



UAL
Corporation

2000
Annual Report

**This was a tough year.
Tough for employees.
Tough for customers.
Tough for stockholders.**

But there is good news.

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**We took bold steps
in 2000 that will
profoundly shape
United's future.**

Spotlight 2000

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As a leader, United has big plans down the road, but we're not going anywhere until we get our customers where they're going first.

Jim Goodwin

Chairman's Letter

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Dear Owners and Employees,

There's no question that 2000 was an eventful year for United. And while we remained committed to safety, enhancing customer service, improving reliability and financial performance, as well as making United a better place to work, we clearly had our fair share of highs and lows. So I'll begin by offering our collective thanks and appreciation to all of you who stood by us during what were, quite simply, turbulent times.

I'd also like to take this opportunity to give you my assessment of our performance, share some of our major priorities for 2001, and tell you why – despite considerable challenges last year – I'm very optimistic about our future.

A Great Start

Reflecting on our 2000 performance, we actually got off to a great start for the first four months of the year:

- Reliability was up ... customer service was up ... profitability was up.
- We enjoyed above-industry-average revenue growth and witnessed a substantial switch of bookings to online channels, reducing our distribution costs.
- We had significant revenue growth across most international markets.

- We initiated a dividend program, paying dividends on common stock for the first time since 1987, and complemented this move with our newly established dividend-reinvestment and stock-purchase programs.

- We introduced several product and service enhancements:

- Improved legroom in our industry-leading Economy Plus[®] section;
- Installation of United First SuiteSM, a luxury seat with work space and entertainment features, which fully reclines into a private, cozy bed;
- Installation of larger overhead bins on our Boeing 737s and B757s, resulting in substantial improvements in customer satisfaction – and establishing a new industry standard; and
- Introduction of B777 service to the Pacific.

- We improved on key operational performance indicators, including on-time departures and mishandled baggage.

- We restored non-union employee pay to market-competitive levels, resulting in increased workforce competitiveness and reduced attrition.

- And we exceeded our goals for people of color and women in management positions.

Followed by a Period of Challenges

Despite these early successes, the summer proved to be one of the most difficult and challenging times in our business. We were affected – as was the rest of the industry – by horrendous summer weather and the inadequacy of the U.S. air traffic control system.

We also did not anticipate how tough labor negotiations would become, and we were disappointed that some of our employees took actions that disrupted operations. In response to this unfortunate situation, we acted quickly to provide more resources for employees to minimize disruptions to customers. We implemented an aggressive recovery program to bring our customers back into the fold, cutting back our operations, adjusting schedules, contacting customers in advance when flights were canceled, and deploying additional aircraft to key hubs.

Even with our hardest efforts, however, we lost the confidence and patronage of many customers, employees, stockholders and other investors. The delays and cancellations we experienced this summer, coupled with rising fuel and labor costs, did impact our financial performance for 2000. Nonetheless, we generated full-year net earnings of \$322 million, or earnings per diluted share of \$2.38, excluding certain items. And despite our operational setbacks, we continued to surpass the industry in year-over-year yield improvement.

Positioned for a Bright Future

In light of our challenges, there are several reasons for my confidence in the future of our business. Through a growing Star Alliance[™] and new, proprietary code-share arrangements, we continue to expand our global reach. We are aggressively pursuing e-commerce initiatives through United NewVenturesSM, our new stand-alone e-commerce subsidiary.

And our proposed merger with US Airways is truly a historic and bold move for us. By uniting the assets of our two carriers, we plan to offer our customers increased travel choices and convenience, provide our employees with more job opportunities, and offer growth and economic benefits for communities across the United States.

If approved, this merger not only will offer significant advantages for our customers, it also will position United for optimal growth and strengthen our industry leadership. It will allow us to augment our presence on the East Coast – solving a pressing structural problem in our U.S. domestic route network. Combining the two carriers also will provide us with the best possible competitive response to an international trend toward airline consolidation.

I believe
United's
prospects
are bright...



and that we
will achieve
our mission...

...to be the
global airline
of choice
worldwide.

In this report, you'll read in more detail about how, through strategic moves like the US Airways merger, we're meeting the challenges facing the entire industry, and also how United is using its expertise to positively impact the entire airline industry itself.

Goals for 2001

In 2001, we are singularly focused on restoring the United name and brand in the minds of our customers, employees and stockholders ... with a goal of winning back their goodwill, patronage and support. Toward achieving this goal, we're making better on-time and baggage performance a key priority.

We also are continuing work on Our United CommitmentSM, a comprehensive program we introduced in 1999 as part of our effort to improve overall customer service.

United's 12-point customer service plan was created to ensure that we give our customers the respect, courtesy, fairness and honesty they expect and deserve.

Through this ongoing commitment, we're addressing industry issues head-on while working diligently to improve our customers' experience on the ground and in the air. We're paying particular attention to providing increased and timely communication with passengers about flight delays and cancellations, which we know to be one of their greatest concerns. Last year we introduced several products and initiatives designed to keep customers better

informed during extended delays. We'll continue to build on this progress in 2001 and beyond.

We're also committed to achieving fair contracts and effective labor-management relationships that will enable us to return quickly to running a dependable and on-time airline. Going forward, we want to move toward an interest-based relationship with our unions that relies on sharing of information, mutual problem solving, setting and adhering to objective standards and dealing with each other with mutual respect.

We are singularly focused on restoring the United name and brand in the minds of our customers, employees and stockholders.

During 2000, we resolved five of the labor contracts that became amendable with the end of the Employee Stock Ownership Plan (ESOP) allocation period in 2000, including that with the Air Line Pilots Association (ALPA). Given the reality that we're in a high-cost business, we plan to manage our costs to the greatest degree possible to help bring our profitability back in line. We responded to an increasingly difficult cost environment

through our successful fuel-hedging program and strategic adjustments to our fleet plan in 2000. In 2001, we also will work to drive increased productivity, simplification and other efficiencies through our system.

For all these reasons, I believe that our long-term prospects are bright, and that we will achieve our mission to be the global airline of choice worldwide. This belief is supported by the strength of our strategic initiatives in 2000 and our focus for 2001 and beyond. I hope after reading this report you will share my optimism about United's potential.

I would like to close this year's letter with a note of thanks. First, to our thousands of front-line United employees around the globe who lead in countless ways – both big and small – every day. I'm grateful to them for their loyalty and commitment to United and for everything they did to respond to and accommodate our customers during a difficult period last summer.

I also want to thank every one of our customers and stockholders. We owe you a debt of gratitude for your support, confidence and trust in United. You stuck by us, and we intend to do everything possible to ensure your utmost satisfaction each time you do business with us in the future. We hope you have more reasons to stay with us now than ever before.



March 1, 2001

Serving 133 destinations in 28 countries



Offering more than 2,200 daily flights



Providing an unparalleled global network



Transporting 85 million customers



Making travel easier

**United's Strategy:
Strengthening Our
Network**

Pages 8-11

In 2000, nearly 640 million people took to the skies for travel. More than 85 million of those passengers chose United Airlines and our 2,200 average daily scheduled flights. This unprecedented high travel volume continues to increase every year, as does the demand for airlines to meet the growing needs of their customers worldwide.

At United, we're continuing to find ways to strengthen our global network. We're maximizing our global presence through Star Alliance, and we're expanding our U.S. domestic network with the planned acquisition of US Airways. Together, these developments will give us an unparalleled global network, coupled with the best U.S. hub network in the industry, which will allow United to deliver on our goal of exceptional customer access and service.

Star Alliance Leads the Way

United's founding membership in Star Alliance, the world's most successful air carrier alliance, is one example of our position as a progressive leader in the industry. Our advantage is in the alliance's early formation almost four years ago, which gives us a solid base from which to strengthen our international network.

The addition of new members in 2000 – Austrian Airlines Group, Singapore Airlines, Mexicana and British Midland – brings together the vast networks of 15 world-class airlines. Now, more than ever, Star Alliance provides customers with global access and greater flexibility in accruing and redeeming frequent-flyer awards to more than 800 destinations worldwide.

With key members in place, Star Alliance is now focusing on deeper levels of cooperation among the airlines. For example, we are working to develop technologies that will help front-line employees deliver seamless service across all airlines.

Star Alliance is creating an automation infrastructure that will allow Star members' computer systems to talk to each other. Using this communication link will enable Star front-line employees to use their reservation systems to access name records for passengers with tickets issued by other Star Alliance members. The system will also provide real-time flight information and mileage redemption information for all Star members.

Recent studies have shown that Star Alliance already saves customers \$100 million annually, since they benefit from the lower fares available through allied airlines. As Star Alliance focuses on enhancing service, it will continue to offer passengers substantial benefits and access to the world through a "just like one airline" travel experience.

Merging with US Airways

In our next move to redefine the airline industry, United Airlines is working to enhance our U.S. domestic network to parallel the international reach we have with Star Alliance. United's existing domestic network effectively covers all of the United States, with the exception of the East Coast. In an effort to complete our national network presence, United announced in May 2000 its plan to acquire US Airways.

As part of the transaction, United entered into agreements that will create the first minority-controlled and operated airline in the U.S. – DC Air – by carving out routes based at Washington, D.C.-National. In addition, to enhance the competitive benefits of the merger and address concerns raised by the Department of Justice, United entered into an agreement with AMR Corporation, parent company of American Airlines, to divest certain assets of US Airways. (See *"United's Agreement with American Airlines,"* page 11.)

In addition to providing added competition to the marketplace, merging United Airlines and US Airways will create the first truly comprehensive U.S. airline network and will mean travel convenience and efficiency for millions of passengers across the United States. By bringing together two complementary route systems, we will be able to give even the smallest cities in our combined network improved service to virtually anywhere in the world.

We made the decision to acquire US Airways based on the strategic understanding that as a mature industry, our opportunities to further enhance our network – and therefore provide our customers more access to the destinations they want to go – were limited. Most of the communities on the East Coast are mature markets with existing service. This made building our presence there economically and logistically unfeasible.

We recognized and acted on the solution – to acquire another carrier. We're not the only company to make such a move – many industries, including telecommunications, automotive and retailing, are consolidating globally. But we were the first U.S. airline to take that bold step. And being the first gave us the advantage of choosing the airline which best complemented our network. US Airways fit that profile.

Acquiring US Airways will enable us to better serve our customers, and if it goes through as planned, we expect it to provide potential future revenue benefits for the combined carrier.

With the planned US Airways merger, we'll enhance our U.S. network to parallel the international reach we have with Star Alliance.

The combined assets of the two companies will result in a nationwide network second to none. US Airways' operations are focused on the lucrative East Coast market, which represents \$26 billion in revenue for the U.S. domestic airline industry, with \$16 billion in the Northeast alone. United's strength is the Midwest, Mountain Region and West Coast; once the two airlines are merged, United will have the capacity to serve a new, mostly untapped market, providing current US Airways passengers in Pittsburgh, Philadelphia and Charlotte connections to many more global destinations.

This merger, if approved, will enable United to demonstrate more than ever our commitment to innovation in customer service and secure our place as the industry leader. With our complementary routes coming together into one nationwide network, we truly would become the airline of choice for 148,000 employees worldwide ... for 140 million customers annually ... on more than 4,300 daily flights ... to approximately 170 destinations in 32 countries and territories around the world.

*US Airways Merger:
Chronology and Status*

*Merging with US Airways:
The Benefits*

*United's Agreement with
American Airlines*

- **May/June 2000** – United announced its plan to acquire US Airways. The transaction is subject to the approval of the Department of Justice (DOJ), European Commission and U.S. Department of Transportation. In June, United filed its acquisition plan with the DOJ, and they asked for additional information to consider whether the deal would lessen competition.
- **October 2000** – United completed the DOJ's request for information and agreed to a DOJ decision deadline of January 2001.
- **December 2000** – With the imminent announcement of the American Airlines transaction, United and US Airways agreed to extend the DOJ's review period of the merger proposal and divestiture plans to April 2001.
- **January 2001** – United announced an agreement with American Airlines to address competitive concerns related to the merger with US Airways. The European Commission approved the merger of United and US Airways.
- **March 2001** – United announced plans to sell US Airways' subsidiary regional carriers – Allegheny, Piedmont and PSA – to Atlantic Coast Airlines, one of the United Express® carriers.

Customers of both United and US Airways will realize significant benefits as a result of the merger of the two carriers. Passengers will have unprecedented access and travel convenience to an expanded number of U.S. domestic and international destinations. The airline created as a result of the merger will provide United's current customers opportunities to fly to East Coast cities like never before.

US Airways' customers will have one-airline access around the nation and across the globe, including more than 500 additional international destinations through Star Alliance. Their Dividend Miles® preferred customers will receive the same level of high service they're accustomed to through United's programs to recognize our best customers. Eventually, both groups of customers will enjoy the convenience of one ticket, one baggage check-in and one frequent-flyer program for all their destinations.

Communities served by the combined United and US Airways will experience significant economic benefits from more commerce, job opportunities and economic growth generated across the nation. The expanded network created from both airlines' routes will give smaller cities what they need to thrive: access. The ability to attract national and international

business through hub-and-spoke networks will no longer be limited to large cities. We will be able to offer expanded single-carrier service on thousands of routes where it has never before been available. United plans to offer 539 new city-to-city routes, among them: Sacramento-Erie, Panama City-Fargo, Phoenix-Copenhagen, Birmingham-Brussels and Tulsa-London.

