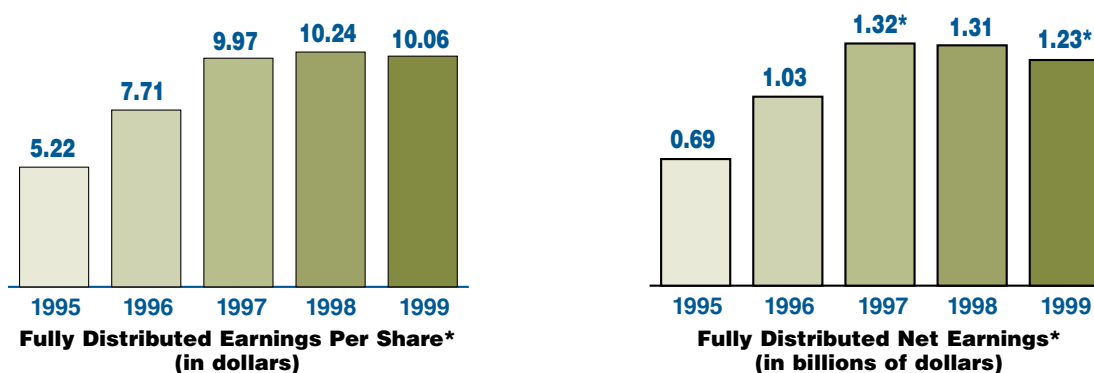




Hong Kong: 11:48 a.m.

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## Earnings Highlights



\*Before any adjustments, such as write-downs, gains on sales and extraordinary losses.

Note: For a discussion of the fully distributed methodology, see page 33.

## Corporate Description

UAL Corporation is the holding company for United Airlines, the largest air carrier in the world. With hubs in Chicago, Denver, Los Angeles, San Francisco, and Washington, D.C., and key international gateways in Tokyo, London, Frankfurt, Miami and Toronto, United flies to some 135 destinations in 26 countries. United's 100,000 plus employees worldwide bring people together safely, conveniently and efficiently more than 2,200 times a day. United Airlines' customers also enjoy access to more than 792 destinations around the world through Star Alliance, the leading global airline network.

United is an industry innovator with breakthroughs such as Economy Plus<sup>SM</sup> seating, the United First Suite<sup>SM</sup>, Our United Commitment<sup>SM</sup>, E-ticket<sup>SM</sup> service, airport gate readers, The Chariot<sup>SM</sup> mobile airport podium, United Shuttle<sup>®</sup>, and the introduction of the technologically advanced Boeing 777. United's Mileage Plus<sup>®</sup> program, with more than 38 million enrolled members, has been named the best frequent flyer program by Business Traveler International magazine in 1996, 1997, 1998 and 1999. United also leads the way in safety and technological advancements for the aviation industry. The pioneer of systems such as the Enhanced Ground Proximity Warning System (EGPWS), United always focuses on its core value of "safety at all times, in all things."

I'm proud of the people of United Airlines, and it is my privilege to report to you on their 1999 accomplishments. The United Airlines of today is vastly different from the struggling institution of six years ago, thanks in no small measure to the commitment of United's employees to our customers, to our stockholders and to each other.

In 1999, we outperformed our industry in U.S. domestic unit revenue. We earned \$1.23 billion and produced operating earnings of \$2.15 billion, both on a fully distributed basis. Fully distributed earnings per share in 1999 totaled \$10.06. Key measures increased for the year, including revenue passengers, revenue passenger miles and operating revenue per available seat mile.

Our people achieved these results despite a number of short-term challenges, including an upward fuel price trend, unusual weather disruptions on the East Coast, reduced holiday-season travel because of Y2K concerns, and chronic problems with the air traffic control system. The Federal Aviation Administration's transition to a new radar system was anything but smooth, and that held us back from an even better reliability performance. But we're working aggressively with the FAA to ensure that the air traffic control infrastructure meets the needs of the traveling public, as well as the airlines.

Nineteen-ninety-nine was also a year in which we put in place many initiatives that will provide long-term benefit to United Airlines, and that reflect our leadership position in the industry. They also demonstrate our renewed focus on superior customer service. Let me briefly share a few of them with you:

- We set a new industry standard for economy class travel by introducing Economy Plus<sup>SM</sup>, which adds as much as five inches of legroom and a dedicated seating area for our full-fare United Economy<sup>SM</sup> customers and our most frequent flyers. Economy Plus is already delighting our customers, while other airlines are playing catch-up.
- We reaffirmed United's dedication to the customer with Our United Commitment<sup>SM</sup>, delivering on an industry-wide pledge to provide better customer service. But we raised the bar for our competitors and ourselves by introducing the most comprehensive program of all airlines.
- In North America, where we have the industry's greatest number of strategically located hubs, we further strengthened our route system by adding Los Angeles to the list. We also added substantially to our flight schedule at Dulles International Airport in Washington, D.C. We now rank number one in capacity share at all of our hubs.
- Using the power of Deep Blue, IBM's supercomputer, we developed a new yield-management system, Orion, which will maximize our revenue potential from each flight.
- We took steps, subject to stockholder approval, to pay a cash dividend to stockholders beginning this year. We also completed the third in a series of share buy-back programs.
- We demonstrated that the leading airline in the world is also the leading airline on the information superhighway. We're now in the process of creating an e-commerce subsidiary that will exploit our industry "firsts" in Internet-based marketing. Its portfolio will include our newly revamped, customer-friendly web site, ual.com, which was the first airline web site offering access to more than 500 airlines, 30,000 hotels and 50 car rental companies; our unique Internet partnerships such as BuyTravel.com and an independent web site with Delta, Northwest and Continental; and our strong relationships with other sites such as star-alliance.com and collegetravelnetwork.com. The new company will also be responsible for our wireless technology innovations, most notably the availability of real-time flight information through the use of the Palm Pilot VII<sup>TM</sup> personal assistant and Internet-ready mobile phones.

James E. Goodwin  
*Chairman and Chief Executive Officer*



When these initiatives are combined with marked improvements in the Pacific economies and the signing-on of new Star Alliance partners, you can see that we're united for an even better journey in the years to come.

Economic recovery in the Pacific was the big news impacting our revenue story in 1999. The third and fourth quarters showed areas of solid growth in this region, giving us added confidence that we should see additional improvement in Pacific passenger unit revenue in 2000.

Meanwhile, Star Alliance continued its expansion, far outpacing all other airline alliances. It added three members in 1999, and an additional four will join this year. Our participation in Star Alliance allows us to truly unite the world with our combined global route networks. Virtually every major airline passenger destination on earth is touched by United or one of our global partners in the Star Alliance, as the graphic representation below illustrates.

Star Alliance successfully overcame a major challenge in 1999 when Air Canada, one of the Star members, was threatened with a hostile takeover backed by American Airlines. United and Lufthansa teamed up to provide a solution, in record time, that allows Air Canada to remain independent while acquiring the assets of Canadian Airlines, thus further broadening the reach of the Star Alliance itself.

Despite all of last year's good news, we know the road ahead won't be completely smooth. There are challenges ahead. We're in contract negotiations with our pilots', machinists' and dispatchers' unions. While these talks can be tough at times and the outcomes somewhat unpredictable, United and its union representatives have jointly agreed to change the way we engage one another. This paradigm shift in our approach – one that's based on mutual respect and a spirit of openness and candor – lays the groundwork for speedier resolution of issues. In fact, discussions with our pilots began earlier than ever before, a full 16 months prior to contract expiration this April. I view these developments as signs of an improving environment in our relationship with our represented employees.

We're also facing the expiration of the Employee Stock Ownership Program allocation period. People question whether our ongoing culture shift, prompted by the financial crisis that drove the creation of the ESOP, will lose its momentum. In all the speculation about United after the ESOP, two facts are easily lost:

First, United Airlines' ownership structure will continue well into this century. Even without additional allocations, employees will continue to hold the outstanding shares in their retirement accounts, shares that cannot be sold until retirement or termination. Moreover, under the terms of the ESOP, employees will continue to play a role in corporate governance through board representation.



Second, we've been anticipating this post-ESOP world since the ESOP was created in 1994. The ESOP was never regarded as an end-point or solution unto itself. But it gave us an opportunity to rethink this company from the bottom up. It also provided us with the motivation to thrive, not just survive, because so many of us had and will continue to have a substantial personal investment in the degree of success we achieve.

Two other challenges face us this year. We'll be making a significant financial investment in the people of United. This is essential, because we can only remain competitive by ensuring our people are compensated competitively.

We're also confronting an environment of substantially higher fuel costs, as are our competitors. So far, we've done a superb job of ensuring these costs are predictable, if not controllable, but it's unclear what the long-term impact of the increases will be.

It's a personal thrill for me to write this letter, my first as chief executive officer of a company I've loved for 32 years. We've been through a lot together during this time – an oil embargo, airline deregulation, the Gulf War, economic recessions as well as unprecedented global prosperity and amazing growth in our airline and the industry at large. Today, United Airlines is the strongest I've ever seen it. My vision is to make United an even better company for all of our stakeholders – our employees, our customers, our stockholders and the communities we serve everywhere in the world.

Last year, when Jerry Greenwald and our board of directors asked me to take on my new responsibilities, I decided to speed progress toward our core objectives by creating a leadership team with individual areas of intense focus. I am confident that we have a group that will guide us to the next levels of reliability, customer and employee satisfaction, and financial performance.

In the pages that follow, you'll hear from the members of United's leadership team on our objectives and the opportunities we see ahead. You'll also read about how some of United's people are bringing our core objectives to life for customers, for other employees and for all United stockholders.

Uniting people is what we do. In the spirit of uniting the world, I hope you'll enjoy and learn from our review of 1999 and our look at the bright future of United Airlines.



March 1, 2000



**United's Worldwide Presence**



Buenos Aires: 12:40 p.m.

I'm Rono Dutta, president of United. All of us on the leadership team – as well as all of us at United – are working to make our four objectives a reality. My focus is customer satisfaction. That means leading United's team of more than 100,000 United people around the world in improving customer service.

Our goal is to make our customers feel good about their experience with United. We have their loyalty, thanks to our superior route structure and our Mileage Plus® program. We get credit for providing a comfortable, enjoyable ride and relatively hassle-free service. But feedback from customers indicates that the genuine warmth, friendliness and honesty of our people are not coming through in many of our customer interactions.

Some companies are "head-driven," and they emphasize processes and numbers. I think of United as being "heart-driven," because our people are a very caring group. We have to open the shutters and let the rest of the world see this. That's how we'll win over our customers.

We're focusing on characteristics that customers value, specifically candor and responsibility, and warm and attentive service. Changing our behaviors in these two areas is our greatest opportunity to bring Our United Commitment<sup>SM</sup> to life.

Our people want to do the right thing. They strive to be candid about problems and accept responsibility. But sometimes they are hampered by systems that don't fully support their efforts. We're fixing that by investing in new technology that will give everyone in a customer-contact position whatever is needed to keep our customers properly informed.

Probably the most difficult, the most challenging, and the most critical area of focus is providing warm and attentive service. Today, when we ask our customers what they would like to see more of, they say, "Well, you're professional and very well trained, but you don't seem to be very concerned about my needs. Show me you care. Don't treat me with indifference." Customers want us to demonstrate our understanding that travel is not always a pleasant experience. They basically want a caring attitude. We need to tap into the reservoir of caring that is at the core of United's culture.

Our front-line supervisors on the ground and in the air are key to this transformation. We're making sure they understand exactly what kind of service our customers want. We're giving them extensive training so they can be effective coaches with everyone who touches our customers in some way – our customer service representatives, our flight attendants, even our pilots. It comes down to the basics: making eye contact, using the customer's name, greeting her with a smile.

