officers and key employees of UAL Corporation (the "Company") and its subsidiaries, and to furnish incentives to such persons by providing such persons opportunities to acquire shares of the Company's Common Stock, par value \$.01 per share ("Common Stock"), or monetary payments based on the value of such shares or both, on advantageous terms as herein provided.

2. Administration. The Plan shall be administered by the Compensation Administration Committee of the Board of Directors of the Company for all grants to (I) any "officer" as such term is defined in Rule 16a-1(f) under the Securities Exchange Act of 1934, as amended, or (II) any "covered employee" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder, and by the Compensation Committee of the Board of Directors of the Company for all other grants (such committee, as applicable, herein called the "Committee"). No member of the Compensation Administration Committee shall be eligible, while a member of such Committee, to receive a Benefit under the Plan. The Committee is authorized to interpret the provisions of the Plan, to prescribe, amend and rescind rules and regulations relating to the Plan, to determine the terms and conditions of Benefits to be granted under the Plan and to make all other determinations necessary or advisable for the administration of the Plan, but only to the extent not contrary to or inconsistent with the express provisions of the Plan.

3. Participants. Participants in the Plan will consist of such officers or other key employees of the Company and its subsidiaries as the Committee in its sole discretion may designate from time to time to receive Benefits hereunder. The Committee shall consider such factors as it deems pertinent in selecting participants and in determining the type and amount of their respective Benefits, including without limitation (i) the financial condition of the Company; (ii) anticipated profits for the current or future years; (iii) contributions of participants to the profitability and development of the Company; and (iv) other compensation provided to participants.

4. Types of Benefits. Benefits under the Plan may be granted in any one or a combination of (a) Incentive Stock Options, (b) Non-qualified Stock Options, and (c) Stock Appreciation Rights, all as described below.

5. Shares Reserved under the Plan. There is hereby reserved for issuance under the Plan an aggregate of 2,300,000 shares of Common Stock, which may be newly issued or treasury shares.<sup>1</sup> All of such shares may, but need not be issued pursuant to the exercise of Incentive Stock Options. If there is a lapse, expiration, termination or cancellation of any Benefit granted hereunder without the issuance of shares or payments of cash thereunder, or if shares are issued under any Benefit and thereafter are reacquired by the Company pursuant to rights reserved upon the issuance thereof, the shares subject to or reserved for such Benefit may again be used for new options or rights under this Plan; provided, however, that in no event may the number of shares issued under this Plan exceed the total

number of shares reserved for issuance hereunder. Subject to Section 14(a), in no event may the aggregate number of shares of Common Stock with respect to which options or Stock Appreciation Rights are granted to any individual exceed 125,000 in any period of two calendar years, provided, however, that grants made to any new employee as a condition of employment may not exceed two times such biennial limit during the first two years of employment.

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1 Represents shares reserved for issuance under the Plan in connection with grants made on or after July 12, 1994. Shares issuable under grants made prior to such date are in addition to such number of shares.

6. Incentive Stock Options. Incentive Stock Options will consist of options to purchase shares of Common Stock at purchase prices not less than one hundred percent (100%) of the fair market value of such shares on the date of grant. Incentive Stock Options will be exercisable over not more than ten (10) years after date of grant and shall terminate not later than three (3) months after termination of employment for any reason other than death. If the optionee should die while employed or within three (3) months after termination of employment, the right of the optionee or his or her successor in interest to exercise an option shall terminate not later than twelve (12) months after the date of death. The aggregate fair market value (determined as of the time the option is granted) of the shares of Common Stock which any participant may exercise pursuant to Incentive Stock Options for the first time in any calendar year (under all option plans of the Company and its parent and subsidiary corporations) shall not exceed \$100,000.

7. Non-qualified Stock Options. Non-qualified Stock Options will consist of options to purchase shares of Common Stock at purchase prices not less than one hundred percent (100%) of the fair market value of shares on the date of grant. Non-qualified Stock Options will be exercisable over not more than ten (10) years after date of grant. Non-qualified Stock Options will terminate no later than six (6) months after termination of employment for any reason other than retirement or death, unless immediately after such termination of employment the optionee shall be a member of the Board of Directors of the Company, in which case such options will terminate two (2) years after such termination of employment. In the event termination of employment occurs by reason of the optionee's retirement, the option shall terminate not later than the fixed expiration date set forth therein. In the event termination of employment occurs by reason of the optionee's death or if the optionee's death occurs within six months after termination of employment, the option shall terminate not later than twelve (12) months after the date of such death.

