

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

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1999

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 1-6033

UAL CORPORATION

-----  
(Exact name of registrant as specified in its charter)

Delaware

36-2675207

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(IRS Employer  
Identification No.)

Location: 1200 East Algonquin Road, Elk Grove Township, Illinois 60007  
Mailing Address: P. O. Box 66919, Chicago, Illinois 60666

-----  
(Address of principal executive offices) (Zip Code)

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

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

TITLE OF EACH CLASS -----	NAME OF EACH EXCHANGE ON WHICH REGISTERED -----
Common Stock, \$.01 par value	New York, Chicago and Pacific Stock Exchanges
Depository Shares each representing 1/1,000 of a share of Series B Preferred Stock, without par value	New York Stock Exchange

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

NONE  
----

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of voting stock held by non-affiliates of the Registrant was \$2,396,398,415 as of March 1, 2000. The number of shares of common stock outstanding as of March 1, 2000 was 49,792,290.

Documents Incorporated by Reference

Part III of this Form 10-K incorporates by reference certain information from the Registrant's definitive Proxy Statement for its Annual Meeting of Stockholders to be held on May 18, 2000.

PART I  
-----

ITEM 1. BUSINESS.

UAL Corporation ("UAL" or the "Company") was incorporated under the laws of the State of Delaware on December 30, 1968. The world

headquarters of the Company are located at 1200 East Algonquin Road, Elk Grove Township, Illinois 60007. The Company's mailing address is P.O. Box 66919, Chicago, Illinois 60666. The telephone number for the Company is (847) 700-4000.

The Company is a holding company and its principal subsidiary is United Air Lines, Inc., a Delaware corporation ("United"), which is wholly owned. United accounted for virtually all of the Company's revenues and expenses in 1999. United is a major commercial air transportation company, engaged in the transportation of persons, property and mail throughout the United States and abroad.

#### Airline Operations

- - - - -

During 1999, United carried, on average, more than 243,000 passengers per day and flew more than 125 billion revenue passenger miles. It is the world's largest airline as measured by revenue passenger miles flown, providing passenger service in 26 countries.

United operates a global network, which encompasses major cities such as Chicago, Denver, Los Angeles, New York, Miami, San Francisco, Washington-Dulles, D.C., in the U.S., and Buenos Aires, Frankfurt, Hong Kong, London, Mexico City, Paris, Sao Paulo, Sydney and Tokyo in the international markets. United's network, supplemented with strategic airline alliances, provides comprehensive transportation service within North America (the domestic segment), within Latin America, Europe, and the Pacific (the international segment), and between these two segments. Operating revenues attributed to United's North America segment were approximately \$12.5 billion in 1999, \$12.0 billion in 1998, and \$11.2 billion in 1997. Operating revenues attributed to United's international segment were approximately \$5.5 billion in 1999, \$5.5 billion in 1998, and \$6.1 billion in 1997.

Since October 1994, United has operated a service, United Shuttle(R), within its domestic segment. This service is designed to provide both affordable and profitable air service in highly competitive markets, as well as critical feed traffic. United Shuttle is principally concentrated on the West Coast and in Denver. United Shuttle offers approximately 500 daily flights on 30 routes among 22 cities in the western United States.

Pacific. Via its Tokyo hub, United provides passenger service between its U.S. gateway cities (Chicago, Honolulu, Los Angeles, New York, San Francisco and Seattle) and the Asian cities of Bangkok, Beijing, Hong Kong, Seoul, Shanghai and Singapore. United also provides nonstop service between Hong Kong and each of Chicago, Los Angeles, San Francisco, Singapore, and Tokyo; between San Francisco and each of Osaka, Sydney and Taipei; and between Los Angeles and each of Auckland, Melbourne and Sydney. In February 2000, United replaced its intra-Asian service between Hong Kong and Bangkok with service between Hong Kong and Singapore. A U.S. - China agreement in 1999 granted United new route authorities, allowing United its first-ever non-stop flights to China. In April 2000, United plans to add non-stop service between San Francisco and Shanghai and, in June 2000, Beijing, replacing Tokyo - Beijing service. United will also add non-stop service between San Francisco and Seoul, Korea in April 2000.

The air services agreement between the U.S. and Japan provides an unlimited number of frequencies to certain carriers, including United. United also holds significant traffic rights beyond Japan. These rights will allow United to add service from Japan to other Asian points as regulatory, competitive and economic conditions warrant.

In 1999, United was the leading U.S. carrier in the Pacific in terms of transpacific available seat miles. United's Pacific operations accounted for 14.9 % of United's revenues in 1999.

Atlantic. Washington-Dulles is United's primary gateway to Europe, serving Amsterdam, Brussels, Frankfurt, London, Milan, Munich, and Paris. United also provides nonstop passenger service between six other U.S. cities and London, as well as service between London and each of Brussels and Amsterdam; nonstop service between Paris and each of Chicago and San Francisco; and nonstop service between Chicago and each of Dusseldorf and Frankfurt. New nonstop service between Los Angeles and Paris will begin in April 2000, and new service between San Francisco and Frankfurt will begin in June 2000. In 1999, United's Atlantic operations accounted for 10.9 % of United's revenues.

The European Commission's ("EC") investigation into transatlantic alliances, such as the alliance between United, Lufthansa, and SAS, is still on-going. The former Commission team

investigating the alliance proposed certain conditions, such as frequency reductions, slot forfeitures, prohibitions on combining frequent flyer programs, and restrictions on display screens of computer reservation systems, which, if implemented, could impair the efficiency of United's alliance with Lufthansa and SAS. A new EC team is now in place following the resignation en masse of the former Commission, but it has not yet given a clear indication of its current position on these alliances.

In addition, the EC has issued a consultation paper regarding a potential comprehensive passengers' bill of rights. United has filed comments with the EC regarding the consultation paper. It is too early to determine if any regulations will result from the consultation paper, or if such regulations will have any material impact upon United.

Latin America. During 1999, United's primary gateway was Miami, providing passenger service between Miami and each of Buenos Aires, Caracas, Lima, Montevideo (one stop), Rio de Janeiro, Santiago and Sao Paulo. United also provided service between Los Angeles and each of Guatemala City, Mexico City, and San Salvador; between New York and each of Buenos Aires, Sao Paulo, and San Juan; between Chicago and each of Buenos Aires, Mexico City, San Juan, St. Thomas, and Sao Paulo; between Mexico City and each of San Francisco and Washington Dulles; and between Washington-Dulles and St. Thomas. United also provides service between San Jose, Costa Rica and each of Mexico City and Guatemala City. New York - Caracas service was discontinued during 1999 and effective March 3, 2000, service to Lima was discontinued. In 1999, United's Latin America operations accounted for 4.4 % of United's revenues.

Financial information relative to the Company's operating segments can be found in Note 19 to the Consolidated Financial Statements in this Form 10-K.

United Cargo. In 1999, United Cargo generated over \$900 million in freight and mail revenue, despite the fact that during the first six months of the year, all four of its dedicated DC10-30 freighter aircraft underwent heavy maintenance visits, for an aggregate of 151 days. United continued to carry the leading market share of its largest customer, the U.S. Postal Service, of all U.S. combination carriers.

During 1999, United Cargo introduced a premium express service, TD.Guaranteed(sm), designed to serve the growing world market for highly reliable, time definite shipments. A United Cargo website was also launched, providing among other things immediate access to flight information, booking capability, real-time tracking, and tracing updates. Over the next three years, significant investments to upgrade cargo facilities, both domestically and internationally, are expected to be made, such as new facilities in Los Angeles and Miami to support growing cargo activity in the Pacific and Latin America.

United's Premier Partner(sm) Program is being enhanced for 2000 to allow for improved incentives to key freight forwarders. The Premier Partner program offers select freight forwarders preferred handling of cargo shipments, and provides recognition and rewards for their loyalty. The goal is to develop a partnership with these customers, while increasing the revenue they generate.

Fuel. Changes in fuel prices are industry-wide occurrences that benefit or harm United's competitors as well as United, although fuel-hedging activities may affect the degree to which fuel-price changes affect individual companies. To assure adequate supplies of fuel and to provide a measure of control over fuel costs, United ships fuel on major pipelines and stores fuel close to its major hub locations.

United's results of operations are significantly affected by the price and availability of jet fuel. It is estimated that, absent hedging, every \$.01 change in the average annual price-per-gallon of jet fuel causes a change of approximately \$31 million in United's annual fuel costs. The average price per gallon of jet fuel in 1999 decreased 2%, as compared to the previous year. But in 2000, fuel costs have been rising sharply, prompting airlines, United included, to impose a fuel surcharge on the price of passenger tickets.

The impact of rising fuel costs is somewhat tempered by United's fuel hedging program. United pursues an options based strategy in which the upside is retained while the downside is eliminated. At the end of 1999, 75% of United's fuel exposure was hedged, but the goal is for fuel exposure in 2000 to be 100% hedged by the end of the first quarter.

Insurance. United carries liability insurance of a type customary in the air transportation industry, in amounts which it

deems adequate, covering passenger liability, public liability and property damage liability. The amount recoverable by United under aircraft-hull insurance covering all damage to its aircraft is not subject to any deductible amount in the event of a total loss.

## Marketing Strategy

- - - - -

Besides offering convenient scheduling throughout its domestic and international segments, United seeks to attract high yield customers and create customer preference by providing a comprehensive network, an attractive frequent-flyer program, and enhanced service initiatives.

Alliances. United has formed bilateral alliances with other airlines to provide its customers more choices and to participate worldwide in markets that it cannot serve directly for commercial or governmental reasons. An alliance is a collaborative marketing arrangement between carriers which can include joint frequent flyer participation, code-sharing of flight operations, coordination of reservations, baggage handling, and flight schedules, and other resource sharing activities. "Code-sharing" is an agreement under which a carrier's flights can be marketed under the two-letter airline designator code of another carrier. Through an alliance, carriers can provide their customers a seamless global travel network under their own airline code. United now participates in a multilateral alliance, the Star Alliance(TM).

The Star Alliance is an integrated worldwide transport network, which provides customers with global recognition and a wide range of other benefits. Collectively, the Star Alliance carriers served more than 792 destinations in over 112 countries during 1999. The Star Alliance should enable its member carriers to more effectively compete with other worldwide alliances.

In addition to existing members United, Lufthansa, Air Canada, SAS, Thai Airways, and Varig, the Star Alliance welcomed several new carriers in 1999, including Air New Zealand, Ansett Australia, and All Nippon Airways. In 2000, the Star Alliance will grow to include Mexicana, Singapore Airways, the Austrian Airlines Group and British Midland. United holds integrated antitrust immunity with Lufthansa and SAS, and bilateral immunity with Air Canada.

Other bilateral alliance air carriers include Spanair, Aeromar, ALM Antillean, Aloha, Cayman Airways, Continental Connection, Emirates, Saudi Arabian Airlines, and TW Express.

In addition, United has a marketing program in North America known as the United Express, under which independent regional carriers, utilizing turboprop equipment and regional jets, feed United's major airports and international gateways. The carriers in the United Express program provide service to United at 182 airports.

Frequent Flyer Program. United established the Mileage Plus(R) frequent flyer program to develop and retain passenger loyalty by offering awards and services to frequent travelers. Over 38 million members have enrolled in Mileage Plus since it was started in 1981. Mileage Plus members earn mileage credit for flights on United, United Shuttle, United Express, the Star Alliance carriers and certain other airlines which participate in the program. Miles can also be earned by utilizing the goods and services of other program participants, such as hotels, car rental companies, bank credit card issuers, and a variety of other businesses. Mileage credits can be redeemed for free, discounted or upgraded travel awards on United and other participating airlines, or, to a limited extent, other travel and non-travel industry awards.

Travel awards can be redeemed at the "Standard" level for any unsold seat on any United flight to every destination served by United. Redemption at the "Saver" award level, however, is restricted with blackout dates and capacity controlled inventory, thereby limiting the use of Saver awards on certain flights.

When a travel award level is attained, liability is recorded for the incremental costs of providing travel, based on expected redemptions. United's incremental costs include the additional costs of providing service to the award recipient, such as fuel, meal, personnel and ticketing costs, for what would otherwise be a vacant seat. The incremental costs do not include any contribution to overhead or profit.

In August 1999, the Mileage Plus program changed its mileage expiration policy so that miles will no longer expire, provided a member earns or redeems any amount of miles at least once every 36 months. At December 31, 1999, the estimated number of outstanding

awards was approximately 7.0 million, as compared with 6.1 million at the end of the prior year. United estimates that 5.8 million of such awards will ultimately be redeemed and, accordingly, has recorded a liability amounting to \$175 million. Based on historical data, the difference between the awards expected to be redeemed and the total awards outstanding arises because: (1) some awards will never be redeemed, (2) some will be redeemed for non-travel benefits, and (3) some will be redeemed on partner carriers.

In 1999, 2.24 million Mileage Plus travel awards were used on United. This number represents the number of free awards actually flown in 1999 and not the number of seats that were allocated to award travel. In 1998, 2.13 million awards were used, while 1.82 million awards were used in 1997. Such awards represented 8.7% of United's total revenue passenger miles in 1999, 8.6% in 1998, and 7.7% in 1997. These low percentages, as well as passengers' preference for the more restricted Saver awards, keep displacement, if any, of revenue passengers by users of Mileage Plus awards to a minimum. Free award seats flown on United represent 66% of the total awards issued of which 83% are used for travel within the U.S. and Canada. In addition to the awards issued for travel on United, approximately 10% of the total awards issued are used for travel on partner airlines.

Economy Plus(sm). United announced in August 1999 the reconfiguration of the first six to eleven rows of the United Economy cabins in its aircraft serving the domestic market, thereby providing four to five additional inches of legroom for customers sitting in the reconfigured rows. The number of seats in Economy Plus varies depending on the aircraft type. This initiative is designed to serve as recognition for United's Premier(R) frequent-flyer and full-fare United Economy customers, many of whom often travel in the United Economy cabin, and to increase their satisfaction with United. United is the first U.S. airline to offer additional legroom to its domestic customers. Approximately 450 aircraft will have been reconfigured with Economy Plus by March 2000.

Electronic Commerce. While airlines continue to use computer reservation systems ("CRS") to book travel, the cost conscious leisure passengers, as well as the mid-market and corporate consumers, are increasingly turning to online avenues to meet their travel needs. Hence, United, as well as the airline industry in general, is using e-commerce to strengthen and enhance its market position. United added websites to capture new market segments, while reducing the cost of booking transportation. United continued to build its internet network in 1999 by establishing and/or expanding its partnerships with companies such as GetThere.com, BuyTravel.com, and Priceline.com. United also announced in November 1999 that it had formed a partnership with other major U.S. air carriers to form a new independently owned travel website, which will be the first multi-airline travel portal.

On January 13, 2000, United unveiled plans to launch an e-commerce subsidiary that will be dedicated to maximizing the sale of travel products over the Internet and Internet enabled-devices. By dedicating resources and employees to e-commerce, United expects the new e-commerce enterprise to focus on managing and growing its suite of customer-focused e-commerce and e-service products. An e-commerce division, consisting of a cross-functional team of nearly 70 employees from United's marketing and technical disciplines, was initially created; ultimately, this group will be transferred to the new subsidiary. This e-commerce unit will use technology and the Internet to develop and increase lower-cost distribution channels and to develop new customer interfaces for the purpose of enhancing customer service opportunities. By establishing the e-commerce unit now, United will be in a better position to further capitalize on distribution cost savings and to enhance its value proposition to its customers.

Our United Commitment(sm). To renew its commitment to improve key areas of customer satisfaction and as part of an industry-wide, voluntary initiative, United unveiled its comprehensive customer service plan, Our United Commitment, in September 1999. Our United Commitment addresses issues identified by United's frequent flyer customers as being most important to them, such as improved communication, increased information throughout the travel experience, more efficient baggage handling and greater responsiveness to customer inquiries. United began deploying Our United Commitment in December 1999 after training nearly 24,000 customer service agents, reservation agents and United Express partners on the implementation of the plan. The company plans to train all employees who directly work with customers.

Seasonality. Air travel business is subject to seasonal fluctuations. United's first- and fourth-quarter results normally are affected by reduced travel demand in the fall and winter, and United's operations are often affected adversely by winter weather. Thus, operating results for the Company are generally better in the second and third quarters. The fourth quarter of 1999 was also adversely affected by world-wide public fear of the potentially adverse impact of the "Y2K" problem on flight-related computer systems.

Competition. The airline industry is highly competitive. In domestic markets, new and existing carriers are free to initiate service on any route. United's domestic competitors include all of the other major U.S. airlines as well as regional carriers, some of which have lower cost structures than United.

In its international service, United competes not only with U.S. carriers but also with foreign carriers, including national flag carriers, which in certain instances enjoy forms of governmental support not available to U.S. carriers. Competition on certain international routes is subject to varying degrees of governmental regulations (see "Government Regulation"). United has advantages over foreign air carriers in the United States because of its ability to generate U.S. origin-destination traffic from its integrated domestic route systems, and because foreign carriers are prohibited by U.S. law from carrying local passengers between two points (known as cabotage) in the United States. United experiences comparable restrictions in foreign countries.

In addition, U.S. carriers are often constrained from carrying passengers to points beyond designated international gateway cities due to limitations in air service agreements or restrictions imposed unilaterally by foreign governments. To compensate for these structural limitations, U.S. and foreign carriers have entered into alliances and marketing arrangements which allow the carriers to provide feed to each others' flights. (See "Marketing Strategy - Alliances")

In 1998, the U.S. Department of Transportation (DOT) proposed its "Statement of Enforcement Policy Regarding Unfair and Exclusionary Conduct." This proposal (Competition Guidelines) was in response to alleged high airfares and complaints of predatory activities by major carriers against new entrants. Competition Guidelines would have injected government regulation into carrier decisions on pricing and capacity. With Congressional and Presidential elections slated for November of 2000, it is unclear whether the DOT will issue final guidelines in 2000 because of their controversial nature.

Distribution Channels. The overwhelming majority of United's airline inventory continues to be distributed through the traditional channels of travel agencies and computer reservation systems (CRS). United's Apollo reservation system is hosted by Galileo International, a CRS in which United holds approximately a 15% equity interest. In December 1999, United and Galileo signed a new five year agreement which provides, among other things, for joint sales force initiatives, extension of the hosting of United's reservation system, and significant increases in Galileo resources dedicated to supporting the hosted services.

In recent years, the airline industry has initiated cuts in travel agency commissions in an effort to control distribution costs. In October 1999, United prompted a restructuring of base travel agency commissions for tickets purchased in the U.S. and Canada for all domestic and international travel by reducing the commission rate to 5% and capping commissions at \$50 for domestic travel and \$100 for international travel.

The use of electronic distribution systems also provides an important tool for lowering costs and expanding United's reach to potential customers. (See "Marketing Strategy -- Electronic Commerce.")

#### Government Regulation

- - - - -

General. All carriers engaged in air transportation in the United States are subject to regulation by the U.S. Department of Transportation ("DOT"). The DOT has authority to: issue certificates of public convenience and necessity for domestic air transportation and, through the Federal Aviation Administration ("FAA"), air-carrier operating certificates; authorize the provision of foreign air transportation by U.S. carriers; prohibit unjust discrimination; prescribe forms of accounts and require reports from air carriers;

regulate methods of competition, including the provision and use of computerized reservation systems; and administer regulations providing for consumer protection, including regulations governing the accessibility of air transportation facilities for handicapped individuals. United holds certificates of public convenience and necessity, as well as air-carrier operating certificates, and therefore is subject to DOT regulations. The FAA administers the U.S. air traffic control system and oversees aviation safety issues.

United's operations require licenses issued by the aviation authorities of the foreign countries that United serves. Foreign aviation authorities may from time to time impose a greater degree of economic regulation than exists with respect to United's domestic operations. United's ability to serve some international markets and its expansion into many of these markets are presently restricted by lack of aviation agreements to allow such service or, in some cases, by the restrictive terms of such agreements.

In connection with its international services, United is required to make regular filings with the DOT and to observe tariffs establishing the fares charged and the rules governing the transportation provided. In certain cases, fares and schedules require the approval of the relevant foreign governments. Shifts in United States or foreign government aviation policies can lead to the alteration or termination of existing air service agreements between the U.S. and other governments, and could diminish the value of United's international route authority. United's operating rights under the air services agreements may not be preservable in such cases.

**Airport Access.** Take-off and landing rights ("slots") at Chicago O'Hare International, New York John F. Kennedy International, New York LaGuardia and Washington Reagan National airports are limited by the "high density traffic rule." Under this rule, slots may be bought, sold or traded. The DOT, however, can require carriers to relinquish slots for reallocation if they fail to meet certain minimum-use standards.

For the past few years, the DOT has been confiscating slots from incumbent carriers at Chicago O'Hare, including United, to provide more opportunities for foreign carriers. United holds a sufficient number of slots at airports subject to the high-density rule, but its ability to expand could be constrained if sufficient additional slots are not available on satisfactory terms.

Throughout 1999, negotiations continued in Congress over legislation to lift the high density rule at Chicago O'Hare and New York City's LaGuardia and JFK airports. The proposed legislation calls for the abolishment of the rule at O'Hare by 2002 and by 2007 for the New York City airports. In the interim, slot exemptions would be available to new entrants and carriers providing service to small and non-hub airports. On March 5, 2000, Congressional negotiators from the House and Senate announced an agreement to eliminate the high density rule. If the agreed legislation is enacted, exemptions to the rule for some international flights and service to smaller communities could be in place as early as May 2000.

United currently has a sufficient number of leased gates and other airport facilities, but expansion by United may be constrained at certain airports by insufficient availability of gates on attractive terms or other factors, such as noise restrictions.

**Safety.** The FAA has regulatory jurisdiction over flight operations generally, including equipment, ground facilities, maintenance, communications and other matters. United's aircraft and engines are maintained in accordance with the standards and procedures recommended and approved by the manufacturers and the FAA.

From time to time, the FAA issues airworthiness directives ("ADs") which require air carriers to undertake inspections and to make unscheduled modifications and improvements on aircraft, engines and related components and parts. The ADs sometimes cause United to incur substantial, unplanned expense when aircraft or engines are removed from service prematurely in order to undergo mandated inspections or modifications. The issuance of any particular AD may have a greater or lesser impact on United, compared to its competitors, depending upon the equipment covered by the directive. Civil and criminal sanctions may be assessed for not complying with the ADs.

The DOT announced in 1999 a new plan to require U.S. carriers to establish DOT approved programs for auditing the safety and security of their foreign code-share partners. The DOT has yet to announce details of the program, but at a minimum, the program will require compliance with the standards of the International Civil Aviation

Organization (ICAO). Safety audits must be conducted on both prospective and on-going code-share partners. The FAA will review the audits and make recommendations to the DOT. The Air Transport Association, an industry organization to which United belongs, and the DOT have signed a Memorandum of Understanding, setting out procedures for auditing the safety of code-share partners that carry Department of Defense personnel. These procedures may be a starting point for auditing foreign code-share partners under the new DOT regime.

Environmental Regulations. By December 31, 1999, United met Stage 3 requirements by retiring some Stage 2 aircraft and replacing them with newer Stage 3 aircraft, and by retrofitting the remaining Stage 2 aircraft with special equipment (known in the industry as "hushkits") or by restricting their takeoff gross weight. The cost to do so has been minimal as most of the hushkits were acquired through an exchange program with Federal Express.

United operates a number of underground and above-ground storage tanks throughout its system. They are used for the storage of fuels and deicing fluids. United has been identified as a potentially responsible party in some state and federal recovery actions involving soil and ground water contamination. The Company has been working with the relevant government agencies to resolve the issues and believes they will be resolved without material adverse effect on the Company.

Other Government Matters. Other federal agencies with jurisdiction over certain aspects of United's operations include the Department of Justice (Antitrust Division and Immigration and Naturalization Service); the Equal Employment Opportunity Commission; the Department of Labor (Occupational Safety and Health Administration, and Office of Federal Contract Compliance Programs of the Employment Standards Administration); the National Mediation Board; the National Transportation Safety Board; the Treasury Department (U.S. Customs Service, the Bureau of Alcohol, Tobacco, and Firearms, and the Internal Revenue Service); the Federal Communications Commission (use of radio facilities by aircraft); and the United States Postal Service (carriage of domestic and international mail). United is also subject to varying degrees of regulation by foreign governments. In time of war or certain other national emergencies, the U.S. government may require United to provide airlift services under the Civil Reserve Air Fleet Program.

Employees - Labor Matters  
-----

At December 31, 1999, the Company and its subsidiaries had more than 100,000 employees. Approximately 79 % of United's employees are represented by various labor organizations.

The employee groups, number of employees, labor organization and current contract status for each of United's major collective bargaining groups as of December 31, 1999 are as follows:

Employee Group -----	Number of Employees -----	Union -----	Contract Open for Amendment -----
Pilots	9,612	ALPA	April 12, 2000
Flight Attendants	23,578	AFA	March 1, 2006
Mechanics	12,881	IAM	July 12, 2000
Ramp & Cabin Service	13,335	IAM	July 12, 2000
Passenger Service	19,950	IAM	July 12, 2000

Corporate Governance and the ESOPs  
-----

Background. In July 1994, the stockholders of UAL approved a plan of recapitalization that provided an approximately 55% equity and voting interest in UAL to certain employees of United, in exchange for wage concessions and work-rule changes. The employees' equity interest is being allocated to individual employee accounts through the year 2000 under Employee Stock Ownership Plans ("ESOPs") which were created as part of the recapitalization. The entire ESOP voting interest is voted by the ESOP trustee at the direction of, and on behalf of, the employees participating in the ESOPs.

As part of the recapitalization, the Company's stockholders approved an elaborate governance structure, which is contained principally in the Company's Restated Certificate of Incorporation ("UAL Charter") and the ESOPs. Among other matters, the UAL Charter provides that the Company's Board of Directors is to consist of five

public directors, four independent directors, and three employee directors who are appointed by different classes of stockholders. (See the Company's Proxy Statement for its Annual Meeting of Shareholders for information concerning the processes for electing the directors and for Board committee requirements.) A number of special shareholder and Board voting requirements were also established, as summarized below.

**Special Voting.** In specified circumstances ("Extraordinary Matters"), actions by UAL or United require approval of either (a) 75% of the entire Board, including at least one union director, or (b) 75% of the voting stock present at a stockholder meeting. "Extraordinary Matters" include certain business transactions outside the ordinary course of business, significant asset dispositions, and most issuances of equity securities. Most issuances of equity securities are also subject to a first refusal agreement in favor of employees participating in the ESOPs.

Other special voting requirements apply to amendments to the UAL Charter and certain bylaws, repurchases of common stock, stock sales to employee benefit plans, and business transactions with labor.

In the case of a merger or Control Transaction (defined below) that involves an Uninstructed Trustee Action (defined below), any required stockholder approval must also include at least a majority of the votes represented by all outstanding shares of the Director Preferred Stocks (defined below), the Common Stock and such other classes and series of stock that vote together with the Common Stock as a single class ("Single Class Voting").

**"Sunset."** The Voting Preferred Stock (see Item 8, Note 13, to Consolidated Financial Statements) outstanding at any time commands voting power for approximately 55% of the vote of all classes of capital stock in all matters requiring a stockholder vote, other than the election of members of the Board of Directors. The Voting Preferred Stock will generally continue to represent approximately 55% of the aggregate voting power until Sunset, even though the Common Stock issuable upon conversion of the ESOP stock may represent less than 55% of the fully diluted Common Stock of the Company. Sunset will occur when the common shares issuable upon conversion of Class 1 and Class 2 ESOP Preferred Stock (see Item 8, Note 13, to the Consolidated Financial Statements), plus any common equity (generally common stock issued or issuable at the time of the recapitalization) held by any other Company sponsored employee benefit plans, plus any available unissued ESOP shares held in the ESOPs, equal, in the aggregate, less than 20% of the common equity and available unissued ESOP shares of the Company.

At Sunset, the UAL Charter provides that the unique governance and voting provisions will expire, except that (i) employee group representatives can be expected to continue to have the right to elect three directors indefinitely and (ii) as discussed below, the voting rights of Director Preferred Stock may continue until July 12, 2010 if Sunset occurs for specified reasons prior to that date. For purposes of measuring the Sunset, employee ownership was approximately 64.41% at December 31, 1999.

**Control Transactions.** A "Control Transaction" is a tender or exchange offer, or other opportunity to dispose of or convert at least 3% of UAL common stock, preferred stock convertible into common stock, and Voting Preferred Stocks, or any transaction or series of related transactions in which any person or group acquires or seeks to acquire control of the Company or of all or substantially all of the assets of the Company and its subsidiaries. In a Control Transaction, ESOP participants are entitled to instruct the ESOP trustee as to whether to tender, sell, convert or otherwise dispose of shares allocated to their accounts under the ESOP, and current employees who are ESOP participants may give the same instructions for ESOP shares that have been issued, but not yet allocated to participants. Shares held by the Supplemental ESOP will be tendered or directed by the Supplemental ESOP Committee.

**ESOP Investments.** The ESOP is required to be invested 100% in UAL or United common or convertible preferred stock. Limited diversification is permitted beginning in 2004. If a Control Transaction results in the sale or exchange of any shares held by the ESOPs, the proceeds will be used to acquire, to the extent possible, shares of common stock or convertible preferred stock of UAL, an affiliated company, or successor employer, that qualify as "employer securities" under Internal Revenue Code Section 409(l). The shares must be issued by a company that meets the requirements of Section 12B of the Securities Exchange Act of 1934, as amended, and, if the issuer is not UAL or United, that has a Moody's senior long-term debt rating equal to or better than UAL and United at such time. If such securities cannot be acquired, then the Company will make appropriate arrangements reasonably satisfactory to ALPA and the IAM to protect

the interests of the participants.

Uninstructed Trustee Actions. An "Uninstructed Trustee Action" refers to situations in which the ESOP trustee adopts a course of action without obtaining instructions from the ESOP participants, or disregards their instructions, including situations involving Control Transactions. Under specific circumstances, this action can cause the Voting Preferred Stocks to be converted into Common Stock, with the special voting rights of these shares transferring to the Director Preferred Stocks (defined as Class Pilot MEC, IAM, and SAM junior preferred stock -- see Item 8, Note 13, to the Consolidated Financial Statements) in the following approximate percentages: to the holder of the Class Pilot MEC Preferred Stock, 46.23%; to the holder of the Class IAM Preferred Stock, 37.13%; and to the holders of the Class SAM Preferred Stock, 16.64%. The Director Preferred Stocks will continue to hold the Single Class Voting Rights until Sunset, or if Sunset occurs because of, or within one year of, an Uninstructed Trustee Action, until July 12, 2010.

Uninstructed Trustee Actions that give rise to a transfer of voting rights are:

- (1) The ESOP trustee fails to solicit timely instructions or fails to act in accordance with such instructions (see below for reasons), with respect to the following:
  - (a) But for the transfer of voting rights, a stockholders vote would have been sufficient to approve a merger or Control Transaction involving UAL or United, or if no vote is required, the ESOP trustee enters into a binding commitment in connection with a Control Transaction; or
  - (b) the ESOP trustee disposes of 10% or more of the common equity represented by the Class 1 and Class 2 ESOP Preferred Stock (other than in connection with the usual distribution or diversification under the ESOP); and
- (2) (a) such transaction would not have been approved if the trustee had solicited and/or followed the instructions; (b) no timely solicitation of instructions occurs, and the matter would not have been approved had the ESOP trustee cast all its votes against the matter, or (c) the matter does not require a stockholder vote to approve such transaction.

An ESOP trustee's disregard of instructions gives rise to an Uninstructed Trustee Action only when the failure to follow the instructions is attributable to (1) the trustee's conclusion that its fiduciary responsibilities require the trustee to not follow the instructions or (2) the ESOP provisions relating to soliciting are unenforceable.

