



# UAL Corporation

J.P. Morgan Global High Yield & Leveraged  
Finance Conference 2009

February 3, 2009

 **U A L C O R P O R A T I O N**

# Safe Harbor Statement And Non-GAAP Reconciliation

**The information included in this presentation contains certain statements that are “Forward-Looking Statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are subject to a number of assumptions, risks and uncertainties related to the Company’s operations and the business environment in which it operates. Actual results may differ materially from any future results expressed or implied in such Forward-Looking Statements due to numerous factors, many of which are beyond the Company’s control, including factors set forth in the Company’s Form 10-K for 2007 and 2008 along with other subsequent Company reports filed with the United States Securities and Exchange Commission. Persons reviewing this presentation are cautioned that the Forward-Looking Statements speak only as of the date made and are not guarantees of future performance. The Company undertakes no obligation to update any Forward-Looking Statements.**

**Information regarding reconciliation of certain non-GAAP financial measures contained in this presentation is available on the Company's web site at [www.united.com/ir](http://www.united.com/ir)**

# Fourth Quarter 2008 Highlights

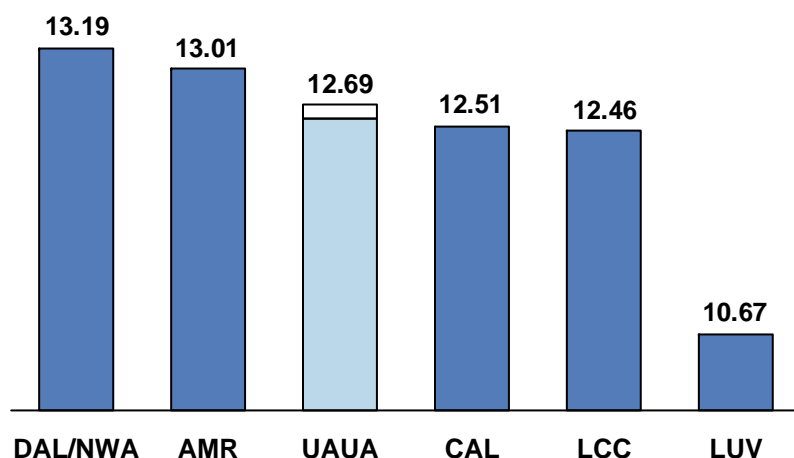
- **Fourth quarter pre-tax loss of \$547 million, excluding net non-cash mark-to-market hedge losses and certain accounting items**
- **Consolidated PRASM\* grew 4.7% year over year in the fourth quarter, excluding special items and Mileage Plus impacts.**
- **Mainline CASM\* excluding fuel was up only 1.6% year over year in the fourth quarter, despite an 11.7% capacity reduction.**
- **Raised \$400 million of liquidity in the fourth quarter despite difficult credit markets**

\*Excludes impairments, other special items and Mileage Plus impacts as applicable

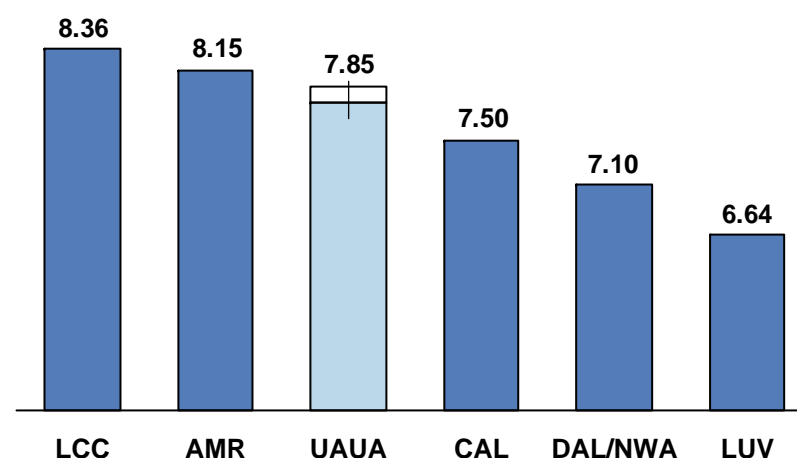


# United Delivered Competitive RASM and Non-Fuel CASM Over the Twelve Months Ended 4Q 2008

Mainline RASM  
Twelve Months Ended Dec. 31, 2008



Mainline CASM Excluding Fuel  
Twelve Months Ended Dec. 31, 2008



YOY B/(W) 7.9% 8.2% 5.6% 7.4% 5.0% 7.8%

YOY B/(W) (5.7%) (4.8%) (1.3%) 0.8% 0.6% (4.1%)

