



CHICAGO SUN-TIMES

UAL Corp. takes \$274 mil. hit in 3rd quarter

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29 October 2004
Chicago Sun-Times

United Airlines parent UAL Corp. suffered a loss of \$274 million for the third quarter of this year, a smaller hit than it took in the same period of last year, when it lost \$367 million.

The bankrupt carrier blamed record high fuel prices and tough competition, and reiterated that it would have to look for more ways to save on the cost of labor.

"My guess is that if they hadn't had the high fuel prices, they would have made some money," said Larry Adelman, a restructuring adviser with AEG Partners LLC. "They're doing all the right things."

United Airlines, which filed for bankruptcy in December 2002, is trying to cut costs to win exit financing to emerge from bankruptcy protection.

In recent months, the Elk Grove Village-based airline negotiated an expansion of its bankruptcy loan to \$1 billion and agreed with bondholders on a \$450-million debt reduction. It also proposed more than \$1 billion of new cuts, on top of \$5 billion in annual cuts already planned.

Standard & Poor's analyst Philip Baggaley agreed that the world's second largest airline had made some progress. "But the airline industry has become much worse and that will force them to go back and make still further changes," Baggaley said.

Operating revenue for the quarter was up 7 percent over the same period last year, to \$4.3 billion, and the airline carried about 10 percent more passengers.

Fuel expenses were \$291 million higher than in the third quarter of 2003. It costs about \$75,000 to fill up the tank on a 747 jet, according to United spokeswoman Jean Medina.

United posted a September operating loss of \$118 million, and said there is a "strong possibility" that it would not be able to comply with its bankruptcy-loan agreement for the fourth quarter. United said in a statement that it is talking with its bankers regarding the situation.

The airline reported a third-quarter operating loss of \$80 million, compared with a \$19 million operating profit for the third quarter of 2003.

Chief Financial Officer Jake Brace noted that during the third- quarter, United burned through almost \$1 million per day. He said the airline had no choice but to seek additional savings in its labor costs. The airline has already said it may have to terminate and replace pension plans.

Machinists' union spokesman Joe Tiberi said the union has not been told what the new labor cuts might be.

Fuel costs approaching \$60 a barrel have hit the airline industry hard. US Airways filed for bankruptcy for the second time last month. Indianapolis-based budget carrier ATA filed for bankruptcy protection Tuesday. AirTran Airways agreed to assume up to 14 of ATA's gates at Chicago's Midway Airport.

"United has done a tremendous job reducing their cost structure," Adelman said. "For every airline right now, the fuel prices are an incredible lead weight."