UAL CORP /DE/
Form 424B5
June 19, 2007

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The information in this preliminary prospectus supplement is not complete and may be changed. We may not deliver these securities until a prospectus supplement is delivered in final form. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and we are not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

Filed pursuant to Rule 424(b)(5)

Registration No. 333-143865

PROSPECTUS SUPPLEMENT (Subject to Completion, dated June 19, 2007)

(To Prospectus dated June 19, 2007)

$693,657,000

United Air Lines, Inc.

2007-1 Pass Through Trusts

PASS THROUGH CERTIFICATES, SERIES 2007-1

This prospectus supplement relates to new pass through certificates to be issued by three separate pass through trusts to be formed by United Air Lines, Inc. Each certificate will represent an interest in a pass through trust. The certificates do not represent interests in or obligations of United or any of its affiliates.

The pass through trusts will use the proceeds from the sale of certificates to acquire equipment notes. The equipment notes will be issued by United to finance thirteen (13) Boeing aircraft owned by United. Payments on the equipment notes held in each pass through trust will be passed through to the certificateholders of such trust.

Interest on the equipment notes held in the related pass through trust will be payable on January 2 and July 2 of each year, beginning on January 2, 2008. Principal paid on the equipment notes will be payable on January 2 and July 2 in scheduled years, beginning on

January 2, 2008.

Distributions on the certificates will be subject to certain subordination provisions as described herein.

Morgan Stanley Senior Funding, Inc. will provide a liquidity facility for each of the Class A and Class B certificates. The liquidity facilities are expected to provide an amount sufficient to pay up to three semiannual interest payments on the certificates of the related pass through trust. The Class C certificates will not have the benefit of a liquidity facility.

The payment obligations of United under the equipment notes will be fully and unconditionally guaranteed by UAL Corporation.

The Class B and Class C certificates will be subject to transfer restrictions. They may be sold only to qualified institutional buyers, as defined in Rule 144A under the Securities Act of 1933, as amended, for so long as they are outstanding.

Investing in the pass through certificates involves risks. See RISK FACTORS beginning on page S-15.

Pass Through Certificates	***Face Amount***	***Interest Rate***		***Final Expected Distribution Date***	***Price to Public[(1)]***
Class A	*$ 485,086,000*		*%*	*July 2, 2022*	*100%*
Class B	*106,835,000*		*%*	*July 2, 2019*	*100*
Class C	*101,736,000*	*Six-Month LIBOR plus*	*%*	*July 2, 2014*	*100*

(1) Plus accrued interest, if any, from the date of issuance.

The underwriters will purchase all of the certificates if any are purchased. The aggregate proceeds from the sale of the certificates will be $693,657,000. United Air Lines, Inc. will pay the underwriters a commission of $. The underwriters expect to deliver the pass through certificates to purchasers on June , 2007. The certificates will not be listed on any national securities exchange.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Joint Bookrunners

MORGAN STANLEY *CREDIT SUISSE*

(Sole Structuring Agent)

June , 2007

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You should rely only on the information contained in this prospectus supplement and the accompanying prospectus and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with information that is different. If anyone provides you with different or inconsistent information, you should not rely on it. This document may be used only where it is legal to sell these securities. You should not assume that the information in this prospectus supplement and the accompanying prospectus is accurate as of any date other than the date of this prospectus supplement. Also, you should not assume that there has been no change in the affairs of United since the date of this prospectus supplement.

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PRESENTATION OF INFORMATION

These offering materials consist of two documents: (1) this prospectus supplement, which describes the terms of the certificates that we are currently offering, and (2) the accompanying prospectus, which provides general information about our certificates, some of which may not apply to the certificates that we are currently offering. **The information in this prospectus supplement replaces any inconsistent information included in the accompanying prospectus.**

We have given certain terms specific meanings for purposes of this prospectus supplement. The Glossary attached as Appendix I to this prospectus supplement defines each of these terms.

At varying places in this prospectus supplement and the accompanying prospectus, we refer you to other sections of the documents for additional information by indicating the caption heading of the other sections. The page on which each principal caption included in this prospectus supplement and the prospectus can be found is listed in the Table of Contents on the preceding page. All cross references in this prospectus supplement are to captions contained in this prospectus supplement and not in the prospectus, unless otherwise stated.

Certain statements contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus are forward-looking and thus reflect United Air Lines, Inc. s, referred to herein as United , and UAL Corporation s, referred to herein as UAL , current expectations and beliefs with respect to certain current and future events and financial performance. Such forward-looking statements are and will be subject to many risks and uncertainties relating to United s and UAL s operations and business environment that may cause actual results to differ materially from any future results expressed or implied in such forward-looking statements. Words such as expects , will , plans , anticipates , indicates , believes , forecast , guidance , outlook and similar expressions are intended to identify forward-looking statements.

Additionally, forward-looking statements include statements which do not relate solely to historical facts, such as statements which identify uncertainties or trends, discuss the possible future effects of current known trends or uncertainties, or indicate that the future effects of known trends or uncertainties cannot be predicted, guaranteed or assured. All forward-looking statements are based upon information available to us on the date such statements are made. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise.

United s and UAL s actual results could differ materially from these forward-looking statements due to numerous factors, including, without limitation, the following: their ability to comply with the terms of United s credit facility and other financing arrangements; the costs and availability of financing; their ability to execute their business plan; their ability to realize benefits from the resource optimization efforts and cost reduction initiatives; their ability to utilize net operating losses; their ability to attract, motivate and/or retain key employees; their ability to attract and retain customers; demand for transportation in the markets in which they operate; general economic conditions (including interest rates, foreign currency exchange rates, crude oil prices, costs of aviation fuel and refining capacity in relevant markets); their ability to cost-effectively hedge against increases in the price of aviation fuel; the effects of any hostilities, act of war or terrorist attack; the ability of other air carriers with whom they have alliances or partnerships to provide the services contemplated by the respective arrangements with such carriers; the costs and availability of aircraft insurance; the costs associated with security measures and practices; labor costs; competitive pressures on pricing and on demand; capacity decisions of United and/or competitors; U.S. or foreign governmental legislation, regulation and other actions, including open skies agreements; their ability to maintain satisfactory labor relations; any disruptions to operations due to any potential actions by their labor groups; weather conditions; and other risks and uncertainties, including those stated in the Securities and Exchange Commission reports incorporated in the prospectus by reference or as stated in this prospectus supplement or incorporated by reference herein under the caption Risk Factors . Consequently, the forward-looking statements should not be regarded as representations or warranties by United or UAL that such matters will be realized.

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SUMMARY

The following summary is qualified in its entirety by reference to the more detailed information and consolidated financial statements appearing elsewhere in this prospectus supplement and accompanying prospectus, as well as the materials filed with the Securities and Exchange Commission (the SEC), that are considered to be part of this prospectus supplement and the accompanying prospectus.

United Air Lines

United Air Lines, Inc. (together with its consolidated subsidiaries, we, our, us, United or the Company) is the principal, wholly-owned subsidiary of UAL Corporation (UAL). United s operations, which consist primarily of the transportation of persons, property, and mail throughout the U.S. and abroad, accounted for most of UAL s revenues and expenses in 2006. United provides these services through full-sized jet aircraft (which we refer to as our mainline operations), as well as smaller aircraft in its regional operations conducted under contract by United Express® carriers.

United is one of the largest passenger airlines in the world with more than 3,600 flights a day to more than 200 destinations through its mainline and United Express services. United offers approximately 1,550 average daily mainline (including Ted(SM)) departures to more than 120 destinations in 30 countries and two U.S. territories. United provides regional service, connecting primarily via United s domestic hubs, through marketing relationships with United Express carriers, which provide more than 2,050 average daily departures to approximately 160 destinations. United serves virtually every major market around the world, either directly or through its participation in the Star Alliance®, the world s largest airline network.

United offers services that we believe will allow us to generate a revenue premium by meeting distinct customer needs. This strategy of market segmentation is intended to optimize margins and costs by offering the right service to the right customer at the right time. These services include:

- United mainline, including United First®, United Business® and Economy Plus®, the last providing three to five inches of extra legroom on all United mainline flights (including Ted), and on explus(SM) regional jet flights;
- Ted, a low-fare service, now operates 56 aircraft and serves 20 airports with over 230 daily departures from all United s hubs;
- p.s.(SM) a premium transcontinental service connecting New York with Los Angeles and San Francisco; and
- United Express, with a total fleet of 289 aircraft operated by regional partners, including over 100 70-seat aircraft that offer explus, United s premium regional service.

United also generates significant revenue through its Mileage Plus® Frequent Flyer Program (Mileage Plus), United Cargo(SM) and United Services.

United was incorporated under the laws of the State of Delaware on December 30, 1968. Corporate headquarters is located at 77 West Wacker Drive, Chicago, Illinois 60601 (telephone number (312) 997-8000).

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Summary of Terms of Pass Through Certificates

	Class A Certificates	Class B Certificates	Class C Certificates
Aggregate Face Amount	$485,086,000	$106,835,000	$101,736,000
Interest Rate	%	%	Six-Month LIBOR plus %
Ratings:			
Moody s	Baa2	Ba2	B1
Standard & Poor s	BBB	BB-	B
Initial Loan to Aircraft Value Ratio (cumulative)(1)	52.4%	64.0%	75.0%
Highest Loan to Aircraft Value Ratio (cumulative)(2)	52.4%	64.0%	75.0%
Expected Principal Distribution Window (in years)	0.5-15.0	0.5-12.0	0.5-7.0
Initial Average Life (in years from Issuance Date)	9.7	8.6	5.5
Regular Distribution Dates	January 2 and July 2	January 2 and July 2	January 2 and July 2
Final Expected Regular Distribution Date(3)	July 2, 2022	July 2, 2019	July 2, 2014
Final Legal Distribution Date(4)	January 2, 2024	January 2, 2021	July 2, 2014
Minimum Denomination	$1,000	$1,000	$1,000
Section 1110 Protection	Yes	Yes	Yes
Liquidity Facility Coverage	3 semiannual interest payments	3 semiannual interest payments	None

(1) The initial loan to aircraft value ratios measure the ratio of (a) (x) in the case of the Class A certificates, the aggregate principal amount of the Series A Equipment Notes relating to all aircraft, (y) in the case of the Class B certificates, the aggregate principal amount of the Series A Equipment Notes and the Series B Equipment Notes relating to all aircraft and (z) in the case of the Class C certificates, the aggregate principal amount of all Series A Equipment Notes, Series B Equipment Notes and Series C Equipment Notes relating to all aircraft to (b) the aggregate appraised base value of all aircraft (determined based on three appraisals setting forth values as of May 15, 2007, May 23, 2007 and May 15, 2007). These ratios are calculated assuming that the aggregate appraised base value of all aircraft is $924,876,667 on the Issuance Date. The aggregate appraised base value is only an estimate and reflects certain assumptions. See DESCRIPTION OF THE AIRCRAFT AND THE APPRAISALS.

(2) The highest loan to aircraft value ratios are based on the aggregate appraised base value of all aircraft as of a certain future date. See SUMMARY Loan to Aircraft Value Ratios. The aggregate appraised base value is only an estimate and reflects certain assumptions. See DESCRIPTION OF THE AIRCRAFT AND THE APPRAISALS.

(3) Equipment Notes will mature on or before the Final Expected Regular Distribution Date for the certificates issued by the pass through trusts that own such Equipment Notes.

(4) The Final Legal Distribution Date for each of the Class A certificates and Class B certificates is the Final Expected Regular Distribution Date for that class of certificates plus eighteen months, which represents the period corresponding to the applicable Liquidity Facility coverage of three semiannual interest payments.

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Equipment Notes and the Aircraft

Set forth below is certain information about the Equipment Notes to be held in the pass through trusts and the aircraft that will secure such Equipment Notes:

Aircraft Type	Aircraft Registration Number	Manufacturer s Serial Number	Original Delivery Date	Appraised Value[1]	Initial Principal Amount of Equipment Notes
Boeing 767-322ER	N672UA	30027	12/22/1999	$ 43,240,000	$ 32,430,000
Boeing 767-322ER	N677UA	30029	11/14/2001	49,560,000	37,170,000
Boeing 777-222	N211UA	30217	5/18/2000	64,580,000	48,435,000
Boeing 777-222	N212UA	30218	7/28/2000	65,430,000	49,072,500
Boeing 777-222	N213UA	30219	8/15/2000	65,860,000	49,395,000
Boeing 777-222	N214UA	30220	8/25/2000	65,860,000	49,395,000
Boeing 777-222ER	N216UA	30549	7/21/2000	84,140,000	63,105,000
Boeing 777-222ER	N217UA	30550	8/14/2000	84,390,000	63,292,500
Boeing 777-222ER	N228UA	30556	2/14/2002	92,513,333	69,385,000
Boeing 777-222ER	N229UA	30557	3/7/2002	92,783,333	69,587,500
Boeing 747-422	N104UA	26902	1/22/1998	70,000,000	52,500,000
Boeing 747-422	N107UA	26900	8/20/1998	72,470,000	54,352,500
Boeing 747-422	N116UA	26908	12/29/1998	74,050,000	55,537,004
				$ 924,876,667	$ 693,657,000

(1) The appraised value of each aircraft provided above is based on the lesser of the average and the median appraised base values (as defined in the appraisal letters) of such aircraft as appraised by three independent appraisal and consulting firms, Aircraft Information Services, Inc., BACK Aviation Solutions and Morten Beyer & Agnew, Inc. as of May 15, 2007, May 23, 2007 and May 15, 2007, respectively. The appraisers based the appraisals on varying assumptions and methodologies. An appraisal is only an estimate of value and you should not rely on any appraisal as an estimate of realizable value.

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Loan to Aircraft Value Ratios

The following table provides loan to aircraft value ratios also referred to as LTV ratios for each class of certificates as of the issuance date and as of each Regular Distribution Date thereafter. The table is not a forecast or prediction of expected or likely LTV ratios but a mathematical calculation based on one set of assumptions.

We compiled the following table on an aggregate basis. However, the Equipment Notes issued under an Indenture are entitled to certain specified cross-collateralization provisions as described under DESCRIPTION OF THE EQUIPMENT NOTES *Security*. The relevant LTV ratios in a default situation for the Equipment Notes issued under a particular Indenture would depend on various factors, including the extent to which the debtor or trustee in bankruptcy agrees to perform United s obligations under the Indentures. Therefore, the following LTV ratios are presented for illustrative purposes only.

