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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2006

or

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

US Airways Group, Inc.

(Exact name of registrant as specified in its charter)

(Commission File No. 1-8444)

Delaware	**54-1194634**
(State or other Jurisdiction of Incorporation or Organization)	*(IRS Employer Identification No.)*

111 West Rio Salado Parkway, Tempe, Arizona 85281
(Address of principal executive offices, including zip code)

(480) 693-0800
(Registrants telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $0.01 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

America West Airlines, Inc.

(Exact name of registrant as specified in its charter)

(Commission File No. 0-12337)

Delaware	**86-0418245**
(State or other Jurisdiction of Incorporation or Organization)	*(IRS Employer Identification No.)*

4000 East Sky Harbor Blvd., Phoenix, Arizona 85034
(Address of principal executive offices, including zip code)

(480) 693-0800
(Registrants telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: None

US Airways, Inc.

(Exact name of registrant as specified in its charter)

(Commission File No. 1-8442)

Delaware	**53-0218143**
(State or other Jurisdiction of Incorporation or Organization)	*(IRS Employer Identification No.)*

111 West Rio Salado Parkway, Tempe, Arizona 85281
(Address of principal executive offices, including zip code)

(480) 693-0800
(Registrants telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: None

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the proxy statement related to US Airways Group, Inc.'s 2007 Annual Meeting of Stockholders, which proxy statement will be filed under the Securities Exchange Act of 1934 within 120 days of the end of US Airways Group, Inc.'s fiscal year ended December 31, 2006, are incorporated by reference into Part III of this Annual Report on Form 10-K.

America West Airlines, Inc. meets the conditions set forth in General Instruction I(1)(a) and (b) and is therefore filing this form with reduced disclosure format pursuant to General Instruction I(2).

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(Continued from previous page)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined by Rule 405 of the Securities Act.

US Airways Group, Inc.	Yes þ	No o
America West Airlines, Inc.	Yes o	No þ
US Airways, Inc.	Yes o	No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

US Airways Group, Inc.	Yes o	No þ
America West Airlines, Inc.	Yes o	No þ
US Airways, Inc.	Yes o	No þ

Indicate by check mark whether each 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 þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

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.

US Airways Group, Inc.	Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o
America West Airlines, Inc.	Large accelerated filer o	Accelerated filer o	Non-accelerated filer þ
US Airways, Inc.	Large accelerated filer o	Accelerated filer o	Non-accelerated filer þ

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

US Airways Group, Inc.	Yes o	No þ
America West Airlines, Inc.	Yes o	No þ
US Airways, Inc.	Yes o	No þ

The aggregate market value of common stock held by non-affiliates of US Airways Group, Inc. as of June 30, 2006 was approximately $3.3 billion.

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 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.

US Airways Group, Inc.	Yes þ	No o
US Airways, Inc.	Yes þ	No o

As of February 15, 2007, there were approximately 91,395,349 shares of US Airways Group, Inc. common stock outstanding.

As of February 15, 2007, America West Airlines, Inc. had 1,000 shares of Class B common stock outstanding, all of which were held by America West Holdings Corporation.

As of February 15, 2007, US Airways, Inc. had 1,000 shares of common stock outstanding, all of which were held by US Airways Group, Inc.

US Airways Group, Inc.
America West Airlines, Inc.
US Airways, Inc.

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This combined Annual Report on Form 10-K is filed by US Airways Group, Inc. ("US Airways Group") and its direct and indirect wholly owned subsidiaries US Airways, Inc. ("US Airways") and America West Airlines, Inc. ("AWA"). AWA is a wholly owned subsidiary of America West Holdings Corporation ("America West Holdings"), which is a wholly owned subsidiary of US Airways Group. References in this Form 10-K to "we," "us," "our" and the "Company" refer to US Airways Group and its consolidated subsidiaries.

Note Concerning Forward-Looking Statements

Certain of the statements contained in this report should be considered "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements may be identified by words such as "may," "will," "expect," "intend," "anticipate," "believe," "estimate," "plan," "project," "could," "should," and "continue" and similar terms used in connection with statements regarding our outlook, expected fuel costs, the revenue environment, and our expected financial performance. These statements include, but are not limited to, statements about the benefits of the business combination transaction involving America West Holdings and US Airways Group, including future financial and operating results, our plans, objectives, expectations and intentions and other statements that are not historical facts. These statements are based upon the current beliefs and expectations of management and are subject to significant risks and uncertainties that could cause our actual results and financial position to differ materially from these statements. These risks and uncertainties include, but are not limited to, those described below under Item 1A. "Risk Factors" and the following:

- the impact of high fuel costs, significant disruptions in the supply of aircraft fuel and further significant increases to fuel prices;
- our high level of fixed obligations and our ability to obtain and maintain financing for operations and other purposes;
- our ability to achieve the synergies anticipated as a result of the merger and to achieve those synergies in a timely manner;
- our ability to integrate the management, operations and labor groups of US Airways Group and America West Holdings;
- labor costs and relations with unionized employees generally and the impact and outcome of labor negotiations;
- the impact of global instability, including the current instability in the Middle East, the continuing impact of the military presence in Iraq and Afghanistan, the terrorist attacks of September 11, 2001 and the potential impact of future hostilities, terrorist attacks, infectious disease outbreaks or other global events that affect travel behavior;
- reliance on automated systems and the impact of any failure or disruption of these systems;
- the impact of future significant operating losses;
- changes in prevailing interest rates;
- our ability to obtain and maintain commercially reasonable terms with vendors and service providers and our reliance on those vendors and service providers;
- security-related and insurance costs;
- changes in government legislation and regulation;
- our ability to use pre-merger NOLs and certain other tax attributes;
- competitive practices in the industry, including significant fare restructuring activities, capacity reductions and in court or out of court restructuring by major airlines;
- continued existence of prepetition liabilities;
- interruptions or disruptions in service at one or more of our hub airports;

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- weather conditions;
- our ability to maintain adequate liquidity;
- our ability to maintain contracts that are critical to our operations;
- our ability to operate pursuant to the terms of our financing facilities (particularly the financial covenants);
- our ability to attract and retain customers;
- the cyclical nature of the airline industry;
- our ability to attract and retain qualified personnel;
- economic conditions; and
- other risks and uncertainties listed from time to time in our reports to the Securities and Exchange Commission.

All of the forward-looking statements are qualified in their entirety by reference to the factors discussed below under Item 1A. “Risk Factors.” There may be other factors not identified above of which we are not currently aware that may affect matters discussed in the forward-looking statements and may also cause actual results to differ materially from those discussed. We assume no obligation to publicly update any forward-looking statement to reflect actual results, changes in assumptions or changes in other factors affecting these estimates other than as required by law. Any forward-looking statements speak only as of the date of this Form 10-K.

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PART I

Item 1. *Business*

Overview

US Airways Group, a Delaware corporation, is a holding company formed in 1982 and whose origins trace back to the formation of All American Aviation in 1939. US Airways Group's principal executive offices are located at 111 West Rio Salado Parkway, Tempe, Arizona 85281. US Airways Group's telephone number is (480) 693-0800, and its internet address is *www.usairways.com.* US Airways Group's primary business activity is the operation of a major network air carrier, through its ownership of the common stock of America West Holdings and its wholly owned subsidiary AWA; US Airways; Piedmont Airlines, Inc. ("Piedmont"); PSA Airlines, Inc. ("PSA"); Material Services Company, Inc. ("MSC"); and Airways Assurance Limited. On September 12, 2004, US Airways Group and its domestic subsidiaries, US Airways, Piedmont, PSA and MSC (collectively, the "Reorganized Debtors"), which at the time accounted for substantially all of the operations of US Airways Group, filed voluntary petitions for relief under Chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Virginia, Alexandria Division. On May 19, 2005, US Airways Group signed a merger agreement, subsequently amended on July 7, 2005, with America West Holdings pursuant to which America West Holdings merged with a wholly owned subsidiary of US Airways Group. The plan of reorganization of US Airways Group and its domestic subsidiaries was confirmed by the Bankruptcy Court on September 16, 2005. The merger became effective upon US Airways Group's emergence from bankruptcy on September 27, 2005. Following the merger, America West Holdings continued as a wholly owned subsidiary of US Airways Group.

Since the merger, US Airways Group has been moving toward operating under the single brand name of "US Airways" through its two principal subsidiaries US Airways and AWA. We expect to complete the integration of our two principal subsidiaries into one operation during 2007. As a result of the merger, through our two principal operating subsidiaries, we operate the fifth largest airline in the United States as measured by domestic revenue passenger miles ("RPMs") and available seat miles ("ASMs"). For the years ended December 31, 2006, 2005 and 2004, passenger revenues accounted for approximately 93%, 92% and 93%, respectively, of our operating revenues. Cargo revenues and other sources accounted for 7%, 8% and 7% of our operating revenues in 2006, 2005 and 2004, respectively. We have primary hubs in Charlotte, Philadelphia and Phoenix and secondary hubs/focus cities in Pittsburgh, Las Vegas, New York, Washington, D.C. and Boston. We are a low-cost carrier offering scheduled passenger service on approximately 4,000 flights daily to 240 communities in the U.S., Canada, the Caribbean, Latin America and Europe, making us the only U.S. based low-cost carrier with a significant international route presence. We are also the only low-cost carrier with an established East Coast route network, including the US Airways Shuttle service, with substantial presence at capacity constrained airports including New York's LaGuardia Airport and the Washington, D.C. area's Ronald Reagan Washington National Airport. Starting in December 2005, we expanded our route network to include Hawaii. As of December 31, 2006, our two principal subsidiaries operated 359 mainline jets and are supported by our regional airline subsidiaries and affiliates operating as US Airways Express, which operate approximately 240 regional jets and 104 turboprops.

US Airways had approximately 36 million passengers boarding its planes in 2006. As of December 31, 2006, US Airways operated 226 jet aircraft. During 2006, US Airways provided regularly scheduled service or seasonal service at 85 airports in the continental United States, Canada, the Caribbean, Latin America and Europe. As of December 31, 2006, the US Airways Express network served 133 airports in the United States, Canada and the Bahamas, including approximately 40 airports also served by US Airways. During 2006, US Airways Express air carriers had approximately 20 million passengers boarding their planes. Passenger revenues accounted for approximately 90% of US Airways' operating revenues in each of the three years ended December 31, 2006, 2005 and 2004. Cargo revenues and other sources accounted for approximately 10% of US Airways' operating revenues in 2006, 2005 and 2004.

AWA had approximately 21 million passengers boarding its planes in 2006. As of December 31, 2006, AWA operated 133 jet aircraft. During 2006, AWA provided regularly scheduled service or seasonal service at 67 airports in the continental United States, Hawaii, Alaska, Canada and Latin America. As of December 31, 2006, the AWA Express network served 62 airports in the United States, Canada and Latin America, including approximately 31

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airports also served by AWA. During 2006, AWA's Express air carrier had approximately 7 million passengers boarding its planes. For the years ended December 31, 2006, 2005 and 2004, passenger revenues accounted for approximately 94%, 93% and 93%, respectively, of AWA's operating revenues. Cargo revenues and other sources accounted for approximately 6%, 7% and 7% of AWA's operating revenues in 2006, 2005 and 2004, respectively.

For information regarding operating revenue in US Airways Group's and US Airways' principal geographic areas, see notes 15 and 13 to the respective financial statements included in Items 8A and 8C of this Form 10-K.

Our results are seasonal. Operating results are typically highest in the second and third quarters due to greater demand for air and leisure travel during the summer months and US Airways' and AWA's combination of business traffic and North-South leisure traffic in the eastern and western United States during those periods.

Material Services Company and Airways Assurance Limited operate in support of our airline subsidiaries in areas such as the procurement of aviation fuel and insurance.

You may read and copy any materials US Airways Group, AWA or US Airways files with the Securities and Exchange Commission ("SEC") at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. A copy of this Annual Report on Form 10-K, as well as other Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports are accessible free of charge at *www.usairways.com* and at the SEC's website at *www.sec.gov* as soon as reasonably possible after the report is filed with or furnished to the SEC.

