FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2002

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission file number 1-6033

UAL CORPORATION

(Exact name of registrant as specified in its charter)

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

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

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

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

Yes _X_ No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at July 31, 2002
Common Stock ($0.01 par value)	56,927,786

UAL Corporation and Subsidiary Companies Report on Form 10-Q

For the Quarter Ended June 30, 2002

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

UAL Corporation and Subsidiary Companies

Condensed Statements of Consolidated Financial Position

(In Millions)

	June 30 2002	December 31

Assets	(Unaudited)	2001
Current assets:		
Cash and cash equivalents, including restricted cash of $273 at June 30, 2002	$ 2,095	$ 1,688
Short-term investments	609	940
Receivables, net	1,228	1,047
Income tax receivables	215	174
Inventories, net	325	329
Deferred income taxes	280	272
Prepaid expenses and other	345	636
	5,097	5,086
Operating property and equipment:		
Owned	19,802	19,230
Accumulated depreciation and amortization	(5,025)	(4,716)
	14,777	14,514
Capital leases	2,637	2,766
Accumulated amortization	(481)	(472)
	2,156	2,294
	16,933	16,808
Other assets:		
Investments	121	278
Intangibles, net	414	422
Pension assets	1,170	562
Aircraft lease deposits	742	667
Prepaid rent	371	374
Deferred income taxes	-	97
Other, net	831	903
	3,649	3,303
	$25,679	$25,197

See accompanying Notes to Consolidated Financial Statements.

UAL Corporation and Subsidiary Companies

Condensed Statements of Consolidated Financial Position

(In Millions)

Liabilities and Stockholders' Equity	June 30 2002 (Unaudited)	December 31 2001
Current liabilities:		
Notes payable	$ -	$ 133

Current portions of long-term debt and capital lease obligations	1,337	1,454
Advance ticket sales	1,591	1,183
Accrued salaries, wages and benefits	1,320	1,227
Accounts payable	891	1,268
Other	2,434	2,801
	7,573	8,066
Long-term debt	7,241	6,622
Long-term obligations under capital leases	1,890	1,943
Other liabilities and deferred credits:		
Deferred pension liability	2,147	1,241
Postretirement benefit liability	1,773	1,690
Deferred gains	769	827
Deferred income taxes	70	-
Other	1,934	1,600
	6,693	5,358
Commitments and contingent liabilities (See note)		
Company-obligated mandatorily redeemable preferred securities of a subsidiary trust	97	98
Preferred stock committed to Supplemental ESOP	18	77
Stockholders' equity:		
Preferred stock	-	-
Common stock at par	1	1
Additional capital invested	5,054	4,995
Retained deficit	(1,055)	(199)
Accumulated other comprehensive income	(346)	(275)
Treasury stock	(1,484)	(1,485)
Other	(3)	(4)
	2,167	3,033
	$25,679	$25,197

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

	June 30	
	2002	2001
Operating revenues:		
Passenger	$ 3,190	$ 4,028
Cargo	167	197
Other	436	433
	3,793	4,658
Operating expenses:		
Salaries and related costs	1,790	1,882
Aircraft fuel	467	693
Purchased services	359	455
Aircraft rent	210	205
Landing fees and other rent	253	264
Depreciation and amortization	249	268
Cost of sales	306	352
Aircraft maintenance	151	200
Commissions	98	249
Other	395	443
Special charges	- -	116
	4,278	5,127
Loss from operations	(485)	(469)
Other income (expense):		
Interest expense	(145)	(126)
Interest capitalized	7	22
Interest income	17	27
Equity in losses of affiliates	(2)	(5)
Airline stabilization grant	80	-
Miscellaneous, net	(3)	(11)
	(46)	(93)
Loss before income taxes and distributions on preferred securities	(531)	(562)
Credit for income taxes	(191)	(198)
Loss before distributions on preferred securities	(340)	(364)
Distributions on preferred securities, net of tax	(1)	(1)
Net loss	$ (341)	$ (365)
Per share, basic	$ (6.08)	$ (6.87)

See accompanying Notes to Consolidated Financial Statements.

UAL Corporation and Subsidiary Companies

Statements of Consolidated Operations (Unaudited)

(In Millions, Except Per Share)

Six Months Ended

	June 30 2002	June 30 2001
Operating revenues:		
Passenger	$ 5,948	$ 7,840
Cargo	309	389
Other	824	853
	7,081	9,082
Operating expenses:		
Salaries and related costs	3,378	3,735
Aircraft fuel	865	1,358
Purchased services	695	876
Aircraft rent	419	413
Landing fees and other rent	501	499
Depreciation and amortization	488	520
Cost of sales	585	664
Aircraft maintenance	296	399
Commissions	225	477
Other	743	885
Special charges	82	116
	8,277	9,942
Loss from operations	(1,196)	(860)
Other income (expense):		
Interest expense	(288)	(254)
Interest capitalized	17	45
Interest income	36	63
Equity in losses of affiliates	(4)	(12)
Gain on sale of investment	46	-
Airline stabilization grant	80	-
Miscellaneous, net	(17)	(33)
	(130)	(191)
Loss before income taxes, distributions on preferred securities and cumulative effect of accounting changes	(1,326)	(1,051)
Credit for income taxes	(479)	(384)
Loss before distributions on preferred securities and cumulative effect of accounting changes	(847)	(667)
Distributions on preferred securities, net of tax	(3)	(3)
Cumulative effect of accounting change, net of tax	- -	(8)
Net loss	$ (850)	$ (678)
Per share, basic:		
Loss before cumulative effect	$(15.27)	$(12.70)
Cumulative effect of accounting change, net	- -	(0.15)
Net loss	$(15.27)	$(12.85)

See accompanying Notes to Consolidated Financial Statements.

Condensed Statements of Consolidated Cash Flows (Unaudited)

(In Millions)

	Six Months Ended June 30 2002	Six Months Ended June 30 2001
Cash and cash equivalents at beginning of period	$1,688	$ 1,679
Cash flows from operating activities	5	391
Cash flows from investing activities:		
Additions to property and equipment	(61)	(1,324)
Proceeds on disposition of property and equipment	44	4
Proceeds on sale of investments	137	-
Increase in restricted cash	(273)	-
Decrease in short-term investments	331	183
Other, net	1	(56)
	179	(1,193)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	911	211
Repayment of long-term debt	(980)	(124)
Principal payments under capital lease obligations	(139)	(135)
Decrease in short-term borrowings	(133)	-
Dividends paid	(5)	(77)
Decrease in debt certificates under Company leases	286	-
Other, net	10	46
	(50)	(79)
Increase (decrease) in cash and cash equivalents	134	(881)
Cash and cash equivalents at end of period, excluding restricted cash	$1,822	$ 798
Cash paid during the period for:		
Interest (net of amounts capitalized)	$ 248	$ 194
Income taxes	$ 1	$ 4
Non-cash transactions:		
Long-term debt incurred in connection with additions to equipment and other assets	$ 639	$ 237
Net unrealized gain (loss) on investments	$ (14)	$ 109
Increase in pension assets	$ 608	$ -

See accompanying Notes to Consolidated Financial Statements.

The Company

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

Interim Financial Statements

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- and six-month periods have been made. Certain prior-year financial statement items have been reclassified to conform to the current year's presentation. 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 2001.

Accounting Changes

Effective January 1, 2001, UAL adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"), as amended. The adoption of SFAS No. 133 resulted in a cumulative charge of $8 million, net of tax, to first quarter 2001 earnings. This primarily related to the changes in fair values of certain equity warrants that were not designated as qualifying hedging instruments.

Effective January 1, 2002, UAL adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"). In connection with the adoption, UAL has discontinued $12 million in annual amortization expense on route acquisition costs, which are indefinite-lived intangible assets. SFAS No. 142 also requires companies to test intangibles for impairment on an annual basis. During the first quarter, the Company performed an initial evaluation of its intangibles and determined that the fair value of its intangibles was in excess of the book value.

The following information relates to UAL's intangibles at June 30, 2002:

(In millions)	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets		
Airport Slots and Gates	$ 184	$ 165
Other	47	11
	$ 231	$ 176
Unamortized intangible assets		
Routes	$ 344	
Goodwill	15	
	$ 359	

Slots and gates are being amortized on a straight-line basis over the life of the related leases. Other intangibles are being amortized over periods of 3 to 10 years. Total amortization expense recognized in the first six months of 2002 was $7 million. The Company expects to record amortization expense of $11 million for the full year 2002, $8 million in 2003, $7 million in 2004 and 2005 and $6 million in 2006.

Goodwill relates to UAL Loyalty Services' acquisition of MyPoints.com, which occurred in July 2001 and is based on the final purchase price allocation.

Pro forma results for the three and six months ended June 30, 2001, assuming the discontinuation of amortization are shown below:

	Three Months Ended		Six Months Ended	
(In millions, except per share)	Total	Per share	Total	Per share
Loss before cumulative effect of accounting				

change, as reported	$ (365)	$ (6.87)	$ (670)	$ (12.70)
Amortization of routes, net of tax	2	0.04	4	0.07
Loss before cumulative effect of accounting change, pro forma	$ (363)	$ (6.83)	$ (666)	$ (12.63)
Net loss, as reported	$ (365)	$ (6.87)	$ (678)	$ (12.85)
Amortization of routes, net of tax	2	0.04	4	0.07
Net loss, pro forma	$ (363)	$ (6.83)	$ (674)	$ (12.78)

Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS No. 144"), which addresses the accounting and reporting for the impairment or disposal of long-lived assets. SFAS No. 144 did not have an effect on the Company's results of operations.

Income Taxes

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 items.

On March 9, 2002, the President signed an economic stimulus package which contained a provision changing the allowable carry-back period for net operating losses from two years to five years. This change enabled the Company to carry back its 2001 loss and recover taxes paid during the 1996 to 2000 period. As a result, UAL received an additional tax refund of approximately $460 million during the first quarter of 2002.

The Company has determined, based on its history of operating earnings and expectations of future taxable income, that it is more likely than not that the deferred tax assets at June 30, 2002 will be realized.

Per Share Amounts

Basic earnings (loss) per share were computed by dividing net income (loss) before the cumulative effect of an accounting change by the weighted-average number of shares of common stock outstanding during the year and potential participating ESOP preferred shares in periods where they are dilutive using the if-converted method.

Loss Attributable to Common Stockholders (in millions)	Three Months Ended June 30		Six Months Ended June 30	
	2002	2001	2002	2001
Net loss before cumulative effect of accounting change	$ (341)	$ (365)	$ (850)	$ (670)
Preferred stock dividends and other	(2)	(2)	(5)	(5)
Loss attributable to common stockholders	$ (343)	$ (367)	$ (855)	$ (675)
Shares (in millions)				
Weighted average shares outstanding	56.5	53.6	56.0	53.2
Loss Per Share before Cumulative Effect	$(6.08)	$(6.87)	$(15.27)	$(12.70)

At June 30, 2002, stock options to purchase approximately 10 million shares of common stock were outstanding, but were not included in the computation of earnings per share because inclusion of such shares would be antidilutive; approximately 59 million shares of convertible ESOP preferred stock were not included as the result would also be antidilutive.