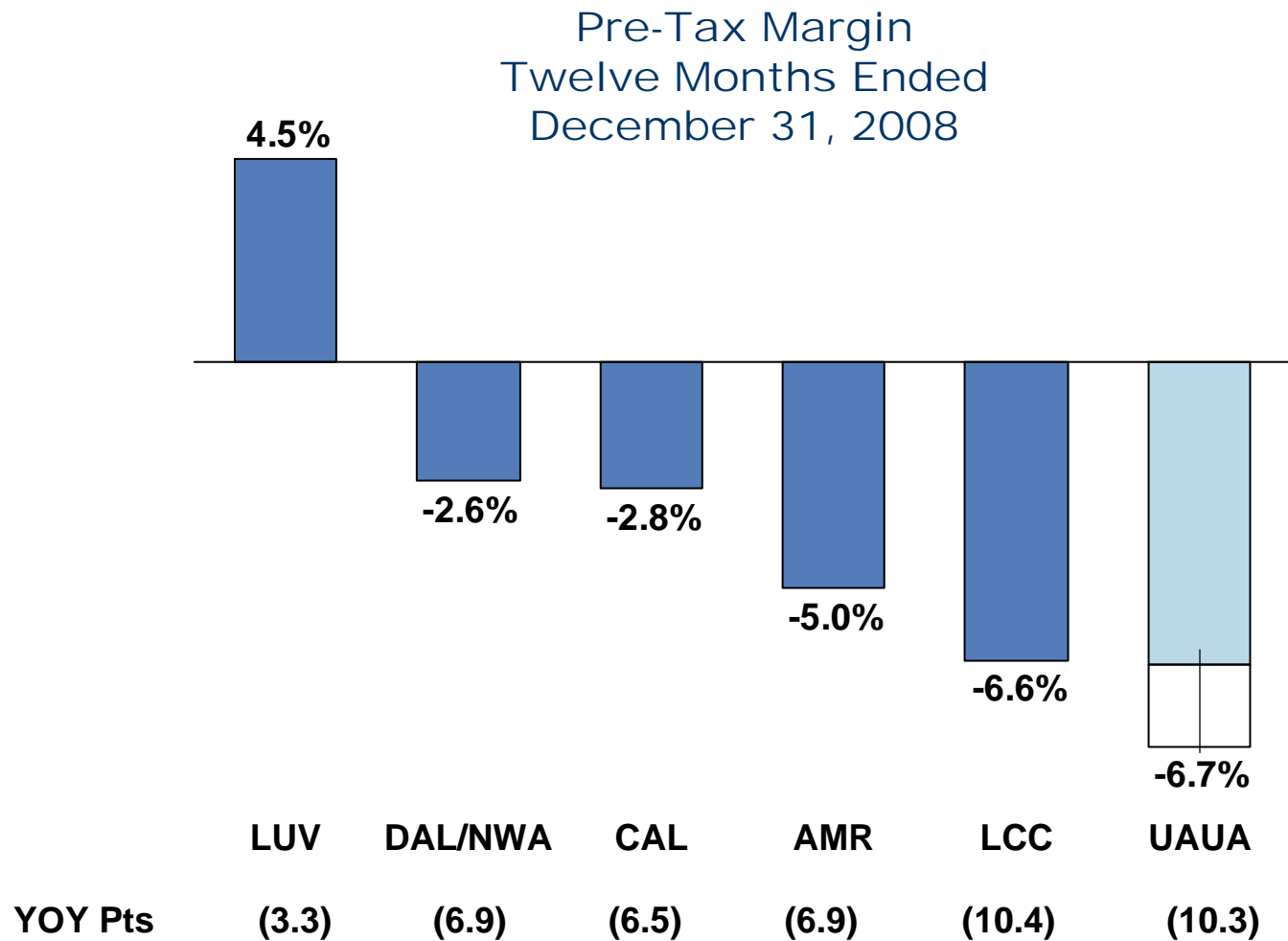
Capacity YOY H/(L) (0.3%) (3.8%) (3.9%) (0.6%) (2.2%) 3.6%

Capacity YOY H/(L) (2.2%) (3.8%) (3.9%) (0.6%) (0.3%) 3.6%

Sources: Company press releases and Earnings Calls.

Adjusted for special items, one-time items, and certain other accounting adjustments; Impact shown for fresh-start accounting amounts except stock based compensation

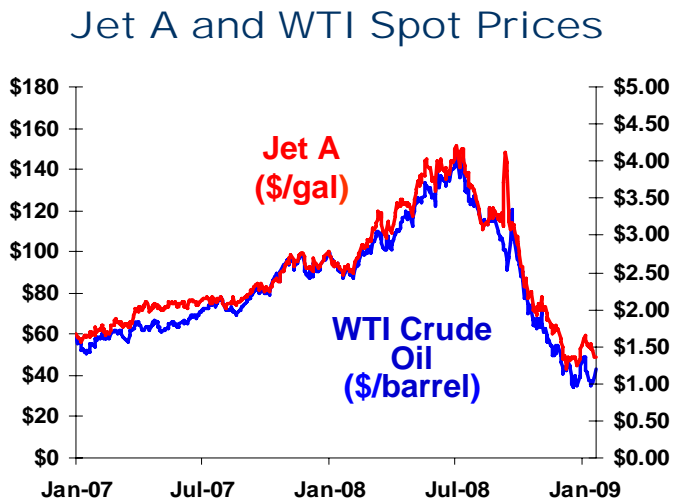
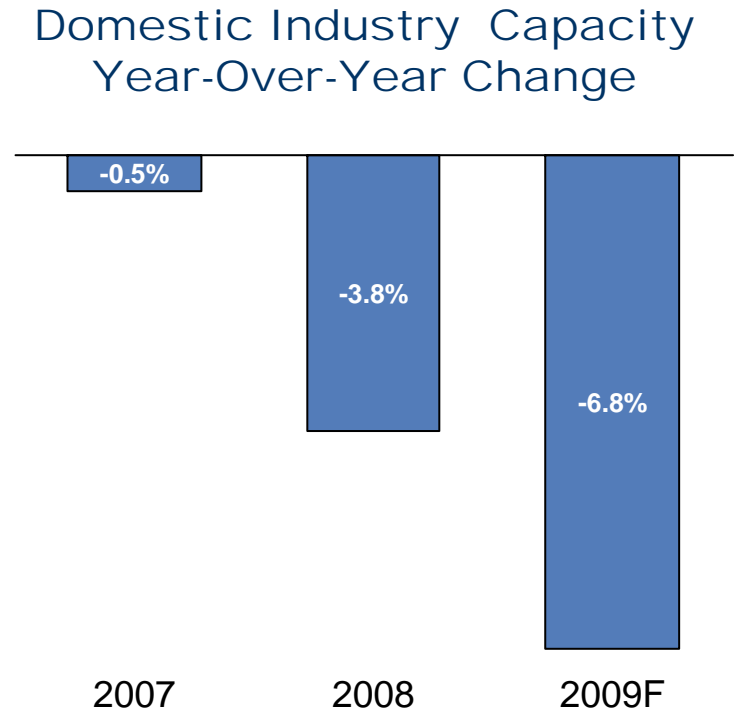
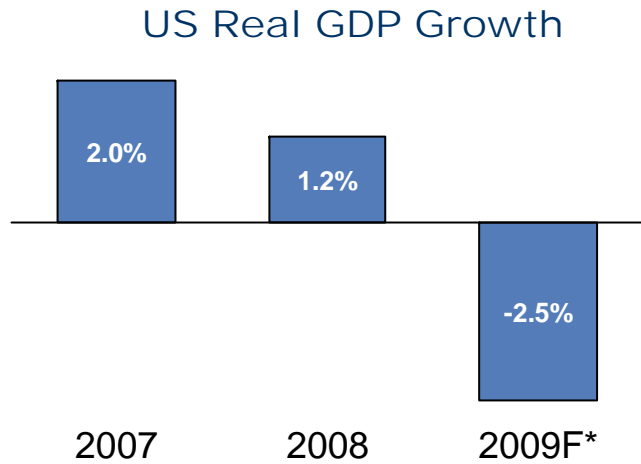
# Pre-Tax Earnings Impacted By Fuel Price And Fuel Hedging



Sources: Company press releases and Earnings Calls.