Airline Industry

Despite high fuel costs throughout the year, the airline industry is expected to report an annual profit in 2006, excluding special items and bankruptcy-related costs, for the first time since the terrorist attacks on September 11, 2001. While the industry continued to focus on structural changes through cost containment and fleet rationalization, airlines were able to pass some of the fuel price cost increase on to passengers through higher fares.

A number of structural changes in the industry have taken shape including restructuring through the Chapter 11 process by four legacy carriers, including US Airways. While all carriers are focusing on lowering costs and increasing revenues, traditional legacy carriers and some newer carriers have reduced domestic capacity and redeployed aircraft to international markets.

Regional jets continue to play a large and growing role within the U.S. airline industry. The more recent trend is toward larger 70- and 90-plus seat regional jets rather than the 50-seat and smaller jets that had dominated the marketplace in prior years. As carriers use the bankruptcy laws to restructure and reduce their mainline fleets, replacement aircraft frequently are larger regional aircraft.

While fares have increased over the prior year due to the rising cost of fuel, they still remain at historically low levels on an inflation-adjusted basis. While domestic capacity continues to rationalize through fleet reductions and the redeployment of aircraft to international markets, whether demand can remain at historically high levels in the face of rising fares is unclear.

Airline Operations

Prior to the merger, AWA operated its route system through a hub-and-spoke network centered in its Phoenix and Las Vegas hubs. US Airways' major connecting hubs prior to the merger were at airports in Charlotte and Philadelphia. US Airways also had substantial operations at Logan International Airport in Boston, New York's LaGuardia Airport, Pittsburgh International Airport, and Ronald Reagan Washington National Airport. Following the merger, the combined company has primary hubs in Charlotte, Philadelphia and Phoenix and secondary hubs/focus cities in Pittsburgh, Las Vegas, New York, Washington, D.C. and Boston.

Despite operating fewer aircraft than in the previous year, both AWA and US Airways were able to increase service in certain markets. In 2006, AWA launched service to Hawaii between Las Vegas-Maui, Phoenix-Kauai and Phoenix-Kona with extended-over-water-equipped Boeing 757 Aircraft. US Airways added new transatlantic service from Philadelphia to Milan, Italy; Stockholm, Sweden; and Lisbon, Portugal. US Airways also added service from Philadelphia to Portland, Oregon using AWA aircraft and crew, thus further realizing the synergies from our merger by easily adding service from the former east coast route network to the west coast route network.

In addition, US Airways continued to enhance its fleet mix in 2006. We announced an agreement with Embraer for the firm order of twenty five 99-seat Embraer 190 aircraft. The aircraft began regularly scheduled flights in February 2007. Also, through an agreement with our regional airline partner Republic Airways Holdings ("Republic"), we added thirty 86-seat Embraer 175 aircraft, which replaced twenty 50-seat Embraer 145 aircraft. The remaining ten aircraft can be used for either replacement or growth purposes in 2008. Finally, we announced that we have restructured and increased our existing order with Airbus for seven new A321 Aircraft. This brings the total aircraft on order with Airbus to 37, with fifteen A321 aircraft to be delivered between 2008 and 2010.

To modernize our international product and improve the efficiency of our international network, we were scheduled to begin accepting deliveries of A350 aircraft in 2011 pursuant to an Airbus A350 Purchase Agreement that US Airways Group, US Airways and AWA entered into in September 2005 with Airbus. US Airways Group has been notified that the A350 will be undergoing significant design changes and will be delivered several years beyond the originally scheduled delivery dates. We are currently evaluating the revised technical and commercial aspects of the A350 program.

Express Operations

US Airways Express Network

Certain air carriers have code share arrangements with US Airways to operate under the trade name "US Airways Express". Typically, under a code share arrangement, one air carrier places its designator code and sells tickets on the flights of another air carrier, which is referred to generically as its code share partner. US Airways Express carriers are an integral component of our operating network. US Airways relies heavily on feeder traffic from its US Airways Express partners, which carry passengers from low-density markets that are uneconomical for US Airways to serve with large jets to US Airways' hubs. In addition, US Airways Express operators offer complementary service in existing US Airways mainline markets by operating flights during off-peak periods between US Airways mainline flights. As of December 2006, the US Airways Express network served 133 airports in the continental United States, Canada and the Caribbean, including 40 airports also served by US Airways. During 2006, approximately 20 million passengers boarded US Airways Express air carriers' planes, approximately 42% of whom connected to US Airways' flights. Of these 20 million passengers, approximately 8 million were enplaned by our wholly owned regional airlines Piedmont and PSA, approximately 1 million were enplaned by US Airways' former MidAtlantic division, approximately 10 million were enplaned by third-party carriers operating under capacity purchase agreements and approximately 1 million were enplaned by carriers operating under prorate agreements, as described below.

The US Airways Express code share arrangements are either in the form of capacity purchase or prorate agreements. The capacity purchase agreements provide that all revenues, including passenger, mail and freight revenues, go to US Airways. In return, US Airways agrees to pay predetermined fees to these airlines for operating an agreed-upon number of aircraft, without regard to the number of passengers on board. In addition, these agreements provide that certain variable costs, such as fuel and airport landing fees, will be reimbursed 100% by US Airways. US Airways controls marketing, scheduling, ticketing, pricing and seat inventories. Under the prorate agreements, the prorate carriers pay certain service fees to US Airways and receive a prorated share of ticket revenue paid for connecting customers. US Airways is responsible for the pricing and marketing of connecting services to and from the prorate carrier. The prorate carrier is responsible for pricing and marketing the local, point to point markets, and is responsible for all costs incurred operating the aircraft. All US Airways Express carriers use US Airways' reservation systems, and have logos, service marks, aircraft paint schemes and uniforms similar to those of US Airways.

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The following table sets forth US Airways Express code share agreements and the number and type of aircraft operated under those agreements at December 31, 2006.

Carrier	Agreement Type	Number/Type of Aircraft
PSA(1)	Capacity Purchase	49 regional jets
Piedmont(1)	Capacity Purchase	55 turboprops
Chautauqua Airlines, Inc.	Capacity Purchase	30 regional jets
Air Wisconsin Airlines Corporation	Capacity Purchase	70 regional jets
Republic	Capacity Purchase	28 regional jets
Colgan Airlines, Inc.	Prorate	29 turboprops
Air Midwest, Inc.	Prorate	14 turboprops
Trans States Airlines, Inc.	Prorate	7 regional jets

(1) PSA and Piedmont are wholly owned subsidiaries of US Airways Group.

In April 2004, MidAtlantic, US Airways' former regional jet division, began operating as part of the US Airways Express network. As of December 31, 2005, MidAtlantic operated 18 Embraer ERJ-170 regional jets with 72 seats. MidAtlantic served approximately 2 million passengers in 2005. On June 23, 2005, US Airways exercised its option under its agreement with Republic and Wexford Capital LLC to sell certain assets used by MidAtlantic, including the regional jets, a flight simulator and certain commuter slots at Reagan National and LaGuardia. Under the terms of the agreement, Republic purchased ten regional jets owned by US Airways and leased the ten purchased aircraft back to US Airways subject to their future transfer to Republic. Republic also assumed the leases of 15 additional regional jets. Republic entered into a regional jet service agreement that continues the operation of the aircraft as a US Airways Express carrier under a ten-year capacity purchase agreement. In addition to the aircraft, Republic purchased commuter slots at Reagan National and LaGuardia and leases the slots back to US Airways. Effective May 27, 2006, the transfer of assets to Republic discussed above was complete and MidAtlantic ceased to operate. In December 2006, US Airways satisfied the financial terms of the agreement concerning the LaGuardia slots. Republic and US Airways then modified additional terms of the agreement to conform with subsequent regulatory changes at LaGuardia, and the slots were returned to US Airways. The need for a subsequent modification was fully contemplated in the original agreement.

America West Express

AWA has a regional airline code share agreement with Mesa Airlines ("Mesa"). Mesa, operating regional jets and large turboprop aircraft as America West Express, provides regional feeder service to and from Phoenix, Charlotte and Las Vegas to destinations in the continental United States, Canada and northern Mexico. AWA collects the revenue and income generated from the services provided by Mesa, and in return (1) reimburses Mesa for actual non-controllable costs and costs incurred at stations maintained and operated by Mesa, (2) pays Mesa for actual controllable non-maintenance costs, subject to a cap, and controllable maintenance costs at fixed rates, and (3) shares with Mesa a percentage of the revenue allocated to the flight segments flown by Mesa. Through this arrangement with Mesa, AWA offered America West Express service to an additional 31 destinations as of December 31, 2006. As of December 31, 2006, the America West Express fleet included 62 aircraft comprised of 38 86-seat CRJ 900s, 18 50-seat CRJ 200s and six 37-seat Dash 8 turboprop aircraft.

Marketing and Alliance Agreements with Other Airlines

AWA and US Airways maintain alliance agreements with each other and with several leading domestic and international carriers to give customers a greater choice of destinations. Airline alliance agreements provide an array of benefits that vary by partner. By code sharing, each airline is able to offer additional destinations to its customers under its flight designator code without materially increasing operating expenses and capital expenditures. Frequent flyer arrangements provide members with extended networks for earning and redeeming miles on partner carriers. Our US Airways Club members also have access to certain partner carriers' airport lounges. We also benefit from the distribution strengths of each of the partner carriers.

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AWA

AWA and US Airways entered into a broad system-wide code share program that started soon after the merger. This program permits passengers to travel throughout the combined route networks of both carriers. The code share program is fully implemented except in a few international markets.

AWA also has several code share agreements with different carriers. Among international carriers, AWA has code share relations with ALIA/Royal Jordanian, EVA Airways and Virgin Atlantic Airways. The code share agreements primarily funnel international traffic onto AWA's domestic flights. Domestically, AWA code shares with Hawaiian Airlines on intra-Hawaii flights and with Big Sky Airlines to smaller markets in Idaho, Montana and Washington state.

US Airways

In addition to the broad code share agreement with AWA, US Airways has entered into a number of bilateral and multilateral alliances with other airlines. In May 2004, US Airways joined the Star Alliance, the world's largest airline alliance, with 17 member airlines serving approximately 855 destinations in 155 countries. Two additional international carriers based in China are scheduled to join in 2007. Membership in the Star Alliance further enhances the value of US Airways' domestic and international route network by allowing customers wide access to the global marketplace. Expanded benefits for customers include network expansion through code share service, Dividend Miles benefits, airport lounge access, convenient single-ticket pricing, one-stop check-in and coordinated baggage handling. US Airways also has bilateral marketing/code sharing agreements with Lufthansa, Spanair, bmi, TAP Portugal, and Italy's Air One, as well as several smaller regional carriers in the Caribbean that operate collectively as the "GoCaribbean" network.

In addition, US Airways has comprehensive marketing agreements with United Airlines, a member of the Star Alliance, which began in July 2002. United, as well as its parent company, UAL Corporation, and certain of its affiliates, filed for protection under Chapter 11 of the Bankruptcy Code on December 9, 2002 and emerged on February 1, 2006. United assumed these marketing agreements in its bankruptcy proceedings. On March 3, 2006, US Airways filed a motion with the Bankruptcy Court to assume revised agreements with United; however, we are continuing to negotiate with United concerning revisions to the existing agreements. In the event we are unable to reach agreement with United, our code share relationship with United and membership in Star Alliance could be terminated.

Competition in the Airline Industry

Most of the markets in which we operate are highly competitive. Price competition occurs on a market-by-market basis through price discounts, changes in pricing structures, fare matching, target promotions and frequent flyer initiatives. Airlines typically use discount fares and other promotions to stimulate traffic during normally slack travel periods to generate cash flow and to maximize revenue per ASM. Discount and promotional fares are generally non-refundable and may be subject to various restrictions such as minimum stay requirements, advance ticketing, limited seating and change fees. We have often elected to match discount or promotional fares initiated by other air carriers in certain markets in order to compete in those markets. Most airlines will quickly match price reductions in a particular market. Our ability to compete on the basis of price is limited by our fixed costs and depends on our ability to maintain our operating costs.

