

UAL CORP /DE/
Form 10-Q
April 27, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2010

OR

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

For the transition period from _____ to _____

Commission	Exact Name of Registrant as Specified in its Charter,	State of Incorporation	I.R.S. Employer Identification No
File Number	Principal Office Address and Telephone Number		
001-06033	UAL Corporation	Delaware	36-2675207
001-11355	United Air Lines, Inc. 77 W. Wacker Drive	Delaware	36-2675206

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**Chicago, Illinois 60601
(312) 997-8000**

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

UAL Corporation Yes No
United Air Lines, Inc. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

UAL Corporation	Large accelerated filer <input type="checkbox"/>		Accelerated filer <input checked="" type="checkbox"/>	
	Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)		Smaller reporting company <input type="checkbox"/>	
 United Air Lines, Inc.	Large accelerated filer <input type="checkbox"/>		Accelerated filer <input type="checkbox"/>	
	Non-accelerated filer <input checked="" type="checkbox"/> (Do not check if a smaller reporting company)		Smaller reporting company <input type="checkbox"/>	

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

UAL Corporation Yes No
United Air Lines, Inc. Yes No

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

UAL Corporation Yes No
United Air Lines, Inc. Yes No

OMISSION OF CERTAIN INFORMATION

United Air Lines, Inc. meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and is therefore filing this form with the reduced disclosure format allowed under that General Instruction.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of April 20, 2010.

UAL Corporation 167,870,833 shares of common stock (\$0.01 par value)
United Air Lines, Inc. 205 (100% owned by UAL Corporation)

There is no market for United Air Lines, Inc. common stock.

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UAL Corporation and Subsidiary Companies and

United Air Lines, Inc. and Subsidiary Companies

Report on Form 10-Q

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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****UAL Corporation and Subsidiary Companies***Condensed Statements of Consolidated Operations (Unaudited)***(In millions, except per share amounts)**

	Three Months Ended March 31,	
	2010	2009
Operating revenues:		
Passenger United Airlines	\$ 3,026	\$ 2,701
Passenger Regional Affiliates	840	659
Cargo	157	124
Other operating revenues	218	207
	4,241	3,691
Operating expenses:		
Aircraft fuel	958	799
Salaries and related costs	948	921
Regional Affiliates	815	671
Purchased services	287	287
Landing fees and other rent	228	221
Aircraft maintenance materials and outside repairs	222	225
Depreciation and amortization	213	233
Distribution expenses	137	118
Aircraft rent	81	88
Cost of third party sales	57	53
Impairments and special items (Note 13)	18	119
Other operating expenses	208	238
	4,172	3,973
Earnings (loss) from operations	69	(282)
Other income (expense):		
Interest expense	(178)	(134)
Interest income	1	7
Interest capitalized	2	3
Miscellaneous, net	24	(6)
	(151)	(130)
Loss before income taxes and equity in earnings of affiliates	(82)	(412)
Income tax expense (benefit)	1	(29)
Loss before equity in earnings of affiliates	(83)	(383)
Equity in earnings of affiliates, net of tax	1	1

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Net loss	\$ (82)	\$ (382)
Loss per share, basic and diluted	\$ (0.49)	\$ (2.64)

See accompanying *Combined Notes to Condensed Consolidated Financial Statements (Unaudited)*.

Table of Contents**UAL Corporation and Subsidiary Companies****Condensed Statements of Consolidated Financial Position (Unaudited)****(In millions, except shares)**

	March 31, 2010	December 31, 2009
<i>Assets</i>		
Current assets:		
Cash and cash equivalents	\$ 3,516	\$ 3,042
Restricted cash	83	128
Receivables, less allowance for doubtful accounts (2010 \$7; 2009 \$14)	968	743
Senior Notes proceeds receivable (Note 12)	672	
Aircraft lease deposits maturing within one year	302	293
Aircraft fuel, spare parts and supplies, less obsolescence allowance (2010 \$60; 2009 \$61)	188	197
Deferred income taxes	51	63
Prepaid fuel	307	275
Prepaid expenses and other	433	364
	6,520	5,105
Operating property and equipment:		
Owned		
Flight equipment	8,307	8,303
Advances on flight equipment	51	
Other property and equipment	1,752	1,745
	10,110	10,048
Less accumulated depreciation and amortization	(2,160)	(2,010)
	7,950	8,038
Capital leases:		
Flight equipment	2,094	2,096
Other property and equipment	51	51
	2,145	2,147
Less accumulated amortization	(381)	(345)
	1,764	1,802
	9,714	9,840
Other assets:		
Intangibles, less accumulated amortization (2010 \$424; 2009 \$408)	2,439	2,455
Restricted cash	210	213
Investments	95	88
Aircraft lease deposits	10	33
Other, net	964	950
	3,718	3,739

See accompanying *Combined Notes to Condensed Consolidated Financial Statements (Unaudited)*.