Right now, air travel for most people is too stressful, too complicated and takes too long. One reason is that our industry has some serious structural problems to address, such as the inadequacy of the air traffic control system. While this problem is certainly not limited to the United States, the U.S. system is where we have had the most difficulty. We're pushing the federal government to encourage improvements.

Another reason is that airport and operational processes and procedures have not changed much in the past 15 years. To address this, we've created a special group within United to review processes and reengineer them in a way that creates a seamless experience on the ground.

But these are long-term initiatives. In the short term, we know that the people of United – with all their personal warmth and dedication to this airline and each other – have the power to make every flying experience a great one for our customers. I'm committed to unleashing that power.

Rono J. Dutta  
*President*





Keep our customers  
coming back with  
superior customer  
service.



The people of United are constantly asking their customers and each other how they can enhance the entire travel experience – from creating a more comfortable environment in flight to ensuring that a customer's luggage is there at the end of the journey.

When United's most frequent travelers requested additional work space and legroom on board, a team of service and product representatives from throughout the company responded with an exciting new product, Economy Plus<sup>SM</sup>. Economy Plus adds four to five inches of legroom in the first six to 11 rows of the economy cabin in our U.S. domestic narrowbody fleet, and it sets an industry benchmark for customer comfort. "The response has been great," says Kathy Reilly, the Economy Plus project manager. "Our business customers are telling us that the additional space is just what they need to be able to work productively and in comfort during the flight. They also appreciate the fact that they're being rewarded for their loyalty to United."



New product development is only part of the customer satisfaction story. United is also investing in its people, both to arm them with skills and to support them with resources that are critical elements in providing exceptional service. The Qualified Purser Program, designed in collaboration with the Association of Flight Attendants, is just one example. This innovative training program builds leadership, conflict resolution and team-building skills. More than 2,200 of our flight attendants have successfully completed the course and earned the designation of Qualified Purser – making them better equipped to resolve onboard problems on the spot.

"As pursers, we try to come through for our customers, even in the toughest situations, with compassion and, when it's appropriate, a sense of humor," says Qualified Purser Cynthia Kurowski. "We work with our fellow flight attendants to create a positive atmosphere on board so that more people leave the plane happy."

But the goal to provide the customer with a hassle-free flying experience won't be achieved only in the skies. United's people recognize that delivering on the basics, like baggage handling, is crucial to customer satisfaction.

In San Francisco, employees have tackled baggage-handling performance head-on, and the results are striking. In 1999 alone, they reduced the number of mishandled bags by nearly 35 percent. Here's how: A team of representatives from every employee group examined the handling process from start to finish, better defined each group's role in the process, installed state-of-the-art BullsEye baggage scanners and adopted a uniform improvement objective.

According to Bill Roy, general manager-Customer Service in San Francisco, "It's all about focus – getting every member of the team, from the lobby to the ramp, to focus on keeping customers and bags together." Now, on those occasions when a bag is misdirected, customer service representatives can accurately and swiftly pinpoint the location of the bag and share that information, as well as the solution, with the customer.

"No one is happy when bags are delayed," says Roy, "but it's far less likely to happen now, and when it does, we can keep the customer informed. We've set another stretch goal for this year, and we're determined to make sure that every customer departs on time – and with his or her bag."





Chicago Re

Chicago: 9:16 a.m.

I'm Bill Hobgood, senior vice president-People. My focus is making United a better place to work. In 2000, we're holding management accountable for three people-related objectives, and management's incentive compensation is linked to the successful achievement of all three.

First, we want all of our people to be fully committed to each of United's four core objectives. We also want them to be personally satisfied in their jobs. This can only happen if they have the right tools and training, and a solid understanding of United's business strategy. We've created an Employee Engagement Index to measure our progress in these areas. The Employee Engagement Index is calculated through periodic surveys of our people. If we're missing the mark, we'll hear it directly from those in the best position to judge – our own employees.

Second, we're putting additional emphasis on workplace safety. We've always been known for our absolute dedication to customer safety. Now it's time for us to set a new standard of safety for our people, wherever they happen to work. We've established a challenging target for limiting workplace injuries.

Our third people focus recognizes the need for greater diversity in our management ranks. We have two very specific goals: to increase the number of women and people of color in management positions at United Airlines.

United's management and the leadership of our unions jointly developed these people objectives. They represent our common belief that the quality of our people, their performance, and United's evolution into a profitable, customer-focused enterprise are all directly linked. They also signify that United and its unions are finding new ways to connect with one another in a spirit of partnership.

As Jim mentioned in his letter, we've chosen to approach our current contract negotiations from the standpoint of principles, not personalities. At the heart of these principles is a belief that mutual respect must drive all of our conversations. We're clearly defining the issues, openly sharing information about those issues, confronting the consequences of not reaching agreement and proceeding on accelerated timetables. We'll know soon enough whether this process is working, but we all concur that the uncertainty created by protracted negotiations benefits no one.

As the Employee Stock Ownership Program allocation period comes to a close, it is important for us to reflect on what United Airlines would look like today if we had not pursued the ESOP in 1994. No doubt, we'd be a smaller airline. The company – and our people – would have fewer opportunities to grow. We'd be a command-and-control organization in an era of employee empowerment.

The ESOP wasn't a panacea, and we made some mistakes along the way. It was a financial transaction that allowed United Airlines to survive and prosper. It provided us an incentive to reexamine how we deal with each other and it gave us a foundation for permanent, positive cultural change. We haven't yet taken full advantage of the opportunity, but we've made quite a bit of progress.

Our people, and their enormous pride in being part of United Airlines, are what distinguish us from any other airline and any other company I know. I'm committed to helping them channel that pride in ways that will catapult us to first place in every important measure of customer service. I'm convinced that when we're United, we can accomplish anything.

**William P. Hobgood**  
*Senior Vice President – People*





Make United a  
better place to work.

Our pilots, flight attendants, gate agents, ramp service people and mechanics are connecting in ways United's people never have before. They're participating in a training program introduced last year for United's newest pilots. Complementing technical skills



training already in place, this program is designed to give the pilots a greater understanding of the complex operational and customer service processes that make every flight possible. Pilots spend a full day at Denver International Airport, starting at United's station control center. They then go on to observe customer service representatives, baggage teams and ramp personnel in their regular duties.

"It gives us the ability to see the big picture," says pilot Keith McKeon. "Getting a plane into the air is a lot like choreography, and from our usual vantage point in the cockpit, we can't always appreciate that."

Pilot Dayle Ragon seconds McKeon's perceptions. "The training really emphasizes the team effort," she says. "It doesn't matter if I'm ready to push back from the gate on time if the bags aren't on the plane. When we understand each other's responsibilities and work together, the end result is a more satisfied customer."

The trainers, many of whom volunteer from operations and customer service departments, share the pilots' enthusiasm for the program. "We want to give our customers the highest quality product," says mechanic Paul Goodyear, "and we can only do it by working as a team."

New captains, meanwhile, are honing their leadership capabilities in a special series of three seminars developed jointly by United and the Air Line Pilots Association (ALPA). Called the Captain Development Course, its objectives are to provide the new captains with tools that will make them more effective leaders, better connect them with the other members of the United team and encourage them to focus on the customer in everything they do. Seasoned captains facilitate all of the sessions to give the new captains a real-life perspective on the responsibilities of their new command.

"Once you become a captain, it's taken for granted that you have the technical expertise for the job," says participant First Officer Neil Swindells, "so the people skills are the emphasis in this program." Individual training modules concentrate on team building, problem resolution, stress management and other proficiencies that define good leaders.

And, much like the new pilot training, the Captain Development Course devotes considerable time to observing and interacting with ramp service people, flight attendants, mechanics and customer service personnel as they do their jobs. Notes Swindells, "You get to see how the other employee groups work with you, and you develop a greater focus on how everyone operates together as a team. While we're doing our pre-flight preparation as pilots, there are 22 or 23 other people working on that airplane, same as we are, trying to do exactly what we do – get the airplane out: safely, on time and efficiently."





Los Angeles: 5:45 p.m.

I'm Andy Studdert, executive vice president and chief operating officer. My focus is making United Airlines more reliable and managing our complex operations. That means keeping safe an average of 243,000 customers and 100,000 employees every day. That means overseeing a fleet of 594 aircraft. It also means getting an average of 2,245 departures out reliably every day.

We're using consistent on-time performance as our measurement for reliability because we know that on-time performance is key to our transformation into a company that's truly focused on our customers. But no matter how we get there, we'll never compromise on safety.

I'm very proud of our United team for achieving all three of our on-time performance goals in 1999 while keeping safety front and center in everything we do. It was our best performance in 13 years. It's no surprise to me that the people of United were able to accomplish this once we brought our fleet and flight operations groups together and began to run our operations differently. This year, we're asking our people for even more – improved on-time performance and a dedication to United's other three core objectives. We know they can, and will, make a difference on each one.

We're using "focus, focus, focus" to manage the operational variables in our business we can control. We're also working to influence and minimize the impact of other variables outside of our control that affect our operations, such as air traffic control, weather and airport congestion. Our primary performance metric is percentage of on-time departures. By concentrating on this one area, we're making everyone in every aspect of our operations accountable for getting every aircraft out of every gate, on time, every time.

We're also fundamentally changing the way we maintain our fleet. We're improving our maintenance procedures by doing more preventive maintenance and taking advantage of new technology that allows us to diagnose potential problems before they happen. This helps us reduce the amount of unscheduled maintenance and cut down on gate delays and systemwide schedule problems. We'll also retire some of our older widebody aircraft this year.

Finally, we're continuing to work with the Federal Aviation Administration to enhance procedures for air traffic control that affect reliability in the United States, where air traffic control problems affect us the most. Our pilots have done an outstanding job of pointing out those areas that need improvement in the Air Traffic Control system. We have taken an industry leadership role in encouraging the federal government to upgrade vital technical systems and on-the-ground facilities that would enable all carriers operating in the U.S. to significantly improve their on-time performance.

All of this will add up to fewer delays because of mechanical problems, slow check-ins, late boarding, slow baggage handling or planes in the wrong places. It will also mean our ground crews have fewer problems to address as we make on-time departures a way of life. For our customers, of course, this will mean we're flying the schedule as printed. At United, you can count on us to get you there on time, with the best maintained fleet in the industry, and with "safety at all times, in all things" as our bedrock value.

Our people have a certain spirit. A can-do spirit. There's nothing more exciting for me than listening to our mechanics, pilots, flight attendants, or ground crews describe how they're going to solve complex problems. Recovering from two feet of snow – can do. Getting an engine from Kuala Lumpur to London in less than 18 hours – can do. I'm committed to harnessing that can-do spirit to keep United safe and make United consistently on-time.

**Andrew P. Studdert**  
*Executive Vice President and  
Chief Operating Officer*





Make United more  
reliable with  
consistent on-time  
performance.



The Pratt & Whitney engine that powers United's fleet of Boeing 777 aircraft is massive – so massive, in fact, that it barely fits in the hold of a B747 cargo plane. The engine weighs about 24,000 pounds. It's almost 12 feet in diameter. And it's tremendously reliable. That's just one reason that the B777 has a stellar safety record.

But on the rare occasion that the engine needs to be replaced, United's got just the right team for the job. Based at the airline's maintenance facility at John F. Kennedy International Airport in New York, United's Engine Change Crew – unique in the industry – is poised to go virtually anywhere in the world on a

moment's notice and swap a working B777 engine for one that needs maintenance, often in less than a day. According to Maintenance Supervisor Pete Salva, who leads the crew, neither the size of the engine nor the complexity of the task fazes his team in the least.

