

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2005

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File Number 1-10323

CONTINENTAL AIRLINES, INC.

(Exact name of registrant as specified in its charter)

Delaware

74-2099724

(State or other jurisdiction
of incorporation or organization)

(I.R.S. Employer
Identification No.)

1600 Smith Street, Dept. HQSEO

Houston, Texas 77002

(Address of principal executive offices)

(Zip Code)

713-324-2950

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12B-2 of the Exchange Act). Yes No

As of April 15, 2005, 66,692,333 shares of Class B common stock were outstanding.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

CONTINENTAL AIRLINES, INC. CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share data)

	<u>Three Months Ended March 31,</u>	
	<u>2005</u>	<u>2004</u>
	(Unaudited)	
Operating Revenue:		
Passenger (excluding fees and taxes of \$265 and \$242) (A)	\$2,266	\$2,099
Cargo, mail and other	<u>239</u>	<u>208</u>
	<u>2,505</u>	<u>2,307</u>
Operating Expenses:		
Wages, salaries and related costs	715	688
Aircraft fuel and related taxes	470	333
ExpressJet capacity purchase, net	353	317
Aircraft rentals	227	220
Landing fees and other rentals	170	158
Distribution costs	138	137
Maintenance, materials and repairs	112	112
Depreciation and amortization	98	104
Passenger services	77	69
Special charges	43	55
Other	<u>273</u>	<u>249</u>
	<u>2,676</u>	<u>2,442</u>
Operating Loss	<u>(171)</u>	<u>(135)</u>

Nonoperating Income (Expense):

Interest expense	(98)	(97)
Interest capitalized	3	4
Interest income	11	6
Income from affiliates	20	25
Gain on disposition of ExpressJet Holdings shares	51	-
Other, net	<u>-</u>	<u>4</u>
	<u>(13)</u>	<u>(58)</u>
Loss before Income Taxes	(184)	(193)
Income Tax Benefit	<u>-</u>	<u>69</u>
Net Loss	\$ <u>(184)</u>	\$ <u>(124)</u>
Loss per Share:		
Basic	\$ <u>(2.76)</u>	\$ <u>(1.88)</u>
Diluted	\$ <u>(2.77)</u>	\$ <u>(1.90)</u>
Shares Used for Basic and Diluted Computation	<u>66.5</u>	<u>65.9</u>

A. The fees and taxes are primarily U.S. federal transportation taxes, federal security charges, airport passenger facility charges and foreign departure taxes.

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

CONTINENTAL AIRLINES, INC.
CONSOLIDATED BALANCE SHEETS
(In millions, except for share data)

ASSETS	March 31, <u>2005</u> (Unaudited)	December 31, <u>2004</u>	March 31, <u>2004</u> (Unaudited)
Current Assets:			
Cash and cash equivalents	\$ 1,258	\$ 1,055	\$ 986
Restricted cash and cash equivalents	242	211	175
Short-term investments	<u>126</u>	<u>403</u>	<u>423</u>
Total cash, cash equivalents and short-term investments	1,626	1,669	1,584
Accounts receivable, net	580	472	545
Spare parts and supplies, net	204	214	189
Deferred income taxes	180	170	173
Note receivable from ExpressJet Holdings, Inc	99	81	94
Prepayments and other	<u>273</u>	<u>222</u>	<u>218</u>
Total current assets	<u>2,962</u>	<u>2,828</u>	<u>2,803</u>
Property and Equipment:			
Owned property and equipment:			
Flight equipment	6,747	6,744	6,756
Other	<u>1,266</u>	<u>1,262</u>	<u>1,211</u>
	8,013	8,006	7,967
Less: Accumulated depreciation	<u>2,107</u>	<u>2,023</u>	<u>1,843</u>
	<u>5,906</u>	<u>5,983</u>	<u>6,124</u>
Purchase deposits for flight equipment	<u>155</u>	<u>105</u>	<u>165</u>
Capital leases	387	396	404
Less: Accumulated amortization	<u>137</u>	<u>140</u>	<u>131</u>
	<u>250</u>	<u>256</u>	<u>273</u>
Total property and equipment	<u>6,311</u>	<u>6,344</u>	<u>6,562</u>
Routes	615	615	615
Airport operating rights, net	231	236	253
Intangible pension asset	63	108	124
Investment in affiliates	152	156	191
Note receivable from ExpressJet Holdings, Inc.	-	18	99
Other assets, net	<u>236</u>	<u>240</u>	<u>244</u>
Total Assets	<u>\$10,570</u>	<u>\$10,545</u>	<u>\$10,891</u>

(continued on next page)

CONTINENTAL AIRLINES, INC.
CONSOLIDATED BALANCE SHEETS
(In millions, except for share data)

LIABILITIES AND STOCKHOLDERS' EQUITY	March 31, <u>2005</u> (Unaudited)	December 31, <u>2004</u>	March 31, <u>2004</u> (Unaudited)
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Current Liabilities:

Current maturities of long-term debt and capital leases	\$ 644	\$ 670	\$ 464
Accounts payable	747	766	809
Air traffic liability	1,456	1,157	1,199
Accrued payroll	308	281	292
Accrued other liabilities	<u>414</u>	<u>385</u>	<u>402</u>
Total current liabilities	<u>3,569</u>	<u>3,259</u>	<u>3,166</u>
Long-Term Debt and Capital Leases	<u>5,084</u>	<u>5,167</u>	<u>5,602</u>
Deferred Income Taxes	<u>390</u>	<u>382</u>	<u>395</u>
Accrued Pension Liability	<u>1,150</u>	<u>1,132</u>	<u>749</u>
Other	<u>301</u>	<u>339</u>	<u>304</u>
Commitments and Contingencies			
Stockholders' Equity:			
Preferred Stock - \$.01 par, 10,000,000 shares authorized; one share of Series B issued and outstanding, stated at par value	-	-	-
Class B common stock - \$.01 par, 200,000,000 shares authorized; 92,181,499, 91,938,816 and 91,665,957 issued	1	1	1
Additional paid-in capital	1,411	1,408	1,405
Retained earnings	401	585	824
Accumulated other comprehensive loss	(596)	(587)	(414)
Treasury stock - 25,489,291, 25,476,881 and 25,471,881 shares, at cost	<u>(1,141)</u>	<u>(1,141)</u>	<u>(1,141)</u>
Total stockholders' equity	<u>76</u>	<u>266</u>	<u>675</u>
Total Liabilities and Stockholders' Equity	<u>\$ 10,570</u>	<u>\$ 10,545</u>	<u>\$ 10,891</u>

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

CONTINENTAL AIRLINES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Three Months Ended March 31,	
	<u>2005</u>	<u>2004</u>
	(Unaudited)	
Net cash provided by (used in) operations	\$ <u>121</u>	\$ <u>82</u>
Cash Flows from Investing Activities:		
Capital expenditures	(31)	(74)
Purchase deposits paid in connection with future aircraft deliveries	(55)	(6)
Purchase deposits refunded in connection with aircraft delivered	6	66
Sale (purchase) of short-term investments, net	277	8
Proceeds from dispositions of property and equipment	23	2
Other	<u>-</u>	<u>2</u>
Net cash provided by (used in) investing activities	<u>220</u>	<u>(2)</u>
Cash Flows from Financing Activities:		
Payments on long-term debt and capital lease obligations	(111)	(91)
Increase in restricted cash	(31)	(5)
Other	<u>4</u>	<u>3</u>
Net cash used in financing activities	<u>(138)</u>	<u>(93)</u>
Net Decrease in Cash and Cash Equivalents	203	(13)
Cash and Cash Equivalents - Beginning of Period	<u>1,055</u>	<u>999</u>
Cash and Cash Equivalents - End of Period	<u>\$ 1,258</u>	<u>\$ 986</u>
Investing and Financing Activities Not Affecting Cash:		
Property and equipment acquired through the issuance of debt	\$ -	\$ 171
Contribution of ExpressJet stock to pension plan	\$ 65	\$ -

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

CONTINENTAL AIRLINES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

In our opinion, the unaudited consolidated financial statements included herein contain all adjustments necessary to present fairly our financial position, results of operations and cash flows for the periods indicated. Such adjustments, other than nonrecurring adjustments that have been separately disclosed, are of a normal, recurring nature. The accompanying consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto contained in our Annual Report on Form 10-K for the year ended December 31, 2004 (the "2004 10-K"). As used in these Notes to Consolidated Financial Statements, the terms "Continental", "we", "us", "our" and similar terms refer to Continental Airlines, Inc. and, unless the context indicates otherwise, its consolidated subsidiaries.

The current U.S. domestic network carrier financial environment continues to be the worst in history and could deteriorate further. We have had substantial losses since September 11, 2001. Losses of the magnitude incurred by us since September 11, 2001 are not sustainable. With the current weak domestic yield environment caused in large part by the growth of low cost competitors, and with fuel prices at twenty-year highs, our cost structure is not competitive. Additionally, it continues to be difficult for us to obtain financing in the face of our significant and continuing losses and our current revenue and cost outlook. Many of our network competitors, such as American Airlines, Delta Air Lines, United Airlines and US Airways, have used bankruptcy or the threat of bankruptcy to reduce their costs significantly, and may continue to restructure their costs downward.

The \$1.1 billion of cost-cutting and revenue-generating measures that we have announced and largely implemented in recent years have proven insufficient to return us to profitability in the current environment. As a result, on November 18, 2004, we announced that we needed an annual \$500 million reduction in pay and benefit costs and work rule changes. In late 2004 and early 2005, we finalized changes to wages, work rules and benefits for U.S.-based management and clerical, reservations, food services, airport and cargo agents and customer service employees. On February 28, 2005, we announced that we had reached tentative agreements on new contracts covering our pilots, flight attendants, mechanics, dispatchers and simulator engineers following negotiations with the Air Line Pilots Association International ("ALPA"), the International Association of Machinists and Aerospace Workers ("IAM"), the International Brotherhood of Teamsters ("Teamsters") and the Transport Workers Union ("TWU") (representing both dispatchers and simulator engineers). Each of these agreements was ratified on March 30, 2005 by the members of the covered work groups with the exception of the agreement with our flight attendants, which was not ratified. The unions with ratified agreements chose to go forward and implement their contracts despite the fact that the flight attendants did not ratify their agreement. We began implementing the pay and benefit reductions in early April 2005. Our officers and Board of Directors implemented their pay and benefit reductions on February 28, 2005.

When we fully implement the pay and benefit reductions for all employees except flight attendants, employees of our wholly-owned subsidiary, Continental Micronesia, Inc. ("CMI") and certain international employees, we expect to achieve approximately \$418 million of annual pay and benefit savings on a run-rate basis. Some of the savings from the agreements will take time to achieve, while others, such as the wage reductions and certain benefit changes, will result in immediate savings.

Each of the new collective bargaining agreements is for a 45-month term, so that all of the agreements will become amendable again on December 31, 2008. A significant portion of the cost savings from our work groups, both unionized and non-unionized, will be derived from changes to benefits and work rules. Our ability to achieve certain of the cost reductions will depend on timely and effective implementation of new work rules, actual productivity improvements and implementation of changes in technology pertaining to employee work rules and benefits.

The current levels of pay and benefits for flight attendants are not sustainable. We reengaged in discussions with our flight attendants to reach a revised agreement on pay and benefit reductions. Unfortunately, the needed pay and benefit reductions under that agreement will be larger than the reductions we initially sought due to the delay in reaching an agreement. The longer this process takes, the deeper the pay and benefit reductions will need to be in order to achieve the needed cost savings from the flight attendants and to be fair to other employees who have already taken reductions.

With the unions' decision to implement their ratified agreements, we confirmed our previously announced Boeing aircraft order. We now expect to grow by leasing eight Boeing 757-300 aircraft with deliveries beginning this summer and by accelerating delivery of six Boeing 737-800 aircraft into 2006. These aircraft will provide the opportunity for us to expand our international network further while supporting our domestic system. We also expect to acquire ten Boeing 787 aircraft beginning in 2009, subject to the resolution of certain open matters including the negotiation of an acceptable engine supply arrangement.

Extraordinarily high fuel prices and weak domestic yields continue to adversely impact our results despite cost reduction efforts and recent fare increases in some domestic markets. Mainline fuel costs for the quarter increased \$137 million over the first quarter of 2004, primarily due to a 39.5% increase in fuel prices compared to the same period in 2004. The price of West Texas Intermediate crude oil continued to trade at record levels during the quarter, closing at a peak of \$56.72 per barrel on March 18, 2005.

In the current adverse operating environment, we expect to incur a significant loss in 2005. However, absent adverse factors outside our control such as additional terrorist attacks, hostilities involving the United States or further significant increases in fuel prices, we currently believe that our existing liquidity and projected 2005 cash flows will be sufficient to fund our current operations and other financial obligations through 2005. In developing our expectations for the remainder of 2005, we considered our current projections for 2005 revenue, including the impact of fare reductions initiated in early January 2005 by Delta Air Lines, current and forward fuel price levels, our expectations with regard to our ability to implement pay and benefit reductions and reach agreement with our flight attendants' union concerning pay and benefit reductions and our ability to execute additional financing transactions.

Although we believe our 2005 plan is achievable, a combination of some or all of several events, most of which are outside of our control, may result in us being unable to generate sufficient cash from operations or complete financing transactions that we would need to maintain adequate liquidity through December 31, 2005. These events include further significant declines in yields and fuel prices higher than current levels for an extended period of time. We have significant financial obligations due in 2006 and thereafter, and we will have inadequate liquidity to meet those obligations if the current adverse environment for network carriers does not improve materially and we are unable to increase our revenues or decrease our costs considerably or raise additional liquidity through financing activities and/or by selling non-strategic assets. Our recent pay and benefit cost reductions will help us reduce our costs, but in and of themselves are not expected to restore our profitability in the current environment.

Among the many factors that threaten us and the network airline industry generally are the continued rapid growth of low-cost carriers and resulting downward pressure on domestic fares, high fuel costs, high labor costs, excessive taxation, increased security costs and significant pension liabilities. These factors are discussed in the "Overview" section of Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2004 10-K.

Reclassifications. Certain reclassifications have been made in the prior period's financial statements to conform to the current year presentation. The reclassifications relate to how we classify revenue and expenses associated with the sale of frequent flyer mileage credits and the reporting of the sale and redemption of frequent flyer miles and tickets with our alliance partners. These reclassifications did not affect the prior period's operating loss or net loss.

We sell mileage credits in our frequent flyer program to participating partners, such as credit card companies, phone companies, hotels and car rental agencies. Revenue from the sale of mileage credits is deferred and recognized as passenger revenue over the period when transportation is expected to be provided, based on estimates of the value of the transportation. Previously, amounts received in excess of the value of the transportation to be provided were classified as an offset to other operating expense. We now record such amounts as other revenue.

In addition, we have reclassified the reporting of the sale and redemption of frequent flyer miles and tickets with our alliance partners. Our frequent flyer agreements with our alliance partners allow members of our frequent flyer program to earn mileage credits and redeem awards on our alliance partners ("frequent flyer alliance expense"). These agreements also permit our alliance partners' frequent flyer program members the right to earn mileage credits and redeem awards on Continental ("frequent flyer alliance revenue"). Previously, we accounted for these partner activities within other revenue. We now classify frequent flyer alliance revenue as passenger revenue and frequent flyer alliance expense as other operating expense.

NOTE 1 - PENDING ACCOUNTING PRONOUNCEMENT

In December 2004, the Financial Accounting Standards Board ("FASB") issued a revision of Statement of Financial Accounting Standards 123 ("SFAS 123"), "Share Based Payment" ("SFAS 123R"), which requires companies to measure the cost of employee services received in exchange for an award of equity instruments (typically stock options) based on the grant-date fair value of the award. The fair value is to be estimated using an option-pricing model. The resulting cost will be recognized over the period during which an employee is required to provide service in exchange for the award, usually the vesting period. Under the original SFAS 123, this accounting treatment was optional with pro forma disclosures required.

We are required to adopt SFAS 123R no later than January 1, 2006. It will be effective for all awards granted after that date and for the unvested portion of awards granted prior to the adoption date. The expense that will be recognized with respect to such unvested awards will be based on the grant-date fair value and vesting schedule of those awards used in calculating the pro forma disclosures required under SFAS 123. See Note 4 for the impact of the fair value recognition provisions of SFAS 123 on our net loss and loss per share.

NOTE 2 - LOSS PER SHARE

The following table sets forth the components of basic and diluted earnings per share for the first quarter of 2005 and 2004 (in millions):

	Three Months	
	<u>Ended March 31,</u>	
	<u>2005</u>	<u>2004</u>
Numerator:		
Numerator for basic earnings per share - net loss	\$(184)	\$(124)
Reduction in our proportionate equity in ExpressJet Holdings, Inc. ("Holdings") resulting from the assumed conversion of Holdings' contingently convertible securities	_(1)	_(1)
Numerator for diluted earnings per share - net loss after effect of dilutive securities of equity investee	\$(<u>185</u>)	\$(<u>125</u>)
Denominator:		
Denominator for basic and diluted loss per share - weighted average shares	<u>66.5</u>	<u>65.9</u>

Weighted average options to purchase approximately 6.2 million and 6.3 million shares of our Class B common stock were not included in the computation of diluted loss per share for the three months ended March 31, 2005 and 2004, respectively, because the options' exercise prices were greater than the average market price of the common shares or the effect of including the options would have been antidilutive. In addition, 17.9 million potential common shares related to our Convertible Junior Subordinated Debentures Held by Subsidiary Trust, 4.5% Convertible Notes and 5% Convertible Notes were excluded from the computation of diluted earnings per share for each of the three months ended March 31, 2005 and 2004 because they were antidilutive.