Pre-Tax Margin adjusted for special items, one-time items, certain other accounting adjustments, as well as non-cash fuel hedge impacts to the extent disclosed. Impact shown for fresh start accounting amounts except stock based compensation.

# The Industry Is Better Prepared To Deal With A Recession Than Ever Before



**Early capacity actions and continued capacity discipline has positioned the industry well for the downturn**

\* Source: Global Insight estimate

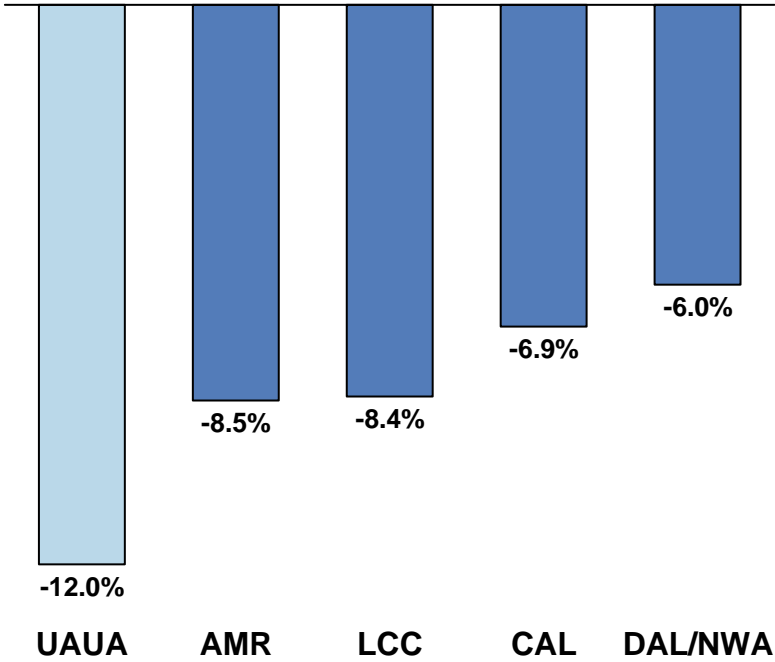
# United's Actions Have Positioned It Well To Deal With Current Challenges

- **Industry-leading capacity reductions to better match supply and demand**
- **Enhancing revenue through redeployment of assets and ancillary revenue streams**
- **Top-tier cost control**
- **Improving operational performance**
- **Solid cash position and limited fixed obligations**

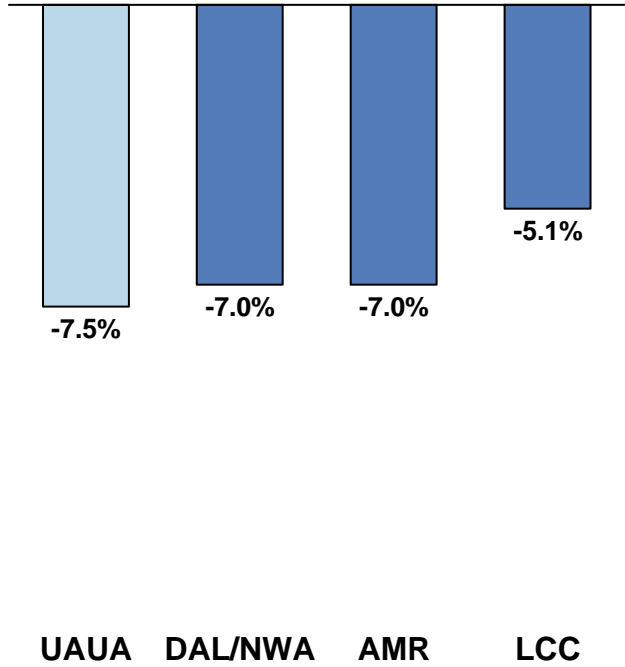


# United's Capacity Reductions Are Both Earlier and Deeper than Peers

First Quarter 2009  
Year-Over-Year Consolidated Capacity

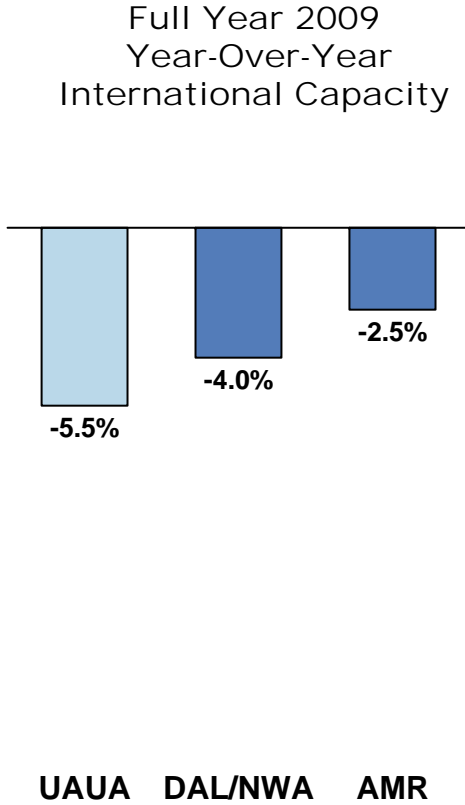
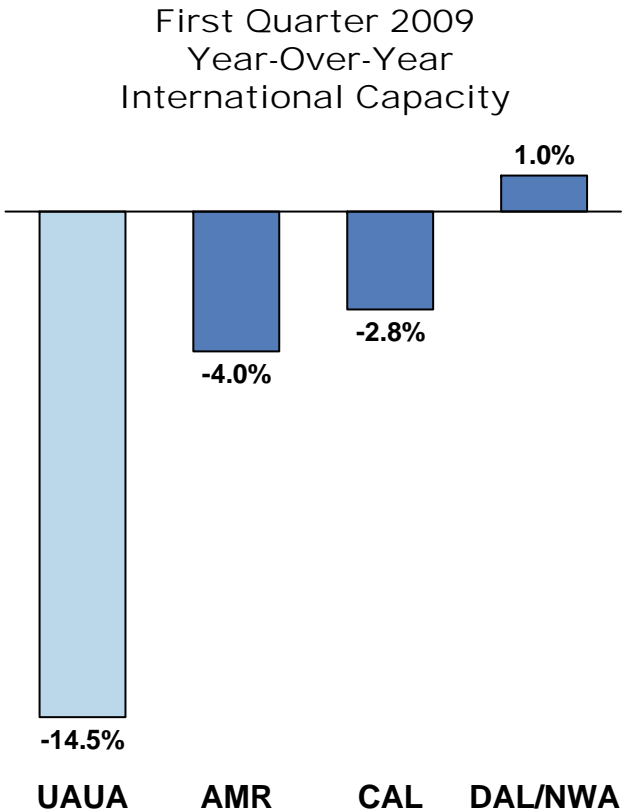