"We've got 28 specially trained mechanics on the crew," he explains. "It takes eight of us to change out an engine. We're like a S.W.A.T. team – we bring everything we could possibly need in a custom mobile equipment container, including generators, compressors, tools, parts, even ready-to-eat meals."

The crew is prepared for all climates and can change an engine just as easily in semi-tropical Brazil as in sub-zero Russia. It's also willing to sacrifice holidays if necessary. This past New Year's Eve, the team celebrated the arrival of the new millennium enroute to Milan, where a B777 owned by Air Europe, which has a maintenance contract with United Services, required emergency engine servicing. The mission was a success, and Air Europe's senior manager for engineering was impressed. "They did a great job in spite of the freezing weather and the long trip to get here," he says. "Every action was perfectly staged."

Such praise doesn't surprise Ron Utecht, United's senior vice president of Maintenance Operations. "Our maintenance people take full ownership of every assignment," he notes. "In a sense, they view themselves as the owner of each individual airplane in the fleet, responsible for its care and feeding, to ensure the safety of our customers on board."

This attitude is even more important as United beefs up its preventive maintenance schedules to avoid service delays caused by unscheduled repairs. "The mechanic of the future will use sophisticated technology to track specific aircraft and catch potential problems before the flight crews can even notice them," Utecht says. "We're testing these systems now, and when we implement them across the fleet, we'll be taking the concept of ownership to a much higher level."





Frankfurt: 10:32 a.m.

I'm Doug Hacker, executive vice president and chief financial officer. I'm responsible for leading our efforts to keep United financially strong and improve our overall financial performance. I also head up our strategic planning efforts, which play a key role in our financial success. To maintain our financial strength, all of us at United will have to do many things well while keeping all four of the company's core objectives in mind.

A lot of our energy over the last six years has been concentrated on fleet and route planning, the development of strategic partnerships such as the Star Alliance, the reduction of our distribution costs, and bringing down our cost of capital. As a result, we are a much more efficient airline, and our better-than-industry fleet and hub structure has shown through in better-than-industry revenue performance. It has also allowed us to begin evolving into what we call a customer-centric airline.

What does a customer-centric airline look like? In large measure, it's an airline where the customer is in control, and the employees are working collaboratively with the customer to accomplish his or her goals. I like to use the appeal of the Internet as an example. The Internet provides an environment where customers are kings, where they are the center of the universe, and where they actually relish doing everything themselves. We haven't created a customer-centric experience yet, but our e-commerce initiatives will get us much of the way there.

We recently established a stand-alone e-commerce division that allows us to give proper focus to our Internet-based customer interactions. Its clear mandate is to sell our product on the Web, but it's more than that. Much more. It creates enormous opportunities for our customers to have more control over their travel purchases. We've organized it in a way that motivates the kind of people who enjoy the frenetic world of "dot-coms" so we can compete for the best talent.

Thinking about the opportunities of e-commerce in a different way is already having an impact. Using extensive customer input, we've revamped our primary web site, ual.com, to offer customers faster access to the most popular features for researching and booking travel. We've also entered into innovative relationships with sites such as star-alliance.com and collegetravelnetwork.com.

We're creating new sites such as BuyTravel.com (in conjunction with Buy.com), and we've joined forces with Delta, Northwest and Continental to develop an independent web site that will provide customers with a new standard in customer convenience and access to Internet specials from multiple airlines.

Our e-commerce initiatives demonstrate our leadership in tapping the wave of the future in the travel industry. They also create a foundation for long-term benefits that will help us weather some of the shorter-term challenges facing the industry today.

The entire airline industry is experiencing higher costs related to increased wages and benefits, and a jump in fuel prices from historical lows to historical highs. I believe United Airlines is the best-positioned U.S.-based airline to weather these events. We're making substantial improvements in our product. We have the most comprehensive route structure. We've kept our expenses in line. We've worked hard to balance the interests of customers, stockholders and employees and, as a result, we've maintained productive relationships with our represented workforce.

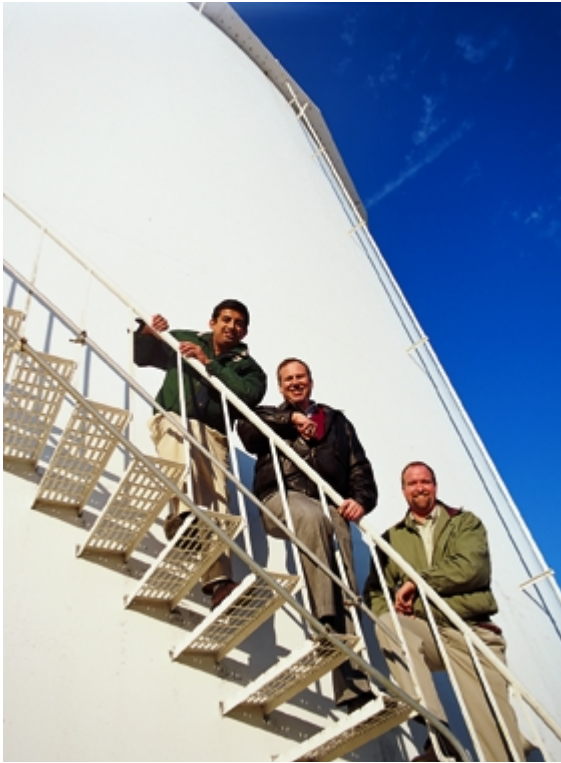
I'm committed to keeping United strong financially, for the benefit of all of its stakeholders, whether they are public stockholders, ESOP participants, other employees or our customers.

**Douglas A. Hacker**  
*Executive Vice President - Finance  
and Planning and Chief Financial Officer*





Keep United strong  
with solid financial  
performance.



Oil prices took the airline industry on a roller-coaster ride in 1999, with costs ranging from \$12 per barrel in February to \$25 per barrel in December. But because United's people recognized the threat of rising fuel prices early and took action, the airline was able to save more than \$70 million it would otherwise have spent on fuel.

The key? Our fuel hedging program. It protects United from unexpected jumps in fuel prices while allowing the airline to immediately benefit from price reductions.

United led the industry in developing an in-house cadre of experts in this complicated specialty. Today, a cross-functional team of United's people keeps a close watch on the global markets where petroleum is traded using the same sophisticated tools available to financial institutions. Armed with up-to-the-second data, the team analyzes complex financial models that attempt to determine, with reasonable certainty, the cost of jet fuel as much as a full year into the future.

The team then contracts with financial institutions that are willing to sell us options to buy fuel in future months and then sell it to United at agreed-to prices.

If the actual price of fuel is greater than the agreed-to price in any month, United only pays what the contract calls for. If the actual price is less, United can purchase fuel on the open market at the lower cost. In this way, the fuel hedging team works to protect United's bottom line.

"You can compare hedging to insurance," explains Vinay Awati, United's manager of Risk Management. "You pay a premium and are assured that if anything bad happens, the expense will be limited. If nothing bad happens, you lose the premium, but there's no additional cost to you."

Hedging cut about 2.5 cents off the price of each gallon of fuel United purchased last year. And since fuel is United's second largest expense after people-related costs, the impact to the bottom line is significant.

"Predicting fuel prices is a lot like looking into a crystal ball," says Awati. "Our hedging program allows us to define the upper boundaries of fuel costs well into the future and assure our stockholders that we are keeping costs under control."





## North America

North America is United's largest market, accounting for nearly 70 percent of the company's revenues in 1999. Operating revenues for this segment were \$12.5 billion. For the year, United led the industry in U.S. domestic passenger unit revenue performance.

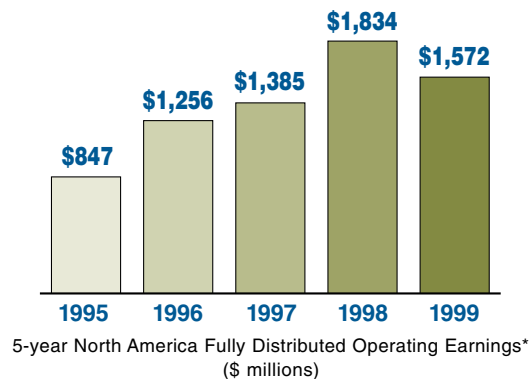
United's network of U.S. hubs was strengthened by the addition of Los Angeles and a 68 percent increase in the number of our flights at Dulles International Airport in Washington, D.C. In Los Angeles, we added 30 new daily nonstop flights, including a number of United Shuttle® flights that further solidified United's West Coast presence in the low-cost market. The airline also completed a \$260 million terminal renovation at Los Angeles International Airport. We have the most extensive U.S. route system of any airline, and now rank first in capacity share in all of our U.S. hubs.

Economy Plus<sup>SM</sup>, introduced last summer, has been a popular new feature among our full-fare economy and most frequent flyers. Economy Plus adds four to five inches of legroom in the first six to 11 rows of the economy cabin in most of United's North American fleet, excluding United Shuttle. The fleet conversion will be completed by the end of March 2000, more than a month ahead of schedule. Other U.S. domestic carriers are looking at ways to follow our lead.

United also led the industry with Our United Commitment<sup>SM</sup>, a reaffirmation of the airline's dedication to improving customer service in 12 key areas. We introduced a number of service enhance-

ments, including mobile freestanding check-in stations (The Mobile Chariot<sup>SM</sup>); the installation of gate readers at approximately 80 percent of our U.S. stations; and a redesigned customer web site, which is now faster and easier to use.

United continued to advocate a major overhaul of the U.S. air traffic control system in 1999, citing a dramatic growth in flight delays and cancellations as a result of systemic problems. We told government officials that, unless major changes are implemented soon, the system will not be able to handle projected growth in air traffic.



\*See page 33 for further discussion of the fully distributed methodology.

## Pacific

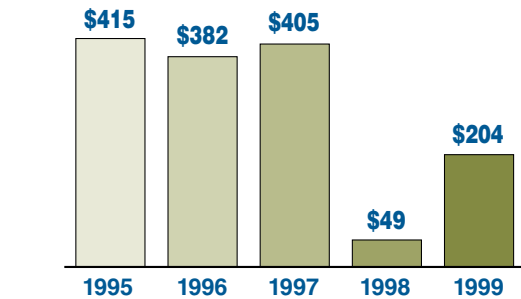
United was the leading U.S. carrier in the Pacific in 1999, based on airline capacity (available seat miles). Our Pacific operations accounted for about 15 percent of our 1999 revenues.

The Pacific was a success story for United last year. Our aggressive capacity reduction – our response to the economic difficulties of the region in late 1997 and throughout 1998 – served us well: United posted solid profits in the Pacific in 1999.

The Pacific began to regain its economic footing during the year, but the pace of that recovery varied on a country-by-country basis. Australia, Korea and Thailand were the first to show signs of improvement, with China continuing to maintain economic strength.

Hong Kong and Japan have now begun to stabilize, but recovery – particularly in Japan – remains fragile.

We continue to manage our capacity strategically. In addition to canceling several weak segments, we introduced the B777 aircraft into the Pacific in October, giving us greater flexibility to match



5-year Pacific Fully Distributed Operating Earnings\* (\$ millions)  
\*See page 33 for further discussion of the fully distributed methodology.

supply and demand in specific markets. And our new nonstop service between the U.S. and Melbourne, Australia, introduced in December, will favorably position United in the growing U.S.-Australia market.

We will begin adding significant capacity back into the Pacific in 2000. Among our new routes will be two nonstop flights to China – Beijing and Shanghai – from San Francisco. We will also reinstate our San Francisco-Seoul, Korea service.