NOTE 3 - FLEET INFORMATION

As shown in the following table, our operating aircraft fleet consisted of 348 mainline jets and 250 regional jets at March 31, 2005, excluding aircraft out of service. The regional jets are leased by ExpressJet Airlines, Inc. ("ExpressJet") from us and are operated by ExpressJet as Continental Express. Our purchase commitments (firm orders) for aircraft, as well as options to purchase or lease additional aircraft as of March 31, 2005 are also shown below.

Aircraft Type	<u>Total Aircraft</u>	<u>Owned</u>	<u>Leased</u>	<u>Firm Orders</u>	<u>Options</u>
787	-	-	-	10	-
777-200ER	18	6	12	-	1
767-400ER	16	14	2	-	-
767-200ER	10	9	1	-	-
757-300	9	9	-	8 (a)	-
757-200	41	13	28	-	-
737-900	12	8	4	3	-
737-800	92	26	66	29	20
737-700	36	12	24	15	24
737-500	63	15	48	-	-
737-300	<u>51</u>	<u>15</u>	<u>36</u>	=	=
Mainline jets	<u>348</u>	<u>127</u>	<u>221</u>	<u>65</u>	<u>45</u>
ERJ-145XR	80	-	80	24	75
ERJ-145	140	18	122	-	-
ERJ-135	<u>30</u>	<u>-</u>	<u>30</u>	<u>-</u>	<u>-</u>
Regional jets	<u>250</u>	<u>18</u>	<u>232</u>	<u>24</u>	<u>75</u>
Total	<u>598</u>	<u>145</u>	<u>453</u>	<u>89</u>	<u>120</u>

a. Used aircraft to be leased from Boeing Capital Corporation.

During the first quarter of 2005, we placed into service one 737-800 aircraft and ExpressJet took delivery of five ERJ-145XR aircraft.

Out-of-Service Aircraft. In addition to the above aircraft, we had 14 owned and 13 leased MD-80 aircraft permanently removed from service as of March 31, 2005. The owned out-of-service MD-80 aircraft are being carried at an aggregate fair market value of \$28 million, and the remaining rentals on the leased out-of-service MD-80 aircraft have been accrued. As of March 31, 2005, we subleased one of the leased out-of-service MD-80 aircraft to a third party and we are currently exploring lease or sale opportunities for the remaining out-of-service aircraft. We cannot predict when or if purchasers, lessees or sublessees can be found, and it is possible that our assets (including aircraft currently in service) could suffer additional impairment.

Additionally, we have 12 Embraer 120 turboprop aircraft and nine ATR 42 turboprop aircraft out-of-service. We own eight and lease 13 of these aircraft. The eight owned aircraft are being carried at an aggregate fair value of \$11 million, and the remaining rentals on the leased aircraft have been accrued. We currently sublease seven of the leased out-of-service turboprop aircraft to third parties and are exploring lease or sale opportunities for the remaining out-of-service aircraft, subject to the same uncertainties as the out-of-service mainline aircraft discussed above.

Firm Order and Option Aircraft. On March 30, 2005, we confirmed our previously announced agreement with Boeing for a new order of ten 787 aircraft, with the first 787 expected to be delivered in 2009. The 787 agreement is conditioned on the resolution of certain open matters including the negotiation of an acceptable engine supply arrangement. We also confirmed our agreement to lease eight used 757-300 aircraft from Boeing Capital Corporation. The 757-300 aircraft are expected to be delivered beginning in the third quarter of 2005 through the first quarter of 2006. Additionally, we will accelerate into 2006 the delivery of six Boeing 737-800 aircraft that were previously scheduled to be delivered in 2008. Taking these new agreements with Boeing into consideration, as of March 31, 2005, we had firm purchase commitments for 57 aircraft from Boeing, with an estimated cost of approximately \$2.7 billion, lease commitments for eight 757-300 aircraft and options to purchase an additional 45 Boeing aircraft. We expect to take delivery of 13 Boeing aircraft over the remaining nine months of 2005 (seven new 737-800s and six 757-300s) and eight in 2006 (six new 737-800s and two 757-300s), with delivery of the remaining 44 Boeing aircraft occurring in 2008 and later years.

The eight 757-300 aircraft discussed above will be leased from Boeing Capital Corporation, which has also agreed to provide backstop lease financing for the six 737-800 aircraft to be delivered in 2006. The 757-300 leases will have an average term of five years. We do not have backstop financing or any other financing currently in place for the remainder of the Boeing aircraft. Further financing will be needed to satisfy our capital commitments for our firm aircraft. We can provide no assurance that sufficient financing will be available for the aircraft on order or other related capital expenditures, or for our capital expenditures generally.

As of March 31, 2005, ExpressJet had firm commitments for 24 regional jets from Empresa Brasileira de Aeronautica S.A. ("Embraer"), with an estimated cost of approximately \$516 million. ExpressJet currently anticipates taking delivery of an additional 16 regional jets over the remaining nine months of 2005, with the remainder being delivered in 2006. ExpressJet does not have an obligation to take any of these firm Embraer aircraft that are not financed by a third party and leased to either ExpressJet or us. Under the capacity purchase agreement between us and ExpressJet, we have agreed to lease as lessee and sublease to ExpressJet the regional jets that are subject to ExpressJet's firm purchase commitments. In addition, under the capacity purchase agreement with ExpressJet, we generally are obligated to purchase all of the capacity provided by these new aircraft as they are delivered to ExpressJet. We cannot predict whether passenger traffic levels or yields will enable us to fully utilize regional jets scheduled for future delivery to ExpressJet.

Substantially all of the aircraft and engines we own are subject to mortgages. A significant portion of our spare parts inventory is also encumbered.

NOTE 4 - STOCK PLANS AND AWARDS

Pro Forma Information. We account for our stock-based compensation plans under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees". No stock-based employee compensation cost for our stock option plans is reflected in our consolidated statement of operations, as all options granted under our plans have an exercise price equal to the market value of the underlying common stock on the date of grant.

The following table illustrates the pro forma effect on net loss and loss per share if we had applied the fair value recognition provisions of SFAS 123, "Accounting for Stock-based Compensation", for the three months ended March 31, 2005 and 2004 (in millions except per share amounts):

	<u>2005</u>	<u>2004</u>
Net loss, as reported	\$(184)	\$(124)
Deduct total stock-based employee compensation expense determined under SFAS 123, net of tax in 2004	___(1)	___(1)
Net loss, pro forma	\$_(185)	\$_(125)
Basic loss per share:		
As reported	\$(2.76)	\$(1.88)
Pro forma	\$(2.78)	\$(1.90)
Diluted loss per share:		
As reported	\$(2.77)	\$(1.90)
Pro forma	\$(2.79)	\$(1.91)

Grant of Options to Employees. In connection with the pay and benefit cost reductions discussed herein, on March 30, 2005 we issued to all employees, except flight attendants, officers, employees of CMI and certain international employees, stock options for approximately 8.7 million shares of our Class B common stock with an exercise price of \$11.89 per share, the closing price of our common stock on the date of grant. These options represent approximately 13 percent of the currently outstanding shares of our common stock. The stock options were issued pursuant to two plans, a broad-based plan for all eligible employees, except flight attendants and officers, and a supplemental plan for eligible pilots. The options will generally become exercisable in three equal installments on the first, second and third anniversaries of the date of grant, and will have terms ranging from six to eight years. No further options may be granted under either plan after February 28, 2015.

Also in connection with the pay and benefit cost reductions, our five most senior executives voluntarily agreed to surrender options for 14,293 shares of our common stock and 12,225 shares of restricted stock effective February 28, 2005.

Employee Stock Purchase Plan. All of our employees (including CMI employees) are eligible to participate in the 2004 Employee Stock Purchase Plan. Each fiscal quarter, participants may purchase shares of our Class B common stock at 85% of the fair market value of the stock on either the first day or the last day of the option period (whichever is lower), limited to a minimum purchase price of \$10 per share. In the aggregate, 3,000,000 shares may be purchased. These shares may be newly issued or reacquired shares. During the first quarter of 2005, 237,984 shares of Class B common stock were issued to participants at a purchase price of \$10 per share. An additional 161,578 shares were issued in April 2005 at a purchase price of \$10.23 per share.

NOTE 5 - COMPREHENSIVE LOSS

We include changes in minimum pension liabilities and changes in the fair value of derivative financial instruments which qualify for hedge accounting in other comprehensive loss. For the first quarter of 2005 and 2004, total comprehensive loss amounted to \$198 million and \$121 million, respectively. Total comprehensive loss in the first quarter of 2005 includes a \$23 million adjustment to the minimum pension liability resulting from the curtailment discussed in Note 6. The remaining difference between the net loss and total comprehensive loss for each period was attributable to changes in the fair value of derivative financial instruments.

NOTE 6 - EMPLOYEE BENEFIT PLANS

Pension Plan. Net periodic defined benefit pension expense for the three months ended March 31 included the following components (in millions):

	<u>2005</u>	<u>2004</u>
Service cost	\$ 40	\$ 38
Interest cost	42	38
Expected return on plan assets	(31)	(29)
Amortization of prior service cost	5	5
Amortization of unrecognized net actuarial loss	<u>23</u>	<u>18</u>
Net periodic benefit expense	79	70
Curtailment loss (included in Special charges)	<u>43</u>	-
Net benefit expense	<u>\$122</u>	<u>\$ 70</u>

On January 6, 2005, we contributed 6.0 million shares of Holdings common stock valued at \$65 million to our defined benefit pension plan. On April 7, 2005, we contributed an additional 6.1 million shares of Holdings common stock valued at \$65 million to our defined benefit pension plan. Including these contributions, we currently expect to contribute a total of approximately \$266 million in 2005 to our defined benefit pension plan to maintain the plan's minimum funding obligation, after taking into consideration the changes discussed below.

The new collective bargaining agreement that our pilots ratified on March 30, 2005 provides that benefit accruals with respect to the pilots under our defined benefit pension plan will be frozen effective May 31, 2005 and the assets and obligations related to pilots thereunder will be placed in a separate frozen defined benefit pension plan, and we will begin to make contributions to an alternate defined contribution retirement program for pilots. All of the pilots' existing accrued benefits under our defined benefit plan at the date of the freeze will be preserved, including the right to receive a lump-sum payment upon their retirement. Funding requirements under our pre-existing defined benefit pension plans (as well as the separate frozen defined benefit pension plan for pilots) will continue to be determined under applicable law. However, we have agreed with our pilots' union that we will not declare a cash dividend or repurchase our outstanding common stock for cash until we have contributed at least \$500 million to the frozen defined benefit pension plan for pilots, measured from March 30, 2005. Further, we have agreed that we will not make an election under any optional funding relief legislation that would eliminate the lump-sum benefit option without the consent of the union representing our pilots.

In March 2005, we recorded a \$43 million non-cash curtailment charge in accordance with SFAS No. 88, "Employer's Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits", ("SFAS No. 88") in connection with freezing the portion of our defined benefit pension plan related to our pilots, using actuarial assumptions consistent with those we used at December 31, 2004. SFAS No. 88 requires curtailment accounting if an event eliminates, for a significant number of employees, the accrual of defined benefits for some or all of their future services. In the event of a curtailment, a loss must be recognized for the unrecognized prior service cost associated with years of service no longer expected to be rendered.

The agreement with our pilots provides for a new defined contribution retirement plan to be established after the existing pension benefits are frozen on May 31, 2005. That plan will be a money purchase pension plan that is also subject to minimum contribution rules under the Internal Revenue Code. Contributions under the new defined contribution plan will generally be specified percentages of applicable pilot compensation, subject to applicable legal limits. Further, the agreement provides for additional contributions to the pilots' 401(k) plan, depending on our pre-tax profits during a portion of the term of the pilots' agreement. To the extent contributions to either plan are limited by applicable law, the difference between the contractual amounts and the amounts permitted by law to be contributed to the defined contribution plans will be paid directly to pilots under a corresponding nonqualified arrangement.

Retiree Medical Benefits. Effective March 30, 2005, we will make available on a long-term basis certain medical benefits to eligible retirees. Generally, these benefits allow eligible retired employees to receive medical benefits that "bridge" their medical coverage from their date of retirement until attainment of Medicare eligibility, subject to applicable limits and conditions. Retirees are required to pay a portion of the costs of their retiree medical benefits to the extent they do not have sufficient accumulated sick time at the time of their retirement. Plan benefits are subject to co-payments, deductibles and other limits as described in the plans. The retiree medical benefits plan will be accounted for under SFAS No. 106, "Employers' Accounting for Postretirement Benefits other than Pensions", which requires recognition of the expected cost of benefits over the employee's service period. As of March 31, 2005, the accumulated postretirement benefit obligation under this plan is \$240 million and our unrecognized prior service cost is also \$240 million, which will be recognized as expense over the remaining service period of currently active employees who will receive this benefit. The accumulated postretirement benefit obligation was calculated using a 5.75% discount rate and an assumed health care cost trend rate of 10% in 2005, declining to 5% in 2010 and thereafter. We expect to record an incremental \$23 million expense in 2005 associated with this post retirement plan. A 1% increase in the assumed health care cost trend rate would increase the accumulated postretirement benefit obligation as of March 31, 2005 by approximately \$23 million and our run-rate annual expense by approximately \$3 million. A 1% decrease in the assumed health care cost trend rate would decrease the accumulated postretirement benefit obligation at March 31, 2005 by approximately \$20 million and our run-rate annual expense by approximately \$3 million.

Profit Sharing Plan. In January 2005, we announced that in connection with the pay and benefit reductions, we would be implementing an enhanced profit sharing program. The new program, which became effective April 1, 2005 and will be in place through 2009, creates an award pool of 30% of the first \$250 million of pre-tax net income (as defined in the plan), 25% of the next \$250 million and 20% of amounts over \$500 million, subject to certain adjustments. Half of the profit-sharing pool will be allocated based on the relative share of pay and benefit reductions of each work group and the other half will be allocated based on the relative wages of each work group. Substantially all Continental employees will participate in the plan other than flight attendants, employees who participate in our management or officer bonus programs and certain non-U.S. employees. We currently anticipate that flight attendants will participate in this plan if we reach another tentative agreement with their union and it is ratified by the members.

401(k) Plan. Our defined contribution 401(k) employee savings plans cover substantially all employees. Company matching contributions were terminated effective April 1, 2005 for substantially all employees other than flight attendants, mechanics, employees of CMI and pilots. Company matching contributions for pilots will cease effective May 31, 2005.

NOTE 7 - SPECIAL CHARGES

In March 2005, we recorded a \$43 million non-cash curtailment charge relating to the freezing of the portion of our defined benefit pension plan attributable to pilots, as discussed in Note 6.

In the first quarter of 2004, we recorded special charges of \$55 million (\$35 million after taxes). Included in this charge were \$19 million (\$12 million after taxes) associated with future obligations for rent and return conditions related to three MD-80 aircraft that were permanently grounded during the quarter and a non-cash charge of \$34 million (\$22 million after taxes) related to the termination of a 1993 service agreement with United Micronesia Development Association.

Activity related to the accruals for future lease payments and closure/under-utilization of facilities for the three months ended March 31, 2005 is as follows (in millions):

<u>Beginning</u>					<u>Ending</u>
<u>Balance</u>	<u>Accrual</u>	<u>Payments</u>	<u>Other</u>		<u>Balance</u>

Allowance for future lease payments and return conditions	\$116	1	(20)	2	\$99
Closure/under-utilization of facilities	14	-	(1)	-	13

NOTE 8 - INVESTMENT IN EXPRESSJET AND REGIONAL CAPACITY PURCHASE AGREEMENT

Investment in ExpressJet. As the result of a series of transactions described in Note 15 to the financial statements included in our 2004 10-K, we account for our interest in Holdings, the parent company of ExpressJet, using the equity method of accounting set forth in APB Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock". Under our capacity purchase agreement with Holdings and ExpressJet, we purchase all of ExpressJet's capacity and are responsible for selling all of the seat inventory. As a result, we record the related passenger revenue and related expenses, with payments under the capacity purchase agreement reflected as a separate operating expense. Using equity accounting, we record our proportionate share of Holdings' net income in "income from affiliates" in our consolidated statement of operations.

On January 6, 2005, we contributed 6.0 million shares of Holdings common stock to our defined benefit pension plan, reducing our ownership in Holdings to 10.7 million shares, which represented a 19.7% interest in Holdings. These 10.7 million shares had a market value of \$122 million at March 31, 2005. We recognized a gain of \$51 million in the first quarter of 2005 related to this transaction. On April 7, 2005, we contributed an additional 6.1 million shares of Holdings common stock to our defined benefit pension plan, further reducing our ownership to 4.7 million shares, or an 8.5% interest in Holdings. We will recognize a gain of \$48 million in the second quarter of 2005 related to the April 2005 transaction. We will continue to account for our interest in Holdings using the equity method of accounting because of our ongoing ability to influence Holdings' operations significantly through our capacity purchase agreement and our continued representation on Holdings' Board of Directors, although reduced to one member. We do not currently intend to remain a stockholder of Holdings over the long term. Subject to market conditions, we intend to sell or otherwise dispose of all of our shares of Holdings common stock in the future.

In addition to the Holdings shares we own, our defined benefit pension plan held 3.7 million shares of Holdings common stock at March 31, 2005 and 9.4 million shares of Holdings common stock at April 7, 2005. These shares represented a 6.7% and 17.3% interest in Holdings, respectively. The independent fiduciary that manages the Holdings shares in our defined benefit pension plan sold 2.3 million shares to third parties during the three months ended March 31, 2005. The combined interest in Holdings of our direct ownership and our pension plan at March 31, 2005 was 14.4 million shares, or 26.4% of Holdings' outstanding shares.

