



**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 14, 2003**

---

(Date of earliest event reported)

**UAL CORPORATION**

---

(Exact name of registrant as specified in its charter)

**Delaware**

**1-6033**

**36-2675207**

---

(State or other jurisdiction of incorporation)

---

(Commission  
File Number)

---

(I.R.S. Employer  
Identification No.)

**1200 Algonquin Road, Elk Grove Township, Illinois**

**60007**

---

(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.**

We are attaching hereto materials presented to our employees on February 11, 2003.

Certain information contained in the attached exhibit should be considered “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements reflect UAL Corporation’s current views with respect to certain current and future events and financial performance. Such forward-looking statements are and will be, as the case may be, subject to many risks and uncertainties relating to the operations and business environments of UAL Corporation and its subsidiaries (collectively, the “company”) that may cause the actual results of the company to be materially different from any future results expressed or implied in such forward-looking statements. Such factors include, but are not limited to, the following: the company’s ability to continue as a going concern; the company’s ability to operate pursuant to the terms of the debtor-in-possession facility; the company’s ability to obtain court approval with respect to motions in the Chapter 11 proceeding prosecuted by it from time to time; the company’s ability to develop, prosecute, confirm and consummate one or more plans of reorganization with respect to the Chapter 11 cases; risks associated with third parties seeking and obtaining court approval to terminate or shorten the exclusivity period for the company to propose and confirm one or more plans of reorganization, for the appointment of a Chapter 11 trustee or to convert the cases to Chapter 7 cases; the company’s ability to achieve necessary reductions in labor costs; the company’s ability to obtain and maintain normal terms with vendors and service providers; the company’s ability to maintain contracts that are critical to its operations; the potential adverse impact of the Chapter 11 cases on the company’s liquidity or results of operations; the costs and availability of financing; the company’s ability to execute its business plan; the company’s ability to attract, motivate and/or retain key employees; the company’s ability to attract and retain customers; demand for transportation in the markets in which the company operates; general economic conditions; the effects of any hostilities or act of war (in the Middle East or elsewhere) or any terrorist attack; the ability of other air carriers with whom the company has alliances or partnerships to provide the services contemplated by the respective arrangements with such carriers; the costs and availability of aircraft insurance; the costs of aviation fuel; the costs associated with existing or future security measures and practices; competitive pressures on pricing (particularly from lower-cost competitors); government legislation and regulation; consumer perceptions of the company’s products; weather conditions; and other risks and uncertainties set forth from time to time in UAL Corporation’s reports to the United States Securities and Exchange Commission. The company disclaims any intent or obligation to update or alter any of the forward-looking statements, whether in response to new information, unforeseen events, changed circumstances or otherwise.

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

(c) Exhibit	Description
99.1	Presentation Data

---

**SIGNATURES**

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 hereunto duly authorized.