This section is intended as a general summary only and is qualified in its entirety by reference to the UAL Charter, the Stockholders' Agreements, the First Refusal Agreement, the ESOPs and the other exhibits to this Form 10-K

## ITEM 2. PROPERTIES.

### Flight Equipment

As of December 31, 1999, United's operating aircraft fleet totaled 594 jet aircraft, of which 277 were owned and 317 were leased. These aircraft are listed below:

Aircraft Type	Average No. of Seats	Owned	Leased*	Total	Average Age (Years)
A319-100	126	11	17	28	1
A320-200	144	14	42	56	4
B727-200	147	67	8	75	21
B737-200	109	24	0	24	20
B737-300	129	10	91	101	11
B737-500	112	27	30	57	7
B747-200	369	0	7	7	23
B747-400	363	22	21	43	5
B757-200	182	41	57	98	8
B767-200	168	19	0	19	17
B767-300	218	12	20	32	5
B777-200	292	22	18	40	3
DC10-10	287	6	1	7	25

DC10-30	298	0	3	3	22
DC10-30F	N/A	2	2	4	20

TOTAL OPERATING FLEET		277	317	594	10
		===	===	===	

\* United's aircraft leases have initial terms of 10 to 26 years, and expiration dates range from 2000 through 2020. Under the terms of leases for 310 of the aircraft in the operating fleet, United has the right to purchase the aircraft at the end of the lease term, in some cases at fair market value and in others at fair market value or a percentage of cost.

As of December 31, 1999, 52 of the 277 aircraft owned by United were encumbered under debt agreements.

The following table sets forth United's firm aircraft orders and expected delivery schedules as of December 31, 1999:

Aircraft Type	Number	To Be Delivered	Delivery Rate
-----	-----	-----	-----
A319-100	19	2000-2001	0-2 per month
A320-200	30	2000-2001	0-3 per month
B747-400	1	2000-2001	
B767-300	5	2000-2001	0-1 per month
B777-200	21	2000-2002	0-2 per month
Total	76		

#### Ground Facilities and Equipment

United has entered into various leases relating to its use of airport-landing areas, gates, hangar sites, terminal buildings and other airport facilities in most of the municipalities it serves. Major leases expire at Chicago O'Hare in 2018, Los Angeles in 2021, San Francisco in 2011, and Washington Dulles in 2014. United also has leased ticketing, sales and general office space in the downtown and outlying areas of most of the larger cities in its system. In suburban Chicago, United owns a 106-acre complex consisting of more than one million square feet of office space for its world headquarters, a computer facility and a training center.

United's Maintenance Operation Center ("MOC") at San Francisco International Airport occupies 129 acres of land, three-million square feet of floor space and 12 aircraft hangar docks under a lease expiring in 2003, with an option to extend for 10 years. United's Indianapolis Maintenance Center, a major aircraft maintenance and overhaul facility, is operated under a lease with the Indianapolis Airport Authority that expires in 2031. United also has a major facility at the Oakland, California airport, dedicated to widebody airframe maintenance.

At Denver International Airport, United operates under a lease and use agreement expiring in 2025, and occupies 48 gates and more than one million square feet of exclusive or preferential use terminal building space. United's flight training center, located at the former Stapleton International Airport, was purchased by United from the City and County of Denver and can accommodate 36 flight simulators and more than 90 computer-based training stations.

#### ITEM 3. LEGAL PROCEEDINGS.

No material legal proceedings pending.

#### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

No matter was submitted to a vote of security holders of the Company during the fourth quarter of 1999.

#### Executive Officers of the Registrant

Information regarding the executive officers of the Company is as follows:

James E. Goodwin. Age 55. Mr. Goodwin has been Chairman and Chief Executive Officer of the Company and United since July 1999. Prior to his current position, he was President and Chief Operating

Officer of the Company and United from September 1998; from April 1995 until September 1998, he served as Senior Vice President - North America of United; and from 1992 to 1995, he served as Senior Vice President - International of United.

Rono Dutta. Age 48. Mr. Dutta has been President of the Company and United since July 1999. Prior to his current position, he had served as Senior Vice President - Planning of United since November 1994 and became an executive officer of the Company in April 1995.

Douglas A. Hacker. Age 44. Mr. Hacker has been Executive Vice President and Chief Financial Officer of the Company and Executive Vice President - Finance & Planning and Chief Financial Officer of United since July 1999. Prior to his current position, he had served as Senior Vice President and Chief Financial Officer for the Company and United.

William P. Hobgood. Age 61. Mr. Hobgood has been Senior Vice President - People of United since March 1997 and Senior Vice President of the Company since September 1999. From 1981 until joining United, he was in private practice as an attorney specializing in mediation and arbitration, including labor-management issues.

Francesca M. Maher. Age 42. Ms. Maher has been Senior Vice President, General Counsel and Secretary of the Company and United since October 1998. From June 1997 until October 1998, she was Vice President, General Counsel and Secretary of the Company and United. From April 1993 until June 1997, she was Vice President - Law and Corporate Secretary of the Company. With respect to United, she was VP-Law, Deputy General Counsel and Corporate Secretary from October 1994 to June 1997.

Andrew P. Studdert. Age 43. Mr. Studdert has been Executive Vice President and Chief Operating Officer of the Company and of United since July 1999. Prior to his current position, he served as Senior Vice President - Fleet Operations of United from September 1997. He served as Senior Vice President and Chief Information Officer of United from April 1995 to September 1997. Prior to joining United, he was an independent information systems consultant from July 1994 to March 1995.

There are no family relationships among the executive officers of the Company. The executive officers of the Company serve at the discretion of the Board of Directors.

PART II  
-----

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The Company's Common Stock, \$.01 par value (the "Common Stock"), is traded principally on the New York Stock Exchange (the "NYSE") under the symbol UAL, and is also listed on the Chicago Stock Exchange and the Pacific Stock Exchange. The following sets forth for the periods indicated the high and low sales prices per share of the Company's Common Stock on the NYSE Composite Tape.

	High	Low
	----	---
1999:		
1st quarter	\$ 80 1/4	\$ 57 9/16
2nd quarter	87 3/8	60 1/16
3rd quarter	69 3/8	58 3/16
4th quarter	78 3/4	60 1/8
1998:		
1st quarter	\$ 95 1/4	\$ 82
2nd quarter	97 1/2	73 1/16
3rd quarter	94	56
4th quarter	70 7/8	55 1/4

No dividends have been declared on the Company's common stock during the past five years. On November 1, 1999, the Company announced its intentions to begin a dividend program, which would include all public stockholders and ESOP participants. An amendment to the UAL Charter is necessary to allow holders of certain ESOP preferred stock to participate in any dividend on common stock in the same manner as holders of common stock. This amendment is being

submitted to UAL stockholders at the annual meeting on May 18, 2000. The payment of any future dividends on the Common Stock and the amount thereof will be determined by the Board of Directors of the Company based on earnings, the financial condition of the Company and other relevant factors.

At March 1, 2000, based on reports by the Company's transfer agent for the Common Stock, there were 13,878 common stockholders of record.

Item 6. Selected Financial Data and Operating Statistics

(In Millions, Except Per Share and Rates)	Year Ended December 31				
	1999	1998	1997	1996	1995
Operating revenues	\$18,027	\$17,561	\$17,378	\$16,362	\$14,943
Earnings before extraordinary item	1,238	821	958	600	378
Extraordinary loss on early extinguishment of debt, net of tax	(3)	-	(9)	(67)	(29)
Net earnings	1,235	821	949	533	349
Per share amounts, diluted:					
Earnings before extraordinary item	9.97	6.83	9.04	5.85	5.23
Extraordinary loss on early extinguishment of debt	(0.03)	-	(0.09)	(0.79)	(0.41)
Net earnings	9.94	6.83	8.95	5.06	4.82
Total assets at year-end	20,963	18,559	15,464	12,677	11,641
Long-term debt and capital lease obligations, including current portion, and redeemable preferred stock	5,369	5,345	4,278	3,385	4,102
Revenue passengers	87	87	84	82	79
Revenue passenger miles	125,465	124,609	121,426	116,697	111,811
Available seat miles	176,686	174,008	169,110	162,843	158,569
Passenger load factor	71.0%	71.6%	71.8%	71.7%	70.5%
Breakeven passenger load factor	64.9%	64.9%	66.0%	66.0%	66.1%
Passenger revenue per passenger mile (in cents)	12.5	12.4	12.6	12.4	11.8
Operating revenue per available seat mile (in cents)	10.2	10.1	10.3	10.0	9.4
Operating expense per available seat mile (in cents)	9.4	9.2	9.5	9.3	8.9
Operating expense per available seat mile excluding ESOP charges (in cents)	9.0	8.8	8.9	8.9	8.6
Fuel gallons consumed	3,065	3,029	2,964	2,883	2,822
Average price per gallon of jet fuel (in cents)	57.9	59.0	69.5	72.2	59.5

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This section contains various forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are identified with an asterisk (\*). Forward-looking statements represent the Company's expectations and beliefs concerning future events, based on information available to the Company on the date of the filing of this Form 10K. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Factors that could significantly impact the expected results referenced in the forward-looking statements are listed in the last paragraph of the section, "Outlook for 2000."

On July 12, 1994, the stockholders of UAL Corporation ("UAL") approved a plan of recapitalization that provides an approximately 55% equity and voting interest in UAL to certain employees of United Air Lines, Inc. ("United") in exchange for wage concessions and work-rule changes. The employees' equity interest is being allocated to individual employee accounts through the year 2000 under Employee Stock Ownership Plans ("ESOPs") which were created as part of the recapitalization. Since the ESOP shares are being allocated over time, the current ownership interest held in the ESOPs is less than 55%. The entire ESOP voting interest is

currently exercisable, which is voted by the ESOP trustee at the direction of, and on behalf of, the holders of the ESOP stock.

## Liquidity and Capital Resources

-----

### Liquidity -

UAL's total of cash and cash equivalents and short-term investments was \$689 million at December 31, 1999, compared to \$815 million at December 31, 1998. Operating activities during the year generated \$2.421 billion and the Company's sale of part of its investments in Galileo International, Inc. ("Galileo") and Equant N.V. ("Equant") provided \$828 million in cash proceeds (see Note 6 "Investments" in the Notes to Consolidated Financial Statements). Cash was used primarily to fund net additions to property and equipment.

Property additions, including aircraft, aircraft spare parts, facilities and ground equipment, amounted to \$2.389 billion, while property dispositions resulted in proceeds of \$154 million. In 1999, United took delivery of eight A319, five A320, seven B747, two B757, five B767 and six B777 aircraft. Twenty-one of these aircraft were purchased and twelve were acquired under capital leases. In addition, United acquired two B727 aircraft off-lease during 1999 and retired ten DC10 and six B747 aircraft.

During 1999, the Company made payments of \$261 million for the repurchase of 3.8 million shares of common stock. In January 2000, the Company completed its \$300 million 1999 stock repurchase program after acquiring a total of 4.4 million shares. Financing activities also included principal payments under debt and capital lease obligations of \$513 million and \$248 million, respectively. Additionally, the Company issued, and subsequently retired, \$286 million in debt to finance the acquisition of aircraft.

Included in cash and cash equivalents at December 31, 1999 were \$89 million of securities held by third parties under securities lending agreements, as well as collateral in the amount of 102% of the value of the securities lent. United is obligated to reacquire the securities at the end of the contract.

As of December 31, 1999, UAL had a working capital deficit of \$2.476 billion as compared to \$2.760 billion at December 31, 1998. Historically, UAL has operated with a working capital deficit and, as in the past, UAL expects to meet all of its obligations as they become due. In addition, UAL may from time to time repurchase on the open market, in privately negotiated purchases or otherwise, its debt and equity securities.

United has available approximately \$1.7 billion in short-term revolving credit facilities, as well as a separate \$227 million short-term borrowing facility, as described in Note 8 "Short-Term Borrowings" in the Notes to Consolidated Financial Statements.

Prior Years. Operating activities in 1998 generated cash flows of \$3.194 billion. Cash was used primarily to fund net additions to property and equipment of \$2.380 billion and to repurchase common stock in the amount of \$459 million. Financing activities also included repayments of long-term debt totaling \$271 million and payments under capital leases of \$322 million, as well as aircraft lease deposits of \$154 million. Additionally, the Company issued \$928 million in debt and used part of the proceeds to purchase \$693 million in equipment certificates under Company operating leases.

Operating activities in 1997 generated cash flows of \$2.567 billion and the Company's sale of its interest in the Apollo Travel Services Partnership ("ATS") provided \$539 million in cash proceeds. Cash was used primarily to fund net additions to property and equipment of \$2.729 billion and to repurchase common stock in the amount of \$250 million. Financing activities included the early extinguishment of \$151 million in principal amount of various debt securities, mandatory repayments of long-term debt totaling \$150 million and payments under capital leases of \$147 million. In addition, the Company made payments of \$112 million in aircraft lease deposits and issued \$597 million of enhanced pass through certificates.

Capital Commitments -

At December 31, 1999, commitments for the purchase of property and equipment, principally aircraft, approximated \$4.4 billion, after deducting advance payments. Of this amount, an estimated \$2.0 billion is due to be spent in 2000. For further details, see Note 18 "Commitments, Contingent Liabilities and Uncertainties" in the Notes to Consolidated Financial Statements.

Capital Resources -

Funds necessary to finance aircraft acquisitions are expected to be obtained from internally generated funds, external financing arrangements or other external sources.

At December 31, 1999, United's senior unsecured debt was rated BB+ by Standard and Poor's ("S & P") and Baa3 by Moody's Investors Service Inc. ("Moody's"). UAL's Series B preferred stock and redeemable preferred securities were rated B+ by S & P and Ba3 by Moody's.

Results of Operations

Summary of Results -

UAL's earnings from operations were \$1.391 billion in 1999, compared to operating earnings of \$1.478 billion in 1998. UAL's net earnings in 1999 were \$1.235 billion (\$9.94 per share, diluted), compared to net earnings of \$821 million in 1998 (\$6.83 per share, diluted).

The 1999 earnings include an extraordinary loss of \$3 million, after tax, on early extinguishment of debt and an after-tax gain on the sale of certain of the Company's investments as described in Note 6 "Investments" in the Notes to Consolidated Financial Statements of \$468 million (\$4.19 per share, diluted), as well as a one-time after-tax charge of \$11 million associated with the write-down of two non-operating B747-200 aircraft (\$0.09 per share, diluted).

Management believes that a more complete understanding of UAL's results may be gained by viewing them on a pro forma, "Fully Distributed" basis. This approach considers all ESOP shares which will ultimately be distributed to employees throughout the ESOP period (rather than just the shares committed to be released) to be immediately outstanding and thus Fully Distributed. Consistent with this method, the ESOP compensation expense is excluded from Fully Distributed net earnings, and ESOP convertible preferred stock dividends are not deducted from earnings attributable to common stockholders. No adjustments are made to Fully Distributed earnings to reflect future salary increases. A comparison of results reported on a Fully Distributed basis to results reported under generally accepted accounting principles (GAAP) is as follows:

	December 31, 1999		December 31, 1998	
	GAAP (diluted)	Fully Distributed	GAAP (diluted)	Fully Distributed
Net Income (in millions)	\$ 1,235	\$ 1,665	\$ 821	\$ 1,308
Per Share:				
Earnings before B747 write-down, gains on sales and extraordinary loss	\$ 5.87	\$ 10.06	\$ 6.83	\$ 10.24
B747 write-down	(0.09)	(0.08)	-	-
Gains on sales, net	4.19	3.75	-	-
Extraordinary loss, net	(0.03)	(0.02)	-	-
	\$ 9.94	\$ 13.71	\$ 6.83	\$ 10.24
	=====	=====	=====	=====

The current relationship of earnings and earnings per share as computed on a GAAP basis versus a Fully Distributed basis may not be representative of the relationship in future periods because of various factors. These factors include: the dependence of ESOP compensation expense on the common stock price; trends and commitments with respect to wages; and the increasing number of shares assumed outstanding under the GAAP basis during the remainder of the ESOP period. During the year 2000, the shares assumed outstanding under the GAAP basis will approach the number of shares assumed outstanding under the Fully Distributed

basis.

1999 Compared with 1998 -

-----

Operating Revenues. Operating revenues increased \$466 million (3%) and United's revenue per available seat mile (unit revenue) increased 1% to 10.17 cents. Passenger revenues increased \$264 million (2%) due to a 1% increase in United's revenue passenger miles and a 1% increase in yield to 12.48 cents. Available seat miles across the system were up 2% year over year; however, passenger load factor decreased 0.6 points to 71.0% as traffic only increased 1% system-wide. 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	4%	2%	1%
Pacific	(12%)	(11%)	3%
Atlantic	14%	14%	(7%)
Latin America	(7%)	(3%)	(3%)
System	2%	1%	1%

Pacific yields improved as the Asian economies continue to recover. Yields in other international markets have been impacted by a negative pricing environment resulting from excess industry capacity.

Cargo revenues decreased \$7 million (1%) despite increased freight ton miles of 5%, as a 4% decline in freight yield combined with a 3% decline in mail yield. Other operating revenues increased \$209 million (19%) due to increases in frequent flyer program partner related revenues, fuel sales to third parties and additional revenue related to the Galileo services agreement (see Note 6 "Investments" in the Notes to Consolidated Financial Statements).

Operating Expenses. Operating expenses increased \$553 million (3%) and United's cost per available seat mile increased 2% from 9.24 to 9.41 cents, including ESOP compensation expense. Excluding ESOP compensation expense, United's 1999 cost per available seat mile would have been 8.98 cents, an increase of 3% from 1998. ESOP compensation expense decreased \$73 million (9%), reflecting the decrease in the estimated average fair value of ESOP stock committed to be released to employees as a result of UAL's lower common stock price. Salaries and related costs increased \$329 million (6%) as a result of increased staffing in customer-contact positions, as well as salary increases for most labor groups which took effect July 1, 1998. Commissions decreased \$186 million (14%) due to a change in the commission structure implemented in the third quarter 1998 as well as a slight decrease in commissionable revenues. In addition, in October 1999, the Company reduced the base commissions for tickets purchased in the U.S. and Canada to 5%, subject to roundtrip caps of \$50 domestic and \$100 international. Purchased services increased \$70 million (5%) due to increases in computer reservations fees and year 2000-related expenses. Depreciation and amortization increased \$74 million (9%) due to an increase in the number of owned aircraft and losses on disposition of aircraft partially offset by changes in depreciable lives of certain aircraft. In addition, during the fourth quarter, United wrote-down two non-operating B747-200 aircraft to net realizable value. Aircraft maintenance increased \$65 million (10%) due to an increase in heavy maintenance visits. Other operating expenses increased \$235 million (11%) primarily due to costs associated with fuel sales to third parties.

Other Income and Expense. Other income (expense) amounted to \$551 million in income in 1999 compared to \$222 million in expense in 1998. Interest capitalized, primarily on aircraft advance payments, decreased \$30 million (29%). Interest income increased \$9 million (15%) due to higher investment balances. In addition, 1999 included a \$669

million gain on the sale of Galileo stock and a \$62 million gain on the sale of Equant stock.

1998 Compared with 1997 -

Operating Revenues. Operating revenues increased \$183 million (1%) while United's revenue per available seat mile (unit revenue) decreased 2% to 10.07 cents. Passenger revenues increased \$178 million (1%) due to a 3% increase in United's revenue passenger miles despite a 1% decrease in yield from 12.55 to 12.36 cents. Available seat miles across the system were up 3% year over year; however, passenger load factor decreased 0.2 point to 71.6%. 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	4%	5%	2%
Pacific	(9%)	(10%)	(13%)
Atlantic	15%	11%	(3%)
Latin America	17%	9%	(8%)
System	3%	3%	(1%)

Pacific yields were negatively impacted by the weakness of the Japanese yen compared to the dollar during the first nine months of 1998, and the continued effects of the Asian economic turmoil on demand for travel. Yields in other international markets were impacted by a negative pricing environment resulting from excess industry capacity and weakened economies.

Cargo revenues increased \$21 million (2%) on increased freight ton miles of 6%. A relatively flat freight yield together with a 1% lower mail yield, resulted in a 1% decrease in cargo yield for the year. Other operating revenues decreased \$16 million (1%) due to the sale of ATS in July 1997, partially offset by increases in frequent flyer program partner-related revenues and contract sales to third parties.

Operating Expenses. Operating expenses decreased \$36 million (0.2%) and United's cost per available seat mile including ESOP compensation expense decreased 3%, from 9.53 cents to 9.24 cents. Without the ESOP compensation expense, United's cost per available seat mile would have been 8.76 cents, a decrease of 2% from 1997. ESOP compensation expense decreased \$158 million (16%) reflecting the decrease in the estimated average fair value of stock committed to the Supplemental ESOP due to UAL's lower common stock price. Purchased services increased \$220 million (17%) due to increases in computer reservations fees, credit card discounts, communications expense and year 2000-related spending. Depreciation and amortization increased \$69 million (10%) due to an increase in the number of owned aircraft and an \$11 million decrease in gains on asset sales, from \$23 million in 1997 to \$12 million in 1998. Salaries and related costs increased \$323 million (6%) due to two mid-term wage adjustments for ESOP participants which took place in July of 1998 and 1997 and increased staffing in customer-contact positions. Aircraft fuel decreased \$273 million (13%) as a result of a 15% decrease in the average cost of fuel from 69.5 cents to 59.0 cents a gallon. Commissions decreased \$183 million (12%) due to a change in the commission structure implemented in the third quarter of 1997 as well as a slight decrease in commissionable revenues. Aircraft rent decreased \$49 million (5%) as a result of refinancing aircraft under operating lease.

Other Income and Expense. Other income (expense) amounted to \$222 million in expense in 1998 compared to \$265 million in income in 1997. Interest expense increased \$69 million (24%) in 1998 due to the issuance of long-term debt in 1997 and 1998. Interest income increased \$7 million (13%) due to higher investment balances. In 1998, foreign exchange losses increased \$65 million. Because not all economic hedges qualify as accounting hedges, unrealized gains and losses may be recognized in income in advance of

the actual foreign currency cash flows. This mismatch of accounting gains and losses and foreign currency cash flows was especially pronounced during the fourth quarter of 1998 as a result of the appreciation in value of the Japanese yen, relative to the U.S. dollar. This mismatch resulted in a pre-tax charge of \$52 million which is included in foreign exchange losses. In addition, 1997 included a \$275 million gain on the sale of ATS and a \$103 million gain on the initial public offering of Galileo stock.

#### Other Information

- - - - -

#### Labor Agreements and Wage Adjustments -

On May 27, 1999, United's public contact employees (primarily customer service and reservations sales and service representatives) ratified the tentative agreement between the Company and the International Association of Machinists and Aerospace Workers ("IAM"). The contract provides for an across-the-board wage increase of 5.5 percent effective April 13, 2000. In addition, certain employees hired after July 12, 1994 received an immediate 14.5% pay increase and benefits comparable to other affected employees.

The Company's contracts with the Air Line Pilots' Association International ("ALPA") and the IAM become amendable in April and July 2000, respectively. The Company is currently in the process of negotiating new contracts with ALPA and the IAM. Wage rates for U.S.-based non-union employees will be adjusted in April 2000 as well. It is the Company's objective through this wage adjustment process to provide compensation for its employees that, on average over the life of the labor contracts, is competitive with peer group compensation. In this regard, wages for airline employees over the last year have increased at faster than historical rates.

Coupled with increased staffing levels, these negotiations and wage rate adjustments are expected to increase the Company's salaries and related costs above 1999 levels. While the amount of these increases cannot be fully determined until contract negotiations are complete, the Company currently estimates that salaried and related costs will increase by over \$750 million (14%) in 2000 as a result of these wage rate adjustment processes.\* At the same time, once the final ESOP shares are committed to be released in April 2000, the Company will no longer record ESOP compensation expense.

#### Foreign Operations -

United generates revenues and incurs expenses in numerous foreign currencies. These expenses include aircraft leases, commissions, catering, personnel costs, reservation and ticket office services, customer service expenses and aircraft maintenance. Changes in foreign currency exchange rates impact operating income through changes in foreign currency-denominated operating revenues and expenses. Despite the adverse (favorable) effects a strengthening (weakening) foreign currency may have on U.S. originating traffic, a strengthening (weakening) of foreign currencies tends to increase (decrease) reported revenue and operating income because United's foreign currency-denominated operating revenue generally exceeds its foreign currency-denominated operating expense for each currency.

By carrying passengers and cargo in both directions between the U.S. and almost every major economic region in the world and by selling its services in each local country, United attempts to mitigate its exposure to fluctuations in any single foreign currency. The Company's biggest net exposures are typically for Japanese yen, Hong Kong dollars, Australian dollars and British pounds. During 1999, yen-denominated operating revenue net of yen-denominated operating expense was approximately 26 billion yen (approximately \$206 million), Hong Kong dollar-denominated operating revenue net of Hong Kong dollar-denominated operating expense was approximately 1,299 million Hong Kong dollars (approximately \$166 million), Australian dollar-denominated operating revenue net of Australian dollar-denominated operating expense was approximately 208 million Australian dollars (approximately \$134 million) and British pound-denominated operating revenue net of British pound-denominated operating expense was approximately 67 million British pounds (approximately \$109 million).

To reduce the impact of exchange rate fluctuations on

United's financial results, the Company hedges some of the risk of exchange rate volatility on its anticipated future foreign currency revenues by purchasing put options (consisting of yen, Euro, Australian dollars and British pounds) and selling Hong Kong dollar forwards. To reduce hedging costs, the Company sells a correlation basket option in the four currencies referred to above. United also attempts to reduce its exposure to transaction gains and losses by converting excess local currencies generated to U.S. dollars and by entering into currency forward or exchange contracts. The total notional amount of outstanding currency options and forward exchange contracts, and their respective fair market values as of December 31, 1999, are summarized in Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

United's foreign operations involve insignificant amounts of physical assets; however, there are sizable intangible assets related to acquisitions of Atlantic and Latin America route authorities. Operating authorities in international markets are governed by bilateral aviation agreements between the United States and foreign countries. Changes in U.S. or foreign government aviation policies can lead to the alteration or termination of existing air service agreements that could adversely impact the value of United's international route authority. Significant changes in such policies could also have a material impact on UAL's operating revenues and results of operations.

#### Airport Rents and Landing Fees -

United is charged facility rental and landing fees at virtually every airport at which it operates. In recent years, many airports have increased or sought to increase rates charged to airlines as a means of compensating for increasing demands upon airport revenues. Airlines have challenged certain of these increases through litigation and in some cases have not been successful. The Federal Aviation Administration ("FAA") and the DOT have instituted an administrative hearing process to judge whether rate increases are legal and valid. However, to the extent the limitations on such charges are relaxed or the ability of airlines to challenge such charges is restricted, the rates charged by airports may increase substantially. Management cannot predict the magnitude of any such increase.

#### Environmental and Legal Contingencies -

United has been named as a Potentially Responsible Party at certain Environmental Protection Agency ("EPA") cleanup sites which have been designated as Superfund Sites. United's alleged proportionate contributions at the sites are minimal; however, at sites where the EPA has commenced litigation, potential liability is joint and several. Additionally, United has participated and is participating in remediation actions at certain other sites, primarily airports. The estimated cost of these actions is accrued when it is determined that it is probable that United is liable. Environmental regulations and remediation processes are subject to future change, and determining the actual cost of remediation will require further investigation and remediation experience. Therefore, the ultimate cost cannot be determined at this time. However, while such cost may vary from United's current estimate, United believes the difference between its accrued reserve and the ultimate liability will not be material.\*

UAL has certain other contingencies resulting from this and other litigation and claims 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 such contingencies and prior experience, that the ultimate disposition of these contingencies is not likely to materially affect UAL's financial condition, operating results or liquidity.\*

#### Year 2000 -

UAL completed a successful transition to the Year 2000 as systems performed without interruption during the rollover from December 31, 1999 to January 1, 2000. As of December 31, 1999, the Company had incurred \$81 million in project costs (\$50 million in expense and \$31 million in capital.) During 1999, the Company incurred \$52 million in project costs (\$26 million in expense and \$26 million in capital.)

#### Air Canada -

On October 19, 1999, the Company announced its intentions, along with Deutsche Lufthansa AG ("Lufthansa"), to provide a financial package of up to 730 million Canadian dollars for Air Canada. In November, United invested 93 million Canadian (\$64 million) in Air Canada's non-voting convertible preferred shares through an investment partnership owned by UAL (40%) and Lufthansa (60%).

The remaining UAL investment in Air Canada consists of the purchase from and subsequent leaseback to Air Canada of three Airbus A330 aircraft, two of which occurred in 1999, and a commitment by the Company to guarantee a 160 million Canadian dollar line of credit.

#### Common Stock Dividends -

On November 1, 1999, UAL's Board of Directors announced its intention to begin a dividend program for common stock dividends totaling \$1.25 per share in the year 2000. The payment of dividends is contingent upon stockholder approval of amendments to the Company's charter, which will be voted on at the UAL annual meeting in May 2000. If the charter amendment is approved and the Board declares a dividend, participants in the Company's ESOP plan will be eligible to receive dividends (\$5.00 per year per ESOP share, as each ESOP share is convertible into four common shares) in the same manner as public stockholders.

#### New Accounting Pronouncements -

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"), which establishes accounting and reporting standards requiring that every derivative instrument be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting.

The effective date of SFAS No. 133 has been delayed one year, to fiscal years beginning after June 15, 2000. The Company plans on adopting SFAS No. 133 in the first quarter of 2001. United is in the process of reviewing its various contracts to determine which contracts meet the requirements of SFAS No. 133 and would need to be reflected as derivatives under the standard and accounted for at fair value. The Company has not yet quantified the impacts of adopting SFAS No. 133 on the financial statements. However, it could increase volatility in earnings and other comprehensive income.

In September 1999, the Financial Accounting Standard Board's ("FASB") Emerging Issues Task Force ("EITF") issued EITF Issue No. 99-13, "Application of Issue No. 97-10, "The Effect of Lessee Involvement in Asset Construction" and FASB Interpretation No. 23, Leases of Certain Property Owned by a Governmental Unit or Authority, to Entities that Enter into Leases with Governmental Entities" ("EITF 99-13"). EITF 99-13 discusses the application of lease accounting for property owned by governmental authorities, such as airport facilities. Historically, airlines have received operating lease treatment for assets funded by governmental units and separately disclosed the bond guarantee and lease commitment in the footnotes to the financial statements. EITF 99-13 would require United to apply different guidelines for determining the accounting treatment for special facility bonds and may result in United's recording the property and related financing on the balance sheet for future transactions. The EITF is effective for transactions entered into after September 23, 1999.

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements", ("SAB 101"), which provides guidance on the recognition, presentation and disclosure of revenue in financial statements. Although SAB 101 does not change existing accounting rules on revenue recognition, changes in

accounting to apply the guidance in SAB 101 may be accounted for as a change in accounting principle. In the first quarter of 2000, United intends to change the method it uses to account for the sale of mileage to participating partners in its Mileage Plus program. Under the new accounting method, a portion of the revenue from the sale of mileage will be deferred and recognized when transportation is provided. In accordance with the provisions of SAB 101, United will recognize a charge for the cumulative effect of a change in accounting principle in the first quarter of 2000, to reflect application of the accounting method to prior years.

#### Outlook for 2000 -

The Company's revenue performance is expected to benefit from stronger global economic growth in 2000, as well as the full implementation of Economy Plus. Total unit revenues are estimated to range between 2% and 4% higher than 1999, driven by improvement in three of the company's four global regions: North America, Atlantic, Pacific and Latin America.

The Company expects to face two major cost challenges during the year. The first involves material wage increases consistent with its commitment to provide competitive compensation to its employees after the ESOP allocation period comes to a close. In addition, fuel prices are expected to average 71 cents per gallon, including taxes and hedging activity, or 23% above 1999 levels. Fully distributed unit costs excluding ESOP compensation expense are estimated to be about 6% higher than 1999, based on system capacity growth just under 3%.