Capacity Purchase Agreement. Our capacity purchase agreement with Holdings and ExpressJet provides that we purchase in advance all of ExpressJet's available seat miles for a negotiated price, and we are at risk for reselling the available seat miles at market prices. Payments made under our capacity purchase agreement are reported as ExpressJet capacity purchase, net. ExpressJet capacity purchase, net includes all of ExpressJet's fuel expense plus a margin on ExpressJet's fuel expense up to a cap provided in the capacity purchase agreement and a related fuel purchase agreement (71.2 cents per gallon, including fuel taxes) and is net of our rental income on aircraft we lease to ExpressJet. Such capacity purchase, net payments totaled \$353 million and \$317 million in the three months ended March 31, 2005 and 2004, respectively.

Tax Sharing Agreement. We recognized nonoperating income related to our tax sharing agreement with Holdings of \$7 million and \$12 million for the three months ended March 31, 2005 and 2004, respectively.

Summarized Financial Information for Holdings. Holdings' stand-alone financial statements and the calculation of our equity in Holdings' earnings in our consolidated financial statements are based on Holdings' results of operations under the capacity purchase agreement. Under this agreement, we pay Holdings for each scheduled block hour based on an agreed formula. On this basis, selected Holdings' results of operations were as follows for the three months ended March 31, 2005 and 2004 (in millions):

	<u>2005</u>	<u>2004</u>
Revenue	\$375	\$364
Operating Income	39	49
Net Income	23	29

NOTE 9 - SEGMENT REPORTING

We have two reportable segments: mainline and regional. We evaluate segment performance based on several factors, of which the primary financial measure is operating income (loss). However, we do not manage our business or allocate resources based on segment operating profit or loss because (1) our flight schedules are designed to maximize the passengers flying on both segments, (2) many operations of the two segments are substantially integrated (for example, airport operations, sales and marketing, scheduling and ticketing), and (3) management decisions are based on their anticipated impact on the overall network, not on one individual segment.

Financial information for the three months ended March 31 by business segment is set forth below (in millions):

	<u>2005</u>	<u>2004</u>
Operating Revenue:		
Mainline	\$2,122	\$1,953
Regional	<u>383</u>	<u>354</u>
Total Consolidated	<u>\$2,505</u>	<u>\$2,307</u>
Operating Loss:		
Mainline	\$ (79)	\$ (64)
Regional	<u>(92)</u>	<u>(71)</u>
Total Consolidated	<u>\$ (171)</u>	<u>\$ (135)</u>
Net Loss:		
Mainline	\$ (93)	\$ (82)
Regional	<u>(91)</u>	<u>(42)</u>
Total Consolidated	<u>\$ (184)</u>	<u>\$ (124)</u>

The amounts presented above are presented on the basis of how our management reviews segment results. Under this basis, the regional segment's revenue includes a pro-rated share of our ticket revenue for segments flown by Holdings, and expenses include all activity related to the regional operations.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Purchase Commitments. See Note 3 for a discussion of our aircraft purchase commitments.

Financings and Guarantees. We are the guarantor of approximately \$1.8 billion aggregate principal amount of tax-exempt special facilities revenue bonds and interest thereon, excluding the US Airways contingent liability described below. These bonds, issued by various airport municipalities, are payable solely from our rentals paid under long-term agreements with the respective governing bodies. The leasing arrangements associated with approximately \$1.6 billion of these obligations are accounted for as operating leases, and the leasing arrangements associated with approximately \$200 million of these obligations are accounted for as capital leases in our financial statements.

We are contingently liable for US Airways' obligations under a lease agreement between US Airways and the Port Authority of New York and New Jersey related to the East End Terminal at LaGuardia airport. These obligations include the payment of ground rentals to the Port Authority and the payment of other rentals in respect of the full amounts owed on special facilities revenue bonds issued by the Port Authority having an outstanding par amount of \$166 million at March 31, 2005 and having a final scheduled maturity in 2015. If US Airways defaults on these obligations, we would be obligated to cure the default, and the applicable documents provide that we would have the right to occupy the terminal after US Airways' interest in the lease had been terminated. In September 2004, US Airways filed for reorganization under Chapter 11 of the United States Bankruptcy Code. As of April 20, 2005, US Airways has made no election to assume or reject the lease agreement in its bankruptcy case.

We also have letters of credit and performance bonds at March 31, 2005 in the amount of \$56 million with expiration dates through June 2008.

General Guarantees and Indemnifications. We are the lessee under many real estate leases. It is common in such commercial lease transactions for us to agree to indemnify the lessor and other related third parties for tort liabilities that arise out of or relate to our use or occupancy of the leased premises. In some cases, this indemnity extends to related liabilities arising from the negligence of the indemnified parties, but usually excludes any liabilities caused by their gross negligence or willful misconduct. Additionally, we typically indemnify such parties for any environmental liability that arises out of or relates to our use of the leased premises.

In our aircraft financing agreements, we typically indemnify the financing parties, trustees acting on their behalf and other related parties against liabilities that arise from the manufacture, design, ownership, financing, use, operation and maintenance of the aircraft and for tort liability, whether or not these liabilities arise out of or relate to the negligence of these indemnified parties, except for their gross negligence or willful misconduct.

We expect that we would be covered by insurance (subject to deductibles) for most tort liabilities and related indemnities described above with respect to real estate we lease and aircraft we operate.

In our financing transactions that include loans from banks in which the interest rate is based on LIBOR, we typically agree to reimburse the lenders for certain increased costs that they incur in carrying these loans as a result of any change in law and for any reduced returns with respect to these loans due to any change in capital requirements. We had \$1.4 billion of floating rate debt at March 31, 2005. In several financing transactions, with an aggregate carrying value of \$1.1 billion, involving loans from non-U.S. banks, export-import banks and certain other lenders secured by aircraft, we bear the risk of any change in tax laws that would subject loan payments thereunder to non-U.S. lenders to withholding taxes. In addition, in cross-border aircraft lease agreements for two 757 aircraft, we bear the risk of any change in U.S. tax laws that would subject lease payments made by us to a resident of Japan to U.S. taxes. Our lease obligations for these two aircraft totaled \$54 million at March 31, 2005.

We cannot estimate the potential amount of future payments under the foregoing indemnities and agreements.

Credit Card Processing Agreement. Our bank-issued credit card processing agreement contains certain financial covenants which require, among other things, that we maintain a minimum EBITDAR (generally, earnings before interest, taxes, depreciation, amortization and aircraft rentals, adjusted for special charges) to fixed charges (generally, interest and aircraft rentals) ratio of 0.9 to 1.0 through June 30, 2006 and 1.1 to 1.0 thereafter. The liquidity covenant requires us to maintain a minimum level of \$1.0 billion of unrestricted cash and short-term investments. The agreement also requires that we must maintain a debt rating of at least Caa3 as rated by Moody's or CCC- as rated by Standard & Poor's. We are currently in compliance with all of the covenants. Failure to maintain compliance would result in our being required to post up to an additional \$320 million of cash collateral, which would adversely affect our liquidity, which we need for our operations and debt service, but would not result in a default under any of our debt or lease agreements.

Employees. See the discussion in the headnote to these Notes to Consolidated Financial Statements for a discussion of new collective bargaining agreements addressing pay and benefit cost reductions and work rule changes.

Environmental Matters. We could potentially be responsible for environmental remediation costs primarily related to jet fuel and solvent contamination surrounding our aircraft maintenance hangar in Los Angeles. In 2001, the California Regional Water Quality Control Board mandated a field study of the site and it was completed in September 2001. We have established a reserve for estimated costs of environmental remediation at Los Angeles and elsewhere in our system, based primarily on third party environmental studies and estimates as to the extent of the contamination and nature of the required remedial actions. We have evaluated and recorded this accrual for environmental remediation costs separately from any related insurance recovery. We have not recognized any material receivables related to insurance recoveries at March 31, 2005.

We expect our total losses from all environmental matters to be \$49 million, for which we were fully accrued at March 31, 2005. Based on currently available information, we believe that our reserves for potential environmental remediation costs are adequate, although reserves could be adjusted as further information develops or circumstances change. However, we do not expect these items to materially effect our financial condition, liquidity or results of operations.

Credit Card Marketing Agreement. During the quarter, we extended our current agreement with Chase Manhattan Bank USA, N.A. ("Chase") to jointly market credit cards. In addition to reaching agreement on advertising and other marketing commitments, Chase agreed to increase the rate it pays for mileage credits under our frequent flyer program. In April 2005, Chase purchased \$75 million of mileage credits under the program which will be redeemed for mileage purchases in 2007 and 2008 and recognized as revenue consistent with other mileage sales in 2007 and 2008. In consideration for the advance purchase of mileage credits, we have provided a security interest to Chase in certain transatlantic routes. The \$75 million purchase of mileage credits will be treated as a loan from Chase and reported as long-term debt in our balance sheet and will be reduced ratably in 2007 and 2008 as the mileage credits are redeemed. The new agreement extends our relationship through the end of 2009.

IRS Examinations. The Internal Revenue Service ("IRS") is in the process of examining our income tax returns for years through 2001 and has indicated that it may disallow certain deductions we claimed. We believe the ultimate resolution of these audits will not have a material adverse effect on our financial condition, liquidity or results of operations.

Legal Proceedings. During the period between 1997 and 2001, we reduced or capped the base commissions that we paid to travel agents, and in 2002 we eliminated the base commissions. This was similar to actions also taken by other air carriers. We are now a defendant, along with several other air carriers, in a number of lawsuits brought by travel agencies relating to these base commission reductions and eliminations.

Sarah Futch Hall d/b/a/ Travel Specialists v. United Air Lines, et al. (U.S.D.C. Eastern District of North Carolina). This class action was filed in federal court on June 21, 2000 by a travel agent, on behalf of herself and other similarly situated U.S. travel agents, challenging the reduction and subsequent elimination of travel agent base commissions. The amended complaint alleged an unlawful agreement among the airline defendants to reduce, cap or eliminate commissions in violation of federal antitrust laws during the years 1997 to 2002. The plaintiffs sought compensatory and treble damages, injunctive relief and their attorneys' fees. The class was certified on September 18, 2002. On October 30, 2003, a summary judgment and order was granted in favor of all of the defendants. Plaintiffs filed their appeal to this judgment and order on November 5, 2003. On December 9, 2004, the Fourth Circuit Court of Appeals affirmed the award of summary judgment. On January 4, 2005, the plaintiffs' Petition for Rehearing with the Fourth Circuit Court of Appeals was denied. We have been advised that plaintiffs will not pursue further appeals.

Several travel agents who purportedly opted out of the Hall class action filed similar suits against Continental and other major carriers alleging violations of antitrust laws in eliminating the base commission: **Tam Travel, Inc. v. Delta Air Lines, Inc., et al.** (U.S.D.C., Northern District of California), filed on April 9, 2003; **Paula Fausky, et al. v. American Airlines, et al.** (U.S.D.C., Northern District of Ohio), filed on May 8, 2003 and First Amended Complaint filed June 12, 2003; and **Swope Travel Agency, et al. v. Orbitz LLC et al.** (U.S.D.C., Eastern District of Texas), filed on June 5, 2003 and First Amended Complaint filed on July 18, 2003. By order dated November 10, 2003, these

actions were transferred and consolidated for pretrial purposes by the Judicial Panel on Multidistrict Litigation to the Northern District of Ohio. Discovery has recently commenced.

In each of the foregoing cases, we believe the plaintiffs' claims are without merit and are vigorously defending the lawsuits. Nevertheless, a final adverse court decision awarding substantial money damages could have a material adverse effect on our financial condition, liquidity and results of operations.

We and/or certain of our subsidiaries are defendants in various other lawsuits, including suits relating to certain environmental claims, and proceedings arising in the normal course of business. While the outcome of these lawsuits and proceedings cannot be predicted with certainty and could have a material adverse effect on our financial position, liquidity or results of operations, it is our opinion, after consulting with outside counsel, that the ultimate disposition of such suits will not have a material adverse effect on our financial position, liquidity or results of operations.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion contains forward-looking statements that are not limited to historical facts, but reflect our current beliefs, expectations or intentions regarding future events. In connection therewith, please see the risk factors set forth in our 2004 10-K, which identify important factors such as the consequences of our significant financial losses and high leverage, terrorist attacks, domestic and international economic conditions, the significant cost of aircraft fuel, labor costs, competition and industry conditions including the demand for air travel, the airline pricing environment and industry capacity decisions, regulatory matters and the seasonal nature of the airline business (the second and third quarters are generally stronger than the first and fourth quarters). In addition to the foregoing risks, there can be no assurance that we will be able to obtain the needed pay and benefit reductions from our flight attendants or that the ratified agreements and the pay and benefit reductions and work rule changes from other work groups will enable the company to achieve the cost reductions expected, which will depend, upon other matters, on timely and effective implementation of new work rules, actual productivity improvement, employee attrition, technology implementation, our level of business activity, relations with employees generally and the ultimate accuracy of certain assumptions on which our cost savings are based. We undertake no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this report.

General information about us can be found at <http://www.continental.com/company/investor>. Our annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, as well as any amendments to those reports, are available free of charge through our website as soon as reasonably practicable after we file them with, or furnish them to, the Securities and Exchange Commission.

OVERVIEW

The current U.S. domestic network carrier financial environment continues to be the worst in history and could deteriorate further. We have had substantial losses since September 11, 2001. Losses of the magnitude incurred by us since September 11, 2001 are not sustainable. With the current weak domestic yield environment caused in large part by the growth of low cost competitors, and with fuel prices at twenty-year highs, our cost structure is not competitive. Additionally, it continues to be difficult for us to obtain financing in the face of our significant and continuing losses and our current revenue and cost outlook. Many of our network competitors, such as American Airlines, Delta Air Lines, United Airlines and US Airways, have used bankruptcy or the threat of bankruptcy to reduce their costs significantly, and may continue to restructure their costs downward.

The \$1.1 billion of cost-cutting and revenue-generating measures that we have announced and largely implemented in recent years have proven insufficient to return us to profitability in the current environment. As a result, on November 18, 2004, we announced that we needed an annual \$500 million reduction in pay and benefit costs and work rule changes. In late 2004 and early 2005, we finalized changes to wages, work rules and benefits for U.S.-based management and clerical, reservations, food services, airport and cargo agents and customer service employees. On February 28, 2005, we announced that we had reached tentative agreements on new contracts covering our pilots, flight attendants, mechanics, dispatchers and simulator engineers following negotiations with ALPA, the IAM, the Teamsters, and the TWU (representing both dispatchers and simulator engineers). Each of these agreements was ratified on March 30, 2005 by the members of the covered work groups with the exception of the agreement with our flight attendants, which was not ratified. The unions with ratified agreements chose to go forward and implement their contracts despite the fact that the flight attendants did not ratify their agreement. We began implementing the pay and benefit reductions in early April 2005. Our officers and Board of Directors implemented their pay and benefit reductions on February 28, 2005.

When we fully implement the pay and benefit reductions for all employees except flight attendants, employees of CMI and certain international employees, we expect to achieve approximately \$418 million of annual pay and benefit savings on a run-rate basis. Some of the savings from the agreements will take time to achieve, while others, such as the wage reductions and certain benefit changes, will result in immediate savings.

Each of the new collective bargaining agreements is for a 45-month term, so that all of the agreements will become amendable again on December 31, 2008. A significant portion of the cost savings from our work groups, both unionized and non-unionized, will be derived from changes to benefits and work rules. Our ability to achieve certain of the cost reductions will depend on timely and effective implementation of new work rules, actual productivity improvements and implementation of changes in technology pertaining to employee work rules and benefits.

The current levels of pay and benefits for flight attendants are not sustainable. We reengaged in discussions with our flight attendants to reach a revised agreement on pay and benefit reductions. Unfortunately, the needed pay and benefit reductions under that agreement will be larger than the reductions we initially sought due to the delay in reaching an agreement. The longer this process takes, the deeper the pay and benefit reductions will need to be in order to achieve the needed cost savings from the flight attendants and to be fair to other employees who have already taken reductions.

With the unions' decision to implement their ratified agreements, we confirmed our previously announced Boeing aircraft order. We now expect to grow by leasing eight Boeing 757-300 aircraft with deliveries beginning this summer and by accelerating delivery of six Boeing 737-800 aircraft into 2006. These aircraft will provide the opportunity for us to expand our international network further while supporting our domestic system. We also expect to acquire ten Boeing 787 aircraft beginning in 2009, subject to the resolution of certain open matters including the negotiation of an acceptable engine supply arrangement.

Extraordinarily high fuel prices and weak domestic yields continue to adversely impact our results despite cost reduction efforts and recent fare increases in some domestic markets. Mainline fuel costs for the quarter increased \$137 million over the first quarter of 2004, primarily due to a 39.5% increase in fuel prices compared to the same period in 2004. The price of West Texas Intermediate crude oil continued to trade at record levels during the quarter, closing at a peak of \$56.72 per barrel on March 18, 2005.

In the current adverse operating environment, we expect to incur a significant loss in 2005. However, absent adverse factors outside our control such as additional terrorist attacks, hostilities involving the United States or further significant increases in fuel prices, we currently believe that our existing liquidity and projected 2005 cash flows will be sufficient to fund our current operations and other financial obligations through 2005. In developing our expectations for the remainder of 2005, we considered our current projections for 2005 revenue, including the impact of fare reductions initiated in early January 2005 by Delta Air Lines, current and forward fuel price levels, our expectations with regard to our ability to implement pay and benefit reductions and reach agreement with our flight attendants' union concerning pay and benefit reductions and our ability to execute additional financing transactions.

Although we believe our 2005 plan is achievable, a combination of some or all of several events, most of which are outside of our control, may result in us being unable to generate sufficient cash from operations or complete financing transactions that we would need to maintain adequate liquidity through December 31, 2005. These events include further significant declines in yields and fuel prices higher than current levels for an extended period of time. We have significant financial obligations due in 2006 and thereafter, and we will have inadequate liquidity to meet those obligations if the current adverse environment for network carriers does not improve materially and we are unable to increase our revenues or decrease our costs considerably or raise additional liquidity through financing activities and/or by selling non-strategic assets. Our recent pay and benefit cost reductions will help us reduce our costs, but in and of themselves are not expected to restore our profitability in the current environment.