		Outstanding Pool Balance			LTV Ratios[2]		
Date	Assumed Aggregate Aircraft Value[1]	Class A Certificates	Class B Certificates	Class C Certificates	Class A Certificates	Class B Certificates	Class C Certificates
At Issuance	$ 924,876,667	$ 485,086,000	$ 106,835,000	$ 101,736,000	52.4%	64.0%	75.0%
January 2, 2008	907,213,984	471,899,525	98,476,396	95,870,481	52.0	62.9	73.4
July 2, 2008	889,551,302	461,539,263	96,654,112	92,831,176	51.9	62.7	73.2
January 2, 2009	871,888,619	451,629,892	95,044,206	90,242,761	51.8	62.7	73.1
July 2, 2009	854,225,937	441,550,089	93,441,599	87,483,915	51.7	62.6	72.9
January 2, 2010	836,563,254	431,495,311	91,356,657	84,750,092	51.6	62.5	72.6
July 2, 2010	818,900,572	421,464,711	89,529,180	82,040,449	51.5	62.4	72.4
January 2, 2011	801,237,890	411,439,495	87,731,644	79,336,189	51.4	62.3	72.2
July 2, 2011	783,575,207	388,422,737	86,163,184	76,438,180	49.6	60.6	70.3
January 2, 2012	765,912,525	377,997,487	84,123,801	73,280,505	49.4	60.3	69.9
July 2, 2012	748,249,842	367,736,616	82,027,810	69,873,955	49.1	60.1	69.4
January 2, 2013	730,587,160	357,775,988	80,030,632	66,701,704	49.0	59.9	69.1
July 2, 2013	712,435,309	347,421,292	77,627,975	63,603,459	48.8	59.7	68.6
January 2, 2014	693,787,428	335,789,779	76,023,567	59,298,424	48.4	59.4	67.9
July 2, 2014	674,642,900	318,293,361	73,199,993	0	47.2	58.0	N/A
January 2, 2015	655,498,373	307,655,461	69,810,884	0	46.9	57.6	N/A
July 2, 2015	636,075,057	299,701,403	67,451,780	0	47.1	57.7	N/A
January 2, 2016	613,930,300	287,368,894	64,073,362	0	46.8	57.2	N/A
July 2, 2016	591,785,542	274,611,623	61,149,977	0	46.4	56.7	N/A
January 2, 2017	569,640,785	261,608,168	58,120,543	0	45.9	56.1	N/A
July 2, 2017	546,090,542	248,338,576	55,015,471	0	45.5	55.6	N/A
January 2, 2018	522,540,298	234,957,661	51,893,555	0	45.0	54.9	N/A
July 2, 2018	498,500,887	229,379,207	48,718,424	0	46.0	55.8	N/A
January 2, 2019	473,965,445	214,108,660	45,144,515	0	45.2	54.7	N/A
July 2, 2019	448,933,356	204,181,139	0	0	45.5	N/A	N/A
January 2, 2020	423,901,268	188,679,613	0	0	44.5	N/A	N/A
July 2, 2020	398,590,392	172,416,993	0	0	43.3	N/A	N/A
January 2, 2021	370,558,074	156,214,618	0	0	42.2	N/A	N/A
July 2, 2021	342,525,755	134,987,060	0	0	39.4	N/A	N/A
January 2, 2022	314,493,437	115,171,875	0	0	36.6	N/A	N/A
July 2, 2022	285,055,633	0	0	0	N/A	N/A	N/A

(1) In calculating the assumed aggregate aircraft values above, we assumed that the initial appraised base value of each aircraft declines by approximately 3% of the initial appraised base value each year for the first 15 years after the year of delivery of the aircraft by the manufacturer, by approximately 4% each year thereafter for the next five years and by approximately 5% each year after that. Other rates or methods of depreciation may result in materially different LTV ratios. We cannot assure you that the depreciation rate and method assumed for purposes of the table are the ones most likely to occur nor can we predict the actual future value of any aircraft.

(2)

The LTV ratios for each class of certificates were obtained for each Regular Distribution Date by dividing (i) the expected outstanding pool balance of such class together with the expected outstanding pool balance of all other classes senior in right of payment to such class after giving effect to the distributions expected to be made on such date by (ii) the assumed aggregate value of all the aircraft on such date based on the assumptions described above.

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Cash Flow/Structure Chart

The following diagram illustrates the structure of the offering of the certificates and cash flows.

(1) Each aircraft will be subject to a separate indenture with a separate loan trustee.
(2) The initial amount of the Liquidity Facility for each of the Class A and Class B certificates will cover up to three consecutive semiannual interest payments with respect to the certificates of the related pass through trust. There will be no Liquidity Facility for the Class C certificates.

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The Offering

Pass Through Trusts	United and Wilmington Trust Company, as Pass Through Trustee, will form three pass through trusts under three separate pass through trust supplements to a basic Pass Through Trust Agreement between United and the Pass Through Trustee.
Certificates Offered	Class A certificates Class B certificates Class C certificates Each class of pass through certificates will represent 100% of the fractional undivided interest in the corresponding pass through trust.
Use of Proceeds	The proceeds from the sale of the pass through certificates of each pass through trust will be used by the respective Pass Through Trustee to purchase Equipment Notes issued by United. The Equipment Notes will be full recourse obligations of United. United will issue the Equipment Notes under a separate Indenture for each aircraft. United will use the proceeds from the issuance of the Equipment Notes to refinance the existing debt on certain aircraft and for general corporate purposes.
Subordination Agent, Pass Through Trustee and Loan Trustee	Wilmington Trust Company.
Liquidity Provider	Morgan Stanley Senior Funding, Inc.
Liquidity Guarantor	Morgan Stanley
Trust Property	The property of each pass through trust will include: For the Class A pass through trust, the Series A Equipment Notes. For the Class B pass through trust, the Series B Equipment Notes. For the Class C pass through trust, the Series C Equipment Notes.

All rights of such pass through trust under the Intercreditor Agreement described below (including all monies receivable pursuant to such rights).

All rights of such pass through trust to acquire the related series of Equipment Notes under the Note Purchase Agreement.

For each of the Class A and Class B pass through trusts, all monies receivable under the Liquidity Facility for that pass through trust.

Funds from time to time deposited with the Pass Through Trustee in accounts for such pass through trust.

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UAL Guarantee	UAL will unconditionally guarantee the payment obligations of United under each Equipment Note issued by United pursuant to a guarantee agreement (the UAL Guarantee).
Regular Distribution Dates	January 2 and July 2, commencing on January 2, 2008.
Record Dates	The fifteenth day preceding each distribution date.
Distributions	The Pass Through Trustee will distribute all payments of principal, Make-Whole Amount, if any, Break Amount, if any, Prepayment Premium, if any, and interest received on the Equipment Notes held in each pass through trust to the holders of the certificates of that pass through trust. Distributions will be subject to the subordination provisions applicable to the certificates.
	Subject to the subordination provisions applicable to the certificates, the Pass Through Trustee will distribute scheduled payments of principal and interest made on the Equipment Notes held by each pass through trust on the applicable Regular Distribution Dates. Subject to the subordination provisions applicable to the certificates, the Pass Through Trustee will distribute payments of principal, Make-Whole Amount, if any, Break Amount, if any, Prepayment Premium, if any, and interest made on any Equipment Notes resulting from any early redemption of any Equipment Notes on a Special Distribution Date after not less than 15 days notice to the holders of the certificates.
Intercreditor Agreement	The Pass Through Trustees, the Liquidity Provider and the Subordination Agent will enter into an intercreditor agreement.
Subordination	Under the Intercreditor Agreement, after paying certain amounts ranking senior to the distributions on the certificates, the Subordination Agent will generally make distributions on the certificates in the following order:

- first, to make distributions in respect of interest on the Class A certificates to the holders of the Class A certificates;
- second, to make distributions in respect of interest on the Preferred B Pool Balance of the Class B certificates to the holders of the Class B certificates;
- third, to make distributions in respect of interest, at the Class C Adjusted Interest Rate, on the Preferred C Pool Balance of the Class C certificates to the holders of the Class C certificates;
- fourth, to make distributions in respect of the Pool Balance of the Class A certificates to the holders of the Class A certificates;
- fifth, to make distributions in respect of interest on the Pool Balance of the Class B certificates not previously distributed under clause second above to the holders of the Class B certificates;

sixth, to make distributions in respect of the Pool Balance of the Class B certificates to the holders of the Class B certificates;

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seventh, to make distributions in respect of interest on the Pool Balance of the Class C certificates not previously distributed under clause third above to the holders of the Class C certificates; and

eighth, to make distributions in respect of the Pool Balance of the Class C certificates to the holders of the Class C certificates.

Control of Loan Trustee

The holders of at least a majority of the outstanding principal amount of Equipment Notes issued under each Indenture will be entitled to direct the Loan Trustee under such Indenture in taking action as long as no Indenture Event of Default is continuing thereunder. If an Indenture Event of Default is continuing, subject to certain conditions, the Controlling Party will direct the Loan Trustee under such Indenture (including in exercising remedies, such as accelerating such Equipment Notes or foreclosing the lien on the aircraft securing such Equipment Notes).

The Controlling Party will be:

The Class A Trustee.

Upon payment of final distributions to the holders of Class A certificates, the Class B Trustee.

Upon payment of final distributions to the holders of Class B certificates, the Class C Trustee.

Under certain circumstances, and notwithstanding the foregoing, the Liquidity Provider with the largest amount owed to it.

Subject to certain conditions, notwithstanding the foregoing, (a) if one or more holders of the Class B certificates have purchased the Series A Equipment Notes or (b) if one or more holders of the Class C certificates have purchased the Series A Equipment Notes and Series B Equipment Notes, in each case, issued under an Indenture, pursuant to buyout right described in Right to Buy Equipment Notes below, the holders of the majority in aggregate unpaid principal amount of Equipment Notes issued under such Indenture (the Instructing Holders) rather than the Controlling Party, shall be entitled to direct the Loan Trustee in exercising remedies under such Indenture; provided, that so long as the Subordination Agent holds not less than the majority in aggregate unpaid principal amount of such Equipment Notes, the Controlling Party shall be entitled to direct the Loan Trustee under such Indenture.

Limitation on Sale of Aircraft or Equipment Notes

In exercising remedies, during the period ending on the date occurring nine months after the earlier of: (1) the acceleration of the Equipment Notes issued under any Indenture and (2) the occurrence of a United Bankruptcy Event the Controlling Party or the Instructing Holders, as applicable, may not, without the consent of each Trustee, direct the Subordination Agent or Loan Trustee, as applicable, to sell such

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Equipment Notes or the aircraft subject to the lien of that Indenture if the net proceeds from such sale would be less than the lesser of (x) in the case of such aircraft, 75%, or in the case of such Equipment Notes, 85%, of the Appraised Current Market Value of such aircraft and (y) the sum of (i) the aggregate outstanding principal amount of such Equipment Notes, plus accrued and unpaid interest thereon, together with all other sums owing on or in respect of such Equipment Notes under such Indenture and (ii) certain expenses and other amounts payable with respect to the Liquidity Facilities under such Indenture.

Lease of Aircraft as Exercise of Remedies	In exercising remedies under an Indenture, the Controlling Party or the Instructing Holders, as applicable, may direct the Subordination Agent (to direct the Loan Trustee) or Loan Trustee, as applicable, to lease the aircraft subject to the lien of that Indenture to any person (including United) so long as in doing so the Loan Trustee acts in a commercially reasonable manner within the meaning of the Uniform Commercial Code.
Rights to Buy Other Classes of Certificates	If United is in bankruptcy and certain specified circumstances then exist, the certificateholders may have the right to buy certain other Classes of certificates on the following basis: The Class B certificateholders will have the right to purchase all but not less than all of the Class A certificates. The Class C certificateholders will have the right to purchase all but not less than all of the Class A and Class B certificates. The purchase price in each case described above will be the outstanding balance of the applicable Class of certificates plus accrued and unpaid interest and certain other amounts.
Rights to Buy Equipment Notes	Subject to certain conditions, if (x) United is in bankruptcy and certain specified events have occurred or (y) if any Indenture Event of Default under any Indenture has continued for five years without a disposition of the related Equipment Notes or Aircraft, then during a period of six months after such event shall have occurred, Certificateholders will have the right to buy certain Series of Equipment Notes on the following basis: The Class B Certificateholders will have the right to purchase all (but not less than all) of the Series A Equipment Notes under any one or more Indentures. The Class C Certificateholders will have the right to purchase all (but not less than all) of the Series A and B Equipment Notes under any one or more Indentures. The purchase price for any Equipment Note in each case described above will be the outstanding principal amount of such Equipment Note plus accrued and unpaid interest and certain other amounts.

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Liquidity Facilities for Class A and B Certificates	Under the Liquidity Facility for each of the Class A Trust and Class B Trust, the Liquidity Provider will, if necessary, make advances in an aggregate amount that is expected to be sufficient to pay an amount equal to the interest on the certificates of the related Trust on up to three successive semiannual Regular Distribution Dates at the interest rate for the Equipment Notes held in such Trust.
	There will be no Liquidity Facility for the Class C Trust.
	Notwithstanding the subordination provisions applicable to the certificates, the holders of the Class A and Class B certificates will be entitled to receive and retain the proceeds of drawings under the Liquidity Facilities for the related Trust.
	Upon each drawing under any Liquidity Facility to pay interest, the Subordination Agent must reimburse the applicable Liquidity Provider for the amount of that drawing, together with interest on the drawing. This reimbursement obligation and all interest, fees and other amounts owing to the Liquidity Provider under each Liquidity Facility will rank senior to all of the certificates in right of payment.
Obligation to Purchase Equipment Notes	The Pass Through Trustees will be obligated to purchase on the Issuance Date the corresponding series of Equipment Notes issued with respect to the aircraft pursuant to a note purchase agreement (the Note Purchase Agreement).
Issuances of Additional Classes of Certificates	Additional pass through certificates of one or more separate pass through trusts, which will evidence fractional undivided ownership interests in equipment notes secured by the aircraft, may be issued. Any such transaction may relate to a refinancing or reissuance of Series B Equipment Notes or Series C Equipment Notes issued with respect to all (but not less than all) of the aircraft or the issuance of one or more new series of subordinated equipment notes with respect to some or all of the aircraft. Consummation of any such transaction will be subject to satisfaction of certain conditions, including receipt of confirmation from the Rating Agencies that it will not result in a withdrawal, suspension or downgrading of any Class of certificates not subject to such refinancing or reissuance. See Possible Issuance of Additional Certificate and Refinancing of Certificates.
	If any Additional Certificates are issued, under certain circumstances, the holders of the Additional Certificates will have certain rights to purchase the Class A, Class B and Class C certificates and/or the Equipment Notes issued under any Indenture. See DESCRIPTION OF CERTIFICATES Purchase Rights of Certificateholders and DESCRIPTION OF THE INTERCREDITOR AGREEMENT Equipment Note Buyout Right of Subordinated Certificateholders.

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Equipment Notes

(a) Issuer	United will issue Series A, Series B and Series C Equipment Notes, which will be acquired by the Class A, Class B and Class C Trusts, respectively.
(b) Interest	The Equipment Notes held in each Trust will accrue interest at the respective Stated Interest Rate. Interest on the Equipment Notes will be payable on January 2 and July 2 of each year, commencing on January 2, 2008. Interest on the Series A and Series B Equipment Notes will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Series C Equipment Notes will be calculated on the basis of a 360-day year and actual number of days elapsed.
(c) Principal	Principal payments on the Equipment Notes are scheduled to be received in specified amounts on January 2 and July 2 in specified years, commencing on January 2, 2008.
(d) Redemption	*Aircraft Event of Loss*. If an Event of Loss occurs with respect to an aircraft, we will redeem all of the Equipment Notes issued for such aircraft under the related Indenture, unless we replace such aircraft. The redemption price will be the unpaid principal amount of the related Equipment Notes, together with accrued interest, plus Break Amount, if any, but without any Prepayment Premium or Make-Whole Amount.
	Optional Redemption. At any time prior to maturity but subsequent to the No Call Date, United may redeem (i) all of the Equipment Notes related to an aircraft, (ii) the Series B or Series C Equipment Notes with respect to all (but not less than all) aircraft in connection with a refinancing of such Series and reissuance of new Equipment Notes for such Series or (iii) the Series C Equipment Notes with respect to all (but not less than all) aircraft without issuing any new equipment notes; provided, that the Series C Equipment Notes may be so redeemed only if the Rating Agencies have provided a confirmation that such redemption will not result in a withdrawal, suspension or downgrading of the ratings on any class of certificates then rated by the Rating Agencies that will remain outstanding. The redemption price will be the unpaid principal amount of those Equipment Notes, together with accrued interest, plus Make-Whole Amount, if any, Break Amount, if any, and Prepayment Premium, if any.
	The No Call Date will be , .
	In the case of an optional redemption of the Series A or Series B Equipment Notes, United will pay a make-whole premium (the Make-Whole Amount) for any such Equipment Notes equal to an amount (as determined by an independent investment bank of national

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standing selected by United) equal to the excess, if any, of (a) the present value of the remaining scheduled payments of principal and interest from the determination date to maturity of such Equipment Note computed by discounting such payments on a semiannual basis on each Payment Date (assuming a 360-day year of twelve 30-day months) using a discount rate equal to the Treasury Yield plus the Make-Whole Spread, over (b) the outstanding principal amount of such Equipment Note plus accrued interest to the date of determination.

The Make-Whole Spread applicable to the Series A and Series B Equipment Notes is set forth below:

	Make-Whole Spread
Series A Equipment Notes	%
Series B Equipment Notes	%

In the case of an optional redemption of the Series C Equipment Notes, United will pay a prepayment premium (the Prepayment Premium) equal to the following percentage of the principal amount of the Series C Equipment Notes so redeemed:

If redeemed during the year prior to the anniversary of the Issuance Date indicated below	Prepayment Premium for Series C Equipment Notes

(e) Security and Cross-Collateralization

United will secure the Equipment Notes issued for each aircraft by a security interest in the aircraft.