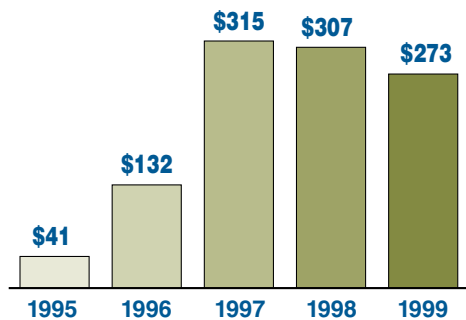


## Atlantic

United was the second largest U.S. carrier in the Atlantic in 1999, based on airline capacity. Serving Europe nonstop from seven U.S. gateways, our Atlantic operations accounted for about 11 percent of our 1999 revenues.

Competition in the Atlantic market was intense in 1999, largely because industry over-capacity impacted the region. Despite pressure on yields, United posted solid profits in the Atlantic for the year.

We selectively allocated new capacity in Europe to take advantage of regulatory and market-specific opportunities in London, Paris and Frankfurt. This year, we will begin new nonstop flights linking our West Coast hubs and Europe with Los Angeles-Paris service and San Francisco-Frankfurt service. British Midland's



5-year Atlantic Fully Distributed Operating Earnings\* (\$ millions)  
\*See page 33 for further discussion of the fully distributed methodology.

planned affiliation with Star Alliance, announced in 1999, will provide a strategic advantage to United, given British Midland's extensive service from its London hub to complementary U.K. and European destinations.



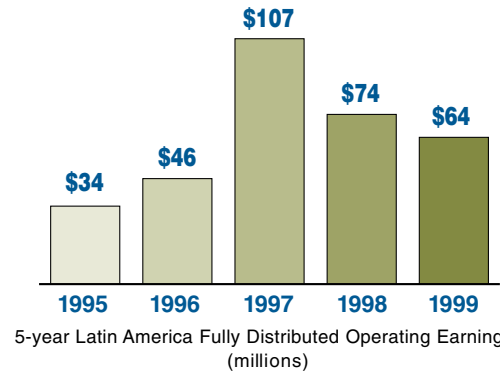


## Latin America

Economic uncertainty continued to take its toll in Latin America in 1999, as the Asian economic crisis adversely affected the Latin American export market. Most airlines serving this sector, including United, took steps to reduce capacity in the region, which represents less than 5 percent of United's revenue base. United discontinued its Dulles-San Salvador service and its Miami-Lima service (closing the Lima station in March 2000) and significantly reduced capacity in other Latin American markets.

Nevertheless, there are hopeful signs that stability is beginning to return to Latin America: New governments have been elected in Argentina and Chile, and GDP growth is expected to improve significantly in Brazil, Argentina

and Chile, which are our major markets in Latin America. To further participate in this growth, we have recently applied for route authority to fly between Los Angeles and two of our most important markets – São Paulo and Buenos Aires.



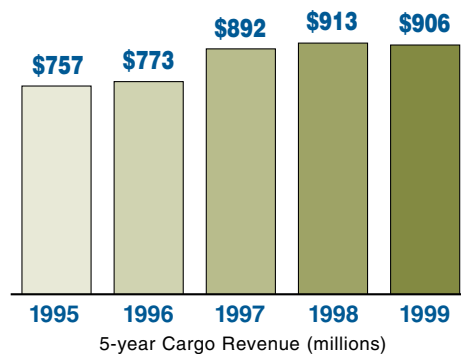
\*See page 33 for further discussion of the fully distributed methodology.

## United Cargo

With 594 aircraft in our fleet, including four DC10-30F dedicated freighters, United is the largest U.S. combination passenger/cargo carrier. We flew more than 3 billion ton miles in 1999, and freight and mail revenue totaled more than \$900 million. United continued to carry the leading market share of our largest customer, the U.S. Postal Service, of all U.S. combination carriers.

During 1999, United Cargo launched a premium express product, TD.Guaranteed, targeted to customers who need highly reliable, time-definite shipments. The division also introduced a new Internet site in 1999, ualcargo.com. This site, the first of its kind, allows registered users to make or modify reservations for shipments, track shipments and access flight information on any United flight. The site also provides information about United Cargo products, services and stations.

In 1999, United enhanced our cargo operations with facility improvements at three stations. In August 1999, we broke ground on construction of a \$26.5 million cargo facility at Miami International Airport. The new facility will serve as our gateway for the movement of cargo throughout Latin America. United also received approval to build a new cargo facility at Los Angeles International Airport. In May 1999, United Cargo announced the opening of its Cargo Consolidation Center at Dallas/Fort Worth International Airport, which will expedite freight shipments between Texas and markets throughout the world.



OTHER KEY OPERATIONS



## E-Commerce

United Airlines developed plans in 1999 to create an e-commerce subsidiary designed to maximize sales of travel products over the Internet and Internet-enabled devices, such as digital personal assistants and mobile phones. The new subsidiary will also manage United's partnerships and relationships with online travel sites. In 1999, United's Internet-generated ticket sales were approximately \$500 million, or 4 percent of total bookings. And we forecast that online purchases could comprise as much as 20 percent of total sales by 2003.

We revamped our web site, ual.com, in 1999 to make it faster and easier to use. In addition to reserving flights and purchasing tickets, customers can now redeem and book Mileage Plus® award travel and check real-time flight information.

Also in 1999, we announced the creation of an independent web site in conjunction with Continental, Delta, and Northwest that will provide customers access to special Internet fares from multiple airlines. This web portal will be operational in 2000.

We have entered into relationships with other online travel providers that target specific market segments, such as collegetravelnetwork.com and BuyTravel.com. In addition, star-alliance.com offers access to travel on United Airlines in conjunction with our participation in the Star Alliance network.

Last year, United became the first airline to announce that it would offer customers real-time flight information through the Palm Pilot VII™ hand-held device, and early in 2000 we launched a free flight paging service. This customer initiative proactively informs customers of flight delays, cancellations and gate information using wireless technology.

## Star Alliance™

Star Alliance continued to grow in 1999, with the addition of Air New Zealand, Ansett Australia and All Nippon Airways. These carriers joined Air Canada, Lufthansa German Airlines, Scandinavian Airlines System-SAS, Thai Airways International, United and Varig Brazilian Airlines. Four other carriers also announced their intention to join the alliance in 2000: Austrian Airlines Aviation Group, British Midland Airways Limited, Mexicana Airlines and Singapore Airlines.

In 1999, Star Alliance carriers served more than 792 destinations in over 112 countries on six continents. Once the new members join Star Alliance in 2000, United's customers will have access to 849 destinations worldwide. With its offer to travelers of global reach and seamless service, Star Alliance augmented United's revenues by more than \$200 million in 1999.

Star Alliance has now completed the first phase of its strategy by forging a network of strong, leading carriers that reach virtually every corner of the world. The alliance group is now entering the second phase of its strategy, turning its attention to enhancing operational links that make the seamless travel experience possible.

Members of Star Alliance demonstrated their commitment to the alliance when partner Air Canada faced a hostile takeover bid. UAL Corporation and Lufthansa jointly offered a financial solution to the challenge that allowed Air Canada to remain independent and a viable member of Star Alliance.

Star Alliance rolled out a new Internet tool to serve global travelers, star-alliance.com. The user-friendly web site, the first in the history of airline alliances, allows travelers to browse Star Alliance flights, make reservations, and purchase their tickets, any time, night or day.



## Fleet Facts

### Aircraft Fleet

| Operating Fleet as of December 31, 1999 | Average<br>Seats | Number<br>of Aircraft | Owned | Leased    |         | Average<br>age (yrs) |
|---|------------------|-----------------------|-------|-----------|---------|----------------------|
|   |                  |                       |       | Operating | Capital |                      |
| A319                                    | 126              | 28                    | 11    | 0         | 17      | 1                    |
| A320                                    | 144              | 56                    | 14    | 32        | 10      | 4                    |
| B727-200                                | 147              | 75                    | 67    | 0         | 8       | 21                   |
| B737-200A                               | 109              | 24                    | 24    | 0         | 0       | 20                   |
| B737-300                                | 129              | 101                   | 10    | 91        | 0       | 11                   |
| B737-500                                | 112              | 57                    | 27    | 15        | 15      | 7                    |
| B747-200                                | 369              | 7                     | 0     | 7         | 0       | 23                   |
| B747-400                                | 363              | 43                    | 22    | 21        | 0       | 5                    |
| B757-200                                | 182              | 98                    | 41    | 50        | 7       | 8                    |
| B767-200                                | 168              | 19                    | 19    | 0         | 0       | 17                   |
| B767-300                                | 218              | 32                    | 12    | 17        | 3       | 5                    |
| B777-200                                | 292              | 40                    | 22    | 4         | 14      | 3                    |
| DC10-10                                 | 287              | 7                     | 6     | 0         | 1       | 25                   |
| DC10-30                                 | 298              | 3                     | 0     | 3         | 0       | 22                   |
| DC10-30F                                | NA               | 4                     | 2     | 1         | 1       | 20                   |
| Total                                   |                  | 594                   | 277   | 241       | 76      | 10                   |

| Delivery schedule for aircraft on order as of December 31, 1999 | 2000 | 2001 | 2002 and<br>beyond | Total |
|---|------|------|--------------------|-------|
| A319  | 4    | 15   | –                  | 19    |
| A320  | 12   | 18   | –                  | 30    |
| B747-400  | 1    | –    | –                  | 1     |
| B767-300  | 3    | 2    | –                  | 5     |
| B777-200  | 8    | 8    | 5                  | 21    |
| Total   | 28   | 43   | 5                  | 76    |

Figures exclude the effects of any 2000 agreement(s).

## Major Domestic and International Connecting Airports

| As scheduled for March 2000       |                         | Chicago | Denver | San Francisco | Los Angeles | Washington, | D.C.  | Miami | Frankfurt | London | Tokyo | Toronto |
|-----------------------------------|-------------------------|---------|--------|---------------|-------------|-------------|-------|-------|-----------|--------|-------|---------|
|                                   |                         | (ORD)   | (DEN)  | (SFO)         | (LAX)       | D.C.        | (MIA) | (FRA) | (LHR)     | (NRT)  | (YYZ) |         |
| <b>Average daily departures –</b> | United Airlines         | 444     | 298    | 231           | 213         | 113         | 22    | 4     | 13        | 14     | 6     |         |
| <b>Operated by:</b>               | United Express Partners | 128     | 206    | 100           | 165         | 245         | 0     | 0     | 0         | 0      | 0     |         |
|                                   | Star Alliance Members   | 21      | 4      | 9             | 16          | 10          | 7     | 336   | 56        | 23     | 218   |         |
|                                   | Code-share Partners     | 7       | 1      | 4             | 16          | 14          | 50    | 9     | 96        | 0      | 1     |         |
|                                   | Total                   | 600     | 509    | 344           | 410         | 382         | 79    | 349   | 165       | 37     | 225   |         |
| <b>Nonstop markets –</b>          | United Airlines         | 96      | 61     | 48            | 45          | 35          | 14    | 2     | 7         | 12     | 2     |         |
| <b>Served by:</b>                 | United Express Partners | 34      | 56     | 15            | 21          | 44          | 0     | 0     | 0         | 0      | 0     |         |
|                                   | Star Alliance Members   | 10      | 1      | 7             | 16          | 6           | 8     | 140   | 23        | 27     | 66    |         |
|                                   | Code-share Partners     | 6       | 4      | 3             | 7           | 3           | 16    | 5     | 23        | 0      | 2     |         |
|                                   | Total                   | 146     | 122    | 73            | 89          | 88          | 38    | 147   | 53        | 39     | 70    |         |