Among the many factors that threaten us and the network airline industry generally are the continued rapid growth of low-cost carriers and resulting downward pressure on domestic fares, high fuel costs, high labor costs, excessive taxation, increased security costs and significant pension liabilities. These factors are discussed in the "Overview" section of Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2004 10-K.

RESULTS OF OPERATIONS

Consolidated Results of Operations

We recorded a consolidated net loss of \$184 million for the first quarter of 2005 as compared to a consolidated net loss of \$124 million for the three months ended March 31, 2004. The following discussion provides an analysis of our results of operations and reasons for material changes therein for the three months ended March 31, 2005 as compared to the corresponding period in 2004. We consider the key measure of our performance to be operating income (loss), which was a loss of \$171 million for the first quarter of 2005, as compared to a loss of \$135 million for the first quarter of 2004. Significant components of our consolidated operating results are as follows (in millions, except percentage changes):

	Three Months Ended March 31,		Increase (Decrease)	% Increase (Decrease)
	2005	2004		
Operating Revenue:				
Passenger	\$2,266	\$2,099	\$167	8.0 %
Cargo, mail and other	<u>239</u>	<u>208</u>	<u>31</u>	14.9 %
	<u>2,505</u>	<u>2,307</u>	<u>198</u>	8.6 %
Operating Expenses:				
Wages, salaries and related costs	715	688	27	3.9 %
Aircraft fuel and related taxes	470	333	137	41.1 %
ExpressJet capacity purchase, net	353	317	36	11.4 %
Aircraft rentals	227	220	7	3.2 %
Landing fees and other rentals	170	158	12	7.6 %
Distribution costs	138	137	1	0.7 %
Maintenance, materials and repairs	112	112	-	-
Depreciation and amortization	98	104	(6)	(5.8)%
Passenger services	77	69	8	11.6 %
Special charges	43	55	(12)	NM
Other	<u>273</u>	<u>249</u>	<u>24</u>	9.6 %
	<u>2,676</u>	<u>2,442</u>	<u>234</u>	9.6 %
Operating Loss	<u>(171)</u>	<u>(135)</u>	<u>36</u>	26.7 %
Nonoperating Income (Expense)	<u>(13)</u>	<u>(58)</u>	<u>(45)</u>	(77.6)%
Loss before Income Taxes	(184)	(193)	(9)	(4.7)%
Income Tax Benefit	<u>-</u>	<u>69</u>	<u>(69)</u>	NM
Net Loss	<u>\$(184)</u>	<u>\$(124)</u>	<u>\$ 60</u>	48.4 %

Operating Revenue. Passenger revenue increased due to increased capacity and fares on international flights and more regional flying. Consolidated revenue passenger miles for the quarter increased 11.4% year-over-year on a capacity increase of 4.0%, which produced a consolidated load factor for the first quarter of 2005 of 76.8%, up 5.1 points over the same period in 2004. Consolidated yield declined 3.1% year-over-year. Consolidated passenger revenue per available seat mile (RASM) for the quarter increased 3.8% year-over-year due to higher load factors, partly as a result of the Easter holiday falling in the month of March in 2005 versus April in 2004.

The table below shows passenger revenue for the quarter ended March 31, 2005 and period to period comparisons for passenger revenue, RASM and available seat miles (ASMs) by geographic region for our mainline and regional operations:

	Passenger Revenue <u>(in millions)</u>	Percentage Increase (Decrease) in <u>First Quarter 2005 vs First Quarter 2004</u>		
		<u>Passenger Revenue</u>	<u>RASM</u>	<u>ASMs</u>
Domestic	\$1,098	0.1%	3.5 %	(3.3)%
Trans-Atlantic	310	28.6%	9.1 %	17.8 %
Latin America	288	12.1%	6.3 %	5.4 %
Pacific	<u>177</u>	17.0%	4.7 %	11.7 %
Total Mainline	1.873	7.2%	4.3 %	2.8 %

Regional	<u>393</u>	11.6%	(2.3)%	14.2 %
Total System	<u>\$2,266</u>	8.0%	3.8 %	4.0 %

Cargo, mail and other revenue increased 14.9% primarily due to higher freight and mail volumes and increases in revenue associated with sales of mileage credits in our OnePass frequent flyer program, partially offset by reductions from renegotiation of our capacity purchase agreement with ExpressJet effective January 1, 2005 relating to rates for services provided to ExpressJet and decreased military charter flights.

Operating Expenses. Wages, salaries and related costs increased 3.9% primarily due to an increase in the average number of employees and increases in training hours and pension and health care costs. Aircraft fuel and related taxes increased substantially due to a significant rise in fuel prices, combined with an increase in flight activity. The average jet fuel price per gallon including related taxes increased 39.5% from 104.13 cents in the first quarter of 2004 to 145.30 cents in the first quarter of 2005.

Payments made under our capacity purchase agreement are reported as ExpressJet capacity purchase, net. ExpressJet capacity purchase, net includes all of ExpressJet's fuel expense plus a margin on ExpressJet's fuel expense up to a cap provided in the capacity purchase agreement and a related fuel purchase agreement (71.2 cents per gallon, including fuel taxes) and is net of our rental income on aircraft we lease to ExpressJet. The actual payments to ExpressJet were higher in the first quarter of 2005 than in the corresponding quarter of 2004 due to increased flight activity at ExpressJet and increased fuel prices, offset in part by lower renegotiated rates effective January 1, 2005 under the capacity purchase agreement.

Landing fees and other rentals were higher due to fixed rent increases, mainly from the completion of Terminal E at Bush Intercontinental Airport in Houston. The lower depreciation and amortization in 2004 resulted from the permanent grounding of MD-80 aircraft in 2003 and 2004. Other operating expenses increased due to the higher number of international flights which resulted in increased air navigation, ground handling and related expenses.

In March 2005, we recorded a \$43 million non-cash curtailment charge relating to our agreement to freeze, effective May 31, 2005, the benefit accruals with respect to our pilots under our defined benefit pension plan. In the first quarter of 2004, we recorded fleet impairment losses and other special charges of \$55 million (\$35 million after taxes). Included in this charge were \$19 million (\$12 million after taxes) associated with future obligations for rent and return conditions related to three MD-80 aircraft, which were permanently grounded, and a non-cash charge of \$34 million (\$22 million after taxes) related to the termination of a 1993 service agreement with United Micronesia Development Association.

Nonoperating Income (Expense). Income from affiliates includes income related to our tax sharing agreement with Holdings and our equity in the earnings of Holdings and Copa Airlines. Income related to our tax sharing agreement with Holdings was \$7 million in the first quarter of 2005 as compared to \$12 million in the first quarter of 2004. We also recognized a gain of \$51 million in the first quarter of 2005 related to the contribution of 6.0 million shares of Holdings common stock to our defined benefit pension plan.

Income Tax Benefit (Expense). Due to our continued losses, we were required to provide a valuation allowance on the deferred tax assets recorded on losses beginning with the third quarter of 2004. As a result, our net loss for the first quarter of 2005 was not reduced by any tax benefit. Our effective tax rate for the first quarter of 2004 differs from the federal statutory rate of 35% primarily due to increases in the valuation allowance, certain expenses that are not deductible for federal income tax purposes and state income taxes.

Segment Results of Operations

We have two reportable segments: mainline and regional. The mainline segment consists of flights with jets that have a capacity of greater than 100 seats while the regional segment consists of flights with jets that have a capacity of 50 or fewer seats. The regional segment is operated by ExpressJet through a capacity purchase agreement. Under that agreement, we handle all of the scheduling and are responsible for setting prices and selling all of the seat inventory. In exchange for ExpressJet's operation of the flights, we pay ExpressJet for each scheduled block hour based on an agreed formula. Under the agreement, we recognize all passenger, cargo and other revenue associated with each flight, and are responsible for all revenue-related expenses, including commissions, reservations, catering and terminal rent at hub airports.

We evaluate segment performance based on several factors, of which the primary financial measure is operating income (loss). However, we do not manage our business or allocate resources based on segment operating profit or loss because (1) our flight schedules are designed to maximize the passengers flying on both segments, (2) many operations of the two segments are substantially integrated (for example, airport operations, sales and marketing, scheduling and ticketing), and (3) management decisions are based on their anticipated impact on the overall network, not on one individual segment.

Mainline. Significant components of our mainline segment's operating results are as follows (in millions, except percentage changes):

	Three Months Ended March 31,		Increase (Decrease)	% Increase (Decrease)
	<u>2005</u>	<u>2004</u>		
Operating Revenue	<u>\$2,122</u>	<u>\$1,953</u>	<u>\$169</u>	8.7 %
Operating Expenses:				
Wages, salaries and related costs	704	677	27	4.0 %
Aircraft fuel and related taxes	470	333	137	41.1 %
Aircraft rentals	158	158	-	-
Landing fees and other rentals	160	150	10	6.7 %
Distribution costs	116	117	(1)	(0.9)%
Maintenance, materials and repairs	112	112	-	-
Depreciation and amortization	95	101	(6)	(5.9)%
Passenger services	74	67	7	10.4 %
Special charges	43	55	(12)	NM
Other	<u>269</u>	<u>247</u>	<u>22</u>	8.9 %
	<u>2,201</u>	<u>2,017</u>	<u>184</u>	9.1 %

Operating Loss	\$_(79)	\$(64)	\$15	23.4 %
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The variances in specific line items for the mainline segment are due to the same factors discussed under consolidated results of operations.

Regional. Significant components of our regional segment's operating results are as follows (in millions, except percentage changes):

	Three Months Ended March 31,		Increase	% Increase
	<u>2005</u>	<u>2004</u>		
Operating Revenue	\$383	\$354	\$ 29	8.2 %
Operating Expenses:				
Wages, salaries and related costs	11	11	-	-
ExpressJet capacity purchase, net	353	317	36	11.4 %
Aircraft rentals	69	62	7	11.3 %
Landing fees and other rentals	10	8	2	25.0 %
Distribution costs	22	20	2	10.0 %
Depreciation and amortization	3	3	-	-
Passenger services	3	2	1	50.0 %
Other	<u>4</u>	<u>2</u>	<u>2</u>	100.0 %
	<u>475</u>	<u>425</u>	<u>50</u>	11.8 %
Operating Loss	\$(92)	\$(71)	\$ 21	29.6 %

The reported results of our regional segment do not reflect the total contribution of the regional segment to our system-wide operations. The regional segment generates additional revenues for the mainline segment as it feeds traffic between smaller cities and our mainline hubs.

The variances in specific line items for the regional segment are due to the same factors discussed under consolidated results of operations, with the exception of aircraft rentals. Regional aircraft rental expense increased due to the higher number of regional jets in ExpressJet's fleet. ExpressJet took delivery of 21 new regional jets during the year ended December 31, 2004 and five new regional jets during the first quarter of 2005.

ExpressJet capacity purchase, net increased due to increased flight activity at ExpressJet, higher fuel costs and the higher number of regional jets leased from us by ExpressJet. The net amounts consist of the following (in millions, except percentage changes):

	Three Months Ended March 31,		Increase	% Increase
	<u>2005</u>	<u>2004</u>		
Capacity purchase expenses	\$375	\$364	\$11	3.0 %
Fuel and fuel taxes in excess of 71.2 cents per gallon cap	52	20	32	160.0 %
Aircraft sublease income	<u>(74)</u>	<u>(67)</u>	<u>7</u>	10.4 %
ExpressJet capacity purchase, net	<u>\$353</u>	<u>\$317</u>	<u>\$36</u>	11.4 %

Certain Statistical Information. An analysis of statistical information for our operations for the periods indicated is as follows:

	Three Months Ended		Net Increase/ (Decrease)
	March 31,		
	<u>2005</u>	<u>2004</u>	
Mainline Statistics:			
Passengers (thousands) (1)	10,598	9,917	6.9 %
Revenue passenger miles (millions) (2)	16,159	14,713	9.8 %
Available seat miles (millions) (3)	20,845	20,270	2.8 %
Cargo ton miles (millions)	260	250	4.0 %
Passenger load factor (4)	77.5%	72.6%	4.9 pts.
Passenger revenue per available seat mile (cents)	8.98	8.61	4.3 %
Total revenue per available seat mile (cents)	10.18	9.64	5.6 %
Average yield per revenue passenger mile (cents) (5)	11.59	11.87	(2.4)%
Cost per available seat mile, including special charges (cents) (6)	10.56	9.95	6.1 %
Average price per gallon of fuel, including fuel taxes (cents)	145.30	104.13	39.5 %
Fuel gallons consumed (millions)	324	320	1.3 %
Average fare per revenue passenger	\$179.51	\$179.36	0.1 %
Actual aircraft in fleet at end of period (7)	348	357	(2.5)%
Average length of aircraft flight (miles)	1,350	1,297	4.1 %
Average daily utilization of each aircraft (hours) (8)	10:09	9:35	5.8 %

Regional Statistics:

Passengers (thousands) (1)	3,524	2,893	21.8 %
Revenue passenger miles (millions) (2)	1,953	1,542	26.7 %
Available seat miles (millions) (3)	2,740	2,400	14.2 %
Passenger load factor (4)	71.3%	64.2%	7.1 pts.
Passenger revenue per available seat mile (cents)	14.37	14.71	(2.3)%
Average yield per revenue passenger mile (cents) (5)	20.17	22.90	(11.9)%
Actual aircraft in fleet at end of period (7)	250	229	9.2 %

Consolidated Statistics (Mainline and Regional):

Passengers (thousands) (1)	14,122	12,810	10.2 %
Revenue passenger miles (millions) (2)	18,112	16,255	11.4 %
Available seat miles (millions) (3)	23,585	22,670	4.0 %
Passenger load factor (4)	76.8%	71.7%	5.1 pts.
Passenger revenue per available seat mile (cents)	9.61	9.26	3.8 %
Average yield per revenue passenger mile (cents) (5)	12.51	12.91	(3.1)%
Breakeven passenger load factor (9)	84.4%	79.9%	4.5 pts.

1. Revenue passengers measured by each flight segment flown.
2. The number of scheduled miles flown by revenue passengers.
3. The number of seats available for passengers multiplied by the number of scheduled miles that those seats are flown.
4. Revenue passenger miles divided by available seat miles.
5. The average revenue received for each revenue passenger mile flown.
6. Includes special charges which represented 0.20 and 0.27 cents per available seat mile for the three months ended March 31, 2005 and 2004, respectively.
7. Excludes aircraft that have been removed from service.
8. The average number of hours per day that an aircraft flown in revenue service is operated (from gate departure to gate arrival).
9. The percentage of seats that must be occupied by revenue passengers for us to break even on a net income basis. After-tax special charges in both periods and a gain on the disposition of Holdings shares in the first quarter of 2005 increased (decreased) the consolidated breakeven passenger load factor (0.3) and 2.3 percentage points in the three months ended March 31, 2005 and 2004, respectively.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2005, we had \$1.6 billion in consolidated cash, cash equivalents and short-term investments, which is \$43 million lower than at December 31, 2004. At March 31, 2005, we had \$242 million of restricted cash, which is primarily collateral for estimated future workers' compensation claims, credit card processing contracts, letters of credit and interest rate swap agreements. Restricted cash at December 31, 2004 totaled \$211 million.

For a discussion of a number of factors that may impact our liquidity and the sufficiency of our capital resources, see "Overview" above.

In the current adverse operating environment, we expect to incur a significant loss in 2005. However, absent adverse factors outside our control such as additional terrorist attacks, hostilities involving the United States or further significant increases in fuel prices, we currently believe that our existing liquidity and projected 2005 cash flows will be sufficient to fund our current operations and other financial obligations through 2005. In developing our expectations for the remainder of 2005, we considered our current projections for 2005 revenue, including the impact of fare reductions initiated in early January 2005 by Delta Air Lines, current and forward fuel price levels, our expectations with regard to our ability to implement pay and benefit reductions and reach agreement with our flight attendants' union concerning pay and benefit reductions and our ability to execute additional financing transactions.

Although we believe our 2005 plan is achievable, a combination of some or all of several events, most of which are outside of our control, may result in us being unable to generate sufficient cash from operations or complete financing transactions that we would need to maintain adequate liquidity through December 31, 2005. These events include further significant declines in yields and fuel prices higher than current levels for an extended period of time. We have significant financial obligations due in 2006 and thereafter, and we will have inadequate liquidity to meet those obligations if the current adverse environment for network carriers does not improve materially and we are unable to increase our revenues or decrease our costs considerably or raise additional liquidity through financing activities and/or by selling non-strategic assets. Our recent pay and benefit cost reductions will help us reduce our costs, but in and of themselves are not expected to restore our profitability in the current environment.

Operating Activities. Cash flows provided by operations for the three months ended March 31, 2005 were \$121 million compared to cash flows provided by operations of \$82 million in the comparable period of 2004. Although our net loss was higher in 2005, cash flows from operations increased primarily due to advance ticket sales associated with increased flight activity.

Investing Activities. Cash flows provided by investing activities were \$220 million for the three months ended March 31, 2005 compared to cash flows used in investing activities of \$2 million for the three months ended March 31, 2004. A significant component of cash provided by investing activities in the first quarter of 2005 was our conversion of certain short-term auction rate certificates into short-term cash equivalents. We took delivery of five regional jets in the first quarter of 2005, compared to seven mainline aircraft and five regional jets in the first quarter of 2004. The increase in purchase deposits paid in the first quarter of 2005 is due to the acceleration of delivery of six 737-800 aircraft into 2006 that were previously scheduled to be delivered in 2008 and increasing the percentage of purchase deposits paid on three 737-800 aircraft to be delivered in 2005. The delivery of the mainline aircraft in the first quarter of 2004 resulted in higher purchase deposit refunds as compared to the first quarter of 2005.