In addition, the obligations under each Indenture will be cross-collateralized as each Indenture will secure all amounts owing under all the Indentures. This means that any excess proceeds from the exercise of remedies with respect to an aircraft will be available to cover any shortfalls then due under Equipment Notes then held by the Subordination Agent issued with respect to the other aircraft. In the absence of any such shortfall, excess proceeds, if any, will be held by the relevant Loan Trustee as additional collateral for such other Equipment Notes. Any cash collateral held as a result of the cross-collateralization of the Equipment Notes would not be entitled to the benefits of Section 1110 of the Bankruptcy Code.

(f) Cross-Default

The only cross-default in the Indentures is if (x) all amounts owing under any Equipment Note issued under another Indenture have not been paid in full on or before July 2, 2022 (the Final Payment Date) and (y) to the extent not prohibited by law, United shall have received

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not less than twenty (20) Business Days notice of such amounts. Therefore, prior to the triggering of the cross-default, if the Equipment Notes issued under one or more Indentures are in default and the Equipment Notes issued under the remaining Indentures are not in default, no remedies will be exercisable under such remaining Indentures.

So long as no default in the payment of principal or interest or certain other amounts or other event of default has occurred and is continuing under any other Indenture, if (x) United exercises its right to redeem all the Equipment Notes under an Indenture or (y) in any other circumstance, all the Equipment Notes under an Indenture are paid in full, the aircraft subject to the lien of such Indenture would be released. Once the lien on an aircraft is released, that aircraft will no longer secure the amounts owing under the other Indentures.

(g) Subordination

Payments on the Series B Equipment Notes will be subordinate and subject in right of payment to the prior payment in full of all amounts in respect of the Series A Equipment Notes. Payments on the Series C Equipment Notes will be subordinate and subject in right of payment to the prior payment in full of all amounts in respect of the Series A Equipment Notes and the Series B Equipment Notes.

By virtue of the Intercreditor Agreement, all of the Equipment Notes held by the Subordination Agent will be effectively cross-subordinated. This means that payments received on a junior series of Equipment Notes held by the Subordination Agent may be applied in accordance with the priority of payment provisions set forth in the Intercreditor Agreement to make distributions on a more senior class of certificates. If a Class B or Class C certificateholder has exercised its buyout right for any Equipment Notes, such Equipment Notes will held by such certificateholder, not the Subordination Agent, and will not be subject to the cross-subordination provisions of the Intercreditor Agreement.

(h) Section 1110 Protection

Vedder, Price, Kaufman & Kammholz, P.C., special counsel to United, will provide an opinion to the Pass Through Trustees that the benefits of Section 1110 of the Bankruptcy Code will be available for each aircraft with respect to all Equipment Notes secured thereby.

(i) Post-Default Reports

Promptly after the occurrence of a Triggering Event or an Indenture Event of Default resulting from a payment default on any Equipment Note (and on each Regular Distribution Date while such event is continuing), the Subordination Agent will prepare and distribute to the Pass Through Trustees, Liquidity Providers, Rating Agencies and United a report containing certain information as to each aircraft and its status, the outstanding certificates and Equipment Notes and the Liquidity Facilities and other information as described under DESCRIPTION OF THE INTERCREDITOR AGREEMENT Reports.

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Federal Income Tax Consequences

The pass through trusts themselves will not be subject to federal income tax. Each certificateholder should report on its federal income tax return its pro rata share of the income from the Equipment Notes (including amounts paid by the Liquidity Provider), if any, and the other property held by the relevant pass through trust, in accordance with the certificateholder s method of accounting.

ERISA Considerations

In general, employee benefit plans subject to Title I of ERISA or Section 4975 of the Code, or entities that may be deemed to hold the assets of those plans, will be eligible to purchase the certificates, subject to the conditions and circumstances that apply to those plans.

Each person who acquires or accepts a certificate or an interest therein will be deemed by the acquisition or acceptance to have represented and warranted that either:

(a) no assets of a plan or an individual retirement account have been used to acquire the certificate or an interest therein; or

(b) the purchase and holding of the certificate or an interest therein by that person are exempt from the prohibited transaction restrictions of ERISA and the Code. See ERISA CONSIDERATIONS.

Transfer Restrictions for Class B and Class C Certificates

The Class B and Class C Certificates may be sold only to qualified institutional buyers, as defined in Rule 144A of the Securities Act of 1933, as amended, for so long as they are outstanding.

Ratings of the Certificates

It is a condition to the issuance of the pass through certificates that Moody s Investors Service, Inc. (Moody s) and Standard & Poor s Ratings Services, a division of The McGraw Hill Companies, Inc. (Standard & Poor s and together with Moody s, the Rating Agencies) rate the pass through certificates not less than the ratings set forth below:

Certificates	**Moody s**	**Standard & Poor s**
Class A	Baa2	BBB
Class B	Ba2	BB-
Class C	B1	B

A rating is not a recommendation to purchase, hold or sell certificates. A rating does not address market price or suitability for a particular investor. We cannot assure you that the Rating Agencies will not lower or withdraw their ratings.

Threshold Rating Requirements for the Liquidity Providers

The Liquidity Providers must have a short-term unsecured debt rating of at least P-1 from Moody s and a short-term issuer credit rating of at least A-1 from Standard & Poor s.

Liquidity Provider Rating

Morgan Stanley, the parent company of Morgan Stanley Senior Funding, Inc., meets the Threshold Rating requirement and will guarantee Morgan Stanley Senior Funding, Inc. s payment obligations under the Liquidity Facilities.

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RISK FACTORS

In addition to the other information included or incorporated by reference in this prospectus supplement, including the matters addressed in Presentation of Information in this prospectus supplement and in Cautionary Statement Concerning Forward-Looking Statements in the accompanying prospectus, you should carefully consider the following risk factors set forth below before making an investment decision with respect to the pass through certificates offered hereby.

Risks Related to our Business

Continued periods of historically high fuel costs or significant disruptions in the supply of aircraft fuel could have a material adverse impact on the Company s operating results.

The Company s operating results have been and continue to be significantly impacted by changes in the availability or price of aircraft fuel. Previous record-high fuel prices increased substantially in 2006 as compared to 2005. At times, United has not been able to increase its fares when fuel prices have risen due to the highly competitive nature of the airline industry, and it may not be able to do so in the future. Although the Company is currently able to obtain adequate supplies of aircraft fuel, it is impossible to predict the future availability or price of aircraft fuel. In addition, from time to time the Company enters into hedging arrangements to protect against rising fuel costs. The Company s ability to hedge in the future, however, may be limited due to market conditions and other factors.

Additional terrorist attacks or the fear of such attacks, even if not made directly on the airline industry, could negatively affect the Company and the airline industry.

The terrorist attacks of September 11, 2001 involving commercial aircraft severely and adversely affected the Company s financial condition and results of operations, as well as prospects for the airline industry generally. Among the effects experienced from the September 11, 2001 terrorist attacks were substantial flight disruption costs caused by the Federal Aviation Administration (FAA), a division of the U.S. Department of Transportation (DOT), imposed temporary grounding of the U.S. airline industry s fleet, significantly increased security costs and associated passenger inconvenience, increased insurance costs, substantially higher ticket refunds and significantly decreased traffic and revenue per revenue passenger mile (yield).

Additional terrorist attacks, even if not made directly on the airline industry, or the fear of or the precautions taken in anticipation of such attacks (including elevated national threat warnings or selective cancellation or redirection of flights) could materially and adversely affect the Company and the airline industry. The war in Iraq and additional international hostilities could also have a material adverse impact on the Company s financial condition, liquidity and results of operations. The Company s financial resources might not be sufficient to absorb the adverse effects of any further terrorist attacks or an increase in post-war unrest in Iraq or other international hostilities involving the United States.

The airline industry is highly competitive and susceptible to price discounting.

The U.S. airline industry is characterized by substantial price competition, especially in domestic markets. Some of our competitors have substantially greater financial resources or lower-cost structures than United does, or both. In recent years, the market share held by low-cost carriers (LCCs) has increased significantly. Large network carriers, like United, have often had a lack of pricing power within domestic markets.

In addition, U.S. Airways, Northwest, Delta and several small U.S. competitors have recently reorganized or are currently reorganizing under bankruptcy protection. Other carriers could file for bankruptcy or threaten to do so to reduce their costs. Carriers operating under bankruptcy protection can operate in a manner that could be adverse to the Company and could emerge from bankruptcy as more vigorous competitors.

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From time to time the U.S. airline industry has undergone consolidation, as in the recent merger of U.S. Airways and America West, and may experience additional consolidation in the future. United routinely monitors changes in the competitive landscape and engages in analysis and discussions regarding its strategic position, including alliances, asset acquisitions and business combinations. If other airlines participate in merger activity, those airlines may significantly improve their cost structures or revenue generation capabilities, thereby potentially making them stronger competitors of United.

Additional security requirements may increase the Company s costs and decrease its traffic.

Since September 11, 2001, the U.S. Department of Homeland Security (DHS) and the Transportation Security Administration (TSA) have implemented numerous security measures that affect airline operations and costs, and are likely to implement additional measures in the future. In addition, foreign governments have also begun to institute additional security measures at foreign airports United serves. A substantial portion of the costs of these security measures is borne by the airlines and their passengers, increasing the Company s costs and/or reducing its revenue.

Security measures imposed by the U.S. and foreign governments after September 11, 2001 have increased United s costs and may further adversely affect the Company and its financial results. Additional measures taken to enhance either passenger or cargo security procedures and/or to recover associated costs in the future may result in similar adverse effects.

Extensive government regulation could increase the Company s operating costs and restrict its ability to conduct its business.

Airlines are subject to extensive regulatory and legal compliance requirements that result in significant costs. In addition to the enactment of the Aviation and Transportation Security Act (the Aviation Security Act) in November 2001, various laws, regulations, taxes and airport rates and charges have been proposed from time to time that could significantly increase the cost of airline operations or reduce airline revenue. The FAA from time to time also issues directives and other regulations relating to the maintenance and operation of aircraft that require significant expenditures by the Company. The Company expects to continue incurring material expenses to comply with the regulations of the FAA and other agencies.

United operates under a certificate of public convenience and necessity issued by the DOT. If the DOT alters, amends, modifies, suspends or revokes United s certificate, it could have a material adverse effect on its business. The FAA can also limit United s airport access by limiting the number of departure and arrival slots at high-density traffic airports and local airport authorities may have the ability to control access to certain facilities or the cost of access to such facilities, which could have an adverse effect on the Company s business.

Many aspects of United s operations are also subject to increasingly stringent federal, state and local laws protecting the environment. Future regulatory developments in the U.S. and abroad could adversely affect operations and increase operating costs in the airline industry. For example, potential future actions that may be taken by the U.S. government, foreign governments, or the International Civil Aviation Organization to limit the emission of greenhouse gases by the aviation industry are uncertain at this time, but the impact to the Company and its industry would likely be adverse and could be significant.

The ability of U.S. carriers to operate international routes is subject to change because the applicable arrangements between the United States and foreign governments may be amended from time to time, or because appropriate slots or facilities may not be made available. United currently operates on a number of international routes under government arrangements that limit the number of carriers, capacity, or the number

of carriers allowed access to particular airports. If an open skies policy were to be adopted for any of these routes, such an event could have a material adverse impact on the Company s financial position and results of operations and could result in the impairment of material amounts of related intangible assets. Recently, the United States and

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the European Union (EU) entered into an open skies agreement that will become effective at the end of March 2008. See Management s Discussion and Analysis of Financial Condition and Results of Operations Overview Recent Developments.

Further, the Company s operations in foreign countries are subject to various laws and regulations in those countries. The Company cannot provide any assurance that current laws and regulations, or laws or regulations enacted in the future, will not adversely affect its financial condition or results of operations.

The Company s results of operations fluctuate due to seasonality and other factors associated with the airline industry.

Due to greater demand for air travel during the summer months, revenues in the airline industry in the second and third quarters of the year are generally stronger than revenues in the first and fourth quarters of the year. The Company s results of operations generally reflect this seasonality, but have also been impacted by numerous other factors that are not necessarily seasonal including, among others, the imposition of excise and similar taxes, extreme or severe weather, air traffic control delays and general economic conditions. As a result, the Company s quarterly operating results are not necessarily indicative of operating results for an entire year and historical operating results are not necessarily indicative of future operating results.

The Company s financial condition and results of operations may be further affected by the future resolution of bankruptcy-related contingencies.

Despite the Company s exit from bankruptcy on February 1, 2006, several significant matters remain to be resolved in connection with its reorganization under Chapter 11 of the United States Bankruptcy Code. Unfavorable resolution of these matters could have a material adverse effect on the Company s business. For additional detail regarding these matters, see Note 1 (Voluntary Reorganization Under Chapter 11 Bankruptcy Considerations) under Item 8. Financial Statements and Supplementary Data in our Annual Report on Form 10-K for the year ended December 31, 2006, incorporated by reference herein.

The Company s initiatives to improve the delivery of its products and services to its customers, reduce costs, and increase its revenues may not be adequate or successful.

The Company continues to identify and implement continuous improvement programs to improve the delivery of its products and services to its customers, reduce its costs and increase its revenues. Some of these efforts are focused on cost savings in such areas as telecommunications, airport services, catering, maintenance materials, aircraft ground handling and regional affiliates. A number of the Company s ongoing initiatives involve significant changes to the Company s business that it may be unable to implement successfully. The adequacy and ultimate success of the Company s programs and initiatives to improve the delivery of its products and services to its customers, reduce its costs and increase its revenues cannot be assured.

Union disputes, employee strikes and other labor-related disruptions may adversely affect the Company s operations.

Approximately 81% of the employees of United are represented for collective bargaining purposes by U.S. labor unions. These employees are organized into six labor groups represented by six different unions.

Relations between air carriers and labor unions in the United States are governed by the Railway Labor Act (RLA). Under the RLA, a carrier must maintain the existing terms and conditions of employment following the amendable date through a multi-stage and usually lengthy series of bargaining processes overseen by the National Mediation Board. This process continues until either the parties have reached agreement on a new collective bargaining agreement (CBA) or the parties are released to self-help by the National Mediation Board. Although in most circumstances the RLA prohibits strikes, shortly after release by the National Mediation Board carriers and unions are free to engage in self-help measures such as strikes and lock-outs. All of the Company s U.S. labor agreements become amendable in January 2010. There is also a risk that dissatisfied

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employees, either with or without union involvement, could engage in illegal slow-downs, work stoppages, partial work stoppages, sick-outs or other actions short of a full strike that could individually or collectively harm the operation of the airline and impair its financial performance.

Increases in insurance costs or reductions in insurance coverage may adversely impact the Company s operations and financial results.

The terrorist attacks of September 11, 2001 led to a significant increase in insurance premiums and a decrease in the insurance coverage available to commercial airlines. Accordingly, the Company s insurance costs increased significantly and its ability to continue to obtain certain types of insurance remains uncertain. The Company has obtained third-party war risk (terrorism) insurance through a special program administered by the FAA, resulting in lower premiums than if it had obtained this insurance in the commercial insurance market. Should the government discontinue this coverage, obtaining comparable coverage from commercial underwriters could result in substantially higher premiums and more restrictive terms, if it is available at all. If the Company is unable to obtain adequate war risk insurance, its business could be materially and adversely affected.

If any of United s aircraft were to be involved in an accident, the Company could be exposed to significant liability. The insurance it carries to cover damages arising from any future accidents may be inadequate. If the Company s insurance is not adequate, it may be forced to bear substantial losses from an accident.

The Company relies heavily on automated systems to operate its business and any significant failure of these systems could harm its business.

The Company depends on automated systems to operate its business, including its computerized airline reservation systems, flight operations systems, telecommunication systems and commercial websites, including united.com. United s website and reservation systems must be able to accommodate a high volume of traffic and deliver important flight information, as well as process critical financial transactions. Substantial or repeated website, reservations systems or telecommunication systems failures could reduce the attractiveness of United s services versus its competitors and materially impair its ability to market its services and operate its flights.