We also compete on the basis of scheduling (frequency and flight times), availability of nonstop flights, on-time performance, type of equipment, cabin configuration, amenities provided to passengers, frequent flyer programs, the automation of travel agent reservation systems, on-board products, markets served and other services. We compete with both major full service airlines and low-cost airlines throughout our network of hubs and focus cities.

We believe the growth of low-fare low-cost competition will continue. Recent years have seen the entrance and growth of low-fare low-cost competitors in many of the markets in which we operate. These competitors include Southwest Airlines Co., which has steadily increased East Coast operations, AirTran Airways, Inc., Frontier

Airlines, Inc. and JetBlue Airways. Some of these low cost carriers have lower operating cost structures than we have.

In addition, with its significant activity in the eastern United States, US Airways' average trip distance, or stage length, is shorter than those of other major airlines. This makes US Airways more susceptible than other major airlines to competition from surface transportation such as automobiles and trains.

Industry Regulation and Airport Access

Our airline subsidiaries operate under certificates of public convenience and necessity or certificates of commuter authority, both of which are issued by the Department of Transportation (the "DOT"). These certificates may be altered, amended, modified or suspended by the DOT if the public convenience and necessity so require, or may be revoked for failure to comply with the terms and conditions of the certificates. US Airways and AWA currently operate under separate certificates, and are in the process of obtaining DOT approval to combine the certificates. Approval is expected during 2007.

Airlines are also regulated by the U.S. Federal Aviation Administration (the "FAA"), primarily in the areas of flight operations, maintenance, ground facilities and other operational and safety areas. Pursuant to these regulations, our airline subsidiaries have FAA-approved maintenance programs for each type of aircraft they operate. The programs provide for the ongoing maintenance of such aircraft, ranging from periodic routine inspections to major overhauls. From time to time, the FAA issues airworthiness directives and other regulations affecting our airline subsidiaries or one or more of the aircraft types they operate. In recent years, for example, the FAA has issued or proposed mandates relating to, among other things, enhanced ground proximity warning systems, fuselage pressure bulkhead reinforcement, fuselage lap joint inspection rework, increased inspections and maintenance procedures to be conducted on certain aircraft, increased cockpit security, fuel tank flammability reductions and domestic reduced vertical separation. Regulations of this sort tend to enhance safety and increase operating costs.

The DOT allows local airport authorities to implement procedures designed to abate special noise problems, provided such procedures do not unreasonably interfere with interstate or foreign commerce or the national transportation system. Certain locales, including Boston, Washington, D.C., Chicago, San Diego and San Francisco, among others, have established airport restrictions to limit noise, including restrictions on aircraft types to be used and limits on the number of hourly or daily operations or the time of these operations. In some instances these restrictions have caused curtailments in services or increases in operating costs, and these restrictions could limit the ability of our airline subsidiaries to expand their operations at the affected airports. Authorities at other airports may consider adopting similar noise regulations.

The airline industry is also subject to increasingly stringent federal, state and local laws aimed at protecting the environment. Future regulatory developments and actions could affect operations and increase operating costs for the airline industry, including our airline subsidiaries.

Our airline subsidiaries are obligated to collect a federal excise tax, commonly referred to as the "ticket tax," on domestic and international air transportation. Our airline subsidiaries collect the ticket tax, along with certain other U.S. and foreign taxes and user fees on air transportation, and pass along the collected amounts to the appropriate governmental agencies. Although these taxes are not operating expenses of the Company, they represent an additional cost to our customers.

The Aviation and Transportation Security Act (the "Aviation Security Act") was enacted in November 2001. Under the Aviation Security Act, substantially all aspects of civil aviation security screening were federalized, and a new Transportation Security Administration (the "TSA") under the DOT was created. TSA was then transferred to the Department of Homeland Security pursuant to the Homeland Security Act of 2002. The Aviation Security Act, among other matters, mandates improved flight deck security; carriage at no charge of federal air marshals; enhanced security screening of passengers, baggage, cargo, mail, employees and vendors; enhanced security training; fingerprint-based background checks of all employees and vendor employees with access to secure areas of airports pursuant to regulations issued in connection with the Aviation Security Act; and the provision of passenger data to U.S. Customs and Border Protection.

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Funding for TSA is provided by a combination of air-carrier fees, passenger fees, and taxpayer monies. The air-carrier fee, or Aviation Security Infrastructure Fee ("ASIF"), has an annual cap equivalent to the amount that an individual air carrier paid in calendar year 2000 for the screening of passengers and property. TSA may lift this cap at any time and set a new higher fee for air carriers. In 2005, TSA assessed additional ASIF liability on 43 air carriers, including AWA, US Airways, Piedmont, PSA and non-owned affiliates for whom AWA and US Airways pay ASIF. The passenger fee, which is collected by air carriers from their passengers, is currently set at $2.50 per flight segment but not more than $10.00 per round trip.

In 2006, we incurred expenses of $56 million for the ASIF, including amounts related to regional carriers. US Airways incurred expenses of $44 million including amounts paid by US Airways Group's wholly owned regional subsidiaries. AWA incurred expenses of $12 million including amounts related to regional carriers. Our expenses will further increase for amounts assessed to non-owned regional affiliates who can pass through their increased ASIF to US Airways. Implementation of the requirements of the Aviation Security Act have resulted and will continue to result in increased costs for us and our passengers and has and will likely continue to result in service disruptions and delays. As a result of competitive pressure, AWA, US Airways and other airlines may be unable to recover all of these additional security costs from passengers through increased fares. In addition, we cannot forecast what new security and safety requirements may be imposed in the future or the costs or financial impact of complying with any such requirements.

Most major U.S. airports impose passenger facility charges. The ability of airlines to contest increases in these charges is restricted by federal legislation, DOT regulations and judicial decisions. With certain exceptions, air carriers pass these charges on to passengers. However, our ability to pass through passenger facility charges to our customers is subject to various factors, including market conditions and competitive factors.

At John F. Kennedy International Airport, LaGuardia and Reagan National, which are designated "High Density Airports" by the FAA, there are restrictions that limit the number of departure and arrival slots available to air carriers during peak hours. In April 2000, legislation was enacted that eliminated slot restrictions in January 2007 at LaGuardia and Kennedy. On December 20, 2006, the FAA implemented an interim rule to maintain the number of hourly operations at LaGuardia until a final rule is adopted. The FAA proposed a comprehensive final rule for LaGuardia in August 2006. The proposed rule would require a minimum number of seats on all operations to/from LaGuardia except for those expressly exempted. Failure to comply with the average seat per departure requirement would lead to the withdrawal of operating authority until compliance is achieved. The proposed rule also introduces a finite lifespan for "operating authorizations" of no more than ten years. The FAA intends to seek Congressional approval for the introduction of market based mechanisms for allocating expiring operating authorizations. We have filed extensive comments with the FAA in December 2006 detailing the numerous concerns we have with the proposed rule. Given the need for Congressional legislation to implement a portion of the proposed rule, we do not believe final action on a new rule is likely before late 2007 at the earliest.

In the future, takeoff and landing time restrictions and other restrictions on the use of various airports and their facilities may result in further curtailment of services by, and increased operating costs for, individual airlines, including our airline subsidiaries, particularly in light of the increase in the number of airlines operating at these airports. In general, FAA rules relating to allocated slots at High Density Airports contain provisions requiring the relinquishment of slots for non-use and permit carriers, under certain circumstances, to sell, lease or trade their slots to other carriers. Each slot must be used on at least 80% of the dates during each two-month reporting period. Failure to satisfy the use rate will result in loss of the slot and reversion of the slot to the FAA for reassignment through a lottery arrangement. As of December 31, 2006, US Airways and AWA exceeded the minimum use rate.

Where the FAA has seen congestion and delay increases, it has generally stepped in and worked with the carriers to freeze operations at current or somewhat reduced levels. Specifically, incumbent carriers, including US Airways and AWA, are not permitted to increase operations at Chicago O'Hare International Airport as a result of an agreement reached between the FAA and these airlines in August 2004. A final rule memorializing many of the terms of the August 2004 agreement was released in August 2006.

The availability of international routes to domestic air carriers is regulated by agreements between the U.S. and foreign governments. Changes in U.S. or foreign government aviation policy could result in the alteration or termination of these agreements and affect our international operations.

The DOT has proposed far-reaching changes to the regulations that define what constitutes a U.S. airline. The proposed rule was withdrawn in 2006, after facing widespread opposition from various industry stakeholders. As a result of the failure of the United States to liberalize its foreign ownership regulations, the European Union and United States did not implement a new liberalized transatlantic air service agreement.

Employees and Labor Relations

Our businesses are labor intensive. In 2006, wages, salaries and benefits represented approximately 19% of US Airways Group's operating expenses, 20% of AWA's operating expenses and 18% of US Airways' operating expenses. As of December 31, 2006, we employed approximately 37,000 active full-time equivalent employees. As of December 31, 2006, AWA employed approximately 12,400 active full-time equivalent employees including approximately 1,700 pilots, 2,500 flight attendants, 2,600 passenger service personnel, 2,000 fleet service personnel, 700 maintenance personnel and 2,900 personnel in administrative and various other job categories. As of December 31, 2006, US Airways employed approximately 19,400 active full-time equivalent employees including approximately 2,600 pilots, 4,600 flight attendants, 2,800 passenger service personnel, 3,700 fleet service personnel, 2,600 maintenance personnel and 3,100 personnel in administrative and various other job categories. As of December 31, 2006, US Airways Group's remaining subsidiaries employed approximately 5,200 active full-time equivalent employees including approximately 900 pilots, 600 flight attendants, 2,200 customer service personnel, 400 maintenance personnel and 1,100 personnel in administrative and various other job categories.

A large majority of the employees of the major airlines in the United States are represented by labor unions. As of December 31, 2006, approximately 81% of our active employees were represented by various labor unions.

Since the merger, we have been in the process of integrating the labor agreements of our two principal airline subsidiaries. The status of AWA's and US Airways' labor agreements with their major domestic employee groups is as follows:

Union	Class or Craft	Employees(1)	Contract Amendable
AWA:			
Air Line Pilots Association ("ALPA")	Pilots	1,700	12/30/2006(2)
Association of Flight Attendants-CWA ("AFA")	Flight Attendants	2,500	05/04/2004(3)
International Association of Machinists & Aerospace Workers ("IAM")	Mechanic and Related	700	10/07/2003(4)
IAM	Fleet Service	2,000	06/12/2005(5)
Transport Workers Union ("TWU")	Dispatch	40	04/01/2008(6)
Airline Customer Service Employee Association — IBT and CWA (the "Association")	Passenger Service	2,600	12/31/2011(7)
IAM	Stock Clerks	60	04/04/2008(4)
US Airways:			
ALPA	Pilots	2,600	12/31/2009(2)
AFA	Flight Attendants	4,600	12/31/2011(3)
IAM	Mechanic and Related	2,600	12/31/2009
IAM	Fleet Service	3,700	12/31/2009
IAM	Maintenance Training Specialists	10	12/31/2009
The Association	Passenger Service	2,800	12/31/2011
TWU	Dispatch	100	12/31/2009
TWU	Flight Simulator Engineers	30	12/31/2011
TWU	Flight Crew Training Instructors	50	12/31/2011

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(1) Approximate number of active full-time equivalent employees covered by the contract as of December 31, 2006.

(2) In negotiations for a single labor agreement applicable to both AWA and US Airways.

(3) In negotiations for a single labor agreement applicable to both AWA and US Airways. On December 15, 2005, the National Mediation Board recessed AFA's separate contract negotiations with AWA indefinitely.

(4) In negotiations to transition to the US Airways-IAM mechanic and related labor agreement.

(5) In negotiations to transition to the US Airways-IAM fleet service labor agreement.

(6) In December 2006, US Airways, AWA and TWU reached a transition agreement to transition the AWA dispatchers to the US Airways-TWU dispatcher labor agreement.

(7) On June 1, 2006, US Airways, AWA and the Association reached a final transition agreement to transition the AWA passenger service employees to the US Airways passenger service labor agreement.