We have substantial commitments for capital expenditures, including for the acquisition of new aircraft. Net capital expenditures for 2005 are expected to be \$220 million, or \$200 million when reduced by purchase deposits to be refunded, net of purchase deposits paid. Projected net capital expenditures for 2005 consist of \$45 million of fleet expenditures, \$135 million of non-fleet expenditures and \$40 million for rotatable parts and capitalized interest. Through March 31, 2005, our net capital expenditures totaled \$31 million and net purchase deposits paid totaled \$49 million.

Financing Activities. Cash flows used in financing activities, primarily the payment of long-term debt and capital lease obligations, were \$138 million for the three months ended March 31, 2005, compared to \$93 million in the three months ended March 31, 2004.

At March 31, 2005, we had approximately \$5.7 billion (including current maturities) of long-term debt and capital lease obligations. We do not currently have any undrawn lines of credit or revolving credit facilities and substantially all of our otherwise readily financeable assets are encumbered. However, our interests in Holdings, CMI and Copa Airlines remain unencumbered. We were in compliance with all debt covenants at March 31, 2005.

On several occasions subsequent to September 11, 2001, Moody's Investors Service and Standard & Poor's both downgraded the credit ratings of a number of major airlines, including us. Additional downgrades to our credit ratings were made in March and April 2003 and further downgrades are possible. At March 31, 2005, our senior unsecured debt ratings were Caa2 by Moody's and CCC+ by Standard & Poor's. Reductions in our credit ratings have increased the interest we pay on new issuances of debt and may increase the cost and reduce the availability of financing to us in the future. We do not have any debt obligations that would be accelerated as a result of a credit rating downgrade. However, we would have to post additional collateral of approximately \$45 million under our new credit card processing agreement if our debt rating falls below Caa3 as rated by Moody's or CCC- as rated by Standard & Poor's.

Our bank-issued credit card processing agreement also contains certain financial covenants which require, among other things, that we maintain a minimum EBITDAR (generally, earnings before interest, taxes, depreciation, amortization and rentals, adjusted for certain special charges) to fixed charges (generally, interest and aircraft rentals) ratio of 0.9 to 1.0 through June 30, 2006 and 1.1 to 1.0 thereafter. The liquidity covenant requires us to maintain a minimum level of \$1.0 billion of unrestricted cash and short-term investments. Although we are currently in compliance with all of the covenants, failure to maintain compliance would result in our being required to post up to an additional \$320 million of cash collateral, which would adversely affect our liquidity, which we need for our operations and debt service, but would not result in a default under any of our debt or lease agreements.

We have utilized proceeds from the issuance of pass-through certificates to finance the acquisition of 256 leased and owned mainline jet aircraft currently in our fleet. Typically, these pass-through certificates, as well as a separate financing secured by aircraft spare parts and spare engines, contain liquidity facilities whereby a third party agrees to make payments sufficient to pay at least 18 months of interest on the applicable certificates if a payment default occurs. The liquidity providers for these certificates include the following: CALYON New York Branch, Landesbank Hessen-Thüringen Girozentrale, Morgan Stanley Capital Services, Westdeutsche Landesbank Girozentrale,

We are also the issuer of pass-through certificates secured by 101 leased regional jet aircraft. The liquidity providers for these certificates include the following: ABN AMRO Bank N.V., Chicago Branch, Citibank N.A., Citicorp North America, Inc., RZB Finance LLC and WestLB AG, New York Branch.

We currently utilize policy providers to provide credit support on four separate financings with an outstanding principal balance of \$597 million at March 31, 2005. The policy providers have unconditionally guaranteed the payment of interest on the notes when due and the payment of principal on the notes no later than 24 months after the final scheduled payment date. Policy providers on these notes are MBIA Insurance Corporation (a subsidiary of MBIA, Inc.), Ambac Assurance Corporation (a subsidiary of Ambac Financial Group, Inc.), Financial Security Assurance, Inc. (a subsidiary of Financial Security Assurance Holdings Ltd.) and Financial Guaranty Insurance Company (a subsidiary of FGIC). Financial information for FGIC is available over the internet at <http://www.fgic.com> and financial information for the parent companies of our other policy providers is available over the internet at the SEC's website at <http://www.sec.gov> or at the SEC's public reference room in Washington, D.C.

Credit Card Marketing Agreement. During the quarter, we extended our current agreement with Chase to jointly market credit cards. In addition to reaching agreement on advertising and other marketing commitments, Chase agreed to increase the rate it pays for mileage credits under our frequent flyer program. In April 2005, Chase purchased \$75 million of mileage credits under the program which will be redeemed for mileage purchases in 2007 and 2008 and recognized as revenue consistent with other mileage sales in 2007 and 2008. In consideration for the advance purchase of mileage credits, we have provided a security interest to Chase in certain transatlantic routes. The \$75 million purchase of mileage credits will be treated as a loan from Chase and reported as long-term debt in our balance sheet and will be reduced ratably in 2007 and 2008 as the mileage credits are redeemed. The new agreement extends our relationship through the end of 2009.

Deferred Tax Assets. We have not paid federal income taxes in the last four years. As of December 31, 2004, we had a net deferred tax liability of \$212 million including gross deferred tax assets aggregating \$1.9 billion, \$1.2 billion related to net operating losses ("NOLs"), and a valuation allowance of \$363 million.

Section 382 of the Internal Revenue Code ("Section 382") imposes limitations on a corporation's ability to utilize NOLs if it experiences an "ownership change." In general terms, an ownership change may result from transactions increasing the ownership of certain stockholders in the stock of a corporation by more than 50 percentage points over a three-year period. In the event of an ownership change, utilization of our NOLs would be subject to an annual limitation under Section 382 determined by multiplying the value of our stock at the time of the ownership change by the applicable long-term tax-exempt rate (which is 4.27% for March 2005). Any unused annual limitation may be carried over to later years. The amount of the limitation may, under certain circumstances, be increased by the built-in gains in assets held by us at the time of the change that are recognized in the five-year period after the change. If we were to have an ownership change under current conditions, our annual NOL utilization could be limited to approximately \$34 million per year, before consideration of any built-in gains.

The Internal Revenue Service ("IRS") is in the process of examining our income tax returns for years through 2001 and has indicated that it may disallow certain deductions we claimed. We believe the ultimate resolution of these audits will not have a material adverse effect on our financial condition, liquidity or results of operations.

Pension Plans. We have a noncontributory defined benefit pension plan in which substantially all of our employees participate. Funding requirements for defined benefit pension plans are determined by government regulations. On January 6, 2005, we contributed 6.0 million shares of Holdings common stock valued at \$65 million to our defined benefit pension plan. On April 7, 2005, we contributed an additional 6.1 million shares of Holdings common stock valued at \$65 million to our defined benefit pension plan. Including these contributions, we currently expect to contribute a total of approximately \$266 million in 2005 to our defined benefit pension plan to maintain the plan's minimum funding obligation, after taking into consideration the changes discussed below.

The new collective bargaining agreement that our pilots ratified on March 30, 2005 provides that benefit accruals with respect to the pilots under our defined benefit pension plan will be frozen effective May 31, 2005 and the assets and obligations related to pilots thereunder will be placed in a separate frozen defined benefit pension plan, and we will begin to make contributions to an alternate defined contribution retirement program for pilots. All of the pilots' existing accrued benefits under our defined benefit plan at the date of the freeze will be preserved, including the right to receive a lump-sum payment upon their retirement. Funding requirements under our pre-existing defined benefit pension plans (as well as the separate frozen defined benefit pension plan for pilots) will continue to be determined under applicable law. However, we have agreed with our pilots' union that we will not declare a cash dividend or repurchase our outstanding common stock for cash until we have contributed at least \$500 million to the frozen defined benefit pension plan for pilots, measured from March 30, 2005. Further, we have agreed that we will not make an election under any optional funding relief legislation that would eliminate the lump-sum benefit option without the consent of the union representing our pilots.

The agreement with our pilots provides for a new defined contribution retirement plan to be established after the existing pension benefits are frozen on May 31, 2005. That plan will be a money purchase pension plan that is also subject to minimum contribution rules under the Internal Revenue Code. Contributions under the new defined contribution plan will generally be specified percentages of applicable pilot compensation, subject to applicable legal limits. Further, the agreement provides for additional contributions to the pilots' 401(k) plan, depending on our pre-tax profits during a portion of the term of the pilots' agreement. To the extent contributions to either plan are limited by applicable law, the difference between the contractual amounts and the amounts permitted by law to be contributed to the defined contribution plans will be paid directly to pilots under a corresponding nonqualified arrangement.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

There have been no material changes in market risk from the information provided in Item 7A. "Quantitative and Qualitative Disclosures About Market Risk" in our 2004 10-K except as follows:

Foreign Currency. We had the following foreign currency hedges outstanding at March 31, 2005 covering net cash flows for the remainder of 2005:

- Forward contract to hedge approximately 62% of our projected Japanese yen-denominated net cash flows.
- Forward and option contracts to hedge approximately 41% of our British pound-denominated net cash flows.
- Forward and option contracts to hedge approximately 41% of our projected euro-denominated net cash flows.
- Forward contracts to hedge approximately 29% of our projected Canadian dollar-denominated net cash flows.

We estimate that at March 31, 2005, a 10% strengthening in the value of the U.S. dollar relative to the Japanese yen, British pound, euro and Canadian dollar would have increased the fair value of the existing option and/or forward contracts by \$11 million, \$6 million, \$2 million and \$2 million, respectively, offset by a corresponding loss on the underlying exposure of \$14 million, \$22 million, \$8 million and \$7 million, respectively, resulting in a net loss of \$3 million, \$16 million, \$6 million and \$5 million, respectively.

Aircraft Fuel. As of March 31, 2005, we did not have any fuel hedges in place.

Item 4. Controls and Procedures.

Our Chief Executive Officer and Chief Financial Officer performed an evaluation of our disclosure controls and procedures, which have been designed to permit us to effectively identify and timely disclose important information. They concluded that the controls and procedures were effective as of March 31, 2005 to ensure that material information was accumulated and communicated to the Company's management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. During the three months ended March 31, 2005, we have made no change in our internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

During the period between 1997 and 2001, we reduced or capped the base commissions that we paid to travel agents, and in 2002 we eliminated the base commissions. This was similar to actions also taken by other air carriers. We are now a defendant, along with several other air carriers, in a number of lawsuits brought by travel agencies

relating to these base commission reductions and eliminations.

Sarah Futch Hall d/b/a/ Travel Specialists v. United Air Lines, et al. (U.S.D.C. Eastern District of North Carolina). This class action was filed in federal court on June 21, 2000 by a travel agent, on behalf of herself and other similarly situated U.S. travel agents, challenging the reduction and subsequent elimination of travel agent base commissions. The amended complaint alleged an unlawful agreement among the airline defendants to reduce, cap or eliminate commissions in violation of federal antitrust laws during the years 1997 to 2002. The plaintiffs sought compensatory and treble damages, injunctive relief and their attorneys' fees. The class was certified on September 18, 2002. On October 30, 2003, a summary judgment and order was granted in favor of all of the defendants. Plaintiffs filed their appeal to this judgment and order on November 5, 2003. On December 9, 2004, the Fourth Circuit Court of Appeals affirmed the award of summary judgment. On January 4, 2005, the plaintiffs' Petition for Rehearing with the Fourth Circuit Court of Appeals was denied. We have been advised that plaintiffs will not pursue further appeals.

Several travel agents who purportedly opted out of the Hall class action filed similar suits against Continental and other major carriers alleging violations of antitrust laws in eliminating the base commission: Tam Travel, Inc. v. Delta Air Lines, Inc., et al. (U.S.D.C., Northern District of California), filed on April 9, 2003; Paula Fausky, et al. v. American Airlines, et al. (U.S.D.C., Northern District of Ohio), filed on May 8, 2003 and First Amended Complaint filed June 12, 2003; and Swope Travel Agency, et al. v. Orbitz LLC et al. (U.S.D.C., Eastern District of Texas), filed on June 5, 2003 and First Amended Complaint filed on July 18, 2003. By order dated November 10, 2003, these actions were transferred and consolidated for pretrial purposes by the Judicial Panel on Multidistrict Litigation to the Northern District of Ohio. Discovery has recently commenced.

In each of the foregoing cases, we believe the plaintiffs' claims are without merit and are vigorously defending the lawsuits. Nevertheless, a final adverse court decision awarding substantial money damages could have a material adverse effect on our financial condition, liquidity and results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

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

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

- 10.1* Amendment to Compensation Reduction Agreement for Lawrence W. Kellner dated February 15, 2005.
- 10.2* Amendment to Compensation Reduction Agreement for Jeffery A. Smisek dated February 15, 2005.
- 10.3* Amendment to Compensation Reduction Agreement for Jeffrey J. Misner dated February 15, 2005.
- 10.4* Amendment to Compensation Reduction Agreement for James E. Compton dated February 15, 2005.
- 10.5* Amendment to Compensation Reduction Agreement for Mark Erwin dated February 15, 2005.
- 10.6* Second Amendment to Annual Executive Bonus Program, dated February 11, 2005.
- 10.7* Second Amendment to Officer Retention and Incentive Award Program, dated February 11, 2005.
- 10.8 Continental Airlines, Inc. 2005 Broad Based Employee Stock Option Plan.
- 10.9 Continental Airlines, Inc. 2005 Pilot Supplemental Option Plan.
- 10.10 Letter Agreement 6-1162-MSA-576 between The Boeing Company and Continental Airlines, Inc., dated February 28, 2005.
- 10.11 Letter Agreement between Boeing Capital Corporation and Continental Airlines, Inc. dated February 28, 2005. (1)
- 10.12 Letter Agreement between Boeing Capital Corporation and Continental Airlines, Inc. dated March 31, 2005 amending letter agreement dated December 29, 2004.
- 10.13 Fourth Amendment to Amended and Restated Capacity Purchase Agreement among Continental, ExpressJet Holdings, Inc., XJT Holdings, Inc. and ExpressJet Airlines, Inc. dated as of March 11, 2005. (1)
- 31.1 Rule 13a-14 (a)/15d-14 (a) Certification of Chief Executive Officer.
- 31.2 Rule 13a-14 (a)/15d-14 (a) Certification of Chief Financial Officer.
- 32 Section 1350 Certifications.

*These exhibits relate to management contracts or compensatory plans or arrangements.

1. Continental has applied to the Commission for confidential treatment of a portion of this exhibit.

SIGNATURES

CONTINENTAL AIRLINES, INC.
Registrant

Date: April 20, 2005 by: /s/ Jeffrey J. Misner
Jeffrey J. Misner
Executive Vice President and
Chief Financial Officer
(On behalf of Registrant)

Date: April 20, 2005 by: /s/ Chris Kenny
Chris Kenny
Vice President and Controller
(Principal Accounting Officer)

**INDEX TO EXHIBITS
OF
CONTINENTAL AIRLINES, INC.**

- 10.1* Amendment to Compensation Reduction Agreement for Lawrence W. Kellner dated February 15, 2005.
- 10.2* Amendment to Compensation Reduction Agreement for Jeffery A. Smisek dated February 15, 2005.
- 10.3* Amendment to Compensation Reduction Agreement for Jeffrey J. Misner dated February 15, 2005.
- 10.4* Amendment to Compensation Reduction Agreement for James E. Compton dated February 15, 2005.
- 10.5* Amendment to Compensation Reduction Agreement for Mark Erwin dated February 15, 2005.
- 10.6* Second Amendment to Annual Executive Bonus Program, dated February 11, 2005.
- 10.7* Second Amendment to Officer Retention and Incentive Award Program, dated February 11, 2005.
- 10.8 Continental Airlines, Inc. 2005 Broad Based Employee Stock Option Plan.
- 10.9 Continental Airlines, Inc. 2005 Pilot Supplemental Option Plan.
- 10.10 Letter Agreement 6-1162-MSA-576 between The Boeing Company and Continental Airlines, Inc., dated February 28, 2005.
- 10.11 Letter Agreement between Boeing Capital Corporation and Continental Airlines, Inc. dated February 28, 2005. (1)
- 10.12 Letter Agreement between Boeing Capital Corporation and Continental Airlines, Inc. dated March 31, 2005 amending letter agreement dated December 29, 2004.
- 10.13 Fourth Amendment to Amended and Restated Capacity Purchase Agreement among Continental, ExpressJet Holdings, Inc., XJT Holdings, Inc. and ExpressJet Airlines, Inc. dated as of March 11, 2005. (1)
- 31.1 Rule 13a-14 (a)/15d-14 (a) Certification of Chief Executive Officer.
- 31.2 Rule 13a-14 (a)/15d-14 (a) Certification of Chief Financial Officer.
- 32 Section 1350 Certifications.

*These exhibits relate to management contracts or compensatory plans or arrangements.

1. Continental has applied to the Commission for confidential treatment of a portion of this exhibit.

AMENDMENT TO COMPENSATION REDUCTION AGREEMENT

This Amendment to Compensation Reduction Agreement (this "Amendment") is entered into as of February 15, 2005, by and between Continental Airlines, Inc., a Delaware corporation ("Company"), and **Jeffery A. Smisek** ("Executive").

WITNESSETH:

WHEREAS, as part of Company's continuing efforts to reduce its costs of operation, Executive previously agreed to voluntarily reduce Executive's compensation pursuant to that certain Compensation Reduction Agreement dated December 22, 2004 (the "Compensation Reduction Agreement"); and

WHEREAS, in a further effort to enhance the financial health of Company and to preserve employment opportunities for all employees of the Company and to avoid even the appearance that the \$500 million in pay and benefit reductions Company is seeking would fund any payout in 2005 under the RSU provisions of the Company's Long Term Incentive and RSU Program, as amended (the "LTIP/RSU Program"), Executive desires to surrender and forfeit additional RSUs;

NOW, THEREFORE, in consideration of the premises set forth above, the mutual agreements set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Company and Executive hereby agree to amend the Compensation Reduction Agreement as set forth below. All capitalized terms used herein without definition shall have the definitions assigned to such terms in the LTIP/RSU Program.