The Company s business relies extensively on third-party providers. Failure of these parties to perform as expected, or unexpected interruptions in the Company s relationships with these providers or their provision of services to the Company, could have an adverse effect on its financial condition and results of operations.

The Company has engaged a growing number of third-party service providers to perform a large number of functions that are integral to its business, such as operation of United Express flights, operation of customer service call centers, provision of information technology infrastructure and services, provision of maintenance and repairs, provision of various utilities and performance of aircraft fueling operations, among other vital functions and services. The Company does not directly control these third-party providers, although it does enter into agreements with many of them that define expected service performance. Any of these third-party providers, however, may materially fail to meet their service performance commitments to the Company. The failure of these providers to adequately perform their service obligations, or other unexpected interruptions of services, may reduce the Company s revenues and increase its expenses or prevent United from operating its flights and providing other services to its customers. In addition, the Company s business and financial performance could be materially harmed if its customers believe that its services are unreliable or unsatisfactory.

The Company s high level of fixed obligations could limit its ability to fund general corporate requirements and obtain additional financing, could limit its flexibility in responding to competitive developments and could increase its vulnerability to adverse economic and industry conditions.

The Company has a significant amount of financial leverage from fixed obligations, including a secured credit facility, aircraft lease and debt financings, leases of airport property and other facilities, and other material

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cash obligations. In addition, as of March 31, 2007, the Company had pledged substantially all of its available assets as collateral to secure its various fixed obligations, except for certain aircraft and related parts with an estimated current market value of approximately $2.5 billion.

The Company s high level of fixed obligations or a downgrade in the Company s credit ratings could impair its ability to obtain additional financing, if needed, and reduce its flexibility to conduct its business. Certain of the Company s existing indebtedness also requires it to meet covenants and financial tests to maintain ongoing access to those borrowings. See Note 9 (Debt Obligations) under Item 8. Financial Statements and Supplementary Data in our Annual Report on Form 10-K for the year ended December 31, 2006, incorporated by reference herein, and Note 9 (Debt Obligations) under Item 1. Financial Statements in our Quarterly Report on Form 10-Q for the period ended March 31, 2007, incorporated by reference herein, for further details. A failure to timely pay its debts or other material uncured breach of its contractual obligations could result in a variety of adverse consequences, including the acceleration of the Company s indebtedness, the withholding of credit card sale proceeds by its credit card service providers and the exercise of other remedies by its creditors and equipment lessors that could result in material adverse effects on the Company s operations and financial condition. In such a situation, it is unlikely that the Company would be able to fulfill its obligations to repay the accelerated indebtedness, make required lease payments, or otherwise cover its fixed costs.

The Company s net operating loss carry forward may be limited.

The Company has a net operating loss (NOL) carry forward tax benefit of approximately $2.7 billion for federal and state income tax purposes that primarily originated before United s emergence from bankruptcy and will expire over a five to twenty year period. This tax benefit is mostly attributable to federal NOL carry forwards of $7.0 billion as of March 31, 2007. If UAL were to have a change of ownership within the meaning of Section 382 of the Internal Revenue Code, under current conditions, its annual federal NOL utilization could be limited to an amount equal to its market capitalization at the time of the ownership change multiplied by the federal long-term tax exempt rate. This limitation would impact both UAL and United NOLs.

To avoid a potential adverse effect on UAL and United s ability to utilize their NOL carry forward for federal income tax purposes after February 1, 2006 (the Effective Date), UAL s certificate of incorporation contains a 5% Ownership Limitation, applicable to all stockholders except the Pension Benefit Guaranty Corporation (PBGC). The 5% Ownership Limitation remains effective until February 1, 2011. While the purpose of these transfer restrictions is to prevent a change of ownership from occurring within the meaning of Section 382 of the Internal Revenue Code (which ownership change would materially and adversely affect UAL and United s ability to utilize their NOL carry forward or other tax attributes), no assurance can be given that such an ownership change will not occur, in which case the availability of UAL and United s substantial NOL carry forward and other federal income tax attributes would be significantly limited or possibly eliminated.

The Company has identified a material weakness in its internal control over financial reporting associated with tax accounting as of March 31, 2007 that, if not properly remediated, could result in material misstatements in its financial statements in future periods.

UAL performed an evaluation of its internal control over financial reporting as of March 31, 2007, and concluded that such internal control over financial reporting was not effective as of such date due to the existence of a deficiency in the operation of its internal accounting controls, which constituted a material weakness in its internal control over financial reporting. Only UAL, as a large accelerated filer with respect to the reporting requirements of the Exchange Act, was and is required to comply with Section 404 of the Sarbanes-Oxley Act of 2002 and related U.S. Securities and Exchange Commission (SEC) regulations as to management s assessment of internal control over financial reporting for the fiscal years of 2006 and 2007. United is not an accelerated filer, and therefore, is not required to comply with the aforementioned regulations. However, as part of UAL s internal control assessment, United s management determined that this material weakness also exists within its internal control over financial reporting. While the controls were properly designed and did not result in a

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material misstatement, they did not operate effectively to ensure proper accounting and disclosure of income taxes. The Company has suffered from high management attrition during its reorganization. The material weakness was primarily related to high staff turnover in the tax department.

As defined in Public Company Accounting Oversight Board Auditing Standard No. 2, a material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of a Company s annual or interim financial statements will not be prevented or detected.

Because of this material weakness, there is a risk that a material misstatement of our annual or quarterly financial statements may not be prevented or detected. The Company has taken and will continue to take whatever steps are necessary to remediate the material weakness, including the hiring of staff, use of external advisers, as well as implementing a more rigorous review process of tax accounting and disclosure matters. We cannot guarantee, however, that such remediation efforts will correct the material weakness such that our internal control over financial reporting will be effective. In the event that we do not adequately remedy this material weakness, or if we fail to maintain effective internal control over financial reporting in future periods, our access to capital could be adversely affected.

The Company is subject to economic and political instability and other risks of doing business globally.

The Company is a global business with operations outside of the United States from which it derives approximately one-third of its operating revenues. The Company s operations in Asia, Latin America, the Middle East and Europe are a vital part of its worldwide airline network. Volatile economic, political and market conditions in these international regions may have a negative impact on the Company s operating results and its ability to achieve its business objectives. In addition, significant or volatile changes in exchange rates between the U.S. dollar and other currencies, the imposition of exchange controls or other currency restrictions may have a material adverse impact upon the Company s liquidity, revenues, costs, or operating results.

The loss of skilled employees upon whom the Company depends to operate its business or the inability to attract additional qualified personnel could adversely affect its results of operations.

The Company believes that its future success will depend in large part on its ability to attract and retain highly qualified management, technical and other personnel. The Company may not be successful in retaining key personnel or in attracting and retaining other highly qualified personnel. Any inability to retain or attract significant numbers of qualified management and other personnel could adversely affect its business.

The Company could be adversely affected by an outbreak of a disease that affects travel behavior.

An outbreak of a disease that affects travel behavior, such as Severe Acute Respiratory Syndrome (SARS) or avian flu, could have a material adverse impact on the Company s business, financial condition and results of operations.

Certain provisions of UAL s governance documents could discourage or delay changes of control or changes to the board of directors of UAL.

Certain provisions of the amended and restated certificate of incorporation and amended and restated bylaws of UAL (the Governance Documents) may make it difficult for stockholders to change the composition of the Company s board of directors and may discourage takeover attempts that some of its stockholders may consider beneficial.

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Certain provisions of the Governance Documents may have the effect of delaying or preventing changes in control if the board of directors of UAL determines that such changes in control are not in the best interests of UAL and its stockholders.

These provisions of the Governance Documents are not intended to prevent a takeover, but are intended to protect and maximize the value of UAL s stockholders interests. While these provisions have the effect of encouraging persons seeking to acquire control of UAL to negotiate with the board of directors of UAL, they could enable the board of directors of UAL to prevent a transaction that some, or a majority, of its stockholders might believe to be in their best interests and, in that case, may prevent or discourage attempts to remove and replace incumbent directors.

Risks Related to the Certificates and the Offering

Appraisals should not be relied upon as a measure of realizable value of the aircraft

Three independent appraisal and consulting firms have prepared appraisals of the aircraft. The appraisal letters are annexed to this prospectus supplement as Appendix II. The appraisals are based on the base value of the aircraft and rely on varying assumptions and methodologies that may differ among the appraisers. Base value is the theoretical value of an aircraft that assumes a balanced market. The appraisals may not reflect current market conditions that could affect the current market value of the aircraft. The appraisers prepared the appraisals without a physical inspection of the aircraft and the aircraft may not be in the condition assumed by the appraisers. Appraisals that are based on other assumptions and methodologies may result in valuations that are materially different from those contained in the appraisals. For a more detailed discussion of the appraisals, see DESCRIPTION OF THE AIRCRAFT AND THE APPRAISALS The Appraisals.

An appraisal is only an estimate of value. It does not necessarily indicate the price at which an aircraft may be purchased or sold in the market. An appraisal should not be relied on as a measure of realizable value. The proceeds realized on a sale of any aircraft may be less than its appraised value. In particular, the appraisals of the aircraft are estimates of the values of the aircraft assuming the aircraft are in a certain condition, which may not be the case. If the Loan Trustee exercised remedies under one or more Indentures, the value of the related aircraft will depend on various factors, including:

- market and economic conditions;
- the supply of similar aircraft;
- the availability of buyers;
- the condition of the aircraft; and
- whether the aircraft are sold separately or as a block.

Accordingly, we cannot assure you that the proceeds realized on any exercise of remedies would be sufficient to satisfy in full payments due on the Equipment Notes for any aircraft or the full amount of distributions expected to be paid on the certificates.

Failure to perform maintenance responsibilities may deteriorate the value of the aircraft

To the extent described in the Indentures, we will be responsible for the maintenance, service, repair and overhaul of the aircraft. If we fail to perform adequately these responsibilities, the value of the aircraft may be reduced. In addition, the value of the aircraft may deteriorate even if we fulfill our maintenance responsibilities. As a result, it is possible that upon a liquidation, there will be less proceeds than anticipated to repay the holders of Equipment Notes. See DESCRIPTION OF THE EQUIPMENT NOTES Certain Provisions of the Indentures.

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Inadequate levels of insurance may result in insufficient proceeds to repay holders of related Equipment Notes

To the extent described in the Indentures, we must maintain public liability, property damage and all-risk aircraft hull insurance on the aircraft. If we fail to maintain adequate levels of insurance, the proceeds which could be obtained upon an Event of Loss (as defined in Appendix I Glossary) of an aircraft may be insufficient to repay the holders of the related Equipment Notes. See DESCRIPTION OF THE EQUIPMENT NOTES Certain Provisions of the Indentures *Insurance*.

It may be difficult and expensive to exercise repossession rights with respect to an aircraft

There will be no general geographic restrictions on our ability to operate the aircraft. Although we do not currently intend to do so, we may register the aircraft in specified foreign jurisdictions and/or lease the aircraft. It may be difficult, time-consuming and expensive for a Loan Trustee to exercise repossession rights if an aircraft is located outside the United States, is registered in a foreign jurisdiction or is leased to a foreign or domestic operator. Additional difficulties may exist if a lessee is the subject of a bankruptcy, insolvency or similar event.

In addition, some jurisdictions may allow for other liens or other third party rights to have priority over a Loan Trustee s security interest in an aircraft. As a result, the benefits of the related Loan Trustee s security interest in an aircraft may be less than they would be if the aircraft were located or registered in the United States.

Upon repossession of an aircraft, the aircraft may need to be stored and insured. The costs of storage and insurance can be significant and the incurrence of such costs could result in fewer proceeds to repay the holders of the Equipment Notes.

Payments to certificateholders will be subordinated to certain amounts payable to other parties

Under the Intercreditor Agreement, the Liquidity Provider will receive payment of all amounts owed to it, including reimbursement of drawings made to pay interest on the Class A and Class B certificates, before the holders of any class of certificates receive any funds. In addition, the Subordination Agent and the Pass Through Trustees will receive some payments before the holders of any class of certificates receive distributions.

Payments of principal on the certificates are subordinated to payments of interest on the certificates, subject to certain limitations and certain other payments. Consequently, a payment default under any Equipment Note or a Triggering Event may cause the distribution of interest on the certificates or such other amounts from payments received with respect to principal on one or more series of Equipment Notes. If this occurs, the interest accruing on the remaining Equipment Notes may be less than the amount of interest expected to be distributed on the remaining certificates. This is because the interest on the certificates may be based on a Pool Balance that exceeds the outstanding principal balance of the remaining Equipment Notes. As a result of this possible interest shortfall, the holders of the certificates may not receive the full amount expected after a payment default under any Equipment Note even if all Equipment Notes are eventually paid in full. For a more detailed discussion of the subordination provisions of the Intercreditor Agreement, see DESCRIPTION OF THE INTERCREDITOR AGREEMENT Priority of Distributions.

The buyout of senior Equipment Notes with respect to an aircraft by the junior certificateholders may reduce the amounts payable to the certificateholders

After the occurrence of certain events, any junior certificateholder has the right to purchase the senior Equipment Notes issued under any Indenture. The purchase price paid by such junior certificateholder will be distributed pursuant to the Intercreditor Agreement and will be subject to the subordination provisions set forth therein. See DESCRIPTION OF THE INTERCREDITOR AGREEMENT Priority of Distributions. After such purchase, the purchased Equipment Notes will no longer be subject to the cross-subordination provisions of the Intercreditor Agreement. Any payments and/or proceeds distributable under such Indenture will be paid first

to the purchaser (or then current holder) of the purchased senior Equipment Notes in respect of amounts due and owing on such senior Equipment Notes and such amounts will not be paid to the Subordination Agent for distribution to the certificateholders under the Intercreditor Agreement. As such, Certificateholders will not receive any distributions in respect of such Indenture, including interest distributions on the Class B and Class C certificates, until all amounts due on such senior Equipment Notes have been paid in full.

The exercise of remedies will be controlled by the Controlling Party

If an event of default under an Indenture is continuing, subject to specified conditions, the Controlling Party may direct the Loan Trustee under the related Indenture to exercise remedies under the Indenture, including accelerating the applicable Equipment Notes or foreclosing the lien on the aircraft securing such Equipment Notes. See DESCRIPTION OF THE CERTIFICATES Indenture Events of Default and Certain Rights Upon An Indenture Event of Default.

The Controlling Party will be:

- The Class A Trustee.
- Upon payment of Final Distributions to the holders of Class A certificates, the Class B Trustee.
- Upon payment of Final Distributions to holders of Class B certificates, the Class C Trustee.
- Under specified circumstances, and notwithstanding the foregoing, the Liquidity Provider with the largest amount owed to it.

Subject to certain conditions, notwithstanding the foregoing, (a) if one or more holders of the Class B certificates have purchased the Series A Equipment Notes or (b) if one or more holders of the Class C certificates have purchased the Series A Equipment Notes and Series B Equipment Notes or (c) if one or more holders of Additional Certificates have purchased the Series A Equipment Notes, Series B Equipment Notes and Series C Equipment Notes, in each case, issued under an Indenture, the holders of the majority in aggregate unpaid principal amount of Equipment Notes issued under such Indenture, rather than the Controlling Party, shall be entitled to direct the Loan Trustee in exercising remedies under such Indenture; provided, that so long as the Subordination Agent holds not less than the majority in aggregate unpaid principal amount of such Equipment Notes, the Controlling Party shall be entitled to direct the Loan Trustee under such Indenture.

As a result of the foregoing, if the Pass Through Trustee for a Class of certificates is not the Controlling Party with respect to an Indenture (or, in the case of an Indenture under which there has been an Equipment Note buyout as described in the preceding paragraph, where such Pass Through Trustee holds less than a majority of the outstanding principal amount of Equipment Notes issued under such Indenture), the certificateholders of that Class will have no rights to participate in directing the exercise of remedies under such Indenture.

The proceeds from the disposition of any aircraft or Equipment Notes may not be sufficient to pay all amounts distributable to the holders of certificates

The market for any aircraft or Equipment Notes, as the case may be, during any event of default under an Indenture may be very limited, and we cannot assure you as to the price at which they could be sold.