Long-Term Debt

During the first quarter of 2002, the Company refinanced approximately $525 million in interim financing through a $775 million private debt financing which refinanced certain aircraft. During the second quarter of 2002, the Company refinanced approximately $314 million in interim financing to long-term.

Segment Information

In the first quarter of 2002, the Company made changes to its corporate structure which resulted in substantially all of UAL's customer loyalty and on-line travel marketing programs (which were previously the responsibility of United) becoming owned and operated by UAL Loyalty Services ("ULS"), a wholly owned subsidiary of UAL. ULS had been United's agent to market and sell Mileage Plus miles to non-airline business partners. In the first quarter of 2002, ULS assumed direct responsibility for these relationships rather than as an agent of United. The above changes were designed to increase the overall value of UAL's loyalty businesses by focusing management attention on these activities and enhancing the range of products and services offered to Mileage Plus members and business partners. United remains responsible for all Mileage Plus airline partnerships and the setting of airline mileage accruals and award levels and airline-related loyalty recognition levels. As both United and ULS remain wholly owned subsidiaries of UAL, there is no impact to UAL's consolidated results of operations or statements of financial position for these transactions.

As a result of the transactions described in the previous paragraph, the Company has adjusted its segment reporting structure. UAL now has five reportable segments which reflect the current management of the business: North America, the Pacific, the Atlantic and Latin America which are part of United, and ULS. Prior year information has been restated to reflect the change to UAL's reportable segments; however, the 2001 information does not reflect the change in arrangements between United and ULS which occurred in the first quarter of 2002.

In accordance with Department of Transportation guidelines, the Company allocates passenger and cargo revenues for the North America segment based on the actual flown revenue for flights with an origin and destination in the U.S. Passenger and cargo revenue for international segments is based on the actual flown revenue for flights with an origin or destination in that segment. Other revenues that are not directly associated with a flight (such as Red Carpet Club membership fees) are allocated based on available seat miles flown in that segment.

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

(In Millions)	Three Months Ended June 30, 2002							
	United Air Lines, Inc.						Inter-	UAL
	North			Latin			segment	Consolidated
	America	Pacific	Atlantic	America	ULS	Other	Elimination	Total
Revenue	$2,364	$ 625	$ 501	$ 118	$ 177	$ 8	$ --	$ 3,793
Intersegment revenue	$ 55	$ 22	$ 17	$ 4	$ 8	$ 2	$ (108)	$ --
Earnings (loss) before income taxes, gains on sales and special charges	$ (427)	$(124)	$ (57)	$ (41)	$ 50	$ (12)	$ --	$ (611)

(In Millions)	Three Months Ended June 30, 2001							
	United Air Lines, Inc.						Inter-	UAL
	North			Latin			segment	Consolidated
	America	Pacific	Atlantic	America	ULS	Other	Elimination	Total
Revenue	$3,083	$ 748	$ 627	$ 190	$ 2	$ 8	$ --	$ 4,658
Intersegment revenue	$ --	$ --	$ --	$ --	$ 20	9	$ (29)	$ --
Earnings (loss) before income taxes and special charges	$ (238)	$(121)	$ (65)	$ (27)	$ 6	$ (1)	$ --	$ (446)

(In Millions)	Six Months Ended June 30, 2002							
	United Air Lines, Inc.						Inter-	UAL
	North			Latin			segment	Consolidated
	America	Pacific	Atlantic	America	ULS	Other	Elimination	Total
Revenue	$4,441	$1,159	$ 874	$ 249	$ 343	$ 15	$ --	$ 7,081
Intersegment revenue	$ 109	$ 36	$ 27	$ 7	$ 31	$ 3	$ (213)	$ --
Earnings (loss) before income taxes, gains on sales and special charges	$ (936)	$ (270)	$(174)	$ (91)	$ 110	$ (9)	$ --	$(1,370)

(In Millions)	Six Months Ended June 30, 2001							
	United Air Lines, Inc.						Inter-	UAL
	North			Latin			segment	Consolidated
	America	Pacific	Atlantic	America	ULS	Other	Elimination	Total
Revenue	$6,036	$1,493	$1,140	$ 397	$ 2	$ 14	$ --	$ 9,082
Intersegment revenue	$ --	$ --	$ --	$ --	$ 64	17	$ (81)	$ --
Earnings (loss) before income taxes and special charges	$ (558)	$(239)	$ (137)	$ (39)	$ 33	$ 5	$ --	$ (935)

(In Millions)	Three Months Ended June 30 2002	Three Months Ended June 30 2001	Six Months Ended June 30 2002	Six Months Ended June 30 2001
Total loss for reportable segments	$ (599)	$ (445)	$(1,361)	$ (940)
Special charges	-	(116)	(82)	(116)
Airline stabilization grant	80	-	80	-
Gain on sale	-	-	46	-
Other UAL subsidiary earnings	(12)	(1)	(9)	5
Total loss before income taxes, distributions on preferred securities and cumulative effect of accounting change	$ (531)	$ (562)	$(1,326)	$(1,051)

United's dedicated revenue producing assets can be deployed in any of its reportable segments, while ULS has $529 million in total assets.

Other Comprehensive Income

Total comprehensive income (loss) for the three- and six-month periods ending June 30, 2002 was $(414) million and $(921) million, respectively, compared to $(274) million and $(558) million for the three- and six-month periods ending June 30, 2001, respectively.

Other comprehensive income for the second quarter consisted of a minimum pension liability adjustment of $(57) million and net unrealized losses of $(16) million in 2002, compared to net unrealized gains of $91 million in 2001. Additionally, other comprehensive income for the six months ended June 30, 2002 consisted of the minimum pension liability adjustment of $(57) million and net unrealized losses of $(14) million, compared to net unrealized gains of $120 million for the six months ended June 30, 2001.

United Express

United has marketing agreements under which independent regional carriers, flying under the United Express name, feed passengers to United owned and operated flights. United pays these carriers on a fee-per-departure basis and includes the revenues derived from the carriers in passenger revenue, net of these expenses. Amounts included in passenger revenues for the three and six month periods is as follows:

(in millions)	Net revenues (net expenses)			
	Three Months Ended June 30		Six Months Ended June 30	
	2002	2001	2002	2001
United Express revenues (net of expenses)	$ (44)	$ (29)	$ (121)	$ (86)

While the direct effect on United's results is negative, the Company realizes a significant benefit (not included in the results shown above) as a result of these agreements from the traffic provided to United's operations.

In addition, United has call options on 53 regional jets owned or leased by these carriers. The call option is a standard part of the United Express agreement and is intended to allow United to secure control over regional jets used for United Express flying in the event one of the United Express agreements is terminated. Due to the significant time lag between order and delivery of aircraft (such as regional jets made to United's specifications), the call option reduces this risk if the Company determines that a change of United Express carrier is necessary.

The call options are only exercisable if United maintains a specified credit rating and the United Express carrier fails to meet required operating and/or financial performance levels for a specified period of time. Due to United's current credit rating, none of the call options are exercisable at this time.

Retirement Plans

As a result of new labor contracts for the International Association of Machinists and Aerospace Workers ("IAM") and policy changes to salaried and management employee benefits, United revalued its pension and postretirement obligations for certain employee groups during the second quarter. Most of the assumptions used for the revaluation of the plans were unchanged from December 31, 2001. As of June 30, 2002, the projected benefit obligation and the fair value of plan assets for all pension plans are $10.9 billion and $7.5 billion, respectively. The projected benefit obligation and the fair value of plan assets for all postretirement plans are $2.9 billion and $119 million, respectively. In addition, as a direct result of the revaluation of the pension plans, stockholders' equity at June 30, 2002 was reduced by $57 million. Due to the current underfunded status of the pension plans, a significant decrease in our plan assets or the discount rate could have a material impact on stockholders' equity at year-end. These changes to the pension and postretirement plans resulted in approximately $30 million in additional expense in the second quarter of 2002 or $175 million on an annualized basis.

Special Charges

At December 31, 2001, UAL had accruals of $87 million related to the reduction in force and $171 million related to early termination fees resulting from the September 11 terrorist attacks. During the first and second quarters of 2002, the Company made payments of $34 million and $5 million, respectively, for severance and related fringe benefits to displaced employees. As passenger demand rebounded faster than anticipated in the first quarter of 2002, the Company increased its scheduled flying beyond planned levels in April 2002 and again in June 2002. As a result, the Company now expects that fewer front-line employees will be permanently displaced, and thus has reversed $25 million of accrued severance and related costs in the first quarter 2002 and $19 million in the second quarter. In addition, the Company paid $11 million and $34 million, respectively, in early termination fees during the first and second quarters, respectively. Accordingly, accruals remaining at June 30, 2002 were $126 million for early termination fees and $4 million for the reduction in force.

Through June 30, 2002, the Company had received approximately $58 million related to insurance recoveries on aircraft destroyed by the September 11 attacks and approximately $5 million related to other covered expenses.

The Company anticipates that its liability from claims arising from the events of September 11, 2001 will be significant, after considering the liability protections provided for by the Act; however, the Company expects that any amounts paid on such claims will be borne by its insurance carriers as claims are resolved and, in any event, the Company believes that, under the Act, its liability will be limited to its insurance coverage.

The Company has not incurred any material environmental obligations relating to September 11.

During the second quarter of 2001, UAL recognized a special charge of $116 million for incremental direct costs incurred related to the acquisition of US Airways Group, Inc., that was ultimately terminated, including a $50 million termination fee. The merger related charges were composed of the following:

(in millions)	Amount
Integration project management	$ 29
Professional fees	21
Legal fees	16
	$ 66
Termination fee	50
Total	$116

On March 22, 2002, UAL announced the closing of its wholly owned subsidiary Avolar, which was formed in early 2001 to operate and sell fractional ownership interests in premium business aircraft. In connection with the closing of Avolar, UAL recorded a special charge of $52 million, net of tax, in the first quarter 2002, which represents an estimate of forfeitable advance payments on aircraft purchases, severance costs, termination fees and current period expenses incurred in support of the business and its shutdown.

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 June 30, 2002, commitments for the purchase of property and equipment, principally aircraft, approximated $2.0 billion, after deducting advance payments of $214 million. An estimated $0.4 billion will be spent during the remainder of 2002, $0.1 billion in 2003, $0.5 billion in 2004 and $1.0 billion in 2005 and thereafter. The major commitments, which include price escalations, are for the purchase of A319, A320 and B777 aircraft, which are scheduled to be delivered through 2007.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS

Summary of Results

The airline business is subject to seasonal fluctuations. United's operations are often adversely impacted by winter weather and United's first- and fourth-quarter results normally reflect reduced travel demand.