Table of Contents**UAL Corporation and Subsidiary Companies***Condensed Statements of Consolidated Financial Position (Unaudited)*

(In millions, except shares)

	March 31, 2010	December 31, 2009
<i>Liabilities and Stockholders Deficit</i>		
Current liabilities:		
Advance ticket sales	\$ 2,003	\$ 1,492
Mileage Plus deferred revenue	1,834	1,515
Accounts payable	887	803
Accrued salaries, wages and benefits	717	701
Long-term debt maturing within one year	579	545
Current obligations under capital leases	493	426
Fuel purchase commitments	307	275
Other	719	716
	7,539	6,473
Long-term debt	7,153	6,378
Long-term obligations under capital leases	1,079	1,194
Other liabilities and deferred credits:		
Mileage Plus deferred revenue	2,339	2,720
Postretirement benefit liability	1,937	1,928
Advanced purchase of miles	1,157	1,157
Deferred income taxes	539	551
Other	1,096	1,094
	7,068	7,450
<i>Commitments and contingent liabilities (Note 11)</i>		
Stockholders deficit:		
Preferred stock		
Common stock at par, \$0.01 par value; authorized 1,000,000,000 shares; outstanding 167,479,464 and 167,610,620 shares at March 31, 2010 and December 31, 2009, respectively	2	2
Additional capital invested	3,139	3,136
Retained deficit	(6,038)	(5,956)
Stock held in treasury, at cost	(30)	(28)
Accumulated other comprehensive income	40	35
	(2,887)	(2,811)
	\$ 19,952	\$ 18,684

See accompanying *Combined Notes to Condensed Consolidated Financial Statements (Unaudited)*.

Table of Contents**UAL Corporation and Subsidiary Companies****Condensed Statements of Consolidated Cash Flows (Unaudited)****(In millions)**

	Three Months Ended	
	March 31,	
	2010	2009
Cash flows provided (used) by operating activities:		
Net loss	\$ (82)	\$ (382)
Adjustments to reconcile to net cash provided (used) by operating activities		
Increase in advance ticket sales	511	238
Depreciation and amortization	213	233
Net change in fuel derivative instruments and related pending settlements	(50)	(286)
Asset impairments and special items	18	119
Increase (decrease) in Mileage Plus deferred revenue and advanced purchase of miles	(17)	92
Decrease in fuel hedge collateral	7	395
Proceeds from lease amendment		160
Other, net	(118)	(143)
	482	426
Cash flows provided (used) by investing activities:		
Additions to property, equipment and deferred software	(51)	(79)
Advance deposits on aircraft	(42)	
Decrease in restricted cash	10	17
Proceeds from asset dispositions	4	33
Proceeds from asset sale-leasebacks		94
Other, net	3	
	(76)	65
Cash flows provided (used) by financing activities:		
Proceeds from issuance of long-term debt	1,309	134
Repayment of debt	(1,204)	(238)
Principal payments under capital leases	(27)	(48)
Increase in deferred financing costs	(7)	(3)
Proceeds from issuance of common stock		63
Decrease in lease deposits		22
Other, net	(3)	(3)
	68	(73)
Increase in cash and cash equivalents during the period	474	418
Cash and cash equivalents at beginning of the year	3,042	2,039
Cash and cash equivalents at end of the period	\$ 3,516	\$ 2,457

See accompanying *Combined Notes to Condensed Consolidated Financial Statements (Unaudited)*.