UAL CORPORATION

By: /s/ Francesca M. Maher

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

Dated: February 14, 2003



# Plan For Transformation

## Overview

February 2003

*CONFIDENTIAL*



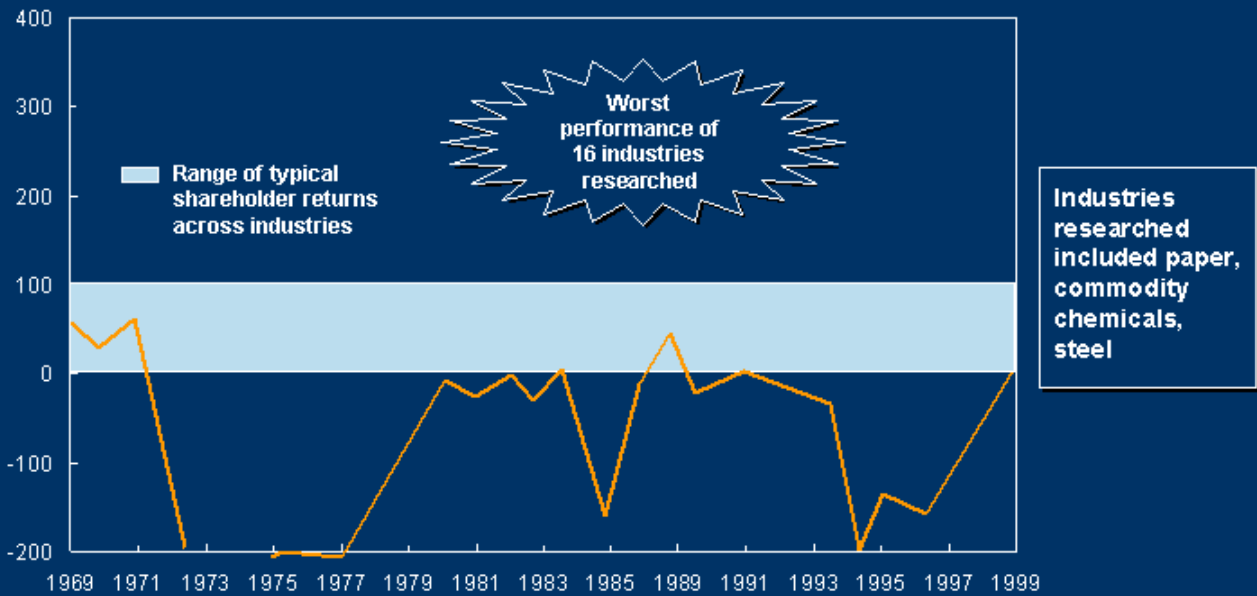
## **Plan For Transformation**

- **The plan must fundamentally transform the airline.**
- **It must create useful and worthwhile travel options to meet the changing needs of today's travelers.**
- **It must build a cost-competitive airline across all segments.**
- **The plan must give the company a platform to reengage the financial community in order to attract future investment.**
- **It must create a platform for growth that serves our company, our customers and our employees.**

# Airline Industry Has Delivered The Worst Shareholder Performance Of Any Industry

7-year rolling normalized indexed TRS – U.S. airline industry vs. economy\*

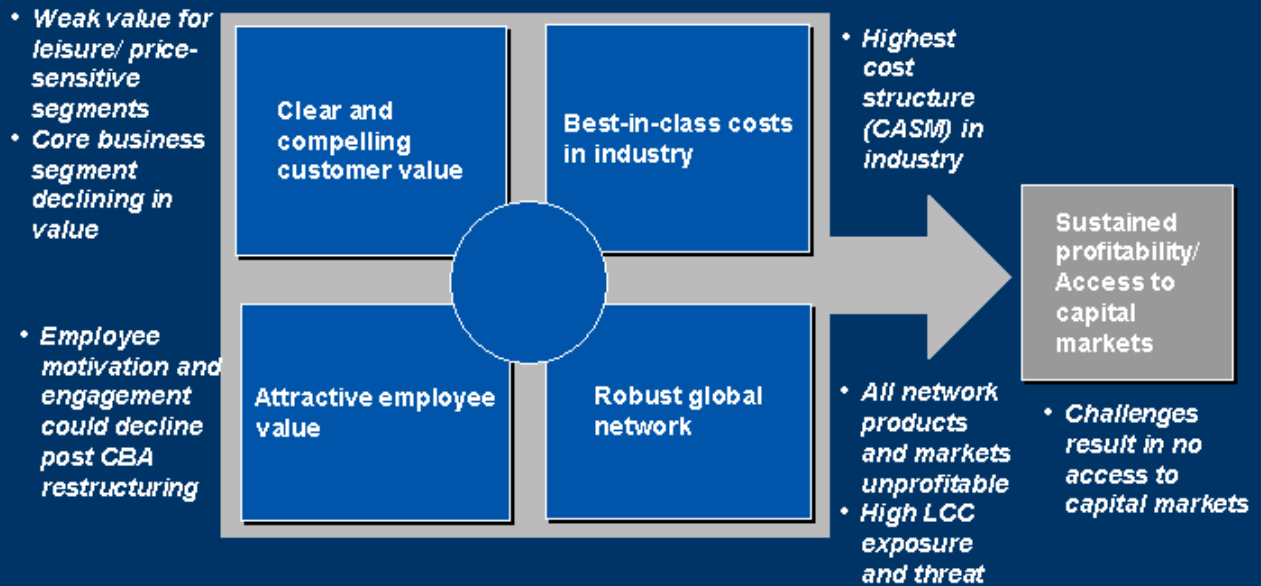
McKinsey research of 16 industries, 1008 companies



\*Total economy and airline nominal TRS, adjusted for inflation and indexed to starting year (1969)