1. **REDUCTION IN OUTSTANDING AWARDS.** Notwithstanding Section 3 of the Compensation Reduction Agreement, Executive hereby agrees to surrender and forfeit all RSUs subject to the RSU Award for the Performance Period of April 1, 2004 to June 30, 2005 in lieu of the RSU surrender set forth in Section 3 of the Compensation Reduction Agreement.
2. **ACKNOWLEDGEMENT BY EXECUTIVE.** Executive understands and agrees that by executing this Amendment, Executive will be surrendering and forfeiting more RSUs than previously agreed pursuant to the Compensation Reduction Agreement.
3. **EFFECT OF AMENDMENT.** Except as provided in any signed written agreement contemporaneously or hereafter executed by Company and Executive, this Amendment constitutes the entire agreement of the parties with regard to the subject matter hereof and the terms of this Amendment shall govern the surrender of RSUs by Executive. This Amendment may not be modified or amended except pursuant to a written agreement signed by Company and Executive.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first above written.

"COMPANY"

CONTINENTAL AIRLINES, INC

By: /s/ Michael P. Bonds

Name: Michael P. Bonds

Title: Vice President -

Human Resources

"EXECUTIVE"

/s/ Jeffery A. Smisek

JEFFERY A. SMISEK

AMENDMENT TO COMPENSATION REDUCTION AGREEMENT

This Amendment to Compensation Reduction Agreement (this "Amendment") is entered into as of February 15, 2005, by and between Continental Airlines, Inc., a Delaware corporation ("Company"), and **Jeffrey J. Misner** ("Executive").

WITNESSETH:

WHEREAS, as part of Company's continuing efforts to reduce its costs of operation, Executive previously agreed to voluntarily reduce Executive's compensation pursuant to that certain Compensation Reduction Agreement dated December 22, 2004 (the "Compensation Reduction Agreement"); and

WHEREAS, in a further effort to enhance the financial health of Company and to preserve employment opportunities for all employees of the Company and to avoid even the appearance that the \$500 million in pay and benefit reductions Company is seeking would fund any payout in 2005 under the RSU provisions of the Company's Long Term Incentive and RSU Program, as amended (the "LTIP/RSU Program"), Executive desires to surrender and forfeit additional RSUs;

NOW, THEREFORE, in consideration of the premises set forth above, the mutual agreements set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Company and Executive hereby agree to amend the Compensation Reduction Agreement as set forth below. All capitalized terms used herein without definition shall have the definitions assigned to such terms in the LTIP/RSU Program.

1. **REDUCTION IN OUTSTANDING AWARDS.** Notwithstanding Section 2 of the Compensation Reduction Agreement, Executive hereby agrees to surrender and forfeit all RSUs subject to the RSU Award for the Performance Period of April 1, 2004 to June 30, 2005 in lieu of the RSU surrender set forth in Section 2 of the Compensation Reduction Agreement.
2. **ACKNOWLEDGEMENT BY EXECUTIVE.** Executive understands and agrees that by executing this Amendment, Executive will be surrendering and forfeiting more RSUs than previously agreed pursuant to the Compensation Reduction Agreement.
3. **EFFECT OF AMENDMENT.** Except as provided in any signed written agreement contemporaneously or hereafter executed by Company and Executive, this Amendment constitutes the entire agreement of the parties with regard to the subject matter hereof and the terms of this Amendment shall govern the surrender of RSUs by Executive. This Amendment may not be modified or amended except pursuant to a written agreement signed by Company and Executive.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first above written.

"COMPANY"

CONTINENTAL AIRLINES, INC

By: /s/ Michael P. Bonds

Name: Michael P. Bonds

Title: Vice President -

Human Resources

"EXECUTIVE"

/s/ Jeffrey J. Misner

JEFFREY J. MISNER

AMENDMENT TO COMPENSATION REDUCTION AGREEMENT

This Amendment to Compensation Reduction Agreement (this "Amendment") is entered into as of February 15, 2005, by and between Continental Airlines, Inc., a Delaware corporation ("Company"), and **James E. Compton** ("Executive").

WITNESSETH:

WHEREAS, as part of Company's continuing efforts to reduce its costs of operation, Executive previously agreed to voluntarily reduce Executive's compensation pursuant to that certain Compensation Reduction Agreement dated December 22, 2004 (the "Compensation Reduction Agreement"); and

WHEREAS, in a further effort to enhance the financial health of Company and to preserve employment opportunities for all employees of the Company and to avoid even the appearance that the \$500 million in pay and benefit reductions Company is seeking would fund any payout in 2005 under the RSU provisions of the Company's Long Term Incentive and RSU Program, as amended (the "LTIP/RSU Program"), Executive desires to surrender and forfeit additional RSUs;

NOW, THEREFORE, in consideration of the premises set forth above, the mutual agreements set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Company and Executive hereby agree to amend the Compensation Reduction Agreement as set forth below. All capitalized terms used herein without definition shall have the definitions assigned to such terms in the LTIP/RSU Program.

1. **REDUCTION IN OUTSTANDING AWARDS.** Notwithstanding Section 2 of the Compensation Reduction Agreement, Executive hereby agrees to surrender and forfeit all RSUs subject to the RSU Award for the Performance Period of April 1, 2004 to June 30, 2005 in lieu of the RSU surrender set forth in Section 2 of the Compensation Reduction Agreement.
2. **ACKNOWLEDGEMENT BY EXECUTIVE.** Executive understands and agrees that by executing this Amendment, Executive will be surrendering and forfeiting more RSUs than previously agreed pursuant to the Compensation Reduction Agreement.
3. **EFFECT OF AMENDMENT.** Except as provided in any signed written agreement contemporaneously or hereafter executed by Company and Executive, this Amendment constitutes the entire agreement of the parties with regard to the subject matter hereof and the terms of this Amendment shall govern the surrender of RSUs by Executive. This Amendment may not be modified or amended except pursuant to a written agreement signed by Company and Executive.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first above written.

"COMPANY"

CONTINENTAL AIRLINES, INC

By: /s/ Michael P. Bonds

Name: Michael P. Bonds

Title: Vice President -

Human Resources

"EXECUTIVE"

/s/ James E. Compton

JAMES E. COMPTON

AMENDMENT TO COMPENSATION REDUCTION AGREEMENT

This Amendment to Compensation Reduction Agreement (this "Amendment") is entered into as of February 15, 2005, by and between Continental Airlines, Inc., a Delaware corporation ("Company"), and **Mark Erwin** ("Executive").

WITNESSETH:

WHEREAS, as part of Company's continuing efforts to reduce its costs of operation, Executive previously agreed to voluntarily reduce Executive's compensation pursuant to that certain Compensation Reduction Agreement dated December 31, 2004 (the "Compensation Reduction Agreement"); and

WHEREAS, in a further effort to enhance the financial health of Company and to preserve employment opportunities for all employees of the Company and to avoid even the appearance that the \$500 million in pay and benefit reductions Company is seeking would fund any payout in 2005 under the RSU provisions of the Company's Long Term Incentive and RSU Program, as amended (the "LTIP/RSU Program"), Executive desires to surrender and forfeit additional RSUs;

NOW, THEREFORE, in consideration of the premises set forth above, the mutual agreements set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Company and Executive hereby agree to amend the Compensation Reduction Agreement as set forth below. All capitalized terms used herein without definition shall have the definitions assigned to such terms in the LTIP/RSU Program.

1. **REDUCTION IN OUTSTANDING AWARDS.** Notwithstanding Section 2 of the Compensation Reduction Agreement, Executive hereby agrees to surrender and forfeit all RSUs subject to the RSU Award for the Performance Period of April 1, 2004 to June 30, 2005 in lieu of the RSU surrender set forth in Section 2 of the Compensation Reduction Agreement.
2. **ACKNOWLEDGEMENT BY EXECUTIVE.** Executive understands and agrees that by executing this Amendment, Executive will be surrendering and forfeiting more RSUs than previously agreed pursuant to the Compensation Reduction Agreement.
3. **EFFECT OF AMENDMENT.** Except as provided in any signed written agreement contemporaneously or hereafter executed by Company and Executive, this Amendment constitutes the entire agreement of the parties with regard to the subject matter hereof and the terms of this Amendment shall govern the surrender of RSUs by Executive. This Amendment may not be modified or amended except pursuant to a written agreement signed by Company and Executive.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first above written.

"COMPANY"

CONTINENTAL AIRLINES, INC

By: /s/ Michael P. Bonds

Name: Michael P. Bonds

Title: Vice President -

Human Resources

"EXECUTIVE"

/s/ Mark Erwin

MARK ERWIN

**SECOND AMENDMENT TO
CONTINENTAL AIRLINES, INC.
ANNUAL EXECUTIVE BONUS PROGRAM**

WHEREAS, the Continental Airlines, Inc. Annual Executive Bonus Program (as amended, the "Program") has heretofore been adopted by the Human Resources Committee (the "Committee") of the Board of Directors of Continental Airlines, Inc. (the "Company") to implement in part the Performance Award provisions of the Continental Airlines, Inc. Incentive Plan 2000; and

WHEREAS, the Committee is authorized to amend the Program; and

WHEREAS, the Committee desires to amend the Program in certain respects;

NOW, THEREFORE, the Program shall be amended as follows, effective as of February 11, 2005:

1. The first sentence of Section 4 of the Program shall be amended by adding the following to the end of such sentence:

"; and, provided further, that the payment of any ROBIC Margin Bonus under the Program with respect to fiscal year 2005 that is based on achieving the Target ROBIC Margin (or higher) is conditioned on the Company reporting a positive net income with respect to the year ended December 31, 2005 as set forth on its regularly prepared and publicly available consolidated statement of operations prepared in accordance with GAAP; provided however that net income shall be adjusted to exclude (i) write-offs of assets (including aircraft and associated parts), (ii) one-time gains or losses from the disposal of assets, and (iii) any other item of gain, loss, or expense determined to be extraordinary or unusual in nature or infrequent of occurrence, in each case as determined by the Committee in accordance with GAAP."

2. As amended hereby, the Program is specifically ratified and reaffirmed.

IN WITNESS WHEREOF, the undersigned officer of the Company acting pursuant to authority granted to him by the Committee has executed this instrument as of the 11th day of February 2005.

CONTINENTAL AIRLINES, INC.

By: /s/ Michael P. Bonds

Michael P. Bonds

Vice President - Human Resources

**Second Amendment to
Continental Airlines, Inc. Officer Retention and Incentive Award Program**

This Amendment (this "Amendment") to the Continental Airlines, Inc. Officer Retention and Incentive Award Program (as amended and restated through August 10, 2001, and as further amended on March 12, 2004) (the "Program") is dated as of February 11, 2005 and has been adopted by the Human Resources Committee of the Board of Directors of Continental Airlines, Inc., a Delaware corporation (the "Company"), on February 11, 2005.

1. Pursuant to Section 7.2 of the Program (which provides for amendments to the Program), the Program is hereby amended by adding the following to the end of Section 4.1 of the Program:

"Notwithstanding any provision in the Program to the contrary (including, without limitation, the provisions of Section 4.4), but subject to the provisions of Sections 7.2(b) and 4.5, no Awards shall be granted with respect to Investments that become subject to the Program after December 31, 2004 until such time, if any, as the Program is amended to comply with the requirements of Section 409A of the Code."

2. The Program, as amended by this Amendment, shall continue in full force and effect with respect to all Awards made thereunder.

3. Capitalized terms used in this Amendment without definition are defined in the Program and are used in this Amendment with the same meanings as in the Program.

IN WITNESS WHEREOF, the undersigned has executed this Amendment on behalf of the Company as of February 11, 2005.

CONTINENTAL AIRLINES, INC.

By: /s/ Michael P. Bonds Michael P. Bonds

Vice President - Human Resources

CONTINENTAL AIRLINES, INC.

2005 BROAD BASED EMPLOYEE STOCK OPTION PLAN

(Adopted February 28, 2005)

1. PURPOSE

The purpose of the **Continental Airlines, Inc. 2005 Broad Based Employee Stock Option Plan** is to recognize the reductions in wages and benefits of employees occurring as part of the cost reduction program announced by Continental Airlines, Inc. in November 2004 (the "Reduction Program"), to attract able persons to enter or remain in the employ of the Company (as defined below) or its subsidiaries, and to provide a means whereby those individuals whose present and potential contributions to the welfare of the Company and its subsidiaries are of importance can acquire stock ownership, thereby strengthening their concern for the welfare of the Company and its subsidiaries. A further purpose of the Plan is to provide such individuals with incentive and reward opportunities designed to enhance the profitable growth of the Company and its subsidiaries.

2. DEFINITIONS

The following definitions (including any plural thereof) shall be applicable throughout the Plan unless specifically modified by any Section:

(a) "**Administrator**" means the Chief Executive Officer and the President of the Company (or, if either of the Chief Executive Officer or the President is not a Director, the Committee), unless the Plan specifies that the Committee shall take specific action or the Committee specifies that it shall serve as Administrator (in which case such action may only be taken by the Committee).

(b) "**Board**" means the Board of Directors of the Company.

(c) "**Code**" means the Internal Revenue Code of 1986, as amended from time to time. Reference in the Plan to any section of the Code shall be deemed to include any amendments or successor provisions to such section and any regulations promulgated under such section.

(d) "**Committee**" means a committee of the Board comprised solely of two or more outside Directors. Such committee shall be the Human Resources Committee of the Board unless and until the Board designates another committee of the Board to serve as the Committee.

(e) "**Common Stock**" means the Class B common stock, \$.01 par value, of the Company, or any security into which such Common Stock may be changed by reason of any transaction or event of the type described in Section 8(b).

(f) "**Company**" means Continental Airlines, Inc., a Delaware corporation, or any successor thereto.

(g) "**Director**" means an individual who is a member of the Board.

(h) "**Disability**" or "**Disabled**" means that the Holder (other than a pilot who is represented under Title II of the Railway Labor Act) shall be considered to have incurred a Disability under the Continental Retirement Plan (or would so qualify if he or she were a participant in such plan). With respect to a Holder who is a pilot who is represented under Title II of the Railway Labor Act, such Holder shall be considered to be Disabled or to have incurred a Disability if benefits (without regard to any offset for sick pay) have commenced for such Holder under the Continental Airlines, Inc. Long Term Disability Program for Pilots (or would have commenced if he or she were a participant in such plan).

(i) "**employee**" means any full-time or part-time employee (i) on the payroll of the Company or of any wholly owned subsidiary, or (ii) on the payroll of any other subsidiary if, and on such terms as, designated by the Committee or the Board. In addition, "employee" shall include any additional person who has previously satisfied either such requirement and who is required to continue to be treated as an employee pursuant to any applicable law, including the Family Medical Leave Act of 1993 ("FMLA") and the Uniformed Services Employment and Reemployment Rights Act ("USERRA"). For purposes of this definition, "on the payroll" shall mean paid by payroll check or direct deposit through payroll and not a check or other payment through accounts payable, without regard to any reclassification resulting from any controversy concerning the employment status of the employee.

(j) "**Exchange Act**" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder. Reference in the Plan to any section or rule under the Exchange Act shall be deemed to include any amendments or successor provisions to such section or rule fulfilling the same or similar function.

(k) "**Grant Document**" means the document or documents evidencing an Option granted under the Plan, which may be either an agreement between the Company and the Holder as to the Option (with any amendments thereto) or a notice of grant of the Option from the Company to the Holder (including any related statement of the terms and conditions of the Option and any modifications thereto made in accordance with the Plan).

(l) "**Holder**" means an employee who has been granted an Option.

(m) "**Market Value per Share**" means, as of any specified date, the closing sale price of the Common Stock on that date (or, if there are no sales on that date, the last preceding date on which there was a sale) on the New York Stock Exchange ("NYSE"). If the Common Stock is not traded on the NYSE at the time a determination of "Market Value per Share" is required to be made hereunder, the determination of such amount shall be made by the Administrator in such manner as it deems appropriate.

(n) "**Option**" means an option to purchase Common Stock granted under the Plan.

(o) "**Option Period**" means the period during which the Option is in effect.

(p) "**Option Price**" means the price at which a share of Common Stock may be purchased upon exercise of an Option.

(q) "**Personal Representative**" means the person who upon the death, Disability, or incompetency of a Holder shall have acquired, by will or by the laws of descent and distribution or by other legal proceedings, the right to exercise an Option theretofore granted to such Holder.

(r) "**Plan**" means this Continental Airlines, Inc. 2005 Broad Based Employee Stock Option Plan, as amended from time to time.

(s) "**Reduction Program**" has the meaning ascribed to it in Section 1.

(t) "**subsidiary**" means (i) any wholly owned subsidiary of the Company or of any wholly owned subsidiary thereof, or (ii) any other corporation or business venture in which the Company owns, directly or indirectly, a significant financial interest, but only if, and on such terms as, the Committee designates such corporation or business venture to be a subsidiary for the purposes of this Plan, and if the board of directors (or equivalent governing authority) of such corporation or business venture consents to being designated as a subsidiary.

3. EFFECTIVE DATE AND DURATION OF THE PLAN

The Plan shall become effective upon acceptance by the NYSE of the Company's application under Section 312.05 of the NYSE Listed Company Manual. No further Options may be granted under the Plan after 10 years from the date the Plan is adopted by the Board. The Plan shall remain in effect (at least for the purpose of governing outstanding Options) until all Options granted under the Plan have been exercised or expired.

4. ADMINISTRATION

(a) **Administrator.** The Plan shall be administered by the Administrator.