In summary, the Company anticipates 2000 earnings should range between \$7.00 and \$9.00 per fully distributed share.

During the first quarter, the Company expects to benefit from its fuel hedging activity. Fully distributed unit costs are expected to rise 5%, 2% excluding fuel. Total unit revenue is expected to increase 2 to 4%, based primarily on continued healthy demand for travel in the United States and continued economic recovery in the Pacific. Therefore, the Company expects fully distributed earnings per share in the first quarter to range from \$0.80 to \$1.20.

The information included in the above outlook section, as well as certain statements made throughout the Management's Discussion and Analysis of Financial Condition and Results of Operations that are identified by an asterisk (\*) is forward looking and involves risks and uncertainties that could result in actual results differing materially from expected results. It is not reasonably possible to itemize all of the many factors and specific events that could affect the outlook of an airline operating in the global economy. Some factors that could significantly impact expected capacity, unit revenues, wages, fully distributed unit costs, fuel prices and fully distributed earnings per share include: the success of the Company's cost-control efforts, the outcome of negotiations on new contracts with the union groups, industry capacity decisions, the airline pricing environment, the economic environment of the airline industry, fuel prices, actions of the U.S., foreign and local governments, the Asian economic environment and travel patterns, foreign currency exchange rate fluctuations and the general economic environment. With respect to the forward-looking statements set forth in the "Environmental and Legal Contingencies" section, some of the factors that could affect the ultimate disposition of these contingencies are changes in applicable laws, the development of facts in individual cases, settlement opportunities and the actions of plaintiffs, judges and juries.

#### Item 7A. Quantitative and Qualitative Disclosures About Market Risk

-----  
Interest Rate Risk - United's exposure to market risk associated with changes in interest rates relates primarily to its debt obligations and short-term investments. United does not use derivative financial instruments in its investments portfolio. United's policy is to manage interest rate risk through a combination of fixed and floating rate debt and entering into swap agreements, depending upon market conditions. A portion of the borrowings are denominated in

foreign currencies which exposes the Company to risks associated with changes in foreign exchange rates. To hedge against some of this risk, the Company has placed foreign currency deposits (primarily for Japanese yen, French francs, German marks and Euros) to meet foreign currency lease obligations designated in the respective currencies. Since unrealized mark-to-market gains or losses on the foreign currency deposits are offset by the losses or gains on the foreign currency obligations, the Company reduces its overall exposure to foreign currency exchange rate volatility. The fair value of these deposits is determined based on the present value of future cash flows using an appropriate swap rate. The fair value of long-term debt is based on the quoted market prices for the same or similar issues or the present value of future cash flows using a U.S. Treasury rate that matches the remaining life of the instrument, adjusted by a credit spread.

(In millions)	Expected Maturity Dates						1999 Total	Fair Value	1998	
	2000	2001	2002	2003	2004	Thereafter			Total	Fair Value
<b>ASSETS</b>										
<b>Cash equivalents</b>										
Fixed rate	\$231	\$ -	\$ -	\$ -	\$ -	\$ -	\$231	\$231	\$301	\$301
Avg. interest rate	5.27%	-	-	-	-	-	5.27%		4.94%	
Variable rate	\$ 79	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 79	\$ 79	\$ 89	\$ 89
Avg. interest rate	6.23%	-	-	-	-	-	6.23%		5.32%	
<b>Short term investments</b>										
Fixed rate	\$298	\$ -	\$ -	\$ -	\$ -	\$ -	\$298	\$298	\$386	\$386
Avg. interest rate	5.96%	-	-	-	-	-	5.96%		5.48%	
Variable rate	\$ 81	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 81	\$ 81	\$ 39	\$ 39
Avg. interest rate	6.42%	-	-	-	-	-	6.42%		5.47%	
<b>Foreign currency deposits</b>										
<b>Fixed rate -</b>										
yen deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$378	\$378	\$423	\$330	\$354
Avg. interest rate	-	-	-	-	-	3.07%	3.07%		3.05%	
<b>Fixed rate -</b>										
FF deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10	\$ 10	\$ 9	\$ 11	\$ 13
Avg. interest rate	-	-	-	-	-	5.61%	5.61%		5.61%	
<b>Fixed rate -</b>										
DM deposits	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	\$162	\$167	\$177	\$193	\$198
Avg. interest rate	6.49%	6.49%	6.49%	6.49%	6.49%	6.49%	6.49%		6.49%	
<b>Fixed rate -</b>										
EUR deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27	\$ 27	\$ 23	\$ -	\$ -
Avg. interest rate	-	-	-	-	-	4.14%	4.14%		-	
<b>LONG TERM DEBT</b>										
<b>U.S. Dollar denominated</b>										
Fixed rate debt	\$ 26	\$27	\$30	\$159	\$279	\$912	\$1,433	\$1,542	\$1,491	\$1,729
Avg. interest rate	8.18%	8.42%	8.41%	9.47%	10.66%	7.31%	8.26%		8.80%	
Variable rate debt	\$ 54	\$56	\$567	\$522	\$ 23	\$ 85	\$1,307	\$1,307	\$1,456	\$1,456
Avg. interest rate	6.28%	6.28%	6.35%	6.12%	6.47%	6.52%	6.26%		5.67%	
<b>Japanese Yen denominated</b>										
Fixed rate debt	\$ 12	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12	\$ 12	\$ 21	\$ 23
Avg. interest rate	7.50%	-	-	-	-	-	7.50%		7.50%	

Foreign Currency Risk - United has established a foreign currency hedging program using currency forwards and currency options to hedge exposure to the yen, Euro, Australian dollar, British pound and Hong Kong dollar. The goal of the hedging program is to effectively manage risk associated with fluctuations in the value of the foreign currency, thereby making financial results more stable and predictable. United does not use currency forwards or currency options for trading purposes.

(In millions, except average contract rates)	Notional Amount	Average Contract Rate	Estimated Fair Value
			(Pay)/Receive*
<b>Forward exchange contracts</b>			
Japanese Yen-Purchased forwards	\$ 144	101.69	\$ (1)
-Sold forwards	\$ 62	102.30	\$ -
Hong Kong Dollar-Sold forwards	\$ 91	7.83	\$ -
French Franc-Purchased forwards	\$ 50	5.05	\$ (1)
Euro-Purchased forwards	\$ 117	1.37	\$ (5)

Currency options			
Japanese Yen-Purchased put options	\$ 402	105.07	\$ 7
Australian Dollar-Purchased put options	\$ 114	0.61	\$ -
British Pound-Purchased put options	\$ 62	1.53	\$ -
Euro-Purchased put options	\$ 106	0.98	\$ 1
Correlation Basket Option-Sold	\$ 684	N/A	\$ (3)

As of December 31, 1998, United had \$215 million of Japanese yen forwards outstanding with a fair value of \$3 million, \$315 million yen put options with a fair value of \$4 million and \$317 million yen call options with a fair value of \$(50) million.

Price Risk (Aircraft Fuel) - At December 31, 1999, the Company had contracted to purchase approximately 6% of the Company's 2000 fuel requirements at an average fixed price of \$0.51 per gallon. In addition, to a limited extent United trades short-term heating oil futures and option contracts, which are immaterial. When market conditions indicate risk reduction is achievable, United enters into fuel option contracts to reduce its price risk exposure to jet fuel. As market conditions change, so may United's hedging program. Currently United purchases call options to provide protection against sharp increases in the price of aircraft fuel. Through this approach, at December 31, 1999, United had hedged 75% of the Company's expected 2000 fuel purchases. It is the Company's intent to be fully hedged for probable jet fuel purchases for year 2000 by the end of the first quarter.

(In millions, except average contract rates)

	Notional Amount	Average Contract Rate	Estimated Fair Value
	-----	-----	-----
			(Pay)/Receive*
Purchased call contracts - Crude oil (WTI)	\$1,121	\$21.78/bbl	\$ 120

At December 31, 1998, United had \$496 million in purchased call contracts for crude oil with an estimated fair value of \$13 million and \$202 million in sold put contracts for crude oil with an estimated fair value of \$(50) million.

\*Estimated fair values represent the amount United would pay/receive on December 31, 1999 to terminate the contracts.

#### Item 8. Financial Statements and Supplementary Data

-----

#### REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors, UAL Corporation:

We have audited the accompanying statements of consolidated financial position of UAL Corporation (a Delaware corporation) and subsidiary companies as of December 31, 1999 and 1998, and the related statements of consolidated operations, consolidated cash flows and consolidated stockholders' equity for each of the three years in the period ended December 31, 1999. These financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An

audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of UAL Corporation and subsidiary companies as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule referenced in Item 14(a)2 herein is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ Arthur Andersen LLP

ARTHUR ANDERSEN LLP

Chicago, Illinois  
February 24, 2000

UAL Corporation and Subsidiary Companies  
Statements of Consolidated Operations  
(In Millions, Except Per Share)

	Year Ended December 31		
	1999	1998	1997
Operating revenues:	-----	-----	-----
Passenger	\$15,784	\$15,520	\$15,342
Cargo	906	913	892
Other operating revenues	1,337	1,128	1,144
	-----	-----	-----
	18,027	17,561	17,378
	-----	-----	-----
Operating expenses:			
Salaries and related costs	5,670	5,341	5,018
ESOP compensation expense	756	829	987
Aircraft fuel	1,776	1,788	2,061
Commissions	1,139	1,325	1,508
Purchased services	1,575	1,505	1,285
Aircraft rent	876	893	942
Landing fees and other rent	949	881	863
Depreciation and amortization	867	793	724
Aircraft maintenance	689	624	603
Other operating expenses	2,339	2,104	2,128
	-----	-----	-----
	16,636	16,083	16,119
	-----	-----	-----
Earnings from operations	1,391	1,478	1,259
	-----	-----	-----
Other income (expense):			
Interest expense	(362)	(355)	(286)
Interest capitalized	75	105	104
Interest income	68	59	52
Equity in earnings of affiliates	37	72	66
Gain on sale of partnership interest	-	-	275
Gain on sale of investments	731	-	103
Miscellaneous, net	2	(103)	(49)
	-----	-----	-----
	551	(222)	265
	-----	-----	-----
Earnings before income taxes, distributions on preferred securities and extraordinary item	1,942	1,256	1,524
Provision for income taxes	699	429	561
	-----	-----	-----
Earnings before distributions on preferred securities and extraordinary item	1,243	827	963
Distributions on preferred			

securities, net	(5)	(6)	(5)
Extraordinary loss on early extinguishment of debt, net	(3)	-	(9)
	-----	-----	-----
Net earnings	\$ 1,235	\$ 821	\$ 949
	=====	=====	=====
Per share, basic:			
Earnings before extraordinary item	\$ 21.26	\$ 12.71	\$ 14.98
Extraordinary loss on early extinguishment of debt, net	(0.06)	-	(0.15)
	-----	-----	-----
Net earnings	\$ 21.20	\$ 12.71	\$ 14.83
	=====	=====	=====
Per share, diluted:			
Earnings before extraordinary item	\$ 9.97	\$ 6.83	\$ 9.04
Extraordinary loss on early extinguishment of debt, net	(0.03)	-	(0.09)
	-----	-----	-----
Net earnings	\$ 9.94	\$ 6.83	\$ 8.95
	=====	=====	=====

See accompanying notes to consolidated financial statements.

UAL Corporation and Subsidiary Companies  
Statements of Consolidated Financial Position  
(In Millions)

Assets	December 31	
	1999	1998
	----	----
Current assets:		
Cash and cash equivalents	\$ 310	\$ 390
Short-term investments	379	425
Receivables, less allowance for doubtful accounts (1999 - \$13; 1998 - \$22)	1,284	1,138
Aircraft fuel, spare parts and supplies, obsolescence allowance (1999 - \$45; 1998 - \$39)	340	384
Income tax receivables	32	-
Deferred income taxes	222	256
Prepaid expenses and other	368	315
	-----	-----
	2,935	2,908
	-----	-----
Operating property and equipment:		
Owned -		
Flight equipment	13,518	12,006
Advances on flight equipment	809	985
Other property and equipment	3,368	3,134
	-----	-----
	17,695	16,125
Less - Accumulated depreciation and amortization	5,207	5,174
	-----	-----
	12,488	10,951
	-----	-----
Capital leases -		
Flight equipment	2,929	2,605
Other property and equipment	93	97
	-----	-----
	3,022	2,702
Less - Accumulated amortization	645	599
	-----	-----
	2,377	2,103
	-----	-----
	14,865	13,054
	-----	-----
Other assets:		
Investments in affiliates	533	304
Intangibles, less accumulated amortization (1999 - \$279; 1998 - \$265)	568	676
Aircraft lease deposits	594	545
Prepaid rent	585	631
Other	883	441
	-----	-----
	3,163	2,597
	-----	-----
	\$20,963	\$18,559
	=====	=====

See accompanying notes to consolidated financial statements.

UAL Corporation and Subsidiary Companies  
Statements of Consolidated Financial Position  
(In Millions)

Liabilities and Stockholders' Equity	December 31	
-----	1999	1998
-----	-----	-----
Current liabilities:		
Notes payable	\$ 61	\$ 184
Long-term debt maturing within one year	92	98
Current obligations under capital leases	190	176
Advance ticket sales	1,412	1,429
Accounts payable	967	1,151
Accrued salaries, wages and benefits	1,002	952
Accrued aircraft rent	783	793
Other accrued liabilities	904	885
	-----	-----
	5,411	5,668
	-----	-----
Long-term debt	2,650	2,858
	-----	-----
Long-term obligations under capital leases	2,337	2,113
	-----	-----
Other liabilities and deferred credits:		
Deferred pension liability	70	89
Postretirement benefit liability	1,489	1,424
Deferred gains	986	1,180
Accrued aircraft rent	395	371
Deferred income taxes	1,147	398
Other	334	354
	-----	-----
	4,421	3,816
	-----	-----
Company-obligated mandatorily redeemable preferred securities of a subsidiary trust	100	100
	-----	-----
Equity put options	-	32
	-----	-----
Preferred stock committed to Supplemental ESOP	893	691
	-----	-----
Stockholders' equity:		
Serial preferred stock (Note 12)	-	-
ESOP preferred stock (Note 13)	-	-
Common stock at par, \$0.01 par value; authorized 200,000,000 shares; issued 65,771,802 shares at December 31, 1999 and 63,005,869 shares at December 31, 1998	1	1
Additional capital invested	4,099	3,517
Retained earnings	2,138	1,028
Unearned ESOP preferred stock	(28)	(121)
Stock held in treasury, at cost - Preferred, 10,213,519 depository shares at December 31, 1999 and December 31, 1998 (Note 12)	(305)	(305)
Common, 14,995,219 shares at December 31, 1999 and 11,201,216 shares at December 31, 1998	(1,097)	(835)
Accumulated other comprehensive income	352	(2)
Other	(9)	(2)
	-----	-----
	5,151	3,281
	-----	-----
Commitments and contingent liabilities (Note 18)		
	-----	-----
	\$ 20,963	\$ 18,559
	=====	=====

See accompanying notes to consolidated financial statements.

UAL Corporation and Subsidiary Companies  
Statements of Consolidated Cash Flows  
(In Millions)

Year Ended December 31  
1999      1998      1997  
-----      -----      -----

Cash and cash equivalents at

beginning of year	\$ 390	\$ 295	\$ 229
	-----	-----	-----
Cash flows from operating activities:			
Net earnings	1,235	821	949
Adjustments to reconcile to net cash provided by operating activities -			
ESOP compensation expense	756	829	987
Extraordinary loss on debt extinguishment, net of tax	3	-	9
Gain on sale of partnership interest	-	-	(275)
Gain on sale of investments	(731)	-	(103)
Pension funding less than expense	94	101	43
Deferred postretirement benefit expense	65	149	139
Depreciation and amortization	867	793	724
Provision for deferred income taxes	590	307	194
Undistributed earnings of affiliates	(20)	(62)	(16)
Increase in receivables	(146)	(97)	(222)
Decrease in other current assets	2	105	-
Increase (decrease) in advance ticket sales	(17)	162	78
Increase (decrease) in accrued income taxes	(76)	38	20
Increase (decrease) in accounts payable and accrued liabilities	(86)	69	16
Amortization of deferred gains	(66)	(64)	(64)
Other, net	(49)	43	88
	-----	-----	-----
	2,421	3,194	2,567
	-----	-----	-----
Cash flows from investing activities:			
Additions to property and equipment	(2,389)	(2,832)	(2,812)
Proceeds on disposition of property and equipment	154	452	83
Proceeds on disposition of partnership interest	-	-	539
Proceeds on sale of investments	828	-	-
Decrease (increase) in short-term investments	46	125	(82)
Other, net	(263)	(63)	(29)
	-----	-----	-----
	(1,624)	(2,318)	(2,301)
	-----	-----	-----
Cash flows from financing activities:			
Reacquisition of preferred stock	-	(3)	-
Repurchase of common stock	(261)	(459)	(250)
Proceeds from issuance of long-term debt	286	928	597
Repayment of long-term debt	(513)	(271)	(301)
Principal payments under capital leases	(248)	(322)	(147)
Purchase of equipment certificates under Company operating leases	(47)	(693)	-
Increase (decrease) in short-term borrowings	(123)	184	-
Aircraft lease deposits	(20)	(154)	(112)
Cash dividends	(10)	(10)	(10)
Other, net	59	19	23
	-----	-----	-----
	(877)	(781)	(200)
	-----	-----	-----
Increase (decrease) in cash and cash equivalents during the year	(80)	95	66
	-----	-----	-----
Cash and cash equivalents at end of year	\$ 310	\$ 390	\$ 295
	=====	=====	=====

See accompanying notes to consolidated financial statements.

UAL Corporation and Subsidiary Companies  
Statements of Consolidated Stockholders' Equity  
(In Millions, Except Per Share)

	Preferred Stock	Common Stock	Additional Capital Invested	Retained Earnings (Deficit)	Unearned ESOP Preferred Stock	Treasury Stock	Accumulated Other Comp Income	Other	Total
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Balance at December 31, 1996	\$ -	\$ 1	\$ 2,160	\$ (566)	\$ (202)	\$(385)	\$ -	\$(13)	\$ 995
	---	---	-----	-----	-----	----	---	---	-----
December 31, 1997:									
Net earnings	-	-	-	949	-	-	-	-	949
Other comprehensive income, net:									
Minimum pension liability adj.-	-	-	-	-	-	-	(2)	-	(2)
				-----			---		-----
Total comprehensive income	-	-	-	949	-	-	(2)	-	947

Cash dividends on preferred stock (\$1.44 per Series B share)	-	-	(10)	-	-	-	-	(10)
Common stock repurchases	-	-	-	-	(250)	-	-	(250)
Issuance and amortization of ESOP preferred stock	-	993	-	(6)	-	-	-	987
ESOP dividend (\$8.89 per share)	-	36	(67)	31	-	-	-	-
Preferred stock committed to Supplemental ESOP	-	(349)	-	-	-	-	-	(349)
Other	-	36	3	-	(28)	-	6	17
Balance at December 31, 1997	1	2,876	309	(177)	(663)	(2)	(7)	2,337
Year ended December 31, 1998:								
Net earnings	-	-	821	-	-	-	-	821
Other comprehensive income, net:								
Unrealized gains on securities, net	-	-	-	-	-	1	-	1
Minimum pension liability, adj.	-	-	-	-	-	(1)	-	(1)
Total comprehensive income	-	-	821	-	-	-	-	821
Cash dividends on preferred stock (\$1.44 per Series B share)	-	-	(10)	-	-	-	-	(10)
Common stock repurchases	-	-	-	-	(459)	-	-	(459)
Issuance and amortization of ESOP preferred stock	-	823	-	6	-	-	-	829
ESOP dividend (\$8.89 per share)	-	42	(92)	50	-	-	-	-
Preferred stock committed to Supplemental ESOP	-	(177)	-	-	-	-	-	(177)
Other	-	(47)	-	-	(18)	-	5	(60)
Balance at December 31, 1998	1	3,517	1,028	(121)	(1,140)	(2)	(2)	3,281
Year ended December 31, 1999								
Net earnings	-	-	1,235	-	-	-	-	1,235
Other comprehensive income, net:								
Unrealized gains on securities, net	-	-	-	-	-	354	-	354
Minimum pension liability, net	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	1,235	-	-	354	-	1,589
Cash dividends on preferred stock (\$1.44 per Series B share)	-	-	(10)	-	-	-	-	(10)
Common stock repurchases	-	-	-	-	(261)	-	-	(261)
Issuance and amortization of ESOP preferred stock	-	740	-	16	-	-	-	756
ESOP dividend (\$8.89 per share)	-	38	(115)	77	-	-	-	-
Preferred stock committed to Supplemental ESOP	-	(201)	-	-	-	-	-	(201)
Other	-	5	-	-	(1)	-	(7)	(3)
Balance at December 31, 1999	\$ 1	\$4,099	\$2,138	\$ (28)	\$ (1,402)	\$352	\$ (9)	\$5,151

See accompanying notes to consolidated financial statements.

#### Notes to Consolidated Financial Statements

##### (1) Summary of Significant Accounting Policies

(a) Basis of Presentation - UAL Corporation ("UAL") is a holding company whose principal subsidiary is United Air Lines, Inc. ("United"). The consolidated financial statements include the accounts of UAL and all of its majority-owned affiliates (collectively "the Company"). All significant intercompany transactions are eliminated. Investments in affiliates are carried on the equity basis. Certain prior-year financial statement items have been reclassified to conform to the current year's presentation.

(b) Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(c) Airline Revenues - Passenger fares and cargo revenues are recorded as operating revenues when the transportation is furnished. The value of unused passenger

tickets is included in current liabilities.

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

From time to time, United lends certain of its securities classified as cash and cash equivalents and short-term investments to third parties. United requires collateral in an amount exceeding the value of the securities and is obligated to reacquire the securities at the end of the contract. United accounts for these transactions as secured borrowings rather than sales and does not remove the securities from the balance sheet. At December 31, 1999, United was obligated to repurchase \$89 million of securities lent to third parties.

At December 31, 1999 and 1998, \$406 million and \$418 million, respectively, of investments in debt securities included in cash and cash equivalents and short-term investments were classified as available-for-sale, and \$177 million and \$241 million, respectively, were classified as held-to-maturity. Investments in debt securities classified as available-for-sale are stated at fair value based on the quoted market prices for the securities, which does not differ significantly from their cost basis. Investments classified as held-to-maturity are stated at cost which approximates market due to their short-term maturities. The proceeds from sales of available-for-sale securities are included in interest income for each respective year.

(e) Derivative Financial Instruments -

Foreign Currency - From time to time, United enters into Japanese yen forward exchange contracts to minimize gains and losses on the revaluation of short-term yen-denominated liabilities. The yen forwards typically have short-term maturities and are marked to fair value at the end of each accounting period. The unrealized mark-to-market gains and losses on the yen forwards generally offset the losses and gains recorded on the yen liabilities.

United has also entered into forwards and swaps to reduce exposure to currency fluctuations on yen-, Euro- and French franc-denominated capital lease obligations. The cash flows of the forwards and swaps mirror those of the capital leases. The premiums on the forwards and swaps, as measured at inception, are being amortized over their respective lives as components of interest expense. Any gains or losses realized upon early termination of these forwards and swaps are deferred and recognized in income over the remaining life of the underlying exposure.

The Company hedges some of the risks of exchange rate volatility on its anticipated future yen, Euro, Australian dollar and British pound revenues by purchasing put options with little or no intrinsic value and on Hong Kong dollar revenues by entering into forward contracts. The amount and duration of these options are synchronized with the expected revenues, and thus, the put options have been designated as a hedge. The premiums on purchased option contracts are amortized over the lives of the contracts. Unrealized gains on purchased put option contracts are deferred until contract expiration and then recognized as a component of passenger revenue. To reduce hedging costs, the Company sells a correlation basket option in the four currencies referred to above. The unrealized mark-to-market gains and losses on the correlation options are included in "Miscellaneous, net," net of premiums received.

Interest Rates - United may from time to time, enter into swaps to reduce exposure to interest rate fluctuations in connection with certain debt, capital leases and operating leases. The cash flows of the swaps mirror those of the underlying exposures. The premiums on the swaps, as measured at inception, are amortized over their respective lives as components of interest expense. Any gains or losses realized upon the early termination of these swaps are deferred and recognized in income over the remaining life of the underlying exposure.

Aircraft Fuel - United uses purchased call options to

hedge a portion of its price risk related to aircraft fuel purchases. The purchased call options have been designated as a hedge. Gains or losses on hedge positions, net of premiums paid, are recognized upon contract expiration as a component of aircraft fuel inventory. In addition, to a limited extent, United trades short-term heating oil futures contracts. Unrealized losses on these contracts are recorded currently in income while unrealized gains are deferred until contract expiration. Both gains and losses are recorded as a component of aircraft fuel expense.

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

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

Depreciation and amortization of owned depreciable assets is based on the straight-line method over their estimated service lives. Leasehold improvements are amortized over the remaining period of the lease or the estimated service life of the related asset, whichever is less. Aircraft are depreciated to estimated salvage values, generally over lives of 4 to 30 years; buildings are depreciated over lives of 25 to 45 years; and other property and equipment are depreciated over lives of 3 to 15 years.

Properties under capital leases are amortized on the straight-line method over the life of the lease, or in the case of certain aircraft, over their estimated service lives. Lease terms are 10 to 30 years for aircraft and flight simulators and 25 years for buildings. Amortization of capital leases is included in depreciation and amortization expense.

Maintenance and repairs, including the cost of minor replacements, are charged to maintenance expense accounts. Costs of additions to and renewals of units of property are charged to property and equipment accounts.

(h) Intangibles - Intangibles consist primarily of route acquisition costs and intangible pension assets (see Note 16, "Retirement and Postretirement Plans"). Route acquisition costs are amortized over 40 years.

(i) Mileage Plus Awards - United accrues the estimated incremental cost of providing free travel awards earned under its Mileage Plus frequent flyer program (including awards earned from mileage credits sold) when such award levels are reached. United, through its wholly owned subsidiary, Mileage Plus Holdings, Inc., sells mileage credits to participating partners in the Mileage Plus program. The resulting revenue is recorded in other operating revenues during the period in which the credits are sold. Effective January 1, 2000, the Company intends to change the method of accounting for the sale of mileage. See "New Accounting Pronouncements" in Management's Discussion and Analysis of Financial Condition and Results of Operations.

(j) Deferred Gains - Gains on aircraft sale and leaseback transactions are deferred and amortized over the lives of the leases as a reduction of rental expense.

## (2) Employee Stock Ownership Plans and Recapitalization

On July 12, 1994, the shareholders of UAL approved a plan of recapitalization to provide an approximately 55% equity interest in UAL to certain employees of United in exchange for wage concessions and work-rule changes. The employees' equity interest is being allocated to individual employees through the year 2000 under Employee Stock Ownership Plans ("ESOPs") which were created as a part of the recapitalization.

The ESOPs cover employees represented by the Air Line Pilots' Association, International, the International Association of Machinists and Aerospace Workers and U.S. management and salaried employees. The ESOPs include a "Leveraged ESOP," a "Non-Leveraged ESOP" and a "Supplemental ESOP." Both the Leveraged ESOP and the Non-Leveraged ESOP

are tax-qualified plans while the Supplemental ESOP is not a tax-qualified plan. Shares are delivered to employees primarily through the Leveraged ESOP, then through the Non-Leveraged ESOP, and finally, through the Supplemental ESOP.

The equity interests are being delivered to employees through two classes of preferred stock (Class 1 and Class 2 ESOP Preferred Stock, collectively "ESOP Preferred Stock"), and the voting interests are being delivered through three separate classes of preferred stocks (Class P, M and S Voting Preferred Stock, collectively, "Voting Preferred Stock"). The Class 1 ESOP Preferred Stock is being delivered to an ESOP trust in seven separate sales under the Leveraged ESOP, the last of which occurred on January 5, 2000. Based on Internal Revenue Code Limitations, shares of the Class 2 ESOP Preferred Stock are either contributed to the Non-Leveraged ESOP or allocated as "book entry" shares to the Supplemental ESOP, annually through the year 2000. The classes of preferred stock are described more fully in Note 13, "ESOP Preferred Stock."

The Leveraged ESOP and Non-Leveraged ESOP are being accounted for under AICPA Statement of Position 93-6, "Employers' Accounting for Employee Stock Ownership Plans" ("SOP"). For the Leveraged ESOP, as shares of Class 1 ESOP Preferred Stock are sold to an ESOP trust, the Company reports the issuance as a credit to additional capital invested and records a corresponding charge to unearned ESOP preferred stock. ESOP compensation expense is recorded for the average fair value of the shares committed to be released during the period with a corresponding credit to unearned ESOP preferred stock for the cost of the shares. Any difference between the fair value of the shares and the cost of the shares is charged or credited to additional capital invested. For the Non-Leveraged ESOP, the Class 2 ESOP Preferred Stock is recorded as additional capital invested as the shares are committed to be contributed, with the offsetting charge to ESOP compensation expense. The ESOP compensation expense is based on the average fair value of the shares committed to be contributed. The Supplemental ESOP is being accounted for under Accounting Principles Board Opinion 25, "Accounting for Stock Issued to Employees."

Shares of ESOP Preferred Stock are legally released or allocated to employee accounts as of year-end. Dividends on the ESOP Preferred Stock are also paid at the end of the year. Dividends on unallocated shares are used by the ESOP to pay down the loan from UAL and are not considered dividends for financial reporting purposes. Dividends on allocated shares are satisfied by releasing shares from the ESOP's suspense account to the employee accounts and are charged to equity.

During 1999, 2,334,370 shares of Class 1 ESOP Preferred Stock, 123,841 shares of Class 2 ESOP Preferred Stock and 2,453,337 shares of Voting Preferred Stock were allocated to employee accounts, and another 615,757 shares of Class 2 ESOP Preferred Stock were allocated in the form of "book entry" shares, effective December 31, 1998. Another 100,180 shares of Class 2 ESOP Preferred Stock previously allocated in book entry form were issued and either contributed to the qualified plan or converted and sold on behalf of terminating employees. At December 31, 1999, the year-end allocation of Class 1 ESOP Preferred Stock to employee accounts had not yet been completed. There were 2,390,935 shares of Class 1 ESOP Preferred Stock committed to be released and 130,643 shares held in suspense by the ESOP as of December 31, 1999. For the Class 2 ESOP Preferred Stock, 683,038 shares were committed to be contributed to employees at December 31, 1999. The fair value of the unearned ESOP shares recorded on the balance sheet at December 31, 1999 and 1998 was \$41 million and \$141 million, respectively.

For the Class 2 ESOP Preferred Stock committed to be contributed to employees under the Supplemental ESOP, employees can elect to receive their "book entry" shares in cash upon termination of employment. The estimated fair value of such shares at December 31, 1999 and 1998 was \$954 million and \$600 million, respectively.