Employees of both airlines also stand to reap significant benefits as a result of the merger. Once operations are integrated, the combined organizations will provide increased career opportunities with more work locations, more aircraft to fly and maintain, and more flights serving more passengers and destinations.

To increase the competitive nature of its acquisition of US Airways and address concerns raised by the Department of Justice, United agreed to sell selected assets of US Airways to American Airlines.

Under the agreement, American would provide competitive service on key hub-to-hub routes where United and US Airways are currently the only competitors with non-stop flights. Additionally, United would transfer up to 86 aircraft acquired in its merger with US Airways to American Airlines. American would assume certain lease obligations and buy certain spare engines and other parts associated with the aircraft.

United also would divest 36 LaGuardia slots, the landing and take-off rights at appointed times at airports, as well as 14 gates at six airports.

American would enter into a 20-year joint operations venture with United to provide shuttle service on routes between New York LaGuardia, Washington, D.C.-National and Boston Logan airports.

Separately, AMR Corporation – American's parent company – would purchase a 49 percent stake in DC Air, the company that would provide competitive service at Washington, D.C.-National when United acquires US Airways.

The transaction with American would provide United additional financial benefits by reducing the debt requirements related to its acquisition of US Airways, enhancing the value of the original transaction for UAL stockholders.



**United's Strategy:
Improving Our
Reliability**

Pages 12-15

With the proposed acquisition of US Airways, some have questioned whether a merger of this size will affect United's ability to deliver reliable service, especially given the operational challenges we faced last summer. As a result, we are renewing our commitment to reliability and making operational improvements to ensure that our customers arrive and depart safely and on time, every time. This means having a singular focus on reliability in schedules, on-time departures and baggage handling, as well as delivering accurate, up-to-date information to our customers.

Despite the operational problems we experienced during the most heavily traveled time of the year, United took immediate steps to improve on-time performance and reduce, as much as possible, customer inconvenience – and our commitment continues.

Responding to Operational Disruptions

We quickly cut back operations last summer, trimming thousands of flights from the schedule. Since then, we've lengthened block and ground times for flights by adding more than 4,000 hours since September, which gives us a better opportunity to meet our reliability goals and create more realistic customer expectations. We've increased connection times for widebody and international connections, as well as for United Express flights, to mainline connections at all hub stations. And we've increased the number of spare aircraft on hand.

United also has initiated several customer service enhancements, including the Customer Advocate Center. The Center – currently supporting eight airport locations with more scheduled for 2001 – has a team of employees who quickly and proactively develop reaccommodation plans for passengers affected by disrupted operations, such as maintenance delays or sudden changes in weather conditions that cause flight delays and cancellations.

The Center makes it easier for front-line employees to communicate flight changes, while at the same time making customers' experiences less difficult during delays. In addition, our Aircraft Scheduling Automation Project (ASAP) maximizes the use of United's entire fleet by matching aircraft to our schedule of daily flights. The program has allowed United to build greater reliability into the schedule by better matching our aircraft to customer demands.

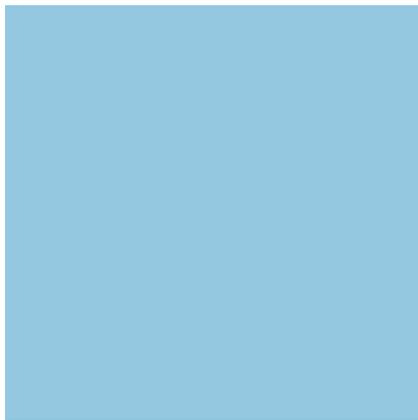
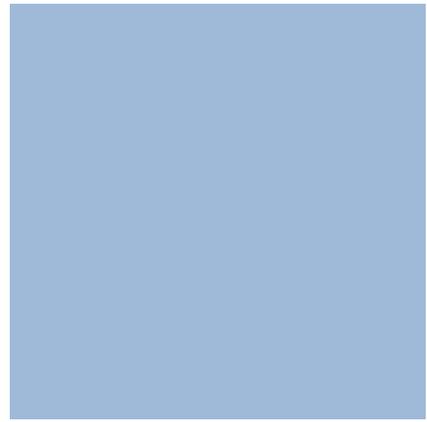
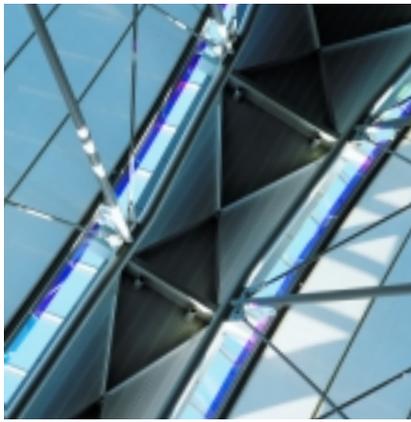
We also are using our mobile ChariotSM to harness high-tech solutions to resolve customers' problems at the airport during times of irregular flight operations. These mobile check-in units – battery-powered and connected to computer systems through wireless technology – enable employees anywhere in the airport to rebook and check in customers and to issue tickets, boarding passes and bag tags. Currently, United has chariots in service at Chicago O'Hare, San Francisco, Los Angeles, Washington, D.C.-Dulles and Washington, D.C.-National. We plan to deploy additional chariots to other airport locations throughout 2001.

Boosting Our On-Time Performance

United has made further operational enhancements to enable consistent on-time performance. For instance, we increased manpower in baggage operations and deployed 2,500 baggage scanners throughout North America, which use state-of-the-art technology to expedite handling and help ensure that every bag reaches its intended destination.

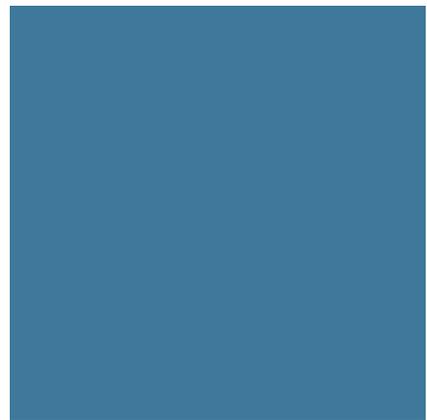
Our performance toward the end of 2000 demonstrated improvements in reliability. By December, United ranked No. 5 in the U.S. Department of Transportation's on-time arrivals report, up from No. 10 in September. For 2000 we had more 1K[®] customers – customers who fly more than 100,000 miles a year on United – than in 1999, which shows that our efforts are working. And we've agreed to invest more than \$100 million in the coming year in initiatives that will structurally improve reliability.

We're
renewing our
commitment
to reliability...



...to ensure
that our
customers
arrive and
depart safely...

...and on time,
every time.



Addressing Industry Issues

Beyond operational improvements that United can directly control, we also are working to influence external conditions outside of our control, which affect the entire air transportation system's performance and reliability. United and its competitors continue to be hampered by an aging aviation infrastructure that simply cannot support the explosive growth in numbers of the flying public.

The Federal Aviation Administration predicts that in 10 years the number of airline passengers will rise by nearly 60 percent – bringing the annual total number of travelers to one billion. The current system is stretched to capacity, and the effects are beginning to show.

Outdated air traffic control systems, inadequate airport capacity and runways, lack of resources, crowded conditions – these factors are causing delays and cancellations resulting from an insufficient and non-integrated approach to massive airline industry growth.

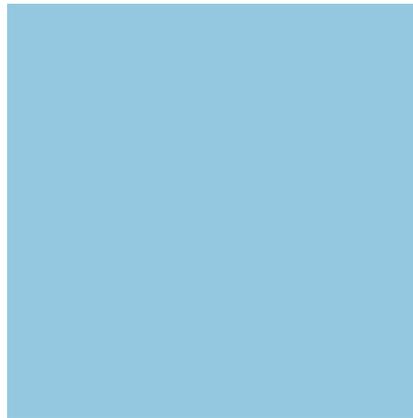
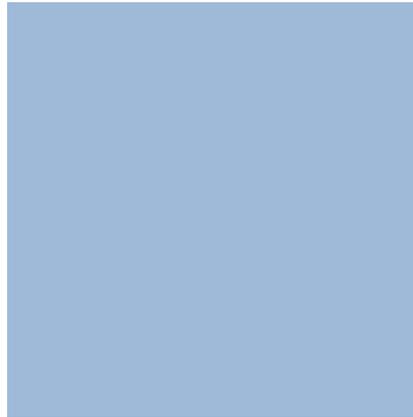
As the pressure continues to increase and take a heavy toll on passengers and businesses, United has taken the lead in pressing for long-term, permanent solutions to this crisis.

With the rise in the number of air travelers each year, infrastructure problems have become a global issue that simply cannot be ignored. Finding the solutions requires cooperation among business, community and political leaders. As the largest U.S.

domestic and global airline, United Airlines is uniquely positioned to drive the industry's efforts to make significant infrastructure improvements. Structural changes in the industry, coupled with United's own investments in customer service initiatives and airport facilities, will go a long way toward helping us fulfill our reliability commitments to customers.

By working together, we are moving toward a dramatically reshaped air transportation environment where United Airlines will continue to meet our customers' expectations of safe, convenient and affordable global travel.

United is taking the lead for long-term solutions...



...for the aging U.S. air transportation infrastructure system.

United Supports Air 21



United worked in tandem with our chief trade organization, the Air Transport Association, to enact Air 21, federal legislation that unlocks money paid into the U.S. Aviation Trust Fund. Almost \$40 billion dollars will be invested in the next three years in aviation facilities, equipment and training.

The fund provides for radar modernization, airport construction projects, increased hiring and training of air traffic controllers, and additional noise abatement at airports.

Air 21 is tangible evidence of our ability to work with the federal government to achieve meaningful solutions in the area of infrastructure. While Air 21 is an important first step, it is just a first step. Our goal of providing reliable, on-time service requires that we continue to drive for longer-term, more permanent solutions to prepare our air transportation infrastructure for the demands of the future.



**United's Strategy:
Improving the
Customer
Experience**

Pages 16-19

While customers expect and deserve reliable service, United also is dedicated to giving them a travel experience that is easy, comfortable and convenient. We continue to develop products and services that deliver on that promise, based on detailed research of what our wide array of passengers need and want.

Our loyal customers told us they wanted more legroom, so United raised the bar for the entire industry and redefined the standard for economy-class travel with the rollout of Economy Plus. Economy Plus repays our premium flyers with more space, up to five additional inches of legroom in the first six to 11 rows (depending on the type of aircraft) of the United Economy® cabin.

Economy Plus – an Industry First

United can offer Economy Plus to full-fare customers without compromising the needs of our leisure or bargain travelers. One of our competitor's responses to Economy Plus was complete cabin conversion, which results in fewer seats available at discounted fares. Our research tells us that leisure travelers are willing to forgo additional legroom for the ability to travel inexpensively. Economy Plus is tailored to respond to our passengers' needs and makes sense for all our customers.

In March 2000, United completed installation of Economy Plus in our U.S. domestic fleet, excluding United Shuttle® aircraft. Because of the enthusiastic response to Economy Plus from our customers, we have begun introducing the product internationally on select Boeing 767, 777 and 747 aircraft. The international rollout should be complete by the end of 2001.

Improving the Airport Experience

Economy Plus is just one variable in the service equation. We know that improving overall customer service is key to enhancing the airport experience. The way we respond to our customers' questions, handle their bags, and greet them at the gate are all part of the airport experience. Our service improvement initiatives – guided by Our United Commitment – are the most aggressive and far-reaching of any of our competitors.

Our United Commitment promises our customers the respect, courtesy, fairness and honesty they expect and deserve from us. This pledge is especially important given the disruptions and frustrations our operational issues caused for our customers last summer.

United has implemented new service training programs and systems enhancements so our employees can provide customers more accurate, up-to-the-minute information when delays or other unexpected events occur. In addition to providing better flight information to our Customer Service Representatives, we also are upgrading the range and timeliness of the flight information we post on monitors at the gates.

At the Gate...

United EasyInfoSM is a new information display that we unveiled at gates at Chicago O'Hare and are installing in our other North American hubs. United EasyInfo provides customers with real-time flight information, including departure time, seat availability and destination weather. During irregular service, the electronic display provides reasons for flight delays, alternate flight options and the status of inbound aircraft.

We are working on developing new ways to get our customers the information they need, especially when flights are delayed or cancelled. The latest advances are in the area of wireless and Internet-enabled phones and handheld devices. Through United UpdateSM, a free proactive paging service, United customers can automatically receive messages about flight delays, cancellations and gate changes at their personal computer, cellular phone or pager.

We also are applying new technology at the gate to make check-in and boarding smoother and swifter. Last year, we launched a new electronic upgrade product. Electronic upgrades may be purchased or earned by Mileage Plus® Premier Executives® through flight activity. The upgrades will now be in electronic form and added automatically to a Premier Executive's account, eliminating the need to keep track of paper certificates and speeding up the check-in process. Customers can view their Mileage Plus account and E-UpgradeSM summaries, as well as purchase or request upgrades, on united.com.

At Baggage Claim...