There are few remaining employee groups that could engage in organization efforts. We cannot predict the outcome of any future efforts to organize those remaining employees or the terms of any future labor agreements or the effect, if any, on US Airways' or AWA's operations or financial performance. For more discussion, see Item 1A. "Risk Factors, Risk Factors Relating to the Company and Industry Related Risks — *Union disputes, employee strikes and other labor-related disruptions may adversely affect our operations.*"

Aviation Fuel

In 2006 and 2005, aviation fuel was our largest expense. The combined average cost of a gallon of aviation fuel for AWA and US Airways increased 17% from 2005 to 2006 after increasing 47% from 2004 to 2005. Because the operations of the airlines are dependent upon aviation fuel, increases in aviation fuel costs could materially and adversely affect liquidity, results of operations and financial condition.

We maintain an active fuel hedging program. All fuel hedges are placed by AWA and therefore are recorded on AWA's financial statements. As part of our fuel hedging program, AWA has periodically entered into certain fixed price swaps, collar structures and other similar derivative contracts. As of December 31, 2006, we had entered into hedging transactions using costless collars, which establish an upper and lower limit on heating oil futures prices. These transactions are in place with respect to approximately 29% of our 2007 fuel requirements. During 2006, 2005 and 2004, AWA recognized a net loss of $79 million, a net gain of $75 million and a net gain of $24 million, respectively, related to hedging activities.

The following table shows annual aircraft fuel consumption and costs for US Airways mainline for 2004 through 2006 (gallons and aircraft fuel expense in millions):

Year	Gallons	Average Price per Gallon(1)	Aircraft Fuel Expense(1)	Percentage of Total Operating Expenses
2006	775	$ 2.07	$ 1,607	21.5%
2005	842	1.77	1,486	20.0%
2004	884	1.12	991	13.4%

(1) Includes fuel taxes. US Airways had no fuel hedges in 2006 and 2005 and the impact has been excluded for 2004.

In addition, US Airways incurs fuel expense related to its US Airways Express operations. For the years ended December 31, 2006, 2005 and 2004, total fuel expense for MidAtlantic, US Airways Group's wholly owned subsidiaries and affiliate carriers was $554 million, $468 million, and $206 million, respectively.

The following table shows annual aircraft fuel consumption and costs for AWA mainline for 2004 through 2006 (gallons and aircraft fuel expense in millions):

Year	Gallons	Average Price per Gallon(1)	Aircraft Fuel Expense(1)	Percentage of Total Operating Expenses
2006	435	$ 2.09	$ 911	24.8%
2005	449	1.80	812	24.0%
2004	450	1.31	590	21.3%

(1) Includes fuel taxes and excludes the impact of fuel hedges, which is described in Item 7 under "AWA's Results of Operations."

In addition, AWA incurs fuel expense for its regional airline alliance with Mesa. For the years ended December 31, 2006, 2005 and 2004, total fuel expense for the Mesa alliance was $210 million, $182 million and $102 million, respectively.

Prices and availability of all petroleum products are subject to political, economic and market factors that are generally outside of our control. Accordingly, the price and availability of aviation fuel, as well as other petroleum products, can be unpredictable. Prices may be affected by many factors, including:

- the impact of global political instability on crude production;
- unexpected changes to the availability of petroleum products due to disruptions in distribution systems or refineries, as evidenced in the third quarter of 2005 when Hurricane Katrina and Hurricane Rita caused widespread disruption to oil production, refinery operations and pipeline capacity along certain portions of the U.S. Gulf Coast. As a result of these disruptions, the price of jet fuel increased significantly and the availability of jet fuel supplies was diminished;
- unpredictable increases to oil demand due to weather or the pace of economic growth;
- inventory levels of crude, refined products and natural gas; and
- other factors, such as the relative fluctuation between the U.S. dollar and other major currencies and the influence of speculative positions on the futures exchanges.

Insurance

US Airways Group and its subsidiaries maintain insurance of the types and in amounts deemed adequate to protect themselves and their property. Principal coverage includes:

- liability for injury to members of the public, including passengers;
- damage to property of US Airways Group, its subsidiaries and others;
- loss of or damage to flight equipment, whether on the ground or in flight;
- fire and extended coverage;
- directors' and officers' liability;
- travel agents' errors and omissions;
- advertiser and media liability;
- fiduciary; and
- workers' compensation and employer's liability.

Since September 11, 2001, US Airways Group and other airlines have been unable to obtain coverage for liability to persons other than employees and passengers for claims resulting from acts of terrorism, war or similar events, which coverage is called war risk coverage, at reasonable rates from the commercial insurance market. US Airways and AWA therefore purchased their war risk coverage through a special program administered by the

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FAA, as have most other U.S. airlines. The Emergency Wartime Supplemental Appropriations Act extended this insurance protection until August 2005. The program was subsequently extended, with the same conditions and premiums, until August 31, 2007. Under the Vision 100 — Century of Aviation Reauthorization Act, the President may continue the insurance program until March 30, 2008. If the federal insurance program terminates, we would likely face a material increase in the cost of war risk coverage, and because of competitive pressures in the industry, our ability to pass this additional cost to passengers may be limited.

Customer Service

We are committed to building a successful combined airline by taking care of our customers. We believe that our focus on excellent customer service in every aspect of our operations, including personnel, flight equipment, inflight and ancillary amenities, on-time performance, flight completion ratios and baggage handling, will strengthen customer loyalty and attract new customers. Combined DOT measures as reported by AWA and US Airways for the years ended December 31, 2006, 2005 and 2004 were as follows:

	Full Year		
	2006	2005	2004
On-time performance(a)	76.9	77.8	78.1
Completion factor(b)	98.9	98.2	98.4
Mishandled baggage(c)	7.82	7.68	4.85
Customer complaints(d)	1.35	1.55	1.14

(a) Percentage of reported flight operations arriving on time as defined by the DOT.

(b) Percentage of scheduled flight operations completed.

(c) Rate of mishandled baggage reports per 1,000 passengers.

(d) Rate of customer complaints filed with the DOT per 100,000 passengers.

Our on-time performance for 2006 ranked second among the ten largest U.S. carriers as measured by the DOT. During 2006, we achieved significant operational improvements at our Philadelphia hub. Specifically, customer complaints are down over 30 percent from 2005 levels. In addition, mishandled baggage per 1,000 enplanements is down nearly 15 percent year-over-year, with over 95 percent of all local in-bound baggage now delivered to the baggage carousel in 19.1 minutes on average.

Frequent Traveler Program

All major United States airlines offer frequent flyer programs to encourage travel on their respective airlines and customer loyalty. Prior to the merger, AWA and US Airways operated separate frequent flyer programs, known as “FlightFund” and “Dividend Miles,” respectively. Following the merger, the two frequent flyer programs were modified to allow customers of each airline to earn and use miles on the other airline, and in May 2006, the two programs were merged into the new Dividend Miles program, which is substantially the same as the former US Airways program. As part of the merger of the plans, the accounts of members participating in both programs were merged into single accounts of the new program.

The new Dividend Miles frequent flyer program allows participants to earn mileage credits for each paid flight segment on AWA, America West Express, US Airways, US Airways Shuttle, US Airways Express, Star Alliance carriers, and certain other airlines that participate in the program. Participants flying on first class or Envoy class tickets receive additional mileage credits. Participants can also receive mileage credits through special promotions that we periodically offer and may also earn mileage credits by utilizing certain credit cards and purchasing services from non-airline partners such as hotels and rental car agencies. We sell mileage credits to credit card companies, telephone companies, hotels, car rental agencies and others that participate in the Dividend Miles program. Mileage credits can be redeemed for free, discounted or upgraded travel awards on AWA, US Airways, Star Alliance carriers or other participating airlines.

AWA, US Airways and the other participating airline partners limit the number of seats allocated per flight for award recipients by using various inventory management techniques. Award travel for all but the highest-level

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Dividend Miles participants is generally not permitted on blackout dates, which correspond to certain holiday periods or peak travel dates. US Airways reserves the right to terminate Dividend Miles or portions of the program at any time. Program rules, partners, special offers, blackout dates, awards and requisite mileage levels for awards are subject to change. On January 31, 2007, we changed our program regarding active membership status to require members to have either earned or redeemed miles within a consecutive 18 month period to maintain active membership status. Prior to the change in the program, members were granted a 36 month period to maintain active status.

Ticket Distribution

The now common usage of electronic tickets within North America, and the rapid expansion of electronic ticketing in Europe and elsewhere, have allowed for the streamlining of processes and the increased efficiency of customer servicing and support. During 2006, electronic tickets represented 98.5% of all tickets issued to customers flying AWA and US Airways. The addition of a $50 surcharge to most customers requiring paper tickets has allowed AWA and US Airways to continue to support the exceptional requests, while offsetting any cost variance associated with the issuance and postal fulfillment of paper tickets. Airlines based in North America have recently proposed a mandate that airlines move to 100% electronic ticketing over the next couple of years, which we believe would, if enacted, serve to enhance customer service and control costs for ticketing services supported by the airline and distribution partners.

The shift of consumer bookings that began several years ago from traditional travel agents, airline ticket offices and reservation centers to online travel agent sites (e.g., Orbitz, Travelocity, Expedia and others) as well as airline direct websites (e.g., *www.usairways.com*) has continued to occur within the industry. Historically, traditional and online travel agencies used Global Distribution Systems ("GDSs"), such as Sabre, to obtain their fare and inventory data from airlines. Bookings made through these agencies result in a fee, referred to as a "GDS fee," that is charged to the airline. Bookings made directly with an airline, through its reservation call centers or website, do not generate a GDS fee. The growth of the airline direct websites and travel agent sites that connect directly to airline host systems, effectively by-passing the traditional connection via GDSs, helps AWA and US Airways reduce distribution costs. In 2006, we received 49%, of our combined sales from internet sites. Our website, *www.usairways.com*, accounted for 23% of our combined sales, while other internet sites accounted for 26% of our combined sales.

Due to the continued pressure on legacy airlines to lower distribution fees more aggressively than in the past in order to compete with low-cost airlines, many new low-cost GDSs have entered the distribution industry, such as ITA Software, G2 Switchworks, Navitaire and others. These new entrants are providing airlines with alternative economic models to do business with traditional travel agents by charging substantially lower GDS fees.

In an effort to further reduce distribution costs through internal channels, AWA and US Airways have instituted service fees for customer interaction in the following internal distribution channels: reservation call centers ($10.00 per ticket), airline ticket offices ($20.00 per ticket) and city ticket offices ($20.00 per ticket). Other services provided through these channels remain available with no extra fees. The goals of these service fees are to reduce the cost to us of providing customer service as required by the traveler and to promote the continued goal of shifting customers to our lowest cost distribution channel, *www.usairways.com.* Other airlines have instituted similar fee structures. Internal channels of distribution account for 37% of all our combined sales.

Through US Airways Vacations ("USV"), a division that prior to the merger was called America West Vacations, we sell individual and group travel packages including air transportation on US Airways, US Airways Express, AWA, America West Express and all US Airways codeshare partners, hotel accommodations, car rentals and other travel products. USV packages are marketed directly to consumers and through retail travel agencies in several countries and include travel to destinations throughout the U.S., Latin America, the Caribbean and Europe.

USV is focused on high-volume leisure travel products that have traditionally provided high profit margins. USV negotiated several strategic partnerships with hotels, Internet travel sites and media companies to capitalize on the continued growth in online travel sales. USV sells vacation packages and hotel rooms through its call center; via the Internet and its websites, *www.usairwaysvacations.com* and *www.usvtravelagents.com*; through global distribution systems Sabre Vacations, Amadeus AgentNet and VAX; and through third-party websites on a co-branded or private-label basis. In 2006, approximately 71% of USV's total bookings were made electronically, compared to 61% in 2005.

USV competes in a fragmented travel industry that is highly competitive, price-sensitive and has relatively low barriers to entry. USV competes for customers with other wholesale travel companies, consolidators and e-travel companies through national mass media, preferred supplier agreements and Internet distribution agreements.

During 2006, USV operated co-branded websites for 11 partner companies, including Costco Travel, Vegas.com, BestFares.com, MandalayBay.com, and Aladdin.com. These co-branded sites provide a retail presence via distribution channels such as Costco wholesale warehouses and other company websites where we and USV may not otherwise be a part of the consumer's consideration set. USV intends to continue to add new co-branded websites as opportunities present themselves.