Full Year 2009  
Year-Over-Year Consolidated Capacity



Note: CAL did not provide full year capacity guidance  
Source: Company press releases and SEC filings

# United Is Also Leading the Industry Response to Softening International Demand



Note: LCC did not provide an international capacity guidance and CAL did not provide full year capacity guidance  
Source: Company press releases and SEC filings

# Capacity Reductions Are Being Achieved Cost Effectively



- **Permanent retirement of the entire B737 fleet by the end of 2009**
  - **Grounded 48 of 94 B737s by the end of 2008**
  - **Elimination of entire fleet will reduce complexity of operations and maintenance**
- **Permanent retirement of 6 B747s from the international fleet**
- **B747s and B737s are the oldest and least fuel efficient aircraft in the fleet**

# We Are Maintaining the Breadth And Strength Of Our Network As We Reduce Capacity



# United Is Leading The Development Of New And Innovative Ancillary Revenue Streams

*Economy Plus And  
First/Business Class Seat Upsell*

*First/Second Bag Fee*

*Ticketing Fee Revenue  
Expansion*

*Premier Line*

*Award Accelerator*

*Door to Door Baggage*



**~\$1.2 Billion  
In 2009**



# New International Product Right Sizes Premium Cabins And Drives Customer Satisfaction

- **Installing the new United First Suite and full lie-flat seats in Business Class reduces premium seat counts by over 20%**
  - Over 25% of conversions completed by the end of 2008
  - B767s and B747s will be completely converted in 2009 and B777s completed in 2010
- **Customer satisfaction ratings more than doubled on reconfigured aircraft in the fourth quarter**



