

UAL CORP /DE/
Form 10-Q
May 09, 2007

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2007**

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____**

Commission file number 001-06033

UAL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
77 W. Wacker Drive, Chicago, Illinois
(Address of principal executive offices)

36-2675207
(I.R.S. Employer
Identification No.)
60601
(Zip Code)

(312) 997-8000

(Registrant's telephone number, including area code)

1200 East Algonquin Road, Elk Grove Township, Illinois 60007

(Former address)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

Edgar Filing: UAL CORP /DE/ - Form 10-Q

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at April 30, 2007
Common Stock (\$0.01 par value)	115,585,795

UAL Corporation and Subsidiary Companies Report on Form 10-Q
For the Quarter Ended March 31, 2007

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1.</u>	<u>Financial Statements</u>
	<u>Condensed Statements of Consolidated Operations (Unaudited)</u> 3
	<u>Condensed Statements of Consolidated Financial Position (Unaudited)</u> 4
	<u>Condensed Statements of Consolidated Cash Flows (Unaudited)</u> 6
	<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u> 7
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> 23
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u> 36
<u>Item 4.</u>	<u>Controls and Procedures</u> 36
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1.</u>	<u>Legal Proceedings</u> 38
<u>Item 1A.</u>	<u>Risk Factors</u> 39
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u> 40
<u>Item 6.</u>	<u>Exhibits</u> 40
<u>Signature</u>	41
<u>Exhibit Index</u>	42

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UAL Corporation and Subsidiary Companies

Condensed Statements of Consolidated Operations (Unaudited)

(In millions, except per share amounts)

	Successor Three Months Ended March 31, 2007	Period from February 1 to March 31, 2006	Predecessor Period from January 1 to January 31, 2006
Operating revenues:			
Passenger United Airlines	\$ 3,264	\$ 2,182	\$ 1,074
Passenger Regional Affiliates	675	465	204
Cargo	168	124	56
Other operating revenues	266	236	124
	4,373	3,007	1,458
Operating expenses:			
Salaries and related costs	1,068	726	358
Aircraft fuel	1,041	705	362
Regional affiliates	692	468	228
Purchased services	301	206	98
Aircraft maintenance materials and outside repairs	281	179	80
Landing fees and other rent	238	145	75
Depreciation and amortization	220	148	68
Distribution expenses	188	141	60
Aircraft rent	100	75	30
Cost of third party sales	93	128	65
Special operating items (Note 2)	(22)		
Other operating expenses	265	205	86
	4,465	3,126	1,510
Loss from operations	(92)	(119)	(52)
Other income (expense):			
Interest expense (Note 11)	(206)	(141)	(42)
Interest income	58	28	6
Interest capitalized	5	3	
Miscellaneous, net	(2)	6	
	(145)	(104)	(36)
Loss before reorganization items, income taxes and equity in earnings of affiliates	(237)	(223)	(88)
Reorganization items, net			22,934
Earnings (loss) before income taxes and equity in earnings of affiliates	(237)	(223)	22,846
Income tax benefit	(84)		
Earnings (loss) before equity in earnings of affiliates	(153)	(223)	22,846
Equity in earnings of affiliates, net of tax	1		5
Net income (loss)	\$ (152)	\$ (223)	\$ 22,851
Earnings (loss) per share, basic and diluted	\$ (1.32)	\$ (1.95)	\$ 196.61

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

UAL Corporation and Subsidiary Companies

Condensed Statements of Consolidated Financial Position (Unaudited)

(In millions, except shares)