## Financial Highlights

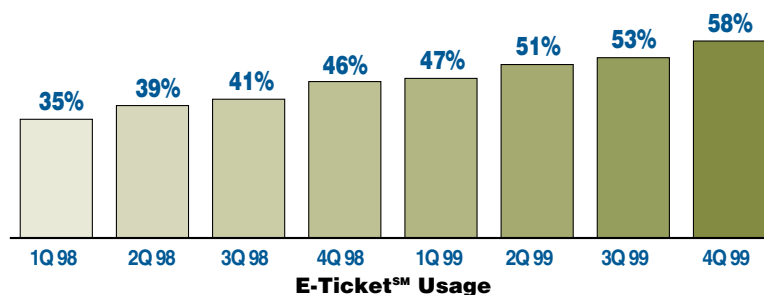
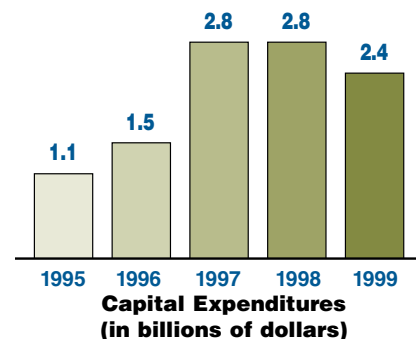
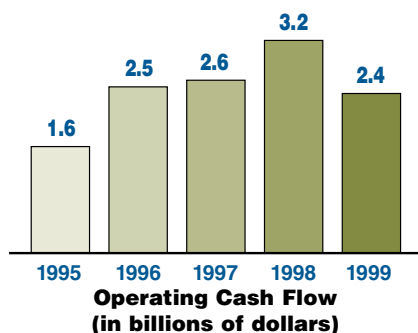
Year ended December 31

|   | In millions, except per share  | 1999     | 1998     | 1997     |
|---|--|----------|----------|----------|
| <b>Financial highlights – generally accepted accounting principles basis</b>  | Operating revenues   | \$18,027 | \$17,561 | \$17,378 |
|   | Operating expenses   | \$16,636 | \$16,083 | \$16,119 |
|   | Earnings from operations   | \$ 1,391 | \$ 1,478 | \$ 1,259 |
|   | Earnings before extraordinary item                                     | \$ 1,238 | \$ 821   | \$ 958   |
|   | Net earnings   | \$ 1,235 | \$ 821   | \$ 949   |
|   | Per share, diluted:  |          |          |          |
|   | Earnings before B747 write-down, gains on sales and extraordinary item | \$ 5.87  | \$ 6.83  | \$ 6.64  |
|   | B747 write-down <sup>(1)</sup>   | (0.09)   | –        | –        |
|   | Gains on sales, net <sup>(2)</sup>                                     | 4.19     | –        | 2.40     |
|   | Extraordinary loss, net  | (0.03)   | –        | (0.09)   |
| Net earnings  | \$ 9.94  | \$ 6.83  | \$ 8.95  |          |
| Average number of common shares assumed outstanding                           | 111.6  | 105.2    | 97.4     |          |
| <b>Financial highlights – pro forma fully distributed basis<sup>(3)</sup></b> | Operating revenues   | \$18,027 | \$17,561 | \$17,378 |
|   | Operating expenses   | \$15,880 | \$15,254 | \$15,132 |
|   | Earnings from operations   | \$ 2,147 | \$ 2,307 | \$ 2,246 |
|   | Earnings before extraordinary item                                     | \$ 1,668 | \$ 1,308 | \$ 1,555 |
|   | Net earnings   | \$ 1,665 | \$ 1,308 | \$ 1,546 |
|   | Per share, diluted:  |          |          |          |
|   | Earnings before B747 write-down, gains on sales and extraordinary item | \$ 10.06 | \$ 10.24 | \$ 9.97  |
|   | B747 write-down <sup>(1)</sup>   | (0.08)   | –        | –        |
|   | Gains on sales, net <sup>(2)</sup>                                     | 3.75     | –        | 1.79     |
|   | Extraordinary loss, net  | (0.02)   | –        | (0.07)   |
| Net earnings  | \$ 13.71   | \$ 10.24 | \$ 11.69 |          |
| Average number of common shares assumed outstanding                           | 120.7  | 126.8    | 131.4    |          |

(1) See page 40, Note 1g, for further details.

(2) See page 41, Note 5, for further details.

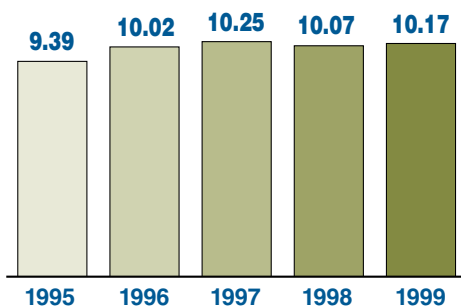
(3) See page 33 for further explanation of the methodology.



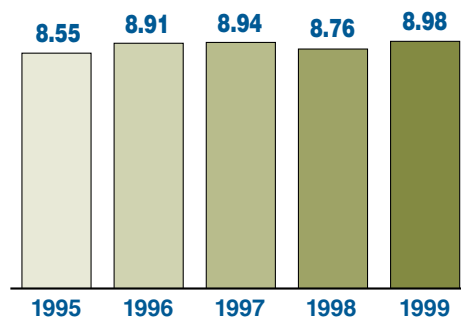
## Operating Statistics

Year ended December 31

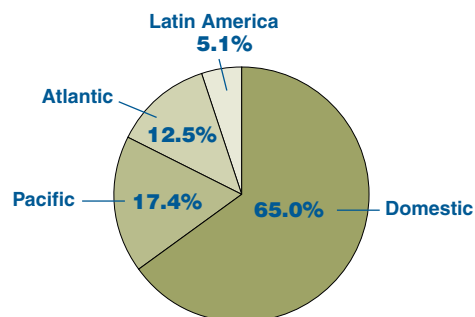
|                             |   | 1999    | 1998    | 1997    |
|-----------------------------|---|---------|---------|---------|
| <b>United Airlines</b>      | Revenue passengers (millions)                                     | 87      | 87      | 84      |
| <b>operating statistics</b> | Revenue passenger miles (millions)                                | 125,465 | 124,609 | 121,426 |
|                             | Available seat miles (millions)                                   | 176,686 | 174,008 | 169,110 |
|                             | Passenger load factor – system                                    | 71.0%   | 71.6%   | 71.8%   |
|                             | Domestic  | 70.1%   | 71.8%   | 71.2%   |
|                             | Pacific   | 72.3%   | 71.5%   | 71.6%   |
|                             | Atlantic  | 76.8%   | 76.3%   | 78.9%   |
|                             | Latin America   | 63.4%   | 60.5%   | 65.3%   |
|                             | Breakeven passenger load factor                                   | 64.9%   | 64.9%   | 66.0%   |
|                             | Breakeven passenger load factor excluding ESOP charges            | 61.5%   | 61.0%   | 61.4%   |
|                             | Passenger revenue per passenger mile (yield)                      | 12.48¢  | 12.36¢  | 12.55¢  |
|                             | Operating revenue per available seat mile                         | 10.17¢  | 10.07¢  | 10.25¢  |
|                             | Operating expenses per available seat mile                        | 9.41¢   | 9.24¢   | 9.53¢   |
|                             | Operating expenses excluding ESOP charges per available seat mile | 8.98¢   | 8.76¢   | 8.94¢   |
|                             | Revenue ton miles (millions)                                      | 15,604  | 15,424  | 15,004  |
|                             | Cargo ton miles (millions)  | 3,065   | 2,963   | 2,862   |
|                             | Available ton miles (millions)                                    | 27,130  | 26,390  | 24,940  |
|                             | Average price per gallon of jet fuel                              | 57.9¢   | 59.0¢   | 69.5¢   |
|                             | Gallons of jet fuel consumed (millions)                           | 3,065   | 3,029   | 2,964   |
|                             | Number of aircraft in operating fleet at end of year              | 594     | 577     | 575     |
|                             | Average age of aircraft in years at end of year                   | 9.9     | 9.8     | 10.8    |



**Operating Revenue Performance  
Per Available Seat Mile: Unit Revenue  
(in cents)**



**Operating Expense Excluding ESOP Charges  
Per Available Seat Mile: Unit Cost  
(in cents)**



**Capacity by Region  
(available seat miles; percent of system)**

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 million (\$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, an after-tax gain on the sale of certain investments (see Note 5 "Investments") 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 Employee Stock Ownership Plan (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 shown below.

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.

**UAL CORPORATION'S  
1999 EARNINGS**

|  | 1999              |                      | 1998              |                      |
|--|-------------------|----------------------|-------------------|----------------------|
|  | GAAP<br>(diluted) | Fully<br>Distributed | GAAP<br>(diluted) | Fully<br>Distributed |
| <b>Net income (in millions)</b>  | \$1,235           | \$1,665              | \$ 821            | \$1,308              |
| <b>Per share</b>   |                   |                      |                   |                      |
| 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              |
| Average number of common shares assumed outstanding                    | 111.6             | 120.7                | 105.2             | 126.8                |

## Statements of Consolidated Financial Position – Assets

December 31

|   | In millions  | 1999     | 1998     |
|---|--|----------|----------|
| <b>Current assets</b>                   | Cash and cash equivalents  | \$ 310   | \$ 390   |
|   | Short-term investments   | 379      | 425      |
|   | Receivables, less allowance for doubtful accounts<br>(1999 – \$13; 1998 – \$22)                    | 1,284    | 1,138    |
|   | Aircraft fuel, spare parts and supplies, less obsolescence allowance<br>(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    |
| <b>Operating property and equipment</b> | 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   |
|   | 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    |
|   | Accumulated amortization   | (645)    | (599)    |
|   |  | 2,377    | 2,103    |
|   |  | 14,865   | 13,054   |
| <b>Other assets</b>                     | Investments in affiliates  | 533      | 304      |
|   | Intangibles, less accumulated amortization<br>(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 condensed notes to consolidated financial statements.

**Statements of Consolidated Financial Position – Liabilities and Stockholders' Equity**

December 31

| <b>In millions, except share data</b>  |   | <b>1999</b> | <b>1998</b> |
|--|---|-------------|-------------|
| <b>Current liabilities</b>   | 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       |
| <b>Long-term debt</b>  |   | 2,650       | 2,858       |
| <b>Long-term obligations under capital leases</b>  |   | 2,337       | 2,113       |
| <b>Other liabilities and deferred credits</b>  | 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       |
| <b>Company-obligated mandatorily redeemable preferred securities of a subsidiary trust</b> |   | 100         | 100         |
| <b>Equity put options</b>  |   | –           | 32          |
| <b>Preferred stock committed to Supplemental ESOP</b>                                      |   | 893         | 691         |
| <b>Stockholders' equity</b>  | Serial preferred stock  | –           | –           |
|  | ESOP preferred stock  | –           | –           |
|  | Common stock, \$0.01 par value; authorized 200,000,000 shares;<br>issued 65,771,802 shares at December 31, 1999 and 63,005,869<br>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 1998   | (305)       | (305)       |
|  | Common, 14,995,219 shares at December 31, 1999 and<br>11,201,216 shares at December 31, 1998  | (1,097)     | (835)       |
|  | Accumulated other comprehensive income  | 352         | (2)         |
|  | Other   | (9)         | (2)         |
|  |   | 5,151       | 3,281       |
| <b>Commitments and contingent liabilities</b>  |   |             |             |
|  |   | \$20,963    | \$18,559    |

See accompanying condensed notes to consolidated financial statements.