CONFIDENTIAL

# United Faces Fundamental Challenges Required for Sustained Profitability, Access To Capital Markets

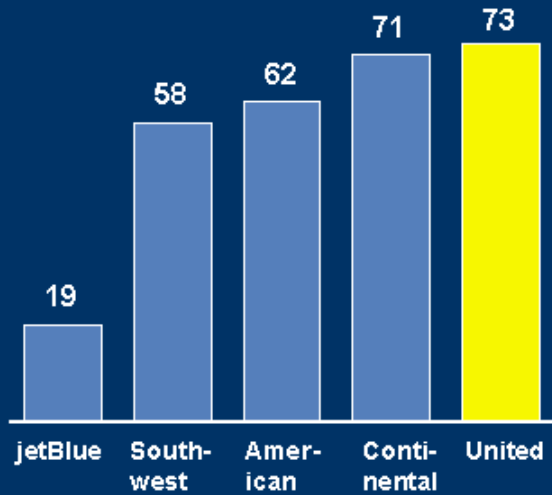




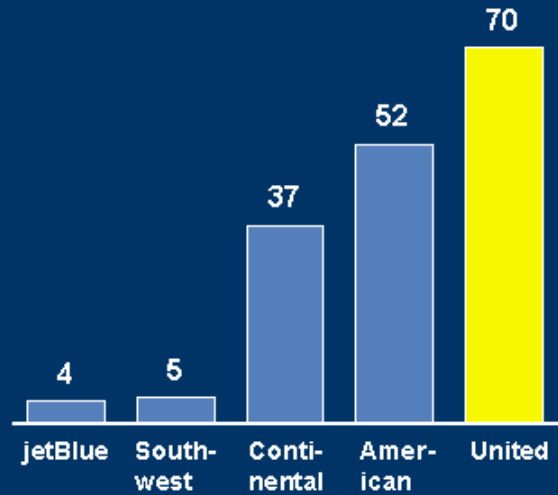
# United Has Built A Company Around The Valuable 'Road Warrior' Customer Segment...

Percent of each carrier's flyers agreeing

Recognizes frequent flyers and rewards their loyalty



Best worldwide routes/schedules

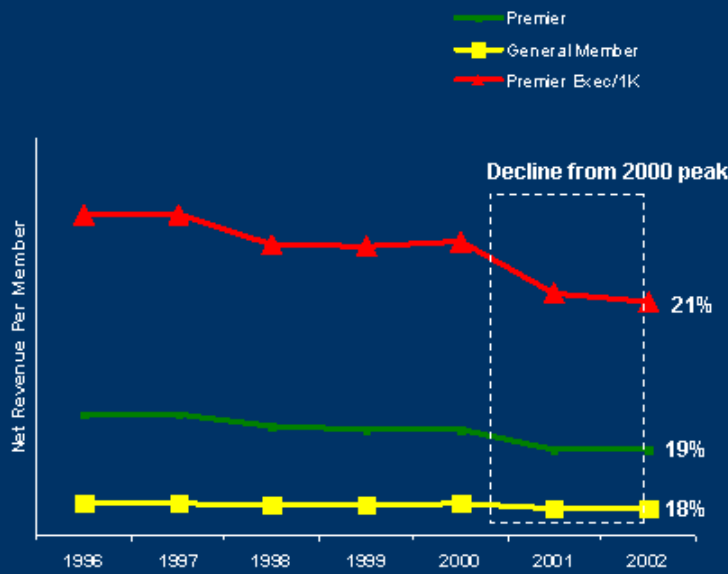


Source: Domestic Brand Monitor, 2Q2002, 6+ Fliers; jetBlue data 3Q2002

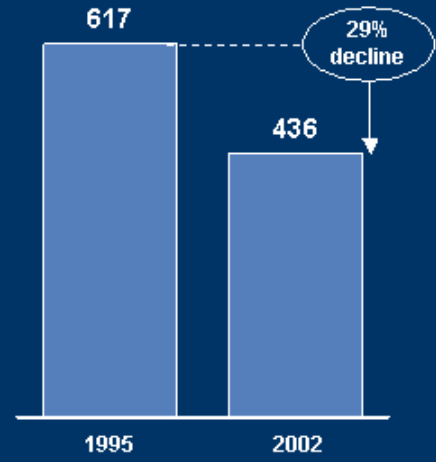
CONFIDENTIAL

# However, Revenue From Road Warriors Is Declining Even Faster Than Other Segments

United Average Passenger Revenue



Industry Road Warrior revenue index



Note: Based on tier earned via *prior year* flight activity  
 Source: Mileage Plus; 1995 Cambridge Study; 1Q02 Harris Interactive Airline Segmentation Survey