Some certificateholders will receive a smaller amount of principal distributions than anticipated and will not have any claim for the shortfall against us (except in the second bullet point below), any Loan Trustee or any Trustee if the Controlling Party takes the following actions:

- It sells any Equipment Notes for less than their outstanding principal amount; or

- It sells any aircraft for less than the outstanding principal amount of the related Equipment Notes.

The Equipment Notes will be cross-collateralized. However, the only cross-default in the Indentures is if (x) all amounts owing under any Equipment Note issued under another Indenture is not paid in full on or before

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the Final Payment Date and (y) to the extent not prohibited by law, we have received not less than twenty (20) Business Days notice of such amounts. Therefore, prior to the triggering of the cross-default, if the Equipment Notes issued under one or more Indentures are in default and the Equipment Notes issued under the remaining Indentures are not in default, no remedies will be exercisable under such remaining Indentures.

The ratings of the certificates may be lowered or withdrawn in the future

It is a condition to the issuance of the certificates that Moody s and Standard & Poor s rate the certificates not less than the ratings set forth below:

Certificates	Moody s	Standard & Poor s
Class A	Baa2	BBB
Class B	Ba2	BB-
Class C	B1	B

A rating is not a recommendation to purchase, hold or sell certificates and the rating does not address market price of the certificates or suitability of investing in the certificates for a particular investor. A rating may not remain for any given period of time and a Rating Agency may lower or withdraw entirely a rating if in its judgment circumstances in the future so warrant. These circumstances may include a downgrading of the debt of United or any Liquidity Provider by a Rating Agency.

The rating of the certificates is based primarily on the default risk of the Equipment Notes, the availability of the Liquidity Facilities for the benefit of holders of the Class A and Class B certificates, the collateral value provided by the aircraft relating to the Equipment Notes, the cross-collateralization provisions applicable to the Indentures and the subordination provisions applicable to the certificates. These ratings address the likelihood of timely payment of interest (at the Stated Interest Rate and without any premium or break amount) when due on the certificates and the ultimate payment of principal distributable under the certificates by the Final Legal Distribution Date. The ratings do not address the possibility of certain defaults, optional redemptions or other circumstances, which could result in the payment of the outstanding principal amount of the certificates prior to the Final Expected Regular Distribution Date. Any cash collateral held as a result of the cross-collateralization of the Equipment Notes will not be entitled to the benefits of Section 1110 of the Bankruptcy Code. The ratings apply only to the certificates and not the Equipment Notes, regardless of whether any such Equipment Notes are purchased by a certificateholder pursuant to the purchase rights described under Description of the Intercreditor Agreement Intercreditor Rights Equipment Note Buyout Rights of Subordinated Certificateholders.

The reduction, suspension or withdrawal of the ratings of the certificates will not, by itself, constitute an event of default under the pass through trust agreements.

The certificates will not provide any protection against highly leveraged or extraordinary transactions

The certificates, the Equipment Notes and the underlying agreements will not contain any financial or other covenants or event risk provisions protecting the certificateholders in the event of a highly leveraged or other extraordinary transaction affecting us or our affiliates.

There are no restrictive covenants in the transaction documents relating to our ability to incur future indebtedness

The certificates, Equipment Notes and the underlying agreements will not (i) require us to maintain any financial ratios or specified levels of net worth, revenues, income, cash flow or liquidity and therefore do not protect certificateholders in the event that we experience significant adverse changes in our financial condition or results of operations, (ii) limit our ability to incur additional indebtedness or (iii) restrict our ability to pledge our assets. In light of the absence of such restrictions, we may conduct our business in a manner that may cause the market price of the certificates to decline or otherwise restrict or impair our ability to pay amounts due under the Equipment Notes and/or the related agreements.

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The ability to resell the certificates may be limited and the Class B and Class C certificates are subject to transfer restrictions

Prior to this offering, there has been no public market for the certificates. Neither we nor any pass through trust intends to apply for listing of the certificates on any securities exchange or otherwise. The underwriters may assist in resales of the certificates, but they are not required to do so, and any market-making activity may be discontinued at any time without notice at the sole discretion of each underwriter. A secondary market for the certificates may not develop. If a secondary market does develop, it might not continue or it might not be sufficiently liquid to allow you to resell any of your certificates. If an active public market does not develop, the market price and liquidity of the certificates may be adversely affected.

In addition, the Class B and Class C certificates will be subject to transfer restrictions. They may be sold only to qualified institutional buyers, as defined in Rule 144A under the Securities Act of 1933, as amended, for so long as they are outstanding. This additional restriction may make it more difficult for you to resell any of your Class B or Class C certificates, even if a secondary market does develop.

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USE OF PROCEEDS

The proceeds from the sale of the certificates of each Trust will be used by the applicable Pass Through Trustee to acquire the Equipment Notes to be held by that Trust. We will issue the Equipment Notes under thirteen separate Indentures. We will use the proceeds from the issuance of the Equipment Notes to refinance the existing debt on certain aircraft and for general corporate purposes, possibly including the repayment of indebtedness, financing of capital expenditures or funding of potential acquisitions or other business transactions.

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SELECTED FINANCIAL DATA

The following table sets forth certain of United s selected historical financial data and the notes related thereto. The selected financial data, as of and for the years ended December 31, 2002 and 2003 and as of December 31, 2004 have been derived from our audited consolidated financial statements and the related notes thereto, which are not incorporated by reference in this prospectus supplement. The selected financial data for the year ended December 31, 2004 and as of and for the year ended December 31, 2005 and the combined period from January 1, 2006 to December 31, 2006 have been derived from our audited consolidated financial statements and the related notes thereto, which are incorporated by reference in this prospectus supplement. The selected financial data as of and for the combined period from January 1, 2006 to March 31, 2006 and the three month period ended March 31, 2007 were derived from our unaudited condensed consolidated interim financial statements and the related notes thereto, which are incorporated by reference in this prospectus supplement.

In our opinion, all adjustments considered necessary for a fair presentation have been included in our unaudited financial statements. Interim results for the three months ended March 31, 2007 are not necessarily indicative of, or projections for, the results to be expected for the full year ending December 31, 2007.

In connection with our emergence from Chapter 11 bankruptcy protection, we adopted fresh-start reporting in accordance with the American Institute of Certified Public Accountants Statement of Position 90-7 (SOP 90-7), *Financial Reporting by Entities in Reorganization under the Bankruptcy Code*, and in conformity with accounting principles generally accepted in the United States of America (GAAP). As a result of the adoption of fresh-start reporting, the financial data prior to February 1, 2006 is not comparable with the financial data after February 1, 2006. References to Successor Company refer to United on or after February 1, 2006, after giving effect to the adoption of fresh-start reporting. References to Predecessor Company refer to United prior to February 1, 2006.

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You should read the table in conjunction with the sections entitled Use of Proceeds, Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements of United and the related notes thereto incorporated by reference herein. See also Incorporation of Certain Documents by Reference in this prospectus supplement and Where You Can Find More Information in the accompanying prospectus.

	Predecessor Company					Successor Company		
	2002	2003	2004	2005	Period from January 1, to January 31, 2006	Period from February 1, to December 31, 2006	Period from February 1, to March 31, 2006	Three Months Ended March 31, 2007
				(In millions, except rates)				
Income Statement Data:								
Operating revenues	$ 15,811	$ 14,933	$ 16,413	$ 17,304	$ 1,454	$ 17,880	$ 3,006	$ 4,377
Operating expenses	18,537	16,246	17,217	17,529	1,506	17,369	3,122	4,464
Fuel expenses mainline	1,921	2,072	2,943	4,032	362	4,462	705	1,041
Reorganization (income) expense	10	1,174	611	20,432	(22,709)			
Net income (loss)[a]	(3,103)	(2,777)	(1,679)	(21,036)	22,626	32	(215)	(148)
Balance Sheet Data at period-end:								
Total assets	$ 23,510	$ 21,959	$ 20,719	$ 19,396	$ 19,595	$ 25,581	$ 25,749	$ 24,974
Long-term debt and capital lease obligations, including current portion	700	852	1,204	1,433	1,432	10,596	10,704	9,294
Liabilities subject to compromise	13,967	14,090	16,161	35,060	36,379	0	0	0
Mainline Operating Statistics[b]:								
RPMs	109,460	104,464	115,198	114,272	(b)	117,470	30,286	30,706
ASMs	148,827	136,630	145,361	140,300	(b)	143,095	38,222	38,464
Passenger load factor	73.5%	76.5%	79.2%	81.4%	(b)	82.1%	79.6%	80.3%
Yield[c]	11.06¢	10.79¢	10.83¢	11.25¢	(b)	12.19¢	11.82¢	11.74¢
Passenger revenue per ASM (PRASM)	8.19¢	8.32¢	8.63¢	9.20¢	(b)	10.04¢	9.44¢	9.45¢
Operating revenue per ASM (RASM)[d]	9.77¢	9.81¢	9.95¢	10.66¢	(b)	11.49¢	11.01¢	10.71¢
Operating expense per ASM (CASM)[e]	11.45¢	10.52¢	10.20¢	10.59¢	(b)	11.23¢	11.42¢	10.93¢
Fuel gallons consumed	2,458	2,202	2,349	2,250	(b)	2,290	363	551
Average price per gallon of jet fuel, including tax and hedge impact	78.2¢	94.1¢	125.3¢	179.2¢	(b)	210.7¢	194.1¢	188.9¢

(a) Net income (loss) was significantly impacted in the Predecessor Company periods due to the reorganization items related to the Company s restructuring in bankruptcy.

(b) Mainline operations exclude the operations of independent regional carriers operating as United Express. Statistics included in the Successor Company period were calculated using the combined results of the Successor Company period from February 1 to December 31, 2006 and the Predecessor Company January 2006 period.

(c) Yield is mainline passenger revenue excluding industry and employee discounted fares per revenue passenger miles (RPMs).

(d) RASM is operating revenues excluding United Express passenger revenue per available seat miles (ASMs).

(e) CASM is operating expenses excluding United Express operating expenses per ASM.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS

This Management s Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with Selected Financial Data and Use of Proceeds, and with the financial statements and related notes of United, which are included elsewhere or incorporated by reference in this prospectus supplement.

Overview

As discussed further under Business, the Company derives virtually all of its revenues from airline related activities. The most significant source of airline revenues is passenger revenues; however, Mileage Plus, United Cargo, and United Services are also significant sources of operating revenues. The airline industry is highly competitive and is characterized by intense price competition. Fare discounting by United s competitors has historically had a negative effect on the Company s financial results because it is generally required to match competitors fares to maintain passenger traffic. Future competitive fare adjustments may negatively impact the Company s future financial results. The Company s most significant operating expense is jet fuel. Jet fuel prices are extremely volatile and are largely uncontrollable by the Company. United s historical and future earnings have been and will continue to be significantly impacted by jet fuel prices. The impact of recent jet fuel price increases is discussed below. The Company s results in 2006 were significantly impacted by the adoption of fresh-start reporting upon its emergence from bankruptcy. See Fresh-Start Reporting below for a discussion of the significant fresh-start items that impacted the Company s earnings in 2006.

Bankruptcy Matters. On December 9, 2002 (the Petition Date), UAL, United and 26 direct and indirect wholly-owned subsidiaries (collectively, the Debtors) filed voluntary petitions to reorganize their businesses under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Illinois, Eastern Division (the Bankruptcy Court). On January 20, 2006, the Bankruptcy Court confirmed the Debtors Second Amended Joint Plan of Reorganization Pursuant to Chapter 11 of the United States Bankruptcy Code (the Plan of Reorganization). The Plan of Reorganization became effective and the Debtors emerged from bankruptcy protection on the Effective Date. On the Effective Date, United implemented fresh-start reporting, which resulted in significant changes as compared to United s historical financial statements, as further discussed under Financial Results below. See Note 1 (Voluntary Reorganization Under Chapter 11 Bankruptcy Considerations) under Item 8. Financial Statements and Supplementary Data in our Annual Report on Form 10-K for the year ended December 31, 2006, incorporated by reference herein, and Note 2 (Voluntary Reorganization Under Chapter 11 Significant Matters Remaining to be Resolved in Chapter 11 Cases) under Item 1. Financial Statements in our Quarterly Report on Form 10-Q for the period ended March 31, 2007, incorporated by reference herein, for further information regarding bankruptcy matters.

Recent Developments. The Company believes its restructuring has made the Company competitive with its network airline peers. The Company s financial performance has continued to improve despite significant increases in fuel prices, as noted below. Average mainline unit fuel expense increased 68% from 2004 to 2006, which has negatively impacted the Company s operating margin. However, the Company has been able to overcome rising fuel costs through its restructuring accomplishments, improved revenues and other means, which have contributed to the generation of operating income of $459 million in calendar-year 2006, as compared to operating losses of $225 million and $804 million in 2005 and 2004, respectively, and lower operating losses of $87 million for the three months ended March 31, 2007, as compared to operating losses of $168 million for the combined three month period ended March 31, 2006.

United seeks to continuously improve the delivery of its products and services to its customers, reduce unit costs, and increase unit revenues. Together with these initiatives, some of the Company s more significant recent developments are noted as follows:

In February 2007, the Company prepaid $972 million of debt outstanding under its credit facility and amended certain terms of the credit facility. The amended credit facility requires significantly less

collateral as compared to the prior credit facility and is expected to provide net interest expense savings of approximately $70 million annually. This amount represents the net impact of reduced interest expense and interest income as a result of lower cash and debt balances, as well as a more favorable interest rate on the amended credit facility. See Liquidity and Capital Resources, Note 9 (Debt Obligations) under Item 8. Financial Statements and Supplementary Data in our Annual Report on Form 10-K for the year ended December 31, 2006, incorporated by reference herein, and Note 9 (Debt Obligations) under Item 1. Financial Statements in our Quarterly Report on Form 10-Q for the period ended March 31, 2007, incorporated by reference herein, for further information related to this new facility.

In 2006, the Company announced a program to reduce projected 2007 expenses by $400 million. The Company has identified some specific programs to realize a portion of these savings, and continues to identify and evaluate other savings opportunities. For example, the Company expects to reduce costs by approximately $200 million through savings in such areas as telecommunications, airport services, catering, maintenance materials, aircraft ground handling and regional affiliates. The Company also expects to reduce advertising and marketing costs by as much as $60 million. The implementation of a new flight planning system, and reduced block time opportunities, are expected to generate approximately $40 million in savings. In addition, the Company estimates a $100 million reduction in general and administrative expense, which includes a reduction of salaried and management positions. The Company realized approximately $135 million of these cost reductions in 2006 and is on track to achieve the remaining $265 million in 2007.

In the second quarter of 2006, the General Services Administration (GSA) awarded its annual U.S. government employee travel contracts for its upcoming fiscal year beginning October 1, 2006. The GSA selected the Company to provide certain air transportation services for which the estimated annual revenue to the Company will be approximately $540 million, or 27.4% of the total estimated GSA employee travel award. This award level represents a 6.7 point increase over the prior contract year.

Effective September 2006, the Company began charging travel agents within North America a $3.50 per passenger segment fee if low cost booking channels are not used. In 2006, the Company also renegotiated its agreements with four major global distribution systems (GDS) providers to allow access to low cost booking options for the Company s appointed travel agencies. Increased use of low cost booking channels is expected to reduce the Company s product distribution expenses.

In the third quarter of 2006, the Company announced the addition of 22 new flights from Washington Dulles, which increased departures from Dulles by 14 percent in the fall of 2006 as compared to the fall of 2005. The Company received final DOT approval for its nonstop service between Washington Dulles International Airport (Dulles) and Beijing in February of 2007. This new service commenced on March 28, 2007. In addition, the Company s new nonstop service between Dulles and Rome commenced on April 1, 2007.

In April 2007, the Company announced it has signed a long-term contract with the U.S. Postal Service (USPS) for the carriage of domestic mail beginning in April 2007. The Company could generate revenues up to $400 million over the term of the agreement, which terminates in September 2011. United has continued to carry international mail for the USPS after its former domestic mail contract ended in June 2006.