(b) **Powers.** Subject to the express provisions of the Plan, the Administrator shall have authority, in its discretion, to determine which employees (subject to the eligibility requirements of Section 6) shall receive an Option, the time or times when such Option shall be granted, the terms of each Option granted and the number of shares to be subject to each Option. In making such determinations, the Administrator may take into account the cost savings of the employee and the employee's workgroup as a result of the Reduction Program, the employee's workgroup's share of the total wages, salaries and benefits costs, the nature of the services rendered by the respective employees, their present and potential contribution to the Company's success and such other factors as the Administrator in its discretion shall deem relevant. Subject to the express provisions of the Plan, the Administrator shall also have the power to construe the Plan and the respective Grant Documents hereunder; to prescribe rules and regulations relating to the Plan; to determine the terms, restrictions and provisions of the Grant Documents; and to make all other determinations necessary or advisable for administering the Plan. The Administrator may correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any Grant Document relating to an Option in the manner and to the extent it shall deem expedient to carry it into effect.

(c) **Administrator Decisions Conclusive; Standard of Care.** The Administrator shall, in its sole discretion exercised in good faith (which, for purposes of this paragraph (c), shall mean the application of reasonable business judgment), make all decisions and determinations and take all actions necessary in connection with the administration of the Plan. All such decisions, determinations, and actions by the Administrator, including but not limited to all matters referred to in this Section 4, shall be final, binding, and conclusive upon all persons. However, in the event of any conflict in any such determination as between the Committee and the Chief Executive Officer and President of the Company, each acting in the capacity as Administrator of the Plan, the determination of the Committee shall be conclusive. No member of the Board, the Committee or the Administrator shall be liable for any action or determination taken or made in good faith or upon reliance in good faith on the records of the Company or information presented to such member, the Committee or the Administrator by the Company's officers, employees, or other persons (including the Company's outside auditors) as to matters the Administrator reasonably believes are within such other person's professional or expert competence. If a Holder disagrees with any decision, determination, or action made or taken by the Administrator, then the dispute will be limited to whether the Administrator has satisfied its duty to make such decision or determination or take such action in good faith. No liability whatsoever shall attach to or be incurred by any past, present or future stockholders, officers or directors, as such, of the Company or any of its subsidiaries, under or by reason of the Plan or the administration thereof, and each Holder, in consideration of receiving benefits and participating hereunder, expressly waives and releases any and all claims relating to any such liability.

5. SHARES SUBJECT TO THE PLAN AND GRANT OF OPTIONS

(a) **Shares Subject to the Plan.** Subject to adjustment as provided in Section 8(b) hereof, the aggregate number of shares of Common Stock that may be issued under the Plan shall not exceed 6,670,000 shares. Shares of Common Stock shall be deemed to have been issued under the Plan only to the extent actually issued and delivered pursuant to an Option. To the extent that an Option lapses, or the rights of its Holder terminate, any shares of Common Stock then subject to such Option shall again be available for the grant of an Option under the Plan. The Company will at all times during which any Option is outstanding reserve and keep available such number of shares of Common Stock as will be sufficient to satisfy the requirements of any such outstanding Option.

(b) **Grant of Options.** The Administrator may from time to time grant Options to one or more employees determined by it to be eligible for participation in the Plan in accordance with the terms of the Plan.

(c) **Stock Offered.** Subject to the limitations set forth in Section 5(a) above, the stock to be offered pursuant to the grant of an Option may be authorized but unissued Common Stock or Common Stock previously issued and outstanding and reacquired by the Company. Any of such shares which remain unissued and which are not subject to outstanding Options at the termination of the Plan shall cease to be subject to the Plan but, until termination of the Plan, the Company shall at all times make available a sufficient number of shares to meet the requirements of the Plan. The shares subject to the Option, when issued to Holder upon the exercise of the Option, shall be fully paid and non-assessable.

6. ELIGIBILITY

Options may be granted only to a person who, at the time of grant, is an employee; provided, that Options may be granted to international employees only if the Administrator determines in its sole discretion that compliance with applicable foreign laws and regulations would not impose an undue burden on the Company in relation to the benefits received by an international employee in the applicable jurisdiction, in which case Options may be granted to international employees in such jurisdiction, as determined in the sole discretion of the Administrator; and provided further, that no Option may be granted to any person who, at the time of grant, is an officer of the Company or a subsidiary or a Director.

7. OPTION TERMS

(a) **Option Period.** The term of each Option shall be as specified by the Administrator at the date of grant, but in no event shall an Option be exercisable after the expiration of 10 years from the date of grant.

(b) **Limitations on Exercise of Option.** An Option shall be exercisable in whole or in such installments and at such times as determined by the Administrator. The dates at which the Option shall vest and become exercisable shall be set forth in the Grant Document. The vested shares that may be acquired under the Option may be purchased at any time after they become vested, in whole or in part, during the Option Period, subject to early termination in accordance with the terms set forth in the Grant Document.

(c) **Option Grant Document.** Each Option shall be evidenced by a Grant Document in such form and containing such provisions not inconsistent with the provisions of the Plan as the Administrator from time to time shall approve. The terms and conditions of the respective Grant Documents need not be identical. Any Grant Document may be in electronic format and may also be executed by the Holder or accepted by the Holder by electronic transmission.

(d) **Option Price, Method of Exercise and Payment.** The Option Price shall be set forth in the Grant Document and shall be determined by the Administrator but, subject to adjustment as provided in Section 8(b), such purchase price shall not be less than the Market Value per Share of a share of Common Stock on the date such Option is granted. The Option or portion thereof may be exercised by delivery of an irrevocable notice of exercise to the Company (or, if applicable, to a third party service provider designated by the Administrator to perform services for the Company with respect to the Plan) stating the number of shares of Common Stock with respect to which the Option is being exercised together with payment for such shares. Payment shall be made (i) in cash or by check acceptable to Company, (ii) in nonforfeitable, unrestricted shares of Company's Common Stock owned by Holder at the time of exercise of the Option having an aggregate market value (measured by the Market Value per Share) at the date of exercise equal to the aggregate exercise price of the Option being exercised or (iii) by a combination of (i) and (ii). In addition, at the request of Holder, if approved by the Administrator in its sole discretion, and to the extent permitted by applicable law and subject to any applicable tax withholding requirements, the Option may be exercised pursuant to a "cashless exercise" arrangement with any brokerage firm approved by the Administrator under which arrangement such brokerage firm, on behalf of Holder, shall pay to Company the exercise price of the Options being exercised, and Company, pursuant to an irrevocable notice from Holder, shall promptly after receipt of the exercise price deliver the shares being purchased to such firm.

(e) **Non-Qualified.** No Option granted pursuant to this Plan is intended to qualify as an "incentive stock option" within the meaning of Section 422 of the Code.

(f) **Stockholder Rights and Privileges.** The Holder of an Option shall be entitled to all the privileges and rights of a stockholder only with respect to such shares of Common Stock as have been purchased under the Option and for which such Holder has become the holder of record with respect to such shares of Common Stock.

8. RECAPITALIZATION AND REORGANIZATION

(a) **No Effect on Right or Power.** The existence of the Plan and the Options granted hereunder shall not affect in any way the right or power of the Board or the stockholders of the Company or any subsidiary to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's or any subsidiary's capital structure or its business, any merger or consolidation of the Company or any subsidiary, any issue of debt or equity securities ahead of or affecting Common Stock or the rights thereof, the dissolution or liquidation of the Company or any subsidiary or any sale, lease, exchange or other disposition of all or any part of its assets or business or any other corporate act or proceeding.

(b) **Changes in Common Stock.** The provisions of Section 5(a) setting forth the number of shares of Common Stock that may be issued under the Plan, as well as the number or type of shares or other property subject to outstanding Options and the applicable option or purchase prices per share, shall be adjusted appropriately by the Committee, as determined in its sole discretion, in the event of stock dividends, spin offs of assets or other extraordinary dividends, stock splits, combinations of shares, recapitalizations, mergers, consolidations, reorganizations, liquidations, issuances of rights or warrants and similar transactions or events.

9. AMENDMENT AND TERMINATION OF THE PLAN

Subject to the last sentence of Section 3 hereof, the Board in its discretion may terminate the Plan at any time. The Board shall have the right to amend the Plan or any part thereof from time to time, and the Administrator may amend any Option (and its related Grant Document) at any time, except as otherwise specifically provided in such Grant Document; provided that no change in any Option theretofore granted may be made that would impair the rights of the Holder thereof without the consent of such Holder, and provided further that the Board may not amend the Plan to increase the maximum aggregate number of shares that may be issued under the Plan or change the class of individuals eligible to receive Options under the Plan unless such amendment is made in compliance with applicable requirements of the New York Stock Exchange or such other principal securities market in which the Common Stock is then traded.

10. MISCELLANEOUS

(a) **No Right to an Option.** Neither the adoption of the Plan nor any action of the Board, the Committee or the Administrator shall be deemed to give an employee any right to be granted an Option except as may be evidenced by a Grant Document from the Company reflecting a grant by the Company of an Option to such person and setting forth the terms and conditions thereof. In addition, the receipt of an Option at any given time shall not be deemed to create the right to receive in the future an Option under the Plan, or any other incentive awards granted to any employee of the Company or any of its subsidiaries, and shall not constitute an acquired labor right for purposes of any foreign law. The Plan shall be unfunded. The Company shall not be required to establish any special or separate fund or to make any other segregation of funds or assets to assure the performance of its obligations under any Option.

(b) **No Employment Rights Conferred.** Nothing contained in the Plan shall (i) confer upon any employee any right with respect to continuation of employment with the Company or any subsidiary or (ii) interfere in any way with the right of the Company or any subsidiary to terminate his or her employment at any time. Neither the Plan nor the receipt of an Option under the Plan at any time shall afford any employee any additional right to compensation as a result of the termination of such employee's employment for any reason whatsoever. The grant of an Option under the Plan is not intended to be a part of the salary or wages of the recipient.

(c) **Other Laws; Withholding.** The Company shall not be obligated to grant any Option or to issue any Common Stock pursuant to any Option until there has been compliance with applicable laws and regulations (whether domestic or foreign) with respect thereto. No fractional shares of Common Stock shall be delivered, nor shall any cash in lieu of fractional shares be paid. The Company shall have the right to (i) make deductions from any settlement or exercise of an Option granted under the Plan, including the delivery of shares, or require shares or cash or both be withheld from any Option, in each case in an amount sufficient to satisfy withholding of any taxes required by law, or (ii) take such other action as may be necessary or appropriate to satisfy any such tax withholding obligations. The Administrator may determine the manner in which such tax withholding may be satisfied, and may permit shares of Common Stock (together with cash, as appropriate) to be used to satisfy required tax withholding based on the Market Value per Share of any such shares of Common Stock. None of the Company, any subsidiary nor the Administrator makes any commitment or guarantee that any federal, state, local or foreign tax treatment will apply or be available to any person eligible for benefits under any Option.

(d) **No Restriction on Corporate Action.** Subject to the restrictions contained in Section 9, nothing contained in the Plan shall be construed to prevent the Company or any subsidiary from taking any corporate action, whether or not such action would have an adverse effect on the Plan or any Option granted hereunder. No employee, beneficiary or other person shall have any claim against the Company or any subsidiary as a result of any such action.

(e) **Restrictions on Transfer; Beneficiary Designation.** Options shall not be transferable otherwise than (i) by will or the laws of descent and distribution, (ii) pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended, or the rules thereunder, or (iii) with the consent of the Administrator. No right or benefit under any Option shall in any manner be liable for or subject to any debts, contracts, liabilities, or torts of the Holder. An Option will be exercisable during the Holder's lifetime only by the Holder or by the Holder's guardian or Personal Representative. Each Holder shall have the right to designate a beneficiary in the event of the Holder's death or Disability and such beneficiary designation shall also serve as the designation of the Holder's Personal Representative. Any designation (or change in designation) of a beneficiary must be filed with the Company (or, if applicable, the third party service provider designated by the Administrator to perform services for the Company with respect to the Plan) in a time and manner designated by the Administrator in order to be effective. Any such designation of a beneficiary may be revoked by the Holder by filing a later valid designation or an instrument of revocation in a time and manner designated by the Administrator. If no beneficiary is designated or if such designation is not effective for any reason as determined by the Administrator, then the Holder's beneficiary for purposes of the Plan shall be determined as follows:

(A) If the Holder has a spouse, then the Holder's beneficiary shall be such spouse;

(B) If the Holder does not have a spouse, then the Holder's beneficiary shall be his or her beneficiary designated under the Company's principal plan that provides for elective deferrals pursuant to section 401(k) of the Code;

(C) If the Holder (i) has no spouse and (ii) as of the date of his or her death or Disability, does not have an account balance under the plan referred to in clause (B) above, has no beneficiary designation on file under such plan, or his or her beneficiary designation under such plan is not effective for any reason as determined by the administrator of such plan, then the Holder's beneficiary shall be his or her beneficiary properly designated under the principal plan that provides for elective deferrals pursuant to section 401(k) of the Code that is maintained by the subsidiary employing such Holder most recently prior to the date of his or her death or Disability; and

(D) In the absence of the determination of a beneficiary pursuant to clauses (A), (B) and (C) above, then the Holder's beneficiary shall be (i) the Holder's executor or administrator or (ii) the Holder's heirs at law if there is no administration of the Holder's estate.

(f) **Headings.** Any headings or subheadings in this Plan are inserted for convenience of reference only and are to be ignored in the construction of any provisions hereof. All references in this Plan to Articles and Sections are to Articles and Sections of this Plan unless specified otherwise.

(g) **Gender and Tense.** Any words herein used in the masculine shall be read and construed in the feminine where they would so apply. Words in the singular shall be read and construed as though in the plural in all cases where they would so apply.

(h) **Governing Law.** The Plan and any Option shall be construed in accordance with the laws of the State of Texas, without regard to conflicts of law principles thereof, except to the extent preempted by federal law.

(i) **Severability.** If any provision of this Plan or any Grant Document shall be held illegal, invalid, or unenforceable for any reason, such provision shall be fully severable, but shall not affect the remaining provisions of the Plan or Grant Document, as applicable, and the Plan or Grant Document, as applicable, shall be construed and enforced as if the illegal, invalid, or unenforceable provision had never been included.

(j) **Electronic Documentation and Submission.** Any documentation, any response to such documentation, any exercise, any notice, and any other correspondence pursuant to the Plan may be in electronic format, as directed by the Administrator.

CONTINENTAL AIRLINES, INC.

2005 PILOT SUPPLEMENTAL OPTION PLAN

(Adopted February 28, 2005)

1. PURPOSE

The purpose of the **Continental Airlines, Inc. 2005 Pilot Supplemental Option Plan** is to recognize the reductions in wages and benefits contained within the tentative agreement (the "TA") between the Company (as defined below) and the Air Line Pilots Association ("ALPA") which was negotiated between the Company and ALPA as an element of the Company's cost reduction program announced by the Company in November 2004 (the "Reduction Program"). This Plan will permit the Company to attract able persons to enter or remain in the employ of the Company or its subsidiaries, and to provide a means whereby those individuals whose present and potential contributions to the welfare of the Company and its subsidiaries are of importance can acquire stock ownership, thereby strengthening their concern for the welfare of the Company and its subsidiaries. A further purpose of the Plan is to provide such individuals with incentive and reward opportunities designed to enhance the profitable growth of the Company and its subsidiaries.

2. DEFINITIONS

The following definitions (including any plural thereof) shall be applicable throughout the Plan unless specifically modified by any Section:

(a) "**Administrator**" means the Chief Executive Officer and the President of the Company (or, if either of the Chief Executive Officer or the President is not a Director, the Committee), unless the Plan specifies that the Committee shall take specific action or the Committee specifies that it shall serve as Administrator (in which case such action may only be taken by the Committee).

(b) "**Board**" means the Board of Directors of the Company.

(c) "**Code**" means the Internal Revenue Code of 1986, as amended from time to time. Reference in the Plan to any section of the Code shall be deemed to include any amendments or successor provisions to such section and any regulations promulgated under such section.

(d) "**Committee**" means a committee of the Board comprised solely of two or more outside Directors. Such committee shall be the Human Resources Committee of the Board unless and until the Board designates another committee of the Board to serve as the Committee.

(e) "**Common Stock**" means the Class B common stock, \$.01 par value, of the Company, or any security into which such Common Stock may be changed by reason of any transaction or event of the type described in Section 8(b).

(f) "**Company**" means Continental Airlines, Inc., a Delaware corporation, or any successor thereto.

(g) "**Director**" means an individual who is a member of the Board.

(h) "**Disability**" or "**Disabled**" means that the Holder (other than a pilot who is represented under Title II of the Railway Labor Act) shall be considered to have incurred a Disability under the Continental Retirement Plan. With respect to a Holder who is a pilot who is represented under Title II of the Railway Labor Act, such Holder shall be considered to be Disabled or to have incurred a Disability if benefits (without regard to any offset for sick pay) have commenced for such Holder under the Continental Airlines, Inc. Long Term Disability Program for Pilots (or would have commenced if he or she were a participant in such plan).

(i) "**employee**" means any full-time or part-time employee (i) on the payroll of the Company or of any wholly owned subsidiary, or (ii) on the payroll of any other subsidiary if, and on such terms as, designated by the Committee or the Board, and shall include any additional person who has previously satisfied either such requirement if such person remains on the Continental Pilot System Seniority List as described in the TA on the date of the ratification of the collective bargaining agreement. In addition, "employee" shall include any additional person who has previously satisfied either such requirement and who is required to continue to be treated as an employee pursuant to any applicable law, including the Family Medical Leave Act of 1993 ("FMLA") and the Uniformed Services Employment and Reemployment Rights Act ("USERRA"). For purposes of this definition, "on the payroll" shall mean paid by payroll check or direct deposit through payroll and not a check or other payment through accounts payable, without regard to any reclassification resulting from any controversy concerning the employment status of the employee.