# Customers Are Increasingly Turning To LCCs For Qualities Valued By Both Business And Leisure Travelers

Percent of customers agreeing with statement

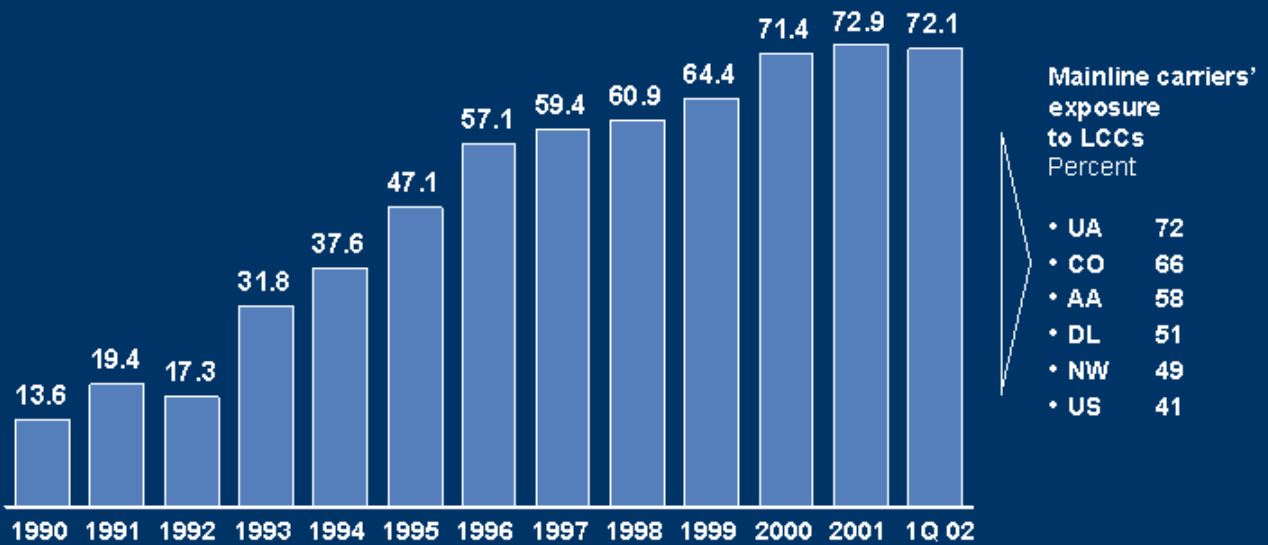
	UA	AA	CO	SW	JetBlue*
Safe	36%	38%	31%	41%	31%
Dependable	24	28	20	38	30
Helpful	23	27	21	38	30
Comfortable	24	36	19	17	38
Simple	9	8	6	49	36
Good Value	20	25	30	86	83

Source: Domestic Brand Monitor, 2Q2002, 6+ Fliers; jetBlue data 3Q2002 (NY sample for jetBlue)

CONFIDENTIAL

# United Has The Highest LCC Exposure Of Any Mainline Carrier

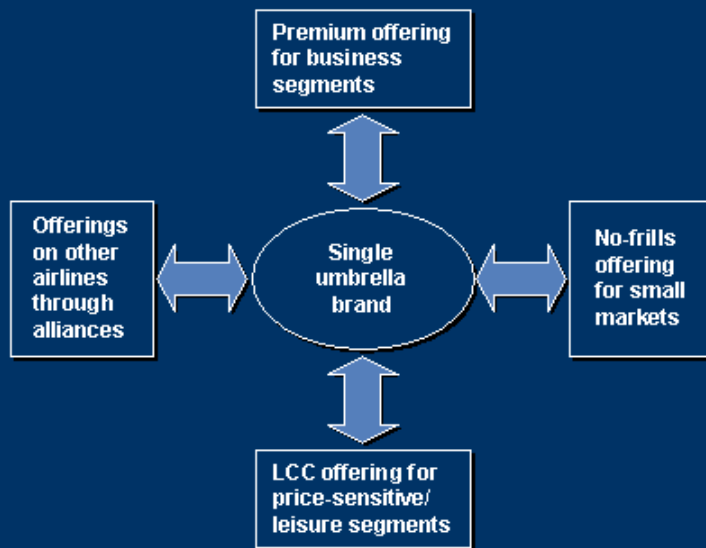
United's O&D passengers in markets with low-cost competition  
Percent



Source: U.S. DOT DB1A database; SH&E

CONFIDENTIAL

# A Separate LCC Must Be Developed And Knit Together With Existing Products Through A Strong Umbrella Brand



United needs to develop a strong brand and sub-brands that are exciting and relevant to a broad range of customer segments

However, United faces several brand challenges

- Disadvantaged starting point on brand perception (“boring”, “large/bureaucratic”, “past its prime”)
- Potential for natural tension between creating sub-brands and causing customer confusion