Additionally, beginning in 2001, the weakening U.S. economy had a significant impact on the airline industry as corporations reduced their business travel budgets and changed their travel behavior. During the first six months of 2001, the industry began experiencing significant revenue declines as a result of the decrease in business traffic, which impacted both unit revenues and yields, particularly in the domestic markets. Historically, there has been a strong correlation between airline revenues and corporate profitability. As corporate profitability dropped during this period, companies reduced spending on travel. Since approximately 65% to 75% of United's domestic revenues are derived from business travelers, United was disproportionately affected by this decline.

Subsequent to September 11, United's revenues, yield, revenue passenger miles and available seat miles were significantly impacted by the events of September 11 and the resulting reduction in the Company's operations. The Company continues to suffer from the weakened revenue environment resulting from the events of September 11 and a slowing U.S. economy. While year-over-year unit revenues had been improving each month in 2002 from a 14% decline in January to a 4% decline in May, June unit revenue performance was actually slightly worse than in May.

UAL's loss from operations was $(485) million in the second quarter of 2002, compared to $(469) million in the second quarter of 2001. UAL's net loss was $(341) million ($(6.08) per share), compared to $(365) million in the same period of 2001 ($(6.87) per share).

In the first six months of 2002, UAL's loss from operations was $(1.2) billion, compared to $(860) million in the first six months of 2001. UAL's net loss was $(850) million ($(15.27) per share), compared to $(670) million ($(12.70) per share) before the cumulative effect of an accounting change in the same period of 2001.

The 2002 loss for the quarter and six months includes $51 million, net of tax, in non-operating income received as compensation under the Air Transportation Safety and System Stabilization Act. In addition, the loss for the first six months includes a gain of $29 million, net of tax, on the sale of the Company's remaining investment in Cendant Corporation, as well as a charge of $52 million, net of tax, for costs incurred in connection with the Company's closing of its Avolar subsidiary. See "Avolar" in the Notes to Consolidated Financial Statements.

In addition, the 2001 loss for the quarter and six months includes a charge of $73 million, net of tax, for costs associated with a terminated merger. See "Special Charges Related to US Airways" in the Notes to Consolidated Financial Statements.

Specific factors affecting UAL's consolidated operations for the second quarter and first six months of 2002 are described below.

Second Quarter 2002 Compared with Second Quarter 2001

Operating revenues decreased $865 million (19%) and United's revenue per available seat mile (unit revenue) decreased 5% to 9.89 cents. Passenger revenues decreased $838 million (21%) due to a 15% decrease in revenue passenger miles and a 7% decrease in yield to 11.36 cents. United's available seat miles across the system were down 16% over the second quarter of 2001; however, passenger load factor increased 1.2 points to 74.4%. The following analysis by market is based on information reported to the U.S. Department of Transportation:

	Increase (Decrease)		
	Available Seat Miles (Capacity)	Revenue Passenger Miles (Traffic)	Revenue Per Revenue Passenger Mile (Yield)
Domestic	(13%)	(13%)	(10%)
Pacific	(21%)	(12%)	(3%)
Atlantic	(23%)	(21%)	3%
Latin America	(22%)	(30%)	(10%)
System	(16%)	(15%)	(7%)

Cargo revenues decreased $30 million (15%) due primarily to a 14% decrease in cargo ton miles and a slight decrease in yield. Other operating revenues increased $3 million (1%) as a decrease in fuel sales to third parties was more than offset by increases in Mileage Plus third party revenues.

Operating expenses decreased $849 million (17%) and United's cost per available seat mile (unit cost) increased 1%, from 11.20 cents to 11.32 cents. Salaries and related costs decreased $92 million (5%) primarily due to the reduction in force implemented after September 11, partially offset by the increase to pension and postretirement expense as a result of the revaluation of the plans and contractual salary increases for pilots, flight attendants, mechanics and public contact employees. Aircraft fuel decreased $226 million (33%) due to a 20% decrease in consumption and a 15% decrease in the average cost of fuel from 88.2 cents to 74.7 cents a gallon. Commissions decreased $151 million (61%) primarily as a result of a decrease in commissionable revenues. In addition, on March 20, 2002, United discontinued paying base commissions on all tickets issued in the U.S. and Canada. Purchased services decreased $96 million (21%) primarily as a result of volume-driven decreases in GDS (global distribution systems) and credit card discount fees. Cost of sales decreased $46 million (13%) primarily due to the decreases in costs associated with fuel sales to third parties. Aircraft maintenance decreased $49 million (25%) due to retirements of older aircraft and a decrease in engine and aircraft repair volumes as a result of reduced flying. Other operating expenses decreased $48 million (11%) due to decreases in crew layover expenses and volume-driven food and beverage costs, offset by increased insurance costs for hull and liability.

Other non-operating expense amounted to $126 million in the second quarter of 2002 excluding the airline stabilization grant money, compared to $93 million in the second quarter of 2001. Interest expense increased $19 million (15%) due to new debt issuances. Interest capitalized decreased $15 million (68%) primarily as a result of lower advance payments on the acquisition of aircraft. Interest income decreased $10 million (37%) due primarily to lower interest rates.

Six Months 2002 Compared to Six Months 2001

Operating revenues decreased $2.0 billion (22%) and United's revenue per available seat mile (unit revenue) decreased 8% to 9.63 cents. Passenger revenues decreased $1.9 billion (24%) due to a 14% decrease in revenue passenger miles and an 11% decrease in yield to 11.24 cents. United's available seat miles across the system were down 17% over the first six months of 2001; however, passenger load factor increased 2.6 points to 73.4%. The following analysis by market is based on information reported to the U.S. Department of Transportation:

	Increase (Decrease)		
	Available Seat Miles (Capacity)	Revenue Passenger Miles (Traffic)	Revenue Per Revenue Passenger Mile (Yield)
Domestic	(15%)	(14%)	(13%)
Pacific	(23%)	(12%)	(9%)
Atlantic	(20%)	(17%)	(5%)
Latin America	(19%)	(26%)	(16%)
System	(17%)	(14%)	(11%)

Cargo revenues decreased $80 million (21%) due primarily to an 18% decrease in cargo ton miles and a 4% decrease in yield. Other operating revenues decreased $29 million (3%) primarily due to an $85 million decrease in fuel sales to third parties which was offset by increases to Mileage Plus third party revenues.

Operating expenses decreased $1.7 billion (17%) and United's cost per available seat mile (unit cost) increased slightly to 11.36 cents. Salaries and related costs decreased $357 million (10%) primarily due to the reduction in force implemented after September 11, partially offset by the increase in pension and postretirement expense due to the revaluation of the plans and contractual salary increases for pilots, flight attendants, mechanics and public contact employees. Aircraft fuel decreased $493 million (36%) due to a 22% decrease in consumption and a 19% decrease in the average price of fuel from 89.6 cents to 72.8 cents a gallon. Commissions decreased $252 million (53%) as a result of a decrease in commissionable revenues, as well as the result of United discontinuing paying base commissions on all tickets issued in the U.S. and Canada, effective March 20, 2002. Purchased services decreased $181 million (21%) primarily as a result of volume-driven decreases in GDS (global distribution systems) and credit card discount fees. Cost of sales decreased $79 million (12%) primarily due to decreases in costs associated with fuel sales to third parties. Aircraft maintenance decreased $103 million (26%) due to retirements of older aircraft and a decrease in engine and aircraft repair volumes as a result of reduced flying. Other operating expenses decreased $142 million (16%) due to decreases in crew layover expenses and volume-driven food and beverage costs, offset by increased insurance costs for hull and liability.

Other non-operating expense amounted to $256 million in the first six months of 2002 excluding the airline stabilization grant money and the gain on sale of Cendant shares, compared to $191 million in the same period of 2001. Interest expense increased $34 million (13%) due to new debt issuances. Interest capitalized decreased $28 million (62%) primarily as a result of lower advance payments on the acquisition of aircraft. Interest income decreased $27 million (43%) due primarily to lower interest rates.

LIQUIDITY AND CAPITAL RESOURCES

UAL's total of cash, cash equivalents and short-term investments, including restricted cash, was $2.7 billion at June 30, 2002, compared to $2.6 billion at December 31, 2001. Cash flows from operations amounted to $5 million, including the receipt of $80 million in government grant money. The Company's operating cash burn rate has decreased from less than $5 million a day in the first quarter 2002 to less than $1 million a day in the second quarter, adjusted for the impact of unusual items such as the receipt of the government grant money and the deferral of tax payments. However, the operating cash burn rate is expected to increase in the third quarter and to further increase in the fourth quarter due to seasonal trends.*

Additionally, the Company anticipates significant cash needs for the remainder of 2002, including approximately $200 million in non-aircraft capital spending, a $70 million retro payment under the new contract for the International Association of Machinists and Aerospace Workers ("IAM") in December and nearly $900 million in debt maturities in the fourth quarter.

Given the Company's substantial capital spending and debt repayment requirements for the remainder of 2002, the Company has been actively pursuing financing alternatives. However, since September 11, United has not been able to access the public capital markets and has had limited access to private capital markets. Therefore, in June 2002, the Company filed for federal loan guarantees with the Air Transportation Stabilization Board ("ATSB"), requesting a loan of $2.0 billion, with $1.8 billion guaranteed by the ATSB. See "ATSB Loan Application" below for further details.

In the absence of federal loan guarantees, the Company has insufficient access to the capital markets to refinance the debt due in the fourth quarter. While UAL's current cash reserves are sufficient to repay these obligations, the cash reserves then remaining could be insufficient to support the Company's ongoing obligations if it continues to generate negative cash flow from operations. In the absence of federal loan guarantees, and the cost reductions necessary to achieve them, there is no assurance that the Company will be able to raise sufficient liquidity to support its obligations through the end of 2002.* Therefore, the Company is revising its business plan and intensifying its recovery efforts to ensure that United achieves the cost savings it needs to compete in an industry that has fundamentally changed. (See "Financial Recovery Plan.")

Subsequent to June 30, 2002, the Company received approximately $113 million in cash which had been held in trust under a services agreement with Galileo International (now Cendant Corporation).

As of June 30, 2002, the Company has applied for, and still anticipates receiving an additional $38 million in compensation under the Air Transportation Safety and System Stabilization Act (the "Act").* However, given the requirements of the Act, receipt of this amount remains uncertain and therefore the Company did not accrue any additional compensation under the Act at June 30.

Financing activities during the first six months of 2002 included principal payments under debt and capital lease obligations of $980 million and $139 million, respectively. During the first quarter of 2002, United closed on a $775 million private debt financing which refinanced certain aircraft and raised approximately $250 million in additional cash. During the second quarter of 2002, United arranged long-term financing for approximately $314 million in debt that had been placed in interim financing facilities. Also during the second quarter, United repaid $133 million in receivables-backed short-term borrowings when the banks supporting the borrowing program declined to renew it.