Pre-merger US Airways Group's Chapter 11 Bankruptcy Proceedings

On September 12, 2004, US Airways Group and its domestic subsidiaries, US Airways, Piedmont, PSA and MSC, which at the time accounted for substantially all of the operations of US Airways Group, filed voluntary petitions for relief under the Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Virginia, Alexandria Division. On September 16, 2005, the Bankruptcy Court issued an order confirming the Reorganized Debtors' plan of reorganization. The plan of reorganization, which was based upon the completion of the merger, among other things, set forth a revised capital structure and established the corporate governance for US Airways Group following the merger and subsequent to emergence from bankruptcy. Under the plan of reorganization, the Reorganized Debtors' general unsecured creditors received 8.2 million shares of the new common stock of US Airways Group, which represented approximately 10% of our common stock outstanding as of the completion of the merger. The holders of US Airways Group common stock outstanding prior to the merger received no distribution on account of their interests, and their existing stock was cancelled.

In accordance with the Bankruptcy Code, the plan of reorganization classified claims into classes according to their relative priority and other criteria and provided for the treatment of each class of claims. Pursuant to the bankruptcy process, the Reorganized Debtors' claims agent received timely-filed proofs of claims totaling approximately $26.4 billion in the aggregate, exclusive of approximately $13.6 billion in claims by governmental entities. The Reorganized Debtors continue to be responsible for administering and resolving claims related to the bankruptcy process. The administrative claims objection deadline passed on September 15, 2006. As of December 31, 2006, there were approximately $472 million of unresolved claims. The ultimate resolution of certain of the claims asserted against the Reorganized Debtors in the Chapter 11 cases will be subject to negotiations, elections and Bankruptcy Court procedures. The recovery ultimately distributed to any particular general unsecured creditor under the plan of reorganization will depend on a number of variables, including the agreed value of any general unsecured claims filed by that creditor, the aggregate value of all resolved general unsecured claims and the value of shares of the new common stock of US Airways Group in the marketplace at the time of distribution. The effects of these distributions were reflected in US Airways' financial statements upon emergence and will not have any further impact on the results of operations.

While a significant amount of the Reorganized Debtors' liabilities were extinguished as a result of the discharge granted upon confirmation of the plan of reorganization, not all of the Reorganized Debtors' liabilities were subject to discharge. The types of obligations that the Reorganized Debtors remain responsible for include those relating to their secured financings, aircraft financings, certain environmental liabilities, the continuing obligations arising under contracts and leases assumed by the Reorganized Debtors and certain grievances with our labor unions, as well as allowed administrative claims. Allowed administrative claims consist primarily of the costs and expenses of administration of the Chapter 11 cases, including the costs of operating the Reorganized Debtors' businesses since filing for bankruptcy. The Reorganized Debtors received a large number of timely filed administrative claims, as well as additional claims that were late filed without permission of the Bankruptcy Court. Included in these claims, however, are claims for amounts arising in the ordinary course that have either already been paid, or that are included in the Reorganized Debtors' business plan and are expected to be paid in the ordinary course. Also included are claims that are duplicative, claims for which the Reorganized Debtors believe there is no legal merit for a claim of any status, and claims that the Reorganized Debtors believe may be valid as unsecured

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claims but are not entitled to administrative claims status. Accordingly, the Reorganized Debtors believe that only a very small portion of the claims filed in response to the bar dates for non-ordinary course administrative expense claims will actually be allowed in amounts exceeding the ordinary course expenditures already contained in the Reorganized Debtors' business plan. However, there can be no assurances that the aggregate amount of the claims ultimately allowed will not be material. To the extent any of these claims are allowed, they will generally be satisfied in full.

Item 1A. *Risk Factors*

Below are a series of risk factors that may affect our results of operations or financial performance. We caution the reader that these risk factors may not be exhaustive. We operate in a continually changing business environment, and new risk factors emerge from time to time. Management cannot predict such new risk factors, nor can it assess the impact, if any, of these risk factors on our business or the extent to which any factor or combination of factors may impact our business.

Risk Factors Relating to the Company and Industry Related Risks

Our business is dependent on the price and availability of aircraft fuel. Continued periods of historically high fuel costs, significant disruptions in the supply of aircraft fuel or significant further increases in fuel costs could have a significant negative impact on our operating results.

Our operating results are significantly impacted by changes in the availability or price of aircraft fuel. Although fuel prices recently have decreased from historically high levels, fuel prices have increased substantially over the past several years. Due to the competitive nature of the airline industry and market forces, we can offer no assurance that we may be able to increase our fares or otherwise increase revenues sufficiently to offset fuel prices. Although we are currently able to obtain adequate supplies of aircraft fuel, we cannot predict the future availability or price of aircraft fuel. In addition, from time to time we enter into hedging arrangements to protect against rising fuel costs. Our ability to hedge in the future, however, may be limited. See also the discussion in Part II, Item 7A. "Quantitative and Qualitative Disclosures About Market Risk."

Our high level of fixed obligations limits our ability to fund general corporate requirements and obtain additional financing, limits our flexibility in responding to competitive developments and increases our vulnerability to adverse economic and industry conditions.

We have a significant amount of fixed obligations, including debt, aircraft leases and financings, aircraft purchase commitments, leases of airport and other facilities and other cash obligations. We also have guaranteed costs associated with our regional alliances and commitments to purchase aircraft. As a result of the substantial fixed costs associated with these obligations:

- A decrease in revenues results in a disproportionately greater percentage decrease in earnings.
- We may not have sufficient liquidity to fund all of these fixed costs if our revenues decline or costs increase.
- We may have to use our working capital to fund these fixed costs instead of funding general corporate requirements, including capital expenditures.
- We may not have sufficient liquidity to respond to competitive developments and adverse economic conditions.

Our obligations also impact our ability to obtain additional financing, if needed, and our flexibility in the conduct of our business. Our existing indebtedness is secured by substantially all of our assets. Moreover, the terms of our secured GE loan require us to maintain unrestricted cash and cash equivalents of not less than $750 million (subject to partial reduction upon reduction in the principal amount outstanding) over the term of the loan, require us to meet financial ratios and restrict our ability to take certain other actions, including mergers and acquisitions, investments and asset sales. Our affinity credit card partner agreement with Juniper Bank, a subsidiary of Barclays PLC, requires us to maintain an average quarterly balance of cash, cash equivalents and short-term investments of at least $1 billion for the entirety of the agreement.

Our ability to pay the fixed costs associated with our contractual obligations depends on our operating performance and cash flow, which in turn depend on general economic and political conditions. A failure to pay our fixed costs or a breach of the contractual obligations could result in a variety of adverse consequences, including the acceleration of our indebtedness, the withholding of credit card proceeds by the credit card servicers and the exercise of remedies by our creditors and lessors. In such a situation, it is unlikely that we would be able to fulfill our contractual obligations, repay the accelerated indebtedness, make required lease payments or otherwise cover our fixed costs.

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

Relations between air carriers and labor unions in the United States are governed by the Railway Labor Act (the "RLA"). Under the RLA, collective bargaining agreements generally contain "amendable dates" rather than expiration dates, and the RLA requires that a carrier 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, or the parties have been released to "self-help" by the National Mediation Board.

Although in most circumstances the RLA prohibits strikes, after release by the National Mediation Board carriers and unions are free to engage in self-help measures such as strikes and lock-outs. None of the US Airways labor agreements becomes amendable until December 31, 2009. Of the AWA labor agreements, four are currently amendable. There is also a risk that disgruntled employees, either with or without union involvement, could engage in illegal slow-downs, work stoppages, partial work stoppages, sick-outs or other action short of a full strike that could individually or collectively harm the operation of the airline and impair its financial performance. This risk is heightened during our current negotiations for post-merger integrated labor agreements.

We rely heavily on automated systems to operate our business and any failure of these systems, or the failure to integrate them successfully following the merger, could harm our business.

To operate our business, we depend on automated systems, including our computerized airline reservation systems, our flight operations systems, our telecommunication systems and our websites. Our website and reservation systems must be able to accommodate a high volume of traffic and deliver important flight information on a timely and reliable basis. Substantial or repeated website, reservations systems or telecommunication systems failures could reduce the attractiveness of our services and could cause our customers to purchase tickets from another airline.

Integration of automated airline systems is difficult, and we have encountered complications and difficulties in integrating some of our automated systems and have not completed those integration efforts, including efforts to combine our two computerized airline reservations systems. Any disruption in these systems could result in the loss of important data, increase our expenses and generally harm our business, and any sustained disruption in these systems could have a material adverse effect on our business.

We might not be able to fully realize the synergies generated by the merger.

In deciding to enter into the merger agreement, US Airways Group and America West Holdings considered the long-term benefits of operating as a combined company, including, among others, an enhanced ability to compete in the airline industry and the fact that the proprietary brands of the combined company would permit US Airways Group to further differentiate itself from other airline companies. The success of the merger depends, in part, on our ability to continue to realize the anticipated revenue opportunities and cost savings from combining the businesses of US Airways Group and America West Holdings. We must continue to combine the businesses of US Airways Group and America West Holdings in a manner that permits those costs savings and other synergies to be realized in a timely fashion. In addition, we must achieve these savings without adversely affecting revenues or suffering a business interruption. If we are not able to achieve these objectives, the anticipated long-term benefits of the merger may not be realized fully.

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The integration of US Airways Group and America West Holdings following the merger continues to present significant challenges.

US Airways Group and America West Holdings face significant challenges in consolidating functions and integrating their organizations, procedures and operations in a timely and efficient manner. The integration of US Airways Group and America West Holdings has been and will continue to be costly, complex and time consuming, and management will continue to devote substantial effort to that integration and may have its attention diverted from ongoing operational matters or other strategic opportunities.

The inability to maintain labor costs at competitive levels could harm our financial performance.

Our business plan includes assumptions about labor costs going forward. Currently, the labor costs of both AWA and US Airways are very competitive and very similar; however, we cannot assure you that labor costs going forward will remain competitive, because our agreements may become amendable, because competitors may significantly reduce their labor costs or because we may agree to higher-cost provisions in our current labor negotiations. Approximately 81% of the employees within US Airways Group are represented for collective bargaining purposes by labor unions. In the United States, these employees are organized into nine labor groups represented by five different unions at US Airways, ten labor groups represented by five different unions at AWA, four labor groups represented by four different unions at Piedmont, and four labor groups represented by four different unions at PSA. In January 2007, two unions filed applications with the National Mediation Board to represent two additional labor groups at PSA, the dispatchers and the stock clerks. There are additional unionized groups of US Airways employees abroad.

Some of our unions have brought grievance arbitrations in the context of the labor integration process. Unions may bring additional court actions or grievance arbitrations and may seek to compel us to engage in the bargaining processes where we believe we have no such obligation. If successful, there is a risk these judicial or arbitral avenues in the context of the merger could create additional costs that we did not anticipate.

Our future growth is dependent on obtaining adequate operating facilities at airports throughout our network.

In order to add new service and grow our presence in key airports and markets, or start service to new destinations, we must be able to obtain adequate gates, ticketing facilities, operations areas, slots (where applicable) and office space. For example, at our largest hub airport, we are seeking to increase international service despite challenging airport space constraints. Also, as airports around the world become more congested, we cannot always be sure that our plans for new service can be implemented in a commercially viable manner given operating constraints at airports throughout our network.

The travel industry continues to face ongoing security concerns.

The attacks of September 11, 2001 and continuing terrorist threats materially impacted and continue to impact air travel. The Aviation Security Act mandates improved flight deck security; deployment of federal air marshals on board flights; improved airport perimeter access security; airline crew security training; enhanced security screening of passengers, baggage, cargo, mail, employees and vendors; enhanced training and qualifications of security screening personnel; additional provision of passenger data to U.S. Customs and enhanced background checks. These increased security procedures introduced at airports since the attacks have increased costs to airlines. A concurrent increase in airport security charges and procedures, such as restrictions on carry-on baggage, has also had a disproportionate impact on short-haul travel, which constitutes a significant portion of US Airways' flying and revenue. We would also be materially impacted in the event of further terrorist attacks or perceived terrorist threats.