In addition, we're using technology to improve our baggage handling capabilities. Nothing can sour a trip faster than mishandled bags. That's why United has more than 2,500 BullsEyeSM bag scanners in use throughout our North American stations. Functioning like tracking devices, these electronic scanners capture passenger information, providing timely and reliable information to people who handle the bags and work in our ramp area. The new equipment is part of a customer-focused, total baggage-tracking network United is developing and implementing to ensure that every bag reaches its owner.

United is dedicated to giving our customers a travel experience that is easy, comfortable and convenient.

...And Even at Check-In

We've been rolling out our new self-service check-in equipment in several cities as another part of United's efforts to marry technology and service. Customers using E-TicketsSM can walk right by airport lines and use a self check-in kiosk in Chicago, San Diego or Aspen, Colorado. With an average check-in time of only one minute, these machines can issue a boarding pass for any United, United Shuttle or

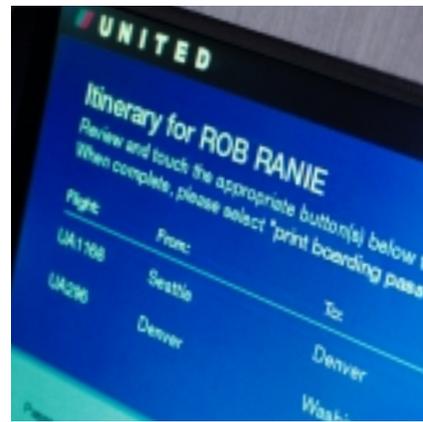
United Express flight in North America. Customers simply insert a major credit card or Mileage Plus Premier card. In addition, they can check their bags, select or change their seat assignment, or add themselves to the upgrade list. The kiosk technology, part of our United EasyCheck-InSM package of services designed to streamline the check-in process, will be deployed at additional airport locations in 2001.

Whether the solution is new technology, better training or a new way of thinking, United is committed to creating a better travel experience for our customers.

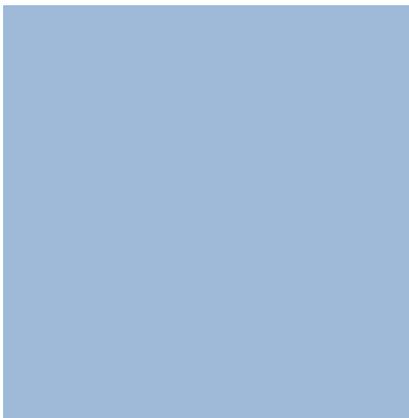


United First Suite is a luxurious seat offering that combines a work space, an entertainment center and a cozy, private sleeping area. The reclining electronic seat is built for comfort with lumbar support, back stimulation and fully adjustable leg and head rests. When passengers are ready to turn in, First Suite

Roomier overhead bins



Self-service check-in kiosks



More legroom

reclines to 180 degrees, transforming itself into a soft lie-flat bed.

Our passengers want the option of spending their time working or being entertained. First Suite offers an individual audio-visual system with up to 20 feature film tapes, nine channels of movie and TV programming, and up to 21 channels of CD-quality music and news through a noise-reducing headset. The work space is appointed like an executive office, with a personal phone for worldwide calls and fax or e-mail access, ample shelf and storage space, a handy flex lamp and a laptop power source with modem connection.

Expanded Entertainment Options

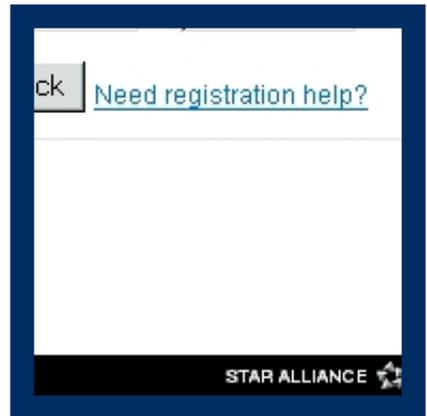
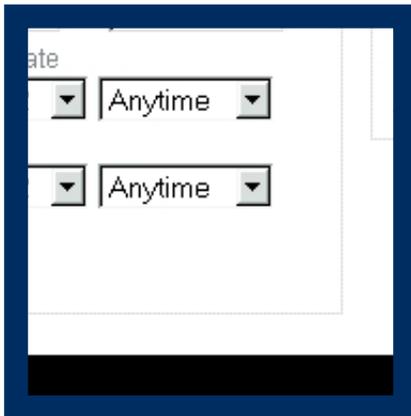
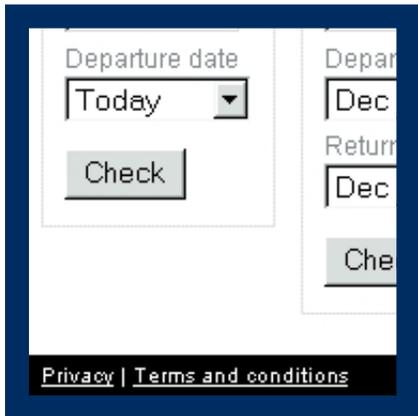
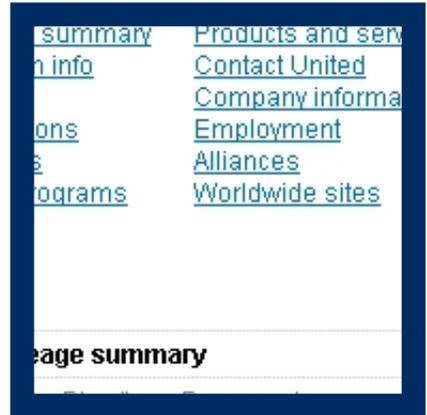
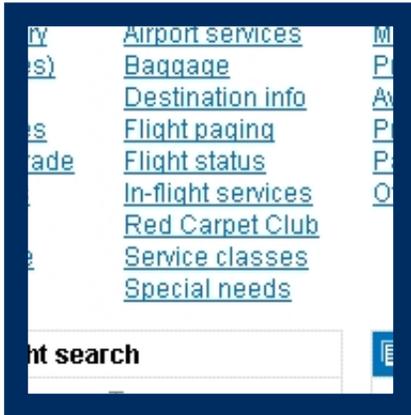
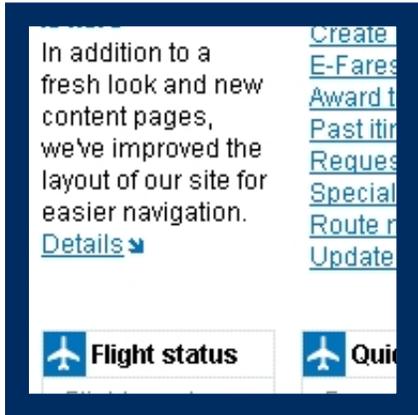
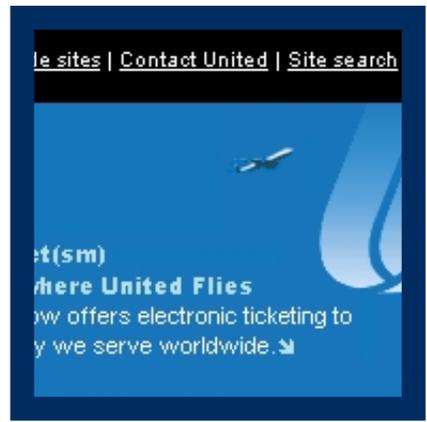
In our drive to enhance our customers' travel experience, United expanded its entertainment offerings on U.S. domestic flights.

In 2000, United became the first major U.S. carrier to offer free headsets and movies to customers in all service classes onboard U.S. domestic flights. Customers can enjoy short-subject video

programming, such as popular sitcoms and specially produced programs.

Customers also have free access to United's exclusive "From the Cockpit," which transmits conversations between the flight crew and air traffic controllers.

The new content and expanded access is designed to give our passengers more options if they choose to spend their time relaxing while they fly.



**United's Strategy:
Maximizing
E-Commerce
Opportunities**

Pages 20-23

In an age when the information superhighway has forever changed the way people “travel,” the airline industry has joined the Internet revolution in an effort to give consumers an even better, more convenient flying experience. At United Airlines, we’re tapping into our expertise to give our customers what they want most from the web – greater choices, more access and easier travel.

As customers conduct their lives and businesses at Internet speed, United is enhancing existing services as well as developing new technology products and partnerships to more quickly and efficiently meet our customers’ needs. We started years ago by pioneering the use of E-Tickets, and we helped pave the way for more customers turning to the web to book their travel plans.

United.com

One way we’re taking advantage of this trend is by constantly evaluating and improving our award-winning proprietary web site – united.com. In addition to purchasing tickets at the site, customers can redeem and book Mileage Plus award travel, request travel upgrades and check up-to-the-minute flight information.

In addition, two new features on united.com are making travel scheduling and ticketing even easier. Customers who purchase E-Tickets on our web site can now print receipts as soon as they receive confirmations of their transactions. The receipt provides itinerary and flight information and will make completing business travel expense reports a breeze. Visitors to united.com also can download a complete United flight schedule to their own computers.

United’s Internet convenience doesn’t stop at the desktop or notebook computer. We provide real-time flight information through Palm VII™ handheld personal digital assistant devices, and we also offer a flight-paging service that proactively informs customers about schedule changes and gate information through their handheld devices, pagers, personal computer or Wireless Application Protocol (WAP)-enabled mobile telephones.

Introducing United NewVentures

In 2000, to manage the incredibly high demand for web-based travel options and growing e-commerce opportunities, we created United NewVentures, the first stand-alone e-commerce subsidiary in the U.S. airline industry. United NewVentures is wholly focused on creating businesses that offer innovative customer solutions, strengthen our airline business and create incremental value for our stockholders.

United NewVentures is made up of two divisions, United NetWorksSM and United NetVenturesSM. United NetWorks manages all United branded e-commerce activities, developing strategies for and driving the operations of United’s web site and wireless communication initiatives. It also manages third-party sales of Mileage Plus program frequent-flyer miles. United NetVentures focuses on collaborative partnerships, including the developing of business sponsorship efforts and non-United branded businesses.

In an effort to deliver seamless global travel, United NetWorks has introduced country-specific versions of united.com in most of the 28 countries we serve. Customers around the world can now shop for travel with at-home convenience, no longer just in English or with U.S. currency.

For travelers who are on the road, United NetWorks has announced a cutting-edge wireless booking and ticketing service that allows customers to book flights and purchase E-Tickets from any Internet-enabled mobile phone. Users of this industry-first free service can purchase E-Tickets for any United Airlines, United Shuttle or United Express flight originating in the United States, view their itineraries, check their seat assignments, and make special meal requests – all via wireless phone. Once this service is off the ground, we plan to expand its capability to allow travelers to make changes to already-booked flights.

United NetVentures’ collaborative partnerships will benefit our customers in equally innovative ways. For example, through United NetVentures, United was one of the five founding member airlines of Orbitz, a travel-oriented mega-web site. This web site is designed to be the comprehensive and unbiased source of travel information on the Internet. With 28 airlines currently onboard, Orbitz will be a multi-airline portal offering low-fare tickets along with hotel reservations, car rentals and a host of other travel-related services.

United NetVentures is engaged in other groundbreaking initiatives to offer United flyers the greatest possible value and convenience. Hotwire is a new online discount-ticketing venture that will auction off vacant airline seats to last-minute and price-driven travelers.

We're tapping into the Internet to give our customers fingertip access to greater choices, key information and easier travel.

Our efforts are not solely oriented to passengers. United NetVentures is meeting United's cargo customers' needs through a variety of web-based initiatives, including United-Cargo.com, where our customers can book and track their shipments online.

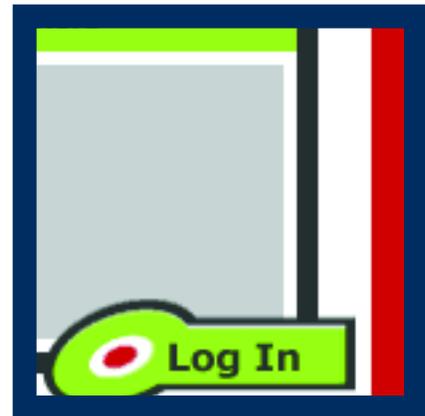
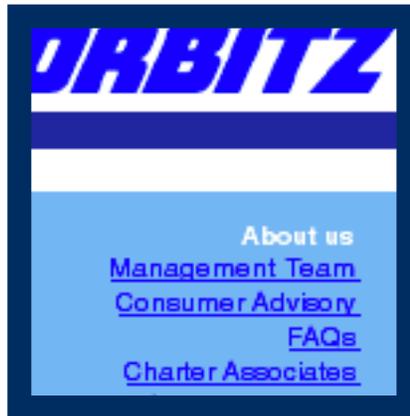
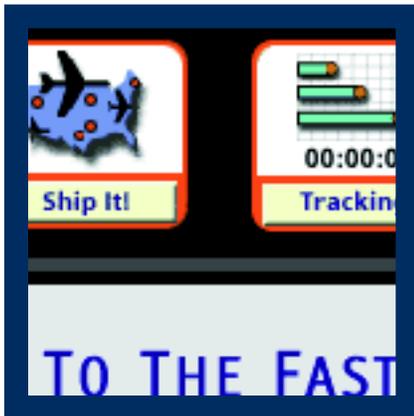
In 2000 we introduced UnitedSameDaySM, a "next-flight-out" small package delivery service targeted to our corporate customers.