8. Stock Appreciation Rights. The Committee may, in its discretion, grant a Stock Appreciation Right to the holder of any Non-qualified Stock Option granted hereunder. In addition, a Stock Appreciation Right may be granted independently of and without relation to any stock option. Stock Appreciation Rights shall be subject to such terms and conditions consistent with the Plan as the Committee shall impose from time to time, including the following:

(a) A Stock Appreciation Right may be granted with respect to a Non-qualified Stock Option at the time of its grant or at any time thereafter up to six (6) months prior to its expiration.

(b) Each Stock Appreciation Right will entitle the holder to elect to receive up to 100% of the appreciation in fair market value of the shares subject thereto up to the date the right is exercised. In the case of a Stock Appreciation Right issued in relation to a Non-qualified Stock Option, such appreciation

shall be measured from the option price. In the case of a Stock Appreciation Right issued independently of any stock option, the appreciation shall be measured from not less than the fair market value of the Common Stock on the date the right is granted.

(c) The Committee shall have the discretion to satisfy a participant's right to receive the amount of cash determined under subparagraph (b) hereof, in whole or in part, by the delivery of shares of Common Stock valued as of the date of the participant's election.

(d) In the event of the exercise of a Stock Appreciation Right, the number of shares reserved for issuance hereunder (and the shares subject to the related option, if any) shall be reduced by the number of shares with respect to which the right is exercised.

9. Nontransferability. Each Benefit granted under this Plan shall not be transferable other than by will or the laws of descent and distribution, and shall be exercisable, during the holder's lifetime, only by the holder.

10. Other Provisions. The award of any Benefit under the Plan may also be subject to other provisions (whether or not applicable to the Benefit awarded to any other participant) as the Committee determines appropriate, including, without limitation, provisions for the purchase of common shares under stock options in installments, provisions for the payment of the purchase price of shares under stock options by delivery of other shares of the Company having a then market value equal to the purchase price of such shares, restrictions on resale or other disposition, such provisions as may be appropriate to comply with federal or state securities laws and stock exchange requirements and understandings or conditions as to the participant's employment in addition to those specifically provided for under the Plan.

11. Term of Plan and Amendment, Modification or Cancellation of Benefits. No Benefit shall be granted after December 8, 2001; provided, however, that the terms and conditions applicable to any Benefits granted prior to such date may at any time be amended, modified, extended or canceled by mutual agreement between the Committee and the participant or such other persons as may then have an interest therein, so long as any amendment or modification does not increase the number of shares of Common Stock issuable under this Plan and any extension does not extend the option term beyond ten (10) years.

12. Taxes. The Company shall be entitled to withhold the amount of any tax attributable to any amount payable or shares deliverable under the Plan after giving the person entitled to receive such amount or shares notice as far in advance as practicable, and the Company may defer making payment or delivery if any such tax may be pending unless and until indemnified to its satisfaction.

13. Fair Market Value. The Fair Market Value of the Company's shares of Common Stock at any time shall be determined in such manner as the Committee may deem equitable or required by applicable laws or regulations.

14. Adjustment Provisions.

(a) If the Company shall at any time change the number of issued shares of Common Stock without new consideration to the Company (such as by stock dividend or stock split), the total number of shares reserved for issuance under this Plan, the maximum number of shares with respect to which options or Stock Appreciation Rights may be granted to any individual, the exercise price of outstanding options (other than options granted prior to July 12, 1994) and the base for measuring a Stock Appreciation Right and the number of shares covered by each outstanding Benefit

(including the number of shares issuable upon exercise of outstanding options granted prior to July 12, 1994, which are exercisable for "reclassification packages" consisting of a combination of cash and shares, so that the number of shares included in each such reclassification package shall adjust as herein provided) shall be adjusted so that the aggregate consideration payable to the Company and the value of each such Benefit shall not be changed. The Committee shall also have the right to provide for the continuation of Benefits or for other equitable adjustments after changes in the shares of Common Stock resulting from the reorganization, sale, merger, consolidation or similar occurrence.

(b) Notwithstanding any other provision of this Plan, and without affecting the number of shares otherwise reserved or available hereunder, the Committee may authorize the issuance or assumption of Benefits in connection with any merger, consolidation, acquisition of property or stock, or reorganization upon such terms and conditions as it may deem appropriate.