On April 30, 2007, the U.S. government and the EU signed a transatlantic aviation agreement to replace the existing bilateral arrangements between the U.S. Government and the 27 EU member states. The agreement will become effective at the end of March 2008. The future benefits of this agreement cannot be predicted due to potential increased competition. As of March 31, 2007, and December 31, 2006, each of the Company and UAL had recorded indefinite-lived intangible assets of $255 million for its rights associated with certain Heathrow slots. The implementation of open skies may result in a future determination that these assets are impaired in whole or in part, or a future determination that

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they should be reclassified as definite-lived assets with amortization expense recognized thereon. However, we have already taken actions to capitalize on opportunities presented by the new agreement, including the Company s recent application to complete its antitrust immunity with bmi that would allow the two airlines to integrate their operations at London s Heathrow airport.

The Company continues to identify and implement continuous improvement programs, and is actively training key employees in continuous improvement strategies and techniques. These include such initiatives as optimization of aircraft and airport facilities and selected outsourcing of activities to more cost-effective service providers. The Company expects that these programs, as well as the aforementioned expense reduction programs, will produce economic benefits which will be necessary to mitigate inflationary cost pressures in other categories of operating expenses, such as airport usage fees, aircraft maintenance, and employee healthcare benefits, among others.

Financial Results. Upon United s emergence from Chapter 11 bankruptcy protection, the Company adopted fresh-start reporting in accordance with SOP 90-7. Thus, the consolidated financial statements before February 1, 2006 reflect results based upon the historical cost basis of the Company while the post-emergence consolidated financial statements reflect the new basis of accounting, which incorporates fair value adjustments recorded from the application of SOP 90-7. Therefore, financial statements for the post-emergence periods are not comparable to the pre-emergence period financial statements. The adoption of fresh-start reporting had a significantly negative impact on the Company s results of operations. The significant differences in accounting results are discussed under Fresh-Start Reporting.

For purposes of providing management s year-over-year discussions of United s financial condition and results of operations, management has compared the combined 2006 annual results consisting of the Successor Company s results for the eleven months ended December 31, 2006 and the Predecessor Company s January 2006 results to the Predecessor Company s annual 2005 and 2004 results.

The table below presents a reconciliation of the Company s net income (loss) to net income (loss), excluding reorganization items for the three years ended December 31, 2006. Presentation of results for the combined twelve month period of 2006, as described in the preceding paragraph, and the presentation of net income excluding reorganization items, are non-GAAP measures. However, the Company believes that these year-over-year comparisons of the results of operations, as shown in the table below, provide management and investors a useful perspective of the Company s core business and on-going operational and financial performance and trends, since reorganization items pertain to accounting for the effects of the bankruptcy restructuring and are not recurring. In addition, the combined twelve month period of 2006 is presented to improve comparability with the full years of 2005 and 2004.

	Predecessor	Successor		Predecessor	
	Period from January 1 to January 31, 2006	Period from February 1 to December 31, 2006	Combined Twelve Months Ended December 31, 2006[(a)]	Twelve Months Ended December 31, 2005	Twelve Months Ended December 31, 2004
			(In millions)		
Net income (loss)	$ 22,626	$ 32	$ 22,658	$ (21,036)	$ (1,679)
Reorganization items, net	(22,709)		(22,709)	20,432	611
Net income (loss), excluding reorganization items, net	$ (83)	$ 32	$ (51)	$ (604)	$ (1,068)

(a) The combined period includes the results for one month ended January 31, 2006 (Predecessor Company) and eleven months ended December 31, 2006 (Successor Company).

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The Company s improved results of operations in 2006, as compared with 2005 and 2004, were influenced by a number of significant factors, including fresh-start reporting and other factors that are described below.

Additionally, management has compared the Successor Company s results for the three months ending March 31, 2007, to the combined results for the one month period ended January 31, 2006 and two month period ended March 31, 2006. The presentation of results for the combined three month period of 2006 is a non-GAAP measure. However, management believes that use of a combined 2006 period provides a better basis of comparison to the three month period of 2007.

The air travel business is subject to seasonal fluctuations and historically, the Company s results of operations are better in the second and third quarters as compared to the first and fourth quarters of the year. The Company s operations can be impacted by adverse weather in any period and our first and fourth quarter results normally reflect reduced travel demand.

The table below presents certain financial statement items to provide an overview of our financial performance in the first quarter of 2007 as compared to the same period in 2006:

	Successor Three Months Ended March 31, 2007	Combined Three Months Ended March 31, 2006[(a)]	Successor Period from February 1 to March 31, 2006	Predecessor Period from January 1 to January 31, 2006
			(In millions)	
Loss before reorganization items, income taxes and equity in earnings of affiliates	$ (229)	$ (303)	$ (215)	$ (88)
Reorganization items, net		22,709		22,709
Income tax benefit	(80)			
Equity in earnings of affiliates, net of tax	1	5		5
Net income (loss)	$ (148)	$ 22,411	$ (215)	$ 22,626

(a) The combined period includes the results for the one month period ended January 31, 2006 (Predecessor Company) and the two month period ended March 31, 2006 (Successor Company).

The Company s loss before reorganization items, income taxes and equity in earnings of affiliates in the first quarter of 2007 improved by $74 million, or 24%, as compared to the first quarter of 2006. The following items highlight some of the more significant variances in the 2007 period as compared to the 2006 period. For a more detailed discussion of these items and additional factors impacting our financial performance see Results of Operations.

Passenger revenues were flat, increasing by less than 1% in the first quarter of 2007 as compared to the year-ago period. However, our revenue passenger miles (RPMs) increased by 1.4% year over year. The passenger revenues were negatively impacted by deferred revenue associated with the Mileage Plus program, which primarily resulted from a net increase in outstanding miles.

We reduced our accrual for bankruptcy litigation associated with potential security interests in our San Francisco International Airport (SFO) and Los Angeles International Airport (LAX) facility leases by a total of $22 million based on an updated analysis of

our potential obligations. This benefit to income is classified as a special item in our unaudited condensed consolidated interim financial statements, incorporated by reference herein.

We recognized an income tax benefit of $80 million in the first quarter of 2007. An income tax benefit was not recorded in the year-ago period.

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Fresh-Start Reporting.

Under fresh-start reporting at the Effective Date, the Company s asset values were remeasured using fair value and were allocated in conformity with Statement of Financial Accounting Standards No. 141, *Business Combinations* (SFAS 141). The excess of reorganization value over the net fair value of tangible and identifiable intangible assets and liabilities was recorded as goodwill. In addition, fresh-start accounting also requires that all assets and liabilities be stated at fair value or at the present values of the amounts to be paid using appropriate market interest rates, except for deferred taxes, which are accounted for in conformity with Statement of Financial Accounting Standards No. 109 *Accounting for Income Taxes* (SFAS 109). Certain debt and preferred stock issued by UAL were pushed down to United and are recorded as debt and preferred stock in United s audited consolidated financial statements, incorporated by reference herein, as part of fresh-start reporting. The Company s results in 2006 were significantly impacted by fresh-start reporting and other non-cash expenses; the most significant impacts are discussed below.

As part of fresh-start reporting the Company changed its accounting for Mileage Plus from the incremental cost model to the deferred revenue model. Under the incremental cost method, the estimated liability was based on incremental costs and adjustments were made to both operating revenues and advertising expense. Under the deferred revenue model a portion of ticket revenue from Mileage Plus members, and other qualifying mileage transactions, is allocated to deferred revenue at fair value to reflect the Company s obligation for future award redemptions. This change in accounting negatively impacted the Company s operating revenues by approximately $158 million in 2006 as compared to 2005. The negative revenue impact was partially offset by a reduction in advertising expense of approximately $27 million which the Company estimates would have been recorded if the incremental cost method had been continued. Mileage Plus accounting is discussed further under Critical Accounting Policies, below.

The Company recorded non-cash share-based compensation expense of $159 million in 2006 in association with UAL s Management Equity Incentive Plan (MEIP) and Director Equity Incentive Plan (DEIP) as approved under the Plan of Reorganization. This expense was not recognized in 2005 and 2004, because prior to 2006 the Company accounted for its share-based compensation plans under the intrinsic method prescribed by Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*.

In 2006, the Company recognized non-cash depreciation and amortization charges of $74 million on assets that were recorded at fair value as part of fresh-start reporting, including definite-lived intangible assets that were recognized under fresh-start accounting. United did not recognize similar asset values or related amortization expense in the preceding annual periods.

The adjustment of the Company s postretirement plan liabilities to fair value at fresh-start resulted in the elimination of unrecognized prior service credits and actuarial losses for its non-pension postretirement plan. The elimination of these unrecognized items negatively impacted the Company s 2006 expenses by approximately $51 million.

Aircraft rent was negatively impacted by approximately $101 million. This included an unfavorable impact of $66 million related to deferred gains on pre-emergence sale-leaseback transactions that were eliminated as part of fresh-start reporting. Before fresh-start reporting, these deferred gains were being amortized into earnings over the lease terms as a reduction of the related aircraft rent expense. Also due to the restructuring of aircraft financings in bankruptcy, the Company s operating leases were at average rates below market value; therefore, a deferred charge was recorded to adjust these leases to fair value. Amortization of this deferred charge resulted in additional rent expense of approximately $35 million in 2006.

The Company recognized additional non-cash interest expense of approximately $51 million for the amortization of debt and capital lease obligation discounts that were recorded upon its emergence from bankruptcy to adjust its debt and capital lease obligations to fair value.

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At United s emergence from bankruptcy, there were certain unresolved matters which are considered to be preconfirmation contingencies. The Company initially recorded an obligation for its best estimate of the amounts it expected to pay to resolve these matters. Adjustments to these initial estimates are recorded in current results of operations. The most significant of these were classified as special items in our audited consolidated financial statements, incorporated by reference herein, and include a net benefit of $12 million related to the SFO and LAX municipal bond obligations and a benefit of $24 million related to the termination of certain of the Company s non-qualified pension plans. The Company adjusted its estimated liabilities for these preconfirmation contingencies during the eleven months ended December 31, 2006 to the amounts the Company now believes to be probable based on court rulings and other updated information. In addition to the special items previously noted, other accruals and accrual adjustments provided an additional net benefit of approximately $29 million to 2006 operating expenses. Note 1 (Voluntary Reorganization Under Chapter 11 Claims Resolution Process) under Item 8. Financial Statements and Supplementary Data in our Annual Report on Form 10-K for the year ended December 31, 2006, incorporated by reference herein, for additional information related to these adjustments.

Other Factors.

Operating revenues increased $2.0 billion, or 12%, in 2006 as compared to 2005 and by $2.9 billion, or 18%, in 2006 as compared to 2004. Revenues increased in 2006 and 2005 largely due to passenger revenue growth from United s improved worldwide airline network performance and a more healthy revenue environment for United and the airline industry, which was significantly aided by constrained industry capacity growth during these periods. However, United s passenger revenue growth rate has slowed in the latter part of 2006, with the 2006 fourth quarter operating revenues increasing 5% over the same quarter in 2005, as compared to a growth rate of 9% in the fourth quarter of 2005 over the same quarter in 2004. Fourth quarter revenues in 2006 were also negatively impacted by severe winter storms in Denver and Chicago, as discussed below. These revenues were also adversely affected by Mileage Plus accounting in 2006 as discussed above.

United Express contributed $77 million to operating income in 2006 as compared to negative contributions to operating results of $317 million in 2005 and $493 million in 2004. This improvement is due to an improved regional operations cost structure resulting from the bankruptcy reorganization, network optimization similar to that achieved for the mainline operation and the replacement of some 50-seat regional jets with 70-seat regional jets providing both first class and Economy Plus service, among other factors.

Mainline fuel costs have significantly trended upward since 2004, increasing by $792 million between 2005 and 2006 and by $1.9 billion between 2004 and 2006. These increases are primarily due to significant increases in market prices for jet fuel. The Company s average cost per gallon for jet fuel, including taxes and hedge impacts, increased from approximately $1.25 in 2004 to $1.79 in 2005 and to $2.11 in 2006. Similar increases were experienced in the average cost per gallon of jet fuel for United Express between periods, which is classified as Regional affiliates expense in our audited consolidated financial statements, incorporated by reference herein.

Aircraft maintenance materials and outside repairs expense increased $128 million, or 15%, in 2006 as compared to 2005 and by $262 million, or 35%, in 2006 as compared to 2004. As further discussed in Results of Operations , these increases are due to several factors, including higher volumes of outsourced maintenance, increased rates under certain long-term maintenance contracts and aging engines within United s fleet.

Interest expense increased $279 million in 2006 as compared to 2005 and by $309 million as compared to 2004, primarily due to increased debt outstanding of approximately $1.4 billion as a result of the Company s new capital structure resulting from its emergence from bankruptcy on February 1, 2006 and the fresh-start reporting adjustments discussed above. The increased interest expense was

partially offset by increased interest income of $220 million in 2006, as compared to 2005. The Predecessor Company included $6 million and $60 million of interest income in reorganization items, net in accordance with SOP 90-7, for January 2006 and calendar-year 2005, respectively.

The January 2006 reorganization income of approximately $22.7 billion primarily relates to the discharge of liabilities and other fresh-start adjustments recorded in connection with the Company s implementation of the Plan of Reorganization preparatory to its emergence from bankruptcy. In 2005, the reorganization charges of approximately $20.4 billion were primarily for pension, employee-related, and aircraft claim charges of $8.9 billion, $6.5 billion and $3.0 billion, respectively. For additional information, see Note 1 (Voluntary Reorganization Under Chapter 11 Financial Statement Presentation) under Item 8. Financial Statements and Supplementary Data in our Annual Report on Form 10-K for the year ended December 31, 2006, incorporated by reference herein.

Liquidity. As of March 31, 2007 and December 31, 2006, the Company had total cash, including restricted cash and short-term investments, of $4.1 billion and $4.9 billion, respectively. The Company s strong cash position resulted from its recapitalization upon emergence from bankruptcy, together with strong operating cash flows of $1.6 billion in 2006, as compared to $1.1 billion in 2005 and $0.1 billion in 2004. Cash from operations was $620 million during the three month period ended March 31, 2007, as compared to operating cash flow of $455 million in the combined three month period of 2006.

As noted above, in February 2007, the Company reduced its cash by approximately $1.0 billion to a level that it believes is more optimal for its capital structure. The cash was used to prepay a portion of the Company s credit facility, which accordingly reduced debt by $972 million. As part of this transaction, the Company entered into the amended credit facility consisting of an amended and restated revolving credit, term loan and guaranty agreement of $2.1 billion.

The Company has significant contractual cash payment obligations associated with debt, aircraft leases and aircraft purchase commitments, among others. See Liquidity and Capital Resources for further information related to the amended credit facility and the Company s contractual obligations.

Capital Commitments. At March 31, 2007, future commitments for the purchase of property and equipment, principally aircraft, approximated $2.5 billion, after deducting advance payments. Our current commitments are primarily for the purchase of A319 and A320 aircraft. The Company has the right to cancel these orders. Such action could cause the forfeiture of $91 million of advance payments if United does not take future delivery of these aircraft. For further details, see Note 11 (Commitments, Contingent Liabilities and Uncertainties) under Item 1. Financial Statements in our Quarterly Report on Form 10-Q for the period ended March 31, 2007, incorporated by reference herein.

Contingencies. During the course of its Chapter 11 proceedings, the Company successfully reached settlements with most of its creditors and resolved most pending claims against the Debtors. However, the following material matters remain to be resolved in the Bankruptcy Court. The following discussion provides an overview of the status of unresolved bankruptcy matters as well as other contingencies. For further details on these matters, see Note 2 (Voluntary Reorganization Under Chapter 11 Bankruptcy Considerations) and Note 11 (Commitments, Contingent Liabilities and Uncertainties) under Item 1. Financial Statements in our Quarterly Report on Form 10-Q for the period ended March 31, 2007, incorporated by reference herein, and Note 1 (Voluntary Reorganization Under Chapter 11 Bankruptcy Considerations) and Note 12 (Commitments, Contingent Liabilities and Uncertainties) under Item 8. Financial Statements and Supplementary Data in Annual Report on Form 10-K for the year ended December 31, 2006, incorporated by reference herein.

Municipal Bond Obligations & Off-Balance Sheet Financing. The Company is a party to numerous long-term agreements to lease certain airport and maintenance facilities that are financed through tax-exempt municipal bonds issued by various local municipalities to build or improve airport and maintenance facilities.