Developing the B2B Potential

United is also using information technology to capitalize on exciting new e-commerce opportunities. The Internet provides us with tremendous power to develop more efficient business processes for United and our suppliers.

We are one of nine leading global airlines who have linked together to create CordiemSM, a web-based virtual marketplace that brings carriers worldwide in contact with qualified sellers of airline-related goods and services. This business-to-business procurement venture will handle approximately \$32 billion of the member airlines' annual supply-chain business. We anticipate capturing significant value from this initiative by lowering transaction, processing and inventory costs.

United understands how important choice, access and convenience are to today's air travelers, cargo customers and airline-related businesses. We continue to lead the industry in innovative electronic services, redefining both competition and partnership in the virtual airline marketplace to give our customers all they need and more.



United Recognized for IT Innovation



*In December 2000, **Information Week**, a publication for the information technology (IT) industry, named United Airlines to its first "Innovation 100" list. United ranked 17 among the 100 companies IT considers "innovative practitioners of IT that combine technology with business savvy to learn more about and better serve their customers."*

The publication praised United's industry-leading introduction in November 2000 of wireless booking and ticketing through United Update, our comprehensive suite of wireless services that provides access to electronic travel updates and flight information through pagers, Internet-enabled phones, e-mail or personal digital assistants.



**United's Strategy:
Making United a
Better Place to Work**

Pages 24-27

The people of United Airlines make the difference in the service we deliver, and we know the only way to ensure satisfied customers is to have committed and engaged employees. This is why we strive to improve the quality of life for our workforce and make United a better place to work. We're working on several fronts to make this a reality for our employees.

The ESOP Transition

It's important to note that since the ESOP investment period ended in 2000, United faced a year of transition, with almost all U.S. domestic labor contracts open for renegotiation. The first contract we reached in the bargaining cycle took our pilots to an industry-leading pay position, and we followed that with agreements for flight dispatchers, fleet technical instructors and meteorologists. We anticipate finalizing this bargaining cycle in the same manner for all unionized employee groups, as well as bringing compensation for our non-union staff and management to industry-leading levels.

In order to sustain these compensation levels for our employees, United must deliver high performance. We have a good starting point on which to build – our employees' strong sense of pride and enjoyment in their work and their willingness to exert the extra effort to make United succeed. Clearly we saw this last summer among our front-line employees, who put forth extraordinary efforts to manage customers' expectations during the operational challenges we experienced.

Simplifying the Work Process...

To fuel our employees' energy and recognize their commitment, we've taken several steps during this past year to make their working lives a little easier and improve the quality of their work experience. We began by recognizing that, as it stands today, airline employees don't have easy jobs.

In fact, it can take as many as 1,700 tasks for a Customer Service Representative (CSR) to check in a customer, issue a boarding pass and get the passenger on an airplane. That's exactly why United has begun an effort to simplify airport processes. A cross-functional team continues to prioritize the various tasks a CSR performs by determining how frequently each is done, how long it takes and how it contributes to getting the customers and their belongings on the airplane safely for an on-time departure. One example of a process simplification that has already been implemented is a reduction in the number of prices for North America excess baggage from 33 to two. Not only is this simple, two-price system more consistent and easier to understand, it also speeds up the check-in process for our customers.

Another example of how we're streamlining procedures is our new stand-by fee policy. Proposed by a group of our front-line CSRs, the policy allows customers to stand by for any flight scheduled to depart on the same day to the same destination as their original reservation without incurring a fee. Previously, certain fares required a change fee for same-day standby situations, which meant our employees had to

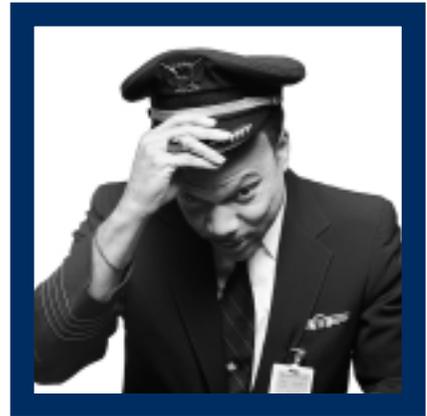
check the rules of the fare type, often minutes before departure. This new streamlined policy provides another win-win solution for both our customers and employees.

...With New Technology Tools

United is using technology to make our employees' jobs easier and less stressful. For example, we enhanced our internal communications systems to improve the connection between United's reservations and operating systems to give our front-line employees real-time information on flight status.

We also launched Customer Service Info (CS INFO), a new technology that allows front-line employees to quickly access vital operational information and provide it to the customers they serve. CS INFO collects information from numerous sources, including a live weather source, giving front-line employees a single resource from which to answer customer questions.

In November 2000, we rolled out CHRONOS, a real-time airline operations prediction and solutions tool. The system uses status of all flight resources, aircraft, flight crew and wheels-up time to predict departure and arrival times. We also deployed Artemis, a new software application that allows United's operations managers to determine rescheduling strategies during high-volume irregular operations.



And as we mentioned in our discussion on improving United's reliability, the introduction of our Customer Advocate Center in 2000 allows us to proactively anticipate our customers' needs during major service disruptions and make the necessary arrangements for our customers – such as rebooking them on other flights or arranging for hotels – before they get to an airport counter with questions. Nobody – not our employees, nor our passengers – likes it when bad weather causes cancellations or delays. When our people can apply technology to improve a travel experience that hits a glitch, everyone benefits.

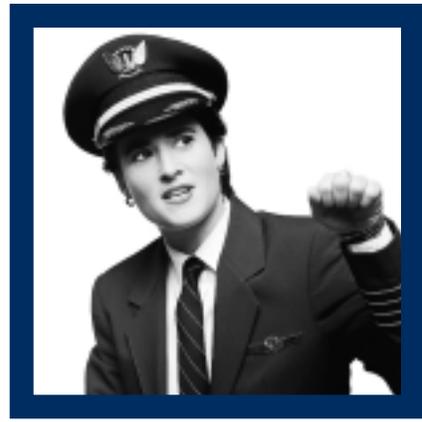
Technology solutions can help improve the customer and employee experience, but ultimately it's the face-to-face personal interaction between them that makes the difference. We're investing in leadership development for more and better training for our front-line supervisors, adding new training techniques and more tools for them to serve our customers. Our leaders regularly assess employee feedback to measure and improve employee engagement.

Promoting Performance Through Teamwork

Additionally, two team-based programs are successfully being implemented to achieve even higher levels of front-line performance.

The O'Hare Timeline Team is a cross-functional group created in the summer of 2000 to improve departure performance by improving work processes. By working together and coordinating expertise and resources, the team developed 30- and 50-minute timing maps that identify the sequence in which critical events need to occur in order to successfully meet on-time departure goals at Chicago's O'Hare

airport. Map timelines are posted visibly at gate area podiums, in jetways and in "ready rooms" so that plane-side employees can refer to them at any point during departure. The Timeline Team, which is also in place in San Francisco and will be rolled out at other airports in 2001, is another example of how United is leveraging teamwork among front-line employees to improve on-time performance, baggage reliability and customer satisfaction.



United's Team Based Organization (TBO) at the Denver airport was created to promote better cross-functional communication and work performance to ultimately improve and expedite customer service. TBO consists of teams of local management and union leadership, employees who are responsible for solving problems and making decisions for a set number of gates on a day-to-day basis. Smaller groups of employees

from different divisions such as maintenance, ramp service and customer service are empowered to work together to make decisions as close to the customer as possible. Following a successful implementation in Denver, TBO is currently being rolled out at the Washington, D.C.-Dulles airport.

United's people commitment is also reflected in our workforce diversity. Our workforce must reflect our customer base and the labor market, and we've taken a number of steps to keep pace in this area, including tying manage-

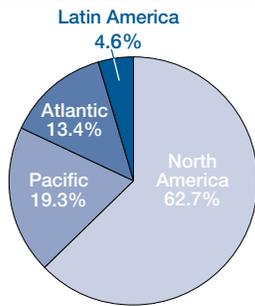
ment incentive compensation to diversity goals.

In the end, whether it's a new technology or system that expedites and simplifies a work process or a training tool that helps employees improve their performance, we will continue to explore ways to make United a great, diverse place to work, while at the same time enhancing our employees' ability to deliver an exceptional customer travel experience.

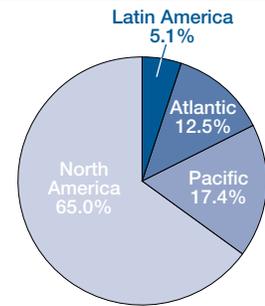
*Fortune Magazine
Recognizes United*

Fortune Magazine named United in 2000 as one of the 50 Best Companies for Minorities. The ranking reflects United's commitment to a diverse workforce around the globe.

United in 2000



2000 – Capacity by Region
(available seat miles; percent of system)



1999 – Capacity by Region
(available seat miles; percent of system)

United carried an average of 231,000 customers every day in 2000 to points all over the world. The company is well represented in the four market segments it serves – North America, the Pacific, the Atlantic and Latin America. This regional diversification allows United an important

measure of flexibility in responding to varying industry and economic conditions around the world, as well as to unusual circumstances such as the disruptions to service the company experienced in 2000. United was able to strategically reallocate capacity to respond to market conditions during the year. We also were able to minimize the inconvenience customers experienced during our operational disruptions, which primarily affected the North America market, by reducing the flight schedule.

This resulted in a one percent decrease to capacity compared to 1999. Passenger unit revenue, which is passenger revenues divided by available seat miles, rose six percent in 2000 for the total United system.

Just the Facts

North America

United's North America operations accounted for 68 percent of the company's revenues in 2000. Passenger unit revenue for the year increased seven percent, due in part to a four percent reduction in capacity for the market, a measure the company took partly in response to the operational disruptions of the summer and in part to more effectively match the company's fleet to customer demand.

2000 Highlights

- United announced plans to acquire US Airways, which will round out United's excellent U.S. network by addressing its relatively weak presence in the East Coast markets. The merger would make traveling more convenient for passengers, connecting US Airways' eastern U.S. markets with United's east-west and international markets. (See "Merging with US Airways," page 9.)

- Economy Plus, United's extra legroom product in United Economy, completed its successful roll-out. (See "Economy Plus – an Industry First," page 17.)

- United completed the installation of 463 gate readers in 87 U.S. stations, as well as

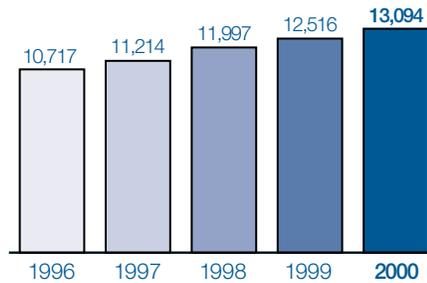
two international locations. By automatically "reading" the boarding pass information, these gateside machines streamline the boarding process for customers and employees.

- United moved into San Francisco International Airport's newly opened,

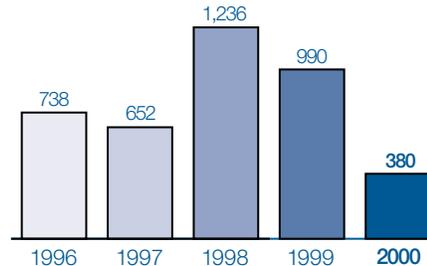
state-of-the-art international terminal. United's facilities in the new terminal offer customers a Red Carpet Club® and International First Class Lounge, as well as a United Arrivals® lounge. Several Star Alliance partners also are located in the terminal, providing the alliance's customers a more seamless travel experience.

- Supporting the growth of United's international traffic out of Los Angeles, the company made substantial improvements to its facilities at the Los Angeles International Airport, including the renovation of United's International First Class Lounge in Terminal 7.

- United Shuttle grew from serving nine destinations when it began in 1994 to 23 destinations in 2000, with the addition of new Denver-Colorado Springs service, as well as the launch of new Los Angeles service to Portland and Salt Lake City.



North America Revenues (\$ millions)



North America Operating Earnings (\$ millions)

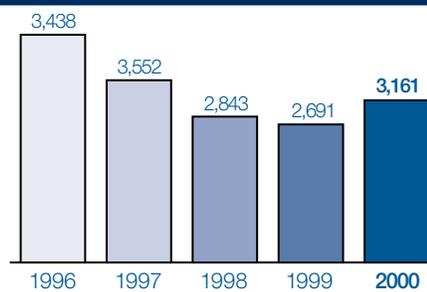
As reported to the U.S. Department of Transportation

International

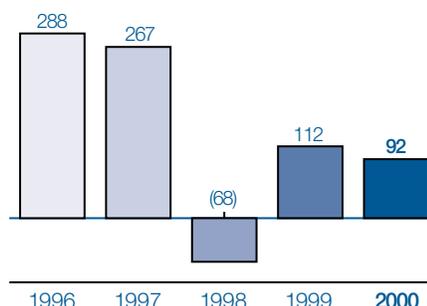
United's presence spans the globe and is the U.S. carrier with the broadest international reach. Operating revenues for United's international segment totaled \$6.2 billion in 2000, up 15 percent over 1999. The following provides operating information for each international market.