In June 2002, United repaid $34 million to the Indianapolis Airport Authority, the city of Indianapolis and state of Indiana for failure to reach its capital targets in connection with the construction of the Indianapolis Maintenance Center.

Property additions, including aircraft and aircraft spare parts, amounted to $700 million, including $639 million of vendor-financed purchases. In the first six months of 2002, United took delivery of six A319, eight A320 and four B777 aircraft. All of these aircraft were purchased. In addition, United acquired one B757 and six B737 aircraft off lease during the period.

During the first six months of 2002, United received over $600 million in income tax refunds, part of which was a result of changes in the tax laws as discussed in "Income Taxes" in the Notes to Consolidated Financial Statements. In addition, United paid $290 million in federal transportation taxes that had been deferred under the Act after the September 11 terrorist attacks. The Company also received $137 million in proceeds from the sale of its remaining investment in Cendant Corporation and $80 million in compensation under the Act.

Certain of United's surety bonds for workers' compensation have been cancelled in various states where United is self-insured. As a result, United has been and may, in the future, be required to post collateral in the form of cash deposits or letters of credit.* Included in cash and cash equivalents at June 30, 2002, is $273 million in restricted cash, which primarily consists of deposits posted for various states where United is self-insured for workers' compensation claims.

Additionally, United has a $150 million secured letter of credit facility primarily supporting workers' compensation claims. Letters of credit under the facility begin expiring in August 2002, with the last letters of credit expiring in December 2002. The issuer has indicated that it will not renew the facility. As a result, United may be required to post collateral in the form of cash deposits.*

In conjunction with the ratification of the contracts for the IAM, the Company has posted collateral consisting of certain real estate, flight simulators, ground equipment and spare part assets to support the payment of approximately $540 million in retroactive wages due under the contracts in eight quarterly installments commencing December 2002.

As of June 30, 2002, the Company has unencumbered aircraft and spare engines valued at approximately $3.4 billion.

In June 2002, Standard & Poor's ("S&P") downgraded its credit ratings on United's senior unsecured debt from B- to CCC+ and downgraded its credit ratings on UAL's Series B preferred stock and redeemable preferred stock from CCC+ to CCC. Moody's Investors Service Inc.'s ratings on United's senior unsecured debt remains Caa1 and its ratings on UAL's Series B preferred stock and redeemable preferred securities remains Ca. Downgrades of the Company's credit ratings during 2002 have resulted in an increase of $2 million in interest expense for the year 2002. Any additional reductions in UAL's or United's credit ratings could result in increased borrowing costs to the Company and might further limit the availability of future financing.

As of June 30, 2002, UAL had a working capital deficit of $2.5 billion as compared to $2.8 billion at March 31, 2002. The March 31 working capital deficit has been adjusted for $243 million of debt previously misclassified as current maturities rather than long-term debt. Historically, UAL has relied on working capital to fund a significant portion of its operations and has operated with a working capital deficit.

At June 30, 2002, commitments for the purchase of property and equipment, principally aircraft, approximated $2.0 billion, after deducting advance payments. Of this amount, an estimated $0.4 billion is expected to be spent during the remainder of 2002. For further details, see "Contingencies and Commitments" in the Notes to Consolidated Financial Statements.

OTHER INFORMATION

ATSB Loan Application

As part of the Air Transportation Safety and System Stabilization Act of 2001 (the "Act") enacted in response to the events of September 11, 2001, the federal government made $5.0 billion in federal grants and $10.0 billion in loan guarantees available to the airline industry. Through June 30, 2002, the Company has received a total of $732 million in grants under the Act. In June 2002, the Company submitted an application to the ATSB requesting approval of a guarantee of 90% ($1.8 billion) of a $2.0 billion loan. If approved and funded, the loan would help alleviate the liquidity pressure the Company faces.*

Under the terms of the Act, the ATSB may guarantee loans if the ATSB determines, in its discretion, that: (1) the borrower is an air carrier for which credit is not reasonably available at the time of the transaction; (2) the intended obligation is prudently incurred; and (3) the guarantee is a necessary part of maintaining a safe, efficient and viable commercial aviation system in the U.S. The Act also requires the ATSB to ensure that the government is compensated for the risk assumed in making the guarantees. Additional requirements and factors for consideration by the ATSB in evaluating any loan guarantee application, set forth in regulations issued by the Office of Management and Budget pursuant to the Act, include: (1) that the air carrier has incurred losses as a result of the events of September 11, 2001, including losses due to the unavailability of credit or the decrease in demand for services; (2) reasonable assurance that the air carrier will be able to repay the loan according to its terms; and (3) the adequacy of provisions to protect the government, including the sufficiency of security for the loan and the percentage of guarantee requested.

United believes that it is an ideal candidate for federal loan guarantees under the terms of the Act and the related regulations. United's application explains that the Company was significantly impacted financially by the events of September 11, has significant cash needs for the remainder of 2002 and has had limited access to and continues to be unable to reasonably access the capital markets in sufficient amounts. The Company's application proposes an annual guarantee fee payable to the government and substantial collateral (including aircraft, spare engines, route authorities and slots) that will be available if United does not meet its obligations under the loan and guarantee.

It is within the discretion of the ATSB to decide whether to issue a guarantee in the amount and on the terms requested or at all. In evaluating the application, the ATSB may also consider whether an equity stake for the federal government in UAL is required and the extent of relief provided by the Company's stakeholders that would improve United's financial position. Although United has obtained relief from some employee groups and various other stakeholders, the reductions (as a percentage of total costs) achieved to date are significantly below those announced by US Airways Group, Inc. ("US Airways") as part of the conditional approval of its loan guarantee from the ATSB.

Therefore, after meetings with the staff of the ATSB, the Company has decided to prepare an updated business plan for submission to the ATSB. The updated plan will include assumptions based on achieving broader, deeper and longer-term cost savings from the Company's various stakeholders. The process to develop this updated business plan is described more fully below in "Financial Recovery Plan." The Company believes the updated plan will reflect significant improvements to United's cost structure and it is expected to further strengthen the case for approval of the Company's application. However, United may not be able to reach appropriate agreements with all of its stakeholders as to the steps necessary to implement such a business plan. In addition, there can be no assurance, even if it does reach such agreements, that the Company will be able to get ATSB approval for loan guarantees.*

Financial Recovery Plan

In the aftermath of September 11, and its dramatic impact on the airline industry, the Company developed a four-plank financial recovery plan to get the airline back on the road to financial stability:

- Reducing the size of the airline and cutting both capital and operating spending;
- Generating as much revenue as possible from each flight;
- Working with employee groups to find further labor and other savings; and
- Implementing a financing plan to support the Company through these turbulent times.

The Company has realized progress on executing this plan, including the following since September 11:

- Reduced its schedule, furloughed employees, retired fleets and made dramatic cuts in capital spending;
- Eliminated base commissions; and
- Formulated a plan to increase network efficiency, reduce the cost of sales, better manage air traffic, focus on under-performance of certain distribution channels and customer segments; realign premium customer products; and improve processes and productivity.

In June 2002, the Company announced that the Board of Directors had approved a plan by the Master Executive Council ("MEC") of the Air Line Pilots' Association International ("ALPA") to participate in the Company's financial recovery plan and the terms of salaried and management employee participation in the plan as described in "Labor Agreements" below.

Although both the IAM and the Association of Flight Attendants ("AFA") have recently rejected the Company's initial proposals to participate in the financial recovery plan, the Company continues to seek the full and equitable participation of all employee groups.

The progress described above notwithstanding, the Company's cost structure remains unsustainably high in the context of the current weak revenue environment in the airline industry. To address this imbalance, the Company is intensifying its recovery efforts which will involve changing its business plan to build a stronger and more cost-competitive airline. As part of these intensified efforts, the Company will present new cost-saving proposals to employee representatives and other stakeholders in the near future. The Company has given itself 30 days to conclude these discussions.

There can be no assurance that the Company will be successful in these efforts to dramatically lower its costs, and the Company's cash needs for the fourth quarter of 2002 are significant. Accordingly, the Company is simultaneously preparing for the potential of a Chapter 11 bankruptcy filing this fall.*

Labor Agreements

In connection with the pilots' participation in UAL's financial recovery plan, UAL and ALPA have agreed, subject to the contingencies described below, to amend the current labor contract to provide for a reduction in pilot wage rates by 10% on the date the pilots' participation becomes effective (the "Effective Date") and the cancellation of the remaining contractual increases due in 2003 and 2004. In their place, pilots will receive increases of 7%, 8% and 8.6% in each of the next three years on the anniversary of the Effective Date. Additionally, pilots will be granted options to acquire UAL common stock corresponding to approximately 9.75% of the fully diluted common equity of UAL or 14.9 million shares (subject to anti-dilution provisions). The options will be exercisable for a period of 10 years from the date of grant and will vest in three equal annual installments beginning on the Effective Date. The terms of the current ALPA labor contract will be extended for twelve months to 2005. The reduction in pilot wages is expected to save the Company approximately $520 million over the next three years.*

In addition to the changes in compensation, the ALPA contract includes an amendment that would allow the planned growth of usage of regional jets by United Express carriers to continue and amendments to the ESOP plans which would allow limited diversification of ESOP stock by participants in the ESOPs beginning July 1, 2004.

The contract is subject to a ratification vote, which is expected to take place in September. The amendments to the ESOP plan also require approval by the IAM.

ALPA participation in the financial recovery plan is contingent on the equitable and meaningful participation of other employee groups, the Company's securing federally guaranteed loans and a continuing focus on non-labor cost reduction and liquidity.

The terms of the management and salaried employees' participation in the Company's financial recovery plan include a 5% wage reduction as of the Effective Date and cancellation of the wage increase that was scheduled for April 1, 2002, which will be replaced by performance-based increases in 2003 and beyond. Management and salaried employees will also be granted options to acquire UAL common stock corresponding to approximately 8.1% of the fully diluted common equity of UAL or 12.3 million shares (subject to anti-dilution provisions). The impact of the wage reductions for management and salaried employees is expected to be approximately $430 million over the next three years.*

The participation of the salaried and management employees in the financial recovery plan is subject to participation by ALPA in the plan.

On July 12, 2000, the Company's contracts with the IAM became amendable. On February 18, 2002, the Company and IAM District 141M (representing mechanics) reached a tentative agreement on a new contract and on March 5, the IAM ratified the tentative agreement. On April 25, 2002, the Company and IAM District 141 (representing public contact, ramp and stores, food services and security employees) reached a tentative agreement on a new contract and on May 11, the IAM ratified the tentative agreement. The mechanics' contract will become amendable in July 2005. The other IAM agreements will become amendable in November 2004.