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The Company had been advised that these municipal bonds may have been unsecured (or in certain instances, partially secured) pre-petition debt. In 2006, certain of the Company s municipal bond obligations relating to LAX and SFO were conclusively adjudicated through the Bankruptcy Court as financings and not true leases; however, there remains pending litigation to determine the value of the security interests, if any, that the bondholders at LAX and SFO have in the Company s underlying leaseholds.

The bonds relating to Denver International Airport were conclusively adjudicated as a true lease. The Company has guaranteed $261 million of the City and County of Denver, Colorado 6 $^{7}/8$% Special Facilities Airport Revenue Bonds (United Air Lines Project) Series 1992A (the Denver Bonds). These bonds are callable by the Company. The outstanding bonds and related guarantee are not recorded in the Company s financial statements incorporated by reference herein. The Company is in discussions with the City and County of Denver, Colorado, to consider the possibility of refinancing the Denver Bonds. Any decision to proceed with the refinancing will be conditioned on receiving the necessary public approvals and on favorable market conditions.

Pension Benefit Terminations. In June 2006, the U.S. District Court for the Northern District of Illinois (the District Court) entered an order approving the termination of the United Airlines Pilot Defined Benefit Pension Plan (Pilot Plan). The Air Line Pilots Association (ALPA), United Retired Pilots Benefit Protection Association (URPBPA) and the PBGC each filed appeals with the United States Court of Appeals for the Seventh Circuit (Court of Appeals). On October 25, 2006, the Court of Appeals affirmed the District Court s order approving the termination of the Pilot Plan effective December 30, 2004. Both ALPA and URPBPA filed petitions for writ of certiorari from the Supreme Court. On April 2, 2007, the Supreme Court denied such petitions effectively terminating those proceedings.

There was a dispute with respect to the continuing obligation of United to pay non-qualified pension benefits to retired pilots pending settlement of the involuntary termination proceeding. On October 6, 2005, the Bankruptcy Court ruled that the Company was obligated to make payment of all non-qualified pension benefits for October 2005. During the first quarter of 2006, the District Court dismissed the Company s appeal of the Bankruptcy Court s October 6, 2005 order in light of its earlier decision reversing the Bankruptcy Court s termination order. On October 25, 2006, the Court of Appeals reversed the District Court s order dismissing for lack of ripeness the Company s appeal of the Bankruptcy Court s October 6, 2005 order and remanded the case with instructions to reverse the Bankruptcy Court s order compelling payment of non-qualified benefits for October 2005. On November 6, 2006, ALPA filed a petition for rehearing on the Court of Appeals reversal of the October 6, 2005 order. Both ALPA and URPBPA filed petitions for writ of certiorari from the Supreme Court on this issue. On April 2, 2007, the Supreme Court denied such petitions, effectively terminating those proceedings.

In March 2006, the Bankruptcy Court ruled that the Company was obligated to make payment of all pilot non-qualified pension benefits for the months of November and December 2005 and January 2006. The Bankruptcy Court also ruled that the Company s obligation to pay pilot non-qualified pension benefits ceased as of January 31, 2006. The Company filed a notice of appeal of the Bankruptcy Court s ruling to the District Court. URPBPA and ALPA also filed notices of appeal with respect to the Bankruptcy Court s order, which were subsequently consolidated with the Company s appeal. United agreed with URPBPA and ALPA to pay into an escrow account the disputed non-qualified pension benefits for the months of November and December 2005 and January 2006, an aggregate amount totaling approximately $17 million. The District Court affirmed the Bankruptcy Court s ruling in September 2006. The Company filed a notice of appeal of the District Court s ruling to the Court of Appeals. URPBPA and ALPA also appealed the District Court s decision. The Company subsequently filed a motion to consolidate its appeal from the Bankruptcy Court s October 2005 non-qualified benefits order with the three appeals from the Bankruptcy Court s March 2006 non-qualified benefits order. The Court of Appeals denied the Company s motion, but issued an order staying briefing on the March 2006 non-qualified benefits order until further order of the Court of Appeals. On April 19, 2007, the Court of Appeals reversed the March 2006 order and remanded the case with instructions to the District Court to enter judgment for entry of an order in United s favor. ALPA and URPBPA may still file petitions for rehearing or for a writ of certiorari with the Supreme Court.

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Legal and Environmental. The Company has certain contingencies resulting from litigation and claims (including environmental issues) incident to the ordinary course of business. Management believes, after considering a number of factors, including (but not limited to) the views of legal counsel, the nature of contingencies to which the Company is subject and prior experience, that the ultimate disposition of these contingencies will not materially affect the Company s consolidated financial position or results of operations. When appropriate, the Company accrues for these matters based on its assessments of the likely outcomes of their eventual disposition. The amounts of these liabilities could increase or decrease in the near term, based on revisions to estimates relating to the various claims.

New regulations surrounding the emission of greenhouse gases (such as carbon dioxide) are being considered for promulgation both internationally and within the United States. The Company will be carefully evaluating the potential impact of such proposed regulations.

The Company anticipates that if ultimately found liable, its damages from claims arising from the events of September 11, 2001, could be significant; however, the Company believes that, under the Air Transportation Safety and System Stabilization Act of 2001, its liability will be limited to its insurance coverage.

Results of Operations Three Months Ended March 31, 2007 and Combined Three Month Period Ended March 31, 2006

As described in Overview, presentation of the combined three month period ended March 31, 2006 is a non-GAAP measure; however, management believes it is useful for comparison with the three months ended March 31, 2007.

The Company s loss from operations of $87 million in the three months ended March 31, 2007 improved by $81 million as compared to the operating loss of $168 million in the combined three months ended March 31, 2006. The Company s net loss was $148 million in the three month period ended March 31, 2007 as compared to net income of $22.4 billion in the combined three month period ended March 31, 2006. The difference of approximately $22.6 billion was due to reorganization income of $22.7 billion in the 2006 period partially offset by an income tax benefit of $0.1 billion in the 2007 period. See Note 2 (Voluntary Reorganization Under Chapter 11 Reorganization items) under Item 1. Financial Statements in our Quarterly Report on Form 10-Q for the period ended March 31, 2007, incorporated by reference herein, for further information on reorganization items.

Operating Revenues. The following table illustrates the year-over-year percentage change in revenues on a consolidated basis:

	Successor Three Months Ended March 31, 2007	Combined Three Months Ended March 31, 2006[(a)]	Successor Period from February 1 to March 31, 2006	Predecessor Period from January 1 to January 31, 2006	$ Change	% Change
			(In millions)			
Operating revenues:						
Passenger United Airlines	$ 3,264	$ 3,256	$ 2,182	$ 1,074	$ 8	
Passenger Regional Affiliates	675	669	465	204	6	1
Cargo	168	180	124	56	(12)	(7)
Other operating revenues	270	355	235	120	(85)	(24)

$ 4,377	$ 4,460	$ 3,006	$ 1,454	$ (83)	(2)

(a) The combined period includes the results for the one month period ended January 31, 2006 (Predecessor Company) and the two month period ended March 31, 2006 (Successor Company).

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Mainline and United Express passenger revenues, which were relatively flat in first quarter of 2007 as compared to the first quarter of 2006, are discussed below.

Cargo revenues decreased by approximately $12 million, or 7%, in the three month period ended March 31, 2007 as compared to the same period in 2006. This decrease was partly due to the termination of our former contract to carry U.S. domestic mail for the USPS as of June 30, 2006. However, since this contract termination we have continued to carry international mail for the USPS, and recently entered into a new contract to carry domestic mail as discussed above. Decreased traffic and yield for the Pacific region also contributed to the decrease in cargo revenues. The traffic and yield decreases were due to increased competition in the region, primarily from capacity added by foreign carriers.

Other operating revenues decreased by $85 million, or 24%, in the three month period ended March 31, 2007 as compared to the same period in 2006. Lower jet fuel sales to third parties by our subsidiary, United Aviation Fuel Corporation (UAFC) accounted for $81 million of the other revenue decrease. This decrease was due to several factors, including decreased UAFC sales to our regional affiliates; decreased sales due to our decision not to renew various supply agreements to other carriers; and decreased sales of excess inventory. The decrease in UAFC sales had virtually no impact on our operating margin, because UAFC cost of sales decreased by $82 million in the first quarter of 2007 as compared to the year-ago period. Other revenues were also negatively impacted by approximately $18 million in the first quarter of 2007 as compared to the first quarter of 2006 due to a reduction in low-margin third-party maintenance work.

The table below presents selected passenger revenues and operating data by geographic region and the Company s mainline and United Express segments expressed as period-to-period changes:

2007	North America	Pacific	Atlantic	Latin America	Mainline	United Express	Consolidated
Increase (decrease) from 2006[a]:							
Passenger revenues (in millions)	$(85)	$32	$62	$(1)	$8	$6	$14
Passenger revenues	(4.1)%	4.9%	15.9%	(1.0)%	0.2%	0.9%	0.4%
Available seat miles (ASMs)	%	0.8%	5.8%	(14.9)%	0.1%	5.2%	0.6%
Revenue passenger miles (RPMs)	0.7%	1.1%	7.3%	(11.4)%	1.0%	5.4%	1.4%
Load factor (points)	0.6 pts.	0.3 pts.	1.2 pts.	3.1 pts.	0.7 pts.	0.2 pts.	0.6 pts.
Yield[b]	(4.7)%	3.9%	8.7%	10.0%	(0.7)%	(4.3)%	(1.0)%

(a) Variances are from the combined 2006 period that includes the results for the one month period ended January 31, 2006 (Predecessor Company) and the two month period ended March 31, 2006 (Successor Company).

(b) Yield is a measure of average price paid per passenger mile, which is calculated by dividing passenger revenues by RPMs. Yields for geographic regions exclude charter revenue and RPMs.

Mainline passenger and United Express revenues were relatively unchanged, increasing by only $8 million and $6 million, respectively, in the 2007 period as compared to the same period in 2006. In the first quarter of 2007, mainline revenues benefited from a 0.7 point increase in load factor as compared to the first quarter of 2006; this benefit was offset by a 0.7% decrease in yield. In the same periods, United Express revenues benefited from a 0.2 point increase in load factor, which was offset by a 4.3% decrease in yield. Revenues and yields for both segments were negatively impacted by the accounting for deferred revenue under our Mileage Plus program and to a lesser extent, severe storms in first quarter of 2007 that decreased total passenger revenue by an estimated $32 million. Mileage Plus revenue was approximately $94 million lower in the 2007 period due to an increase in outstanding mileage credits due to various promotional programs and one additional month of the application of this new method of accounting in 2007 as this accounting policy was initially applied as of February 1, 2006. Partially offsetting these negative Mileage Plus impacts was a benefit due to a change in the Mileage Plus expiration period policy from 36 months to 18 months as

discussed under Critical Accounting

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Policies. Mileage Plus customer accounts are now deactivated after 18 months of inactivity, effective December 31, 2007. The Company estimates the number of accounts that will eventually become deactivated and ratably reduces its deferred revenue balance for estimated deactivated accounts over the expiration period.

Operating Expenses. The table below includes the year-over-year dollar and percentage changes in operating expenses. Significant fluctuations are discussed below.

	Successor Three Months Ended March 31, 2007	Combined Three Months Ended March 31, 2006[(a)]	Successor Period from February 1 to March 31, 2006 (In millions)	Predecessor Period from January 1 to January 31, 2006	$ Change	% Change
Operating expenses:						
Salaries and related costs	$ 1,068	$ 1,083	$ 725	$ 358	$ (15)	(1)
Aircraft fuel	1,041	1,067	705	362	(26)	(2)
Regional affiliates	692	696	468	228	(4)	(1)
Purchased services	301	303	206	97	(2)	(1)
Aircraft maintenance materials and outside repairs	281	259	179	80	22	8
Landing fees and other rent	238	220	145	75	18	8
Depreciation and amortization	220	216	148	68	4	2
Distribution expenses	188	201	141	60	(13)	(6)
Aircraft rent	101	105	75	30	(4)	(4)
Cost of third party sales	92	189	126	63	(97)	(51)
Special operating items	(22)				(22)	
Other operating expenses	264	289	204	85	(25)	(9)
	$ 4,464	$ 4,628	$ 3,122	$ 1,506	$ (164)	(4)

(a) The combined period includes the results for the one month ended January 31, 2006 (Predecessor Company) and the two months ended March 31, 2006 (Successor Company).

As discussed in Note 1 (Basis of Presentation) under Item 1. Financial Statements in our Quarterly Report on Form 10-Q for the period ended March 31, 2007, incorporated by reference herein, distribution expenses include commissions, GDS and credit card transaction fees. Prior period information has been reclassified to conform to the current period presentation. Previously, GDS and credit card transaction fees were classified as components of purchased services and commissions were reported as a separate expense item in the Company s Form 10-Q for the quarterly period ended March 31, 2006.

Salaries and related costs were relatively unchanged, decreasing $15 million, or 1%, in the first quarter of 2007 as compared to the year-ago period. This benefit was largely due to a reduction in share-based compensation expense which was $69 million in the 2006 period, but only $15 million in the 2007 period. Less compensation expense was recognized in the 2007 period as compared to the 2006 period for awards that were granted in 2006. Immediate recognition of 100% of the cost of awards granted to retirement-eligible employees accounts for a significant amount of this decrease. In addition, to properly expense the proportional cost of awards by each vesting date within these awards, we expensed the proportionate cost of the awards that vested in 2006 and a portion of the cost of the awards scheduled to vest in future periods. There were not any significant grants in the 2007 period as compared to the 2006 period, which included a large number of grants associated with our emergence from bankruptcy. Offsetting the benefit of decreased share-based compensation expense was a slight increase in salaries and health care benefits as a result of inflationary pressures and a $49 million increase in profit sharing expense. This increase in profit sharing expense is the combined impact of both components of the Company s success sharing program, the performance incentive component and the profit

sharing

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component. Payouts under the performance incentive component are separately determined based on the Company s performance against each of three goals: operational reliability, customer satisfaction and financial performance. The profit sharing component of the success sharing program will payout 15% of the Company s 2007 adjusted pre-tax earnings, an increase from the 2006 payout formula of 7.5%.

Aircraft fuel decreased $26 million, or 2%, in the three month period ended March 31, 2007 as compared to the same period in 2006. This net fuel benefit was due to a 3% decrease in the average price per gallon of jet fuel from $1.95 per gallon in the first quarter of 2006 to $1.89 per gallon in the first quarter of 2007, resulting from favorable market conditions, and a $12 million increase in net hedge gains that were $21 million in the 2007 period as compared to $9 million in the 2006 period. Partially offsetting the price and hedging benefits was a 1% increase in fuel consumption in the first quarter of 2007 as compared to the year-ago period.

Regional affiliate expense decreased $4 million, or 1%, during the first three months of 2007 as compared to the same period last year, despite the $6 million, or 1%, increase in revenue from regional affiliate operations. Our regional affiliate operating margin was a loss of $17 million in the 2007 period as compared to a loss of $27 million in the 2006 period. This improvement is due to the restructuring of lower-cost regional carrier capacity agreements, the replacement of some 50-seat regional jets with 70-seat regional jets and regional carrier network optimization. All of these improvements were put in place throughout 2006; however, we are still realizing some year-over-year benefits in 2007 as the improvements have been in place for the full period in 2007, but for only part of the 2006 period. The average price of regional affiliates fuel decreased by 2%, which decreased fuel cost by $1 million in the 2007 period as compared to the 2006 period.

For the first three months ended March 31, 2007, aircraft maintenance materials and outside repairs expense increased $22 million, or 8%, year-over-year primarily due to higher rates included in certain of our power by the hour contracts in the first quarter of 2007 as compared to the first quarter of 2006.

Landing fees and other rent increased $18 million, or 8%, in the first quarter of 2006 as compared to the year-ago period due to inflationary pressures at certain of our key airports in the 2007 period as compared to the year-ago period. In addition, in 2006 we received an $8 million credit from one of our airports upon completion of an audit of expenses for multiple years. These year-over-year negative impacts were partially offset by a reduction in the amount of facilities rented based upon our ongoing efforts to optimize our rented facilities with our operational needs.

Distribution expenses, which include commissions, GDS fees and credit card fees, decreased 6% from the 2006 period to $188 million for the quarter ended March 31, 2007. This decrease was due to cost savings realized from the renegotiation of certain of our GDS vendor agreements. This GDS benefit was partially offset by slightly higher credit card discount fees due to a combination of increased volume and increased rates.