Pacific

The largest U.S. airline operating in the Pacific, United's operations in the region accounted for 16 percent of the company's revenues in 2000. Responding to the improving economies in several of the countries United serves in the Pacific, United added significant capacity back into the region during the year, increasing available seat miles, or capacity, by 10 percent. Despite this substantial



Pacific Revenues (\$ millions)



Pacific Operating Earnings (\$ millions)

As reported to the U.S. Department of Transportation

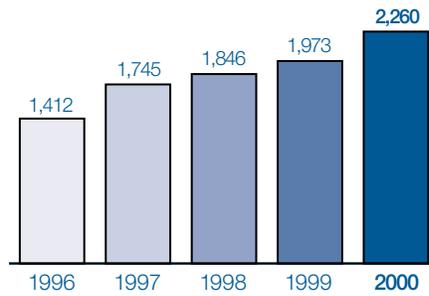
increase, passenger unit revenues increased for the Pacific by five percent.

Of significant importance to the company's Pacific operations, United received authority to fly two additional frequencies to China in November. United had inaugurated nonstop San Francisco-Shanghai service earlier in the year on a five-day-a-week basis; the new flying authority allows the company to expand the flying to daily service, which complements our new daily San Francisco-Beijing service.

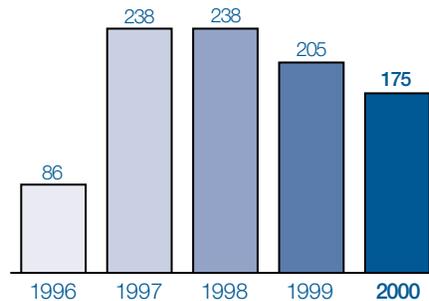
United's Pacific customers also benefit from the newly opened state-of-the-art combination Red Carpet Club and First Class Lounge in Tokyo's Narita International Airport.

Atlantic

United's Atlantic operations accounted for 12 percent of the company's revenues in 2000. Reduced industry capacity in the region aided performance; however, United's capacity in the market rose six percent. Despite this increase, Atlantic passenger unit revenue increased six percent for the year. British Midland's entry into the Star Alliance greatly enhances United's trans-Atlantic operations. Hubbed at London's Heathrow International Airport, the gateway airport to Europe, British Midland offers 306 daily departures to 31 destinations in 12 countries.



Atlantic Revenues (\$ millions)

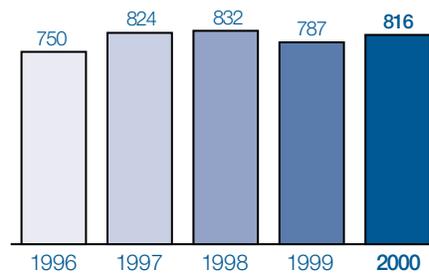


Atlantic Operating Earnings (\$ millions)

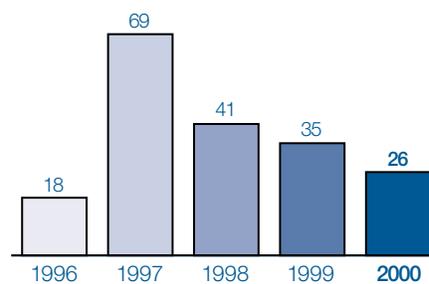
As reported to the U.S. Department of Transportation

Latin America

United saw Latin America passenger unit revenue improve almost 13 percent in 2000, boosted by improved economies in several of the region's countries and 10 percent less capacity. Latin America operations in the region accounted for four percent of United's revenues in 2000.



Latin America Revenues (\$ millions)



Latin America Operating Earnings (\$ millions)

As reported to the U.S. Department of Transportation

Service Highlights for 2000

North America	Pacific	Atlantic	Latin America
Added San Francisco-Lihue, Kauai	Resumed Hong Kong-Singapore	Added Los Angeles-Paris	Added Chicago-Aruba
Added Denver-Toronto	Resumed San Francisco-Seoul	Added San Francisco-Frankfurt	Expanded Chicago-Mexico City
Added Los Angeles-Salt Lake City	Added San Francisco-Shanghai		
Expanded Los Angeles-Kona	Added San Francisco-Beijing		
Expanded Chicago-Toronto	Discontinued Bangkok-Hong Kong		
Discontinued Washington, D.C. (Dulles)-Fort Meyers	Discontinued Tokyo (Narita)-Beijing		

Alliances

Star Alliance

From its beginnings in 1997 as the first global network alliance with five inaugural members, Star Alliance grew in 2000 to a network of 15 airlines that provides customers access to more than 815 destinations in 130 countries.

During the year, Star Alliance launched the industry's first true interline electronic ticketing service, a historic development that enables customers to use one electronic ticket for travel on more than one airline.

The alliance augmented United's revenues in 2000 by more than \$235 million. For more information on Star Alliance, see "*Star Alliance Leads the Way*," page 9.

Star Alliance Members

Star Alliance Members	Year Joined
Air Canada	1997
Air New Zealand	1999
All Nippon Airways	1999
Ansett Australia	1999
Austrian Airlines Aviation Group (Austrian Airlines, Lauda Air and Tyrolean Airways)	2000
British Midland Airways	2000
Lufthansa German Airlines	1997
Mexicana Airlines	2000
Scandinavian Airline System-SAS	1997
Singapore Airlines	2000
Thai Airways International	1997
United Airlines	1997
Varig Brazilian Airlines	1997

Other Alliance Agreements

In addition to Star Alliance, United has independent alliance agreements with nine regional carriers: Aeromar, ALM Antillean, Aloha, Cayman Airways, Continental Connection, Emirates, Saudi Arabian Airlines, Spanair and our newest alliance carrier, BWIA, which became one of our regional partners in 2000.

United Express

United offers a network of connecting flights within North America through our marketing arrangements with four regional U.S. carriers, which operate under the brand name of United Express. These carriers are Air Wisconsin Airlines Corporation, Atlantic Coast Airlines, Great Lakes Aviation and SkyWest Airlines.

With a combined fleet of more than 255 regional jet and turboprop aircraft, United Express is able to offer customers an additional 2,000 daily flights to nearly 180 destinations across the United States.

Effective May 1, 2001, Great Lakes Aviation will transition from the United Express program to become one of our independent alliance carriers. This move recognizes Great Lakes' strength in serving smaller communities with turboprop aircraft and United Express' greater emphasis on regional jets.

2000 Highlights

- United's amended contract with the Air Line Pilots Association, signed in October, allows United Express carriers to increase the number of regional jets beyond the previous contract's limit of 65.

With the new provision, up to 150 turboprop aircraft can be replaced with the customer-preferred regional jets. It also allows United Express to operate more regional jets based on the size of United's jet fleet.

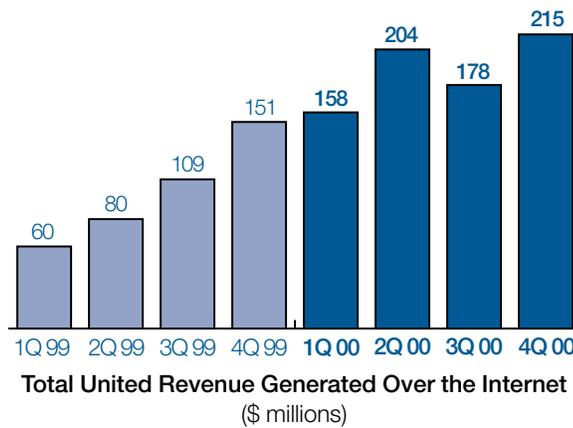
- United signed a new 10-year contract with Atlantic Coast Airlines in December 2000. Under the new agreement, Atlantic Coast Airlines is able to increase the number of regional jets it flies to 108 by the end of 2003.

E-Commerce

During 2000, the company launched United NewVentures, a subsidiary dedicated to maximizing United's presence in the rapidly evolving world of the Internet. (See "Introducing United NewVentures," page 21.) As the 2000 highlights illustrate below, the company's Internet and e-commerce initiatives touch every aspect of business United conducts. Total United revenue generated over the Internet reached \$755 million for the year versus \$400 million in 1999, an 89 percent increase.

2000 Highlights

- United's award-winning web site became even better with the redesign of united.com early in the year. The subsequent launching of country-specific versions, including the historic launch of the



industry's first Japanese-language booking engine, means that United customers all over the world can access travel information in their native language, as well as view fares in the local currency.

- Gross air bookings on united.com for 2000 grew more than 101 percent over the same period last year.

- In November 2000, United became the first airline to offer air-travel wireless booking capability, allowing customers to book flights and check itineraries on Wireless Application Protocol (WAP)-enabled devices.

- In conjunction with Mileage Plus and United NetVenture's

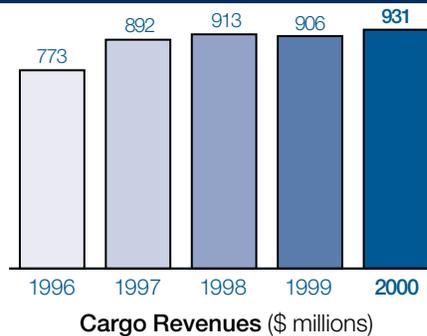
new partnership with dash.com, the company expanded online shopping opportunities with mileage incentives.

- United Cargo entered into a strategic relationship with NextJet, an industry-leading delivery service company, to launch United SameDay in 2000. This door-to-door time-sensitive small-package delivery service is targeted to United's existing corporate customers. In December 2000, in conjunction with United NetVentures, the service became available online with the introduction of United-SameDay.com, which provides customers access to instant price quotes, itineraries and tracking capabilities.

(See pages 21-23 for more e-commerce initiatives in 2000.)

United Cargo®

The sixth largest airfreight carrier in the world, United Cargo generated \$931 million in revenue in 2000, up three percent over 1999. Cargo ton miles reached 3.1 billion in 2000, three percent greater than in the previous year.



2000 Highlights

- United Cargo's web site, UnitedCargo.com, continued to offer customers the convenience of online booking and order tracking. Since its debut in April 1999, when it

was the first cargo web site of any commercial air carrier to offer online cargo booking, online tracking inquiries have increased, now representing 25 percent of all United Cargo

inquiries. Three to five percent of cargo bookings are now done online through the web site.

- As part of the company's decision to retire its remaining DC-10 aircraft early, United discontinued its dedicated DC-10 freighter service in December and is now using the company's growing fleet of cargo-friendly widebody aircraft for its cargo operations.

Mileage Plus®

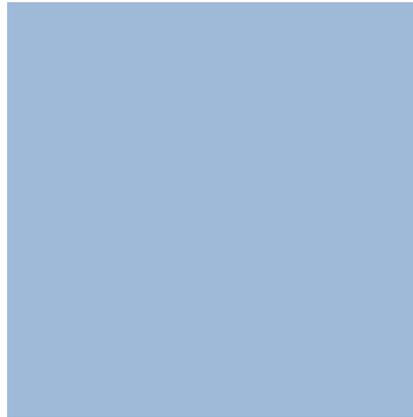
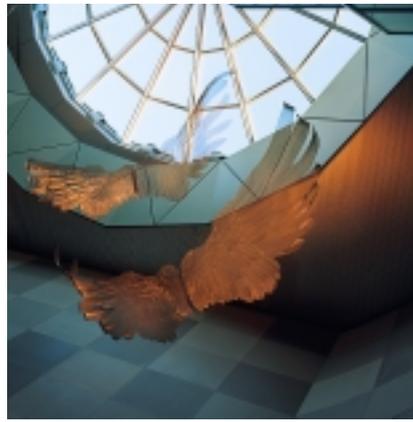
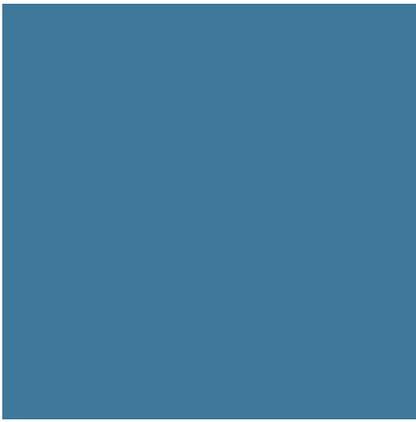
The company's award-winning frequent-flyer program grew significantly in 2000 due to the continued success of more than 100 partnerships such as First USA Mileage Plus Visa and Master Card, MCI WorldCom and a new partner in 2000, E*TRADE.

Revenue from third-party mileage sales reached \$456 million during the year, representing a 16 percent increase for the program, whose enrolled membership exceeds 40 million.

2000 Highlights

- With new partner Safeway, Mileage Plus launched Grocery Miles, a program which allows customers to earn frequent-flyer miles for grocery purchases.

- Mileage Plus made it even easier for members to access account information and more with the launch of MyMileagePlusSM in December. The personalized electronic communication provides mileage summary, news and partner offers via e-mail.



Awards in 2000

United receives a variety of awards every year, ranging from local recognition to global awards and spanning the many areas of business United's operations touch. 2000 was no exception. Highlights of United's awards in 2000 include:

- *Fortune Magazine* names United as one of the 50 Best Companies for Minorities.
- Merrill Lynch Global Securities Group ranks Star Alliance as the leading global airline alliance for the second consecutive year.

- Salomon Smith Barney names United as one of its top picks for its "Future Portfolio," which consists of companies that not only have identified Internet opportunities but also have integrated the Internet in their business models.

- Corporate travel buyers rank United No. 1 in *Business Travel News'* annual airline survey.