Superior brand delivery through front-line employees will be key to success

## The LCC Should Strengthen Our Superior Hub-And-Spoke Network Model

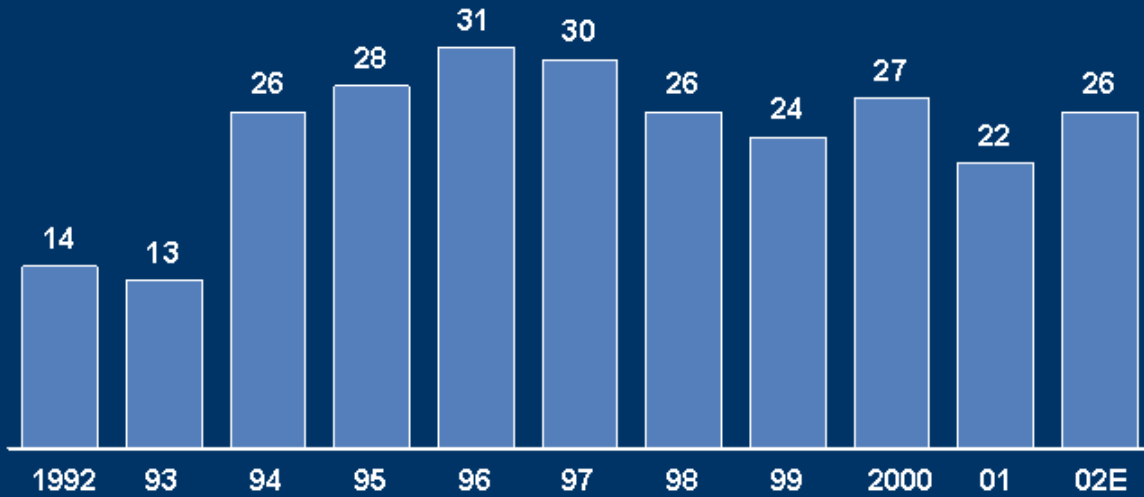
- Large, well-situated hubs provide superior connection service and traffic advantages
- Broad and deep network builds United brand value
- Increased connectivity provides market share advantage in markets where United provides most capacity
- Efficiency of hub-and-spoke system allows higher frequency of service between cities
- Carriers with strong hub network benefit from revenue premiums and increased market share

The benefits of the network (hub-and-spoke) model are “alive and well”

United must maintain its strong network to benefit from these effects

## Network Carriers Still Command A Premium Over LCCs; Maintaining A Strong Network Is Critical To Success

Unit revenue advantage – network carriers vs. LCCs  
Percent



Source: Goldman Sachs; DOT

CONFIDENTIAL

10

 UNITED

## United Currently Faces Significant Challenges In Each Potential Network Product

Network product	Competitive deficiencies	Implications
Alliance/ Code Share	<ul style="list-style-type: none"> <li>• Domestic and international restrictions</li> <li>• Limited revenue-sharing/blocked space</li> <li>• Cargo restrictions</li> </ul>	<ul style="list-style-type: none"> <li>• Network voids</li> <li>• Lost revenue opportunities</li> </ul>
Express	<ul style="list-style-type: none"> <li>• Limited RJ fleet size</li> <li>• No jet aircraft &gt;50 seats</li> <li>• High cost</li> <li>• Route limitations</li> </ul>	<ul style="list-style-type: none"> <li>• Mismatched capacity with demand</li> <li>• Inferior product offering in many markets</li> <li>• Lost market opportunities</li> </ul>
United LCC	<ul style="list-style-type: none"> <li>• Not currently available</li> </ul>	<ul style="list-style-type: none"> <li>• Market cross-subsidization</li> <li>• Do not serve markets</li> <li>• Use Express/Code Share instead</li> </ul>
Mainline	<ul style="list-style-type: none"> <li>• High cost – unprofitable in most markets</li> <li>• Product offering not appropriate to customer demands in all markets</li> <li>• Unsustainable fare structure</li> </ul>	<ul style="list-style-type: none"> <li>• “Squeeze” markets</li> <li>• Exit unprofitable markets</li> <li>• Replace with Express/Code Share</li> </ul>



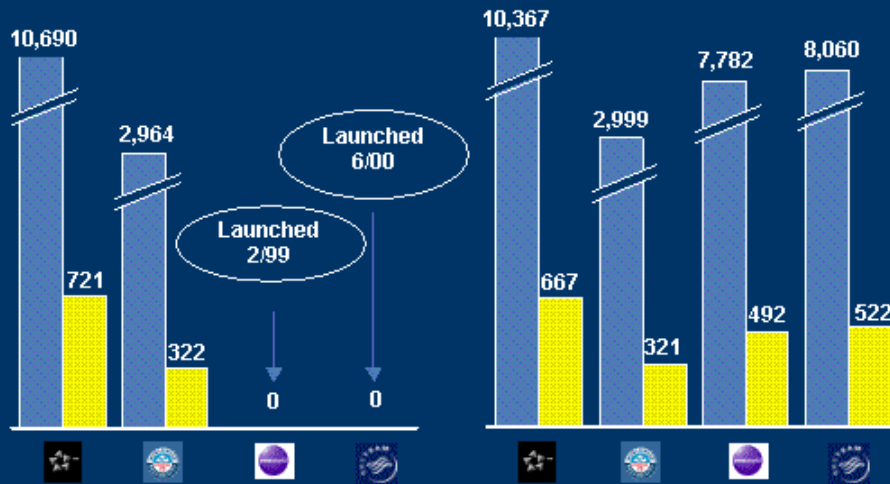
# Alliances: Competitive Response Has Eroded United's Substantial Lead In Alliance/Codeshare