The decrease in cost of sales of $97 million in the 2007 period as compared to the 2006 period was primarily due to lower UAFC third party fuel sales and third-party maintenance work as described in the discussion of revenue variances above. The decrease in cost of sales is relatively consistent with the $85 million decrease in other revenues for the same periods.

Special items of $22 million include the benefit of a reduction in recorded accruals for pending bankruptcy litigation related to our SFO and LAX municipal bond obligations. See Note 2 (Voluntary Reorganization Under Chapter 11) under Item 1. Financial Statements in our Quarterly Report on Form 10-Q for the period ended March 31, 2007, incorporated by reference herein, for further information on these pending matters.

Other operating expense decreased $25 million, or 9%, in the first three months of 2007, as compared to the first three months of 2006. This decrease was primarily due to a $19 million reduction in advertising expenditures.

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Non-operating expenses. The following table illustrates the year-over-year dollar and percentage changes in other income (expense).

	Successor Three Months Ended March 31, 2007	Combined Three Months Ended March 31, 2006[(a)]	Successor Period from February 1 to March 31, 2006	Predecessor Period from January 1 to January 31, 2006	$ Change	% Change
			(In millions)			
Other income (expense):						
Interest expense	$ (206)	$ (173)	$ (131)	$ (42)	$ (33)	19
Interest income	60	34	28	6	26	76
Interest capitalized	5	3	3		2	67
Miscellaneous, net	(1)	1	1		(2)	
	$ (142)	$ (135)	$ (99)	$ (36)	$ (7)	5

(a) The combined period includes the results for the one month period ended January 31, 2006 (Predecessor Company) and the two month period ended March 31, 2006 (Successor Company).

Interest expense increased $33 million, or 19%, in the quarter ended March 31, 2007 as compared to the year-ago period. This increase was primarily due to expense of $17 million for previously capitalized debt issuance costs that were associated with the prepaid portion of our credit facility and $6 million for financing costs in connection with the February amendment of our credit facility. The 2007 period was also favorably impacted by the amendment of our credit facility, which lowered the Company s interest rate on these obligations.

Interest income increased $26 million year over year reflecting a higher average cash balance in 2007, as well as higher rates of return on certain investments; interest income also increased due to the classification of $6 million of interest income as reorganization items in the January 2006 predecessor period in accordance with SOP 90-7.

Income Taxes. The Company recorded income taxes for the three month period ended March 31, 2007 based on its estimated effective tax rate of 35%. Income taxes were not recorded in the same period of 2006.

Results of Operations Combined Twelve Month Period of 2006 and Fiscal Years Ended December 31, 2005 and 2004

As described in *Overview*, presentation of the combined twelve month period of 2006 is a non-GAAP measure; however, management believes it is useful for comparison with the full years of 2005 and 2004.

The air travel business is subject to seasonal fluctuations. The Company s operations can be adversely impacted by severe weather and its first and fourth quarter results normally reflect lower travel demand. Historically, because of these seasonal factors, results of operations are better in the second and third quarters.

Earnings from operations increased $684 million to $459 million in 2006 as compared to a loss from operations of $225 million in 2005. Excluding reorganization items, the net loss was $51 million in 2006 which represents an improvement of $553 million over the net loss in 2005 of $604 million. These improvements are due to the net impact of the items discussed below, among other factors. See Note 1 (Voluntary Reorganization Under Chapter 11 Financial Statement Presentation) under Item 8. Financial Statements and Supplementary Data in our Annual Report on Form 10-K for the year ended December 31, 2006, incorporated by reference herein, for further information on reorganization items.

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Operating Revenues.

2006 Compared to 2005

The following table illustrates the year-over-year dollar and percentage changes in major categories of operating revenues.

	Predecessor Period from January 1 to January 31, 2006	Successor Period from February 1 to December 31, 2006	Combined Period Ended December 31, 2006(a)	Predecessor Year Ended December 31, 2005	$ Change	% Change
			(Dollars in millions)			
Operating revenues:						
Passenger United Airlines	$ 1,074	$ 13,293	$ 14,367	$ 12,914	$ 1,453	11
Passenger Regional affiliates	204	2,697	2,901	2,429	472	19
Cargo	56	694	750	729	21	3
Other operating revenues	120	1,196	1,316	1,232	84	7
	$ 1,454	$ 17,880	$ 19,334	$ 17,304	$ 2,030	12

(a) The combined 2006 period includes the results for one month ended January 31, 2006 (Predecessor Company) and eleven months ended December 31, 2006 (Successor Company).

Strong demand, industry capacity restraint, yield improvements, United s resource optimization initiatives, and ongoing airline network optimization all contributed to a $2.0 billion increase in total operating revenue to $19.3 billion in 2006. The 11% mainline passenger revenue increase was due to both increased traffic and higher average ticket prices; United reported a 3% increase in mainline traffic on a 2% increase in capacity and an 8% increase in yield. Severe winter storms in December 2006 at the Chicago and Denver hubs, which resulted in the cancellation of approximately 3,900 United and United Express flights at these locations, had the estimated impact of reducing revenue by $40 million and reducing total expenses by $11 million. As discussed under Critical Accounting Policies, the Company changed the accounting for its frequent flyer obligation to a deferred revenue model upon its emergence from bankruptcy which negatively impacted revenues by $158 million. This resulted in increased deferred revenue due to a net increase in miles earned by Mileage Plus customers that will be redeemed in future years.

The 19% increase in regional affiliate revenues was also due to traffic and yield improvements as indicated in the table below.

The increase in cargo revenue was primarily due to improved yield, which was partially due to higher fuel surcharges between periods.

The table below presents selected passenger revenues and operating data by geographic region and the Company s mainline and United Express segments expressed as period-to-period changes:

2006	North America	Pacific	Atlantic	Latin America	Mainline	United Express	Consolidated
Increase (decrease) from 2005[a]:							
Passenger revenues (in millions)	$1,022	$234	$118	$79	$1,453	$472	$1,925
Passenger revenues	13%	9%	6%	19%	11%	19%	13%
ASMs	4%	%	(2)%	9%	2%	9%	3%
RPMs	4%	1%	(2)%	13%	3%	13%	4%
Load factor (percent)	0.3 pts	1.4 pts	0.7 pts	2.6 pts	0.7 pts	2.7 pts	0.8 pts
Yield[b]	9%	8%	9%	6%	8%	6%	9%

(a) The combined 2006 period includes the results for one month ended January 31, 2006 (Predecessor Company) and eleven months ended December 31, 2006 (Successor Company).

(b) Yields exclude charter revenue and revenue passenger miles.

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2005 Compared to 2004

The following table illustrates the year-over-year dollar and percentage changes in major categories of operating revenues.

	2005	2004	$ Change	% Change
	(Dollars in millions)			
Operating revenues:				
Passenger United Airlines	$ 12,914	$ 12,542	$ 372	3
Passenger Regional affiliates	2,429	1,931	498	26
Cargo	729	704	25	4
Other operating revenues	1,232	1,236	(4)	
Total	$ 17,304	$ 16,413	$ 891	5

The table below presents selected passenger revenues and operating data by geographic region and the Company s mainline and United Express segments expressed as period-to-period changes:

2005	North America	Pacific	Atlantic	Latin America	Mainline	United Express	Consolidated
Increase (decrease) from 2004:							
Passenger revenues (in millions)	$(153)	$364	$101	$60	$372	$498	$870
Passenger revenues	(2)%	16%	6%	16%	3%	26%	6%
ASMs	(10)%	13%	1%	16%	(3)%	21%	(2)%
RPMs	(6)%	12%	1%	16%	(1)%	23%	1%
Load factor	3.7 pts	(0.9) pts	0.1 pts	0.1 pts	2.2 pts	1.0 pts	2.0 pts
Yield[(a)]	5%	4%	7%	(2)%	4%	3%	5%

(a) Yields exclude charter revenue and revenue passenger miles.

Consolidated operating revenues increased $891 million, or 5%, in 2005 as compared to 2004. Mainline passenger revenues increased $372 million, or 3%, due to a 4% increase in yield slightly offset by a decline in RPMs of 1%. ASMs decreased 3%; however, passenger load factor increased 2.2 points to 81.4%.

Passenger revenues Regional affiliates increased $498 million, or 26%, in 2005 as compared to 2004 mainly due to increased volume of United Express regional carrier flying. Cargo revenues increased $25 million, or 4%, in 2005 as compared to 2004 due to a 1% increase in cargo ton miles combined with a 2% increase in cargo yield.

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Operating Expenses.

2006 Compared to 2005

The table below includes the year-over-year dollar and percentage changes in operating expenses. Significant fluctuations are discussed below.

	Predecessor Period from January 1 to January 31, 2006	Successor Period from February 1 to December 31, 2006	Combined Period Ended December 31, 2006[(a)]	Predecessor Year Ended December 31, 2005	$ Change	% Change
			(Dollars in millions)			
Operating expenses:						
Aircraft fuel	$ 362	$ 4,462	$ 4,824	$ 4,032	$ 792	20
Salaries and related costs	358	3,907	4,265	4,014	251	6
Regional affiliates	228	2,596	2,824	2,746	78	3
Purchased services	133	1,593	1,726	1,519	207	14
Aircraft maintenance materials and outside repairs	80	929	1,009	881	128	15
Depreciation and amortization	68	820	888	854	34	4
Landing fees and other rent	75	800	875	915	(40)	(4)
Cost of third party sales	63	604	667	656	11	2
Aircraft rent	30	386	416	404	12	3
Commissions	24	291	315	305	10	3
Special operating items[(b)]		(36)	(36)	5	(41)	
Other operating expenses	85	1,017	1,102	1,198	(96)	(8)
	$ 1,506	$ 17,369	$ 18,875	$ 17,529	$ 1,346	8

(a) The combined period includes the results for one month ended January 31, 2006 (Predecessor Company) and eleven months ended December 31, 2006 (Successor Company).

(b) See Note 17 (Special Items) under Item 8. Financial Statements and Supplementary Data in our Annual Report on Form 10-K for the year ended December 31, 2006, incorporated by reference herein.

In 2006, United implemented a resource optimization initiative that increased the number of mainline ASMs by 1% percent and United Express ASMs by 3%, for a consolidated ASM impact of 2%, without the use of additional aircraft. In addition to generating increased revenue, this contributed to additional variable expenses such as fuel, salaries, and other expense items.

Higher fuel costs have had a significantly adverse effect on the Company s operating expenses in 2006 as compared to 2005. In 2006, mainline aircraft fuel expense increased 20% due to an increase in average mainline fuel cost from $1.79 per gallon in 2005 to $2.11 per gallon in 2006, while fuel consumption increased 2% on a similar increase in mainline capacity. The Company recognized a net fuel hedge loss of $26 million in aircraft fuel expense in 2006, which is included in the $2.11 per gallon average cost, whereas in 2005 most fuel hedging gains and losses were recorded in non-operating income and expense. In 2005, the Company recorded $40 million of fuel hedging gains in non-operating income, as discussed below.

Salaries and related costs increased $251 million, or 6%, in 2006 as compared to the prior year. In 2006 the Company recorded $159 million of expense, representing 4% of the increase in salaries and related costs, for UAL s share-based compensation plans because of the adoption of Statement of Financial Accounting Standards No. 123 (Revised 2004), *Share-Based Payment*, effective January 1, 2006. In addition, the Company incurred an additional $26 million related to employee performance incentive programs in 2006 as compared to 2005. The Company also recorded $64 million in higher postretirement expenses and $35 million in higher medical and dental expenses in 2006 than in 2005. Salaries also increased due to merit increases awarded to employees in

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2006, which were infrequent throughout bankruptcy. These cost increases were partially offset by a 6% year-over-year improvement in labor productivity resulting from the Company s continuous improvement efforts, together with selective outsourcing of certain non-core functions. In 2006, the Company achieved its goal to reduce 1,000 management and administrative positions.

The Company s most significant regional affiliate expenses are capacity payments to the regional carriers and fuel expense. Fuel accounted for 30% of the Company s regional affiliate expense in 2006, as compared to 26% in 2005. Fuel cost increased due to increased market prices for jet fuel, as discussed above, and increased fuel consumption from higher capacity. The Company s regional affiliate expense increased only 3% despite a 9% increase in capacity due to the benefits of restructured lower-cost regional carrier capacity agreements in 2006 along with regional carrier network optimization and the replacement of some 50-seat regional jets with 70-seat regional jets. The 3% increase in regional affiliates expense includes an 18% increase in fuel costs. See Note 2(i) (Summary of Significant Accounting Policies United Express) under Item 8. Financial Statements and Supplementary Data in our Annual Report on Form 10-K for the year ended December 31, 2006, incorporated by reference herein, for further discussion of the Regional affiliates expense.

Purchased services increased $207 million, or 14%, in 2006, as compared to 2005, primarily due to an increase of approximately $120 million in outsourcing costs for various non-core work activities; a $33 million increase in certain professional fees, which were classified as reorganization expenses by the Predecessor Company; and a $24 million increase in credit card fees due to higher passenger revenues. The offsetting benefits of higher outsourcing costs are reflected in a 4% reduction in manpower associated with the 6% labor productivity improvement noted for salaries and related costs.

In 2006, aircraft maintenance materials and outside repairs expense increased $128 million, or 15%, from 2005 primarily due to engine-related maintenance rate increases as well as increased volume.

As discussed in Note 1 (Voluntary Reorganization Under Chapter 11 Fresh-Start Reporting) under Item 8. Financial Statements and Supplementary Data in our Annual Report on Form 10-K for the year ended December 31, 2006, incorporated by reference herein, the Company revalued its assets and liabilities to estimated fair values. In 2006, amortization expense increased $165 million due to the recognition of $465 million of additional definite-lived intangible assets; however, this increase was offset by decreased depreciation expense from fresh-start reporting adjustments that significantly reduced depreciable tangible asset book values to fair value. The impact of the decrease in tangible asset valuation was significant as depreciation and amortization only increased $34 million despite the $165 million increase in intangible asset amortization and incremental depreciation on post-emergence property additions.

Other operating expense decreased $96 million in 2006, as compared to 2005. The adoption of fresh-start reporting, which included the revaluation of the Company s frequent flyer obligation to estimated fair value and the change in accounting policy to a deferred revenue model for the Successor Company reduced other expense by $27 million. For periods on or after February 1, 2006, adjustments to the frequent flyer obligation are recorded to passenger and other operating revenues, whereas periodic adjustments under the Predecessor Company s incremental cost basis were recognized in both operating revenues and other operating expense. See Critical Accounting Policies, for further details. Various cost savings initiatives also reduced the Company s costs in 2006 as compared to 2005.

In 2006, the Company recognized a net benefit of approximately $36 million to operating expense resulting from the resolution of preconfirmation contingencies for the estimated liability for SFO and LAX municipal bond obligations, and favorable adjustments to preconfirmation contingencies related to the pilots non-qualified pension plan. In 2005, the Company recognized a charge of $18 million for aircraft impairments related to the planned accelerated retirement of certain aircraft. See Note 17 (Special Items) under Item 8. Financial Statements and Supplementary Data in our Annual Report on Form 10-K for the year ended December 31, 2006, incorporated by reference herein, for further information.

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2005 Compared to 2004

The following table presents year-over-year dollar and percentage changes in consolidated operating expenses for the Predecessor Company in 2005 as compared to 2004.

	2005	2004	$ Change	% Change
	(Dollars in millions)			
Operating expenses:				
Aircraft fuel	$ 4,032	$ 2,943	$ 1,089	37
Salaries and related costs	4,014	5,002	(988)	(20)
Regional affiliates	2,746	2,424	322	13
Purchased services	1,519	1,461	58	4
Aircraft maintenance materials and outside repairs	881	747	134	18
Depreciation and amortization	854	871	(17)	(2)
Landing fees and other rent	915	964	(49)	(5)
Cost of third party sales	656	690	(34)	(5)
Aircraft rent	404	537	(133)	(25)
Commissions	305	305		
Special operating items[a]	5		5	
Other operating expenses	1,198	1,273	(75)	(6)
	$ 17,529			