- *The Far Eastern Economic Review* names United as one of the top multinational companies doing business in Asia.

- Gomez Advisors, one of the world's leading e-commerce consulting groups, names united.com the best airline Internet site. Separately, Peppers and Rogers Group, specialists in one-to-one marketing, names united.com to its "Top 25 Web Sites" for the second consecutive year.

- The U.S. Federal Aviation Administration awards United the industry's first authority for extended-range twin-engine operations for its Boeing 777 aircraft flying over the Pacific.

- Two United information technology systems, SkyPath™ and the Aircraft Scheduling Automation Project, are awarded membership in the 2000 Computerworld Smithsonian Collection in Washington, D.C.

And though technically not an award, United reached its goal – six months ahead of schedule – of hiring 2,000 former welfare recipients as part of the U.S. business community's independent, nonpartisan Welfare to Work Partnership. United Airlines was one of the founding members of the partnership, established in 1997.

Corporation 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 133 destinations in 28 countries. United's 102,000-plus employees worldwide bring people together more than 2,200 times a day.

United is an industry innovator with customer-service breakthroughs such as Economy Plus seating, United First Suite, Our United Commitment, E-Ticket service, airport gate readers, the Chariot mobile airport podium, United Shuttle and the introduction of the technologically advanced Boeing 777.

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."

United's mission is "to be recognized worldwide as the airline of choice."

Aircraft Fleet

Operating fleet as of December 31, 2000	Average Seats	Number of Aircraft	Owned	Leased		Average age (yrs)
				Operating	Capital	
A319-100	120	32	14	0	18	2
A320-200	138	68	19	32	17	4
B727-200	141	75	67	0	8	22
B737-200	103	24	24	0	0	22
B737-300	120	101	10	91	0	12
B737-500	104	57	27	15	15	9
B747-400	368	44	23	21	0	6
B757-200	182	98	41	50	7	9
B767-200	168	19	19	0	0	18
B767-300	219	35	15	17	3	6
B777-200	288	48	30	4	14	3
DC10-30	298	3	0	3	0	23
Total		604	289	233	82	10

Delivery schedule for aircraft on order as of December 31, 2000*	2001	2002	2003 and beyond	Total
A319	15	22	7	44
A320	18	22	8	48
B767-300	2	-	-	2
B777-200	8	5	-	13
Total	43	49	15	107

*Figures include 15 aircraft which, in February 2001, United exercised options to acquire.

Retirement schedule for aircraft as of December 31, 2000	2001	2002	2003 and beyond	Total
B727-200	25	25	25	75
DC10-30	3	-	-	3
Total	28	25	25	78

Note: The Fleet Facts reflect United's fleet projections as of March 1, 2001, which would be adjusted accordingly in the event the merger with US Airways is consummated.

Major U.S. Domestic and International Connecting Airports

As scheduled for March 2001		Chicago	Denver	San Francisco	Los Angeles	Washington,	D.C.	Miami	Frankfurt	London	Tokyo	Toronto
		(ORD)	(DEN)	(SFO)	(LAX)		(IAD)	(MIA)	(FRA)	(LHR)	(NRT)	(YYZ)
Average daily departures – United Airlines		444	298	231	213		113	22	4	13	14	6
Operated by:	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
Nonstop markets – Served by:	United Airlines	96	61	48	45		35	14	2	7	12	2
	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

United's U.S. Domestic Destinations

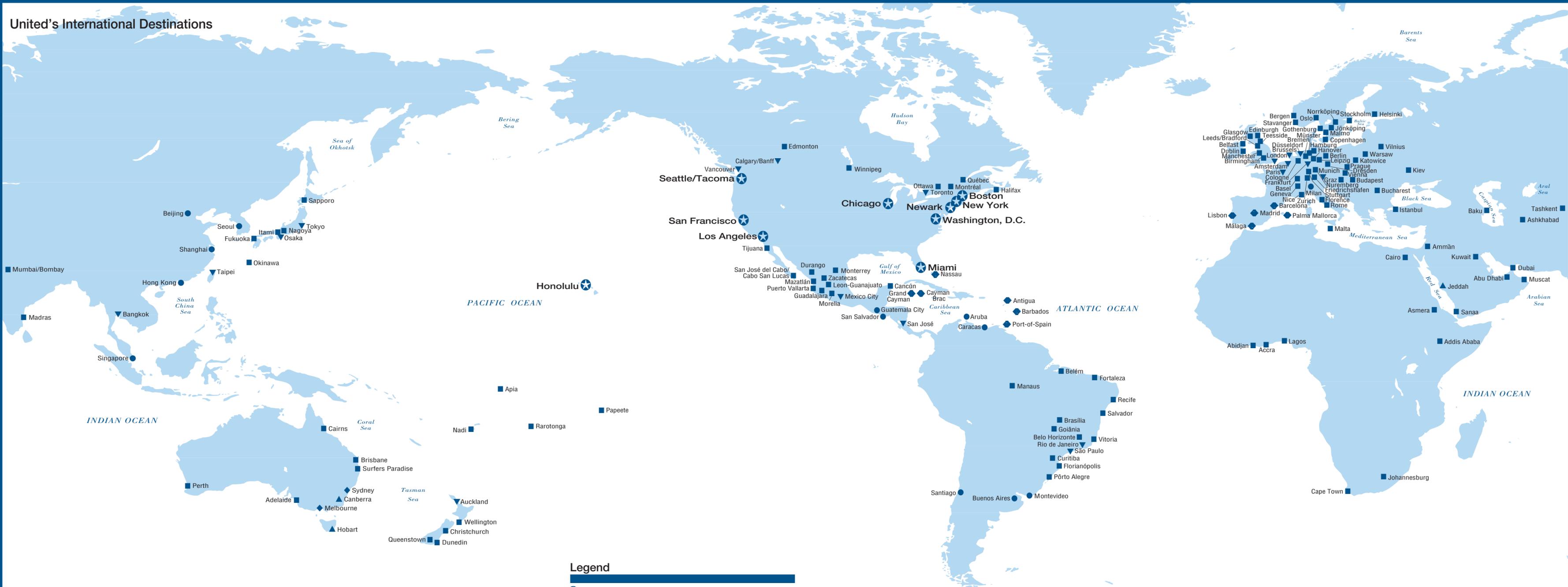


Legend

- ✳ United Airlines hub cities
- United Airlines destinations
- ▼ United Airlines and United Shuttle destinations
- ▲ United Express destinations
- United Airlines or United Shuttle and United Express destinations
- ◆ Code-share partner destinations
- ◆ United Airlines or United Express and code-share partner destinations



United's International Destinations



- Legend**
- ★ United Airlines U.S. gateway cities
 - United Airlines destinations
 - Star Alliance member destinations
 - ▼ United Airlines and Star Alliance member destinations
 - ◆ Code-share partner destinations
 - ▲ Star Alliance and code-share partner destinations
 - ◆ United Airlines, Star Alliance and code-share destinations

Financial Highlights

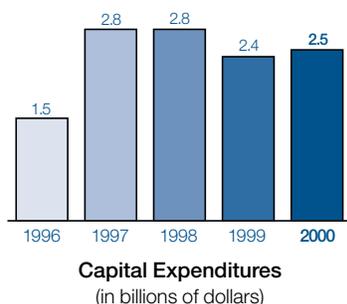
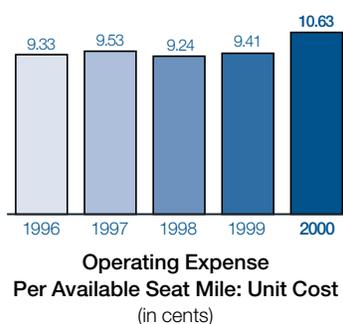
Year ended December 31	In millions, except per share	2000	1999	1998
Operating revenues		\$19,352	\$18,027	\$17,561
Operating expenses		\$18,698	\$16,636	\$16,083
Earnings from operations		\$ 654	\$ 1,391	\$ 1,478
Earnings before special charges, gains on sales, investment impairment, extraordinary item and cumulative effect		\$ 322	\$ 781	\$ 821
Net earnings		\$ 50	\$ 1,235	\$ 821
Per share, diluted:				
Earnings before special charges, gains on sales, investment impairment, extraordinary item and cumulative effect		\$ 2.38	\$ 5.87	\$ 6.83
Special charges, net ⁽¹⁾		(0.76)	(0.09)	–
Investment impairment, net ⁽²⁾		(0.33)	–	–
Gains on sales, net ⁽²⁾		0.60	4.19	–
Extraordinary loss, net		(0.06)	(0.03)	–
Cumulative effect of accounting change, net		(1.79)	–	–
Net earnings		\$ 0.04	\$ 9.94	\$ 6.83
Average number of common shares assumed outstanding		116.5	111.6	105.2

Operating Statistics

Year ended December 31	2000	1999	1998
Revenue passengers (millions)	85	87	87
Revenue passenger miles (millions)	126,933	125,465	124,609
Available seat miles (millions)	175,485	176,686	174,008
Passenger load factor – system	72.3%	71.0%	71.6%
Domestic	71.4%	70.1%	71.8%
Pacific	72.8%	72.3%	71.5%
Atlantic	77.0%	76.8%	76.3%
Latin America	69.8%	63.4%	60.5%
Breakeven passenger load factor	69.4%	64.9%	64.9%
Passenger revenue per passenger mile (yield)	13.25¢	12.48¢	12.36¢
Operating revenue per available seat mile	11.02¢	10.17¢	10.07¢
Operating expenses per available seat mile	10.63¢	9.41¢	9.24¢
Revenue ton miles (millions)	15,829	15,604	15,424
Cargo ton miles (millions)	3,141	3,065	2,963
Available ton miles (millions)	27,559	27,130	26,390
Average price per gallon of jet fuel	81.0¢	57.9¢	59.0¢
Gallons of jet fuel consumed (millions)	3,101	3,065	3,029
Number of aircraft in operating fleet at end of year	604	594	577
Average age of aircraft in years at end of year	10.1	9.9	9.8

(1) See page 48, Note 1g, for further details.

(2) See page 49, Note 4, for further details.



Financial Highlights
Operating Statistics

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Statements of Consolidated Financial Position – Assets

December 31

In millions

2000

1999

		2000	1999
Current assets			
	Cash and cash equivalents	\$ 1,679	\$ 310
	Short-term investments	665	379
	Receivables, less allowance for doubtful accounts (2000 – \$14; 1999 – \$13)	1,216	1,284
	Aircraft fuel, spare parts and supplies, less obsolescence allowance (2000 – \$55; 1999 – \$45)	424	340
	Income tax receivables	110	32
	Deferred income taxes	225	222
	Prepaid expenses and other	460	368
		4,779	2,935
Operating property and equipment			
	Owned –		
	Flight equipment	14,888	13,518
	Advances on flight equipment	810	809
	Other property and equipment	3,714	3,368
		19,412	17,695
	Accumulated depreciation and amortization	(5,583)	(5,207)
		13,829	12,488
	Capital leases –		
	Flight equipment	3,055	2,929
	Other property and equipment	99	93
		3,154	3,022
	Accumulated amortization	(640)	(645)
		2,514	2,377
		16,343	14,865
Other assets			
	Investments	435	750
	Intangibles, less accumulated amortization (2000 – \$306; 1999 – \$279)	671	568
	Aircraft lease deposits	710	594
	Prepaid rent	567	585
	Other	850	666
		3,233	3,163
		\$24,355	\$20,963

See accompanying condensed notes to consolidated financial statements.

Financial Review

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Statements of Consolidated Financial Position – Liabilities and Stockholders' Equity

December 31	In millions, except share data	2000	1999
Current liabilities			
	Notes payable	\$ –	\$ 61
	Long-term debt maturing within one year	170	92
	Current obligations under capital leases	269	190
	Advance ticket sales	1,454	1,412
	Accounts payable	1,188	967
	Accrued salaries, wages and benefits	1,508	1,002
	Accrued aircraft rent	840	783
	Other accrued liabilities	1,352	904
		6,781	5,411
Long-term debt			
		4,688	2,650
Long-term obligations under capital leases			
		2,261	2,337
Other liabilities and deferred credits			
	Deferred pension liability	136	70
	Postretirement benefit liability	1,557	1,489
	Deferred gains	912	986
	Accrued aircraft rent	408	390
	Deferred income taxes	1,241	1,147
	Other	511	339
		4,765	4,421
Commitments and contingent liabilities			
Company-obligated mandatorily redeemable preferred securities of a subsidiary trust			
		99	100
Preferred stock committed to Supplemental ESOP			
		571	893
Stockholders' equity			
	Serial preferred stock	–	–
	ESOP preferred stock	–	–
	Common stock, \$0.01 par value; authorized 200,000,000 shares; issued 68,834,167 shares at December 31, 2000 and 65,771,802 shares at December 31, 1999	1	1
	Additional capital invested	4,530	4,099
	Retained earnings	1,998	2,138
	Unearned ESOP preferred stock	–	(28)
	Stock held in treasury, at cost –		
	Preferred, 10,213,519 depository shares at December 31, 2000 and 1999	(305)	(305)
	Common, 16,295,475 shares at December 31, 2000 and 14,995,219 shares at December 31, 1999	(1,179)	(1,097)
	Accumulated other comprehensive income	152	352
	Other	(7)	(9)
		5,190	5,151
		\$24,355	\$20,963

See accompanying condensed notes to consolidated financial statements.