The Company's contract with the AFA, which becomes amendable in 2006, provides for a compensation conference each year from 2001 through 2005. Pursuant to the contract, the Company and the AFA began compensation conference negotiations in April 2002 and in May, an arbitration panel determined that United's flight attendants were due a 5.49% increase to base pay, retroactive to April 1.

Strategic Plan

During the 1990's the Company invested significant funds to acquire new-generation aircraft, to develop and deliver premium products and to create a global route network in order to attract and retain the loyalty of high-yield business travelers. As a result, United achieved a unit revenue premium to its competitors. However, the financial impact of these investments, coupled with the Company's industry-leading compensation programs for employees, has resulted in a cost structure for United that is significantly higher than that of its competitors.

This strategy has enabled United to achieve profitable results throughout much of the economic cycle. However, in periods of economic slowdown, the Company's profitability suffers disproportionately compared to its competitors. For example, between 1999 and 2001, United's unit cost increased by 25%, and its unit revenue declined by 4%, compared to U.S. industry averages (excluding United) of a 14% increase and no change, respectively. Consequently, the Company's operating margins (excluding special charges) declined by 23 percentage points, from an operating profit margin of 8% in 1999 to a negative operating margin of 15% in 2001.

Beyond the cost and revenue improvements contained in the Financial Recovery Plan, UAL is developing a strategic plan to address these longer-term challenges. The plan redirects United's core and historic strengths and is designed to lower costs, enhance revenue (both by increasing United's market share as well as raising yields) and improve the productivity of all of the Company's assets. Through the plan, the Company will focus on six key areas:

- Increasing the efficiency of the network through actions such as code shares, alliances and regional jets;
- Reducing the cost of sales, such as credit card fees, GDS fees and travel agent costs;
- Seizing opportunities to improve the management of air traffic and irregular operations; for example, deploying a system that would allow simultaneous approach in San Francisco, thus increasing the arrival rate by six airplanes per hour;
- Focusing on areas of under-performance by distribution channel and by customer segment;
- Realigning premium product offerings to ensure they are cost effective, and in some cases, such as Red Carpet Clubs, ensuring they are profitable on their own; and
- Improving processes and productivity, particularly in airports and maintenance, by utilizing more advanced technology.

The Company expects to realize significant benefit as the strategic plan is developed and implemented; however, the exact amount of these benefits has not yet been determined.*

US Airways Code Share

As part of its strategic plan, on July 24, 2002, the Company announced a code share agreement with US Airways. The agreement, which is expected to generate more than $200 million in annual revenue for United, would allow both carriers to market service on each other's network, providing significant consumer benefits and bringing new revenue and customers to their route networks.* As part of the agreement, customers will be able to earn and redeem miles on each carriers' frequent flyer program. The agreement was approved by the MECs of each airline's pilots' union. United and US Airways have also notified the DOT of the agreement. While US Airways has filed for Chapter 11 bankruptcy protection subsequent to the signing of this agreement, the Company understands that US Airways has sought and obtained an order from the bankruptcy court authorizing it to assume the code sharing agreement.

Insurance

United's war risk liability insurance for losses resulting from war perils (terrorism, sabotage, hijacking and other similar perils) was cancelled effective September 26, 2001. United obtained replacement coverage, although it is being charged significantly higher premiums for this replacement coverage, and this new coverage is in a substantially reduced amount for claims not involving aircraft passengers. The FAA is providing excess liability coverage for third party war risk liability for losses to persons other than passengers up to two times the airline's limit of liability available prior to September 11, 2001 for renewable periods up to a year at a time. United's coverage under this FAA policy has been renewed through August 17, 2002, and is likely to be renewed further, subject to the federal government's determination that such coverage is necessary to the national interest.

In addition, United maintains hull war risk insurance which is worldwide, excluding certain countries. This coverage is for war and associated perils, including hijacking and confiscation. United experienced a significantly higher premium for reduced coverage due to the events of September 11. This increase in insurance premiums is expected to be in excess of $120 million for the full year 2002 as compared to 2001.

OUTLOOK FOR 2002

The Company expects to report a significant third quarter and full year loss. Additionally, booked load factors for the third quarter are currently running behind last year's numbers. However, with bookings shifting to closer in, United expects actual load factors to at least be equal to third quarter 2001. Capacity for the third quarter is expected to be down 8% from the same quarter in 2001 and unit costs, excluding United's fuel subsidiary, are expected to increase 2% year-over-year. Third quarter fuel price is projected to be down 7% from last year's third quarter. Currently, United expects fourth quarter capacity to be up 6% year over year; however, the Company is continually reviewing the schedule and that number is subject to change.

Information included in above "Outlook for 2002" section, as well as information identified with an asterisk (*) 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 filing. Some factors that could significantly impact net earnings, revenues, expenses, cash burn rate, unit costs and capacity include, without limitation, the economy and the demand for air travel; the ability to reduce operating costs and conserve financial resources, taking into account increased costs incurred as a consequence of the September 11 terrorist attacks to the Company; the higher costs associated with new airline security directives and any other increased regulation of air carriers; the significantly higher costs of aircraft insurance coverage for future claims caused by acts of war, terrorism, sabotage, hijacking and other similar perils, and the extent to which such insurance will continue to be available; the ability to raise and the cost of financing in light of the September 11 events and the possibility of any further credit downgrades of the Company; the cost of crude oil and jet fuel; the airline pricing environment; industry capacity decisions; competitors' route decisions; the satisfaction of the conditions to the pilots or management and salaried employees' participation in the Company's financial recovery plan; the success of the Company's cost-reduction efforts; the success of the Company's implementation of its financial recovery plan; the outcome of the ATSB loan guarantee process; results of union contract negotiations and cost-reduction discussions and their impact on labor costs and operations; willingness of customers to travel; the mix of business and leisure fare travel; actions of the U.S., foreign and local governments; the stability of the U.S. economy; any additional terrorist activity and/or war; inflation; foreign currency exchange rate fluctuations; the economic environment of the airline industry and the economic environment in general.

Investors should not place undue reliance on the forward-looking information contained herein, which speaks only as of the date of this filing. UAL 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 3. Quantitative and Qualitative Disclosures About Market Risk

For information regarding the Company's exposure to certain market risks, see Item 7A. Quantitative and Qualitative Disclosures About Market Risk in UAL's Annual Report on Form 10-K for the year 2001.

Interest Rate Risk -

(In millions, except average contract rates)	Notional Amount	Average Contract Rate	Estimated Fair Value (Pay)/Receive*
Interest rate swap	$ 135	7.86%	$ (24)

Foreign Currency Risk -

(In millions, except average contract rates)	Notional Amount	Average Contract Rate	Estimated Fair Value (Pay)/Receive*
Forward exchange contracts			
Japanese Yen - Purchased forwards	$ 55	122.05	$ 1
- - Sold forwards	$ 31	120.15	$ - -
Euro - Purchased forwards	$ 202	1.28	$ (19)
Currency options			
Japanese Yen - Purchased put options	$ 89	136.54	$ - -
Australian Dollar - Purchased put options	$ 15	0.51	$ - -
British Pound - Purchased put options	$ 56	1.36	$ - -
Euro - Purchased put options	$ 84	0.85	$ - -
Canadian Dollar - Purchased put options	$ 56	1.66	$ - -
Correlation Basket Option - Sold	$ 299	N/A	$ - -

Price Risk (Aircraft fuel) -

(In millions, except average contract rates)	Notional Amount	Average Contract Rate	Estimated Fair Value (Pay)/Receive*
Purchased forward contracts - Crude oil	$ 134	$ 23.91/bbl	$ 11
Purchased forward contracts - Heating oil	$ 75	$ 27.79/bbl	$ 1

*Estimated fair values represent the amount United would pay/receive on June 30, 2002 to terminate the contracts.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

Hall d.b.a. Travel Specialists v. United

As previously reported in our Form 10-K for the year ended December 31, 2001, the putativeclass action suit current pending in the Federal District Court for the Eastern District of North Carolina (Case Number 7-00-cv-123-BR(1), originally filed in North Carolina State Court on October 27, 1999) alleges that United and the other carrier-defendants conspired to fix travel agent commissions in violation of the Sherman Act and seeks treble damages and injunctive relief. In January 2002, the court allowed the plaintiffs to amend their complaint adding a claim related to the 2001 reduction of domestic air travel commission caps. In April 2002, the plaintiffs moved to amend their complaint to add a claim related to the 2002 reduction of base commissions rates to 0%. The court allowed the amendment in May 2002. Discovery is scheduled to close on November 13, 2002 and trial is scheduled to begin April 28, 2003.

Litigation Associated with September 11 Terrorism

Seven lawsuits are pending against United, and various other defendants, in the U.S. District Court for the Southern District of New York related to the September 11, 2002 terrorist attacks. As previously reported in our Form 10-K for the year ended December 31, 2001, one wrongful death lawsuit, Ellen Mariani v. United Air Lines, Inc., Case Number 01 CV 11628, filed December 20, 2001, had been served on United in the U.S. District Court for the Southern District of New York related to the September 11 terrorist attacks. In addition to Mariani v. United Air Lines, Inc., the following five wrongful death lawsuits naming United have been filed and served: Jane Doe v. United Air Lines, Inc., Case Number 02 CV 0458, filed January 17, 2002; Jane Doe 1 & 2 v. United Air Lines, Inc., et al., Case Number 02 CV 0456, filed January 17, 2002; James D. Miller and Catherine Stefani v. United Air Lines, Inc., et al., 02 CV 1728, filed March 5, 2002; and Julie Sweeney v. United Air Lines, Inc., et al., Case Number 02 CV 1727, filed March 5, 2002; Maria Koutny v. United Air Lines, Inc., et al., Case Number 02 CV 2802, filed April 11, 2002. The seventh lawsuit, WT Farmers Market, Inc., Adem Arici and Omer Ipek v. United Air Lines, Inc., et al., Case Number 02 CV2987, filed April 18, 2002, is for property damage and lost business opportunity. The complaints in each instance seek monetary damages and allege that United breached its duty of care to the passengers or the businesses on the ground and that the breach caused the hijacking and subsequent deaths and property destruction. United has answered the complaint in the Mariani v. United Air Lines, Inc. lawsuit, but the court has stayed discovery in all of the pending suits until the completion of further proceedings.

United anticipates the filing of other lawsuits related to the September 11 attacks in the future. Under federal law, liability on all such claims will be limited to the amount of United's insurance coverage.