Delays in scheduled aircraft deliveries or other loss of anticipated fleet capacity may adversely impact our operations and financial results.

The success of our business depends on, among other things, the ability to operate a certain number and type of aircraft. In many cases, the aircraft we intend to operate are not yet in our fleet, but we have contractual commitments to purchase or lease them. If for any reason we were unable to secure deliveries of new aircraft on contractually scheduled delivery dates, this could have a negative impact on our business, operations and financial performance. Our failure to integrate newly purchased aircraft into our fleet as planned might require us to seek extensions of the terms for some leased aircraft. Such unanticipated extensions may require us to operate existing aircraft beyond the point of which it is economically optimal to retire them, resulting in increased maintenance costs. Additionally, there has been a recent increase in aircraft lease rates. If new aircraft orders are not filled on a timely basis, we could face higher monthly rental rates.

Fluctuations in interest rates could adversely affect our liquidity, operating expenses and results.

A substantial portion of our indebtedness bears interest at fluctuating interest rates. These are primarily based on the London interbank offered rate for deposits of U.S. dollars, or LIBOR. LIBOR tends to fluctuate based on general economic conditions, general interest rates, federal reserve rates and the supply of and demand for credit in the London interbank market. We have not hedged our interest rate exposure and, accordingly, our interest expense for any particular period may fluctuate based on LIBOR and other variable interest rates. To the extent these interest rates increase, our interest expense will increase, in which event we may have difficulties making interest payments and funding our other fixed costs, and our available cash flow for general corporate requirements may be adversely affected. See also the discussion of interest rate risk in Part II, Item 7A.

If we incur problems with any of our third party service providers, our operations could be adversely affected by a resulting decline in revenue or negative public perception about our services.

Our reliance upon others to provide essential services on behalf of our operations may result in the relative inability to control the efficiency and timeliness of contract services. We have entered into agreements with contractors to provide various facilities and services required for our operations, including Express operations, aircraft maintenance, ground facilities, reservations and baggage handling. Similar agreements may be entered into in any new markets we decide to serve. These agreements are generally subject to termination after notice by the third party service provider. Any material problems with the efficiency and timeliness of contract services could have a material adverse effect on our business, financial condition and results of operations.

Increases in insurance costs or reductions in insurance coverage may adversely impact our 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 air carriers. Accordingly, our insurance costs increased significantly and our ability to continue to obtain insurance even at current prices remains uncertain. In addition, we have obtained third party war risk (terrorism) insurance through a special program administered by the FAA, resulting in lower premiums than if we had obtained this insurance in the commercial insurance market. The program has been extended, with the same conditions and premiums, until August 31, 2007. Under Vision 100, the President may continue the insurance program until March 30, 2008. If the federal insurance program terminates, we would likely face a material increase in the cost of war risk insurance. Because of competitive pressures in our industry, our ability to pass additional insurance costs to passengers is limited. As a result, further increases in insurance costs or reductions in available insurance coverage could have an adverse impact on our financial results.

Changes in government regulation could increase our operating costs and limit our ability to conduct our business.

Airlines are subject to extensive regulatory requirements. In the last several years, Congress has passed laws, and the Department of Transportation, the FAA, the Transportation Security Administration and the Department of Homeland Security have issued a number of directives and other regulations. These requirements impose substantial costs on airlines. The FAA has proposed a far-reaching set of rules governing flight operations at New York LaGuardia Airport after January 1, 2007. The new rules could result in dramatic changes to the type and number of services that we offer in the future at LaGuardia. Additional laws, regulations, taxes and airport rates and charges have been proposed or discussed from time to time, including recent discussions about a “passenger bill of rights,” and if adopted these could significantly increase the cost of airline operations or reduce revenues. The

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ability of U.S. carriers to operate international routes is subject to change because the applicable arrangements between the U.S. and foreign governments may be amended from time to time, or because appropriate slots or facilities may not be available. We cannot assure that laws or regulations enacted in the future will not adversely affect our operating costs.

Ongoing data security compliance requirements could increase our costs and any significant data breach could harm our business, financial condition or results of operations.

Our business requires the appropriate and secure utilization of customer and other sensitive information. We cannot be certain that advances in criminal capabilities, discovery of new vulnerabilities, attempts to exploit existing vulnerabilities in our systems, data thefts, physical system or network break-ins or inappropriate access, or other developments will not compromise or breach the technology protecting the networks that access and store database information. Furthermore, there has been heightened legislative and regulatory focus on data security, including requiring varying levels of customer notification in the event of a data breach. Many of our commercial partners, including credit card companies, have imposed certain data security standards that we must meet. Failure to comply with the privacy and data use and security requirements of our partners or related laws and regulations to which we are subject could result in fines, sanctions or other penalties, which could materially and adversely affect our results of operations and overall business. In addition, failure to address appropriately these issues could also give rise to additional legal risks, which, in turn, could increase the size and number of litigation claims and damages asserted or subject us to enforcement actions, fines and penalties and cause us to incur further related costs and expenses.

The airline industry is intensely competitive.

Our competitors include other major domestic airlines as well as foreign, regional and new entrant airlines, some of which have more financial resources or lower cost structures than ours, and other forms of transportation, including rail and private automobiles. In many of our markets we compete with at least one other low-cost air carrier. Our revenues are sensitive to numerous factors, and the actions of other carriers in the areas of pricing, scheduling and promotions can have a substantial adverse impact on overall industry revenues. These factors may become even more significant in periods when the industry experiences large losses, as airlines under financial stress, or in bankruptcy, may institute pricing structures intended to achieve near-term survival rather than long-term viability. In addition, because a significant portion of US Airways' traffic is short-haul travel, US Airways is more susceptible than other major airlines to competition from surface transportation such as automobiles and trains.

Low cost carriers (including AWA and the new US Airways) have had a profound impact on industry revenues. Using the advantage of low unit costs, these carriers offer lower fares, particularly those targeted at business passengers, in order to shift demand from larger, more-established airlines. Some low cost carriers, which have cost structures lower than ours, have better financial performance and significant numbers of aircraft on order for delivery in the next few years. These low-cost carriers are expected to continue to increase their market share through growth and could continue to have an impact on the overall performance of US Airways Group. There is ongoing speculation that some type of airline industry consolidation could occur in the near-term. While US Airways Group intends to aggressively protect its corporate interests, we cannot assure that through consolidation or otherwise, combinations of other carriers would not negatively impact our business model, or that we would or would not be a participant in any industry consolidation scenario.

The loss of key personnel upon whom we depend to operate our business or the inability to attract additional qualified personnel could adversely affect the results of our operations or our financial performance.

We believe that our future success will depend in large part on our ability to attract and retain highly qualified management, technical and other personnel. We 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 our business.

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Interruptions or disruptions in service at one of our hub airports could have a material adverse impact on our operations.

We operate principally through primary hubs in Charlotte, Philadelphia and Phoenix and secondary hubs/focus cities in Pittsburgh, Las Vegas, New York, Washington, D.C. and Boston. A majority of our flights either originate in or fly into one of these locations. A significant interruption or disruption in service at one of our hubs could result in the cancellation or delay of a significant portion of our flights and, as a result, could have a severe impact on our business, operations and financial performance.

We are at risk of losses and adverse publicity stemming from any accident involving any of our aircraft.

If one of our aircraft were to be involved in an accident, we could be exposed to significant tort liability. The insurance we carry to cover damages arising from any future accidents may be inadequate. In the event that our insurance is not adequate, we may be forced to bear substantial losses from an accident. In addition, any accident involving an aircraft that we operate could create a public perception that our aircraft are not safe or reliable, which could harm our reputation, result in air travelers being reluctant to fly on our aircraft and adversely impact our financial condition and operations.

Our business is subject to weather factors and seasonal variations in airline travel, which cause our results to fluctuate.

Our operations are vulnerable to severe weather conditions in parts of our network that could disrupt service, create air traffic control problems, decrease revenue, and increase costs, such as during hurricane season in the Caribbean and Southeast United States, snow and severe winters in the Northeast United States and thunderstorms in the Eastern United States. In addition, the air travel business historically fluctuates on a seasonal basis. Due to the greater demand for air and leisure travel during the summer months, revenues in the airline industry in the second and third quarters of the year tend to be greater than revenues in the first and fourth quarters of the year. The results of operations of the combined company will likely reflect weather factors and seasonality, and therefore quarterly results are not necessarily indicative of those for an entire year, and the prior results of America West Holdings and US Airways Group are not necessarily indicative of our future results.

The use of America West Holdings' and US Airways Group's respective pre-merger NOLs and certain other tax attributes could be limited in the future.

As discussed below in Risks Related to Our Common stock — " A small number of stockholders beneficially own a substantial amount of our common stock," a significant portion of US Airways Group's common stock is beneficially owned by a small number of equity investors. Some of these shareholders have sold portions of their holdings since the merger. In the event these shareholders sell a substantial portion of their shares in US Airways Group, each of US Airways Group and America West Holdings could be subject to an "ownership change," as defined in Internal Revenue Code Section 382. An ownership change generally occurs if certain persons or groups increase their aggregate ownership percentage in a corporation's stock by more than 50 percentage points in the shorter of any three-year period or the period since the last ownership change. When a company undergoes such an ownership change, Section 382 limits the Company's future ability to utilize any net operating losses, or NOLs, generated before the ownership change and certain subsequently recognized "built-in" losses and deductions, if any, existing as of the date of the ownership change. A company's ability to utilize new NOLs arising after the ownership change is not affected.

Employee benefit plans represent significant continuing costs to the sponsoring employers.

US Airways Group and its subsidiaries sponsor employee benefit plans and arrangements that provide retirement, medical, disability and other benefits to our employees and participating retirees. Many of the benefits provided under these plans are mandated under various collective bargaining agreements, while others are provided on a voluntary basis as a means to recruit and retain valuable employees. Benefit plans in general are increasingly the subject of protracted litigation, especially following significant plan changes. Certain of the plans sponsored by the subsidiaries of US Airways Group underwent significant changes in connection with the recent bankruptcy reorganizations, including the termination of four defined benefit pension plans pursuant to agreements with the Pension Benefit Guaranty Corporation (the "PBGC"). While the PBGC retains the authority to restore some or all of the terminated plans, we believe that its ability to do so is limited given our emergence from bankruptcy and discharge from prior debts.

US Airways Group could experience significant operating losses in the future.

Although US Airways Group reported an operating profit in 2006, there is no guarantee of future profitability. There are several reasons, including those addressed in these risk factors, why US Airways Group might fail to achieve profitability and might in fact experience significant losses. For example, the condition of the national economy has an impact on our revenue performance.

Since early 2001, the U.S. airline industry's revenue performance has fallen short of what would have been expected based on historical growth trends. This shortfall has been caused by a number of factors discussed in these risk factors.

Risks Related to Our Common Stock

Our common stock has limited trading history and its market price may be volatile.

Our common stock began trading on the NYSE on September 27, 2005 upon the effectiveness of our merger. The market price of our common stock may fluctuate substantially due to a variety of factors, many of which are beyond our control, including:

- our operating results failing to meet the expectations of securities analysts or investors;
- changes in financial estimates or recommendations by securities analysts;
- material announcements by us or our competitors;
- movements in fuel prices;
- new regulatory pronouncements and changes in regulatory guidelines;
- general and industry-specific economic conditions;
- public sales of a substantial number of shares of our common stock; and
- general market conditions.

Conversion of our convertible notes will dilute the ownership interest of existing stockholders and could adversely affect the market price of our common stock.

The conversion of some or all of the US Airways Group's 7% senior convertible notes due 2020 will dilute the ownership interests of existing shareholders. Any sales in the public market of the common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, the existence of the notes may encourage short selling by market participants because the conversion of the notes could depress the price of our common stock.

A small number of stockholders beneficially own a substantial amount of our common stock.

A significant portion of US Airways Group's common stock is beneficially owned by a relatively small number of equity investors. As a result, until these stockholders sell a substantial portion of their shares, they will have a greater percentage vote in matters that may be presented for a vote to stockholders than most other stockholders. This may make it more difficult for other stockholders to influence votes on matters that may come before stockholders of US Airways Group. In addition, sales of these shares into the market could cause the market price of our common stock to drop significantly, even if our business is doing well.