Daily departures & destinations served through Alliances

January 1999

January 2003

Departures  
Destinations



- United's advantage is eroding
- While the US codeshare deal will improve UA's position ...
- ... potential CO/DL/NW codesharing would counteract advantages

Note: Star Alliance members include Air Canada, Air New Zealand, ANA, BMI, Austrian Airlines, SAS, Lufthansa, Mexicana, Singapore Airlines, Tyrolean Airlines, Lauda, Thai Airlines, and Varig

CONFIDENTIAL

## Ability To Respond Effectively To Continued Market Changes Is Key To Future Competitiveness

### Market trends

- Domestic alliances like United/US Airways and Continental/Delta/Northwest are changing domestic competitive environment
- Revenue sharing/joint ventures are strengthening alliance ties and increasing their value
- Cargo alliances/joint ventures represent a potential untapped opportunity for the industry

### Limiting factors to United response

- Labor contracts (scope clauses) limit ability to pursue code share relationships
- Joint ventures are restricted by labor issues
- Full value potential of cargo operations restrained by limits on joint ventures and outsourcing

Creating flexibility through changes in labor contracts is important to United's future profitability

## United Express: United's Current RJ Fleet Is Small Relative To Overall Fleet, And Lags Competitors . . .

Airline	RJs in operation	Percent of mainline fleet
Delta	299	54
Continental	188	50
America West	33	23
United	128	23
US Airways	70	22
AMR	169	20
Alaska	16	16
Northwest	53	12
Industry	1,015	30

Source: SSB Fleet Handbook – April, 2002; UAX Master Fleet Plan

CONFIDENTIAL




14

 UNITED

## **United's Express Network Product Profitability Will Be Significantly Enhanced By Optimizing Fleet Size, Fleet Mix, And Cost**

- Labor contract scope relief needed to allow Express RJ fleet expansion to optimize network
- Labor contract scope relief needed to ensure the introduction of more RJs where economical
- UAX agreements renegotiation needed to bring departure fees in line with market rates

# Launching A Competitive, Sustainable Low-Cost Carrier-Within-A-Carrier Is Extremely Challenging

Carrier-within-carrier LCC attempts	Launch & eventual outcome	Key reason cited for failure
	<ul style="list-style-type: none"> <li>• Launched in 1993</li> <li>• Ceased operations in 1995 after losing \$120 million</li> </ul>	<p>“... the all-important low costs have been elusive so far.”—<i>Airline Business (1/95)</i></p>
	<ul style="list-style-type: none"> <li>• Launched in 1994</li> <li>• Ceased operations in 2001</li> </ul>	<p>“... Shuttle by United was struggling with high costs even before the September 11 attacks.”—<i>Washington Times (11/02)</i></p>
	<ul style="list-style-type: none"> <li>• Launched in 1996</li> <li>• Planned exit and replacement by subsidiary announced in 2002</li> </ul>	<p>“... it has not been as low-cost as hoped...its costs were allowed to creep up.”—<i>Leo Mullin, CEO</i></p>
	<ul style="list-style-type: none"> <li>• Launched in 1998</li> <li>• Ceased operations in 2001</li> </ul>	<p>“... it had high costs... while most of it's passengers were low-fare paying, leisure flyers.”—<i>Sam Buttrick (UBS Warburg)</i></p>

## Separate Operation Is Necessary For The Success Of A Major Carrier's LCC

### "Must Haves" for LCC success

Lower costs  
Competitive labor costs  
Cost benefits of simplification

Unique brand, marketing and promotion  
Targeted at leisure/price-sensitive segment

Distinct employee culture and focus  
Entrepreneurial environment  
Maximum accountability