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

At the annual meeting of the stockholders of UAL Corporation on May 16, 2002, the following matters were voted upon:

Description	Votes	
1. Election of Board of Directors		
Public Directors:		
John W. Creighton, Jr.	44,166,396	For
	2,610,739	Withheld
Rono J. Dutta	42,571,409	For
	4,205,725	Withheld
W. James Farrell	43,810,595	For
	2,966,539	Withheld
James J. O'Connor	43,704,278	For
	3,072,857	Withheld
Paul E. Tierney, Jr.	43,477,017	For
	3,300,118	Withheld
Independent Directors:		
Richard D. McCormick	3	For
	0	Withheld
Hazel R. O'Leary	3	For
	0	Withheld
John K. Van de Kamp	3	For
	0	Withheld
John H. Walker	3	For
	0	Withheld

ALPA Director:		
Paul R. Whiteford, Jr.	1	For
	0	Withheld
IAM Director:		
Stephen R. Canale	1	For
	0	Withheld
SAM Director:		
W. Douglas Ford	3	For
	0	Withheld
2. Stockholder Proposal	41,574,059	For
Concerning Cumulative	48,426,441	Against
Voting	5,489,645	Abstain
4. Stockholder Proposal	50,827,295	For
Concerning Executive	43,452,025	Against
Compensation	1,210,923	Abstain
5. Stockholder Proposal	49,428,175	For
Concerning the CEO and	44,585,431	Against
Chairman Positions	1,476,536	Abstain
6. Stockholder Proposal	57,058,817	For
Concerning Certain Business	36,966,390	Against
Combinations	1,464,937	Abstain
7. Stockholder Proposal	33,076,524	For
Concerning Election of ESOP	60,379,981	Against
Directors	2,033,640	Abstain

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

(a) Exhibits

A list of exhibits included as part of this Form 10-Q is set forth in an Exhibit Index that immediately precedes such exhibits.

(b) Form 8-K dated April 18, 2002 to report a cautionary statement for purposes of the "Safe Harbor for Forward-Looking Statements" provision of the Private Securities Litigation Reform Act of 1995.

Form 8-K dated May 2, 2002 to report UAL Corporation's and United Air Lines, Inc.'s change in accountants.

Form 8-K/A dated June 3, 2002 to amend 8-K dated May 2, 2002 reporting UAL Corporation's and United Air Lines, Inc.'s change in accountants.

Form 8-K dated June 7, 2002 to report, under Regulation FD, the time, date and website for the webcast of UAL Corporation's Chairman and Chief Executive Officer speech at the Merrill Lynch Global Transportation Conference.

Form 8-K dated June 12, 2002 to report, under Regulation FD, certain financial and operating information.

Form 8-K dated June 20, 2002 to report UAL & ALPA's approval of terms of Pilot and Salaried and Management Employees participation in financial recovery plan.

Form 8-K dated June 24, 2002 to report, under Regulation FD, UAL Corporation's application for federal loan guarantees.

Form 8-K dated June 26, 2002 to report, under Regulation FD, certain operating information during the second quarter 2002 and current expectations for future performance.

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 thereunto duly authorized.

UAL CORPORATION

By: /s/ Frederic F. Brace

Frederic F. Brace

Executive Vice President and

Chief Financial Officer

(principal financial and

accounting officer)

Dated: August 14, 2002

Exhibit Index

Exhibit No.	Description
10.1	UAL Corporation 1995 Directors Plan
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
99.1	Certification of the Principal Executive Officer pursuant to 18 U.S.C. 1350
99.2	Certification of the Principal Financial Officer pursuant to 18 U.S.C. 1350

UAL CORPORATION 1995 DIRECTORS PLAN

(As Amended and Restated Effective as of April 30, 2002)

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UAL CORPORATION

1995 DIRECTORS PLAN

(As Amended and Restated Effective as of April 30, 2002)

SECTION 1

General

1.1. Purpose, History and Effective Date. UAL Corporation (the "Company") previously maintained the UAL Corporation 1992 Stock Plan for Outside Directors (the "Prior Plan") which provided certain benefits to non-employee directors of the Company. In order to (i) encourage stock ownership by directors to further align their interests with those of the stockholders of the Company, while at the same time providing flexibility for directors who, due to their individual circumstances, may be unable to take stock in lieu of cash compensation, and (ii) add certain deferral features for fees and stock awards and other items of cash compensation as determined by the Board of Directors, the Company authorized a variety of compensation alternatives, including those set forth in the Prior Plan, that would be available to Outside Directors (as defined in subsection 1.2) and established the UAL Corporation 1995 Directors Plan (the "Plan"). The Plan and any and all amendments thereto were effective immediately upon the respective approval thereof by the Board of Directors, except that subsections 1.4, 1.5, 1.7, 1.8, 2.1, 3.1, 3.2 and 3.4 and all references to Stock Awards, Stock Deferrals and the Company Stock Subaccount were first effective on and the Prior Plan was terminated as of July 3, 1995 (the "Initial Effective Date"). Stock deferrals made prior to the Initial Effective Date under the Prior Plan were treated as deferrals under subsection 4.2 of the Plan. The following provisions constitute an amendment, restatement and continuation of the Plan as in effect immediately prior to April 30, 2002.

1.2. Participation. Only Outside Directors shall be eligible to participate in the Plan. As of any applicable date, an "Outside Director" is a person who is serving as a director of the Company who is not an employee of the Company or any subsidiary of the Company as of that date.

1.3. Administration. The authority to manage and control the operation and administration of the Plan shall be vested in the Executive Committee of the Board (the "Committee"). Subject to the limitations of the Plan, the Committee shall have the sole and complete authority to:

(a) interpret the Plan and to adopt, amend and rescind administrative guidelines and other rules and regulations relating to the Plan;

(b) correct any defect or omission and to reconcile any inconsistency in the Plan or in any payment made hereunder; and

(c) to make all other determinations and to take all other actions necessary or advisable for the implementation and administration of the Plan.

The Committee's determinations on matters within its control shall be conclusive and binding on the Company and all other persons. Notwithstanding the foregoing, no member of the Committee shall act with respect to the administration of the Plan except to the extent consistent with the exempt status of the Plan under Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended ("Rule 16b-3").

1.4. Shares Subject to the Plan. Shares of stock which may be distributed under the plan are shares of common stock of the Company, par value $.01 per share ("Stock"). The shares of Stock which shall be available for distribution pursuant to the Plan shall be treasury shares (including, in the discretion of the Company, shares purchased in the open market). The number of shares of Stock to be distributed pursuant to Outside Directors' elections to receive shares of Stock in lieu of Eligible Cash Fees (as described in subsection 3.1) shall be determined in accordance with Section 3. The number of shares of Stock to be distributed pursuant to awards of Deferred Stock Units (as described in subsection 2.2) shall be determined in accordance with subsection 2.2. The number of shares of Stock to be distributed pursuant to Outside Directors' Deferral Elections (as described in Section 4) shall be determined in accordance with Section 4. The number of shares of Stock which are available for awards under subsection 2.1 shall be 78,800; provided, however, that:

(a) in the event of any merger, consolidation, reorganization, recapitalization, spinoff, stock dividend, stock split, reverse stock split, rights offering, exchange or other change in the corporate structure or capitalization of the Company affecting the Stock, the number and kind of shares of Stock available for awards under Section 2 and the annual awards of Stock and Deferred Stock Units provided thereunder shall be equitably adjusted in such manner as the Committee shall determine in its sole judgment;

(b) in determining what adjustment, if any, is appropriate pursuant to paragraph (a), the Committee may rely on the advice of such experts as they deem appropriate, including counsel, investment bankers and the accountants of the Company; and

(c) no fractional shares shall be granted or authorized pursuant to any adjustment pursuant to paragraph (a), although cash payments may be authorized in lieu of fractional shares that may otherwise result from such an equitable adjustment.

The shareholders of the Company approved a stock split in the form of a 300% stock dividend on April 24, 1996. The foregoing number of authorized shares of Stock reflects the stock split and the Stock Awards awarded under the Plan prior to the stock split have been adjusted to reflect the stock split.

1.5. Compliance with Applicable Laws. Notwithstanding any other provision of the Plan, the Company shall have no obligation to deliver any shares of Stock under the Plan unless such delivery would comply with all applicable laws and the applicable requirements of any securities exchange or similar entity. Prior to the delivery of any shares of Stock under the Plan, the Company may require a written statement that the recipient is acquiring the shares for investment and not for the purpose or with the intention of distributing the shares. If the redistribution of shares is restricted pursuant to this subsection 1.5, the certificates representing such shares may bear a legend referring to such restrictions.

1.6. Director and Shareholder Status. The Plan will not give any person the right to continue as a director of the Company, or any right or claim to any benefits under the Plan unless such right or claim has specifically accrued under the terms of the Plan. Participation in the Plan shall not create any rights in a director (or any other person) as a shareholder of the Company until shares of Stock are registered in the name of the director (or such other person).

1.7. Definition of Fair Market Value. The "Fair Market Value" of a share of Stock on any date shall be equal to the average of the high and low prices of a share of Stock reported for New York Stock Exchange Composite Transactions for the applicable date or, if there are no such reported trades for such date, for the last previous date for which trades were reported.

1.8. Source of Payments. Except for Stock actually delivered pursuant to the Plan, the Plan constitutes only an unfunded, unsecured promise of the Company to make payments or awards to directors (or other persons) or deliver Stock in the future in accordance with the terms of the Plan.

1.9. Nonassignment. Neither a director's nor any other person's rights to payments or awards under the Plan are subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment by creditors of the director.

1.10. Elections. Any notice or document required to be filed with the Committee under the Plan will be properly filed if delivered or mailed by registered mail, postage prepaid, or sent via facsimile or by electronic mail, to the Committee, in care of the Company's Corporate Secretary's Office, at the Company's principal executive offices. The Committee may, by advance written notice to affected persons, revise such notice procedure from time to time. Any notice required under the Plan may be waived by the person entitled thereto.

SECTION 2

Awards

2.1. Formula Stock Awards. As of the first business day of January of each year commencing on and after January 1, 1997, each Outside Director shall be awarded 400 shares of Stock ("Stock Award").

2.2. Deferred Stock Units. As of December 31, 2002 and each December 31st thereafter, each person who was an Outside Director at any time during the calendar year ended on that date shall be awarded 189 deferred stock units (each such unit representing the right to receive a share of Stock at a future date) ("Deferred Stock Units"). Notwithstanding the foregoing, the number of Deferred Stock Units awarded to an Outside Director who is not an Outside Director for the entire calendar year shall be prorated based on the number of whole calendar months he or she was an Outside Director during such calendar year.