Statements of Consolidated Operations

Year ended December 31	In millions, except per share	2000	1999	1998
Operating revenues	Passenger	\$16,932	\$15,784	\$15,520
	Cargo	931	906	913
	Other operating revenues	1,489	1,337	1,128
		19,352	18,027	17,561
Operating expenses	Salaries and related costs	6,730	5,670	5,341
	ESOP compensation expense	147	756	829
	Aircraft fuel	2,511	1,776	1,788
	Commissions	1,025	1,139	1,325
	Purchased services	1,711	1,575	1,505
	Aircraft rent	919	876	893
	Landing fees and other rent	959	949	881
	Depreciation and amortization	1,058	867	793
	Cost of sales	1,038	602	474
	Aircraft maintenance	698	689	624
	Other operating expenses	1,902	1,737	1,630
		18,698	16,636	16,083
Earnings from operations		654	1,391	1,478
Other income (expense)	Interest expense	(402)	(362)	(355)
	Interest capitalized	77	75	105
	Interest income	101	68	59
	Equity in earnings (losses) of affiliates	(12)	37	72
	Gain on sale of investments	109	731	–
	Investment impairment	(61)	–	–
	Miscellaneous, net	(35)	2	(103)
		(223)	551	(222)
Earnings	Earnings before income taxes, distributions on preferred securities, extraordinary item and cumulative effect	431	1,942	1,256
	Provision for income taxes	160	699	429
	Earnings before distributions on preferred securities, extraordinary item and cumulative effect	271	1,243	827
	Distributions on preferred securities, net of tax	(6)	(5)	(6)
	Extraordinary loss on early extinguishment of debt, net of tax	(6)	(3)	–
	Cumulative effect of accounting change, net of tax	(209)	–	–
	Net earnings	\$ 50	\$ 1,235	\$ 821
Per share, basic	Earnings before extraordinary item and cumulative effect	\$ 4.29	\$ 21.26	\$ 12.71
	Extraordinary loss on early extinguishment of debt, net of tax	(0.13)	(0.06)	–
	Cumulative effect of accounting change, net of tax	(4.08)	–	–
	Net earnings	\$ 0.08	\$ 21.20	\$ 12.71
Per share, diluted	Earnings before extraordinary item and cumulative effect	\$ 1.89	\$ 9.97	\$ 6.83
	Extraordinary loss on early extinguishment of debt, net of tax	(0.06)	(0.03)	–
	Cumulative effect of accounting change, net of tax	(1.79)	–	–
	Net earnings	\$ 0.04	\$ 9.94	\$ 6.83

See accompanying condensed notes to consolidated financial statements.

Statements of Consolidated Cash Flows

Year ended December 31

In millions

2000

1999

1998

		2000	1999	1998
Cash and cash equivalents at beginning of year		\$ 310	\$ 390	\$ 295
Cash flows from operating activities	Net earnings	50	1,235	821
	Adjustments to reconcile to net cash provided by operating activities –			
	ESOP compensation expense	147	756	829
	Cumulative effect of accounting change, net	209	–	–
	Extraordinary loss on debt extinguishment, net	6	3	–
	Gain on sale of investments	(109)	(731)	–
	Investment impairment	61	–	–
	Pension funding less than (greater than) expense	(21)	94	101
	Deferred postretirement benefit expense	153	65	149
	Depreciation and amortization	1,058	867	793
	Provision for deferred income taxes	317	590	307
	Undistributed (earnings) losses of affiliates	13	(20)	(62)
	Decrease (increase) in receivables	68	(146)	(97)
	Decrease (increase) in other current assets	(208)	2	105
	Increase (decrease) in advance ticket sales	42	(17)	162
	Increase (decrease) in accrued income taxes	(77)	(76)	38
	Increase (decrease) in accounts payable and accrued liabilities	761	(86)	69
Amortization of deferred gains	(66)	(66)	(64)	
Other, net	68	(49)	43	
	2,472	2,421	3,194	
Cash flows from investing activities	Additions to property and equipment	(2,538)	(2,389)	(2,832)
	Proceeds on disposition of property and equipment	324	154	452
	Proceeds on sale of investments	147	828	–
	Decrease (increase) in short-term investments	(286)	46	125
	Other, net	(168)	(263)	(63)
	(2,521)	(1,624)	(2,318)	
Cash flows from financing activities	Reacquisition of preferred stock	–	–	(3)
	Repurchase of common stock	(81)	(261)	(459)
	Proceeds from issuance of long-term debt	2,515	286	928
	Repayment of long-term debt	(441)	(513)	(271)
	Principal payments under capital leases	(283)	(248)	(322)
	Purchase of equipment certificates under Company leases	(208)	(47)	(693)
	Decrease in equipment certificates under Company leases	228	33	22
	Increase (decrease) in short-term borrowings	(61)	(123)	184
	Aircraft lease deposits	(138)	(20)	(154)
	Cash dividends	(118)	(10)	(10)
Other, net	5	26	(3)	
	1,418	(877)	(781)	
Increase (decrease) in cash and cash equivalents during the year		1,369	(80)	95
Cash and cash equivalents at end of year		\$ 1,679	\$ 310	\$ 390

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	Unearned	Accumulated	Other	Total	
						ESOP Preferred Stock	Treasury Stock			Other Comp. Income
Balance at December 31, 1997		\$-	\$1	\$2,876	\$ 309	\$(177)	\$ (663)	\$ (2)	\$(7)	\$2,337
1998	Net earnings	-	-	-	821	-	-	-	-	821
	Other comprehensive income, net:									
	Unrealized gains on securities, net	-	-	-	-	-	-	1	-	1
	Minimum pension liability adjustment	-	-	-	-	-	-	(1)	-	(1)
	Total comprehensive income	-	-	-	821	-	-	-	-	821
	Cash dividends on preferred stock									
	(\$1.44 per Series B share)	-	-	-	(10)	-	-	-	-	(10)
	Common stock repurchases	-	-	-	-	-	(459)	-	-	(459)
	Issuance and amortization of ESOP									
	preferred stock	-	-	823	-	6	-	-	-	829
	ESOP dividend (\$8.89 per share)	-	-	42	(92)	50	-	-	-	-
	Preferred stock committed to									
	Supplemental ESOP	-	-	(177)	-	-	-	-	-	(177)
	Other	-	-	(47)	-	-	(18)	-	5	(60)
Balance at December 31, 1998		-	1	3,517	1,028	(121)	(1,140)	(2)	(2)	3,281
1999	Net earnings	-	-	-	1,235	-	-	-	-	1,235
	Other comprehensive income, net:									
	Unrealized gains on securities, net	-	-	-	-	-	-	354	-	354
	Total comprehensive income	-	-	-	1,235	-	-	354	-	1,589
	Cash dividends on preferred stock									
	(\$1.44 per Series B share)	-	-	-	(10)	-	-	-	-	(10)
	Common stock repurchases	-	-	-	-	-	(261)	-	-	(261)
	Issuance and amortization of ESOP									
	preferred stock	-	-	740	-	16	-	-	-	756
	ESOP dividend (\$8.89 per share)	-	-	38	(115)	77	-	-	-	-
	Preferred stock committed to									
	Supplemental ESOP	-	-	(201)	-	-	-	-	-	(201)
	Other	-	-	5	-	-	(1)	-	(7)	(3)
Balance at December 31, 1999		-	1	4,099	2,138	(28)	(1,402)	352	(9)	5,151
2000	Net earnings	-	-	-	50	-	-	-	-	50
	Other comprehensive income, net:									
	Unrealized losses on securities, net	-	-	-	-	-	-	(196)	-	(196)
	Minimum pension liability adjustment	-	-	-	-	-	-	(4)	-	(4)
	Total comprehensive income	-	-	-	50	-	-	(200)	-	(150)
	Cash dividends on preferred stock									
	(\$1.44 per Series B share)	-	-	-	(10)	-	-	-	-	(10)
	Cash dividends on common stock									
	(\$1.25 per share)	-	-	-	(144)	-	-	-	-	(144)
	Common stock repurchases	-	-	-	-	-	(81)	-	-	(81)
	Issuance and amortization of ESOP									
	preferred stock	-	-	147	-	-	-	-	-	147
	ESOP dividend (\$8.89 per share)	-	-	8	(36)	28	-	-	-	-
	Preferred stock committed to									
	Supplemental ESOP	-	-	322	-	-	-	-	-	322
	Other	-	-	(46)	-	-	(1)	-	2	(45)
Balance at December 31, 2000		\$-	\$1	\$4,530	\$1,998	\$ -	\$(1,484)	\$ 152	\$(7)	\$5,190

See accompanying 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. 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, 2000, United is obligated to repurchase \$39 million of securities lent to third parties.

e. Derivative Financial Instruments

Foreign Currency – United may enter 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 Japanese 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 Japanese 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 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 – Under favorable market conditions, 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.

Condensed Notes
to Consolidated
Financial Statements

Pages 47-50

Pro Forma Earnings Information (Note 1i)		1999	1998	1997	1996	1995
Earnings before extraordinary items (in millions)						
As reported		\$1,238	\$ 821	\$ 958	\$ 600	\$ 378
Pro forma		\$1,209	\$ 774	\$ 931	\$ 553	\$ 348
Earnings per share before extraordinary items						
Basic	As reported	\$21.26	\$12.71	\$14.98	\$8.76	\$6.98
	Pro forma	\$20.71	\$11.87	\$14.52	\$7.92	\$6.37
Diluted	As reported	\$ 9.97	\$ 6.83	\$ 9.04	\$5.85	\$5.23
	Pro forma	\$ 9.71	\$ 6.38	\$ 8.76	\$5.29	\$4.81
Net earnings (in millions)						
As reported		\$1,235	\$ 821	\$ 949	\$ 533	\$ 349
Pro forma		\$1,206	\$ 774	\$ 922	\$ 486	\$ 319
Net earnings per share						
Basic	As reported	\$21.20	\$12.71	\$14.83	\$7.57	\$6.39
	Pro forma	\$20.65	\$11.87	\$14.37	\$6.73	\$5.78
Diluted	As reported	\$ 9.94	\$ 6.83	\$ 8.95	\$5.06	\$4.82
	Pro forma	\$ 9.68	\$ 6.38	\$ 8.67	\$4.50	\$4.40

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 2000, UAL recorded a \$139 million charge related to the planned early retirement of various aircraft and to write-down certain non-operating equipment to net realizable value.

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 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.

Effective January 1, 2000, the Company changed its method of accounting for the sale of mileage to participating partners in its Mileage Plus program, in

accordance with Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements." Under the new accounting method, a portion of revenue from the sale of mileage (previously recognized in other revenue) is deferred and recognized as passenger revenue when the transportation is provided. Accordingly, UAL has recorded a charge of \$209 million, net of tax, for the cumulative effect of a change in accounting principle to reflect the application of the accounting method to prior years. This change resulted in a reduction to revenues of approximately \$38 million for 2000 and would have reduced 1999 revenues by \$45 million.

The pro forma effect of the accounting change on net income and earnings per share as previously reported for 1999 and prior years is as shown above.

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.

k. Advertising

Advertising costs, which are included in other operating expenses, are expensed as incurred. Advertising expense was \$269 million, \$232 million and \$213 million for the years ended December 31, 2000, 1999 and 1998, respectively.

2. Commitments

At December 31, 2000, commitments for the purchase of property and equipment, principally aircraft, approximated \$4.7 billion after deducting advance payments. An estimated \$2.5 billion is due to be spent in 2001, \$1.7 billion in 2002 and \$0.5 billion in 2003. The major commitments are for the purchase of B767, B777, A319 and A320 aircraft, which are scheduled to be delivered through 2003. The above numbers include a recent conversion of 15 option aircraft to firm orders to be delivered in 2003.

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, 2000, under operating leases having initial remaining noncancelable lease terms of more than one year, are shown in the table above.

3. 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 was 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.

Future Minimum Operating Lease Payments

	In millions	Aircraft	Non-aircraft
Payable during	2001	\$ 941	\$ 612
	2002	922	574
	2003	972	541
	2004	1,008	514
	2005	1,022	504
	After 2005	9,445	7,279
	Total minimum lease payments	\$14,310	\$10,024

4. Investments

During 2000, UAL invested approximately \$24 million in Orbitz, an entity which is developing an Internet travel website. UAL owns approximately 25 percent of Orbitz and accounts for this investment using the equity method of accounting.

During 1998 and 1999, United invested approximately \$51 million in GetThere.com (a leading provider of Internet-based travel planning products tailored to individual, corporate, travel supplier and travel agency customers), resulting in a 28 percent minority interest consisting of common stock, warrants and options. United accounted for its investment in GetThere.com using the equity method of accounting.

On October 6, 2000, Sabre Holdings Corporation acquired all the outstanding shares of GetThere.com common stock for \$17.75 per share. Accordingly, after converting its options and warrants, United tendered all of its shares for net proceeds of \$147 million, resulting in a gain of approximately \$69 million, net of tax.

During 2000, United recorded an impairment loss of \$38 million, net of tax, related to its warrants held in Priceline.com.

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 gain of approximately \$428 million, net of tax. This sale reduced United's holdings in

Galileo from 32 percent to approximately 15 percent, requiring United to discontinue the equity method of accounting for its investment in Galileo.