(3) Other Income (Expense) - Miscellaneous

-----  
Other income (expense) - "Miscellaneous, net" consisted of the following:

(In Millions)	1999	1998	1997
	----	----	----
Foreign exchange gains (losses)	\$ 4	\$ (84)	\$ (19)
Minority interests	-	-	(15)
Other	(2)	(19)	(15)
	----	----	----
	\$ 2	\$ (103)	\$ (49)
	====	====	====

#### (4) Other Comprehensive Income

The following table presents the tax effect of those items included in other comprehensive income:

	Year Ended December 31,								
	1999			1998			1997		
	Pre-Tax	Tax Effect	Net of Tax	Pre-Tax	Tax Effect	Net of Tax	Pre-Tax	Tax Effect	Net of Tax
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Unrealized gains on securities									
Unrealized holding gains arising during period	\$547	\$(193)	\$354	\$ 1	\$ -	\$ 1	\$ -	\$ -	\$ -
Minimum pension liability	-	-	-	(1)	-	(1)	(4)	2	(2)
	---	---	---	---	---	---	---	---	---
Total other comprehensive income	\$547	\$(193)	\$354	\$ -	\$ -	\$ -	\$(4)	\$ 2	\$(2)
	====	====	====	==	==	==	==	==	==

The components of accumulated other comprehensive income consist of the following items:

	Unrealized Gains on Securities	Minimum Pension Liability	Accumulated Other Comprehensive Income
	-----	-----	-----
December 31, 1996	\$ -	\$ -	\$ -
Current period change	-	(2)	(2)
	----	----	----
December 31, 1997	\$ -	\$ (2)	\$ (2)
Current period change	1	(1)	-
	----	----	----
December 31, 1998	\$ 1	\$ (3)	\$ (2)
Current period change	354	-	354
	----	----	----
December 31, 1999	\$ 355	\$ (3)	\$ 352
	====	====	====

Unrealized gains on securities primarily represents gains on the Company's investments in Galileo International, Inc. and Equant N.V. as discussed in Note 6 "Investments".

#### (5) Per Share Amounts

Basic earnings per share were computed by dividing net income before extraordinary item by the weighted-average number of shares of common stock outstanding during the year. In addition, diluted earnings per share amounts include potential common shares, including common shares issuable upon conversion of ESOP shares committed to be released.

Earnings Attributable to Common Shareholders (Millions)	1999	1998	1997
	----	----	----
Net income before extraordinary item	\$1,238	\$ 821	\$ 958
Preferred stock dividends	(125)	(102)	(77)
	----	----	----
Earnings attributable to common shareholders (Basic and Diluted)	\$1,113	\$ 719	\$ 881
	====	====	====
Shares (Millions)			
Weighted average shares outstanding (Basic)	52.3	56.5	58.8
Convertible ESOP preferred stock	58.0	47.1	35.9

Other	1.3	1.6	2.7
	-----	-----	-----
Weighted average number of shares (Diluted)	111.6	105.2	97.4
	=====	=====	=====
Earnings Per Share			
Basic	\$21.26	\$12.71	\$14.98
Diluted	\$ 9.97	\$ 6.83	\$ 9.04

At December 31, 1999, stock options to purchase 1,334,722 shares of common stock were outstanding, but were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares.

(6) Investments

In June 1999, United sold 17,500,000 common shares of Galileo International, Inc. ("Galileo") in a secondary offering for \$766 million, resulting in a pre-tax gain of approximately \$669 million. This sale reduced United's holdings in Galileo from 32 percent to approximately 15 percent, requiring United to discontinue the equity method of accounting for its investment in Galileo. United has classified its remaining 15,940,000 shares of Galileo common stock as available-for-sale. The market value of these shares at December 31, 1999 (\$477 million) is reflected in Investments in Affiliates on the balance sheet and the market value in excess of United's investment is classified net-of-tax (\$253 million) in accumulated other comprehensive income. The market value of United's investment in Galileo at December 31, 1998 was \$1,455 million. Included in the Company's retained earnings is approximately \$240 million of undistributed earnings of Galileo and its predecessor companies.

In July 1997, United completed the sale of its interest in the Apollo Travel Services Partnership ("ATS") a 77% owned affiliate whose accounts were consolidated, to Galileo for \$539 million in cash. This transaction resulted in a pre-tax gain of approximately \$405 million. Of this amount, \$275 million was recognized in 1997, \$7 million in 1998 and \$4 million in 1999. The remaining balance (\$119 million) reduced the basis of the Company's investment in Galileo.

Under operating agreements with Galileo, United purchases computer reservations services from Galileo and during 1999 and 1998 provided communications services to Galileo, while during 1997 provided marketing, sales and communication services to Galileo. Revenues derived from the sale of services to Galileo amounted to approximately \$4 million in 1999, \$13 million in 1998 and \$159 million in 1997. The cost to United of services purchased from Galileo amounted to approximately \$170 million in 1999, \$170 million in 1998 and \$134 million in 1997. In connection with the sale of ATS, United entered into an additional services agreement with Galileo under which the Company provides certain marketing and other services designed to increase the competitiveness of Galileo's business and to generate additional bookings and revenues for Galileo. In December 1999, United recognized \$14 million in other operating revenues related to the achievement of improvements in Galileo's air booking revenues as specified in the agreements.

Prior to the sale to Galileo, ATS contributed the following amounts to the Company's consolidated results, net of intercompany eliminations and minority interests:

(In Millions)	Year Ended December 31, 1997
-----	-----
Operating revenues	\$ 147
Operating income	\$ 63
Earnings before income taxes	\$ 50

United owns depositary certificates in Equant N.V. ("Equant"), a provider of international data network services to multinational businesses and a single source for global desktop communications. Each depositary certificate represents a beneficial interest in an Equant common share. During the fourth quarter of 1999, transferability restrictions on these shares were removed and the investment

was classified as available-for-sale. The market value in excess of United's investment is classified net-of-tax (\$100 million) in accumulated other comprehensive income. In December 1999, United sold 709,000 shares of common stock in Equant in a secondary offering by Equant for \$62 million. At December 31, 1999, the estimated fair value of United's remaining investment in Equant was approximately \$156 million.

GetThere.com is a leading provider of internet-based travel planning products tailored to individual, corporate, travel supplier and travel agency customers. During 1999, United invested approximately \$51 million in GetThere.com, resulting in a 28% minority interest in GetThere.com consisting of common stock, warrants and options. United accounts for its investment in GetThere.com using the equity method of accounting.

In July 1999, United and Buy.com agreed to form a joint venture (BuyTravel.com) to sell travel on all major airlines, as well as hotels, car rentals and cruises via the Internet. Both United and Buy.com will have a 50 percent interest in BuyTravel.com. United also received warrants exercisable for 2.0 million shares of Buy.com common stock. United will account for its investment in BuyTravel.com using the equity method of accounting.

In November 1999, United entered into a participation agreement with Priceline.com to provide inventory to Priceline.com. In exchange, United received 5.5 million warrants for Priceline.com common stock exercisable in five years. The participation agreement contains early exercise provisions allowing United to exercise the warrants if in three years specific performance criteria are met. The warrants have been valued at \$61 million by an investment bank and are being recognized as passenger revenue over a three-year period. In 1999, the total revenue recognized was \$6 million.

(7) Income Taxes

In 1999, the alternative minimum tax ("AMT") liability of the Company exceeded the regular tax liability resulting in additional AMT credits. The federal income tax liability is the greater of the tax computed using the regular tax system or the tax under the AMT system. If the regular tax liability exceeds the AMT liability and AMT credits are available, then AMT credits are used to reduce the net tax liability to the amount of the AMT liability.

The provision for income taxes is summarized as follows:

(In Millions)	1999	1998	1997
Current -			
Federal	\$ 93	\$ 113	\$ 312
State	16	9	55
	-----	-----	-----
	109	122	367
	-----	-----	-----
Deferred -			
Federal	536	270	178
State	54	37	16
	-----	-----	-----
	590	307	194
	-----	-----	-----
	\$ 699	\$ 429	\$ 561
	=====	=====	=====

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

(In Millions)	1999	1998	1997
Income tax provision at statutory rate	\$ 680	\$ 440	\$ 533
State income taxes, net of federal income tax benefit	46	30	46
ESOP dividends	(40)	(33)	(25)
Nondeductible employee meals	24	24	26

Tax credits	-	(7)	(2)
Other, net	(11)	(25)	(17)
	-----	-----	-----
	\$ 699	\$ 429	\$ 561
	=====	=====	=====

Temporary differences and carryforwards that give rise to a significant portion of deferred tax assets and liabilities for 1999 and 1998 are as follows:

(In Millions)	1999		1998	
-----	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
-----	-----	-----	-----	-----
Employee benefits, including postretirement medical and ESOP	\$ 990	\$ 135	\$ 964	\$ 130
Depreciation, capitalized interest and transfers of tax benefits	-	2,489	-	1,937
Gains on sale and leasebacks	335	-	368	-
Rent expense	435	-	411	-
AMT credit carryforwards	210	-	198	-
Other	758	1,029	773	789
	-----	-----	-----	-----
	\$2,728	\$3,653	\$2,714	\$2,856
	=====	=====	=====	=====

At December 31, 1999, UAL and its subsidiaries had \$210 million of federal AMT credits which may be carried forward to reduce the tax liabilities of future years.

#### (8) Short-Term Borrowings

United has an agreement with a syndicate of banks for a \$750 million revolving credit facility expiring in 2002. Interest on drawn amounts under the facility is calculated at floating rates based on the London interbank offered rate ("LIBOR") plus a margin which is subject to adjustment based on certain changes in the credit ratings of United's long-term senior unsecured debt. Among other restrictions, the credit facility contains a covenant that restricts United's ability to grant liens on or otherwise encumber certain identified assets with a market value of approximately \$1.1 billion.

Additionally, United has available \$900 million in short-term secured aircraft financing facilities. Interest on drawn amounts under the facilities is calculated at floating rates based on LIBOR plus a margin.

At December 31, 1999, United had outstanding \$61 million under a separate short-term borrowing facility, bearing an average interest rate of 5.72%. Receivables amounting to \$233 million were pledged by United to secure repayment of such outstanding borrowings. The maximum available borrowing amount under this arrangement is \$227 million.

#### (9) Long-Term Debt

A summary of long-term debt, including current maturities, as of December 31 is as follows (interest rates are as of December 31, 1999):

(In Millions)	1999	1998
-----	-----	-----
Secured notes, 5.71% to 8.99%, averaging 6.38%, due through 2014	\$ 1,229	\$ 1,389
Debentures, 9.00% to 11.21%, averaging 9.98%, due through 2021	762	785
Promissory notes, 11.00%, due 2000	1	13
Commercial paper, 6.10%, due through 2003	571	591
Special facility bonds, 5.63%, due 2034	190	190
	-----	-----
	2,753	2,968
	-----	-----
Less: Unamortized discount on debt	(11)	(12)
Current maturities	(92)	(98)

-----  
 \$ 2,650    \$ 2,858  
 =====

In addition to scheduled principal payments, in 1999 the Company repaid \$23 million in principal amount of debentures prior to maturity. The debentures were scheduled to mature through 2021. An extraordinary loss of \$3 million, net of tax benefits of \$2 million was recorded reflecting amounts paid in excess of the debt carrying value.

In March 1998, the Company, through a special-purpose financing entity that is consolidated, issued \$604 million of commercial paper to refinance certain lease commitments. Although the issued commercial paper has short maturities, the Company expects to continually rollover this obligation throughout the 5-year life of its supporting liquidity facility or bank standby facility. As such, the commercial paper is classified as a long-term obligation in the Company's statement of financial position.

In 1997, the California Statewide Communities Development Authority (the "Authority") issued \$190 million in special facilities revenue bonds to finance the acquisition and construction of certain facilities at the Los Angeles International Airport which United guarantees payment of under a payment agreement with the Authority. The bond proceeds are restricted to expenditures on the Los Angeles facilities and unspent amounts are classified as other assets in the balance sheet.

At December 31, 1999, United had outstanding a total of \$1.307 billion of long-term debt bearing interest rates at 22 to 47.5 basis points over LIBOR.

Maturities of long-term debt for each of the four years after 2000 are: 2001 - \$83 million; 2002 - \$597 million; 2003 - \$681 million; and 2004 - \$302 million. Various assets, principally aircraft, having an aggregate book value of \$1.348 billion at December 31, 1999, were pledged as security under various loan agreements.

(10) Lease Obligations

The Company leases aircraft, airport passenger terminal space, aircraft hangars and related maintenance facilities, cargo terminals, other airport facilities, real estate, office and computer equipment and vehicles.

Future minimum lease payments as of December 31, 1999, under capital leases (substantially all of which are for aircraft) and operating leases having initial or remaining noncancelable lease terms of more than one year are as follows:

(In Millions)	Operating Leases		Capital
	Aircraft	Non-aircraft	Leases
	-----	-----	-----
Payable during -			
2000	\$ 912	\$ 458	\$ 350
2001	884	442	445
2002	871	401	385
2003	912	389	286
2004	946	376	296
After 2004	9,874	5,628	1,906
	-----	-----	-----
Total minimum lease payments	\$14,399	\$7,694	3,668
	=====	=====	
Imputed interest (at rates of 5.3% to 12.2%)			(1,141)
			-----
Present value of minimum lease payments			2,527
Current portion			(190)
			-----
Long-term obligations under capital leases			\$ 2,337
			=====

As of December 31, 1999, United leased 317 aircraft, 76 of which were under capital leases. These leases have terms of 10 to 26 years, and expiration dates range from 2000

through 2020.

In connection with the financing of certain aircraft accounted for as capital leases, United had on deposit at December 31, 1999 an aggregate 39 billion yen (\$379 million), 326 million German marks (\$167 million), 64 million French francs (\$10 million), 27 million Euro (\$27 million) and \$11 million in certain banks and had pledged an irrevocable security interest in such deposits to certain of the aircraft lessors. These deposits will be used to pay off an equivalent amount of recorded capital lease obligations.

Amounts charged to rent expense, net of minor amounts of sublease rentals, were \$1.412 billion in 1999, \$1.385 billion in 1998 and \$1.416 billion in 1997. Included in 1999 rental expense was \$11 million in contingent rentals, resulting from changes in interest rates for operating leases under which the rent payments are based on variable interest rates.

(11) Company-Obligated Mandatorily Redeemable Preferred Securities of a Subsidiary Trust

-----  
In December 1996, UAL Corporation Capital Trust I (the "Trust") issued \$75 million of its 13 1/4% Trust Originated Preferred Securities (the "Preferred Securities") in exchange for 2,999,304 depositary shares, each representing 1/1000 of one share of Series B 12 1/4% preferred stock (see Note 12). Concurrent with the issuance of the Preferred Securities and the related purchase by UAL of the Trust's common securities, the Company issued to the Trust \$77 million aggregate principal amount of its 13 1/4% Junior Subordinated Debentures (the "Debentures") due 2026. The Debentures are and will be the sole assets of the Trust. The interest and other payment dates on the Debentures correspond to the distribution and other payment dates on the Preferred Securities. Upon maturity or redemption of the Debentures, the Preferred Securities will be mandatorily redeemed. The Debentures are redeemable at UAL's option, in whole or in part, on or after July 12, 2004, at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued and unpaid interest to the redemption date. Upon the repayment of the Debentures, the proceeds thereof will be applied to redeem the Preferred Securities.

There is a full and unconditional guarantee by UAL of the Trust's obligations under the securities issued by the Trust. However, the Company's obligations are subordinate and junior in right of payment to certain other of its indebtedness. UAL has the right to defer payments of interest on the Debentures by extending the interest payment period, at any time, for up to 20 consecutive quarters. If interest payments on the Debentures are so deferred, distributions on the Preferred Securities will also be deferred. During any deferral, distributions will continue to accrue with interest thereon. In addition, during any such deferral, UAL may not declare or pay any dividend or other distribution on, or redeem or purchase, any of its capital stock.

The fair value of the Preferred Securities at December 31, 1999 and 1998 was \$83 and \$90 million, respectively.

(12) Serial Preferred Stock

-----  
At December 31, 1999, UAL had outstanding 3,203,177 depositary shares, each representing 1/1000 of one share of Series B 12 1/4% preferred stock, with a liquidation preference of \$25 per depositary share (\$25,000 per Series B preferred share) and a stated capital of \$0.01 per Series B preferred share. Under its terms, any portion of the Series B preferred stock or the depositary shares is redeemable for cash after July 11, 2004, at UAL's option, at the equivalent of \$25 per depositary share, plus accrued dividends. The Series B preferred stock is not convertible into any other securities, has no stated maturity and is not subject to mandatory redemption.

The Series B preferred stock ranks senior to all other preferred and common stock, except the Preferred Securities, as to receipt of dividends and amounts distributed upon liquidation. The Series B preferred stock has voting rights only to the extent required by law and with respect to

charter amendments that adversely affect the preferred stock or the creation or issuance of any security ranking senior to the preferred stock. Additionally, if dividends are not paid for six cumulative quarters, the Series B preferred stockholders are entitled to elect two additional members to the UAL Board of Directors until all dividends are paid in full. Pursuant to UAL's restated certificate of incorporation, UAL is authorized to issue a total of 50,000 shares of Series B preferred stock.

During 1998, UAL repurchased 64,300 depository shares, at an aggregate cost of \$3 million, to be held in treasury.

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

(13) ESOP Preferred Stock

The following activity related to UAL's outstanding ESOP preferred stocks (see Note 2 for a description of the ESOPs):

	Class 1 ESOP	Class 2 ESOP	ESOP Voting
Balance December 31, 1996	6,950,462	644,510	4,422,436
Shares issued	1,848,629	242,877	3,073,969
Converted to common	(146,473)	(81,127)	(229,999)
Balance December 31, 1997	8,652,618	806,260	7,266,406
Shares issued	2,011,812	177,166	3,073,969
Converted to common	(213,061)	(116,104)	(331,620)
Balance December 31, 1998	10,451,369	867,322	10,008,755
Shares issued	1,955,756	227,689	3,073,969
Converted to common	(306,662)	(146,975)	(457,401)
Balance December 31, 1999	12,100,463	948,036	12,625,323

An aggregate of 17,675,345 shares of Class 1 and Class 2 ESOP Preferred Stock will be issued to employees under the ESOPs. Each share of ESOP Preferred Stock is convertible into four shares of UAL common stock and shares are converted to common as employees retire or otherwise leave the Company. The stock has a par value of \$0.01 per share and is nonvoting. The Class 1 ESOP Preferred Stock has a liquidation value of \$126.96 per share plus all accrued and unpaid dividends; the Class 2 does not have a liquidation value. The Class 1 ESOP Preferred Stock provides a fixed annual dividend of \$8.8872 per share, which ceases on March 31, 2000; the Class 2 does not pay a fixed dividend.

Class P, M and S Voting Preferred Stocks were established to provide the voting power to the employee groups participating in the ESOPs. Additional Voting Preferred Stock is issued as shares of the Class 1 and Class 2 ESOP Preferred Stock are allocated to employees. In the aggregate, 17,675,345 shares of Voting Preferred Stock will be issued through the year 2000. The Voting Preferred Stock outstanding at any time commands voting power for approximately 55% of the vote of all classes of capital stock in all matters requiring a stockholder vote, other than for the election of members of the Board of Directors. The Voting Preferred Stock has a par value and liquidation preference of \$0.01 per share. The stock is not entitled to receive any dividends and is convertible into .0004 shares of UAL common stock.

Class Pilot MEC, IAM, SAM and I junior preferred stock (collectively "Director Preferred Stocks") were established to effectuate the election of one or more members to UAL's Board of Directors. One share each of Class Pilot MEC and Class IAM junior preferred stock is authorized and issued. The Company is authorized to issue ten shares each of Class SAM and Class I junior preferred stock. There are three shares of Class SAM and four shares of Class I issued. Each of the Director Preferred Stocks has a par value and liquidation preference of \$0.01 per share. The stock is not entitled to receive any dividends and Class I will be redeemed automatically upon the transfer of the shares to

any person not elected to the Board of Directors or upon the occurrence of the "Sunset."

14) Common Stockholders' Equity

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

	1999 ----	1998 ----	1997 ----
Shares outstanding at beginning of year	51,804,653	57,320,486	58,817,480
Stock options exercised	939,262	382,136	840,100
Shares issued from treasury			
under compensation arrangements	89,745	11,944	28,224
Shares acquired for treasury	(3,877,912)	(7,237,975)	(3,269,393)
Forfeiture of restricted stock	(5,800)	(7,600)	(25,120)
Conversion of ESOP preferred stock	1,814,731	1,316,786	911,300
Other	11,904	18,876	17,895
	-----	-----	-----
Shares outstanding at end of year	50,776,583	51,804,653	57,320,486
	=====	=====	=====

During 1999, 1998 and 1997, the Company repurchased 3,754,802, 7,061,109 and 2,881,092 shares of common stock, respectively, at a total purchase price of \$261 million, \$459 million and \$250 million, respectively.

(15) Stock Options and Awards

The Company has granted options to purchase common stock to various officers and employees. The option price for all stock options is at least 100% of the fair market value of UAL common stock at the date of grant. Options generally vest and become exercisable in four equal, annual installments beginning one year after the date of grant, and generally expire in ten years.

As a result of the 1994 recapitalization, all outstanding options became fully vested at the time of the transaction and the holders of such options became eligible to utilize the cashless exercise features of stock options. Under a cashless exercise, the Company withholds, at the election of the optionee, from shares that would otherwise be issued upon exercise, that number of shares having a fair market value equal to the exercise price and/or related income taxes. For outstanding options eligible for cashless exercise, changes in the market price of the stock are charged (credited) to earnings currently. The expense (credit) recorded for such eligible options was \$4 million in 1999, \$(7) million in 1998 and \$14 million in 1997.

Stock options which were outstanding at the time of the recapitalization are exercisable for shares of old common stock, each of which is in turn converted into two shares of new common stock and \$84.81 in cash upon exercise. Subsequent to the recapitalization, the Company granted stock options which are exercisable for shares of new common stock.

The Company has also awarded shares of restricted stock to officers and key employees. These shares generally vest over a five-year period and are subject to certain transfer restrictions and forfeiture under certain circumstances prior to vesting. Unearned compensation, representing the fair market value of the stock at the measurement date for the award, is amortized to salaries and related costs over the vesting period. During 1999 and 1997, respectively, 75,000 and 5,000 shares of restricted stock were issued from treasury. No shares were issued in 1998. As of December 31, 1999, 154,400 shares were restricted and still nonvested. Additionally, 277,250 shares were reserved for future awards under the plan.

SFAS No. 123 ("Accounting for Stock-Based Compensation") establishes a fair value based method of accounting for stock options. The Company has elected to continue using the intrinsic value method of accounting prescribed in APB 25, as permitted by SFAS No. 123. Had compensation cost for awards been determined based on the fair value at the grant dates consistent with the method of SFAS No. 123, the Company's net income and earnings per

share would have instead been reported as the pro forma amounts indicated below:

		1999 ----	1998 ----	1997 ----
Net income (millions)	As reported	\$ 1,235	\$ 821	\$ 949
	Pro forma	\$ 1,219	\$ 812	\$ 944
Basic earnings per share	As reported	\$ 21.20	\$12.71	\$14.83
	Pro forma	\$ 20.89	\$12.55	\$14.75
Diluted earnings per share	As reported	\$ 9.94	\$ 6.83	\$ 8.95
	Pro forma	\$ 9.79	\$ 6.74	\$ 8.94

The weighted-average grant date fair value of restricted shares issued was \$69.51 for shares issued in 1999 and \$87.44 for shares issued in 1997. The fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	1999 ----	1998 ----	1997 ----
Risk-free interest rate	5.2%	5.6%	6.4%
Dividend yield	0.0%	0.0%	0.0%
Volatility	34.0%	33.0%	32.0%
Expected life (years)	4.0	4.0	4.0

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

	1999 ----		1998 ----		1997 ----	
	Shares	Wtd Avg Exer Price	Shares	Wtd Avg Exer Price	Shares	Wtd Avg Exer Price
Old Share Options:						
Outstanding at beginning of year	118,475	\$121.64	168,393	\$121.65	356,118	\$120.80
Exercised	(42,125)	\$130.53	(49,918)	\$121.67	(187,725)	\$120.03
Outstanding at end of year	76,350	\$116.74	118,475	\$121.64	168,393	\$121.65
Options exercisable at year-end	76,350	\$116.74	118,475	\$121.64	168,393	\$121.65

	1999 ----		1998 ----		1997 ----	
	Shares	Wtd Avg Exer Price	Shares	Wtd Avg Exer Price	Shares	Wtd Avg Exer Price
New Share Options:						
Outstanding at beginning of year	5,411,836	\$45.07	4,749,612	\$36.27	4,828,990	\$31.64
Granted	2,081,600	\$64.29	1,064,200	\$81.40	449,100	\$77.86
Exercised	(855,012)	\$25.67	(282,300)	\$28.79	(464,650)	\$25.58
Terminated	(124,715)	\$70.74	(119,676)	\$57.12	(63,828)	\$57.45
Outstanding at end of year	6,513,709	\$53.27	5,411,836	\$45.07	4,749,612	\$36.27
Options exercisable at year-end	3,240,210	\$38.26	3,400,607	\$29.97	2,518,238	\$26.63
Reserved for future grants at year-end	1,466,019		3,422,904		4,397,428	
Wtd avg fair value of options granted during the year	\$22.31		\$27.95		\$27.40	

The following information related to stock options outstanding as of December 31, 1999:

Range of Exercise Prices	Outstanding at December 31, 1999	Options Outstanding		Options Exercisable	
		Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Exercisable at December 31, 1999	Weighted-Average Exercise Price
Old Share Options:					
\$91 to 153	76,350	2.0 years	\$116.74	76,350	\$116.74
New Share Options:					
\$20 to 29	1,940,940	4.6 years	\$ 22.88	1,940,940	\$ 22.88
\$37 to 57	1,175,747	6.3 years	\$ 52.69	877,248	\$ 52.37
\$60 to 69	1,918,800	9.2 years	\$ 62.75	30,000	\$ 63.29
\$70 to 88	1,478,222	8.3 years	\$ 81.33	392,022	\$ 80.96
	6,513,709			3,240,210	

(16) Retirement and Postretirement Plans

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

The following table sets forth the reconciliation of the beginning and ending balances of the benefit obligation and plan assets, the funded status and the amounts recognized in the statement of financial position for the defined benefit and other postretirement plans as of December 31:

(In Millions)

Change in Benefit Obligation	Pension Benefits		Other Benefits	
	1999	1998	1999	1998
Benefit obligation at beginning of year	\$8,038	\$7,272	\$1,626	\$1,706
Service cost	295	276	53	48
Interest cost	583	533	116	109
Plan participants' contributions	1	1	7	-
Amendments	1	1	-	-
Actuarial (gain) loss	(1,161)	274	(254)	(169)
Foreign currency exchange rate changes	12	13	-	-
Benefits paid	(388)	(332)	(83)	(68)
Benefit obligation at end of year	\$7,381	\$8,038	\$1,465	\$1,626
Change in Plan Assets				
Fair value of plan assets at beginning of year	\$7,654	\$6,859	\$ 112	\$ 107
Actual return on plan assets	1,255	934	6	8
Employer contributions	175	187	71	-
Plan participants' contributions	1	1	7	-
Foreign currency exchange rate changes	4	5	-	-
Benefits paid	(388)	(332)	(83)	(3)
Fair value of plan assets at end of year	\$8,701	\$7,654	\$ 113	\$ 112
Funded status	\$1,320	\$ (384)	\$(1,352)	\$(1,514)
Unrecognized actuarial (gains) losses	(1,870)	(122)	(229)	19
Unrecognized prior				

service costs	604	660	-	-
	-----	-----	-----	-----
Net amount recognized	\$ 54	\$ 154	\$(1,581)	\$(1,495)
	=====	=====	=====	=====

Amounts recognized in the statement of financial position consist of:

	1999	1998	1999	1998
	----	----	----	----
Prepaid (accrued) benefit cost	\$ 54	\$ 154	\$(1,581)	\$(1,495)
Accrued benefit liability	(151)	(274)	-	-
Intangible asset	148	271	-	-
Accumulated other comprehensive income	3	3	-	-
	----	-----	-----	-----
Net amount recognized	\$ 54	\$ 154	\$(1,581)	\$(1,495)
	=====	=====	=====	=====

Weighted-average assumptions	1999	1998	1999	1998
	----	----	----	----
Discount rate	8.25%	7.00%	7.00%	7.00%
Expected return on plan assets	9.75%	9.75%	8.00%	8.00%
Rate of compensation increase	4.10%	4.05%	-	-

The assumed health care cost trend rates for gross claims paid were 4.0% and 5.0% for 1999 and 1998, respectively.

The net periodic benefit cost included the following components:

(In Millions)	Pension Benefits			Other Benefits		
	1999	1998	1997	1999	1998	1997
	----	----	----	----	----	----
Service cost	\$ 295	\$ 276	\$ 232	\$ 53	\$ 48	\$ 44
Interest cost	583	533	477	116	109	107
Expected return on plan assets	(665)	(581)	(531)	(9)	(8)	(8)
Amortization of prior service cost including transition obligation/(asset)	57	57	36	-	-	-
Recognized actuarial (gain)/loss	1	9	1	(5)	(4)	(5)
	----	----	----	----	----	----
Net period benefit cost	\$ 271	\$ 294	\$ 215	\$ 155	\$ 145	\$ 138
	=====	=====	=====	=====	=====	=====

Total pension expense for all retirement plans (including defined contribution plans) was \$285 million in 1999, \$304 million in 1998 and \$229 million in 1997.

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the plans with accumulated benefit obligations in excess of plan assets were \$500 million, \$444 million, and \$47 million, respectively, as of December 31, 1999, and \$1.688 billion, \$1.510 billion, and \$1.118 billion, respectively, as of December 31, 1998.

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

(In Millions)	1% Increase	1% Decrease
-----	-----	-----
Effect on total service and interest cost	\$ 28	\$ 23
Effect on postretirement benefit obligation	\$186	\$154

Changes in interest rates or rates of inflation may impact the assumptions used in the valuation of pension obligations and postretirement obligations including

discount rates and rates of increase in compensation, resulting in increases or decreases in United's pension and postretirement liabilities and pension and postretirement costs.

(17) Financial Instruments and Risk Management  
-----

See Item 7A. Quantitative and Qualitative Disclosures About Market Risk ("Item 7A") for a discussion of the Company's foreign currency and fuel price risk management activities, and the fair value of all significant financial instruments.

Credit Exposures of Derivatives

The Company's theoretical risk in the derivative financial instruments described in Item 7A is the cost of replacing the contracts at current market rates in the event of default by any of the counterparties. However, the Company does not anticipate such default as counterparties are selected based on credit ratings and the relative market positions with each counterparty are monitored.

Financial Guarantees

Special facility revenue bonds have been issued by certain municipalities to build or improve airport and maintenance facilities leased by United. Under the lease agreements, United is required to make rental payments in amounts sufficient to pay the maturing principal and interest payments on the bonds. At December 31, 1999, \$1.274 billion principal amount of such bonds was outstanding. As of December 31, 1999, UAL and United had jointly guaranteed \$35 million of such bonds and United had guaranteed \$1.258 billion of such bonds, including accrued interest. The payments required to satisfy these obligations are included in the future minimum lease payments disclosed in Note 10, "Lease Obligations."

Concentrations of Credit Risk

The Company does not believe it is subject to any significant concentration of credit risk. Most of the Company's receivables result from sales of tickets to individuals through geographically dispersed travel agents, company outlets or other airlines, often through the use of major credit cards. These receivables are short term, generally being settled shortly after the sale.

(18) Commitments, Contingent Liabilities and Uncertainties  
-----

The Company 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 the Company 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. UAL records liabilities for legal and environmental claims against it in accordance with generally accepted accounting principles. These amounts are recorded based on the Company's assessments of the likelihood of their eventual settlements. The amounts of these liabilities could increase or decrease in the near term, based on revisions to estimates relating to the various claims.

At December 31, 1999, commitments for the purchase of property and equipment, principally aircraft, approximated \$4.4 billion, after deducting advance payments. An estimated \$2.0 billion will be spent in 2000, \$1.8 billion in 2001 and \$0.6 billion in 2002. The major commitments are for the purchase of A319, A320, B747, B767, and B777 aircraft, which are scheduled to be delivered through 2002. These commitments, combined with aircraft retirements, are part of the Company's plan to eventually increase the fleet to an expected 645 aircraft at the end of 2001.

In connection with the construction of the Indianapolis Maintenance Center, United agreed to spend an aggregate \$800 million on capital investments by the year 2001 and employ at least 7,500 individuals by the year 2004. In the event such targets are not reached, United may be required to make certain payments to the city of Indianapolis and state of Indiana.