SECTION 3

Receipt of Stock in Lieu of Eligible Cash Fees

3.1. Election to Receive Stock. Subject to the terms and conditions of the Plan, including subsection 3.3, each Outside Director may elect (but not retroactively) to forego receipt of all or any portion of the Eligible Cash Fees (as defined below) payable to him or her for any period and instead to receive whole shares of Stock of equivalent value to the Eligible Cash Fees so foregone (determined in accordance with subsection 3.4). An election under this subsection 3.1 to have Eligible Cash Fees paid in shares of Stock shall be valid only if it is in writing, signed by the Outside Director, and filed with the Committee in accordance with uniform and nondiscriminatory rules adopted by the Committee and shall be effective with respect to Eligible Cash Fees payable after the date on which it is received by the Committee (or as soon as practicable thereafter) or such later date specified in the election. For purposes of the Plan, the term "Eligible Cash Fees" means the retainer fees, meeting fees, committee fees, committee chair fees, and any other items of cash compensation as designated by the Board of Directors that would otherwise be payable to the Outside Director by the Company in cash as established, from time to time, by the Board or any committee thereof, including without limitation, the amounts credited to an Outside Director's Deferred Compensation Account (as hereinafter defined) pursuant to resolutions (the "Retirement Plan Resolutions") adopted by the Board on September 26, 1996 in respect of the cessation of benefit accruals under the UAL Corporation Retirement Plan for Outside Directors (the "Retirement Plan").

3.2. Revocation of Election to Receive Stock. Once effective, an election pursuant to subsection 3.1 to receive Stock shall remain in effect until it is revised or revoked. Any such revision or revocation shall be in writing, signed by the Outside Director and filed with the Committee and shall be effective with respect to Eligible Cash Fees payable after the date on which it is received by the Committee (or as soon as practicable thereafter) or such later date specified in such notice.

3.3. Election Pursuant to Retirement Plan Resolutions. If no election to have Eligible Cash Fees which have been credited to an Outside Director's Deferred Compensation Account pursuant to the Retirement Plan Resolutions deferred in the form of cash is received on or before December 1, 1996, such Outside Director shall automatically be deemed to have elected to have such fees deferred in the form of Stock.

3.4. Equivalent Amount of Stock.

(a) The number of whole shares of Stock to be distributed to any Outside Director, or credited to his or her Deferred Compensation Account (as defined in subsection 4.3) pursuant to a Deferral Election made in accordance with Section 4, by reason of his or her election pursuant to subsection 3.1 to receive Stock in lieu of Eligible Cash Fees or pursuant to subsection 3.3 shall be equal to:

(i) the amount of the Eligible Cash Fees which the Outside Director has elected to have paid to him or her in shares of Stock or credited to his or her Company Stock Subaccount (as defined in subsection 4.3);

DIVIDED BY

(ii) (A) the Fair Market Value of a share of Stock as of the date on which such Eligible Cash Fees would otherwise have been payable to the Outside Director or (B) in the case of Eligible Cash Fees credited pursuant to the Retirement Plan Resolutions, the average Fair Market Value of a share of Stock for the twenty consecutive trading days ending December 31, 1996.

(b) The Fair Market Value of any fractional share shall be paid to the Outside Director in cash; provided, however, that fractional shares subject to a Deferral Election filed in accordance with subsection 4.1 shall be deferred and credited to the Company Stock Subaccount.

SECTION 4

Deferral Elections

4.1. Deferrals of Fees.

(a) General. Subject to the terms and conditions of the Plan, each Outside Director, by filing a written "Deferral Election" with the Committee in accordance with uniform and nondiscriminatory rules adopted by the Committee, may elect to defer the receipt of all or any portion of the Eligible Cash Fees otherwise payable to him or her for any period (including any Eligible Cash Fees that he or she has elected to receive in Stock pursuant to Section 3) until a future date (the "Distribution Date") specified by the Outside Director in his or her Deferral Election as of which payment of his or her Deferred Compensation Account attributable to amounts deferred pursuant to his or her Deferral Election shall commence in accordance with subsection 4.4; provided, however, that in no event shall the Distribution Date elected pursuant to this subsection 4.1(a) be different from the Distribution Date, if any, elected by the Outside Director pursuant to subsection 4.2. If no Distribution Date is specified in an Outside Director's Deferral Election or has otherwise been elected by the Outside Director pursuant to subsection 4.2, the Distribution Date shall be deemed to be the first business day in January of the year following the date on which the Outside Director ceases to be a director of the Company for any reason. An Outside Director's Deferral Election shall be effective with respect to Eligible Cash Fees (including any Eligible Cash Fees that he or she has elected to receive in Stock pursuant to Section 3) and (i) which are otherwise payable to him or her for services rendered after the last day of the calendar year in which such election is made or (ii) which are otherwise payable to him or her at least six months after the date on which such election is filed with the Committee, as specified in the Deferral Election. Notwithstanding the foregoing, except as provided in subsection 4.1(b):

(A) a Deferral Election which is filed with the Committee within 45 days after the date on which a director first becomes an Outside Director shall be effective with respect to all Eligible Cash Fees (including any Eligible Cash Fees that he or she has elected to receive in Stock pursuant to Section 3) otherwise payable to him or her after the date the Deferral Election the Deferral Election is received by the Committee (or as soon as practicable thereafter) or such later date specified in the Deferral Election; and

(B) by notice filed with the Committee in accordance with uniform and nondiscriminatory rules established by it, an Outside Director may terminate or modify any Deferral Election as to Eligible Cash Fees which are payable at least six months after the date on which such notice is filed with the Committee or which are payable to the Outside Director for services rendered after the last day of the calendar year in which the notice is filed with the Committee; provided, however, that no modification may be made to the Distribution Date unless the Outside Director shall file such notice with the Committee at least six months prior thereto.

Notwithstanding the foregoing provisions of this subsection 4.1(a), the Committee may, in its sole discretion, after considering all of the pertinent facts and circumstances, approve a change to a Distribution Date which is requested by an Outside Director less than six months prior thereto.

(b) Deferral of Eligible Cash Fees Credited Pursuant to Retirement Plan Resolutions and Subsection 2.2. A Deferral Election shall be deemed to have been made and shall be effective automatically without the requirement of a written Deferral Election for the Eligible Cash Fees credited to the Plan pursuant to (i) the Retirement Plan Resolutions, the deferral of which is mandatory pursuant to the terms of such resolutions, and (ii) subsection 2.2, the deferral of which is mandatory. The Distribution Date for such deferrals shall not be different than the Distribution Date selected pursuant to subsections 4.1(a) and 4.2; provided, however, that in no event shall the Distribution Date for such Eligible Cash Fees be earlier than the first business day in January of the year following the date on which the Outside Director ceases to be a director of the Company for any reason.

4.2. Deferral of Stock Awards and Deferred Stock Units. Subject to the terms and conditions of the Plan, each Outside Director, by filing a written "Stock Deferral Election" with the Committee in accordance with uniform and nondiscriminatory rules adopted by the Committee, may elect to defer the receipt of all or any portion of the Stock Award which is otherwise to be made to him or her for 1996 and subsequent years until the Distribution Date; provided, however, that if no Distribution Date has been elected (or is deemed to have been elected) pursuant to subsection 4.1, the "Distribution Date" shall be the date specified by the Outside Director in his or her Stock Deferral Election or, if no such date is specified, the first business day in January of the year following the date on which the Outside Director ceases to be a director of the Company for any reason. An Outside Director's Stock Deferral Election shall be effective with respect to Stock Awards otherwise to be made to him or her pursuant to subsection 2.1 (i) after the last day of the calendar year in which such election is filed with the Committee or (ii) at least six months after the date on which such election is made, as specified in the Stock Deferral Election. Notwithstanding the foregoing, by notice filed with the Committee in accordance with uniform and nondiscriminatory rules established by it, an Outside Director may terminate or modify any Stock Deferral Election as to Stock Awards to be made at least six months after the date on which such notice is filed with the Committee or which are to be made for services rendered after the last day of the calendar year in which the notice is filed with the Committee; provided, however, that no modification may be made to the Distribution Date unless the Outside Director shall file such notice with the Committee at least six months prior thereto. Notwithstanding the provisions of this subsection 4.2, the Committee may, in its sole discretion, after considering all of the pertinent facts and circumstances, approve a change to the Distribution Date which is requested by an Outside Director less than six months prior thereto. The Distribution Date for Deferred Stock Units awarded pursuant to subsection 2.2 shall be established, and may be modified, in the same manner as the Distribution Date for Stock Awards as provided in this subsection 4.2; provided, however, that in no event shall the Distribution Date for Deferred Stock Units be earlier than the first business day in January of the year following the date on which the Outside Director ceases to be a director of the Company for any reason. Subject to the proviso to the preceding sentence, the Distribution Date for Deferred Stock Units awarded pursuant to subsection 2.2 shall be the same as the Distribution Date, if any, for Stock Awards pursuant to this subsection 4.2.

4.3. Crediting and Adjustment of Deferred Amounts. The amount of any Eligible Cash Fees (including any Eligible Cash Fees that he or she has elected to receive in Stock pursuant to Section 3) deferred pursuant to subsection 4.1 or the Retirement Plan Resolutions ("Deferred Compensation"), and the amount of any Stock Award deferred by an Outside Director pursuant to a Stock Deferral Election and any Deferred Stock Unit (each, a "Stock Deferral"), shall be credited to a bookkeeping account maintained by the Company in the name of the Outside Director (the "Deferred Compensation Account"), which account shall consist of two subaccounts, one known as the "Cash Subaccount" and the other as the "Company Stock Subaccount." Any Stock Deferrals and Eligible Cash Fees that the Outside Director has elected or is deemed to have elected to receive in Stock pursuant to Section 3 and which he or she has also elected to defer pursuant to subsection 4.1 or is required to defer pursuant to subsection 2.2 or the Retirement Plan Resolutions shall be credited to his or her Company Stock Subaccount. Any other Deferred Compensation shall be credited to his or her Cash Subaccount. An Outside Director's Deferred Compensation Account shall be adjusted as follows:

(a) As of the first day of February, May, August and November, and as of the Initial Effective Date (each such date referred to herein as an "Accounting Date"), the Outside Director's Cash Subaccount shall be adjusted as follows:

(i) first, the amount of any distributions made since the last preceding Accounting Date and attributable to the Cash Subaccount shall be charged to the Cash Subaccount;

(ii) next, the balance of the Cash Subaccount after adjustment in accordance with subparagraph (i) above shall be credited with interest for the period since the last preceding Accounting Date computed at the prime rate as reported by *The Wall Street Journal* for the current Accounting Date, or if such date is not a business day, for the next preceding business day, except that, for the February 1, 1997 Accounting Date, the portion of the Cash Subaccount representing amounts credited pursuant to the last sentence of this paragraph (a) shall be credited with interest for only the period since December 31, 1996;

(iii) next, on the Accounting Date occurring on Initial Effective Date, the balance in the Cash Subaccount shall be charged with a distribution equal to that portion of the balance in the Cash Subaccount which is attributable to Eligible

Cash Fees payable prior to the Initial Effective Date which the Outside Director has elected to receive in Stock pursuant to Section 3 and which were credited to the Cash Subaccount pursuant to the Outside Director's Deferral Election (as adjusted in accordance with the terms of the Plan through the Initial Effective Date); and

(iv) finally, after adjustment in accordance with the foregoing provisions of this paragraph (a), the Cash Subaccount shall be credited with the portion of the Deferred Compensation or Supplemental Benefit (as defined in the Retirement Plan Resolutions) otherwise payable to the Outside Director since the last preceding Accounting Date or, in the case of the Accounting Date occurring on February 1, 1995, subsequent to January 1, 1995, which is to be credited to the Cash Subaccount, excluding amounts previously credited pursuant to the following sentence.