United owns depository 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 depository 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, 2000, the estimated fair value of United's remaining 1,391,791 depository certificates in Equant was approximately \$36 million.

5. Segment Information

United has a global route network designed to transport passengers and cargo between and among destinations in North America, the Pacific, the Atlantic and Latin America. 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

Segment Information

Year Ended December 31

In millions

	North America	Pacific	Atlantic	Latin America	Reportable Segment Total	Other	Consolidated Total
2000							
Revenue	\$13,094	\$3,161	\$2,260	\$816	\$19,331	\$ 21	\$19,352
Interest income	55	23	16	5	99	2	101
Interest expense	234	95	66	21	416	(14)	402
Equity in losses of affiliates	(5)	(2)	(1)	–	(8)	(4)	(12)
Depreciation and amortization	630	176	141	43	990	68	1,058
Earnings before income taxes, investment impairment and gains on sales	204	60	102	10	376	7	383
1999							
Revenue	\$12,516	\$2,691	\$1,973	\$787	\$17,967	\$ 60	\$18,027
Interest income	40	14	10	4	68	–	68
Interest expense	217	79	55	21	372	(10)	362
Equity in earnings of affiliates	21	9	5	2	37	–	37
Depreciation and amortization	550	145	115	42	852	15	867
Earnings before income taxes and gains on sales	889	81	164	20	1,154	57	1,211
1998							
Revenue	\$11,997	\$2,843	\$1,846	\$832	\$17,518	\$ 43	\$17,561
Interest income	33	14	8	3	58	1	59
Interest expense	207	84	49	22	362	(7)	355
Equity in earnings of affiliates	41	17	10	4	72	–	72
Depreciation and amortization	520	145	95	45	805	(12)	793
Earnings (loss) before income taxes	1,118	(105)	185	22	1,220	36	1,256
					2000	1999	1998
Total earnings for reportable segments					\$376	\$1,154	\$1,220
Gains on sales					109	731	–
Investment impairment					(61)	–	–
UAL subsidiary earnings					7	57	36
Total earnings before income taxes, distributions on preferred securities, extraordinary item and cumulative effect					\$431	\$1,942	\$1,256

making internal operating decisions. UAL evaluates performance based on United's 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 above.

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.

Earnings Per Share Calculation

	2000	1999	1998
Earnings attributable to common stockholders (in millions)			
Net income before extraordinary item and cumulative effect	\$ 265	\$ 1,238	\$ 821
Preferred stock dividends and other adjustments	(46)	(125)	(102)
Earnings attributable to common stockholders (basic and diluted)	\$ 219	\$ 1,113	\$ 719
Shares (in millions)			
Average shares outstanding (basic)	51.3	52.3	56.5
Convertible ESOP preferred stock	64.5	58.0	47.1
Other	0.7	1.3	1.6
Average number of shares (diluted)	116.5	111.6	105.2
Earnings per share			
Basic	\$ 4.29	\$21.26	\$12.71
Diluted	\$ 1.89	\$ 9.97	\$ 6.83

6. 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 and cumulative effect 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.

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 auditing standards generally accepted in the United States, the statements of consolidated financial position of UAL Corporation (a Delaware corporation) and subsidiary companies as of December 31, 2000 and 1999, 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, 2000, appearing in the appendix to the proxy statement for the 2001 Annual Meeting of Stockholders of the Company (not presented herein). In our report dated February 22, 2001, 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, 2000 and 1999, 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, 2000, is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

As explained in Note 1 of the Condensed Notes to Consolidated Financial Statements, effective January 1, 2000, the Company changed certain of its accounting principles for revenue recognition as a result of the adoption of Staff Accounting Bulletin No. 101 "Revenue Recognition in Financial Statements."



Chicago, Illinois
February 22, 2001

Eleven-Year Summary

		2000	1999
		In millions, except per share, rates and number of aircraft	
Earnings data	Operating revenues	\$ 19,352	\$ 18,027
	Operating earnings (loss)	654	1,391
	Earnings (loss) before extraordinary item and cumulative effect of accounting changes	265	1,238
	Net earnings (loss)	\$ 50	\$ 1,235
Share data	Per share –		
	Earnings (loss) before extraordinary item and cumulative effect of accounting changes, diluted	\$ 1.89	\$ 9.97
	Net earnings (loss), diluted	\$ 0.04	\$ 9.94
	Book value of common stock at year-end	\$ 97.25	\$ 100.92
	Common shares outstanding at year-end (in thousands)	52,539	50,777
Financial position at year-end	Assets –		
	Current assets	\$ 4,779	\$ 2,935
	Operating property and equipment, net	16,343	14,865
	Other assets	3,233	3,163
	Total assets	\$ 24,355	\$ 20,963
	Liabilities and stockholders' equity –		
	Current liabilities	\$ 6,781	\$ 5,411
	Long-term debt and long-term obligations under capital leases	6,949	4,987
	Other liabilities and deferred credits and redeemable preferred stock	4,864	4,521
	Preferred stock committed to Supplemental ESOP	571	893
Stockholders' equity	5,190	5,151	
Total liabilities and stockholders' equity	\$ 24,355	\$ 20,963	
Other financial data	Depreciation and amortization	\$ 1,058	\$ 867
	Salaries and related costs (excluding ESOP compensation expense)	\$ 6,730	\$ 5,670
Operating data	Revenue passengers	85	87
	Revenue passenger miles	126,933	125,465
	Available seat miles	175,485	176,686
	Passenger load factor	72.3%	71.0%
	Passenger revenue per passenger mile (yield)	13.3¢	12.5¢
	Average price per gallon of jet fuel	81.0¢	57.9¢
	Number of aircraft in operating fleet at year-end	604	594
	Average full-time equivalent employees (in thousands)	98	96

1998	1997	1996	1995	1994	1993	1992	1991	1990
\$ 17,561	\$ 17,378	\$ 16,362	\$ 14,943	\$ 13,950	\$ 13,325	\$ 11,853	\$ 10,706	\$ 10,296
1,478	1,259	1,123	889	521	263	(538)	(494)	(36)
821	958	600	378	77	(31)	(417)	(332)	94
\$ 821	\$ 949	\$ 533	\$ 349	\$ 51	\$ (50)	\$ (957)	\$ (332)	\$ 94
\$ 6.83	\$ 9.04	\$ 5.85	\$ 5.23	\$ 0.19	\$ (0.66)	\$ (4.34)	\$ (3.58)	\$ 1.08
\$ 6.83	\$ 8.95	\$ 5.06	\$ 4.82	\$ (0.15)	\$ (0.85)	\$ (9.94)	\$ (3.58)	\$ 1.08
\$ 61.79	\$ 39.35	\$ 15.52	\$ (9.06)	\$ (24.99)	\$ 6.14	\$ 7.28	\$ 16.80	\$ 19.09
51,805	57,320	58,817	50,718	49,756	98,276	96,952	95,032	87,540
\$ 2,908	\$ 2,948	\$ 2,682	\$ 3,043	\$ 3,192	\$ 3,713	\$ 3,298	\$ 2,882	\$ 2,640
13,054	10,774	8,243	7,021	6,723	7,206	7,111	5,995	4,749
2,597	1,742	1,752	1,577	1,849	1,921	1,848	999	594
\$ 18,559	\$ 15,464	\$ 12,677	\$ 11,641	\$ 11,764	\$ 12,840	\$ 12,257	\$ 9,876	\$ 7,983
\$ 5,668	\$ 5,248	\$ 5,003	\$ 4,433	\$ 4,906	\$ 4,896	\$ 4,845	\$ 4,083	\$ 3,757
4,971	3,771	2,986	3,913	3,617	3,529	3,613	2,423	1,238
3,948	3,594	3,528	3,474	3,557	3,212	3,093	1,773	1,317
691	514	165	60	-	-	-	-	-
3,281	2,337	995	(239)	(316)	1,203	706	1,597	1,671
\$ 18,559	\$ 15,464	\$ 12,677	\$ 11,641	\$ 11,764	\$ 12,840	\$ 12,257	\$ 9,876	\$ 7,983
\$ 793	\$ 724	\$ 759	\$ 664	\$ 725	\$ 764	\$ 726	\$ 604	\$ 560
\$ 5,341	\$ 5,018	\$ 4,719	\$ 4,526	\$ 4,679	\$ 4,760	\$ 4,562	\$ 4,057	\$ 3,550
87	84	82	79	74	70	67	62	58
124,609	121,426	116,697	111,811	108,299	101,258	92,690	82,290	76,137
174,008	169,110	162,843	158,569	152,193	150,728	137,491	124,100	114,995
71.6%	71.8%	71.7%	70.5%	71.2%	67.2%	67.4%	66.3%	66.2%
12.4¢	12.6¢	12.4¢	11.8¢	11.3¢	11.6¢	11.3¢	11.5¢	11.8¢
59.0¢	69.5¢	72.2¢	59.5¢	58.8¢	63.6¢	66.4¢	71.6¢	80.4¢
577	575	564	558	543	544	536	486	462
91	88	84	80	77	81	80	77	73

Directors

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
President and
Chief Operating Officer
Blaylock & Partners
(Investment banking)
Independent Director,
Elected 1999
(1) (4) (6) (9) (10)

Deval L. Patrick
Executive Vice President
and General Counsel*
The Coca-Cola Company, Inc.
(Beverage company)
**Effective April 2, 2001*
Employee Director,
Elected 1997
(2) (6) (9)

John F. Peterpaul
Retired General
Vice President
International Association
of Machinists
District #141
(Labor union)
Employee Director,
Elected 1994
(2) (4) (5) (6) (9)

Paul E. Tierney, Jr.
General Partner,
Darwin Capital Partners and
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 Administra-
tion 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

**UAL Corporation
Directors and Officers**

Directors and Officers

James E. Goodwin*
Chairman and
Chief Executive Officer

Dennis A. Arouca
Vice President
People Services

Joseph F. Laughlin
Vice President
North America-Sales

Rono J. Dutta*
President

Stephen M. Beatus
Vice President
Latin America

Mark S. Liberman
Vice President
North America

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

Judith A. Bishop
Vice President
Atlantic

Captain Rick A. Maloney
Vice President
Flight Operations

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

James C. Brennan
Vice President
Pacific-South

Louis J. Mancini
Vice President
Engineering and Technical
Support

Graham W. Atkinson
Senior Vice President
Marketing

Montie R. Brewer
Vice President
Alliances - United Shuttle -
United Express

Patricia A. Mash
Vice President
Revenue Management

Christopher D. Bowers*
Senior Vice President
North America

Larry D. DeShon
Vice President
Customer Satisfaction

Peter D. McDonald
Vice President
Operational Services

Frederic F. Brace
Senior Vice President
Finance and Treasurer

Roger A. Gibson
Vice President
North America

William R. Norman
Vice President
Line Maintenance

Eric C. Dean
Senior Vice President
Information Services and
Chief Information Officer

James J. Hartigan, Jr.
Vice President
Worldwide Cargo

M. Scott Praven
Vice President
E-Commerce

Sara A. Fields
Senior Vice President
Onboard Service

M. Lynn Hughitt
Vice President and Controller

Mark F. Schwab
Vice President
Pacific-North

Captain Stephen A. Forte
Senior Vice President
Flight Operations

Gary S. Jefferson
Vice President
Public Affairs

Captain Edmond L. Soliday
Vice President
Corporate Safety, Quality
Assurance and Security

William P. Hobgood*
Senior Vice President
People

Richard S. Juster
Vice President
Purchasing

Daniel C. Walsh
Vice President
North America

Shelley A. Longmuir
Senior Vice President
Governmental Affairs

Amos S. Kazzaz
Vice President
Corporate Real Estate

Michael G. Whitaker
Vice President
International Affairs

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

John D. Kiker
Vice President
Advertising and
Communications

Glenn S. Wright
Vice President
North America

Stuart I. Oran*
Senior Vice President
International

Kevin N. Knight
Vice President
Resource Planning

*Director, United Airlines

Ronald D. Utecht
Senior Vice President
Maintenance Operations

**United Airlines
Directors and Officers**

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, the dividend reinvestment and direct stock purchase plans, transfer requirements, lost certificates and other related matters may be obtained from the transfer agent:

Computershare Investor Services
2 N. LaSalle Street
Chicago, IL 60602
(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 2001 quarterly results will be available on approximately the following dates:

1st Quarter	April 18, 2001
2nd Quarter	July 18, 2001
3rd Quarter	October 17, 2001
4th Quarter	January 18, 2002

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 (www.united.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 Worldwide Communications, United Airlines.

Independent Accountants

UAL Corporation's independent accountants are Arthur Andersen LLP.

UAL Corporation Common Stock Market Prices and Dividend Information (per share)

		High	Low	Dividends Paid
2000	First Quarter	\$79	\$45 3/4	
	Second Quarter	65 1/8	49	\$0.3125
	Third Quarter	61 5/8	40 1/4	\$0.3125
	Fourth Quarter	43 15/16	34 1/16	\$0.3125
1999	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	

The company instituted a quarterly dividend during the second quarter of 2000. The payment of any future dividends on the common stock, and the amount of any future dividends, will be determined by the directors of the company based on earnings, the financial condition of the company and other relevant factors. At March 1, 2001, there were 23,559 common stockholders of record.

Stockholder Information