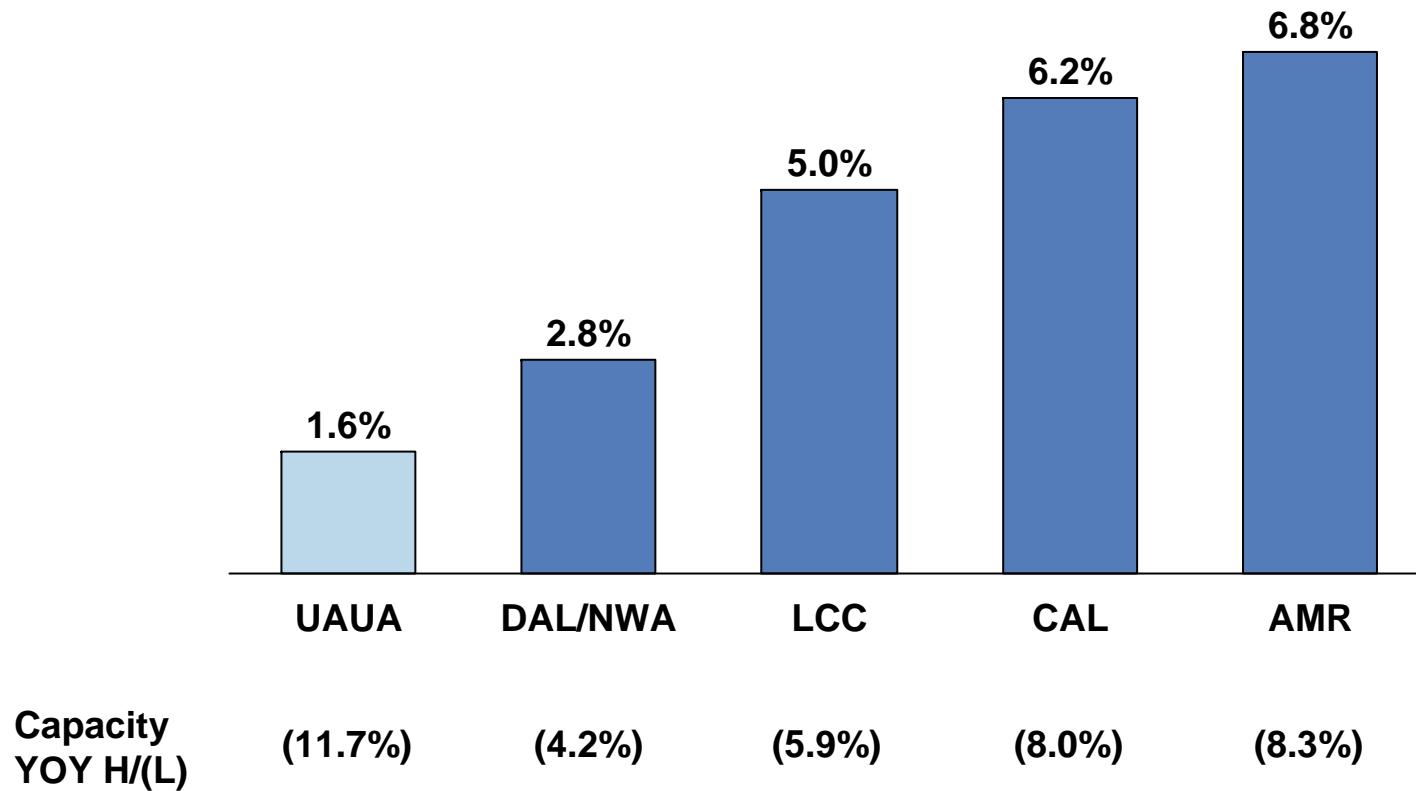
**New First Suite**



**New Business Class Seat**

# United Is Improving Relative Non-Fuel Unit Cost Despite Industry Leading Capacity Reductions

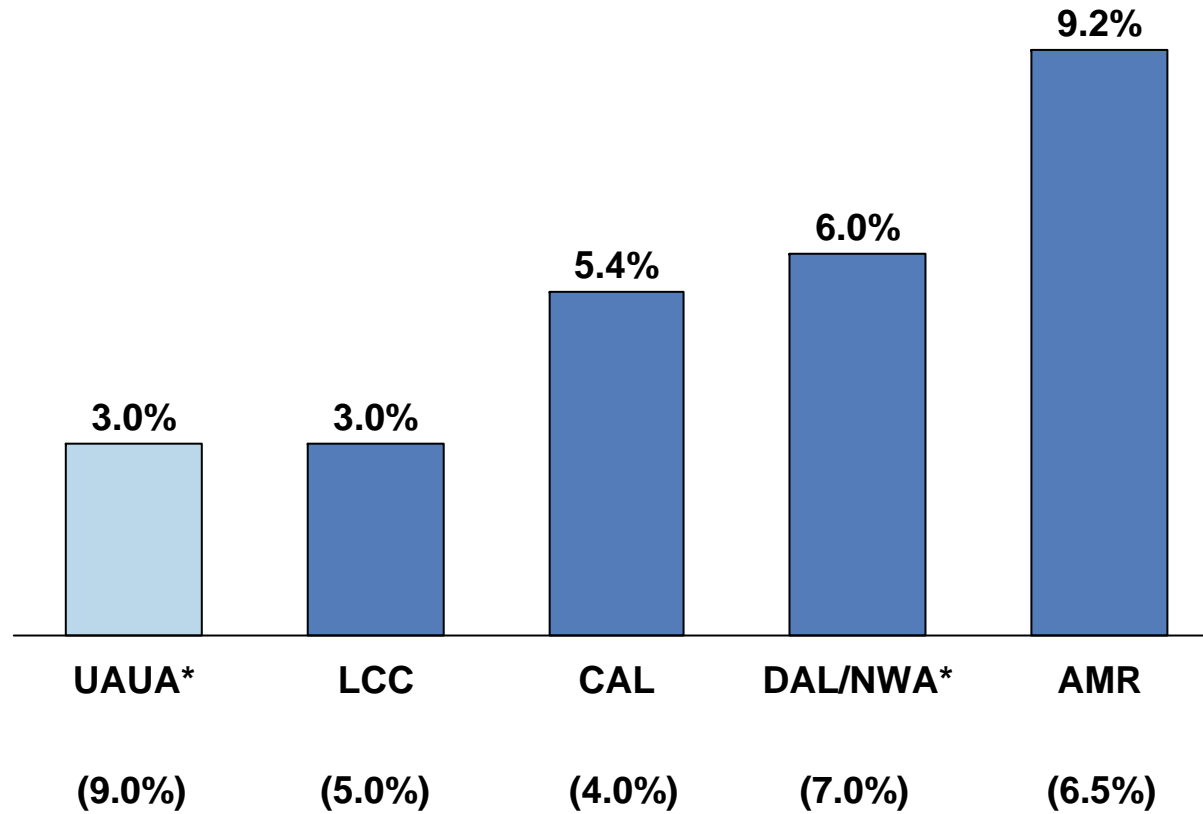
Fourth Quarter 2008  
Mainline CASM Excluding Fuel Year-Over-Year Growth



Sources: Company press releases and Earnings Calls. Adjusted for Special items and certain accounting charges

# Carrying Cost Control Momentum Into 2009

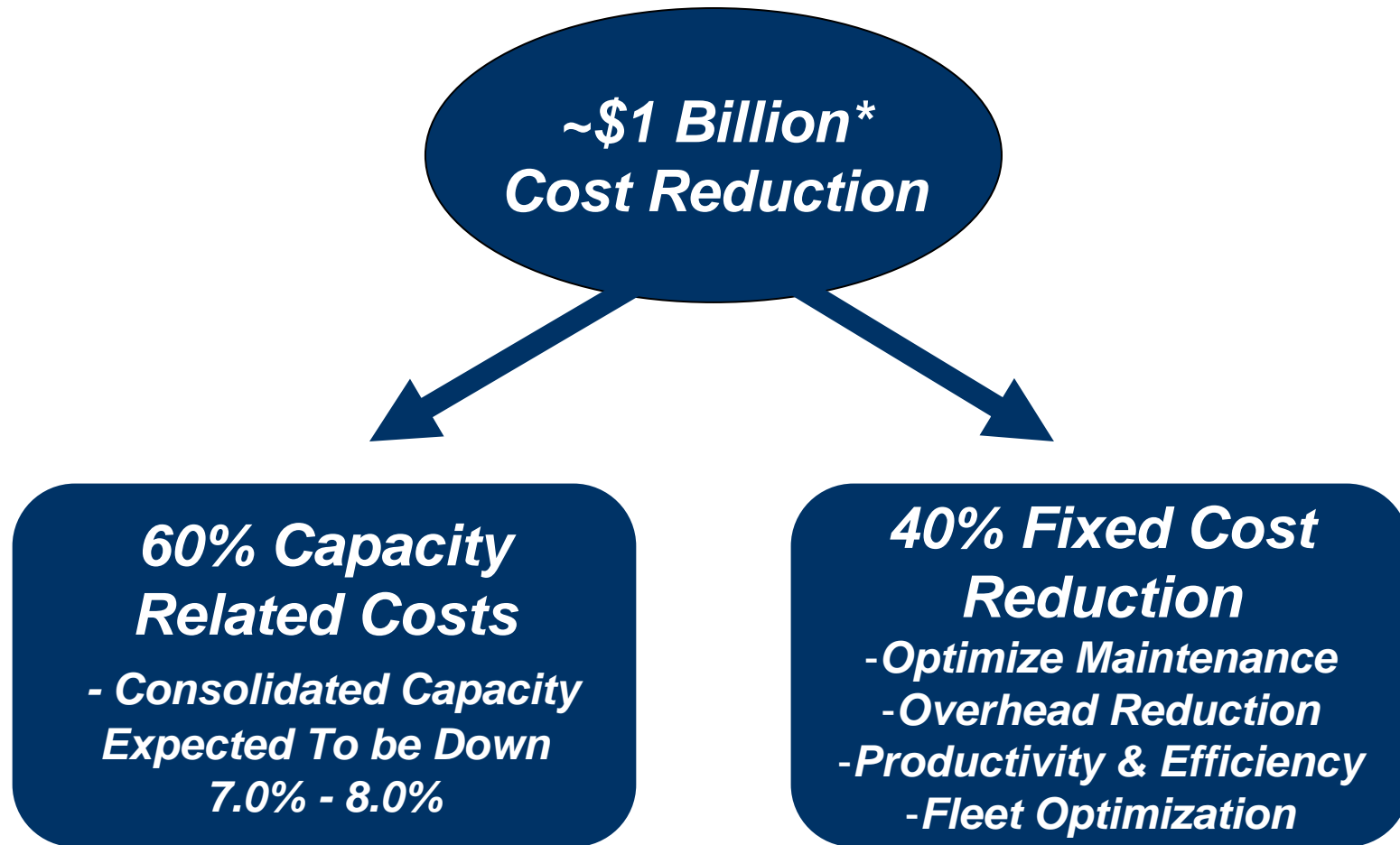
Full Year 2009 Guidance  
Mainline CASM Excluding Fuel Year-Over-Year Growth