15. Amendment and Termination of Plan. The Board of Directors of the Company may amend the Plan from time to time or terminate the Plan at any time, but no such action shall reduce the then existing amount of any participant's Benefit or adversely change the terms and conditions thereof without the participant's consent. However, except for adjustments expressly provided for herein, no amendment may, without stockholder approval, (i) materially increase the Benefits accruing to participants, (ii) materially increase the number of shares which may be issued, or (iii) materially modify the requirements as to eligibility for participation in the Plan.

Exhibit 11

UAL Corporation and Subsidiary Companies  
 Calculation of Fully Diluted Net Earnings Per Share

(In Millions, Except Per Share)

	Three Months Ended March 31	
	1996 (1)	1995 (1)
	-----	-----
<b>Earnings:</b>		
Earnings before preferred stock transactions and extraordinary item	\$ 6	\$ 3
Preferred stock dividends	(16)	(16)
	-----	-----
Loss before preferred stock transactions and extraordinary item for fully diluted calculation	(10)	(13)
Preferred stock transactions	(6)	-
Extraordinary loss on early extinguishment of debt	(29)	-
	-----	-----
Net loss for fully diluted calculation	\$ (45)	\$ (13)
	=====	=====
<b>Shares:</b>		
Average number of shares of common stock outstanding during the period	50.4	49.2
Average number of shares of ESOP preferred stock outstanding during the period	19.2	-
Additional shares assumed issued at the beginning of the period (or at the date of issuance) for conversion of preferred stock	-	7.2
Additional shares assumed issued at the beginning of the period (or at the date of issuance) for exercises of dilutive stock options and stock award plans (after deducting shares assumed purchased under the treasury stock method)	2.8	1.6
	-----	-----
Average number of shares for fully diluted calculation	72.4	58.0
	=====	=====
<b>Fully diluted per share amounts:</b>		
Loss before extraordinary item		
	\$ (0.22)	\$ (0.23)
Extraordinary loss on early extinguishment of debt	(0.41)	-
	-----	-----
Net loss	\$ (0.63)	\$ (0.23)
	=====	=====

(1) This calculation is submitted in accordance with Regulation S-K item 601(b)(11), although it is contrary to paragraph 40 of APB Opinion No. 15 because it produces an antidilutive result.

Exhibit 12.1

UAL Corporation and Subsidiary Companies  
 Computation of Ratio of Earnings to Fixed Charges  
 -----

Three Months Ended  
 March 31  
 1996            1995  
 ----            ----  
 (In Millions)

Earnings:

Earnings before income taxes and extraordinary item	\$ 10	\$ 6
Fixed charges, from below	272	282
Undistributed earnings of affiliates	(20)	(14)
Interest capitalized	(15)	(12)
	-----	-----
Earnings	\$ 247	\$ 262
	=====	=====

Fixed charges:

Interest expense	\$ 85	\$ 102
Portion of rental expense representative of the interest factor	187	180
	-----	-----
Fixed charges	\$ 272	\$ 282
	=====	=====

Ratio of earnings to fixed charges	(a)	(a)
	=====	=====

-----  
 (a) Earnings were inadequate to cover fixed charges by \$25 million in the first quarter of 1996 and \$20 million in the first quarter of 1995.

Exhibit 12.2

UAL Corporation and Subsidiary Companies

-----  
 Computation of Ratio of Earnings to Fixed Charges  
 and Preferred Stock Dividend Requirements  
 -----

Three Months Ended  
 March 31  
 1996      1995  
 -----  
 (In Millions)

Earnings:

Earnings before income taxes and extraordinary item	\$ 10	\$ 6
Fixed charges, from below	299	310
Undistributed earnings of affiliates	(20)	(14)
Interest capitalized	(15)	(12)
	-----	-----
Earnings	\$ 274	\$ 290
	=====	=====

Fixed charges:

Interest expense	\$ 85	\$ 102
Preferred stock dividend requirements	27	28
Portion of rental expense representative of the interest factor	187	180
	-----	-----
Fixed charges	\$ 299	\$ 310
	=====	=====

Ratio of earnings to fixed charges	(a)	(a)
	=====	=====

-----  
 (a) Earnings were inadequate to cover fixed charges by \$25 million in the first quarter of 1996 and \$20 million in the first quarter of 1995.

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION  
EXTRACTED FROM UAL CORPORATION'S STATEMENT OF CONSOLIDATED  
OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 1996 AND  
CONDENSED STATEMENT OF CONSOLIDATED FINANCIAL POSITION AS OF  
MARCH 31, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE  
TO SUCH FINANCIAL STATEMENTS.

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