Potential for independent access to  
capital markets

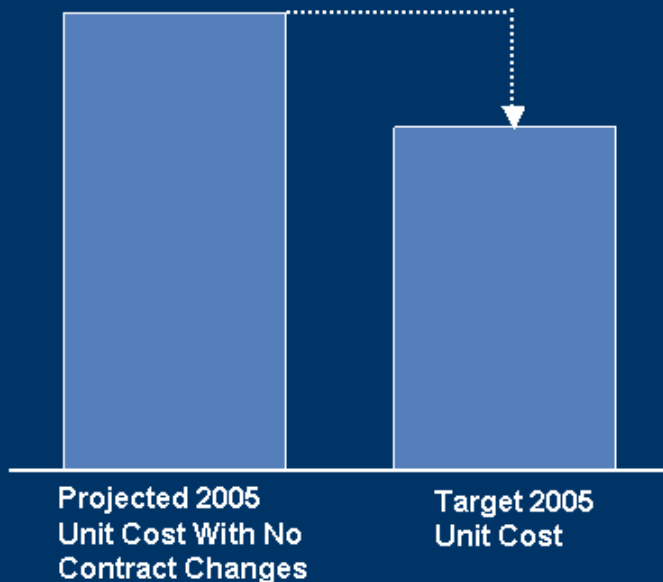
### Why "separation" is important to achieve

- Enables more durable CBA for LCC operation
- Facilitates single fleet deployment
- Reduces customer confusion
- Increases customer excitement
- Manages customer expectations
- Facilitates tailored product offerings
- Increases management commitment – Increases "skin in the game"
- Reduces distractions
- Allows for unique employee value and separate profit sharing
- Creates separate legal entity
- Increases credibility with capital markets and competitors
- Enables funding of investment and growth independent of mainline

# To Match Best-In-Class Mainline Cost Structure, United Must Reduce Projected 2005 Unit Costs By 25%

Unit Costs,  
Cents per ASM

25% reduction to  
achieve target



Target to be achieved through:

- Business Transformation Projects
- SAM Restructuring
- \$1110 Benefits
- CBA Savings

# United Has Launched A Comprehensive Restructuring Program Designed To Meet Strategic Objectives

## Strategic objectives

- Competitive, durable mainline cost structure
- Competitive, durable LCC brand cost structure
- Flexible, profitable United Express network product
- Robust portfolio of alliances/codeshares

### Business transformation

- “\$1.4 billion” program
- UAX contract renegotiations
- Ongoing performance improvement plans (best-practice program)

### SAM restructuring

- Significant reduction-in-force
- Wage and benefit reductions

### \$1110

- Returned aircraft
- Aircraft lease renegotiations

### CBA modifications

- Scope clause and work rule flexibility
- Productivity improvements
- Wage and fringe reductions
- Furloughs

### LCC start-up

- Create subsidiary airline
- Develop LCC labor terms and conditions
- Launch and grow operations

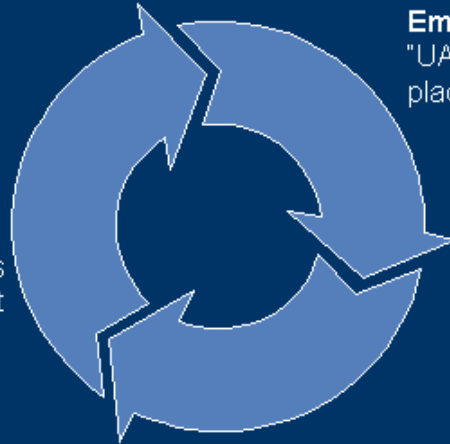


# Successful Transformation Also Will Require A Cooperative Effort To Enhance Employee Value

"When service companies put employees and customers first, they achieve great success"

## DESIRED END-STATE

**Leadership**  
"Our employees are our greatest asset"



**Employees**  
"UA is a great place to work"

**Unions**  
"UA creates mutually beneficial relationships with our members"

**Customers**  
"UA is my carrier of choice"

**Capital Markets**  
"UA is a company worth investing in"

# Each Key Constituency Will Have To Honor Their Responsibilities

## Leadership

- Clearly articulate the vision for the business and culture
- Develop a robust business strategy and compelling customer value
- Develop attractive employee value that creates alignment between employees and company

## Unions

- Understand the market conditions that drives the business strategy
- Confirm that the business strategy creates mutual benefits for the company and their membership through constructive, fact-based dialogue
- Align with the company to motivate employees and increase engagement

## Employees

- Understand own roles and responsibilities
- Practice the behaviors that are required by the business strategy
- Deliver distinctive customer experience