Approximately 79% of United's employees are represented by various labor organizations. The labor contracts with

the Air Line Pilots' Association and the International Association of Machinists and Aerospace Workers become amendable in April and July 2000, respectively. The Company is currently in the process of negotiating these contracts. The contract with the Association of Flight Attendants becomes amendable in 2006. See Other Information, "Labor Agreements and Wage Adjustments" in Management's Discussion and Analysis of Financial Condition and Results of Operations for details.

(19) Segment Information

United has a global route network designed to transport passengers and cargo between destinations in North America, the Pacific, Latin America and Europe. These regions constitute United's four reportable segments. The accounting policies for each of these segments are the same as those described in Note 1, "Summary of Significant Accounting Policies," except that segment financial information has been prepared using a management approach which is consistent with how the Company's management internally disaggregates financial information for the purpose of making internal operating decisions. UAL evaluates performance based on United's fully distributed earnings before income taxes and gains on sales. Revenues are attributed to each reportable segment based on the allocation guidelines provided by the U.S. Department of Transportation, which classifies flights between the U.S. and foreign designations as part of each respective region. A reconciliation of the total amounts reported by reportable segments to the applicable amounts in the financial statements follows:

	Year Ended December 31, 1999						
	Domestic	Pacific	Latin America	Atlantic	Reportable Segment Total	Other	Consolidated Total
Revenue	\$12,516	\$ 2,691	\$ 787	\$1,973	\$17,967	\$ 60	\$ 18,027
Interest income	40	14	4	10	68	-	68
Interest expense	217	79	21	55	372	(10)	362
Equity in earnings of affiliates	21	9	2	5	37	-	37
Depreciation and amortization	550	145	42	115	852	15	867
Fully distributed earnings before income taxes & gains on sales	1,460	171	49	230	1,910	57	1,967

	Year Ended December 31, 1998						
	Domestic	Pacific	Latin America	Atlantic	Reportable Segment Total	Other	Consolidated Total
Revenue	\$11,997	\$ 2,843	\$ 832	\$1,846	\$17,518	\$ 43	\$17,561
Interest income	33	14	3	8	58	1	59
Interest expense	207	84	22	49	362	(7)	355
Equity in earnings of affiliates	41	17	4	10	72	-	72
Depreciation and amortization	520	145	45	95	805	(12)	793
Fully distributed earnings before income taxes	1,641	63	68	277	2,049	36	2,085

	Year Ended December 31, 1997						
	Domestic	Pacific	Latin America	Atlantic	Reportable Segment Total	Other	Consolidated Total
Revenue	\$11,214	\$3,552	\$ 824	\$ 1,745	\$17,335	\$ 43	\$17,378
Interest income	29	13	3	6	51	1	52
Interest expense	166	73	15	36	290	(4)	286
Equity in earnings of affiliates	38	17	3	8	66	-	66
Depreciation and amortization	474	159	38	76	747	(23)	724

Fully distributed earnings before income taxes & gains on sales	1,189	512	109	287	2,097	36	2,133
---	-------	-----	-----	-----	-------	----	-------

(In Millions)	1999	1998	1997
Total fully distributed earnings for reportable segments	\$ 1,910	\$ 2,049	\$ 2,097
Gains on sales	731	-	378
UAL subsidiary earnings	57	36	36
Less: ESOP compensation expense	756	829	987
Total earnings before income taxes distributions on preferred securities and extraordinary item	\$ 1,942	\$ 1,256	\$ 1,524

UAL's operations involve an insignificant level of dedicated revenue producing assets by reportable segment. The overwhelming majority of UAL's revenue producing assets can be deployed in any of the four reportable segments. UAL has significant intangible assets related to the acquisition of its Atlantic and Latin America route authorities.

(20) Statement of Consolidated Cash Flows - Supplemental Disclosures

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

(In Millions)	1999	1998	1997
Cash paid during the year for:			
Interest (net of amounts capitalized)	\$ 260	\$ 234	\$ 152
Income taxes	296	160	362
Non-cash transactions:			
Capital lease obligations incurred	482	701	643
Long-term debt incurred in connection with additions to equipment	-	-	185
Note receivables recorded in connection with the sale of equipment and leasehold improvements	-	-	61
Increase (decrease) in pension intangible assets	(123)	(15)	200
Net unrealized gain on investment in affiliates	356	-	-

(21) Selected Quarterly Financial Data (Unaudited)

(In Millions)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year
1999:					
Operating revenues	\$4,160	\$4,541	\$4,845	\$4,481	\$18,027
Earnings from operations	146	433	619	193	1,391
Earnings before extraordinary item	78	672	359	129	1,238
Extraordinary loss on early extinguishment of debt	-	(3)	-	-	(3)
Net earnings	\$ 78	\$ 669	\$ 359	\$ 129	\$ 1,235
Per share amounts, basic:					
Earnings before extraordinary item	\$ 0.91	\$12.26	\$ 6.18	\$ 1.85	\$ 21.26
Extraordinary loss on early extinguishment of debt	-	(0.05)	-	-	(0.06)
Net earnings	\$ 0.91	\$12.21	\$ 6.18	\$ 1.85	\$ 21.20
Net earnings per share, diluted	\$ 0.44	\$ 5.78	\$ 2.89	\$ 0.84	\$ 9.94
1998:					
Operating revenues	\$4,055	\$4,442	\$4,783	\$4,281	\$17,561
Earnings from operations	123	470	695	191	1,478
Net earnings	\$ 61	\$ 282	\$ 425	\$ 54	\$ 821
Earnings per share, basic	\$ 0.60	\$ 4.43	\$ 6.91	\$ 0.53	\$ 12.71
Earnings per share, diluted	\$ 0.34	\$ 2.44	\$ 3.71	\$ 0.27	\$ 6.83

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

During the second quarter of 1999, UAL recognized a pre-tax gain of \$669 million on the sale of a portion of its investment in Galileo. Additionally, in the fourth quarter 1999, UAL recognized a pre-tax gain of \$62 million on the sale of a portion of its investment in Equant. (See Note 6, "Investments").

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

-----

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

Information required by this item is incorporated by reference from the Company's definitive proxy statement for its 2000 Annual Meeting of Stockholders. Information regarding the executive officers is included in Part I of this Form 10-K under the caption "Executive Officers of the Registrant."

ITEM 11. EXECUTIVE COMPENSATION.

Information required by this item is incorporated by reference from the Company's definitive proxy statement for its 2000 Annual Meeting of Stockholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

Information required by this item is incorporated by reference from the Company's definitive proxy statement for its 2000 Annual Meeting of Stockholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Information required by this item is incorporated by reference from the Company's definitive proxy statement for its 2000 Annual Meeting of Stockholders.

PART IV

-----

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a) 1. Financial Statements. The financial statements required by this item are listed in Item 8, "Financial Statements and Supplementary Data" herein.

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

Schedule II - Valuation and Qualifying Accounts for the years ended December 31, 1999, 1998, and 1997.

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

3. Exhibits. The exhibits required by this item are listed in the Exhibit Index which immediately precedes the exhibits filed with this Form 10-K, and is incorporated herein by this reference. Each of Exhibits 10.30 through 10.41 listed in the Exhibit Index is a management contract or compensatory plan or arrangement required to be filed as an exhibit pursuant to Item 14(c) of Form 10-K.

(b) Reports on Form 8-K.

Form 8-K dated October 19, 1999 to report a press release in which UAL Corporation announced a strategic investment in Air Canada.

Form 8-K dated October 20, 1999 to report a cautionary statement for purposes of the "Safe Harbor for Forward Looking Statements" provision of the Private Securities Litigation Reform Act.

#### SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, on the 24th day of February 2000.

#### UAL CORPORATION

By: /s/ James E. Goodwin  
-----  
James E. Goodwin  
Chairman of the Board and Chief  
Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on the 24th day of February 2000 by the following persons on behalf of the registrant and in the capacities indicated.

/s/ James E. Goodwin  
-----  
James E. Goodwin  
Chairman of the Board and Chief  
Executive Officer (principal  
executive officer)

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

/s/ Rono Dutta  
-----  
Rono Dutta  
Director

/s/ Hazel R. O'Leary  
-----  
Hazel R. O'Leary  
Director

/s/ John W. Creighton, Jr.  
-----  
John W. Creighton, Jr.  
Director

/s/ Deval L. Patrick  
-----  
Deval L. Patrick  
Director

/s/ Frederick C. Dubinsky  
-----  
Frederick C. Dubinsky  
Director

/s/ John F. Peterpaul  
-----  
John F. Peterpaul  
Director

/s/ Richard D. McCormick  
-----  
Richard D. McCormick  
Director

/s/ Paul E. Tierney, Jr.  
-----  
Paul E. Tierney, Jr.  
Director

/s/ John F. McGillicuddy  
-----  
John F. McGillicuddy  
Director

/s/ John K. Van de Kamp  
-----  
John K. Van de Kamp  
Director

/s/ James J. O'Connor  
-----  
James J. O'Connor  
Director

(In Millions)

Description	Balance at Beginning of Year	Additions Charged to			Balance at End of Year
		Costs and Expenses	Other Accounts	Deductions	
Reserve deducted from asset to which it applies:					
Allowance for doubtful accounts	\$ 22	\$ 11	\$ -	\$ 20(1)	\$ 13
	===	===	===	===	===
Obsolescence allowance - Flight equipment spare parts	\$ 39	\$ 4	\$ 1	\$ (1)(1)	\$ 45
	===	===	===	===	===

F-1

(1) Deduction from reserve for purpose for which reserve was created.

UAL Corporation and Subsidiary Companies  
Schedule II - Valuation and Qualifying Accounts  
For the Year Ended December 31, 1998

(In Millions)

Description	Balance at Beginning of Year	Additions Charged to			Balance at End of Year
		Costs and Expenses	Other Accounts	Deductions	
Reserve deducted from asset to which it applies:					
Allowance for doubtful account	\$ 15	\$ 17	\$ -	\$ 10(1)	\$ 22
	===	===	===	===	===
Obsolescence allowance - Flight equipment spare parts	\$ 29	\$ 36	\$ 4	\$ 30(1)	\$ 39
	===	===	===	===	===

F-2

(1) Deduction from reserve for purpose for which reserve was created.

UAL Corporation and Subsidiary Companies  
Schedule II - Valuation and Qualifying Accounts  
For the Year Ended December 31, 1997

(In Millions)

Description	Balance at Beginning of Year	Additions Charged to			Balance at End of Year
		Costs and Expenses	Other Accounts	Deductions	
Reserve deducted from asset to which it applies:					
Allowance for doubtful accounts	\$ 24	\$ 17	\$ -	\$ 26(1)	\$ 15
	===	===	===	===	===
Obsolescence allowance - Flight equipment spare parts	\$ 31	\$ 26	\$ 5	\$ 33(2)	\$ 29
	===	===	===	===	===

F-3

- 
- (1) Includes deduction from reserve due to the sale of the Apollo Travel Services Partnership.
  - (2) Deduction from reserve for purpose for which reserve was created.

EXHIBIT INDEX

-----

- 3.1 Restated Certificate of Incorporation of UAL Corporation ("UAL"), as amended (filed as Exhibit 3.1 to UAL's Form 10-K for the year ended December 31, 1996 and incorporated herein by reference).
  - 3.2 By-laws (filed as Exhibit 3.2 to UAL's Form 10-Q for the quarter ended September 30, 1999 and incorporated herein by reference).
  - 4.1 Deposit Agreement dated as of July 12, 1994 between UAL Corporation and holders from time to time of Depository Receipts described herein (filed as Exhibit 4.2 to UAL's Form 10-Q for the quarter ended June 30, 1994 and incorporated herein by reference).
  - 4.2 Indenture dated as of December 20, 1996 between UAL Corporation and The First National Bank of Chicago, as Trustee (filed as Exhibit 4.2 to UAL's Form 10-K for the year ended December 31, 1996 and incorporated herein by reference).
  - 4.3 Officer's Certificate relating to UAL's 13-1/4% Junior Subordinated Debentures due 2026 (filed as Exhibit 4.3 to UAL's Form 10-K for the year ended December 31, 1996 and incorporated herein by reference).
  - 4.4 Form of UAL's 13-1/4% Junior Subordinated Debenture due 2026 (filed as Exhibit 4.4 to UAL's Form 10-K for the year ended December 31, 1996 and incorporated herein by reference).
  - 4.5 Guarantee Agreement dated as of December 30, 1996 with respect to the 13-1/4% Trust Originated Preferred Securities of UAL Corporation Capital Trust I (filed as Exhibit 4.5 to UAL's Form 10-K for the year ended December 31, 1996 and incorporated herein by reference).
  - 4.6 Amended and Restated Declaration of Trust of UAL Corporation Capital Trust I dated as of December 30, 1996 (filed as Exhibit 4.6 to UAL's Form 10-K for year ended December 31, 1996 and incorporated herein by reference).
- UAL's indebtedness under any single instrument does not exceed 10% of UAL's total assets on a consolidated basis. Copies of such instruments will be furnished to the Securities and Exchange Commission upon request.
- 10.1 Amended and Restated Agreement and Plan of Recapitalization, dated as of March 25, 1994 (the "Recapitalization Agreement"), as amended, among UAL Corporation, the Air Line Pilots Association, International ("ALPA") and the International Association of Machinists and Aerospace Workers ("IAM") (filed as Exhibit A to Exhibit 10.1 of UAL's Form 8-K dated June 2, 1994 and incorporated herein by reference; amendment thereto filed as Exhibit 10.1 of UAL's Form 8-K dated June 29, 1994 and incorporated herein by reference).
  - 10.2 Agreement, dated as of July 16, 1996, pursuant to Section 1.6q of the Recapitalization Agreement among UAL, ALPA and IAM (filed as Exhibit 10.3 to UAL's Form 10-Q for the quarter ended June 30, 1996 and incorporated herein by reference).
  - 10.3 UAL Corporation Employee Stock Ownership Plan, effective as of July 12, 1994 (filed as Exhibit 10.1 to UAL's Form 10-Q for the quarter ended September 30, 1994 and incorporated herein by reference).
  - 10.4 First Amendment to UAL Corporation Employee Stock Ownership Plan, dated December 28, 1994 (filed as Exhibit 10.39 to UAL's Form 10-K for the year ended December 31, 1994, as amended, and incorporated herein by reference).

- 10.5 Second Amendment to UAL Corporation Employee Stock Ownership Plan, dated as of August 17, 1995 (filed as Exhibit 10.1 to UAL's Form 10-Q for the quarter ended September 30, 1995 and incorporated herein by reference).
- 10.6 Third Amendment to UAL Corporation Employee Stock Ownership Plan, dated as of December 28, 1995 (filed as Exhibit 10.7 to UAL's Form 10-K for the year ended December 31, 1996 and incorporated herein by reference).
- 10.7 Fourth Amendment to UAL Corporation Employee Stock Ownership Plan, dated as of July 16, 1996 (filed as Exhibit 10.1 to UAL's Form 10-Q for the quarter ended June 30, 1996 and incorporated herein by reference).
- 10.8 Fifth Amendment to UAL Corporation Employee Stock Ownership Plan, dated as of December 31, 1996 (filed as Exhibit 10.10 of UAL's Form 10-K for the year ended December 31, 1996 and incorporated herein by reference).
- 10.9 Sixth Amendment to UAL Corporation Employee Stock Ownership Plan, dated as of August 11, 1997 (filed as Exhibit 10.3 to UAL's Form 10-Q for the quarter ended September 30, 1997, as amended, and incorporated herein by reference).
- 10.10 Seventh Amendment to UAL Corporation Employee Stock Ownership Plan, dated as of May 19, 1999.
- 10.11 Eighth Amendment to UAL Corporation Employee Stock Ownership Plan, dated as of November 10, 1999.
- 10.12 Ninth Amendment to UAL Corporation Employee Stock Ownership Plan, dated as of October 29, 1999.
- 10.13 UAL Corporation Employee Stock Ownership Plan Trust Agreement between UAL Corporation and State Street Bank and Trust Company ("State Street"), effective July 12, 1994 (filed as Exhibit 10.2 to UAL's Form 10-Q for the quarter ended September 30, 1994 and incorporated herein by reference).
- 10.14 UAL Corporation Supplemental ESOP, effective as of July 12, 1994 (filed as Exhibit 10.3 to UAL's Form 10-Q for the quarter ended September 30, 1994 and incorporated herein by reference).
- 10.15 First Amendment to UAL Corporation Supplemental ESOP, dated February 22, 1995 (filed as Exhibit 10.1 to UAL's Form 10-Q for the quarter ended March 31, 1995, as amended, and incorporated herein by reference).
- 10.16 Second Amendment to UAL Corporation Supplemental ESOP, dated as of August 17, 1995 (filed as Exhibit 10.2 to UAL's Form 10-Q for the quarter ended September 30, 1995 and incorporated herein by reference).
- 10.17 Third Amendment to UAL Corporation Supplemental ESOP, dated as of December 28, 1995 (filed as Exhibit 10.12 to UAL's Form 10-K for the year ended December 31, 1995 and incorporated herein by reference).
- 10.18 Fourth Amendment to UAL Corporation Supplemental ESOP, dated as of July 16, 1996 (filed as Exhibit 10.2 to UAL's Form 10-Q for the quarter ended June 30, 1996 and incorporated herein by reference).
- 10.19 Fifth Amendment to UAL Corporation Supplemental ESOP, dated as of December 31, 1996 (filed as Exhibit 10.17 to UAL's Form 10-K for the year ended December 31, 1996 and incorporated herein by reference).
- 10.20 Sixth Amendment to UAL Corporation Supplemental ESOP, dated as of August 11, 1997 (filed as Exhibit 10.4 of UAL's Form 10-Q for the quarter ended September 30, 1997, as amended, and incorporated herein by reference).
- 10.21 Seventh Amendment to UAL Corporation Supplemental ESOP, dated as of May 19, 1999.
- 10.22 Eighth Amendment to UAL Corporation Supplemental ESOP, dated as of November 10, 1999.
- 10.23 Ninth Amendment to UAL Corporation Supplemental ESOP, dated as of October 29, 1999.

- 10.24 UAL Corporation Supplemental ESOP Trust Agreement between UAL Corporation and State Street, effective July 12, 1994 (filed as Exhibit 10.4 to UAL's Form 10-Q for the quarter ended September 30, 1994 and incorporated herein by reference).
- 10.25 Preferred Stock Purchase Agreement, dated as of August 12, 1998, between UAL Corporation and State Street Bank and Trust Company (filed as Exhibit 10.21 of UAL's Form 10-K for the year ended December 31, 1998).
- 10.26 Preferred Stock Purchase Agreement, dated as of August 12, 1999, between UAL Corporation and State Street Bank and Trust Company.
- 10.27 Class I Junior Preferred Stockholders' Agreement, dated as of June 12, 1994 (filed as Exhibit 10.12 to UAL's Form 10-Q for the quarter ended September 30, 1994 and incorporated herein by reference).
- 10.28 Class SAM Preferred Stockholders' Agreement, dated as of July 12, 1994 (filed as Exhibit 10.13 to UAL's Form 10-Q for the quarter ended September 30, 1994 and incorporated herein by reference).
- 10.29 First Refusal Agreement, dated as of July 12, 1994, as amended (filed as Exhibit 10.25 to UAL's Form 10-K for the year ended December 31, 1996 and incorporated herein by reference).
- 10.30 UAL Corporation 1981 Incentive Stock Plan, as amended March 26, 1998 (filed as Exhibit 10.2 to UAL's Form 10-Q for the quarter ended March 31, 1998 and incorporated herein by reference).
- 10.31 UAL Corporation 1998 Restricted Stock Plan (filed as Exhibit 10.1 to UAL's Form 10-Q for the quarter ended June 30, 1998 and incorporated herein by reference).
- 10.32 UAL Corporation Incentive Compensation and Profit Sharing Plan (filed as Exhibit 10.1 to UAL's Form 10-Q for the quarter ended March 31, 1998 and incorporated herein by reference).
- 10.33 United Employees Performance Incentive Plan
- 10.34 Summary Description of Compensation and Benefits for Directors.
- 10.35 UAL Corporation 1995 Directors Plan, as amended June 26, 1997 (filed as Exhibit 10.1 of UAL's Form 10-Q for the quarter ended September 30, 1997, as amended, and incorporated herein by reference).
- 10.36 United Supplemental Retirement Plan (filed as Exhibit 10.35 of UAL's 10-K for the year ended December 31, 1998 and incorporated herein by reference).
- 10.37 Description of Officer Benefits (filed as Exhibit 10.36 of UAL's 10-K for the year ended December 31, 1998 and incorporated herein by reference).
- 10.38 Employment Agreement, dated as of April 12, 1999, between UAL Corporation, United Air Lines, Inc. and James E. Goodwin (filed as Exhibit 10.1 of UAL's Form 10-Q for the quarter ended June 30, 1999 and incorporated herein by reference).
- 10.39 Amendment No. 2 to Employment Agreement, dated as of April 5, 1999, between UAL Corporation and Gerald Greenwald (filed as Exhibit 10.2 of UAL's Form 10-Q for the quarter ended June 30, 1999 and incorporated herein by reference).
- 10.40 Form of Restricted Stock Agreement, dated as of July 13, 1999, between UAL Corporation (together with its wholly owned subsidiary, United Air Lines, Inc.) and each of Rono Dutta, Douglas A. Hacker, and Andrew P. Studdert (filed as Exhibit 10.1 of UAL's Form 10-Q for the quarter ended September 30, 1999 and incorporated herein by reference).
- 10.41 Form of Severance Agreement between UAL Corporation and certain officers (filed as Exhibit 10.37 of UAL's Form 10-K for the year ended December 31, 1998 and

incorporated herein by reference).

- 10.42 Supplemental Agreement No. 8, dated as of February 10, 1999, to the Agreement dated December 18, 1990, between The Boeing Company and United (and United Worldwide Corporation) for acquisition of Boeing 777-200 aircraft (as previously amended and supplemented, the "777-200 Purchase Agreement" (filed as Exhibit 10.7 to UAL's Form 10-K for the year ended December 31, 1990, and incorporated herein by reference; supplements thereto filed as (i) Exhibits 10.1, 10.2 and 10.22 to UAL's Form 10-Q for the quarter ended June 30, 1993, (ii) Exhibit 10.2 to UAL's Form 10-K for the year ended December 31, 1993, (iii) Exhibit 10.14 to UAL's Form 10-Q for the quarter ended June 30, 1994, (iv) Exhibits 10.27 and 10.28 to UAL's Form 10-K for the year ended December 31, 1994, (v) Exhibits 10.2 and 10.3 to UAL's Form 10-Q for the quarter ended March 31, 1995, (vi) Exhibits 10.4, through 10.6 to UAL's Form 10-Q for the quarter ended June 30, 1995, (vii) Exhibits 10.37 through 10.40 to UAL's Form 10-K for the year ended December 31, 1995, (viii) Exhibits 10.9 through 10.12 and 10.17 through 10.19 to UAL's Form 10-Q for the quarter ended June 30, 1996, (ix) Exhibit 10.38 to UAL's Form 10-K for the year ended December 31, 1998, (x) Exhibit 10.1 to UAL's Form 10-Q for the quarter ended March 31, 1999, and (xi) and Exhibit 10.2 to UAL's Form 10-Q for the quarter ended September 30, 1999, and incorporated herein by reference)).
- 10.43 Supplemental Agreement No. 13, dated as of February 10, 1999, to the Agreement dated December 18, 1990, between The Boeing Company and United for acquisition of Boeing 747-400 aircraft (as previously amended and supplemented, the "747-400 Purchase Agreement" (filed as Exhibit 10.8 to UAL's Form 10-K for the year ended December 31, 1990, and incorporated herein by reference; supplements thereto filed as (i) Exhibits 10.4 and 10.5 to UAL's Form 10-K for the year ended December 31, 1991, (ii) Exhibits 10.3 through 10.6 and Exhibit 10.22 to UAL's Form 10-Q for the quarter ended June 30, 1993, (iii) Exhibit 10.3 to UAL's Form 10-K for the year ended December 31, 1993, (iv) Exhibit 10.14 to UAL's Form 10-Q for the quarter ended June 30, 1994, (v) Exhibits 10.29 and 10.30 to UAL's Form 10-K for the year ended December 31, 1994, (vi) Exhibits 10.4 through 10.8 to UAL's Form 10-Q for the quarter ended March 31, 1995, (vii) Exhibits 10.7 and 10.8 to UAL's Form 10-Q for the quarter ended June 30, 1995, (viii) Exhibit 10.41 to UAL's Form 10-K for the year ended December 31, 1995, (ix) Exhibits 10.4 through 10.8 and Exhibit 10.17 to UAL's Form 10-Q for the quarter ended June 30, 1996, (x) Exhibits 10.1 through 10.3 to UAL's Form 10-Q for the quarter ended March 31, 1997, (xi) Exhibits 10.47 and 10.48 to UAL's Form 10-K for the year ended December 31, 1998, and (xii) Exhibit 10.2 of UAL's Form 10-Q for the quarter ended March 31, 1999, and incorporated herein by reference)).
- 10.44 Letter Agreement No. 6-1162-PJG-064, Pratt and Whitney Engine Model PW4074 Surge Mapping, dated as of December 8, 1999, to Purchase Agreement No. 1663 dated December 18, 1990, between Boeing and United Air Lines, Inc. for acquisition of Boeing 777-200 aircraft. (as previously amended and supplemented, the "777-200 Purchase Agreement" (filed as Exhibit 10.7 to UAL's Form 10-K for the year ended December 31, 1990, and incorporated herein by reference; supplements thereto filed as (i) Exhibits 10.1, 10.2 and 10.22 to UAL's Form 10-Q for the quarter ended June 30, 1993, (ii) Exhibit 10.2 to UAL's Form 10-K for the year ended December 31, 1993, (iii) Exhibit 10.14 to UAL's Form 10-Q for the quarter ended June 30, 1994, (iv) Exhibits 10.27 and 10.28 to UAL's Form 10-K for the year ended December 31, 1994, (v) Exhibits 10.2 and 10.3 to UAL's Form 10-Q for the quarter ended March 31, 1995, (vi) Exhibits 10.4, through 10.6 to UAL's Form 10-Q for the quarter ended June 30, 1995, (vii) Exhibits 10.37 through 10.40 to UAL's Form 10-K for the year ended December 31, 1995, (viii) Exhibits 10.9 through 10.12 and 10.17 through 10.19 to UAL's Form 10-Q for the quarter ended June 30, 1996, (ix) Exhibit 10.38 to UAL's Form 10-K for the year ended December 31, 1998, (x) Exhibit 10.1 to UAL's Form 10-Q for the quarter ended March 31, 1999, and (xi) and Exhibit 10.2 to UAL's Form 10-Q for the quarter ended September 30, 1999. (Exhibit 10.44 hereto is filed with a request for confidential treatment of certain portions

thereof.)

- 12 Computation of Ratio of Earnings to Fixed Charges.
- 12.1 Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividend Requirements.
- 21 List of UAL's subsidiaries
- 23 Consent of Independent Public Accountants
- 27 Financial Data Schedule
- 99 Annual Report on Form 11-K for Employees' Stock Purchase Plan of UAL Corporation

SEVENTH AMENDMENT  
UAL CORPORATION  
EMPLOYEE STOCK OWNERSHIP PLAN  
(Effective as of July 12, 1994)

By virtue and in exercise of the amending power reserved to UAL Corporation (the "Company") under Section 13.1(a) of the UAL Corporation Employee Stock Ownership Plan (effective as of July 12, 1994) (the "Plan"), which amending power thereunder is subject to the approval of the Air Line Pilots Association International ("ALPA") and the International Association of Machinists and Aerospace Workers (the "IAM"), the Company hereby amends the Plan, subject to the approval of ALPA and the IAM, as follows, effective January 1, 1998.

1. The Preamble to the Plan is amended by adding the following to the end of the second paragraph after the heading "Transaction":

"The allocations to the Management and Salaried Employee Group shall take into account the agreement of the Company and the IAM concerning Fleet Technical Instructors, Fleet Technical Specialists, Program Support Coordinators and Program Support Specialists (collectively, the "Fleet Technical and Program Support Employees"). Through 1997, these employees participated in the Plan (under its generally-applicable provisions) as members of the Management and Salaried Employee Group. In each of the years 1998, 1999 and 2000 they will continue to participate as members of the Management and Salaried Employee Group, notwithstanding the fact that the IAM represents them starting in 1998."

2. The Preamble to the Plan is amended by adding the following to the end of the first paragraph after the heading "Part B: Voting Preferred Stock":

"For Plan Years beginning on and after January 1, 1998, Voting Preferred Stock allocated to the Fleet Technical and Program Support Employees for post-1997 participation and all Voting Preferred Stock allocated to the Fleet Technical and Program Support Employees with respect to dividends deemed paid on Class 2 Non-Voting Preferred Stock shall be

Class M. Voting Preferred Stock allocated to the Fleet Technical and Program Support Employees with respect to dividends actually paid on Class 1 Non-Voting Preferred Stock which had been allocated for Plan Years before 1998 shall be Class S."

3. Section 1(s)(i) is amended by adding the following to the end of the section:

"Fleet Technical Specialists, Fleet Technical Instructors, Program Support Coordinators and Program Support Specialists shall be Eligible Employees, although they became covered by a collective bargaining agreement during 1998."

4. Section 1(gg) is amended by adding the following to the end of the section:

"Fleet Technical Instructors, Fleet Technical Specialists, Program Support Coordinators, and Program Support Specialists will continue to participate as members of the Management and Salaried Employee Group, despite the fact that they are represented by the IAM."

5. Section 5.4(c)(i) is amended by adding the following to the end of the section:

"For Plan Years beginning on or after January 1, 1998, except as specified below, the appropriate class of Voting Preferred Stock for the Fleet Technical Specialists, Fleet Technical Instructors, Program Support Coordinators and Program Support Specialists shall be Class M, notwithstanding the membership of such Participants in the Management and Salaried Employee Group. Accordingly, except as specified below, all contributions and allocations of Voting Preferred Stock for such Participants for 1998 and subsequent years shall be of Class M. However, with respect to shares of Voting Preferred Stock contributed or allocated on account of dividends actually paid with respect to shares which had been allocated to such employees for Plan Years commencing prior to January 1, 1998, the appropriate class of Voting Preferred Stock shall be Class S."

6. Section 5.4(d) is amended by adding the following to the end

of the section:

"Pursuant to an agreement between the Company and the IAM, the Fleet Technical Instructors, Fleet Technical Specialists, Program Support Coordinators and Program Support Specialists will continue to participate in the Plan as members of the Management and Salaried Employee Group. The Accounts maintained for such Participants for 1998 and subsequent years shall reflect their membership in the IAM for such years. The shares allocated to such Participants for 1998 and subsequent years shall be made with the shares reserved for allocation to the members of the Management and Salaried Employee Group, rather than with the shares reserved for allocation to the members of the IAM Employee Group."

IN WITNESS WHEREOF, the Company has caused this Seventh Amendment to be executed on May, 19 1999.

UAL CORPORATION

/s/ Douglas A. Hacker  
-----  
Senior Vice President & Chief  
Financial Officer

APPROVED BY:

AIR LINE PILOTS ASSOCIATION,  
INTERNATIONAL

/s/ Michael Glawe  
-----

/s/ Duane Woerth  
-----

INTERNATIONAL ASSOCIATION  
OF MACHINISTS AND  
AEROSPACE WORKERS

/s/ Kenneth W. Thiede  
-----

EIGHTH AMENDMENT  
UAL CORPORATION  
EMPLOYEE STOCK OWNERSHIP PLAN  
(Effective as of July 12, 1994)

By virtue and in exercise of the amending power reserved to UAL Corporation (the "Company") under Section 13.1(a) of the UAL Corporation Employee Stock Ownership Plan (effective as of July 12, 1994) (the "Plan"), which amending power thereunder is subject to the approval of the Air Line Pilots Association International ("ALPA") and the International Association of Machinists and Aerospace Workers (the "IAM"), the Company hereby amends the Plan, subject to the approval of ALPA and the IAM, as follows, effective January 1, 1999.