In addition, as of the close of business on December 31, 1996, the Cash Subaccount shall be credited with the Eligible Cash Fees to be credited to such account pursuant to the Retirement Plan Resolutions which the Outside Director has elected to receive in cash.

(b) The Outside Director's Company Stock Subaccount shall be adjusted as follows:

(i) as of the Initial Effective Date, the Company Stock Subaccount shall be credited with that number of stock units ("Stock Units") which is equal to the amount charged to the Cash Subaccount as of that date pursuant to subparagraph (a) (iii) next above, divided by the Fair Market Value of a share of Stock as of the Initial Effective Date;

(ii) as of any date on or after the Initial Effective Date on which Eligible Cash Fees would have been payable to the Outside Director in Stock but for his or her Deferral Election, and as of December 31, 1996, in the case of the Eligible Cash Fees credited pursuant to the Retirement Plan Resolutions which the Outside Director has elected to take in Stock pursuant to Section 3, the Company Stock Subaccount shall be credited with a number of Stock Units equal to the number of shares of Stock (including any fractional shares) to which he or she would have been entitled pursuant to Section 3;

(iii) as of the date on which a Stock Award would be made to the Outside Director pursuant to subsection 2.1 but for his or her Stock Deferral Election, the Company Stock Subaccount shall be credited with a number of Stock Units equal to the number of shares of Stock that would have been awarded to the Outside Director as of such date but for his or her Stock Deferral Election;

(iv) as of December 31, 1997, and each December 31st thereafter, the Company Stock Subaccount shall be credited with a number of Stock Units equal to the number of Deferred Stock Units awarded pursuant to subsection 2.2;

(v) as of the date on which shares of Stock are distributed to the Outside Director in accordance with subsection 4.4 below, the Company Stock Subaccount shall be charged with an equal number of Stock Units; and

(vi) as of the record date for any dividend (other than a stock dividend) paid on Stock, the Company Stock Subaccount shall be credited with that number of additional Stock Units which is equal to the number obtained by multiplying the number of Stock Units then credited to the Company Stock Subaccount by the amount of the cash dividend or the fair market value (as determined by the Board of Directors) of any dividend in kind payable on a share of Stock and dividing that product by the then Fair Market Value of a share of Stock.

In the event of any merger, consolidation, reorganization, recapitalization, spinoff, stock dividend, stock split, reverse stock split, rights offering, exchange or other change in the corporate structure or capitalization of the Company affecting the Stock, each Outside Director's Company Stock Subaccount shall be equitably adjusted in such manner as the Committee shall determine in its sole judgment.

4.4. Payment of Deferred Compensation Account. Except as otherwise provided in this subsection 4.4 or subsection 4.5, the balances credited to the Cash Subaccount and Company Stock Subaccount of an Outside Director's Deferred Compensation Account shall each be payable to the Outside Director in 10 annual installments commencing as of the Distribution Date and continuing on each annual anniversary thereof. Notwithstanding the foregoing, an Outside Director may elect, by filing a notice with the Committee at least six months prior to the Distribution Date, to change the number of payments to a single payment or to any number of annual payments not in excess of ten; provided, however, that the Committee may, in its sole discretion, after considering all of the pertinent facts and circumstances, approve a change to the payment form which is requested by an Outside Director less than six months prior to the Distribution Date . Each such payment shall include a cash portion, if applicable, and a Stock portion, if applicable, as follows:

(a) The cash portion to be paid as of the Distribution Date or any anniversary thereof and charged to the Cash Subaccount shall be equal to the balance of the Cash Subaccount multiplied by a fraction, the numerator of which is one and the denominator of which is the number of remaining payments to be made, including such payment.

(b) The Stock portion to be paid as of the Distribution Date or any anniversary thereof and charged to the Company Stock Subaccount shall be distributed in whole shares of Stock, the number of shares of which shall be determined by rounding to the next lower integer the product obtained by multiplying the number of Stock Units then credited to the Outside Director's Company Stock Subaccount by a fraction, the numerator of which is one and the denominator of which is the number of remaining payments to be made, including such payment. The Fair Market Value of any fractional share of Stock remaining after all Stock distributions have been made to the Outside Director pursuant to this paragraph (b) shall be paid to the Outside Director in cash.

Notwithstanding the foregoing, the Committee, in its sole discretion, may distribute all balances in any Deferred Compensation Account and/or all of the balance in any Company Stock Subaccount to the Outside Director (or former Outside Director) in a lump sum as of any date.

4.5. <u>Payments in the Event of Death</u>. If an Outside Director dies before payment of his or her Deferred Compensation Account commences, all amounts then credited to his or her Deferred Compensation Account shall be distributed to his or her Beneficiary (as described below), as soon as practicable after his or her death, in a lump sum. If an Outside Director dies after payment of his or her Deferred Compensation Account has commenced but before the entire balance of such account has been distributed, the remaining balance thereof shall be distributed to his or her Beneficiary, as soon as practicable after his or her death, in a lump sum. Any amounts in the Cash Subaccount shall be distributed in cash and any amounts in the Company Stock Subaccount shall be distributed in whole shares of Stock determined in accordance with subsection 4.4(b), and the Fair Market Value of any fractional share of Stock shall be distributed in cash. For purposes of the Plan, the Outside Director's "Beneficiary" is the person or persons the Outside Director designates, which designation shall be in writing, signed by the Outside Director and filed with the Committee prior to the Outside Director's death. A Beneficiary designation shall be effective when filed with the Committee in accordance with the preceding sentence. If more than one Beneficiary has been designated, the balance in the Outside Director's Deferred Compensation Account shall be distributed to each such Beneficiary per capita (with cash distributed in lieu of any fractional share of Stock). In the absence of a Beneficiary designation or if no Beneficiary survives the Outside Director, the Beneficiary shall be the Outside Director's estate.

4.6. <u>Multiple Distribution Dates</u>. If, as a result of the applicable proviso to the last sentence of subsection 4.1(b) or the penultimate sentence of 4.2 (the "Multiple Distribution Date Rules"), there shall be more than one Distribution Date for an Outside Director's Cash Subaccount or Company Stock Subaccount, then the Company shall take all steps reasonably practicable to divide the respective subaccount into two separate subaccounts, so that the credits, charges and payments related to the different Distribution Dates are kept separate. In the event an Outside Director has attempted to elect more than one Distribution Date pursuant to the provisions of subsections 4.1 and 4.2 (other than under the circumstances contemplated by the preceding sentence), the following rules of construction shall apply:

(a) the most recent Distribution Date election received by the Company in accordance with the Plan shall constitute a revocation of all prior Distribution Date elections; and

(b) with respect to contemporaneous elections, elections made pursuant to subsection 4.2 shall take precedence over elections made pursuant to subsection 4.1, elections made pursuant to subsection 4.1(a) shall take precedence over elections made pursuant to subsection 4.1(b), and elections made with respect to Stock Awards shall take precedence over elections made with respect to Deferred Stock Units.

<u>SECTION 5</u>

<u>Amendment and Termination</u>

While the Company expects and intends to continue the Plan, the Board of Directors of the Company reserves the right to, at any time and in any way, amend, suspend or terminate the Plan; provided, however, that no amendment, suspension or termination shall:

(a) be made without shareholder approval to the extent such approval is required by law, agreement or the rules of any exchange or automated quotation system upon which the Stock is listed or quoted;

(b) except as provided in subsection 4.4 (relating to lump sum payments of amounts held in an Outside Director's Deferred Compensation Account) or this Section 5, materially alter or impair the rights of an Outside Director under the Plan without the consent of the Outside Director with respect to rights already accrued hereunder; or

(c) make any change that would disqualify the Plan or any other plan of the Company intended to be so qualified from the exemption provided by Rule 16b-3 under the Securities Exchange Act of 1934, as amended.

UAL Corporation and Subsidiary Companies

Computation of Ratio of Earnings to Fixed Charges

	Six Months Ended June 30	
	2002	2001
	(In Millions)	
Earnings:		
Earnings (loss) before income taxes and cumulative effect of accounting change	$(1,326)	$(1,051)
Fixed charges, from below	389	448
Undistributed losses of affiliates	6	13
Interest capitalized	(17)	(45)
Earnings	$ (948)	$ (635)
Fixed charges:		
Interest expense	$ 288	$ 254
Portion of rental expense representative of the interest factor	101	194
Fixed charges	$ 389	$ 448
Ratio of earnings to fixed charges	(a)	(a)

(a) Earnings were inadequate to cover fixed charges by $1.3 billion in 2002 and $1.1 billion in 2001.

UAL Corporation and Subsidiary Companies

Computation of Ratio of Earnings to Fixed Charges

and Preferred Stock Dividend Requirements

	Six Months Ended June 30	
	2002	2001
	(In Millions)	
Earnings:		
Earnings before income taxes and cumulative effect of accounting change	$(1,326)	$(1,051)
Fixed charges, from below	397	456
Undistributed losses of affiliates	6	13
Interest capitalized	(17)	(45)
Earnings	$ (940)	$ (627)
Fixed charges:		
Interest expense	$ 288	$ 254
Preferred stock dividend requirements	8	8
Portion of rental expense representative of the interest factor	101	194
Fixed charges	$ 397	$ 456
Ratio of earnings to fixed charges	(a)	(a)

(a) Earnings were inadequate to cover fixed charges by $1.3 billion in 2002 and $1.1 billion in 2001.

Exhibit 99.1

Certification of the Principal Executive Officer
Pursuant to 18 U.S.C. 1350
(Section 906 of the Sarbanes-Oxley Act of 2002)

I, John W. Creighton, the Chairman and Chief Executive Officer of UAL Corporation (the "Company") certify that to the best of my knowledge, based upon a review of the Quarterly Report on Form 10-Q for the period ended June 30, 2002 of the Company (the "Report"):

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ John W. Creighton
John W. Creighton
UAL Corporation
Chairman and Chief Executive Officer
August 14, 2002

Exhibit 99.2

Certification of the Principal Financial Officer
Pursuant to 18 U.S.C. 1350
(Section 906 of the Sarbanes-Oxley Act of 2002)

I, Frederic F. Brace, the Executive Vice President and Chief Financial Officer of UAL Corporation (the "Company") certify that to the best of my knowledge, based upon a review of the Quarterly Report on Form 10-Q for the period ended June 30, 2002 of the Company (the "Report"):

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Frederic F. Brace
Frederic F. Brace
UAL Corporation
Executive Vice President and Chief Financial Officer
August 14, 2002