## Statements of Consolidated Operations

Year ended December 31

|                                 | In millions, except per share  | 1999     | 1998     | 1997     |
|---------------------------------|--|----------|----------|----------|
| <b>Operating revenues</b>       | 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   |
| <b>Operating expenses</b>       | 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   |
| <b>Earnings from operations</b> |  | 1,391    | 1,478    | 1,259    |
| <b>Other income (expense)</b>   | 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      |
| <b>Earnings</b>                 | 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 of tax  | (5)      | (6)      | (5)      |
|                                 | Extraordinary loss on early extinguishment of debt, net of tax                             | (3)      | –        | (9)      |
|                                 | Net earnings   | \$ 1,235 | \$ 821   | \$ 949   |
| <b>Per share, basic</b>         | Earnings before extraordinary item   | \$ 21.26 | \$ 12.71 | \$ 14.98 |
|                                 | Extraordinary loss on early extinguishment of debt, net of tax                             | (0.06)   | –        | (0.15)   |
|                                 | Net earnings   | \$ 21.20 | \$ 12.71 | \$ 14.83 |
| <b>Per share, diluted</b>       | Earnings before extraordinary item   | \$ 9.97  | \$ 6.83  | \$ 9.04  |
|                                 | Extraordinary loss on early extinguishment of debt, net of tax                             | (0.03)   | –        | (0.09)   |
|                                 | Net earnings   | \$ 9.94  | \$ 6.83  | \$ 8.95  |

See accompanying condensed notes to consolidated financial statements.

## Statements of Consolidated Cash Flows

Year ended December 31

| In millions   |   | 1999    | 1998    | 1997    |
|---|---|---------|---------|---------|
| <b>Cash and cash equivalents at beginning of year</b>                   |   | \$ 390  | \$ 295  | \$ 229  |
| <b>Cash flows from operating activities</b>                             | 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                               | 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   |
| <b>Cash flows from investing activities</b>                             | 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) |
| <b>Cash flows from financing activities</b>                             | 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)   |
| <b>Increase (decrease) in cash and cash equivalents during the year</b> |   | (80)    | 95      | 66      |
| <b>Cash and cash equivalents at end of year</b>                         |   | \$ 310  | \$ 390  | \$ 295  |

See accompanying condensed notes to consolidated financial statements.

## Statements of Consolidated Stockholders' Equity

Year ended December 31

| In millions, except per share       |                                     | Preferred Stock | Common Stock | Additional Capital Invested | Retained Earnings (Deficit) | Unearned ESOP   |                | Accumulated Other Comp. Income |         | Total   |
|-------------------------------------|-------------------------------------|-----------------|--------------|-----------------------------|-----------------------------|-----------------|----------------|--------------------------------|---------|---------|
|                                     |                                     |                 |              |                             |                             | Preferred Stock | Treasury Stock | Income                         | Other   |         |
| <b>Balance at December 31, 1996</b> |                                     | \$-             | \$1          | \$2,160                     | \$ (566)                    | \$ (202)        | \$ (385)       | \$ -                           | \$ (13) | \$ 995  |
| <b>1997</b>                         | 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      |
| <b>Balance at December 31, 1997</b> |                                     | -               | 1            | 2,876                       | 309                         | (177)           | (663)          | (2)                            | (7)     | 2,337   |
| <b>1998</b>                         | 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)    |
| <b>Balance at December 31, 1998</b> |                                     | -               | 1            | 3,517                       | 1,028                       | (121)           | (1,140)        | (2)                            | (2)     | 3,281   |
| <b>1999</b>                         | Net earnings                        | -               | -            | -                           | 1,235                       | -               | -              | -                              | -       | 1,235   |
|                                     | Other comprehensive income, net:    |                 |              |                             |                             |                 |                |                                |         |         |
|                                     | Unrealized gains on securities, net | -               | -            | -                           | -                           | -               | -              | 354                            | -       | 354     |
|                                     | Minimum pension liability adj.      | -               | -            | -                           | -                           | -               | -              | -                              | -       | -       |
|                                     | 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)     |
| <b>Balance at December 31, 1999</b> |                                     | \$-             | \$1          | \$4,099                     | \$2,138                     | \$ (28)         | \$ (1,402)     | \$ 352                         | \$ (9)  | \$5,151 |

See accompanying condensed notes to consolidated financial statements.

## CONDENSED 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 so does not remove the securities from the balance sheet. At December 31, 1999, United is obligated to repurchase \$89 million of securities lent to third parties.

#### 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 first four currencies referred to above.

*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 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; other property and equipment are depreciated over lives of 3 to 15 years.

During 1999, United recorded a \$17 million charge to depreciation expense to reduce the carrying value of two non-operating B747-200 aircraft to net realizable value.

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. 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 its method of accounting for the sale of mileage. Under the new accounting method, a portion of the revenue from the sale of the mileage will be deferred and recognized when transportation is provided.

**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 Investment Transaction and Recapitalization

On July 12, 1994, the stockholders of UAL approved a plan of recapitalization to provide an approximately 55 percent 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.

"ESOP compensation expense" represents the estimated fair value of ESOP convertible preferred stock committed to be released to employees for the period, net of amounts used to satisfy dividend requirements for previously allocated ESOP convertible preferred shares, under the ESOPs. The fair value of ESOP convertible preferred stock is estimated based on the market value of UAL's common stock.

## 3. Commitments

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 is due to be spent in 2000, \$1.8 billion in 2001 and \$0.6 billion in 2002. The major commitments are for the purchase of B747, B767, B777, A319 and A320 aircraft, which are scheduled to be delivered through 2002.

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. Leases which are classified as capital leases appear on the Company's balance sheet while those classified as operating leases do not.

Future minimum lease payments as of December 31, 1999, under operating leases having initial remaining noncancelable lease terms of more than one year, are delineated in the top table at right.

## 4. Per Share Amounts

Earnings per share are presented on both a basic and a diluted basis. 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 per share amounts include potential common shares, including common shares issuable upon conversion of ESOP shares committed to be released.

## 5. 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.

In July 1997, United completed the sale of its interest in the Apollo Travel Services Partnership, a 77 percent 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.

|                       | In millions                  | Aircraft  | Non-aircraft |
|-----------------------|------------------------------|-----------|--------------|
| <b>Payable during</b> |                              |           |              |
|                       | 2000                         | \$ 912    | \$ 458       |
|                       | 2001                         | 884       | 442          |
|                       | 2002                         | 871       | 401          |
|                       | 2003                         | 912       | 389          |
|                       | 2004                         | 946       | 376          |
|                       | After 2004                   | 9,874     | 5,628        |
|                       | Total minimum lease payments | \$ 14,399 | \$ 7,694     |

| Earnings attributable to common stockholders (in millions)       | 1999    | 1998    | 1997    |
|--|---------|---------|---------|
| Net income before extraordinary item                             | \$1,238 | \$ 821  | \$ 958  |
| Preferred stock dividends and other adjustments                  | (125)   | (102)   | (77)    |
| Earnings attributable to common stockholders (basic and diluted) | \$1,113 | \$ 719  | \$ 881  |
| <b>Shares (in millions)</b>                                      |         |         |         |
| 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     |
| Average number of shares (diluted)                               | 111.6   | 105.2   | 97.4    |
| <b>Earnings per share</b>  |         |         |         |
| Basic  | \$21.26 | \$12.71 | \$14.98 |
| Diluted  | \$ 9.97 | \$ 6.83 | \$ 9.04 |

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. 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.

## 6. 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 that 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 destinations as part of each respective region. A reconciliation of the total amounts reported by reportable segments to the applicable amounts in the financial statements is shown in the table below.

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 American route authorities.

| Year Ended December 31 (in millions)   |                    |         |               |          |              |             |             |
|--|--------------------|---------|---------------|----------|--------------|-------------|-------------|
|  | Reportable Segment |         |               |          | Consolidated |             |             |
|  | Domestic           | Pacific | Latin America | Atlantic | Total        | Other       | Total       |
| <b>1999</b>  |                    |         |               |          |              |             |             |
| 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 and gains on sales                                | 1,460              | 171     | 49            | 230      | 1,910        | 57          | 1,967       |
| <b>1998</b>  |                    |         |               |          |              |             |             |
| 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       |
| <b>1997</b>  |                    |         |               |          |              |             |             |
| 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 and gains on sales                                | 1,189              | 512     | 109           | 287      | 2,097        | 36          | 2,133       |
|  |                    |         |               |          | <b>1999</b>  | <b>1998</b> | <b>1997</b> |
| 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    |

## Management Statement on Accounting Controls

The integrity of UAL Corporation's financial records, from which the financial statements are prepared, is largely dependent on the Company's system of internal accounting controls. The purpose of the system is to provide reasonable assurance that transactions are executed in accordance with management's authorization; that transactions are appropriately recorded in order to permit preparation of financial statements which, in all material respects, are presented in conformity with generally accepted accounting principles consistently applied; and that assets are properly accounted for and safeguarded against loss from unauthorized use. Underlying this concept of reasonable assurance is the fact that limitations exist in any system of internal accounting controls based on the premise that the cost of such controls should not exceed the benefits derived therefrom.

To enhance the effective achievement of internal accounting controls, the Company carefully selects and trains its employees, gives due emphasis to appropriate division of clearly defined lines of responsibility and develops and communicates written policies and procedures. Based on a review and monitoring of internal accounting controls, augmented by an internal auditing function and the oversight responsibilities of the outside directors comprising the Audit Committee of the Company's Board of Directors, management believes that the Company's internal accounting control system is adequate and appropriately balances the relationship between the cost of the system and the benefits it provides.



James E. Goodwin  
Chairman and CEO



Douglas A. Hacker  
Executive Vice President and CFO

## Report of Independent Public Accountants

To the Stockholders and Board of Directors, UAL Corporation:

We have audited, in accordance with generally accepted auditing standards, the 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, appearing in the appendix to the proxy statement for the 2000 Annual Meeting of Stockholders of the Company (not presented herein). In our report dated February 24, 2000, also appearing in that proxy statement, we expressed an unqualified opinion on those consolidated financial statements.

In our opinion, the information set forth in the accompanying consolidated statements of financial position 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, is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.