\* Excluding Fuel and Profit Sharing

Sources: Company press releases and Earnings Calls. Numbers represent mid-point of guidance provided. Exclude Special items and certain accounting charges

# Aggressive 2009 Cost Control Program Will Deliver Results



\* \$750 million cost reduction against inflationary cost pressure of approximately \$300 million

## Focus On Maintaining Productivity As Capacity Is Reduced

- **Management and salaried workforce reduced by 2,500**
  - Over 1,500 already achieved, remainder by the end of 2009
  - Represents almost 30% reduction in management and salaried positions compared to 2007
- **Frontline reduction of 6,500**
- **Committed to minimizing the impact of furloughs on our employees**
  - Nearly 40% of these frontline furloughs have been voluntary
- **Despite significant capacity reductions, we have maintained our productivity**

# United Is Delivering Improved Quality As It Reduces Cost

## Core Performance Imperatives

Always With A  
SAFETY MINDSET

- 1 Industry-leading revenues
- 2 Competitive costs
- 3 DOT service basics
- 4 Clean, workable product
- 5 Courteous, caring, respectful

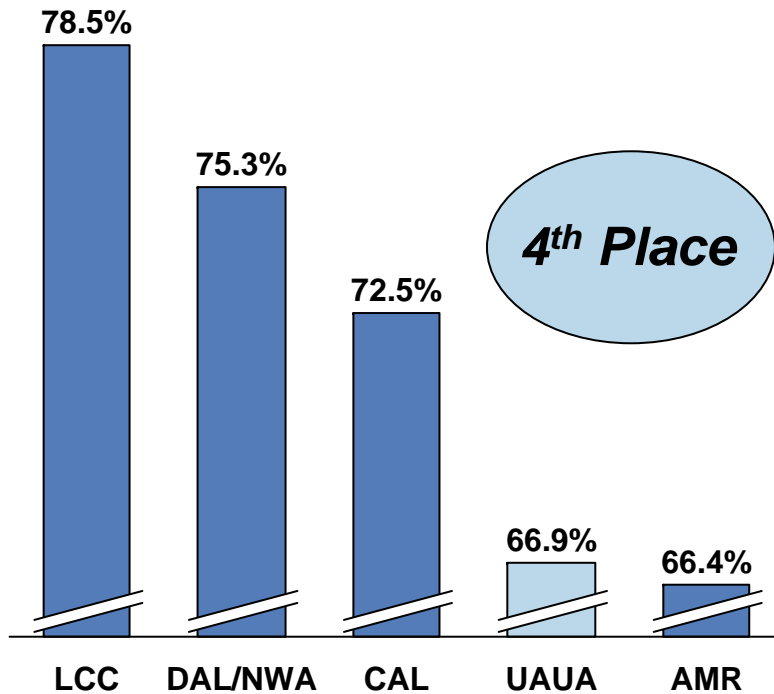
# With A Compensation Structure Aligned to Deliver Results

- **New front-line employee cash incentive program announced**
  - **Eligible employees will receive a monthly cash payout if we achieve a first or second-place DOT A:14 ranking amongst the largest network carriers**
- **Management incentive programs directly aligned across the five core performance imperatives**

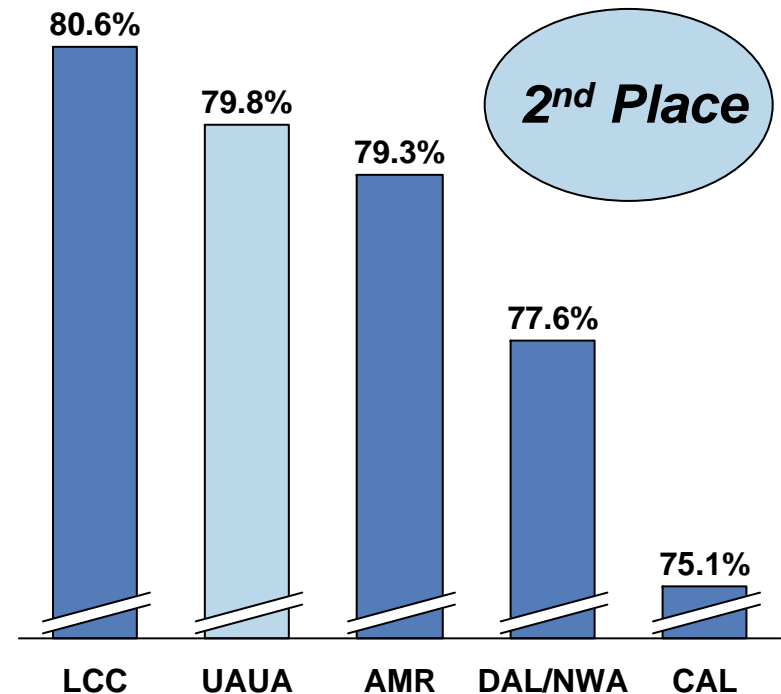


# Operational Performance Is Already Improving

Summer 2008  
On-Time Arrival Performance  
DOT: Arrival 14



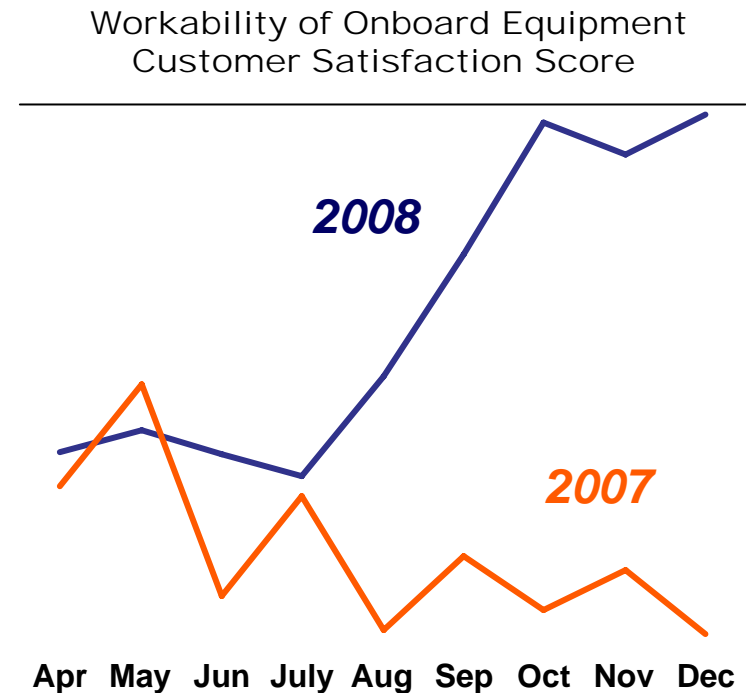
Fourth Quarter 2008  
On-Time Arrival Performance  
DOT: Arrival 14