1. The Preamble to the Plan is amended by adding the following to the end of the second paragraph after the heading "Transaction":

"The allocations to the Management and Salaried Employee Group shall take into account the agreement of the Company and the IAM concerning Public Contact Employees (collectively, the "Public Contact Employees"). Through 1998, these employees participated in the Plan (under its generally-applicable provisions) as members of the Management and Salaried Employee Group. In each of the years 1999 and 2000 they will continue to participate as members of the Management and Salaried Employee Group, notwithstanding the fact that the IAM represents them starting in 1999."

2. The Preamble to the Plan is amended by adding the following to the end of the first paragraph after the heading "Part B: Voting Preferred Stock":

"For Plan Years beginning on and after January 1, 1999, Voting Preferred Stock allocated to the Public Contact Employees for post-1998 participation and all Voting Preferred Stock allocated to the Public Contact Employees with respect to dividends deemed paid on Class 2 Non-Voting Preferred Stock shall be Class M. Voting Preferred Stock allocated to the Public Contact Employees with respect to dividends actually paid on Class 1 Non-Voting Preferred

Stock which had been allocated for Plan Years before 1999 shall be Class S."

3. Section 1(s)(i) is amended by adding the following to the end of the section:

"Public Contact Employees shall be Eligible Employees, although they became covered by a collective bargaining agreement during 1999."

4. Section 1(s)(iii) is amended by adding the following to the end of the section:

"Public Contact Employees shall be Eligible Employees, notwithstanding the changes to their Compensation as a result of the collective bargaining agreement which became effective during 1999."

5. Section 1(gg) is amended by adding the following to the end of the section:

"Public Contact Employees will continue to participate as members of the Management and Salaried Employee Group, despite the fact that they are represented by the IAM."

6. Section 5.4(c)(i) is amended by adding the following to the end of the section:

"For Plan Years beginning on or after January 1, 1999, except as specified below, the appropriate class of Voting Preferred Stock for the Public Contact Employees shall be Class M, notwithstanding the membership of such Participants in the Management and Salaried Employee Group. Accordingly, except as specified below, all contributions and allocations of Voting Preferred Stock for such Participants for 1999 and subsequent years shall be of Class M. However, with respect to shares of Voting Preferred Stock contributed or allocated on account of dividends actually paid with respect to shares which had been allocated to such employees for Plan Years commencing prior to January 1, 1999, the appropriate class of Voting Preferred Stock shall be Class S."

7. Section 5.4(d) is amended by adding the following to the end

of the section:

"Pursuant to an agreement between the Company and the IAM, the Public Contact Employees will continue to participate in the Plan as members of the Management and Salaried Employee Group. The Accounts maintained for such Participants for 1999 and subsequent years shall reflect their membership in the IAM for such years. The shares allocated to such Participants for 1999 and subsequent years shall be made with the shares reserved for allocation to the members of the Management and Salaried Employee Group, rather than with the shares reserved for allocation to the members of the IAM Employee Group."

IN WITNESS WHEREOF, the Company has caused this Eighth Amendment to be executed on November 10, 1999.

UAL CORPORATION

/s/ Douglas A. Hacker  
-----  
Executive Vice President & Chief  
Financial Officer

APPROVED BY:

AIR LINE PILOTS ASSOCIATION,  
INTERNATIONAL

/s/ Michael Glawe  
-----

/s/ Duane Woerth  
-----

INTERNATIONAL ASSOCIATION  
OF MACHINISTS AND  
AEROSPACE WORKERS

/s/ Kenneth W. Thiede  
-----

NINTH AMENDMENT  
UAL CORPORATION  
EMPLOYEE STOCK OWNERSHIP PLAN  
(Effective as of July 12, 1994)

By virtue and in exercise of the amending power reserved to UAL Corporation (the "Company") under Section 13.1(a) of the UAL Corporation Employee Stock Ownership Plan (effective as of July 12, 1994) (the "Plan"), which amending power thereunder is subject to the approval of the Air Line Pilots Association International ("ALPA") and the International Association of Machinists and Aerospace Workers (the "IAM"), the Company hereby amends the Plan, subject to the approval of ALPA and the IAM, as follows, effective April 1, 2000.

1. The third and fourth paragraphs of the Preamble to the Plan are amended to read as follows:

"Effective April 1, 2000, the Plan is an employee stock ownership plan which is intended to be qualified under Code Sections 401(a) and 4975(e)(7). The Trust holding the assets of the Trust Fund is intended to be exempt from taxation under Code Section 501(a).

Effective April 1, 2000, the Plan consists of two portions, a 'leveraged' portion (Part A) and an 'unleveraged' portion (Part B). Unless the context otherwise requires or unless specifically provided, all provisions of this Plan document shall apply to both part A and Part B."

2. The last three sentences of Section 3.1(a)(i), which refer to stock bonus and money purchase pension plan components of the Plan, are hereby deleted.

3. The last sentence of Section 3.1(b)(ii) is amended to read as follows:

"Such contributions may not be used to repay Acquisition Loan indebtedness."

4. Section 3.1(b)(iii) is hereby deleted from the Plan.

5. The following new Section 10.1(c) is hereby added to the Plan:

"(c) Cash Dividends On or After April 1, 2000.

(i) Cash Dividends Before Completion of Year 2000 Allocations. Notwithstanding subsection (b), any cash dividends with respect to shares of Class 1 Non-Voting Preferred Stock with a dividend record date after the

completion of the allocations under Section 5.4 for the year 2000 shall be allocated to the Participants' ESOP Cash Accounts, pro-rata, according to the number of shares of such Preferred Stock held in such Participants' ESOP Stock Accounts on the dividend record date. The amount so allocated to each Participants' ESOP Cash Account shall be distributed to such Participant as soon as administratively feasible following such allocation, but in no event later than ninety (90) days after the close of the Plan Year in which the dividend is paid. (For reference purposes only, the allocations under Section 5.4 for the year 2000 are expected to be completed in March, 2001.)

(ii) Special Rule for Cash Dividends Before Completion of Year 2000 Allocations. Notwithstanding subsection (b), any cash dividend paid with respect to shares of Class 1 Non-Voting Preferred Stock with a dividend record date within the period commencing April 1, 2000 and ending when the allocations under Section 5.4 for the year 2000 are completed shall be applied as set forth in this clause (ii).

(x). Any such dividends with respect to shares of Class 1 Non-Voting Preferred Stock for which the allocation under Section 5.4 has been completed as of the dividend record date shall be allocated to the Participants' ESOP Cash Accounts pro rata, according to the number of such shares held in the Participants' ESOP Stock Accounts on the dividend record date. The amount so credited to each Participants' ESOP Cash Account shall be distributed to the Participant as soon as administratively feasible, but in no event later than ninety (90) days after the close of the Plan Year in which the dividend is paid.

(y) Any such dividends paid with respect to shares of Class 1 Non-Voting Preferred Stock for which the allocation under Section 5.4 has not been completed as of the dividend record date shall be held by the Trustee. As soon as administratively feasible following the allocation of such Class 1 Non-Voting Preferred Stock, such dividends shall be allocated pro rata to the Participants according to the number of such shares of Class 1 Non-Voting Preferred Stock allocated to such Participants. Following such allocation, the dividends shall be distributed to such Participants as soon as administratively feasible, but in no event later than ninety (90) days after the close of the Plan Year in which the dividend is paid."

6. The following is hereby added to the end of Section 10.2:

"Notwithstanding the preceding sentence, cash dividends on Company Stock (excluding Class 1 Non-Voting Preferred Stock) with a record date on or after April 1, 2000 shall be applied as set forth in the remaining provisions of this Section 10.2. Such dividends shall be allocated to the Participants' ESOP Cash Accounts pro-rata, according to the number of shares of such Company Stock held in such Accounts on the dividend record date. Such dividends shall be distributed to the Participants as soon as administratively feasible, but no later than ninety (90) days after the close of the Plan Year in which the dividend is paid."

7. The following is hereby added to the end of Section 10.3:

"This Section 10.3 shall cease to be effective on April 1, 2000."

8. The following is hereby added to the end of Section 11.12:

"Notwithstanding the foregoing, interest earned on the investment of dividends paid on or after April 1, 2000 pending distribution to employees shall be used by the Trustee to partially offset the reasonable expenses of administering the Plan and Trust."

IN WITNESS WHEREOF, the Company has caused this Ninth  
Amendment to be executed on October 29, 1999.

UAL CORPORATION

/s/ Douglas A. Hacker  
-----  
Executive Vice President & Chief  
Financial Officer

APPROVED BY:

AIR LINE PILOTS ASSOCIATION,  
INTERNATIONAL

/s/ Michael Glawe  
-----

/s/ Duane Woerth  
-----

INTERNATIONAL ASSOCIATION  
OF MACHINISTS AND  
AEROSPACE WORKERS

/s/ S.K. Canale  
-----

/s/ Kenneth W. Thiede  
-----

SEVENTH AMENDMENT  
UAL CORPORATION  
SUPPLEMENTAL ESOP  
(Effective as of July 12, 1994)

By virtue and in exercise of the amending power reserved to UAL Corporation (the "Company") under Section 13.1(a) of the UAL Corporation Supplemental ESOP (effective as of July 12, 1994) (the "Plan"), which amending power thereunder is subject to the approval of the Air Line Pilots Association International ("ALPA") and the International Association of Machinists and Aerospace Workers (the "IAM"), the Company hereby amends the Plan, subject to the approval of ALPA and the IAM, as follows, effective January 1, 1998.

1. Section 1.1(b) of the Plan is amended by adding the following to the end of the section:

"The allocations to the Management and Salaried Employee Group shall take into account the agreement of the Company and the IAM concerning Fleet Technical Instructors, Fleet Technical Specialists, Program Support Coordinators and Program Support Specialists. Through 1997, these employees participated in the Plan (under its generally-applicable provisions) as members of the Management and Salaried Employee Group. In each of the years 1998, 1999 and 2000 they will continue to participate as members of the Management and Salaried Employee Group, notwithstanding the fact that the IAM represents them starting in 1998."

2. Section 2.2(a) is amended by adding the following to the end of the section:

"For Plan Years beginning on or after January 1, 1998, except as specified in Section 2.3(b) for actual dividends paid with respect to pre-1998 participation, the Voting Preferred Stock issued for the Fleet Technical Specialists, Fleet Technical Instructors, Program Support Coordinators and Program Support Specialists shall be Class M, notwithstanding the membership of such Participants in the Management and Salaried Employee Group. Accordingly, the maximum number of Class M Voting shares shall be increased,

and the maximum number of Class S Voting shares shall be correspondingly decreased, by the Convertible Shares issued for the Fleet Technical Specialists, Fleet Technical Instructors, Program Support Coordinators and Program Support Specialists for Plan Years commencing on or after January 1, 1998, excluding the Convertible Shares issued for dividends actually paid to their Accounts with respect to Class 1 Non-Voting Preferred Stock which had been allocated to their Accounts in the ESOP for Plan Years commencing before January 1, 1998."

3. Section 2.3(b) is amended by adding the following to the end of the section:

"For Plan Years beginning on or after January 1, 1998, except as specified below, the appropriate class of Voting Preferred Stock for the Fleet Technical Specialists, Fleet Technical Instructors, Program Support Coordinators and Program Support Specialists shall be Class M, notwithstanding the membership of such Participants in the Management and Salaried Employee Group. Accordingly, except as specified below, all contributions and allocations of Voting Preferred Stock for such Participants for 1998 and subsequent years shall be of Class M. However, with respect to shares of Voting Preferred Stock contributed or allocated on account of dividends actually paid with respect to shares of Class 1 Non-Voting Preferred Stock which had been allocated to their Accounts in the ESOP for Plan Years commencing before January 1, 1998, the appropriate class of Voting Preferred Stock shall be Class S."

4. Section 2.4(g) is amended by adding the following to the end of the section:

"Pursuant to an agreement between the Company and the IAM, the Fleet Technical Instructors, Fleet Technical Specialists, Program Support Coordinators and Program Support Specialists will continue to participate in the Plan as members of the Management and Salaried Employee Group. The Accounts maintained for such Participants for 1998 and subsequent years shall reflect their membership in the IAM for such years. The shares allocated to such Participants for 1998 and subsequent years shall be made with the shares

reserved for allocation to the members of the Management and Salaried Employee Group, rather than with the shares reserved for allocation to the members of the IAM Employee Group."

IN WITNESS WHEREOF, the Company has caused this Seventh Amendment to be executed on May 19, 1999.

UAL CORPORATION

/s/ Douglas A. Hacker  
-----  
Senior Vice President & Chief  
Financial Officer

APPROVED BY:

AIR LINE PILOTS ASSOCIATION,  
INTERNATIONAL

/s/ Michael Glawe  
-----

/s/ Duane Woerth  
-----

INTERNATIONAL ASSOCIATION  
OF MACHINISTS AND  
AEROSPACE WORKERS

/s/ Kenneth W. Thiede  
-----

EIGHTH AMENDMENT  
UAL CORPORATION  
SUPPLEMENTAL ESOP  
(Effective as of July 12, 1994)

By virtue and in exercise of the amending power reserved to UAL Corporation (the "Company") under Section 13.1(a) of the UAL Corporation Supplemental ESOP (effective as of July 12, 1994) (the "Plan"), which amending power thereunder is subject to the approval of the Air Line Pilots Association International ("ALPA") and the International Association of Machinists and Aerospace Workers (the "IAM"), the Company hereby amends the Plan, subject to the approval of ALPA and the IAM, as follows, effective January 1, 1999.

1. Section 1.1(b) of the Plan is amended by adding the following to the end of the section:

"The allocations to the Management and Salaried Employee Group shall take into account the agreement of the Company and the IAM concerning Public Contact Employees. Through 1998, these employees participated in the Plan (under its generally-applicable provisions) as members of the Management and Salaried Employee Group. In each of the years 1999 and 2000 they will continue to participate as members of the Management and Salaried Employee Group, notwithstanding the fact that the IAM represents them starting in 1999."

2. Section 2.2(a) is amended by adding the following to the end of the section:

"For Plan Years beginning on or after January 1, 1999, except as specified in Section 2.3(b) for actual dividends paid with respect to pre-1999 participation, the Voting Preferred Stock issued for the Public Contact Employees shall be Class M, notwithstanding the membership of such Participants in the Management and Salaried Employee Group. Accordingly, the maximum number of Class M Voting shares shall be increased, and the maximum number of Class S Voting shares shall be correspondingly decreased, by the Convertible Shares issued for the Public Contact Employees

for Plan Years commencing on or after January 1, 1999, excluding the Convertible Shares issued for dividends actually paid to their Accounts with respect to Class 1 Non-Voting Preferred Stock which had been allocated to their Accounts in the ESOP for Plan Years commencing before January 1, 1999."

3. Section 2.3(b) is amended by adding the following to the end of the section:

"For Plan Years beginning on or after January 1, 1999, except as specified below, the appropriate class of Voting Preferred Stock for the Public Contact Employees shall be Class M, notwithstanding the membership of such Participants in the Management and Salaried Employee Group. Accordingly, except as specified below, all contributions and allocations of Voting Preferred Stock for such Participants for 1999 and subsequent years shall be of Class M. However, with respect to shares of Voting Preferred Stock contributed or allocated on account of dividends actually paid with respect to shares of Class 1 Non-Voting Preferred Stock which had been allocated to their Accounts in the ESOP for Plan Years commencing before January 1, 1999, the appropriate class of Voting Preferred Stock shall be Class S."

4. Section 2.4(g) is amended by adding the following to the end of the section:

"Pursuant to an agreement between the Company and the IAM, the Public Contact Employees will continue to participate in the Plan as members of the Management and Salaried Employee Group. The Accounts maintained for such Participants for 1999 and subsequent years shall reflect their membership in the IAM for such years. The shares allocated to such Participants for 1999 and subsequent years shall be made with the shares reserved for allocation to the members of the Management and Salaried Employee Group, rather than with the shares reserved for allocation to the members of the IAM Employee Group."

IN WITNESS WHEREOF, the Company has caused this Eighth Amendment to be executed on November 10, 1999.

UAL CORPORATION

/s/ Douglas A. Hacker  
-----  
Executive Vice President & Chief  
Financial Officer

APPROVED BY:

AIR LINE PILOTS ASSOCIATION,  
INTERNATIONAL

/s/ Michael Glawe  
-----

/s/ Duane Woerth  
-----

INTERNATIONAL ASSOCIATION  
OF MACHINISTS AND  
AEROSPACE WORKERS

/s/ Kenneth W. Thiede  
-----

NINTH AMENDMENT  
UAL CORPORATION  
SUPPLEMENTAL ESOP  
(Effective as of July 12, 1994)

By virtue and in exercise of the amending power reserved to UAL Corporation (the "Company") under Section 13.1(a) of the UAL Corporation Supplemental ESOP (effective as of July 12, 1994) (the "Plan"), which amending power thereunder is subject to the approval of the Air Line Pilots Association International ("ALPA") and the International Association of Machinists and Aerospace Workers (the "IAM"), the Company hereby amends the Plan, subject to the approval of ALPA and the IAM, as follows, effective April 1, 2000.

The following new subsection 2.5(c)(iv) is hereby added to the Plan:

"(iv) Notwithstanding the foregoing, the provisions of this clause (iv) shall apply in lieu of clauses (i) through (iii) with respect to any cash dividends with a record date on or after April 1, 2000.

(A) Cash Dividends On or After April 1, 2000. If the Company pays a cash dividend with respect to its Convertible Shares or Common Stock with a dividend record date on or after April 1, 2000, each Participant's Account shall be initially credited with an amount equal to the dividends that would have been payable with respect to the Convertible Shares and Common Stock credited to the Participant's Account on the applicable record date had such shares been outstanding. The amount so credited shall, as soon as administratively feasible, be debited from each Participant's Account and paid by the Company in cash (less applicable withholding) to the Participant.

(B) Cash Dividends On or After April 1, 2000 and Before Completion of Year 2000 Allocations. If the Company pays a cash dividend with respect to its Convertible Shares or Common Stock with a dividend record date during the period commencing April 1, 2000 and ending with the completion of the allocations under Section 2.4 for the year

2000, each Participant's Account shall be initially credited with an amount equal to the dividends that would have been payable, had the shares been outstanding, with respect to the sum of (y) the Convertible Shares which were not allocated to the Participant's Account in this Plan on the record date, but which were subsequently allocated to the Participant's Account in this Plan for the year 2000, and (z) the Convertible Shares which were not allocated to the Participant's Account in this Plan or the Participant's Account in the ESOP (Part B) on the record date but which were subsequently allocated to the Participant's Account in the ESOP (Part B) for the year 2000. The amount so credited shall, on or about March 31, 2001, be debited from each Participant's Account and paid by the Company in cash (less applicable withholding) to the Participant. (For reference purposes only, the allocations under Section 2.4 for the year 2000 are expected to be completed in March, 2001.)"

IN WITNESS WHEREOF, the Company has caused this Ninth Amendment to be executed on October 29, 1999.

UAL CORPORATION

/s/ Douglas A. Hacker  
-----  
Executive Vice President & Chief  
Financial Officer

APPROVED BY:  
  
AIR LINE PILOTS ASSOCIATION,  
INTERNATIONAL

/s/ Michael Glawe  
-----

/s/ Duane Woerth  
-----

INTERNATIONAL ASSOCIATION  
OF MACHINISTS AND  
AEROSPACE WORKERS

/s/ S.K. Canale  
-----

/s/ Kenneth W. Thiede

-----

PREFERRED STOCK PURCHASE AGREEMENT

PREFERRED STOCK PURCHASE AGREEMENT dated as of August 12, 1999, between UAL Corporation, a Delaware corporation ("UAL"), and State Street Bank and Trust Company, a Massachusetts trust company, acting solely in its capacity as trustee under the Plan defined below and not in its individual capacity (the "Trustee").

W I T N E S E T H:

WHEREAS, on July 12, 1994, certain transactions contemplated by the Agreement and Plan of Recapitalization dated March 25, 1994 by and among UAL and the unions representing certain of the employees of United Air Lines, Inc., as amended, (the "Recapitalization Agreement") were consummated. (The recapitalization of UAL, as more fully described in the Recapitalization Agreement, shall hereinafter be referred to as the "Transaction");

WHEREAS, in connection with the Transaction, UAL established the UAL Corporation Employee Stock Ownership Plan (the "Plan"), which consists of an employee stock ownership plan and a stock bonus plan; and

WHEREAS, a portion of the employee stock ownership plan (Part A thereof) forms part of the stock bonus plan, includes a money purchase pension plan and is intended to qualify as an employee stock ownership plan under Section 4975(e)(7) of the Internal Revenue Code of 1986, as amended (the "Code"); and

WHEREAS, UAL appointed the Trustee as the trustee of the UAL Corporation Employee Stock Ownership Plan Trust (the "Trust"), which was established to hold the assets of the Plan pursuant to the terms of the Trust Agreement, by and between UAL and the Trustee (the "Trust Agreement"); and

WHEREAS, Part A of the Plan and Trust Agreement provide that the assets of the trust created thereunder attributable to the Plan shall be invested primarily in shares of "employer securities" of UAL within the meaning of Section 409(l) of the Code; and

WHEREAS, UAL created a new class of securities designated as the Class 1 ESOP Convertible Preferred Stock, par value (\$0.01) (the "Class 1 ESOP Convertible Preferred Stock" or the "ESOP Preferred Stock"); and

WHEREAS, the Recapitalization Agreement provided for, among other things, the transfer to the Trust of 13,813,282 shares of the Class 1 ESOP Convertible Preferred Stock in a series of transactions which shall occur during the 69 months immediately following the Effective Time (as defined in the Recapitalization Agreement); and

WHEREAS, the parties to the Recapitalization Agreement have agreed to reduce the number of shares of Class 1 ESOP Convertible Preferred Stock to be transferred to the Trust so that the Plan may continue to satisfy Code Section 415; and

WHEREAS, the parties to the Recapitalization Agreement have agreed to a corresponding increase in the number of shares of Class 2 ESOP Convertible Preferred Stock to be issued; and

WHEREAS, UAL now wishes to sell and the Trustee now wishes to purchase 2,011,812 shares of the Class 1 ESOP Convertible Preferred Stock from UAL, in the amount, at the purchase price and subject to the other terms and conditions as set forth in this Agreement;

NOW, THEREFORE, in consideration of these premises and the mutual promises contained herein, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Purchase; Purchase Price. Subject to the terms and conditions of this Agreement, the Trustee shall purchase on behalf of the Plan (the "Purchase") from UAL, and UAL shall issue and sell to the Trustee an aggregate of 1,955,756 shares of Class 1 ESOP Convertible Preferred Stock (the "Shares") for an aggregate purchase price (the "Purchase Price") of \$486,181,384.04.

2. Closing; Payment. The Purchase shall be consummated (the "Closing") at or about August 12, 1999 at the

offices of UAL, or at such time, date or place as shall be fixed by an agreement of UAL and the Trustee. The date of the Closing shall hereinafter be referred to as the "Closing Date." At the Closing, UAL shall deliver to the Trustee a certificate or certificates representing the Shares, which shall be registered in the name of the Trustee, as trustee under the Trust, or in the name of its nominee, against delivery to UAL by the Trustee of a check for a dollar amount equal to the par value per Share times the number of Shares described in Section 1 above (the "Cash Amount"), representing the aggregate par value of the Shares and a promissory note of the Trust (the "ESOP Note") substantially in the form set forth in Exhibit A hereto, in an amount equal to the difference between the Purchase Price and a dollar amount equal to the par value per Share times the number of Shares described in Section 1 above. Notwithstanding the foregoing, UAL may, with the consent of the Trustee, accomplish the transfer of shares to the Trustee by book entry, in which event a cross receipt in the form set forth in Exhibit B hereto shall be executed by the parties. UAL shall pay all stamp and other transfer taxes, if any, that may be payable in respect of the issuance, sale and delivery of the Shares and shall be entitled to any refund thereof, and shall present the Trustee with evidence that such transfer taxes either have been paid or are not due.

3. Representations and Warranties of UAL. UAL hereby represents and warrants to the Trustee as follows:

3.1 UAL has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware with corporate power and authority, including governmental licenses, authorizations, consents and approvals, to own, lease and operate its properties and conduct its business except for licenses, authorizations, consents and approvals the absence of which will not have a Material Adverse Effect. For the purposes of this Agreement, "Material Adverse Effect" shall mean any change or effect the consequence of which is materially adverse to the condition (financial or otherwise), business, assets or results of operations of UAL and its Subsidiaries (as defined below) taken as a whole. UAL is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction where its ownership or leasing of properties or the conduct of its business requires such qualification, except for the jurisdictions where the failure to be so qualified

would not have a Material Adverse Effect.

3.2 Except as set forth in Schedule 3.2 hereto, the execution, delivery and performance of this Agreement and all other documents or instruments to be executed or delivered by UAL in connection with this Agreement are within UAL's powers and have been duly authorized by all necessary corporate action. This Agreement and all other documents or instruments to be executed or delivered by UAL in connection with this Agreement are, assuming due authorization, execution and delivery by the Trustee, valid and binding upon UAL and enforceable against UAL in accordance with their respective terms except as the enforceability thereof may be limited by the effect of any applicable bankruptcy, insolvency, fraudulent-conveyance, reorganization, moratorium and similar laws affecting creditors' rights generally, ERISA and by general principles of equity (regardless of whether considered in a proceeding at law or in equity).

3.3 Except as set forth in Schedule 3.3 hereto, the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under (i) the Certificate of Incorporation or Bylaws, each as amended, of UAL or any of its Subsidiaries (as hereinafter defined), or (ii) except as set forth in Schedule 3.3(ii) hereto, any provision of any indenture, mortgage, deed of trust, agreement, instrument, order, arbitration award, judgment or decree to which UAL or any of its Subsidiaries is a party or by which any of their respective assets are bound, or (iii) any material statute, material rule or material regulation applicable to UAL or any of its Subsidiaries of any court, bureau, board, agency or other governmental body having jurisdiction.

3.4 As of the Closing Date, the authorized, issued and outstanding capital stock of UAL shall be as set forth in Schedule 3.4 hereto, and UAL shall have no obligations to issue any additional shares pursuant to any options, warrants, conversion rights or other arrangements except as set forth in Schedule 3.4 hereto, and all shares of issued and outstanding capital stock of UAL shall have been duly authorized and are fully paid and nonassessable.

3.5 Each Subsidiary is a corporation or partnership duly incorporated or formed, validly existing and in good standing under the laws of its jurisdiction of incorporation or formation, has all requisite power and authority including all governmental licenses, authorizations, consents and approvals required to own, lease and operate its properties (except those the absence of which would not have a Material Adverse Effect) and to conduct its business and is in good standing in each jurisdiction where the character of the property owned or leased by it or the nature of its activities make such qualification necessary, except for those jurisdictions where failure to be so qualified would not, individually or in the aggregate, have a Material Adverse Effect. For purposes of this Agreement, "Subsidiary" means any entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are directly or indirectly owned by UAL prior to the Closing Date. All Subsidiaries and their respective jurisdictions of incorporation or formation are identified on Schedule 3.5 hereto.

Except as otherwise disclosed on Schedule 3.5, all of the outstanding capital stock of, or other ownership interests in, each Subsidiary, is owned by UAL, directly or indirectly, free and clear of any liens, claims, charges and encumbrances (collectively "Liens") and free of any other limitation or restriction (including any restriction on the right to vote, sell or otherwise dispose of such capital stock or other ownership interests). Except as disclosed on Schedule 3.5, there are outstanding (i) no securities of UAL or any Subsidiary convertible into or exchangeable for shares of capital stock or other voting securities or ownership interests in any Subsidiary, and (ii) no options, subscriptions, warrants or other rights, agreements, arrangements or commitments of any character to acquire from UAL or any Subsidiary, and no other obligation of UAL or any Subsidiary to issue, any capital stock, voting securities or other ownership interests in, or any securities convertible into or exchangeable or exercisable for any capital stock, voting securities or ownership interest in, any Subsidiary (the items in clauses (i) and (ii) being referred to collectively as the "Subsidiary Securities"). There are no outstanding obligations of UAL or any Subsidiary to repurchase, redeem or

otherwise acquire any outstanding Subsidiary Securities.

3.6 As of the Closing Date, the Shares (i) shall have the rights, preferences and qualifications set forth in the restated Certificate of Incorporation of UAL Corporation, (a copy of which is attached hereto as Exhibit C), (ii) shall have been duly and validly authorized and (iii) when issued and delivered to the Trustee in exchange for the Cash Amount and the ESOP Note, will be in proper form, validly issued, fully paid and nonassessable. As of the Closing Date, UAL shall have full right and authority to issue, sell, transfer, and deliver the Shares and will effectively transfer to the Trustee, on the Closing Date, the full right, title and interest therein and thereto, free and clear of all Liens, except for (A) beneficial interests accruing to participants in the Plan and their beneficiaries and (B) any Liens created or imposed by the Trustee on behalf of the Trust.

3.7 As of the Closing Date, the shares of Common Stock (as hereinafter defined) into which the Shares are convertible, shall be duly and validly authorized and reserved for issuance and, when issued upon such conversion, will be validly issued, fully paid and nonassessable and upon delivery to the Trustee, the Trust will acquire full right, title and interest to such shares of Common Stock free and clear of all Liens, except for (i) beneficial interests accruing to the participants in the Plan and their beneficiaries and (ii) any Liens created or imposed by the Trustee on behalf of the Trust.

3.8 No authorization, approval or consent of, or filing with, any governmental authority or agency or other third party, is required in connection with the sale of the Shares by UAL hereunder or the conversion of the Shares into Common Stock except for (i) any of such as shall have been made or obtained prior to the Closing, (ii) any of such relating to the listing on any securities exchange of any shares of UAL common stock, par value \$.01 per share (the "Common Stock"), to be delivered upon conversion of Shares and (iii) filings with and/or approvals of the Internal Revenue Service. The Shares are being issued pursuant to a valid exemption from registration under the Securities Act of 1933, as amended (the "Securities Act"), and applicable state securities laws.

3.9 UAL's filings with the Securities and Exchange Commission ("Commission") for the years 1996, 1997 and 1998, respectively, at the time they were filed with the Commission, (i) complied in all material respects with the requirements of the Securities Act, or the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as appropriate, and the Rules and Regulations of the Commission respectively promulgated thereunder, (ii) in the case of filings under the Exchange Act, did not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading and (iii) no registration statement, as amended or supplemented, if applicable, filed pursuant to the Securities Act as of the date such statement, amendment or supplement became effective contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein not misleading.

3.10 The consolidated financial statements of UAL, together with related notes, schedules and reports thereon of independent public accountants for the years 1996, 1997 and 1998, respectively (collectively, the "Financial Statements"), included in UAL's Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q ("Reports") for the years ended December 31, 1996, 1997 and 1998, respectively, all of which Reports previously have been delivered to the Trustee, present fairly (except as may be indicated in the notes thereto and subject to normal immaterial year-end audit adjustments in the case of any unaudited interim Financial Statements) the consolidated financial position and the consolidated results of operation of UAL and its consolidated Subsidiaries at the indicated dates and for the indicated periods. The Financial Statements have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods involved except as otherwise noted therein. UAL and its Subsidiaries considered as one enterprise have no material liabilities or obligations, contingent or otherwise, that are not fully disclosed in the Financial Statements or the Reports.