	March 31, 2007	December 31, 2006
<i>Assets</i>		
Current assets:		
Cash and cash equivalents	\$ 3,176	\$ 3,832
Restricted cash	356	341
Short-term investments	193	312
Receivables, less allowance for doubtful accounts (2007 \$28; 2006 \$27)	1,071	820
Prepaid fuel	327	283
Aircraft fuel, spare parts and supplies, less obsolescence allowance (2007 \$9; 2006 \$6)	205	218
Deferred income taxes	73	122
Prepaid expenses and other	360	345
	5,761	6,273
Operating property and equipment:		
Owned		
Flight equipment	8,986	8,958
Advances on flight equipment	103	103
Other property and equipment	1,462	1,441
	10,551	10,502
Less accumulated depreciation and amortization	(635)	(503)
	9,916	9,999
Capital leases:		
Flight equipment	1,511	1,511
Other property and equipment	33	34
	1,544	1,545
Less accumulated amortization	(104)	(81)
	1,440	1,464
	11,356	11,463
Other assets:		
Intangibles, less accumulated amortization (2007 \$208; 2006 \$169)	2,989	3,028
Goodwill	2,690	2,703
Aircraft lease deposits	554	539
Restricted cash	500	506
Investments	115	113
Other, net	774	744
	7,622	7,633
	\$ 24,739	\$ 25,369

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

UAL Corporation and Subsidiary Companies

Condensed Statements of Consolidated Financial Position (Unaudited)

(In millions, except shares)

	March 31, 2007	December 31, 2006
<i>Liabilities and Stockholders Equity</i>		
Current liabilities:		
Advance ticket sales	\$ 2,367	\$ 1,669
Mileage Plus deferred revenue	1,339	1,111
Accrued salaries, wages and benefits	852	795
Accounts payable	734	667
Advanced purchase of miles	694	681
Long-term debt maturing within one year (Note 11)	565	1,687
Fuel purchase commitments	327	283
Accrued interest	250	241
Current obligations under capital leases	98	110
Other	592	701
	7,818	7,945
Long-term debt (Note 11)	7,275	7,453
Long-term obligations under capital leases	1,358	1,350
Other liabilities and deferred credits:		
Mileage Plus deferred revenue	2,481	2,569
Postretirement benefit liability	1,963	1,955
Deferred income taxes	562	688
Deferred pension liability	133	130
Other	755	770
	5,894	6,112
Mandatorily convertible preferred securities	361	361
Commitments and contingent liabilities (Note 13)		
Stockholders' equity (deficit):		
Preferred stock		
Common stock at par, \$0.01 par value; authorized 1,000,000,000 shares; outstanding 113,331,864 and 112,280,629 shares at March 31, 2007 and December 31, 2006, respectively	1	1
Additional capital invested	2,094	2,053
Retained earnings (deficit)	(136)	16
Stock held in treasury, at cost (Note 4)	(15)	(4)
Accumulated other comprehensive income	89	82
	2,033	2,148
	\$ 24,739	\$ 25,369

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

UAL Corporation and Subsidiary Companies

Condensed Statements of Consolidated Cash Flows (Unaudited)

(In millions)

	Successor Three Months Ended March 31, 2007	Period from February 1 to March 31, 2006	Predecessor Period from January 1 to January 31, 2006
Cash flows provided (used) by operating activities:			
Net loss before reorganization items	\$ (152)	\$ (223)	\$ (83)
Adjustments to reconcile to net cash provided (used) by operating activities			
Increase in advance ticket sales	698	395	109
Increase in receivables	(256)	(69)	(88)
Depreciation and amortization	220	148	68
Mileage Plus deferred revenue and advanced purchase of miles	153	44	14
Other, net	(37)	(3)	141
	626	292	161
Cash flows provided (used) by reorganization activities:			
Reorganization items, net			22,934
Increase in other liabilities			37
Increase in non-aircraft claims accrual			429
Discharge of claims and liabilities			(24,628)
Revaluation of Mileage Plus frequent flyer deferred revenue			2,399
Revaluation of other assets and liabilities			(2,106)
Pension curtailment, settlement and employee claims			912
			(23)
Cash flows provided (used) by investing activities:			
Decrease in short-term investments	119	71	2
Additions to property and equipment	(68)	(62)	(30)
(Increase) decrease in restricted cash	(9)	268	(203)
(Increase) decrease in segregated funds	(1)	200	
Other, net	(7)	(14)	(7)
	34	463	(238)
Cash flows provided (used) by financing activities:			
Proceeds from Credit Facility		2,961	
Repayment of Credit Facility	(986)	(161)	
Repayment of DIP Financing		(1,157)	
Repayment of other long-term debt	(318)	(338)	(24)
Principal payments under capital leases	(13)	(3)	(5)
Other, net	1	(55)	(1)
	(1,316)	1,247	