***United Had Its Best On-Time Performance in the Fourth Quarter Since 2004***

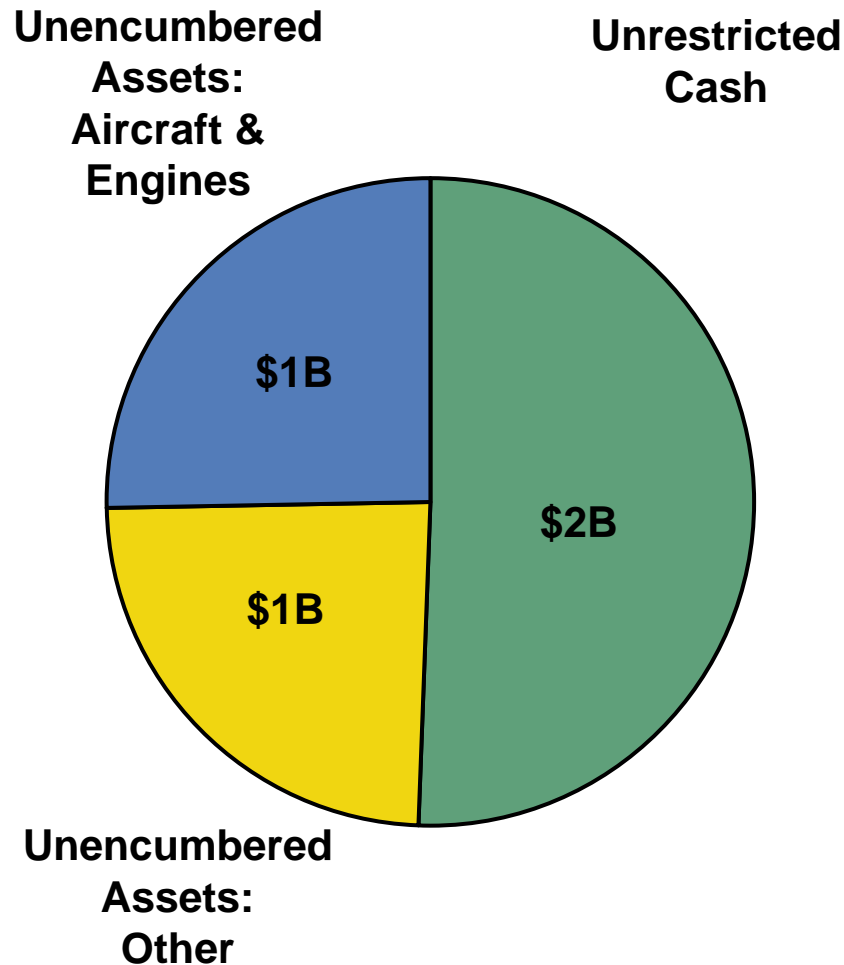
# And Product Quality Improvements Are Beginning to Deliver Results for Our Customers

- **Ensuring the workability of onboard equipment**
  - Increasing frequency of in-flight entertainment equipment maintenance
  - Upgrading entertainment equipment
- **Focused on improving cabin cleanliness**
  - Doubling the frequency of heavy cleans
  - Rigorous performance audits



***Customer Satisfaction Scores For Workability Have Improved  
By 10 points In 2008***

# United Closed 2008 With A Solid Liquidity Position



- \$2 billion in unrestricted cash
  - \$400M of additional liquidity raised in fourth quarter
- \$2 billion in unencumbered assets
- Fuel hedge collateral fully covers entire hedge portfolio losses at current prices

## Fuel Hedge Losses Will Impact Earnings in 2009, But Cash Has Already Been Posted

	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Full Year 2009
Unhedged Mainline Fuel price*	<b>\$1.73</b>	<b>\$1.79</b>	<b>\$1.89</b>	<b>\$1.91</b>	<b>\$1.83</b>
Hedge Impact In Fuel Expense**	<b>\$0.49</b>	<b>\$0.39</b>	<b>\$0.26</b>	<b>\$0.09</b>	<b>\$0.31</b>
Hedge Impact In Non-Operating Expense***	<b>\$81M</b>	<b>\$111M</b>	<b>\$53M</b>	<b>\$52M</b>	<b>\$297M</b>

- **United has already posted collateral covering fuel hedge losses at current prices – as hedges settle, collateral is returned to cover cash settled losses**

Collateral and fuel prices are based on January 16, 2008 closing forward crude oil prices

\*Fuel price per gallon including taxes and transportation costs

\*\*Net cash hedge gains or losses per gallon included in mainline fuel expense

\*\*\*Net cash hedge gains or losses recorded in non-operating expense

## United Has Modest Fixed Obligations Moving Into 2009

- **No material defined benefit pension plans**
  - Virtually all domestic employees on defined contribution plans
- **No capital requirements for new aircraft in 2009 – no new aircraft financing required**
- **Moderate capital spending in 2008 at only \$450 million**
  - Discipline will continue in 2009 with a non-aircraft capital budget of only \$450 million on customer focused projects, including premium seat programs
- **No major debt maturities in 2009 – debt repayments will total ~\$900 million**




# Successfully Continuing To Enhance Liquidity In The First Quarter Of 2009

**Aircraft Financing**  
**\$95 million**

**Cargo Facility  
Relocation Agreement**  
**~\$160 million**

**Equity Issuances**  
**\$62 million (completed)**  
**\$27 million (expected)**



**About \$350 million  
expected in 1Q  
through  
transactions  
completed and  
underway**

# United Retains Flexibility to Adapt to Uncertain Economic Environment

- **Capacity Flexibility**
  - Unencumbered operational aircraft
  - Labor contract flexibility
- **Current fuel hedge portfolio provides protection against volatility**
  - Collateral already posted covers fuel hedge losses at current prices
  - Portfolio provides a high level of downside participation at lower prices
  - Hedge collateral returns provide immediate protection at higher prices

# United Is Well Positioned For Success

- **Aggressive actions taken in response to the challenging environment**
- **Led the industry in capacity reductions, revenue initiatives and cost control**
- **Raising new capital despite the tough credit markets**
- **Maintaining flexibility to adapt to the uncertain economic environment**