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Certain provisions of the amended and restated certificate of incorporation and amended and restated bylaws of US Airways Group make it difficult for stockholders to change the composition of our board of directors and may discourage takeover attempts that some of our stockholders might consider beneficial.

Certain provisions of the amended and restated certificate of incorporation and amended and restated bylaws of US Airways Group may have the effect of delaying or preventing changes in control if our board of directors determines that such changes in control are not in the best interests of US Airways Group and its stockholders. These provisions include, among other things, the following:

- a classified board of directors with three-year staggered terms;
- advance notice procedures for stockholder proposals to be considered at stockholders' meetings;
- the ability of US Airways Group's board of directors to fill vacancies on the board;
- a prohibition against stockholders taking action by written consent;
- a prohibition against stockholders calling special meetings of stockholders;
- a requirement that holders of at least 80% of the voting power of the shares entitled to vote in the election of directors approve amendment of the amended and restated bylaws; and
- super-majority voting requirements to modify or amend specified provisions of US Airways Group's amended and restated certificate of incorporation.

These provisions are not intended to prevent a takeover, but are intended to protect and maximize the value of US Airways Group's stockholders' interests. While these provisions have the effect of encouraging persons seeking to acquire control of our company to negotiate with our board of directors, they could enable our board of directors to prevent a transaction that some, or a majority, of our stockholders might believe to be in their best interests and, in that case, may prevent or discourage attempts to remove and replace incumbent directors. In addition, US Airways Group is subject to the provisions of Section 203 of the Delaware General Corporation Law, which prohibits business combinations with interested stockholders. Interested stockholders do not include stockholders, such as our new equity investors, whose acquisition of US Airways Group's securities is approved by the board of directors prior to the investment under Section 203.

Our charter documents include provisions limiting voting and ownership by foreign owners.

Our amended and restated certificate of incorporation provides that shares of capital stock may not be voted by or at the direction of persons who are not citizens of the United States if the number of shares held by such persons would exceed 24.9% of the voting stock of our company. In addition, any attempt to transfer equity securities to a non-U.S. citizen in excess of 49.9% of our outstanding equity securities will be void and of no effect.

Item 1B. ***Unresolved Staff Comments***

None.

Item 2. ***Properties***

Flight Equipment

In connection with the merger, US Airways Group negotiated reductions to its existing fleet so that the fleet of the combined company better matches aircraft size with consumer demand. US Airways Group operated a mainline fleet of 359 aircraft at the end of 2006 (supported by approximately 240 regional jets and approximately 104 turboprops that provide passenger feed into the mainline system), down from a total of 373 mainline aircraft operated by the airlines at the end of 2005.

During 2006, US Airways Group removed 21 aircraft and added seven aircraft to the mainline fleet. In 2006, AWA removed eight Boeing 737-300, one Boeing 757-200, and one Airbus A320 aircraft, while US Airways removed eleven Boeing 737-300 aircraft. During the year, AWA took delivery of two Airbus A319 aircraft with leases ending in 2018, while US Airways took delivery of three Boeing 757-200 and two Embraer ERJ190 aircraft.

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In 2006, AWA also renewed the leases on eleven Boeing 737-300 aircraft for three years and one Airbus A320 aircraft for six years, and US Airways renewed leases on twelve Boeing 757-200 aircraft for periods ranging from five to six years. As of December 31, 2006, AWA and US Airways had 28 and 86 aircraft, respectively, that have lease expirations prior to the end of 2009. In 2007 and 2008, US Airways expects to take delivery of an additional 23 Embraer ERJ190 aircraft. Between 2008 and 2010, US Airways Group expects to take delivery of 37 Airbus aircraft. To modernize our international product and improve the efficiency of our international network, we were scheduled to begin accepting deliveries of Airbus A350 aircraft in 2011 pursuant to a purchase agreement that US Airways Group, US Airways and AWA entered into in September 2005 with Airbus. US Airways Group has been notified that the Airbus A350 will be undergoing significant design changes and will be delivered several years beyond the originally scheduled delivery dates. We are currently evaluating the revised technical and commercial aspects of the Airbus A350 program.

As of December 31, 2006, US Airways Group had the following jet and regional jet aircraft:

AWA

Aircraft Type	Avg. Seats	Owned/ Mortgaged(1)	Leased(2)	Total	Avg. Age
A319	124	—	39	39	5.5
A320	150	—	55	55	9.4
B737-300	134	—	27	27	18.4
B757-200	190	—	12	12	20.3
Total	143	—	133	133	11.1

US Airways

Aircraft Type	Avg. Seats	Owned/ Mortgaged(1)	Leased(2)	Total	Avg. Age
A330-300	266	4	5	9	6.3
A321	169	15	13	28	5.5
A320	147	8	12	20	6.9
A319	124	3	51	54	6.8
B767-200	203	—	10	10	17.4
B757-200	193	3	31	34	15.3
B737-400	144	—	40	40	16.8
B737-300	126	—	29	29	18.9
ERJ 190	99	2	—	2	0.0
Total	155	35	191	226	11.7

(1) All owned aircraft are pledged as collateral for various secured financing agreements.

(2) The terms of the leases expire between 2007 and 2024.

As of December 31, 2006, US Airways Group's wholly owned regional airline subsidiaries operated the following turboprop and regional jet aircraft:

Aircraft Type	Average Seat Capacity	Owned	Leased(1)	Total	Average Age (years)
CRJ-700	70	7	7	14	2.3
CRJ-200	50	12	23	35	2.8
De Havilland Dash 8-300	50	—	11	11	15.3
De Havilland Dash 8-100	37	33	11	44	16.2
Total	47	52	52	104	9.8

(1) The terms of the leases expire between 2007 and 2022.

As discussed in Item 1. "Business — US Airways Express Network", AWA and US Airways have code share agreements with certain regional jet affiliate operators. Collectively, wholly owned regional airline subsidiaries and affiliate operators flew 233 regional jet aircraft and 61 turboprop aircraft (excluding affiliate carriers operating under pro-rate agreements) as part of America West Express and US Airways Express as of December 31, 2006.

US Airways Group maintains inventories of spare engines, spare parts, accessories and other maintenance supplies sufficient to meet its current operating requirements.

The following table illustrates US Airways Group's committed orders, scheduled lease expirations, and lessor call and put options as of December 31, 2006.

	2007	2008	2009	2010	2011	Thereafter
AWA						
Firm orders remaining	—	5	20	12	—	—
Lessor put options	1	—	—	—	—	—
Lease terminations:						—
Scheduled expirations	5	14	9	25	5	75
Lessor call options	7	—	—	—	—	—
US Airways						
Firm orders remaining	9	14	—	—	2	18
Lease terminations:						
Scheduled expirations	22	44	20	7	5	93

See notes 10, 7 and 8, "Commitments and Contingencies" in Part II, Items 8A, 8B and 8C, respectively, for additional information on aircraft purchase commitments.

As of December 31, 2006, US Airways Group owned the following aircraft that was not considered part of its operating fleet presented in the tables above. This aircraft was parked at a storage facility.

Type	Average Age (years)	Owned	Leased	Total	Leased/ Subleased
De Havilland Dash 8	16.7	1	—	1	—

AWA and US Airways are participants in the Civil Reserve Air Fleet, a voluntary program administered by the U.S. Air Force Air Mobility Command. The General Services Administration of the U.S. Government requires that airlines participate in Civil Reserve Air Fleet, if activated, in order to receive U.S. Government business. AWA and US Airways are reimbursed at compensatory rates when aircraft are activated under Civil Reserve Air Fleet or when participating in Department of Defense business.

Ground Facilities

The Company leases the majority of its ground facilities, including:

- executive and administrative offices in Tempe, Arizona;
- its principal operating, overhaul and maintenance bases at the Pittsburgh International, Charlotte/Douglas International and Phoenix Sky Harbor International Airports;
- training facilities in Phoenix and Charlotte;
- central reservations offices in Winston-Salem, North Carolina, Tempe, Arizona and Reno, Nevada; and
- line maintenance bases and local ticket, cargo and administrative offices throughout its system.

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The following table describes our principal properties:

Principal Properties	Description	Approximate Internal Floor Area (sq. ft.)	Nature of Ownership
Tempe, AZ Headquarters	Nine story complex housing headquarters for US Airways Group	225,000	Lease expires April 2014.
Tempe, AZ	Administrative office complex	148,000	Lease expires May 2013.
Philadelphia International Airport	68 exclusive gates, ticket counter space and concourse areas	545,000	Lease expired June 2006. Gate use governed by month-to-month rates and charges program.
Charlotte/Douglas International Airport	36 exclusive gates, ticket counter space and concourse areas	226,000	Lease expires June 2016.
Phoenix Sky Harbor International Airport	42 exclusive gates, ticket counter space and administrative offices	330,000	Airport Use Agreement expires June 2016. Gate use governed by month-to-month rates and charges program.
Pittsburgh International Airport	10 exclusive gates, ticket counter space and concourse areas	122,000	Lease expires May 2018.
Las Vegas McCarran International Airport	17 exclusive gates, ticket counter space and concourse areas	115,000	Lease expires June 2008.
Reagan National	15 gates, ticket counter space and concourse areas	80,000	Lease expires September 2014.
Maintenance facility — Charlotte, NC	Hangar bays, hangar shops, ground service equipment shops, cargo, catering and warehouse	847,000	Facilities and land leased from the City of Charlotte. Lease expires June 2017.
Maintenance facility — Pittsburgh, PA	Hangar bays, hangar shops, ground service equipment shops, cargo, catering and warehouse	649,000	Facilities and land leased from Allegheny County Airport Authority. Lease expires December 2010.
Maintenance and technical support facility at Phoenix Sky Harbor International Airport	Four hangar bays, hangar shops, office space, warehouse and commissary facilities	375,000	Facilities and land leased from the City of Phoenix. Lease expires September 2019.
Training facility — Charlotte, NC	Classroom training facilities and ten full flight simulator bays	159,000	Facilities and land leased from the City of Charlotte. Lease expires June 2017.
Flight Training and Systems Operations Control Center, Phoenix, AZ	Complex accommodates training facilities, systems operation control and crew scheduling functions	164,000	Facilities and land leased from the City of Phoenix. Lease expires February 2031.
Operations Control Center — Pittsburgh, PA	Complex accommodates systems operation control and crew scheduling functions	61,000	Lease expires March 2009.

In addition, America West Holdings and AWA have leased an aggregate of approximately 207,000 square feet of data center, office and warehouse space in Tempe and Phoenix.

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Space for ticket counters, gates and back offices has been obtained at each of the other airports operated by AWA and US Airways, either by lease from the airport operator or by sublease or handling agreement from another airline.

Terminal Construction Projects

US Airways Group uses public airports for its flight operations under lease arrangements with the government entities that own or control these airports. Airport authorities frequently require airlines to execute long-term leases to assist in obtaining financing for terminal and facility construction. Any future requirements for new or improved airport facilities and passenger terminals at airports in which US Airways Group's airline subsidiaries operate could result in additional occupancy costs and long-term commitments.

Item 3. ***Legal Proceedings***

On September 12, 2004, US Airways Group and its domestic subsidiaries filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Virginia, Alexandria Division (Case Nos. 04-13819-SSM through 03-13823-SSM) (the "2004 Bankruptcy"). On September 16, 2005, the Bankruptcy Court issued an order confirming the plan of reorganization submitted by the Reorganized Debtors and on September 27, 2005, the Reorganized Debtors emerged from the 2004 Bankruptcy. The Bankruptcy Court's order confirming the plan included a provision called the plan injunction, which forever bars other parties from pursuing most claims against the Reorganized Debtors that arose prior to September 27, 2005 in any forum other than the Bankruptcy Court. The great majority of these claims are pre-petition claims that, if paid out at all, will be paid out in common stock of the post-bankruptcy US Airways Group at a fraction of the actual claim amount.