Chicago, Illinois  
February 24, 2000

## Eleven-Year Summary

|                                       | In millions, except per share, rates and number of aircraft   | 1999      | 1998      |
|---------------------------------------|---|-----------|-----------|
| <b>Earnings data</b>                  | Operating revenues  | \$ 18,027 | \$ 17,561 |
|                                       | Operating earnings (loss)   | 1,391     | 1,478     |
|                                       | Earnings (loss) from continuing operations before extraordinary item and cumulative effect of accounting changes          | 1,238     | 821       |
|                                       | Net earnings (loss)   | \$ 1,235  | \$ 821    |
| <b>Share data</b>                     | Per share –   |           |           |
|                                       | Earnings (loss) from continuing operations before extraordinary item and cumulative effect of accounting changes, diluted | \$ 9.97   | \$ 6.83   |
|                                       | Net earnings (loss), diluted  | \$ 9.94   | \$ 6.83   |
|                                       | Book value of common stock at year-end  | \$ 100.92 | \$ 61.79  |
|                                       | Common shares outstanding at year-end (in thousands)  | 50,777    | 51,805    |
| <b>Financial position at year-end</b> | Assets –  |           |           |
|                                       | Current assets  | \$ 2,935  | \$ 2,908  |
|                                       | Operating property and equipment, net   | 14,865    | 13,054    |
|                                       | Other assets  | 3,163     | 2,597     |
|                                       | Total assets  | \$ 20,963 | \$ 18,559 |
|                                       | Liabilities and stockholders' equity –  |           |           |
|                                       | Current liabilities   | \$ 5,411  | \$ 5,668  |
|                                       | Long-term debt and long-term obligations under capital leases   | 4,987     | 4,971     |
|                                       | Other liabilities and deferred credits and redeemable preferred stock   | 4,521     | 3,948     |
|                                       | Preferred stock committed to Supplemental ESOP  | 893       | 691       |
|                                       | Stockholders' equity  | 5,151     | 3,281     |
|                                       | Total liabilities and stockholders' equity  | \$ 20,963 | \$ 18,559 |
| <b>Other financial data</b>           | Depreciation and amortization   | \$ 867    | \$ 793    |
|                                       | Salaries and related costs (excluding ESOP compensation expense)  | \$ 5,670  | \$ 5,341  |
| <b>Operating data</b>                 | Revenue passengers  | 87        | 87        |
|                                       | Revenue passenger miles   | 125,465   | 124,609   |
|                                       | Available seat miles  | 176,686   | 174,008   |
|                                       | Passenger load factor   | 71.0%     | 71.6%     |
|                                       | Passenger revenue per passenger mile (yield)  | 12.5¢     | 12.4¢     |
|                                       | Average price per gallon of jet fuel  | 57.9¢     | 59.0¢     |
|                                       | Number of aircraft in operating fleet at year-end   | 594       | 577       |
|                                       | Average full-time equivalent employees (in thousands)   | 96        | 91        |

| 1997      | 1996      | 1995      | 1994       | 1993      | 1992      | 1991      | 1990      | 1989     |
|-----------|-----------|-----------|------------|-----------|-----------|-----------|-----------|----------|
| \$ 17,378 | \$ 16,362 | \$ 14,943 | \$ 13,950  | \$ 13,325 | \$ 11,853 | \$ 10,706 | \$ 10,296 | \$ 9,288 |
| 1,259     | 1,123     | 889       | 521        | 263       | (538)     | (494)     | (36)      | 465      |
| 958       | 600       | 378       | 77         | (31)      | (417)     | (332)     | 94        | 324      |
| \$ 949    | \$ 533    | \$ 349    | \$ 51      | \$ (50)   | \$ (957)  | \$ (332)  | \$ 94     | \$ 324   |
| \$ 9.04   | \$ 5.85   | \$ 5.23   | \$ 0.19    | \$ (0.66) | \$ (4.34) | \$ (3.58) | \$ 1.08   | \$ 3.74  |
| \$ 8.95   | \$ 5.06   | \$ 4.82   | \$ (0.15)  | \$ (0.85) | \$ (9.94) | \$ (3.58) | \$ 1.08   | \$ 3.74  |
| \$ 39.35  | \$ 15.52  | \$ (9.06) | \$ (24.99) | \$ 6.14   | \$ 7.28   | \$ 16.80  | \$ 19.09  | \$ 17.91 |
| 57,320    | 58,817    | 50,718    | 49,756     | 98,276    | 96,952    | 95,032    | 87,540    | 87,340   |
| \$ 2,948  | \$ 2,682  | \$ 3,043  | \$ 3,192   | \$ 3,713  | \$ 3,298  | \$ 2,882  | \$ 2,640  | \$ 2,738 |
| 10,774    | 8,243     | 7,021     | 6,723      | 7,206     | 7,111     | 5,995     | 4,749     | 3,898    |
| 1,742     | 1,752     | 1,577     | 1,849      | 1,921     | 1,848     | 999       | 594       | 558      |
| \$ 15,464 | \$ 12,677 | \$ 11,641 | \$ 11,764  | \$ 12,840 | \$ 12,257 | \$ 9,876  | \$ 7,983  | \$ 7,194 |
| \$ 5,248  | \$ 5,003  | \$ 4,433  | \$ 4,906   | \$ 4,896  | \$ 4,845  | \$ 4,083  | \$ 3,757  | \$ 3,224 |
| 3,771     | 2,986     | 3,913     | 3,617      | 3,529     | 3,613     | 2,423     | 1,238     | 1,321    |
| 3,594     | 3,528     | 3,474     | 3,557      | 3,212     | 3,093     | 1,773     | 1,317     | 1,085    |
| 514       | 165       | 60        | —          | —         | —         | —         | —         | —        |
| 2,337     | 995       | (239)     | (316)      | 1,203     | 706       | 1,597     | 1,671     | 1,564    |
| \$ 15,464 | \$ 12,677 | \$ 11,641 | \$ 11,764  | \$ 12,840 | \$ 12,257 | \$ 9,876  | \$ 7,983  | \$ 7,194 |
| \$ 724    | \$ 759    | \$ 664    | \$ 725     | \$ 764    | \$ 726    | \$ 604    | \$ 560    | \$ 517   |
| \$ 5,018  | \$ 4,719  | \$ 4,526  | \$ 4,679   | \$ 4,760  | \$ 4,562  | \$ 4,057  | \$ 3,550  | \$ 3,158 |
| 84        | 82        | 79        | 74         | 70        | 67        | 62        | 58        | 55       |
| 121,426   | 116,697   | 111,811   | 108,299    | 101,258   | 92,690    | 82,290    | 76,137    | 69,639   |
| 169,110   | 162,843   | 158,569   | 152,193    | 150,728   | 137,491   | 124,100   | 114,995   | 104,547  |
| 71.8%     | 71.7%     | 70.5%     | 71.2%      | 67.2%     | 67.4%     | 66.3%     | 66.2%     | 66.6%    |
| 12.6¢     | 12.4¢     | 11.8¢     | 11.3¢      | 11.6¢     | 11.3¢     | 11.5¢     | 11.8¢     | 11.6¢    |
| 69.5¢     | 72.2¢     | 59.5¢     | 58.8¢      | 63.6¢     | 66.4¢     | 71.6¢     | 80.4¢     | 63.6¢    |
| 575       | 564       | 558       | 543        | 544       | 536       | 486       | 462       | 429      |
| 88        | 84        | 80        | 77         | 81        | 80        | 77        | 73        | 69       |

## Directors and Officers UAL Corporation

**John W. Creighton, Jr.**  
Retired Chief Executive Officer and President  
Weyerhaeuser Company  
(Forest products)  
Independent Director, Elected 1998  
(1) (2) (3) (6) (7) (10)

**Captain Frederick C. Dubinsky**  
United Airlines Pilots  
Master Executive Council Chairman  
Air Line Pilots Association International  
(Labor union)  
Employee Director, Elected 2000  
(2) (4) (5) (6) (9)

**Rono J. Dutta**  
President  
UAL Corporation  
Public Director, Elected 1999  
(9)

**James E. Goodwin**  
Chairman and Chief Executive Officer  
UAL Corporation  
Public Director, Elected 1998  
(2) (4) (5) (7)

**Richard D. McCormick**  
Chairman Emeritus  
US WEST, Inc.  
(Telecommunications)  
Independent Director, Elected 1994  
(1) (2) (3) (5) (6) (10)

**John F. McGillicuddy**  
Retired Chairman and Chief Executive Officer  
Chemical Banking Corporation  
(Banking and finance)  
Public Director, Elected 1984  
(1) (4) (5) (8) (10)

**James J. O'Connor**  
Retired Chairman and Chief Executive Officer  
Unicom Corporation  
(Electric utility holding company)  
Public Director, Elected 1984  
(1) (2) (3) (4) (8) (9) (10)

**Hazel R. O'Leary**  
Chief Operating Officer  
Blaylock & Partners  
(Investment banking)  
Independent Director, Elected 1999  
(1) (4) (6) (9) (10)

**Deval L. Patrick**  
Vice President and General Counsel  
Texaco, Inc.  
(Oil/energy company)  
Employee Director, Elected 1997  
(2) (6) (9)

**John F. Peterpaul**  
Retired General Vice President  
International Association of Machinists  
and Aerospace Workers  
(Labor union)  
Employee Director, Elected 1994  
(2) (4) (5) (6) (9)



**Paul E. Tierney, Jr.**  
Managing Member  
Development Capital, LLC  
(Investment management)  
Public Director, Elected 1990  
(1) (4) (7) (8) (10)

**John K. Van de Kamp**  
President  
Thoroughbred Owners of California  
(Trade association)  
Independent Director, Elected 1994  
(1) (4) (5) (6) (9) (10)

### Officers

**James E. Goodwin**  
Chairman and Chief Executive Officer

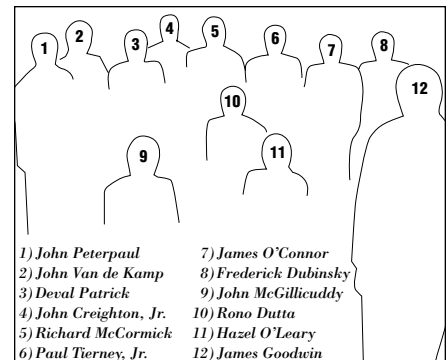
**Rono J. Dutta**  
President

**Douglas A. Hacker**  
Executive Vice President and Chief Financial Officer

**Andrew P. Studdert**  
Executive Vice President and Chief Operating Officer

**William P. Hobgood**  
Senior Vice President

**Francesca M. Maher**  
Senior Vice President, General Counsel  
and Secretary



### Committee Legend:

- (1) Audit Committee
- (2) Compensation Committee
- (3) Compensation Administration Committee
- (4) CAP (Competitive Action Plan) Committee
- (5) Executive Committee
- (6) Independent Director Nomination Committee
- (7) Labor Committee
- (8) Outside Public Director Nomination Committee
- (9) Pension and Welfare Plans Oversight Committee
- (10) Transaction Committee

## Directors and Officers United Airlines

### **James E. Goodwin\***

Chairman and Chief Executive Officer

### **Rono J. Dutta\***

President

### **Douglas A. Hacker\***

Executive Vice President Finance and Planning and Chief Financial Officer

### **Andrew P. Studdert\***

Executive Vice President and Chief Operating Officer

### **Graham W. Atkinson**

Senior Vice President Marketing

### **Christopher D. Bowers\***

Senior Vice President North America

### **Frederic F. Brace**

Senior Vice President Finance and Treasurer

### **Sara A. Fields**

Senior Vice President Onboard Service

### **Captain Stephen A. Forte**

Senior Vice President Flight Operations

### **William P. Hobgood\***

Senior Vice President People

### **Shelley A. Longmuir**

Senior Vice President Governmental Affairs

### **Francesca M. Maher**

Senior Vice President, General Counsel and Secretary

### **Stuart I. Oran\***

Senior Vice President International

### **Ronald D. Utecht**

Senior Vice President Maintenance Operations

### **Dennis Arouca**

Vice President People Services

### **Stephen M. Beatus**

Vice President Latin America

### **Judith A. Bishop**

Vice President Atlantic

### **James C. Brennan**

Vice President Pacific-South

### **Montie R. Brewer**

Vice President Alliances

### **Roger A. Gibson**

Vice President North America

### **James J. Hartigan, Jr.**

Vice President Worldwide Cargo

### **M. Lynn Hughitt**

Vice President and Controller

### **Gary S. Jefferson**

Vice President Public Affairs

### **Amos S. Kazzaz**

Vice President Corporate Real Estate

### **John D. Kiker**

Vice President Advertising and Communications

### **Kevin N. Knight**

Vice President Resource Planning

### **Joseph F. Laughlin**

Vice President North America Sales

### **Mark S. Liberman**

Vice President North America

### **Louis J. Mancini**

Vice President Engineering and Technical Support

### **Patricia A. Mash**

Vice President Revenue Management

### **Peter D. McDonald**

Vice President Operational Services

### **William R. Norman**

Vice President Line Maintenance

### **Michael S. Praven**

Vice President E-Commerce

### **Captain William L. Rutherford**

Vice President Flight Standards and Training

### **Maria A. Sastre**

Vice President Customer Satisfaction

### **James V. Sines**

Vice President Purchasing

### **Captain Edmond L. Soliday**

Vice President Corporate Safety, Quality Assurance and Security

### **Daniel C. Walsh**

Vice President North America

### **Michael G. Whitaker**

Vice President International Affairs

### **Glenn S. Wright**

Vice President North America

\*Director, United Airlines

*Pictured below – left to right*

*Graham W. Atkinson, Shelley A. Longmuir, Andrew P. Studdert, Douglas A. Hacker, Frederic F. Brace, Francesca M. Maher, James E. Goodwin, William P. Hobgood, Sara A. Fields, Stuart I. Oran, Rono J. Dutta, Stephen A. Forte, Christopher D. Bowers, Ronald D. Utecht*



## Stockholder Information

### World Headquarters

1200 E. Algonquin Road  
Elk Grove Township, IL 60007  
(847) 700-4000

### Mailing Addresses

UAL Corporation  
P.O. Box 66919  
Chicago, IL 60666

United Airlines  
P.O. Box 66100  
Chicago, IL 60666

### Stock Listing

UAL Corporation's common stock is listed, under the symbol UAL, on the following exchanges: New York Stock Exchange, Chicago Stock Exchange and Pacific Stock Exchange.