Q & A

 **UAL CORPORATION**



# GAAP To Non-GAAP Reconciliation

# Pre-Tax Margin Reconciliation

Three Months Ending

4Q08

(\$ in Millions)

**Consolidated Pre-Tax Income/(Loss)**

\$ (1,300)

Add (less): non-cash, net mark-to-market (gains) losses

566

Add (less): impairments, special items and other charges

187

**Adjusted Pre-Tax**

\$ (547)

# Consolidated Passenger Revenue Per Available Seat Mile Fourth Quarter 2008

Three Months Ended (\$ in Millions)	12/31/2008	12/31/2007
Consolidated Passenger Revenue	\$ 4,165	\$ 4,562
Add (less): Mileage Plus - effect of accounting change	48	61
Add (less): Mileage Plus - effect of expiration period change	<u>-</u>	<u>(121)</u>
Consolidated Passenger Revenue Ex Specials & Fresh Start	\$ 4,213	\$ 4,502
Consolidated Available Seat Miles	34,816	38,948
Adjusted PRASM (in cents)	12.10	11.56
Year-Over-Year Change (%)	4.7%	

# Mainline Revenue Per Available Seat Mile Twelve Months Ended

<b>Twelve Months Ending</b>	<b>4Q08</b>	<b>4Q07</b>
(\$ and ASM in Millions; Rates in cents)		
Consolidated Operating Revenues	\$ 20,194	\$ 20,143
Less: Passenger - Regional Affiliates	(3,098)	(3,063)
Less: Regional Affiliates Specials	-	(8)
Mainline Operating Revenues	<u>\$ 17,096</u>	<u>\$ 17,072</u>
Less: Income from Special Items	-	(37)
Add: Mileage Plus Impacts	139	26
Adjusted Mainline	<u>\$ 17,235</u>	<u>\$ 17,061</u>
Mainline available seat miles	135,861	141,890
<b>Adjusted Mainline RASM</b>	<b>12.69</b>	<b>12.02</b>
<b>Year-Over-Year Change</b>	<b>5.6%</b>	

# Mainline Cost Per Available Seat Mile Twelve Months Ended

Twelve Months Ending	4Q08	4Q07
(\$ and ASM in Millions; Rates in cents)		
Consolidated Operating Expenses	\$ 24,632	\$ 19,106
Less: Regional Affiliates	(3,248)	(2,941)
Mainline Operating Expense	<u>\$ 21,384</u>	<u>\$ 16,165</u>
Add (Less)Less: Mainline Fuel Expense (excluding non-cash, net mark-to-market (gains) losses)	(7,154)	(5,023)
Add (Less): UAFC	(4)	(36)
Add (Less): Impairments, special items other charges and non-cash, net mark-to market (gains)losses	(3,375)	64
Add (Less): Mainline Fresh Start Adjustments (excluding stock based compensation)	<u>(184)</u>	<u>(174)</u>
Adjusted Mainline Expenses	\$ 10,667	\$ 10,996
Mainline available seat miles	135,861	141,890
Adjusted Mainline CASM	7.85	7.75
Year-Over-Year Change	1.3%	

# Pre-Tax Margin Twelve Months Ended

Twelve Months Ending	4Q08	4Q07
(\$ in Millions)		
<b>Consolidated Operating Revenue</b>	\$ 20,194	\$ 20,143
Less: Income from Special Items	-	(45)
Add: Mileage Plus Adjustments	167	31
<b>Adjusted Consolidated Operating Revenue</b>	<u>\$ 20,361</u>	<u>\$ 20,129</u>
<b>Consolidated Pre-Tax Income/(Loss)</b>	\$ (5,379)	\$ 695
Less: income from special revenue item	-	(45)
Add (less): non-cash, net mark-to-market (gains) losses	847	(20)
Add (less): impairments, special items and other charges	2,807	(107)
Add (less): fresh start (excluding stock based compensation)	368	199
<b>Adjusted Pre-Tax</b>	<u>\$ (1,357)</u>	<u>\$ 722</u>
<b>Adjusted Margin</b>	(6.7)%	3.6%
<b>YOY Percentage Point Change</b>	(10.3)	

*\*Includes special items of \$44 million and a one time gain of \$41 million from ARINC sale and a \$22 million gain from early debt retirement.*

# Mainline Cost Per Available Seat Mile

## Fourth Quarter 2008

Twelve Months Ending	4Q08	4Q07
(\$ and ASM in Millions; Rates in cents)		
Consolidated Operating Expenses	\$ 24,632	\$ 19,106
Less: Regional Affiliates	(3,248)	(2,941)
Mainline Operating Expense	<u>\$ 21,384</u>	<u>\$ 16,165</u>
Add (Less): Mainline Fuel Expense (excluding non-cash, net mark-to-market (gains) losses)	(7,154)	(5,023)
Add (Less): UAFC	(4)	(36)
Add (Less): Impairments, special items other charges and non-cash, net mark-to market (gains)losses	(3,375)	64
Add (Less): Mainline Fresh Start Adjustments (excluding stock based compensation)	<u>(184)</u>	<u>(174)</u>
Adjusted Mainline Expenses	\$ 10,667	\$ 10,996
Mainline available seat miles	135,861	141,890
Adjusted Mainline CASM	7.85	7.75
Year-Over-Year Change	1.3%	

# Mainline Cost Per Available Seat Mile 2009 Guidance

	Twelve Months Ending December 31,			YOY	
	2009 Estimate Low	2009 Estimate High	2008 Actual	% Change	
<u>Operating expense per ASM - CASM (cents) (i)</u>					
Mainline operating expense	-	-	15.74	-	-
Less: profit sharing programs	-	-	(0.04)	-	-
Mainline excluding profit sharing programs	11.17	11.25	15.70	(28.9)	(28.3)
Less: fuel expense & cost of third party sales - UAFC	(3.02)	(3.02)	(5.68)	(46.8)	(46.8)
Mainline excluding profit sharing, fuel & UAFC	8.15	8.23	10.02	(18.7)	(17.9)
Add (less): impairments and other charges and special items	-	-	(2.07)	-	-
Mainline excluding profit sharing, fuel, UAFC, impairments and other charges and special items	8.15	8.23	7.95	2.5	3.5
Midpoint of Guidance					3.0

(i) CASM also excludes the impact of future special items and other charges, including profit sharing, as these items are unknown and cannot be predicted with certainty.