3.11 Except as disclosed on Schedule 3.11 hereto,

since December 31, 1997, (i) there has been no event, and no state of circumstances has existed, that has had or will, or could reasonably be expected to, have a Material Adverse Effect, (ii) there has not been any material transaction entered into by UAL or any of its Subsidiaries, other than transactions in the ordinary course of business or other than the transactions contemplated in this Agreement or the Transaction, and (iii) except for regular dividends on shares of its outstanding common stock and preferred stock, there has been no dividend or distribution of any kind declared, paid or made by UAL on any class of its capital stock other than the distributions contemplated by the Transaction.

3.12 Except as set forth in Schedule 3.12 there is no action, suit or proceeding before or by any court or government or administrative agency or body, domestic or foreign, now pending or, to the best knowledge of UAL, threatened against or affecting UAL or any of its Subsidiaries, which might have a Material Adverse Effect.

3.13 UAL and its Subsidiaries hold all certificates, authorizations or permits issued by the appropriate state, federal or foreign regulatory agencies or bodies necessary to conduct the business now operated by them the absence of which, individually or in the aggregate, would have a Material Adverse Effect, and neither UAL nor any of its Subsidiaries has received any notice of proceedings relating to the revocation or modification of any such certificate, authority or permit which, individually or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would have a Material Adverse Effect. UAL and its Subsidiaries are in compliance with all rules, laws and regulations related to the operation of the business of UAL and its Subsidiaries, except for instances of noncompliance which, individually or in the aggregate, would not have a Material Adverse Effect.

3.14 The Plan has been duly authorized by all corporate action and Part A constitutes an employee stock ownership plan within the meaning of Section 4975(e)(7) of the Code and Section 407(d)(6) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), Part B (that portion of the stock bonus plan which does not constitute an employee stock ownership plan) constitutes a stock bonus plan under the

Code and the Plan will qualify under Section 401(a) of the Code taking into account amendments which may be reasonably requested by the Internal Revenue Service, but no representation or warranty is made as to the compliance of the Plan in operation under the referenced Code and ERISA sections; the Trust Agreement has been duly authorized by all necessary corporate action on the part of UAL; all contributions by UAL to the Plan and all dividends paid on the ESOP Preferred Stock which are used by the Trust to make the required principal and interest payments with respect to the ESOP Note will be deductible by UAL or its Subsidiaries for federal income tax purposes under Section 404 of the Code (as in effect on the date of the Closing), except to the extent there are insufficient "earnings and profits" under the Code for the dividends to be deductible; and the ESOP Preferred Stock constitutes "employer securities" within the meaning of Section 409(l) of the Code.

3.15 There is no investment banker, broker or finder which has been retained by or is authorized to act on behalf of UAL or any Subsidiary or, to the knowledge of UAL, any CRS Company who might be entitled to a fee or commission from UAL, either Union or any affiliate of either of them upon consummation of the transactions contemplated by this Agreement, based upon arrangements made by or on behalf of UAL. For the purposes of this Section 3.15, "CRS Company" and "Union" shall have the respective meanings assigned to such terms in the Recapitalization Agreement.

4. Representations and Warranties of The Trustee, as Trustee. The Trustee, in its capacity as such, represents and warrants as follows:

4.1 The Trustee (i) is a duly organized and validly existing trust company in good standing and with full authority to act as Trustee and exercise trust powers under the laws of the Commonwealth of Massachusetts and (ii) has full corporate power and authority to execute and deliver the Trust Agreement and to carry out the transactions contemplated thereby.

4.2 The execution, delivery and performance of this Agreement will not violate (i) the Trustee's Charter or Bylaws, each as amended or restated to date, (ii) any provision of any indenture, mortgage, deed of trust, agreement, instrument,

order, arbitration award, Judgment or decree to which the Trustee or the Trust is a party or by which it or the Trust or any of their respective assets are bound, or (iii) any statute, rule or regulation applicable to the Trustee or the Trust of any court, bureau, board, agency or other governmental body having jurisdiction, which conflict, breach or default might have a material adverse effect.

4.3 This Agreement and the Trust Agreement have been duly executed and delivered by the Trustee on behalf of the Trust and, assuming due authorization, execution and delivery by UAL, each constitutes the legal, valid and binding obligation of the Trust enforceable against the Trustee in accordance with their respective terms, except as the enforceability thereof may be limited by the effect of any applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws affecting creditors rights generally, ERISA and by general principles of equity (regardless of whether considered in a proceeding at law or in equity).

4.4 The Trustee is acquiring the shares on behalf of the Plan pursuant to the Trust Agreement and the Plan solely for investment purposes and not with a view toward, or for sale in connection with, any public distribution thereof; provided, however, nothing herein shall prohibit the Trustee from disposing of any or all of the Shares.

4.5 No authorization, approval or consent of any governmental authority or agency is necessary to be obtained by the Trustee or the Plan in connection with the purchase of the Shares by the Trustee on behalf of the Plan hereunder.

4.6 The Trustee, at the expense of UAL, has retained independent legal counsel knowledgeable in matters regarding ERISA and Code fiduciary responsibilities and has retained an independent financial advisor to advise the Trustee regarding the transactions contemplated by this Agreement.

4.7 The Trustee has not employed any broker, finder or agent, or agreed to pay or incurred any brokerage fee, finder's fee, commission or other similar form of compensation in connection with this Agreement or the transactions contemplated hereby.

4.8 Trustee has received an opinion of Houlihan, Lokey, Howard and Zukin, Inc., financial advisor to the Trustee, to the effect that (i) the Purchase Price is not greater than fair market value, (ii) the Transaction is fair to the Plan from a financial point of view, (iii) the conversion price with respect to the Shares is reasonable and (iv) the interest rate on the ESOP Note is not unreasonable.

5. Conditions to Closing.

5.1 Conditions to the Trustee's Obligation at Closing. The obligations of the Trustee hereunder are subject to the fulfillment at or before the Closing of each of the following conditions:

(a) The representations and warranties contained in Section 3 hereof shall be true on and as of the Closing Date and, the Trustee shall have been furnished with a certificate, dated the Closing Date, to such effect, signed by an authorized officer of UAL.

(b) The Trustee shall have received a cash contribution to the Plan at least equal to the Cash Amount.

(c) No order of any court or administrative agency shall be in effect which restrains or prohibits the transactions contemplated by this Agreement, and no suit, action or other proceedings by any governmental body or other person shall have been instituted which questions the validity or legality of the transactions contemplated by this Agreement which suit, action or proceeding the Trustee reasonably determines, upon advice of counsel, is more likely than not to successfully challenge the validity or legality of the transactions contemplated by this Agreement or otherwise result in a Material Adverse Effect.

(d) Neither the Trustee nor UAL shall have determined in good faith that the purchase of the Shares would result in a "prohibited transaction" under ERISA or otherwise violate the provisions of applicable law.

(e) The Trustee shall have received UAL's most recent annual report on form 10-K and any subsequently filed Quarterly Reports on Form 10-Q.

(f) The Trustee shall have received from Kirkpatrick & Lockhart, counsel to the Trustee, an opinion in substantially the form set forth in Schedule 5.1(f) hereto.

(g) The Trustee shall have received from Francesca M. Maher, Vice President-Law and Corporate Secretary, the opinion in substantially the form set forth in Schedule 5.1(g) hereto.

(h) The Trustee shall have received an opinion of its financial advisor, in substantially the form set forth in Schedule 5.1(h) hereto.

(i) The Trustee shall have made a good faith determination that the purchase of the Shares contemplated hereunder and the consummation of all other transactions contemplated by the Agreement are prudent and in the best interests of the Plan participants. In the event the Trustee is unable to consummate the purchase of the Shares described in Section 1 hereof at the Purchase Price by reason of the failure of one or more of the conditions set forth in Sections 5.1(d), (h) and (i) hereof, the Trustee agrees to negotiate in good faith with UAL in an attempt to arrive at a purchase price for the Shares at which the Trustee would consummate the purchase of Shares contemplated by this Agreement.

(j) UAL shall have certified to the Trustee that it has determined that it is reasonably likely to have sufficient earnings and profits such that dividends paid on the Class 1 ESOP Convertible Preferred Stock are reasonably likely to be deductible under Section 404 of the Code.

#### 5.2 Conditions to UAL's obligations at Closing.

The obligations of UAL hereunder are subject to the fulfillment at or before the Closing of each of the following conditions:

(a) The representations and warranties contained in Section 4 hereof shall be true on and as of the Closing and, UAL shall have been furnished with a certificate dated the Closing Date to such effect, signed by an authorized officer of the Trustee.

(b) No order of any court or administrative agency shall be in effect which restrains or prohibits the transactions contemplated by this Agreement, and no suit, action or other proceedings by any governmental body or other person shall have been instituted which questions the validity or legality of the transactions contemplated by this Agreement which suit, action or proceeding UAL reasonably determines, upon advice of counsel, is more likely than not to successfully challenge the validity or legality of the transactions contemplated by this Agreement or otherwise result in a Material Adverse Effect.

(c) Neither the Trustee nor UAL shall have determined in good faith that the purchase of the Shares would result in a "prohibited transaction" under ERISA or otherwise violate the provisions of applicable law.

(d) UAL shall have received an opinion of Kirkpatrick & Lockhart, counsel to the Trustee, in the form set forth in Schedule 5.2(d) hereto.

(e) The Trustee shall have delivered to UAL a certification that the conditions set forth in section 5.1(d) and section 5.1(i) have been satisfied.

6. Covenants of Trustee. The Trustee hereby covenants and agrees as follows:

(a) Except as otherwise provided in the ESOP, all cash contributions (including any earnings on such contributions) that are received by the Trust and cash dividends (including any earnings on such dividends) that are received by the Trust with respect to the Class 1 ESOP Convertible Preferred Stock or Common Stock issued upon conversion thereof will be, to the extent permitted by law, applied solely for the purpose of making principal and interest payments on the ESOP Note.

(b) The Trustee shall not transfer or otherwise dispose of any shares of Common Stock issued upon conversion of the Class 1 ESOP Convertible Preferred Stock unless such securities have been registered under the Securities Act of 1933, as amended, and any applicable state securities laws or pursuant to an exemption or exemptions from such registration.

(c) The Trustee agrees that UAL may (with the consent of the Air Line Pilots Association, International and the International Association of Machinists and Aerospace Workers if and to the extent such consent is required by the Plan) extend the maturity of the ESOP Note for up to four (4) years, provided that the interest rate on the ESOP Note, as extended, is determined by the Trustee to be reasonable at the time of extension.

7. Covenants of UAL. UAL hereby covenants and agrees as follows:

(a) So long as any principal or interest amount of the ESOP Note or any note representing a refinancing of the ESOP Note remains unpaid, UAL shall use reasonable efforts to cause Part A of the Plan to maintain its qualification as an employee stock ownership plan within the meaning of Section 4975(e)(7) of the Code.

(b) So long as any principal or interest amount of the ESOP Note or any note representing a refinancing of the ESOP Note remains unpaid, UAL and its Subsidiaries shall make contributions to the Plan which, when combined with any dividends received by the Plan that can be used for the payment of such debt, are sufficient to allow the Trustee to make, in a timely fashion all scheduled principal and interest payments with respect to the ESOP Note or any note representing a refinancing of the ESOP Note; provided, however, that any contribution to the Plan shall be limited to the extent that such contribution would cause the aggregate contributions made by UAL and its Subsidiaries for the relevant Plan year to exceed the limitations set forth in Sections 404 or 415 of the Code. Any contributions limited or not made in a timely fashion pursuant to the preceding sentence shall be (i) carried over and paid to the Plan as soon as is practicable in connection with contributions to the Plan and (ii) increased by an amount sufficient for the Trustee to pay any increased interest or other costs arising under the ESOP Note from the failure to make any payment thereunder when due. The Trustee shall be entitled to reimbursement upon demand for reasonable attorney fees and other reasonable costs of collection in enforcing the provisions of this Section 7(b).

(c) Registration of the Common Stock. As and if required by applicable securities laws, UAL shall at all times

maintain an effective registration statement under the Securities Act and timely comply with the reporting requirements under the Exchange Act with respect to the shares of Common Stock into which the Shares are convertible. The Trustee will provide UAL with any information about the Trustee or such proposed sale required to be included in such registration statement. The Trustee will, upon receipt of notice from UAL that any such registration statement includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make any statement therein not misleading, discontinue the distribution of Common Stock thereunder until such misstatement or omission is eliminated.

The Trustee further agrees not to effect any public sale or distribution of Common Stock without the consent of UAL during the seven days prior to or ninety days after any registration statement relating to an underwritten sale of securities of UAL has become effective. UAL shall obtain any other federal, state or local approvals as may be necessary from time to time to enable the Trust to consummate any desired conversion or disposition of the shares of Common Stock into which the Shares are convertible.

8. Restrictive Legend. The Trustee understands that the certificates representing the Shares, when issued, will bear the following legend and that a notation restricting their transfer will be made on the stock transfer books of UAL:

"The shares of stock represented by this certificate have not been registered under the Securities Act of 1933, as amended. Such shares may not be sold, assigned, pledged or otherwise transferred in the absence of an effective registration statement under said Securities Act covering the transfer or an opinion of counsel satisfactory to the issuer that registration under said Securities Act is not required.

#### Notice

The shares, of stock represented by this certificate are subject to a security interest in favor of UAL Corporation."

9. Expenses. Whether or not the transactions

contemplated by this Agreement shall be consummated, UAL shall, as provided for in the applicable engagement letter between UAL and the Trustee (the "Engagement Letter"), pay the expenses incurred by the Trustee in connection with the authorization, preparation, negotiation, execution and performance of this Agreement and related transactions.

10. Integration Amendment. This Agreement (including the documents delivered pursuant hereto), together with the Plan, Trust Agreement and Engagement Letter, constitutes the entire agreement and understanding between the parties hereto relating to the purchase of the shares of ESOP Preferred Stock and supersedes any prior agreement or understanding relating in any way to the transaction contemplated hereby. This Agreement may be modified or amended only by a written instrument executed by or on behalf of the parties hereto. The headings and captions contained herein are solely for convenience of reference and do not constitute a part of this Agreement or affect in any way its meaning or construction.

11. Savings Clause. The invalidity, illegality or enforceability of any one or more of the provisions of this Agreement shall in no way affect or impair the validity and enforceability of the remaining provisions hereof. In the event any such provision shall be so declared unenforceable due to its scope or breadth, it shall be narrowed to the scope or breadth permitted by law.

12. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument. It shall not be necessary that any single counterpart hereof be executed by all parties so long as each party executed at least one counterpart.

13. Governing Law. This Agreement shall be construed and enforced in accordance with the laws of Illinois without regard to any principles of conflicts of law.

14. Survival of Representations, Warranties and Covenants. All covenants contained in this Agreement (including in any certificates delivered hereunder) shall survive the Closing or, in the case of Section 9, Section 13 and Section 14

hereof, the sooner termination of this Agreement.

Notwithstanding the Closing, or the sooner termination of this Agreement or any investigation at any time made by or on behalf of either party, UAL or the Trustee shall be liable for damages arising from its breaches of representations or warranties under this Agreement (including in any certificates delivered hereunder) which breaches shall not be considered waived by consummation of the transactions contemplated hereby, provided, however, that UAL and the Trustee shall be liable only to the extent that notice therefor is asserted by the other in writing and delivered prior to the expiration of forty-two (42) months from the Closing or sooner termination of this Agreement.

15. Notices. Any notice or other communication required or permitted hereunder shall be in writing, either delivered by hand, by mail, or by telex, telefax or telegram (charges prepaid), and any such notice shall be effective when received at the address specified below (or, if by mail, three business days after deposited in the U.S. mails, registered or certified mail, postage prepaid and return receipt requested):

By Mail  
-----

If to UAL:  
-----  
UAL Corporation  
P. O. Box #66919  
Chicago, IL 60666  
Attn: Corporate Secretary

By Courier  
-----

UAL Corporation  
1200 Algonquin Road  
Elk Grove Township, IL 60007  
Attn: Corporate Secretary

If to the Trustee:  
-----  
State Street Bank and Trust  
Company  
Retirement Investment Services  
Batterymarch Park III  
Three Pine Hill Drive  
Quincy, MA 02169  
Attn: UAL ESOP Administration

With a copy to:  
Kirkpatrick & Lockhart  
1500 Oliver Building  
Pittsburgh, PA 15222  
Attn: Charles R. Smith, Esquire

Addresses may be changed by written notice given pursuant to this Section. Any notice given hereunder may be given on behalf of any party by his counsel or other authorized representatives.

16. Successors and Assigns: Assignability. This Agreement shall be binding upon and inure to the benefit of and

be enforceable by the parties hereto, and their respective legal representatives, successors and assigns. This Agreement (i) shall not confer upon any person other than the parties hereto and their respective successors and assigns any rights or remedies hereunder and (ii) shall not be assignable by operation of law or otherwise by any party hereto.

17. Further Assurances. Subject to the terms and conditions herein provided, each of the parties hereto shall use all reasonable efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective the transactions contemplated by this Agreement.

18. Certain Limitations. The execution and delivery of this Agreement and the performance by the Trustee of this Agreement have been, or will be, effected by the Trustee solely in its capacity as Trustee and not individually.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereof have duly executed and delivered this Agreement as of the date first above written.

UAL CORPORATION

By: /s/ Douglas A. Hacker  
-----  
Name: Douglas A. Hacker  
-----  
Title: Executive Vice President &  
Chief Financial Officer  
-----

State Street Bank and Trust Company,  
solely in its capacity as Trustee  
under the UAL Corporation Employee  
Stock Ownership Plan Trust and not  
individually

By: /s/ John Scott Feeley  
-----  
Name: John Scott Feeley  
-----  
Title: Vice President  
-----

## UNITED EMPLOYEES PERFORMANCE INCENTIVE PLAN

## I. PURPOSE

- A. General. In an effort to maintain a position of leadership in the fast-growing and highly competitive business segments in which UAL Corporation (the "Company") competes, it is necessary to promote the financial interests of the Company and its Subsidiaries, including its growth, by attracting and retaining certain highly qualified employees possessing outstanding ability, motivating such employees by means of performance related incentives, and providing incentive compensation opportunities which are competitive with those of major corporations. The United Employees Performance Incentive Plan (the "Plan") hereinafter described is designed to assist the Company in attaining these objectives.
- B. Performance-Based Compensation. With respect to Covered Awards, the Plan is intended to constitute a qualified performance-based compensation plan under Section 162(m)(4)(C) of the Code and shall be construed and administered so as to ensure such compliance.
- C. Deferred Awards. With respect to the Plan as it relates to the payment of Incentive Awards on a deferred basis pursuant to Paragraph VI(B), such portion of the Plan is intended to be (and shall be construed and administered as) an employee pension benefit plan that is unfunded and is maintained by the Company for a select group of management or highly compensated employees within the meaning of ERISA.
- D. Cash Bonus Plan. With respect to the Plan as it relates to the current payment of Incentive Awards pursuant to Paragraph VI(A), such cash bonus portion of the Plan is not intended to be (and shall not be construed and administered as) an employee benefit plan within the meaning of ERISA. Incentive Awards under this Plan are intended to be discretionary and shall not constitute a part of an employee's regular rate of pay.

## II. PLAN ADMINISTRATION

- A. Plan Administration. The Company or its delegate has the authority and responsibility to manage and control the general administration of the Plan, except as to matters expressly reserved in this Plan to either the Compensation Committee or the Compensation Administration Committee of the Board of Directors of the Company (as applicable, the "Committee"). This Plan is not intended to modify or limit the powers, duties or responsibilities of either the Board or the Committees as set forth under the UAL Corporation Restated Certificate of Incorporation. Determinations, decisions and actions of the Company or, if applicable, the Committee, in connection with the construction, interpretation, administration, or application of the Plan will be final, conclusive, and binding upon any Participant and any person claiming under or through the Participant. No employee of an Employer, any member of the Board, any delegate of the Board, or any member of the Committee will be liable for any determination, decision, or action made in good faith with respect to the Plan or any Incentive Award made under the Plan.
- B. Compensation Committee. The Compensation Committee shall have the sole authority and responsibility to review annually management's recommendations for the Selected Performance Objectives and Selected Performance Factors under the Plan, to select the Selected Performance Objectives and Selected Performance Factors for an Award Year; and to otherwise administer Incentive Awards (other than Covered Awards) payable to Officers.
- C. Compensation Administration Committee. The Compensation Administration Committee shall have the sole authority and responsibility under the Plan to establish and administer any Covered Award under the Plan, including establishment of the Selected Performance Objectives and Selected Performance Factors for an Award Year.
- D. Non-Assignability. A Participant's rights and interests in

and to payment of any Incentive Award under the Plan may not be assigned, transferred, encumbered or pledged other than by will or the laws of descent and distribution; and are not subject to attachment, garnishment, execution or other creditor's processes.

- E. **Amendment or Termination.** Subject to the UAL Corporation Restated Certificate of Incorporation, the Plan may at any time be amended, modified, or terminated, as the Board in its discretion determines. Such amendment, modification, or termination of the Plan will not require the consent, ratification, or approval of any party, including any Participant. The Board or the Compensation Committee (and the Compensation Administration Committee in the case of a Covered Award) may amend the Selected Performance Objectives and/or the Selected Performance Factors as well as any Incentive Award (including increasing, decreasing or eliminating any or all Incentive Awards for an Award Year) prior to the payment of the Award (or the date payment would have been made but for a Participant's election to defer receipt) to the extent it deems appropriate for any reason, including compliance with applicable securities laws, local laws outside the U.S. if and to the extent international employees are Participants, the requirements of Section 162(m) of the Code and the pooling of interests requirements in connection with a merger. Notwithstanding the foregoing, to the extent the Compensation Administration Committee has expressly designated an Incentive Award as a Covered Award, the Compensation Administration Committee will not have any authority to amend or modify the terms of any Covered Award in any manner which would impair its deductibility under Section 162(m) of the Code.
- F. **No Contract of Employment.** Neither the Plan, nor any Incentive Award, constitutes a contract of employment, and participation in the Plan will not give any employee the right to be retained in the service of the Company or any Subsidiary or continue in any position or at any level of compensation.
- G. **Controlling Law.** This Plan and all determinations made and actions taken pursuant hereto to the extent not preempted by ERISA or other federal laws, will be governed and construed by the internal laws of the State of Illinois, except its laws with respect to choice of law.
- H. **Beneficiary Upon Death.** An Incentive Award which has been deferred pursuant to the provisions of Paragraph VI(B) shall be transferable at the Participant's death to the beneficiary designated by the Participant on forms prescribed by and filed with the Company. If no designation of a beneficiary has been made or is in effect, an Incentive Award payable to a Participant following his or her death shall be paid to the Participant's legal representative and shall be transferable by will or pursuant to the laws of descent and distribution.
- I. **Compliance with Section 162(m) of the Code.** To the extent any provision of the Plan or an Incentive Award or any action of the Compensation Committee or the Company as it relates to a Covered Award, may result in the application of Section 162(m)(1) of the Code to compensation payable to a Covered Employee, such provision or action shall be deemed null and void to the extent permitted by law and deemed advisable to the Compensation Administration Committee.
- J. **Unfunded, Unsecured Obligation.** A Participant's only interest under the Plan shall be the right to receive either a cash or Stock payment for an Incentive Award pursuant to the terms of the Incentive Award and the Plan. No portion of the amount payable to a Participant under this Plan shall be held by the Company or any Subsidiary in trust or escrow or any other form of asset segregation. To the extent that a Participant acquires a right to receive a cash or Stock payment under the Plan, such right shall be no greater than the right of any unsecured, general creditor of the Company, and no trust in favor of any Participant will be implied.
- K. **International Employees.** The Company may in its sole discretion extend participation in the Plan to international employees who do not satisfy the definition of Administrative Employee or Management Employee under this Plan. The terms of the Plan as applied to such employees shall be as set forth in an Exhibit to this Plan.

### III. DEFINITIONS

Unless the context requires otherwise, the following terms when used with initial capitalization have the following meanings:

- A. Account -- A bookkeeping account maintained by the Company in the name of each Participant, which account shall consist of two subaccounts, one known as the "Cash Subaccount" and the other as the "Company Stock Subaccount."
- B. Administrative Employee -- An individual (i) who is classified by an Employer (without regard to any retroactive judicial or administrative reclassification of such individual) as an Administrative Employee (on other than a temporary reclassification basis), (ii) whose employment is for an indefinite period, (iii) who is employed in an Employer established job classification not covered by a collective bargaining agreement, and (iv) who is on the Employer's U.S. payroll and working regularly in the U.S.
- C. Award Year -- The calendar year for which Incentive Awards, if any, are calculated under the Plan.
- D. Board -- The Board of Directors of the Company.
- E. Code -- The Internal Revenue Code of 1986, as from time to time amended including any related regulations.
- F. Committee - Committee means separately or collectively as applicable the Compensation Administration Committee and the Compensation Committee.
- G. Company -- UAL Corporation.
- H. Compensation -- Compensation means:
1. With respect to a Participant who is not a Key and Senior Management Employee, the amount of a Participant's taxable wages for the Award Year, increased by the amount of his or her pre-tax elective contributions under any qualified Code Section 401(k) plan or Code Section 125 cafeteria plan (including any HMO premium deductions) for the Award Year, and decreased by any Incentive Award received under the Plan or comparable incentive compensation plan and the amount of any extraordinary payments such as moving expense reimbursements, Pride Awards and Code Section 125 cafeteria plan taxable reimbursements for the Award Year.
  2. With respect to a Key and Senior Management Employee, such Participant's annual base salary actually received for the Award Year, increased by the amount of his or her pre-tax elective contributions under any qualified Code Section 401(k) Plan or Code Section 125 cafeteria plan (including any HMO premium deductions), prorated for a partial year's participation.
- I. Compensation Administration Committee -- The Compensation Administration Committee is the Compensation Administration Committee of the Board as set forth in the UAL Corporation Restated Certificate of Incorporation, or such other committee appointed by the Board, in accordance with the requirements of the UAL Corporation Restated Certificate of Incorporation, to exercise the powers and perform the duties assigned to the Compensation Administration Committee under this Plan.
- J. Compensation Committee - The Compensation Committee is the Compensation Committee of the Board as set forth in the UAL Corporation Restated Certificate of Incorporation, or such other committee appointed by the Board, in accordance with the requirements of the UAL Corporation Restated Certificate of Incorporation, to exercise the powers and perform the duties assigned to the Compensation Committee under this Plan.
- K. Covered Award -- An Incentive Award (i) which will be paid to a Covered Employee, (ii) which the Compensation Administration Committee expressly designates as performance-based compensation intends to be fully deductible under Section 162(m) of the Code, and (iii) which will be paid following the shareholder approval required by Section 162(m)(4)(C)(ii) of the Code.
- L. Covered Employee -- An individual who is a "covered employee" within the meaning of Section 162(m)(3) of the Code.
- M. Employer -- The Company, United Air Lines, Inc., and any other Subsidiary which, with the approval of the Chief Executive Officer of the Company, has adopted this Plan.
- N. ERISA -- The Employee Retirement Income Security Act of 1974, as from time to time amended, including any related regulations.
- O. Fair Market Value. The Fair Market Value of a share of

Stock on any date shall be equal to the five-day average of 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, and the four previous dates for which trades were reported.

- P. Incentive Award -- The dollar value of an award made to a Participant as determined under the Plan.
- Q. Incentive Opportunity -- The amount, stated as a percentage of a Participant's Compensation, determined with respect to an Award Year (or partial Award Year in the case of participation for a partial year), that will be included in a Participant's Incentive Award formula under Paragraph V(A) of the Plan. If a Participant held more than one eligible position during the Award Year, his or her Incentive Opportunity will be separately determined based on each corresponding period of participation. The Incentive Opportunity for Participants who are Officers will be determined by the Compensation Committee, subject to the requirement under Paragraph IX(A) that the Compensation Administration Committee establish the Incentive Opportunity upon which a Covered Award is based.
- R. Individual Performance Goal -- The performance criteria or objectives established for a Participant for an Award Year for purposes of assisting the Company or the Compensation Committee in determining whether and to what extent an Incentive Award has been earned by such Participant for such Award Year.
- S. Individual Performance Modifier -- The numerical modifier (expressed as a percentage) determined for a Participant with respect to an Award Year, as follows:
1. In the case of a Participant other than a Key and Senior Management Employee, the Individual Performance Modifier shall be 100%, provided the Company may reduce such Individual Performance Modifier based upon an evaluation of the Participant's performance during the Award Year.
  2. In the case of a Participant who is a Key and Senior Management Employee other than an Officer, the Individual Performance Modifier shall be determined by the Company and may be based, in whole or in part, upon an evaluation of the extent to which such Participant achieved his or her Individual Performance Goals established for that Award Year.
  3. In the case of a Participant who is an Officer other than an Officer who is to receive a Covered Award, the Individual Performance Modifier shall be determined by the Compensation Committee and may be based, in whole or in part, upon an evaluation of the extent to which such Participant achieved his or her Individual Performance Goals established for that Award Year.
  4. In the case of a Participant who is to receive a Covered Award, the Individual Performance Modifier shall in all cases be 120%, subject to the Compensation Administration Committee's discretionary authority under Paragraph IX(C) to reduce the amount of a Covered Award.

A Participant's evaluation under Paragraphs III(S)(1), III(S)(2) and III(S)(3) above is wholly discretionary and subjective on the part of the Company or the Compensation Committee as applicable.

- T. Key and Senior Management Employee - Each Covered Employee, each Officer and each Management Employee who is designated by the Company as a Key and Senior Management Employee with respect to the Plan for an Award Year. Designation as a Key and Senior Management Employee will apply only for the Award Year for which the designation is made.
- U. Management Employee -- An individual (i) who is classified by the Employer (without regard to any retroactive judicial or administrative reclassification of such individual) as a Management Employee (on other than a temporary reclassification basis), (ii) whose employment is for an indefinite period, (iii) who is employed in an Employer established job classification not covered by a collective bargaining agreement, and (iv) who is on the Employer's U.S. payroll and working regularly in the U.S.
- V. Officer - Each officer of the Company, each officer of United Airlines Inc. reporting directly to the Chairman and Chief Executive Officer of the Company, and each senior officer of the Company's Subsidiaries designated by the Board.

- W. Participant -- Each Administrative Employee, Management Employee or other international employee of an Employer who is designated as a Participant for an Award Year by the Company or the Committee.
- X. Performance Objectives - One or more objectively determinable measures established at the beginning of an Award Year related to specified levels of growth in, or peer company performance in, or relating to, customer satisfaction as measured by a Company sponsored customer survey; employee engagement or employee relations as measured by a Company sponsored employee survey; employee safety; employee diversity; financial performance as measured by sales, net income, profits (pre- and after-tax), adjusted pre-tax margin, earnings before interest and taxes, cash flow, earnings per share, reduction of fixed costs, economic value added, return on assets, return on capital, return on equity, shareholder return, cost of capital, debt reduction, productivity improvements; and operational performance as measured by load factor, passenger yield management, lost time incidents, baggage handling performance, or on-time performance. Performance Objectives may be described in terms of Company, Subsidiary, major business segments, division or departmental performance. Performance Objectives shall be stated in terms of Threshold, Target and Maximum levels. For other than Covered Awards, the Company may add other Performance Objectives not specifically listed above.
- Y. Plan -- The United Employees Performance Incentive Plan, as evidenced by this written instrument as may be amended from time to time.
- Z. Pre-Tax Earnings -- UAL Corporation's pre-tax earnings as determined under generally accepted accounting principles adjusted to exclude any items (whether gains or losses) otherwise included therein relating to (i) the UAL Corporation Employee Stock Ownership Plan, the UAL Corporation Supplemental ESOP, or the trusts relating thereto, (ii) the Company's 1988 and 1998 Restricted Stock Plans, (iii) for those Award Years in which the Company enters into labor contracts with ALPA or the IAM to replace contracts becoming amendable in 2000, any differential between the projected labor costs to the Company attributable to such contract(s) as determined by the Company prior to such Award Year and the actual labor costs to the Company attributable to such labor contract(s) and (iv) any event or occurrence that the Committee determines to be either not directly related to the operations of the Company or not within the reasonable control of the Company's management, but only to the extent such determination would not cause a Covered Award to not be deductible under Code Section 162(m).
- AA. Pre-Tax Profit Margin -- Pre-Tax Earnings divided by UAL Corporation's gross revenues as determined under generally accepted accounting principles adjusted to exclude any items otherwise included therein relating to any event or occurrence that the Committee determines to be either not directly related to the operations of the Company or not within the reasonable control of the Company's management, but only to the extent such determination would not cause a Covered Award to not be deductible under Code Section 162(m).
- BB. Selected Performance Factors -- The numerical factors (expressed as a percentage) established by the Company relating to the Plan's Selected Performance Objectives for the Award Year and which correspond to the actual achievement of the Threshold, Target and Maximum Selected Performance Objectives for such Award Year. Subject to the provisions of Article IX with respect to a Covered Award, the Selected Performance Factors as they relate to Officers shall be established by the Compensation Committee. If the actual achievement of the Selected Performance Objective for an Award Year, as determined by the Company (or by the Compensation Administration Committee in the case of a Covered Award and the Compensation Committee as it relates to the Incentive Awards for Officers other than with respect to a Covered Award) shortly after the Award Year, is between the Threshold and Target or Target and Maximum Objectives, the Selected Performance Factor will be the amount determined by linear interpolation between the two corresponding Threshold, Target or Maximum Selected Performance Factors.
- CC. Selected Performance Objectives - One or more Performance Objectives selected for an Award Year. Subject to the provisions of Article IX with respect to a Covered Award, the Compensation Committee shall establish at the beginning of an Award Year the Selected Performance Objectives, including the Threshold, Target and Maximum levels for Officers, other than with respect to a

Covered Award.