On February 26, 2004, a company called I.A.P. Intermodal, LLC filed suit against US Airways Group and its wholly owned airline subsidiaries in the United States District Court for the Eastern District of Texas alleging that the defendants' computer scheduling system infringes upon three patents held by plaintiffs, all of which patents are entitled, "Method to Schedule a Vehicle in Real-Time to Transport Freight and Passengers." Plaintiff seeks various injunctive relief as well as costs, fees and treble damages. US Airways Group and its subsidiaries were formally served with the complaint on June 21, 2004. On the same date, the same plaintiff filed what US Airways Group believes to be substantially similar cases against nine other major airlines, including British Airways, Northwest Airlines Corporation, Korean Airlines Co., Ltd., Deutsche Lufthansa AG, Air France, Air Canada, Singapore Airlines Ltd., Delta Air Lines and Continental Airlines, Inc., and had filed a suit against AMR Group, Inc., the parent company of American Airlines, along with its airline subsidiaries, in December 2003. This action has been stayed as to US Airways Group and its wholly owned subsidiaries as a result of the 2004 Bankruptcy. In the meantime, several foreign airline defendants were dismissed from the case for reasons unique to their status as foreign operators, and the remaining defendants in September 2005 obtained a ruling that there had been no infringement of any of I.A.P.'s patents. In October 2005, I.A.P. entered into consent judgments with several defendants. I.A.P. appealed the judgment in favor of Continental Airlines and the AMR Group defendants, but the trial court's ruling was affirmed on November 13, 2006. No further appeals have been taken. I.A.P. did not file any claims against US Airways Group or any of its subsidiaries in the 2004 Bankruptcy.

On January 7, 2003, the Internal Revenue Service issued a notice of proposed adjustment to US Airways Group proposing to disallow $573 million of capital losses that US Airways Group sustained in the tax year 1999 on the sale of stock of USLM Corporation (the "USLM matter"). On February 5, 2003, the IRS filed a proof of claim with the Bankruptcy Court in connection with the bankruptcy case filed on August 11, 2002 (the "2002 Bankruptcy") asserting the following claims against US Airways with respect to the USLM matter: (1) secured claims for U.S. federal income tax and interest of $1 million; (2) unsecured priority claims for U.S. federal income tax of $68 million and interest of $14 million; and (3) an unsecured general claim for penalties of $25 million. On May 8, 2003, US Airways Group reached a tentative agreement with the IRS on the amount of U.S. federal income taxes, interest and penalties due subject to final approval from the Joint Committee on Taxation. By letter dated September 11, 2003, US Airways Group was notified that the Joint Committee on Taxation had accepted the tentative agreement with the IRS, including a settlement of all federal income taxes through the end of 2002. Due to the 2004 Bankruptcy filing, which suspended payment of prepetition liabilities, final payment terms under the agreement have not been submitted to the Bankruptcy Court for approval. The IRS has submitted a proof of claim relating to the USLM matter in the 2004 Bankruptcy in the amount of approximately $31 million, and on August 2, 2005 the IRS filed a motion for relief from the automatic stay seeking setoff against approximately $4 million of tax refunds due to the Reorganized Debtors. On October 20, 2005, the IRS filed an amended proof of claim reducing its claim in the USLM matter to $11 million. On November 3, 2005, the IRS filed an amended motion continuing to seek relief for the $4 million setoff. US Airways and the IRS have reached an agreement to settle the USLM matter whereby the IRS would setoff approximately $4.5 million of tax refunds and the IRS would be allowed an unsecured priority claim in the amount of approximately $6.5 million, payable within 30 days after the agreement is filed with the Bankruptcy Court. The agreement was filed with the Bankruptcy Court on February 18, 2007 and the matter is now closed.

On February 8, 2006, 103 flight attendants employed by the former MidAtlantic division of US Airways filed a complaint against the Association of Flight Attendants ("AFA"), AFA's international president Pat Friend and US Airways, alleging that defendants conspired to deceive plaintiffs into believing that MidAtlantic was a separate entity from US Airways in order to deprive them of the benefits they are due as US Airways flight attendants pursuant to the US Airways collective bargaining agreement. Plaintiffs' claims against US Airways include breach of collective bargaining agreement, violation of the Railway Labor Act and racketeering under RICO. Plaintiffs' complaint requests $400 million in damages from US Airways and injunctive relief. The complaint was served on US Airways on July 7, 2006. On November 24, 2006, Plaintiffs filed with the district court a notice of voluntary dismissal of US Airways from the litigation, and on November 27, 2006, US Airways filed a notice withdrawing its motion for sanctions. On December 29, 2006, the district court entered an order dismissing US Airways from the litigation.

On October 12, 2005, Bank of America, N.A., which is one of the issuing banks of the US Airways frequent flyer program credit card and which also acts as the processing bank for most airline ticket purchases paid for with credit cards, filed suit in the Delaware Chancery Court in New Castle County against US Airways, US Airways Group and AWA, alleging that US Airways breached its frequent flyer credit card contract with Bank of America by entering into a similar, competing agreement with Juniper and allowing Juniper to issue a US Airways frequent flyer credit card. Bank of America also alleges that US Airways Group and AWA induced these breaches. Bank of America seeks an order requiring US Airways to market the Bank of America card and prohibit Juniper from issuing a US Airways credit card, as well as unspecified damages. On October 27, 2005, Juniper, which was not originally a party to the lawsuit, sought and later received court permission to intervene as a defendant in the case and has made counterclaims against Bank of America. Juniper seeks an order declaring the validity of its new agreement to issue a US Airways frequent flyer credit card. On November 3, 2005, Bank of America filed a motion for partial summary judgment on the breach of contract claim against US Airways. After a series of procedural steps, Bank of America's motion, along with a cross-motion for summary judgment filed by Juniper, was heard in the Bankruptcy Court, where the case is now pending as an adversary proceeding. On January 30, 2006, the Bankruptcy Court ruled that Bank of America was equitably estopped from pursuing its claims that US Airways breached its agreement with Bank of America by negotiating and entering into the agreement with Juniper. The Bankruptcy Court ruled in the alternative that US Airways did not breach its agreement with Bank of America to be the exclusive card issuer, but that US Airways had breached the "no shop" provision of the Bank of America agreement when US Airways negotiated with Juniper prior to reaching the Juniper agreement. Bank of America sought appeal of that ruling while it has continued to pursue certain administrative claims against US Airways in the Bankruptcy Court. The resolution of the final two claims that Bank of America made in the lawsuit, which are (i) that AWA tortiously interfered with the contractual relationship between US Airways and Bank of America and (ii) that US Airways Group and AWA tortiously interfered with Bank of America's right to future economic benefit under its agreement with US Airways, are dependent on the outcome of the pending appeal. Bank of America will pursue those two claims only if its appeal of the January 30, 2006 order is ultimately successful. On July 19, 2006, the Eastern District of Virginia affirmed the Bankruptcy Court's order in part, ruling that US Airways did not breach the exclusivity provisions of the contract. However, the Eastern District of Virginia reversed the Bankruptcy Court's decision on equitable estoppel and remanded the remainder of the case to the Bankruptcy Court to take further evidence. Bank of America and US Airways have each appealed the July 19, 2006 ruling. On January 16, 2007, Bank of America amended its complaint to add additional breach of contract and tortious interference claims against US Airways and America West, as well as claims against Juniper.

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On February 9, 2007, passengers Daphne Renard and Todd Robins filed a class action suit against US Airways in San Francisco Superior Court. The complaint alleges that US Airways breached its contract of carriage by charging additional fares and fees, after the purchase of tickets on the usairways.com website, for passengers under two years of age who travel as "lap children," meaning that the child does not occupy his or her own seat but travels instead on the lap of an accompanying adult. The named plaintiffs allege that they purchased international tickets through the website for themselves and a lap child. Plaintiffs allege that after initially receiving an electronic confirmation that there would be no charge for the lap child, they were later charged an additional $242.50. The complaint alleges a class period from February 9, 2002 to the present. We have not yet been served with the lawsuit.

We are unable to estimate at this time the amount of loss or probable losses, if any, that might result from an adverse resolution of the proceedings discussed above, and currently are unable to predict whether the outcome of these proceedings will have a material adverse effect on our results of operations or financial condition. We intend, however, to vigorously pursue all available defenses and claims in these matters.

Item 4. ***Submission of Matters to a Vote of Security Holders***

No matters were submitted to a vote of security holders during the fourth quarter of 2006.

PART II

Item 5. ***Market for US Airways Group's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

Stock Exchange Listing

On September 27, 2005, the effective date of the merger, our common stock began trading on the NYSE under the symbol "LCC." As of February 15, 2007, the closing price of our common stock on the NYSE was $57.40. As of February 15, 2007, there were 2,791 holders of record of the common stock.

Prior to the effective date of the merger and pre-merger US Airways Group's emergence from the 2004 Bankruptcy, pre-merger US Airways Group's then outstanding Class A common stock was traded on the NASDAQ over-the-counter market under the symbol "UAIRQ" until the Class A common stock was cancelled upon the effectiveness of the plan of reorganization on September 27, 2005.

Market Prices of Common Stock

The following table sets forth, for the periods indicated, the high and low sale prices of our common stock on the NYSE and the previously outstanding Class A common stock on the NASDAQ over-the-counter market:

Year Ended December 31	Period	High	Low
2006	Fourth Quarter	$ 63.27	$ 43.81
	Third Quarter	56.41	36.80
	Second Quarter	52.18	36.19
	First Quarter	40.60	28.30
2005	Fourth Quarter	$ 38.80	$ 20.85
	Third Quarter (from September 27, 2005 to September 30, 2005)	21.40	19.29
	Third Quarter (from July 1, 2005 to September 26, 2005)(1)	0.77	0.15
	Second Quarter	1.49	0.62
	First Quarter	1.31	0.69

(1) As described above, the Class A common stock of pre-merger US Airways Group was cancelled upon the effectiveness of the plan of reorganization on September 27, 2005.

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US Airways Group, organized under the laws of the State of Delaware, is subject to Sections 160 and 170 of the Delaware General Corporation Law, which govern the payment of dividends on or the repurchase or redemption of its capital stock. US Airways Group is restricted from engaging in any of these activities unless it maintains a capital surplus.

US Airways Group has not declared or paid cash or other dividends on its common stock since 1990 and currently does not intend to do so. Under the provisions of certain debt agreements, including our secured loans, our ability to pay dividends on or repurchase our common stock is restricted. Any future determination to pay cash dividends will be at the discretion of our board of directors, subject to applicable limitations under Delaware law, and will depend upon our results of operations, financial condition, contractual restrictions and other factors deemed relevant by our board of directors. See "Liquidity and Capital Resources" in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operation," below for more information, including information related to dividend restrictions associated with our secured loans.

Foreign Ownership Restrictions

Under current federal law, non-U.S. citizens cannot own or control more than 25% of the outstanding voting securities of a domestic air carrier. We believe that we were in compliance with this statute during the time period covered by this report.

Item 6. *Selected Financial Data*

Selected Consolidated Financial Data of US Airways Group

The selected consolidated financial data presented below under the captions "Consolidated Statements of Operations Data" and "Consolidated Balance Sheet Data" as of and for the years ended December 31, 2006, 2005, 2004, 2003 and 2002 are derived from the audited consolidated financial statements of US Airways Group. The full year 2006 is comprised of the consolidated financial data of US Airways Group. The 2005 consolidated financial data presented includes the consolidated results of America West Holdings for the 269 days through September 27, 2005, the effective date of the merger, and the consolidated results of US Airways Group and its subsidiaries, including US Airways, America West Holdings and AWA, for the 96 days from September 27, 2005 to December 31, 2005. For periods prior to 2005, the consolidated financial data for US Airways Group reflect only the consolidated results of America West Holdings. The selected consolidated financial data should be read in conjunction with the consolidated financial statements for the respective periods, the related notes and the related reports of US Airways Group's independent registered public accounting firms.

	Year Ended December 31,				
	2006	2005	2004	2003	2002
	(In millions except share data)				
Consolidated statements of operations data:					
Operating revenues	$ 11,557	$ 5,069	$ 2,757	$ 2,572	$ 2,337
Operating expenses(a)	10,999	5,286	2,777	2,539	2,497
Operating income (loss)(a)					