### Stockholder Questions

Information relating to a stockholder's dividends, transfer requirements, lost certificates and other related matters may be obtained from the transfer agent:

Harris Trust and Savings Bank  
Shareholder Communication Team  
P.O. Box A3504  
Chicago, IL 60690-3504  
(800) 647-4488

The transfer agent's "Telephone Response Center" is open Monday through Friday. (Account information is available from 8:30 a.m. CST through 5:30 p.m. CST.)

Stockholders will be asked for their tax identification number, the name(s) in which the shares are registered and their record address. Alternatively, stockholders may write to the office of the Corporate Secretary, UAL Corporation.

### Availability of Quarterly Results

UAL Corporation's 2000 quarterly results will be available on approximately the following dates:

|                |                  |
|----------------|------------------|
| First Quarter  | April 19, 2000   |
| Second Quarter | July 19, 2000    |
| Third Quarter  | October 19, 2000 |
| Fourth Quarter | January 17, 2001 |

### Financial Information

A copy of UAL Corporation's annual report to the Securities and Exchange Commission on Form 10-K, as well as other financial information, may be obtained without charge from:

Investor Relations  
UAL Corporation  
P.O. Box 66919  
Chicago, IL 60666  
(847) 700-7365

This information is also available on United's web site (ual.com) in the "Investor Relations" section under "Company Information."

### General Information

General background information on the company or information regarding the United Airlines Foundation may be obtained from Corporate Communications, United Airlines.

### Independent Accountants

UAL Corporation's independent accountants are Arthur Andersen LLP.

## UAL Corporation Market Prices

|             | Per share      | High     | Low       |
|-------------|----------------|----------|-----------|
| <b>1999</b> | First Quarter  | \$80 1/4 | \$57 9/16 |
|             | Second Quarter | 87 3/8   | 60 1/16   |
|             | Third Quarter  | 69 3/8   | 58 3/16   |
|             | Fourth Quarter | 78 3/4   | 60 1/8    |
| <b>1998</b> | First Quarter  | \$95 1/4 | \$82      |
|             | Second Quarter | 97 1/2   | 73 1/16   |
|             | Third Quarter  | 94       | 56        |
|             | Fourth Quarter | 70 7/8   | 55 1/4    |

No dividends were paid on UAL common stock during these periods. The company has announced its intention to begin a dividend program in 2000, subject to stockholder approval. The dividend program would include all public stockholders and ESOP participants. At March 1, 2000, there were 13,878 common stockholders of record, and the market closing price of UAL common stock was \$48.

## 1999 Initiatives and Accomplishments

- In North America, United ranks number one in capacity share at each of our hubs.
- United's key financial measures increase, including revenue passengers, revenue passenger miles and operating revenue per available seat mile.
- United Cargo generates more than \$900 million in freight and mail revenue.
- United announces plans to start paying dividends on UAL common stock in 2000, pending stockholder approval.
- United initiates a \$300 million share repurchase program, which was completed in early 2000.
- United enhances our online service by allowing customers to redeem and book Mileage Plus® Award Travel online.
- Los Angeles International Airport is added to the largest hub network.
- Merrill Lynch Global Securities Group ranks United's Star Alliance number one in the world.
- Air New Zealand, Ansett Australia and All Nippon Airlines join Star Alliance.
- United and the International Association of Machinists (IAM) reach an agreement in record time covering public contact employees.
- United leads the way as the first U.S. carrier to announce that it will offer domestic partner benefits to its employees.
- United redesigns our web site to make it faster and easier to use.
- The United First Suite<sup>SM</sup> is launched, offering the complete bed/suite concept for the business traveler.
- Economy Plus<sup>SM</sup>, which gives United's Mileage Plus® and full economy-fare customers more leg room, is rolled out.
- United takes the lead in responding to travelers' concerns and crafts "Our United Commitment<sup>SM</sup>," a focused plan to improve customer service in 12 key areas.
- The Points of Light Foundation recognizes United for its "Excellence in Corporate Community Service."
- *Information Week* places United in the "Top 100 Information Technology Innovators."
- United installs gate readers at approximately 80 percent of our U.S. stations to help improve on-time performance.
- United is the first airline to offer customers real-time flight information through the use of the Palm Pilot VII<sup>TM</sup>.
- On-time departure performance hits a 13-year high.
- United expands service at Washington Dulles by more than 60 percent.
- Mexicana Airlines, Singapore Airlines, British Midland and Austrian Airlines Aviation Group announce that they will be joining Star Alliance in 2000.
- United introduces Mobile Chariots<sup>SM</sup>.
- United launches voice response units for customers to call regarding baggage problems.
- The Federal Aviation Administration awards United's San Francisco aviation maintenance technicians (AMTs) its Diamond Award, which recognizes the advanced training of AMTs.
- *Travel and Leisure* magazine ranks United number one in catering to business travelers.
- The U.S. edition of *Business Traveler International* honors United with the "Best Domestic Airline," "Best Airport Lounges" and "Best Frequent Flier Program" designations.



## **Our United Commitment<sup>SM</sup>**

Our United Commitment is a sincere promise to our customers that each day, in the air and on the ground, we will strive to provide them with the respect, courtesy, fairness and honesty that they both expect and deserve from United Airlines.

We pledge to you, our valued customer, that we will:

- Offer you the lowest fare available based on travel-specific information;
- Notify you of known delays, cancellations and diversions;
- Make every reasonable effort to provide you with on-time baggage delivery;
- Support an increased baggage liability limit;
- Allow you to cancel telephone reservations within 24 hours without penalty;
- Provide you with prompt ticket refunds for eligible tickets;
- Properly accommodate customers with disabilities or special needs;
- Meet your essential needs during long on-aircraft delays;
- Handle “bumped” customers with fairness and consistency;
- Disclose to you, upon request, travel itinerary, cancellation policies, frequent flyer rules and aircraft configuration;
- Ensure that you receive good customer service from code-share partners; and
- Be more responsive to your written complaints.

There are more than 100,000 people around the world who are “United for a better journey,” and United is celebrating their dedication to this promise in our global advertising this year. The new campaign captures the caring spirit of United employees. It shows the strides they’ve made in improving the travel experience by highlighting the magic they perform in bringing people together.

The U.S. campaign is designed to build preference for United among both business and leisure travelers by emphasizing United’s unique marketplace assets – our name, our logo and the “Rhapsody in Blue” theme. It also seeks to portray United’s intense focus on our customers’ travel experiences through scenes of people meeting with one another and sharing their lives, creating a powerful emotional connection for viewers and readers as they see their own daily encounters reflected in the advertising.

The campaigns in our Atlantic, Pacific and Latin America markets retain the theme, but differ in content and approach to reflect the cultural nuances of each region.

“In addition to the emotion, the campaign keys in on ways we are improving our product,” says United President Rono Dutta. “We talk about Economy Plus<sup>SM</sup>, the United First Suites<sup>SM</sup>, Our United Commitment<sup>SM</sup>, and our service and destinations. It is a comprehensive campaign.”

One television spot poses a question and then answers it: “Why is it that every city, every town, every neighborhood, no matter where you are in the world, all have something in common? A place for people to come together. It’s quite simple. Humans are a social bunch. That’s why we fly more places than anyone else. Because it’s important for the human race to stay United.”

It was in this spirit that we set out to some of the major airports we serve around the globe to capture, in this year’s annual report, what we make possible at United: that special moment when our customers come together and make a connection – whether it’s with friends, family or business colleagues. And in the same spirit we aim to show you we are working to make that connection with you, whether you are a stockholder, United employee, customer or interested person – by making United united for a better journey.

UNITED FOR A BETTER JOURNEY

Contributing Photography:

*Chameleon Photos Inc.:* Greg Girard, Lori Grinker, Yunghi Kim, Patrick Artinian, David Burnett

*United Airlines:* Carlos Calvo, Michael Masuka, Jerome Meriweather, Sue Kazlaw-Nelson

*Other:* Wayne Slezak



In the interest of conservation, UAL Corporation’s Annual Report is printed on recycled paper and is recyclable.

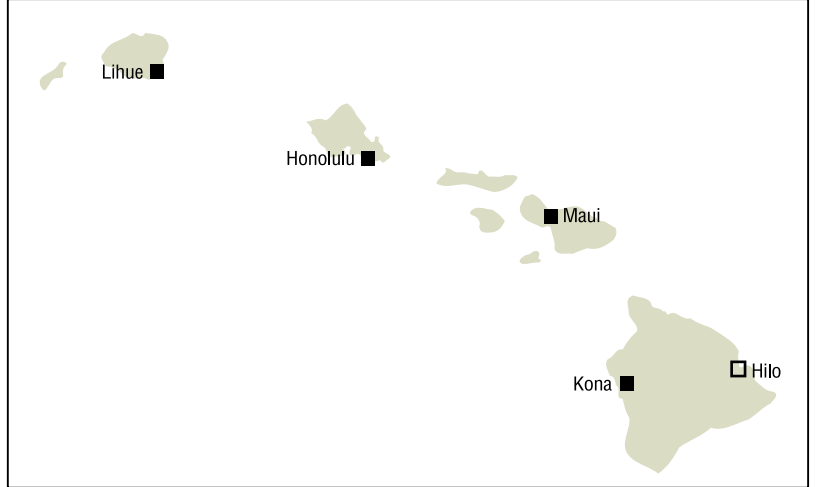




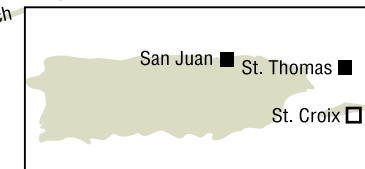
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Washington: 1:30 p.m.

**UNITED'S U.S. DOMESTIC DESTINATIONS**



- ★ United Airlines hub cities
- United Airlines destinations
- ▼ United Airlines and United Shuttle destinations
- ◆ United Airlines, United Shuttle and United Express destinations
- ▲ United Express destinations
- ▲ United Airlines and United Express destinations
- Code-share partner destinations
- United Airlines and code-share partner destinations
- ◇ United Shuttle and United Express destinations
- ◆ United Airlines, United Express and code-share partner destinations



**UNITED'S INTERNATIONAL DESTINATIONS**



- ✳ United Airlines U.S. gateway cities
- United Airlines destinations
- ▽ Star Alliance member destinations
- ▼ United Airlines and Star Alliance member destinations
- ▲ United Airlines and code-share partner destinations
- ◇ Code-share partner and Star Alliance member destinations
- ◆ United Airlines, Star Alliance and code-share destinations
- United Airlines freighter destinations