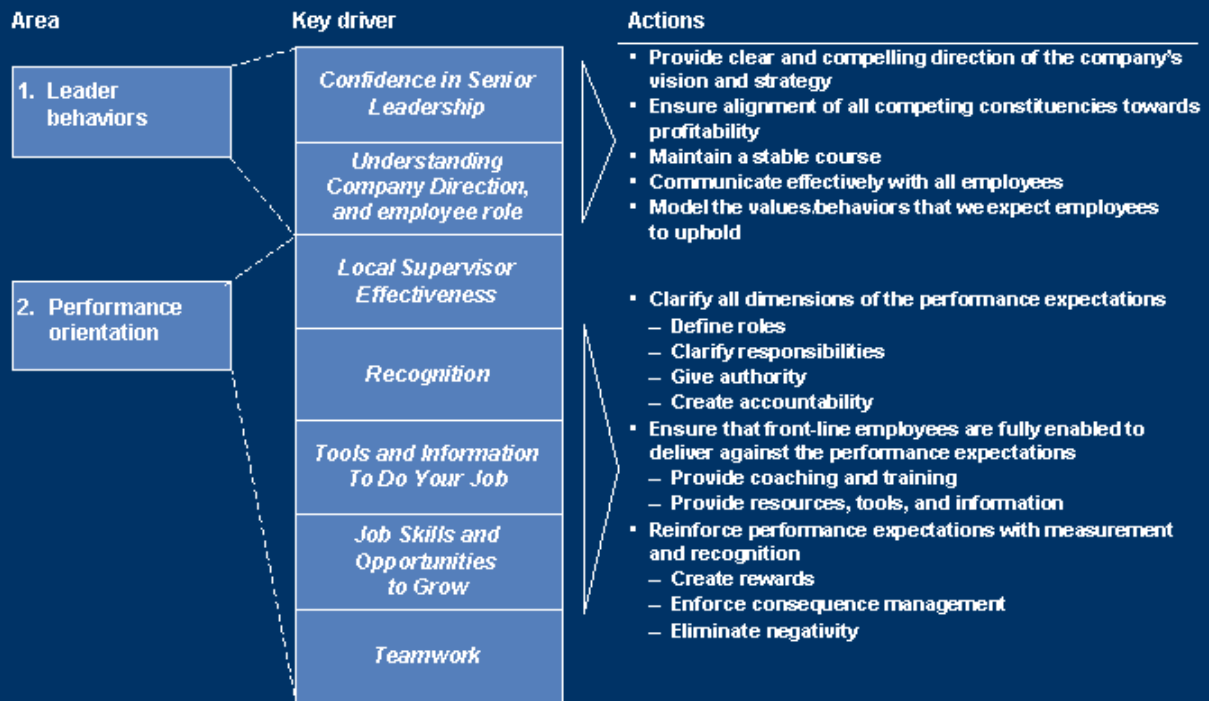
## Customers

- Reward the company with loyalty
- Drive company profitability and growth

## Capital Markets

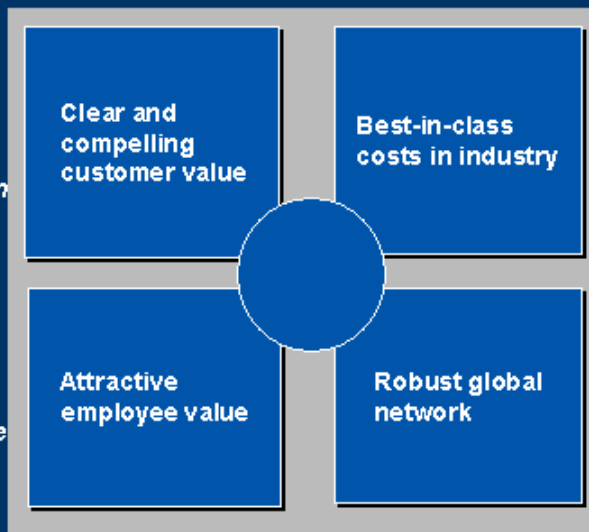
- Believe an appropriate return on investment can be realized
- Provide UA with required capital

# Our People Strategy Demands Improvements In Two Areas



# United's Transformation Plan Addresses Our Strategic Challenges And Will Lead To Sustained Profitability And Access To The Capital Markets

- Create a family of products, including LCC, to offer competitive product to price-sensitive segments
- Enhance and sustain focus on core business segment
- Ensure leadership alignment on transformation plan
- Create a performance culture with rewards, incentives for performance



- Execute restructuring program
  - Business transformation
  - CBA
  - 1110
  - SAM

- Strengthen "hub-and-spoke" model
- Return portfolio of network products to profitability

Sustained profitability/  
Access to capital markets

- Credible plan to attract capital investors

## **Our Plan Will Require Transformational Change**

- **Each individual element of the strategic plan represents major change for United and involves risk**
- **In our case, these actions must be carried out simultaneously and rapidly**
- **BUT, ANYTHING LESS WOULD BE EVEN RISKIER**