Table of Contents**United Air Lines, Inc. and Subsidiary Companies***Condensed Statements of Consolidated Operations (Unaudited)***(In millions)**

	Three Months Ended March 31,	
	2010	2009
Operating revenues:		
Passenger United Airlines	\$ 3,026	\$ 2,701
Passenger Regional Affiliates	840	659
Cargo	157	124
Other operating revenues	220	210
	4,243	3,694
Operating expenses:		
Aircraft fuel	958	799
Salaries and related costs	948	921
Regional Affiliates	815	671
Purchased services	287	287
Landing fees and other rent	228	221
Aircraft maintenance materials and outside repairs	222	225
Depreciation and amortization	213	233
Distribution expenses	137	118
Aircraft rent	81	90
Cost of third party sales	57	53
Impairments and special items (Note 13)	18	119
Other operating expenses	207	238
	4,171	3,975
Earnings (loss) from operations	72	(281)
Other income (expense):		
Interest expense	(173)	(134)
Interest income	1	7
Interest capitalized	2	3
Miscellaneous, net	24	(6)
	(146)	(130)
Loss before income taxes and equity in earnings of affiliates	(74)	(411)
Income tax expense (benefit)	1	(29)
Loss before equity in earnings of affiliates	(75)	(382)
Equity in earnings of affiliates, net of tax	1	1
Net loss	\$ (74)	\$ (381)

See accompanying *Combined Notes to Condensed Consolidated Financial Statements (Unaudited)*.

Table of Contents**United Air Lines, Inc. and Subsidiary Companies****Condensed Statements of Consolidated Financial Position (Unaudited)****(In millions, except shares)**

	March 31, 2010	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,510	\$ 3,036
Restricted cash	83	128
Receivables, less allowance for doubtful accounts (2010 \$7; 2009 \$14)	968	743
Senior Notes proceeds receivable (Note 12)	672	
Aircraft lease deposits maturing within one year	302	293
Aircraft fuel, spare parts and supplies, less obsolescence allowance (2010 \$60; 2009 \$61)	188	197
Receivables from related parties	100	73
Deferred income taxes	46	57
Prepaid fuel	307	275
Prepaid expenses and other	422	352
	6,598	5,154
Operating property and equipment:		
Owned		
Flight equipment	8,307	8,303
Advances on flight equipment	51	
Other property and equipment	1,752	1,745
	10,110	10,048
Less accumulated depreciation and amortization	(2,160)	(2,010)
	7,950	8,038
Capital leases:		
Flight equipment	2,094	2,096
Other property and equipment	51	51
	2,145	2,147
Less accumulated amortization	(381)	(345)
	1,764	1,802
	9,714	9,840
Other assets:		
Intangibles, less accumulated amortization (2010 \$424; 2009 \$408)	2,439	2,455
Restricted cash	209	212
Investments	95	88
Aircraft lease deposits	10	33
Other, net	960	943

3,713	3,731
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\$ 20,025	\$ 18,725
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See accompanying *Combined Notes to Condensed Consolidated Financial Statements (Unaudited)*.

Table of Contents**United Air Lines, Inc. and Subsidiary Companies****Condensed Statements of Consolidated Financial Position (Unaudited)****(In millions, except shares)**

	March 31, 2010	December 31, 2009
<i>Liabilities and Stockholder's Deficit</i>		
Current liabilities:		
Advance ticket sales	\$ 2,003	\$ 1,492
Mileage Plus deferred revenue	1,834	1,515
Accounts payable	891	806
Accrued salaries, wages and benefits	717	701
Long-term debt maturing within one year	579	544
Current obligations under capital leases	493	426
Fuel purchase commitments	307	275
Other	845	821
	7,669	6,580
Long-term debt	6,808	6,033
Long-term obligations under capital leases	1,079	1,194
Other liabilities and deferred credits:		
Mileage Plus deferred revenue	2,339	2,720
Postretirement benefit liability	1,937	1,928
Advanced purchase of miles	1,157	1,157
Deferred income taxes	458	469
Other	1,095	1,096
	6,986	7,370
Commitments and contingent liabilities (Note 11)		
Stockholder's deficit:		
Common stock at par, \$5 par value; authorized 1,000 shares; outstanding 205 at both March 31, 2010 and December 31, 2009		
Additional capital invested	3,403	3,401
Retained deficit	(5,961)	(5,888)
Accumulated other comprehensive income	41	35
	(2,517)	(2,452)
	\$ 20,025	\$ 18,725

See accompanying *Combined Notes to Condensed Consolidated Financial Statements (Unaudited)*.

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United Air Lines, Inc. and Subsidiary Companies

Condensed Statements of Consolidated Cash Flows (Unaudited)

(In millions)

	Three Months Ended	
	March 31,	
	2010	2009
Cash flows provided (used) by operating activities:		
Net loss	\$ (74)	\$ (381)
Adjustments to reconcile to net cash provided (used) by operating activities		