- DD. Stock -- Shares of Common Stock of the Company par value \$.01 per share, or any shares into which such shares are changed as contemplated in Paragraph VI(E)(2)(b).
- EE. Subsidiary -- Any entity, corporate or otherwise, in which the Company, directly or indirectly, owns or controls a greater than 50% interest.

#### IV. PARTICIPATION

- A. Participants. Participants will be determined annually by the Company or the Committee from among the Management Employees, Administrative Employees, and other international employees of an Employer. Designation as a Participant will apply only for the Award Year for which the designation is made and may include a partial year.
- B. Termination of Employment. In order to be entitled to receive an Incentive Award for an Award Year, a Participant must be actively employed at the time the Incentive Award is paid or, in the case of a deferred Incentive Award, at the time such Award would have been paid but for the Participant's election to defer receipt of the Award; however, the Company (or the Committee, if applicable) may in its sole discretion pay an Incentive Award to a Participant who has terminated employment.

#### V. COMPUTATION OF INCENTIVE AWARDS

- A. Formula. Subject to Paragraph B, a Participant's Incentive Award for an Award Year will be an amount equal to the Base Incentive Award under (1) and, if applicable, the Match Incentive Award under (2):
  - 1. Base Incentive Award. The Participant's Base Incentive Award is equal to the product of the following:
    - (a) The Participant's Incentive Opportunity;
    - (b) The Participant's Compensation;
    - (c) The sum of the Selected Performance Factors for the Award Year; and
    - (d) The Participant's Individual Performance Modifier.
  - 2. Match Incentive Award. For any portion of an Incentive Award, the receipt of which has been deferred pursuant to Paragraph VI(B) for a period of at least five years following the Award Year and which is payable in the form of Stock, the Participant's Incentive Award will include a Match Incentive Award equal to 20% of such portion of the Participant's Base Incentive Award determined under (1) above.
- B. Covered Awards. A Covered Award shall be the greater of the Incentive Award determined under Paragraph A or an Incentive Award determined solely on the basis of a formula and one or more financial Performance Objectives as established by the Compensation Administration Committee prior to the Award Year (or at such later date as may be permissible under Code Section 162(m)), subject to the Compensation Administration Committee's discretionary authority under Paragraph IX(C) to reduce the amount of a Covered Award.
- C. Classification Changes. Appropriate adjustments and computations, including computations for a partial Award Year, may be made to reflect changes in a Participant's job classification, Individual Performance Modifier, or Selected Performance Factors during an Award Year. Subject to the provisions of Article IX with respect to Covered Awards, the Compensation Committee shall determine all such adjustments and computations relating to Incentive Awards for Officers.
- D. Threshold Limit. With respect to each Award Year, the Compensation Committee will determine before such Award Year a threshold level of Pre-Tax Profit Margin which must be obtained before any Incentive Award (other than a Covered Award) may be made to any Participant for such Award Year. The Compensation Administration Committee will establish such threshold level of Pre-Tax Profit Margin which must be obtained before any Covered Award may be made to a Covered Employee for such Award Year.

#### VI. PAYMENT OF INCENTIVE AWARDS

- A. Cash Payment. Subject to Paragraph B below, payment of

Incentive Awards will be made in cash as soon as practicable following the end of the Award Year, without interest.

- B. Election to Defer. A Participant who is a Key and Senior Management Employee and who is determined by the Company to be member of a select group of management or highly compensated employees ("top-hat group") as such group is determined under Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA may make an irrevocable election, on or before the earlier of a date established by the Company or June 30 of the Award Year, to defer receipt of all or any portion of his or her Incentive Award to a subsequent calendar year. A Participant's deferred Incentive Award will be credited to his or her Account as of the date it would otherwise have been paid in cash and will be adjusted as provided in Paragraph E below. A Participant's election to defer will include an election to receive payment of all or a portion of such deferred Incentive Award in the form of cash or shares of Stock. If the Company reasonably determines that a Participant no longer qualifies as a member of a "top-hat group," the Company shall have the right, in its sole discretion, to (i) terminate any future deferrals by such Participant under this Plan, and/or (ii) immediately distribute the Participant's Account balance under the Plan.
- C. Time for Payment of Deferred Incentive Award. A Participant who has made an election to defer his or her Incentive Award will receive payment of his or her entire Account balance (except as limited by (3) below) on the earliest of the following:
1. In the calendar year selected by the Participant in his or her irrevocable written election.
  2. As soon as practicable in the calendar year after the Participant's termination of employment with the Company and its Subsidiaries for any reason or no reason, provided that a transfer of employment among the Company or its Subsidiaries will not be considered a termination of employment.
  3. At the Participant's request and upon the occurrence of an "Unforeseeable Emergency", provided that a distribution pursuant to this clause shall not exceed the amount reasonably needed to satisfy the emergency need. For purposes of this paragraph, "Unforeseeable Emergency" shall mean a severe financial hardship to the Participant resulting from a sudden and unexpected illness or accident of the Participant or of his or her dependent (as defined in Section 152(a) of the Code), loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The circumstances that will constitute an Unforeseeable Emergency will depend upon the facts of each case, but in no case will payment be made to the extent that such hardship is or may be relieved (i) through reimbursement or compensation by insurance or otherwise, (ii) by liquidation of the Participant's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship, or (iii) by cessation of deferrals under the Plan.
  4. Any other time elected by the Participant, provided that upon making such an election, the Participant shall be entitled to receive only 90% of the amounts then credited to his or her Account under the Plan and shall forfeit the remaining 10% of such amount.
- D. Modification of Time and Manner of Payment. Notwithstanding anything herein to the contrary and subject to the provisions of Article IX with respect to a Covered Award, the Compensation Committee shall have the right, in its discretion, to vary the manner (including payment in cash in lieu of shares of Stock) and time for making the distributions provided in Paragraph C above (but not defer any amount otherwise due), and may make such distributions in a lump sum or other payment method as it may deem appropriate, taking into account the Participant's or any beneficiary's age, health, physical or mental condition, dependents or lack of dependents, other sources of income or lack of same, and any other factors deemed relevant, provided, however, that such accelerated payment is not detrimental to the Participant. Nothing herein shall be construed to grant the Participant or any beneficiary the right to elect a modification of the time for receiving payments hereunder.
- E. Crediting and Adjustment of Account Balance. The amount of any Incentive Award a Participant has elected to defer and has elected to receive in shares of Stock shall be credited to his or her Company Stock Subaccount by crediting a number of stock units

equal to such amount of the Incentive Award divided by the Fair Market Value of a share of Stock on the date the Incentive Award would otherwise have been paid in cash. The balance of the amount of the deferred Incentive Award shall be credited to his or her Cash Subaccount. A Participant's Account shall be adjusted as follows:

1. As of the last day of each calendar quarter (each such date referred to herein as an "Accounting Date"), the Participant's Cash Subaccount shall be adjusted as follows:
  - (a) 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;
  - (b) next, the balance of the Cash Subaccount after adjustment in accordance with subparagraph (a) 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 in effect at the end of each calendar quarter during the deferral period ending on the current Accounting Date, or if such date is not a business day, for the next preceding business day, except that, any credit which occurs after the Accounting Date shall be credited with interest for only the period following the credit.
2. The Participant's Company Stock Subaccount shall be adjusted as follows:
  - (a) as of the date on which shares of Stock are distributed to the Participant, the Company Stock Subaccount shall be charged with an equal number of stock units; and
  - (b) as of the payment date for any 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 credited to the Company Stock Subaccount on the dividend record date 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, liquidation, reclassification, divestiture (including spinoff), stock split, reverse stock split, combination of shares, rights offering, exchange, or any other similar change in the corporate structure or capitalization of the Company affecting the Stock, each Participant's Company Stock Subaccount shall be equitably adjusted in such manner as the Committee shall determine in its sole judgment. In determining what adjustment, if any, is appropriate the Committee may rely on the advice of such experts as it deems appropriate, including counsel, investment bankers and the accountants of the Company.

3. A Participant entitled to a Match Incentive Award under Paragraph V(A)(2) will receive a credit to his or her Company Stock Subaccount equal to such Match Incentive Award, but only if actual receipt of the related Base Incentive Award is deferred for a period of at least five years following the Award Year. Such credit will be effective as of the date the related Base Incentive Award is credited to the Participant's Company Stock Subaccount and will be paid to the Participant in the manner and at the time provided under Paragraph F below.
- F. Payment of Account Balance. Except as otherwise provided in Paragraphs II(D) or VI(D), and subject to Article VIII, the Participant's Account shall be payable to the Participant, as follows:
1. The cash portion of the Participant's payment shall be equal to the balance of the Cash Subaccount.
  2. The Stock portion of the Participant's payment shall be a number of shares of Stock equal to the number of Stock units then credited to the Participant's Company Stock Subaccount, provided that the Fair Market Value of any fractional share of Stock shall be paid to the Participant in cash.

- G. Claim Procedure. For deferred Incentive Awards payable under the Plan, the Compensation Committee shall establish a claims procedure consistent with the requirements of ERISA.
- H. Limitation on Actions. Unless ERISA specifically provides otherwise, no civil action arising out of or relating to the payment of Incentive Awards under this Plan may be commenced by a Participant or beneficiary after three years from the occurrence of the facts or circumstances that give rise to, or form the basis for, such action.

#### VII. PAYMENT IN SHARES OF STOCK

- A. Source of Shares of Stock. The shares of Stock which shall be available for payment to Participants pursuant to the Plan shall be treasury shares (including, in the discretion of the Company, shares purchased in the open market).
- B. 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, and, in such event, payment shall be made in the form of cash. Prior to the delivery of any shares of Stock under the Plan, the Company may require, among other things, a written statement that the recipient is acquiring the shares for investment and not for the purpose of, or with the intention of, distributing the shares. If the redistribution of shares of Stock is restricted pursuant to this Paragraph B, the certificates representing such shares may bear a legend referring to such restrictions.
- C. No Shareholder Rights. The election to defer receipt of an Incentive Award and to receive payment in the form of shares of Stock does not entitle a Participant to any rights (including, without limitation, voting, transfer and rights to distributions) of an owner of shares of Stock which relate to the stock units credited to the Participant's Company Stock Subaccount.

#### VIII. WITHHOLDING TAXES

Notwithstanding any of the foregoing provisions hereof, an Employer shall withhold from any payment to be made hereunder such amounts as it reasonably determines it may be required to withhold under any applicable federal, state or other law, and transmit such withheld amounts to the appropriate authorities. If cash payments under this Plan are not available to meet the withholding requirement, the Participant shall make available sufficient funds to meet the requirements of such withholding, and the Employer shall be entitled and authorized to take such steps as it may deem advisable, including but not limited to, withholding out of any funds or property due or to become due to the Participant, in order to have such funds made available to the Employer.

#### IX. SPECIAL RULES FOR COVERED AWARDS

Notwithstanding any other provision of this Plan to the contrary, the following provisions shall control with respect to any Covered Award:

- A. Preestablished Incentive Opportunity and Performance Objectives. The Selected Performance Factors, Selected Performance Objectives, Incentive Opportunity, and the Threshold Limit under Paragraph V(D) upon which a Covered Award is based or subject shall be established by the Compensation Administration Committee in writing not later than 90 days after the commencement of the Award Year (or period of service as the case may be), provided that the outcome is substantially uncertain at the time the Compensation Administration Committee actually establishes such factors and the objectives upon which they are based (or at such earlier time as may be required or such later time as may be permissible under Section 162(m) of the Code). The Compensation Administration Committee shall not make Covered Awards based on Selected Performance Objectives not specifically provided under this Plan if it determines that use of such Performance Objectives would cause a Covered Award to not be deductible under Code Section 162(m).
- B. Certification of Performance Objectives. The Compensation Administration Committee shall determine and certify in writing prior to the payment or deferral of a Covered Award whether and to what extent the Selected Performance Objectives referred to in Paragraph A have been satisfied.

- C. Discretionary Reduction of Covered Award. Notwithstanding the foregoing, the Compensation Administration Committee may, in its sole discretion, reduce a Covered Award otherwise determined pursuant to the Plan.
- D. Limited Adjustments of Selected Performance Objectives. In the event of (a) any merger, consolidation, reorganization, recapitalization, liquidation, reclassification, stock dividend, stock split, reverse stock split, combination of shares, rights offering, extraordinary dividend or divestiture (including a spin-off), exchange, or any other similar change in the corporate structure or capitalization of the Company affecting the Stock, or (b) any purchase, acquisition, sale or disposition of a significant amount of assets or a significant business, in each case with respect to the Company or any other entity whose performance is relevant to the achievement of any Selected Performance Objective included in a Covered Award, the Compensation Administration Committee (or, if the Company is not the surviving corporation in any such transaction, a committee of the board of directors of the surviving corporation consisting solely of two or more "outside directors" within the meaning of Section 162(m)(4)(C)(i) of the Code) may, without the consent of any affected Participant, amend or modify the terms of any outstanding Award that includes any Selected Performance Objectives based in whole or in part on the financial performance of the Company (or any Subsidiary or division thereof) or such other entity so as equitably to reflect such event, such that the criteria for evaluating such financial performance of the Company or such other entity (and the achievement of the corresponding Selected Performance Objectives) will be substantially the same (as determined by the Compensation Administration Committee or such committee of the board of directors of the surviving corporation) following such event as prior to such event; provided, however, that any such change to any outstanding Covered Award pursuant to this Paragraph D must be made in such a manner that it is independently determinable by a hypothetical third party having knowledge of the relevant facts, and the Compensation Administration Committee shall take no action pursuant to this Paragraph D which would constitute an impermissible exercise of discretion within the meaning of Section 162(m) of the Code, or would otherwise cause the Covered Award to not be deductible under Section 162(m) of the Code.
- E. Changes Affecting Timing. No change shall be made to accelerate the payment of a Covered Award unless the amount of the Covered Award is discounted to reasonably reflect the time value of money. Further, no change shall be made to defer the payment of a Covered Award unless an increase in the amount paid with respect to such award is based on a reasonable rate of interest or on the actual returns on one or more predetermined actual investments (whether or not assets associated with the amount originally owed are actually invested therein).
- F. Maximum Amount. The maximum amount of any Covered Award, including the Match Incentive Award under Paragraph (V)(A)(2), payable to any Covered Employee with respect to an Award Year determined as of the time the Covered Award is paid or would have been paid absent an election to defer receipt, shall not exceed \$3,000,000.

-----

Summary Description of Compensation and Benefits for Directors

1. Cash Compensation of UAL Non-employee Directors. Non-employee directors receive an \$18,000 annual retainer, \$900 per meeting attended, and \$2,700 per year for chairing certain Board committees. Cash compensation may also be taken in stock, and all cash and compensation may be deferred for tax purposes (see item 4 below).
2. Flight Benefits for Directors. Generally, directors, their spouses and their dependent children are entitled to complimentary positive space travel on United Airlines for pleasure or UAL business travel, and will be reimbursed annually for the income tax liability incurred in using this privilege.
3. Complimentary Cargo Carriage Policy for Directors. Directors receive complimentary cargo carriage (excludes ground transportation) for personal goods on United Airlines, for up to 2,500 pounds per year, and are reimbursed for the related income tax liability.
4. Stock-Based Compensation of UAL Non-employee Directors. Non-employee directors receive 400 shares of UAL common stock on the first business day of January each year, which they are asked to hold while they serve on the Board. Additionally, non-employee directors will be allocated 189 Deferred Stock Units on December 31 of each year. These shares are issued under the UAL Corporation 1995 Directors Plan. This Plan also permits director cash compensation to be taken in stock, as well as the deferral of receipt of cash or stock compensation for tax purposes.
5. Directors' and Officers' Liability Insurance and Indemnification. The Company has a policy which provides liability insurance for directors and officers of UAL and its subsidiaries.
6. Director Emeritus Travel Policy. A Director who retires from the Board with at least five years of company creditable service will receive free travel and cargo benefits for life, subject to certain exceptions.

United Air Lines, Inc.  
6-1162-PJG-064

Page 1

The Boeing Company  
P.O. Box 3707  
Seattle, WA 98124-2207

6-1162-PJG-064

United Air Lines Inc.  
P.O. Box 66100  
Chicago, Illinois 60666

Subject: Letter Agreement No. 6-1162- PJG-064 to Purchase  
Agreement No. 1663 - Pratt and Whitney Engine Model  
PW4074 Surge Mapping

Reference is made to Purchase Agreement No. 1663 dated December 18, 1990, between The Boeing Company (Boeing) and United Air Lines, Inc. (Buyer) relating to the sale by Boeing and the purchase by Buyer of Model 777-222 aircraft (the Purchase Agreement).

All terms used herein and in the Purchase Agreement, and not defined herein, shall have the same meaning as in the Purchase Agreement.

Boeing and Pratt and Whitney have a requirement to use one ( 1 ) Aircraft, Manufacturer's Serial Number 30216, Registration Number N210UA, Block Number WA261, scheduled for delivery during January, 2000 (the Test Aircraft), for testing to investigate PW4084 bill of materials engine surge characteristics. One PW4074 engine, Serial Number 777096, will be temporarily installed at Position 2 during the Program. The engine will be replaced with a new engine Serial Number 777101 prior to delivery. Buyer will permit Boeing to use such Test Aircraft subject to the following terms and conditions.

1. Statement of Work.  
-----

The work to be performed in the Program is set forth in Attachment A to this Letter Agreement (the Statement of Work).  
[\*CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

2. Schedule.  
-----

Boeing's Planning Schedule for the Program is set forth in Attachment B to this Letter Agreement. The Planning Schedule specifies the Flight Test portion of the Program will  
[\*CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

United Airlines Inc.  
6-1162-PJG-064

Page 2

3. Price and Payment.  
-----

[\*CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

4. Additional Conditions.  
-----

A. On conclusion of the Flight Test and prior to delivery of the Aircraft to Buyer, Boeing shall:

- (1) Remove the Pratt & Whitney Model PW4074 engine, Manufacturer Serial Number 777096 from Position 2, and install new Pratt & Whitney Model PW4077 Engine, Manufacturer Serial Number 777101 at Position 2. In the event Boeing is required to install PW4077 engines on the Test Aircraft other than those as designated

herein, Boeing will notify Buyer as to the manufacturer's serial number of each such engine.

[\*CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

B. [\*CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

C. The warranties provided by Boeing in Part A of Exhibit B to the Purchase Agreement and the Performance Guarantees set forth in Letter Agreement No. 6-1162-DLJ-846 to the Purchase Agreement [\*CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

D. [\*CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

E. [\*CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

If the foregoing correctly sets forth your understanding of our agreement with respect to the matters treated above, please indicate your acceptance and approval below.

United Air Lines Inc.  
6-1162-PJG-064

Page 3

Very truly yours,

ACCEPTED AND AGREED TO:

Date: 12/8/99

THE BOEING COMPANY

UNITED AIR LINES, INC.

By /s/ Peter Garland

By /s/ Frederic Brace

Its Attorney-In-Fact

Its Senior V.P. - Finance

Attachment A to  
6-1162-PJG-064

Page 1

STATEMENT OF WORK

[\*CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Attachment B to  
6-1162-PJG-064

Page 1

SCHEDULE

[\*CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

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

	1999	Year Ended December 31			1995
	-----	1998	1997	1996	-----
		-----	-----	-----	-----
Earnings:		(In Millions)			
Earnings before income taxes and extraordinary item	\$1,942	\$1,256	\$1,524	\$ 970	\$ 621
Undistributed earnings of affiliate	(20)	(62)	(16)	(49)	(38)
Fixed charges, from below	993	986	991	1,112	1,239
Interest capitalized	(75)	(105)	(104)	(77)	(42)
	-----	-----	-----	-----	-----
Earnings	\$2,840	\$2,075	\$2,395	\$1,956	\$1,780
	=====	=====	=====	=====	=====
Fixed charges:					
Interest expense	\$ 362	\$ 355	\$ 286	\$ 295	\$ 399
Portion of rental expense representative of the interest factor	631	631	705	817	840
	-----	-----	-----	-----	-----
Fixed charges	\$ 993	\$ 986	\$ 991	\$1,112	\$1,239
	=====	=====	=====	=====	=====
Ratio of earnings to fixed charges	2.86	2.10	2.42	1.76	1.44
	=====	=====	=====	=====	=====

UAL Corporation and Subsidiary Companies  
 Computation of Ratio of Earnings to Fixed Charges  
 and Preferred Stock Dividend Requirements

	1999	Year Ended December 31			1995
	-----	1998	1997	1996	-----
		-----	-----	-----	-----
Earnings:		(In Millions)			
Earnings before income taxes and extraordinary item	\$1,942	\$1,256	\$1,524	\$ 970	\$ 621
Undistributed earnings of affiliate	(20)	(62)	(16)	(49)	(38)
Fixed charges and preferred stock dividend requirements, from below	1,195	1,150	1,116	1,209	1,326
Interest capitalized	(75)	(105)	(104)	(77)	(42)
	-----	-----	-----	-----	-----
Earnings	\$3,042	\$2,239	\$2,520	\$2,053	\$1,867
	=====	=====	=====	=====	=====
Fixed charges:					
Interest expense	\$ 362	\$ 355	\$ 286	\$ 295	\$ 399
Preferred stock dividend requirements	202	164	125	97	87
Portion of rental expense representative of the interest factor	631	631	705	817	840
	-----	-----	-----	-----	-----
Fixed charges	\$1,195	\$1,150	\$1,116	\$1,209	\$1,326
	=====	=====	=====	=====	=====
Ratio of earnings to fixed charges	2.55	1.95	2.26	1.70	1.41
	=====	=====	=====	=====	=====

-----

## UAL Corporation Subsidiaries

-----

Subsidiary -----	Place of Incorporation -----	Business Name -----
Air Wis Services, Inc.	Wisconsin	Air Wis Services, Inc.
Four Star Insurance Company, Ltd.	Bermuda	Four Star Insurance Company, Ltd.
Four Star Leasing, Inc.	Delaware	Four Star Leasing, Inc.
UAL Benefits Management, Inc.	Delaware	UAL Benefits Management, Inc.
United Air Lines, Inc.	Delaware	United Air Lines, Inc.

-----

Consent of Independent Public Accountants

-----

As independent public accountants, we hereby consent to the incorporation of our report included in the UAL Corporation Form 10-K for the year ended December 31, 1999, into the company's previously filed Post-Effective Amendment No. 1 to Form S-8 (File No. 2-67368) and Post-Effective Amendment No. 2 to Form S-8 (File No. 33-37613) for the Employees' Stock Purchase Plan of UAL Corporation; Post-Effective Amendment No. 1 to Form S-8 (File No. 33-38613) and Form S-8 (File No. 333-63185) for the United Air Lines, Inc. Management and Salaried Employees' 401(k) Retirement Savings Plan; Post-Effective Amendment No. 1 to Form S-8 (File No. 33-44552), Form S-8 (File No. 33-57331), Form S-8 (File No. 333-03041) and Form S-8 (File No. 333-63181) for the United Air Lines, Inc. Ground Employees' 401(k) Retirement Savings Plan; Post-Effective Amendment No. 1 to Form S-8 (File No. 33-44553), Form S-8 (File No. 33-62749), Form S-8 (File No. 333-52249) and Form S-8 (File No. 333-63179) for the United Air Lines, Inc. Flight Attendant Employees' 401(k) Retirement Savings Plan; Post-Effective Amendment No. 1 to Form S-8 (File No. 33-59950) and Form S-8 (File No. 333-03039) for the United Air Lines, Inc. Pilots' Directed Account Retirement Income Plan; Post-Effective Amendment No. 2 to Form S-8 (File No. 33-41968), Form S-8 (File No. 33-10206), Form S-8 (File No. 33-61007), Form S-8 (File No. 333-03043) for the UAL Corporation 1981 Incentive Stock Plan; and Form S-8 and Post-Effective Amendment No. 1 to Form S-8 (File No. 33-60675) for Directors Fees Taken in Stock Under UAL Corporation 1995 Directors Plan; Form S-3 (File No. 33-57192), as amended, and Form S-3 .

/s/ Arthur Andersen LLP

-----

Arthur Andersen LLP

Chicago, Illinois  
March 13, 2000

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM UAL CORPORATION'S STATEMENT OF CONSOLIDATED OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1999 AND STATEMENT OF CONSOLIDATED FINANCIAL POSITION AS OF DECEMBER 31, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000,000

	DEC-31-1999	
	JAN-01-1999	
	DEC-31-1999	
	12-MOS	310
		379
		1,284
		13
		340
	2,935	20,717
	5,852	
	20,963	
5,411		4,987
100		0
		1
		5,050
20,963		0
	18,027	0
	16,636	
	0	
	0	
	362	
	1,942	
		699
1,238		0
		3
		0
		1,235
		21.20
		9.94

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C.

FORM 11-K

ANNUAL REPORT

Pursuant to Section 15(d) of the  
Securities Exchange Act of 1934  
For the Fiscal Year Ended December 31, 1999

Employees' Stock Purchase Plan of UAL Corporation  
(Full title of the Plan)

UAL Corporation  
(Employer sponsoring the Plan, issuer of the  
participations in the Plan and issuer of  
the shares held pursuant to the Plan)

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

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To UAL Corporation:

We have audited the accompanying statements of financial position of the Employees' Stock Purchase Plan of UAL Corporation (the "Plan") as of December 31, 1999 and 1998 and the related statements of changes in participants' equity for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Plan's administrator. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Plan's administrator, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plan as of December 31, 1999 and 1998 and the changes in its participants' equity for each of the three years in the period ended December 31, 1999, in conformity with generally accepted accounting principles.

/s/ Arthur Andersen LLP

ARTHUR ANDERSEN LLP

Chicago, Illinois  
March 13, 2000

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the sponsor and issuer of the participants of the Plan, UAL Corporation has duly caused this Annual Report to be signed on its behalf by the undersigned thereunto duly authorized.

UAL Corporation  
Administrator

Dated March 13, 2000

By /s/ Douglas A. Hacker

Douglas A. Hacker  
Executive Vice President  
and Chief Financial Officer

EMPLOYEES' STOCK PURCHASE PLAN  
OF UAL CORPORATION

STATEMENTS OF FINANCIAL POSITION  
(In Thousands, Except Number of Shares)

	December 31	
	1999	1998
	----	----
ASSETS		
- - - - -		
Participants' payroll deductions receivable from UAL Corporation	\$ 145	\$ 369
Investment in common stock of UAL Corporation, at quoted market value (1999 - 549,617 shares, cost \$24,350; 1998 - 528,112 shares, cost \$21,208).	42,630	31,522
	-----	-----
	\$ 42,775	\$ 31,891
	=====	=====

LIABILITIES AND PARTICIPANTS' EQUITY

Payable to terminating and partially withdrawing participants, at quoted market value (1999 - 0 shares 1998 - 6,172 shares, cost \$ 368).	\$ -	\$ 368
Participants' equity	42,775	31,523

-----  
 \$ 42,775      \$ 31,891  
 =====

The accompanying notes to financial statements are an  
 integral part of these statements.

EMPLOYEES' STOCK PURCHASE PLAN  
 OF UAL CORPORATION

STATEMENTS OF CHANGES IN PARTICIPANTS' EQUITY  
 (In Thousands)

	Year 1999	Ended December 1998	31 1997
	----	----	----
Balance at beginning of year	\$ 31,523	\$ 47,563	\$ 32,247
Increase (decrease) during year:			
Participants' payroll deductions	5,660	5,810	5,576
Realized gain on stock distributed to participants	1,749	150	3,682
Unrealized appreciation (depreciation) in value of investment	7,966	(19,298)	11,501
Stock and cash for fractional shares distributed or amounts payable to participants, at market value	(4,123)	(2,702)	(5,443)
	-----	-----	-----
	11,252	(16,040)	15,316
	-----	-----	-----
Balance at end of year	\$42,775	\$31,523	\$47,563
	=====	=====	=====

The accompanying notes to financial statements are an  
 integral part of these statements.

EMPLOYEES' STOCK PURCHASE PLAN  
 OF UAL CORPORATION

NOTES TO FINANCIAL STATEMENTS

(1) The Plan

The Employees' Stock Purchase Plan of UAL Corporation (the "Plan") is sponsored by UAL Corporation ("UAL"). UAL offers participation in the Plan to eligible employees of UAL and its subsidiaries.

(2) Purchase and Distribution of Stock

Purchases are made by the Plan monthly, and the shares purchased are credited to the accounts of each participant on the basis of the ratio of the participant's contribution to total participants' contributions for the month. The cost of common stock purchased for the Plan includes all brokerage charges involved in the purchase.

When shares of stock are distributed to the individual participants pursuant to the terms of the Plan, the market value of such shares is removed from the investment account of the Plan.

Terminating participants receive a certificate for the full number of shares, plus cash for the fractional shares, held for

their accounts. Partially withdrawing participants receive certificates for the full number of shares withdrawn. There are no forfeiture provisions under the Plan with respect to participants' contributions.

(3) Investment in Common Stock of UAL

The investment in common stock of UAL is valued at the year-end published market prices as reported by the New York Stock Exchange.

(4) Realized Gain on Stock Distributed to Participants

Gains on stock distributed to participants are realized to the extent of the difference between the weighted average cost of shares distributed and the market value at the date of distribution.

(5) Unrealized Appreciation (Depreciation) in Value of Investment

The unrealized appreciation (depreciation) in the value of investment is the change from the prior year-end to the current year-end in the difference between the market value and the cost of the investment.

The following is a summary of unrealized appreciation (depreciation):

	1999	1998	1997
	----	----	----
	(In Thousands)		
Balance at beginning of year	\$ 10,314	\$ 29,612	\$ 18,111
Increase (decrease) during year	7,966	(19,298)	11,501
	-----	-----	-----
Balance at end of year	\$ 18,280	\$ 10,314	\$ 29,612
	=====	=====	=====

(6) Administrative Expenses of the Plan

All administrative expenses of the Plan are paid by UAL.

(7) Federal Income Tax

Under existing federal income tax laws, the Plan is not subject to federal income tax. Any dividend income is taxable to the participants upon distribution and receipt. When any shares of stock or rights acquired under the Plan are sold by or for a participant, any gain or loss must be recognized by that participant.