(j) "**Exchange Act**" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder. Reference in the Plan to any section or rule under the Exchange Act shall be deemed to include any amendments or successor provisions to such section or rule fulfilling the same or similar function.

(k) "**Grant Document**" means the document or documents evidencing an Option granted under the Plan, which may be either an agreement between the Company and the Holder as to the Option (with any amendments thereto) or a notice of grant of the Option from the Company to the Holder (including any related statement of the terms and conditions of the Option and any modifications thereto made in accordance with the Plan).

(l) "**Holder**" means an employee who has been granted an Option.

(m) "**Market Value per Share**" means, as of any specified date, the closing sale price of the Common Stock on that date (or, if there are no sales on that date, the last preceding date on which there was a sale) on the New York Stock Exchange ("NYSE"). If the Common Stock is not traded on the NYSE at the time a determination of "Market Value per Share" is required to be made hereunder, the determination of such amount shall be made by the Administrator in such manner as it deems appropriate.

(n) "**Option**" means an option to purchase Common Stock granted under the Plan.

(o) "**Option Period**" means the period during which the Option is in effect.

(p) "**Option Price**" means the price at which a share of Common Stock may be purchased upon exercise of an Option.

(q) "**Personal Representative**" means the person who upon the death, Disability, or incompetency of a Holder shall have acquired, by will or by the laws of descent and distribution or by other legal proceedings, the right to exercise an Option theretofore granted to such Holder.

(r) "**Plan**" means this Continental Airlines, Inc. 2005 Pilot Supplemental Stock Option Plan, as amended from time to time.

(s) "**Reduction Program**" has the meaning ascribed to it in Section 1.

(t) "**subsidiary**" means (i) any wholly owned subsidiary of the Company or of any wholly owned subsidiary thereof, or (ii) any other corporation or business venture in which the Company owns, directly or indirectly, a significant financial interest, but only if, and on such terms as, the Committee designates such corporation or business venture to be a subsidiary for the purposes of this Plan, and if the board of directors (or equivalent governing authority) of such corporation or business venture consents to being designated as a subsidiary.

3. EFFECTIVE DATE AND DURATION OF THE PLAN

The Plan shall become effective upon acceptance by the NYSE of the Company's application under Section 312.05 of the NYSE Listed Company Manual. No further Options may be granted under the Plan after 10 years from the date the Plan is adopted by the Board. The Plan shall remain in effect (at least for the purpose of governing outstanding Options) until all Options granted under the Plan have been exercised or expired.

4. ADMINISTRATION

(a) **Administrator.** The Plan shall be administered by the Administrator.

(b) **Powers.** Subject to the express provisions of the Plan, the Administrator shall have authority, in its discretion, to determine which employees (subject to the eligibility requirements of Section 6) shall receive an Option, the time or times when such Option shall be granted, the terms of each Option granted and the number of shares to be subject to each Option. In making such determinations, the Administrator will, subject to its legal duties and requirements, utilize recommendations provided by ALPA and such other factors as the Administrator in its discretion shall deem relevant. Subject to the express provisions of the Plan, the Administrator shall also have the power to construe the Plan and the respective Grant Documents hereunder; to prescribe rules and regulations relating to the Plan; to determine the terms, restrictions and provisions of the Grant Documents; and to make all other determinations necessary or advisable for administering the Plan. The Administrator may correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any Grant Document relating to an Option in the manner and to the extent it shall deem expedient to carry it into effect.

(c) **Administrator Decisions Conclusive; Standard of Care.** The Administrator shall, in its sole discretion exercised in good faith (which, for purposes of this paragraph (c), shall mean the application of reasonable business judgment), make all decisions and determinations and take all actions necessary in connection with the administration of the Plan. All such decisions, determinations, and actions by the Administrator, including but not limited to all matters referred to in this Section 4, shall be final, binding, and conclusive upon all persons. However, in the event of any conflict in any such determination as between the Committee and the Chief Executive Officer and President of the Company, each acting in the capacity as Administrator of the Plan, the determination of the Committee shall be conclusive. No member of the Board, the Committee or the Administrator shall be liable for any action or determination taken or made in good faith or upon reliance in good faith on the records of the Company or information presented to such member, the Committee or the Administrator by the Company's officers, employees, or other persons (including the Company's outside auditors) as to matters the Administrator reasonably believes are within such other person's professional or expert competence. If a Holder disagrees with any decision, determination, or action made or taken by the Administrator, then the dispute will be limited to whether the Administrator has satisfied its duty to make such decision or determination or take such action in good faith. No liability whatsoever shall attach to or be incurred by any past, present or future stockholders, officers or directors, as such, of the Company or any of its subsidiaries, under or by reason of the Plan or the administration thereof, and each Holder, in consideration of receiving benefits and participating hereunder, expressly waives and releases any and all claims relating to any such liability.

5. SHARES SUBJECT TO THE PLAN AND GRANT OF OPTIONS

(a) **Shares Subject to the Plan.** Subject to adjustment as provided in Section 8(b) hereof, the aggregate number of shares of Common Stock that may be issued under the Plan shall not exceed 3,330,000 shares. Shares of Common Stock shall be deemed to have been issued under the Plan only to the extent actually issued and delivered pursuant to an Option. To the extent that an Option lapses, or the rights of its Holder terminate, any shares of Common Stock then subject to such Option shall again be available for the grant of an Option under the Plan. The Company will at all times during which any Option is outstanding reserve and keep available such number of shares of Common Stock as will be sufficient to satisfy the requirements of any such outstanding Option.

(b) **Grant of Options.** The Administrator may from time to time grant Options to one or more employees determined by it to be eligible for participation in the Plan in accordance with the terms of the Plan.

(c) **Stock Offered.** Subject to the limitations set forth in Section 5(a) above, the stock to be offered pursuant to the grant of an Option may be authorized but unissued Common Stock or Common Stock previously issued and outstanding and reacquired by the Company. Any of such shares which remain unissued and which are not subject to outstanding Options at the termination of the Plan shall cease to be subject to the Plan but, until termination of the Plan, the Company shall at all times make available a sufficient number of shares to meet the requirements of the Plan. The shares subject to the Option, when issued to Holder upon the exercise of the Option, shall be fully paid and non-assessable.

6. ELIGIBILITY

Options may be granted only to a person who is on the Continental Pilot System Seniority List as described in the TA on the date of the ratification of the collective bargaining agreement, except any person who receives stock option awards pursuant to a compensation plan utilized by the Company for awards to management-level employees; provided, that Options may be granted to international employees (who meet the foregoing conditions) only if the Administrator determines in its sole discretion that compliance with applicable foreign laws and regulations would not impose an undue burden on the Company in relation to the benefits received by an international employee in the applicable jurisdiction, in which case Options may be granted to international employees in such jurisdiction, as determined in the sole discretion of the Administrator; and provided further, that no Option may be granted to any person who, at the time of grant, is an officer of the Company or a subsidiary or a Direct or.

7. OPTION TERMS

(a) **Option Period.** The term of each Option shall be as specified by the Administrator at the date of grant, but in no event shall an Option be exercisable after the expiration of 10 years from the date of grant.

(b) **Limitations on Exercise of Option.** An Option shall be exercisable in whole or in such installments and at such times as determined by the Administrator. The dates at which the Option shall vest and become exercisable shall be set forth in the Grant Document. The vested shares that may be acquired under the Option may be purchased at any time after they become vested, in whole or in part, during the Option Period, subject to early termination in accordance with the terms set forth in the Grant Document.

(c) **Option Grant Document.** Each Option shall be evidenced by a Grant Document in such form and containing such provisions not inconsistent with the provisions of the Plan as the Administrator from time to time shall approve. The terms and conditions of the respective Grant Documents need not be identical. Any Grant Document may be in electronic format and may also be executed by the Holder or accepted by the Holder by electronic transmission.

(d) **Option Price, Method of Exercise and Payment.** The Option Price shall be set forth in the Grant Document and shall be determined by the Administrator but, subject to adjustment as provided in Section 8(b), such purchase price shall not be less than the Market Value per Share of a share of Common Stock on the date such Option is granted. The Option or portion thereof may be exercised by delivery of an irrevocable notice of exercise to the Company (or, if applicable, to a third party service provider designated by the Administrator to perform services for the Company with respect to the Plan) stating the number of shares of Common Stock with respect to which the Option is being exercised together with payment for such shares. Payment shall be made (i) in cash or by check acceptable to Company, (ii) in nonforfeitable, unrestricted shares of Company's Common Stock owned by Holder at the time of exercise of the Option having an aggregate market value (measured by the Market Value per Share) at the date of exercise equal to the aggregate exercise price of the Option being exercised or (iii) by a combination of (i) and (ii). In addition, at the request of Holder, if approved by the Administrator in its sole discretion, and to the extent permitted by applicable law and subject to any applicable tax withholding requirements, the Option may be exercised pursuant to a "cashless exercise" arrangement with any brokerage firm approved by the Administrator under which arrangement such brokerage firm, on behalf of Holder, shall pay to Company the exercise price of the Options being exercised, and Company, pursuant to an irrevocable notice from Holder, shall promptly after receipt of the exercise price deliver the shares being purchased to such firm.

(e) **Non-Qualified.** No Option granted pursuant to this Plan is intended to qualify as an "incentive stock option" within the meaning of Section 422 of the Code.

(f) **Stockholder Rights and Privileges.** The Holder of an Option shall be entitled to all the privileges and rights of a stockholder only with respect to such shares of Common Stock as have been purchased under the Option and for which such Holder has become the holder of record with respect to such shares of Common Stock.

8. RECAPITALIZATION AND REORGANIZATION

(a) **No Effect on Right or Power.** The existence of the Plan and the Options granted hereunder shall not affect in any way the right or power of the Board or the stockholders of the Company or any subsidiary to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's or any subsidiary's capital structure or its business, any merger or consolidation of the Company or any subsidiary, any issue of debt or equity securities ahead of or affecting Common Stock or the rights thereof, the dissolution or liquidation of the Company or any subsidiary or any sale, lease, exchange or other disposition of all or any part of its assets or business or any other corporate act or proceeding.

(b) **Changes in Common Stock.** The provisions of Section 5(a) setting forth the number of shares of Common Stock that may be issued under the Plan, as well as the number or type of shares or other property subject to outstanding Options and the applicable option or purchase prices per share, shall be adjusted appropriately by the

Committee, as determined in its sole discretion, in the event of stock dividends, spin offs of assets or other extraordinary dividends, stock splits, combinations of shares, recapitalizations, mergers, consolidations, reorganizations, liquidations, issuances of rights or warrants and similar transactions or events.

9. AMENDMENT AND TERMINATION OF THE PLAN

Subject to the last sentence of Section 3 hereof, the Board in its discretion may terminate the Plan at any time. The Board shall have the right to amend the Plan or any part thereof from time to time, and the Administrator may amend any Option (and its related Grant Document) at any time, except as otherwise specifically provided in such Grant Document; provided that no change in any Option theretofore granted may be made that would impair the rights of the Holder thereof without the consent of such Holder, and provided further that the Board may not amend the Plan to increase the maximum aggregate number of shares that may be issued under the Plan or change the class of individuals eligible to receive Options under the Plan unless such amendment is made in compliance with applicable requirements of the New York Stock Exchange or such other principal securities market in which the Common Stock is then traded.

10. MISCELLANEOUS

(a) **No Right to an Option.** Neither the adoption of the Plan nor any action of the Board, the Committee or the Administrator shall be deemed to give an employee any right to be granted an Option except as may be evidenced by a Grant Document from the Company reflecting a grant by the Company of an Option to such person and setting forth the terms and conditions thereof. In addition, the receipt of an Option at any given time shall not be deemed to create the right to receive in the future an Option under the Plan, or any other incentive awards granted to any employee of the Company or any of its subsidiaries, and shall not constitute an acquired labor right for purposes of any foreign law. The Plan shall be unfunded. The Company shall not be required to establish any special or separate fund or to make any other segregation of funds or assets to assure the performance of its obligations under any Option.

(b) **No Employment Rights Conferred.** Nothing contained in the Plan shall (i) confer upon any employee any right with respect to continuation of employment with the Company or any subsidiary or (ii) interfere in any way with the right of the Company or any subsidiary to terminate his or her employment at any time. Neither the Plan nor the receipt of an Option under the Plan at any time shall afford any employee any additional right to compensation as a result of the termination of such employee's employment for any reason whatsoever. The grant of an Option under the Plan is not intended to be a part of the salary or wages of the recipient.

(c) **Other Laws; Withholding.** The Company shall not be obligated to grant any Option or to issue any Common Stock pursuant to any Option until there has been compliance with applicable laws and regulations (whether domestic or foreign) with respect thereto. No fractional shares of Common Stock shall be delivered, nor shall any cash in lieu of fractional shares be paid. The Company shall have the right to (i) make deductions from any settlement or exercise of an Option granted under the Plan, including the delivery of shares, or require shares or cash or both be withheld from any Option, in each case in an amount sufficient to satisfy withholding of any taxes required by law, or (ii) take such other action as may be necessary or appropriate to satisfy any such tax withholding obligations. The Administrator may determine the manner in which such tax withholding may be satisfied, and may permit shares of Common Stock (together with cash, as appropriate) to be used to satisfy required tax withholding based on the Market Value per Share of any such shares of Common Stock. None of the Company, any subsidiary nor the Administrator makes any commitment or guarantee that any federal, state, local or foreign tax treatment will apply or be available to any person eligible for benefits under any Option.

(d) **No Restriction on Corporate Action.** Subject to the restrictions contained in Section 9, nothing contained in the Plan shall be construed to prevent the Company or any subsidiary from taking any corporate action, whether or not such action would have an adverse effect on the Plan or any Option granted hereunder. No employee, beneficiary or other person shall have any claim against the Company or any subsidiary as a result of any such action.

(e) **Restrictions on Transfer; Beneficiary Designation.** Options shall not be transferable otherwise than (i) by will or the laws of descent and distribution, (ii) pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended, or the rules thereunder, or (iii) with the consent of the Administrator. No right or benefit under any Option shall in any manner be liable for or subject to any debts, contracts, liabilities, or torts of the Holder. An Option will be exercisable during the Holder's lifetime only by the Holder or by the Holder's guardian or Personal Representative. Each Holder shall have the right to designate a beneficiary in the event of the Holder's death or Disability and such beneficiary designation shall also serve as the designation of the Holder's Personal Representative. Any designation (or change in designation) of a beneficiary must be filed with the Company (or, if applicable, the third party service provider designated by the Administrator to perform services for the Company with respect to the Plan) in a time and manner designated by the Administrator in order to be effective. Any such designation of a beneficiary may be revoked by the Holder by filing a later valid designation or an instrument of revocation in a time and manner designated by the Administrator. If no beneficiary is designated or if such designation is not effective for any reason as determined by the Administrator, then the Holder's beneficiary for purposes of the Plan shall be determined as follows:

(A) If the Holder has a spouse, then the Holder's beneficiary shall be such spouse;

(B) If the Holder does not have a spouse, then the Holder's beneficiary shall be his or her beneficiary designated under the Company's principal plan that provides for elective deferrals for pilots pursuant to section 401(k) of the Code;

(C) If the Holder (i) has no spouse and (ii) as of the date of his or her death or Disability, does not have an account balance under the plan referred to in clause (B) above, has no beneficiary designation on file under such plan, or his or her beneficiary designation under such plan is not effective for any reason as determined by the administrator of such plan, then the Holder's beneficiary shall be his or her beneficiary properly designated under the principal plan that provides for elective deferrals for pilots pursuant to section 401(k) of the Code that is maintained by the subsidiary employing such Holder most recently prior to the date of his or her death or Disability; and

(D) In the absence of the determination of a beneficiary pursuant to clauses (A), (B) and (C) above, then the Holder's beneficiary shall be (i) the Holder's executor or administrator or (ii) the Holder's heirs at law if there is no administration of the Holder's estate.

(f) **Headings.** Any headings or subheadings in this Plan are inserted for convenience of reference only and are to be ignored in the construction of any provisions hereof. All references in this Plan to Articles and Sections are to Articles and Sections of this Plan unless specified otherwise.

(g) **Gender and Tense.** Any words herein used in the masculine shall be read and construed in the feminine where they would so apply. Words in the singular shall be read and construed as though in the plural in all cases where they would so apply.

(h) **Governing Law.** The Plan and any Option shall be construed in accordance with the laws of the State of Texas, without regard to conflicts of law principles thereof, except to the extent preempted by federal law.

(i) **Severability.** If any provision of this Plan or any Grant Document shall be held illegal, invalid, or unenforceable for any reason, such provision shall be fully severable, but shall not affect the remaining provisions of the Plan or Grant Document, as applicable, and the Plan or Grant Document, as applicable, shall be construed and enforced as if the illegal, invalid, or unenforceable provision had never been included.

(j) **Electronic Documentation and Submission.** Any documentation, any response to such documentation, any exercise, any notice, and any other correspondence pursuant to the Plan may be in electronic format, as directed by the Administrator.

6-1162-MSA-576

February 28, 2005

Continental Airlines, Inc.

1600 Smith Street

Houston, Texas 77002

Subject: Letter Agreement No. 6-1162-MSA-576 Adjustment of Conditional Date

Reference: (a) Summary of Agreements Letter Agreement

6-1162-MSA-559, dated December 29, 2004

(b) Purchase Agreement No. 2484 dated December 29, 2004

(c) Purchase Agreement No. 1951 Supplemental Agreement 33 dated December 29, 2004

Ladies and Gentlemen:

In reference to (a) and (b), per this Letter Agreement The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) agree the date of Buyer's Board of Directors approval is moved from February 28, 2005 to March 31, 2005, and the related terms associated with such Board of Directors approval defined in reference (a) and (b) shall apply for this revised March 31, 2005 date.

In reference to (c), per this Letter Agreement Boeing and Buyer agree to change the date Supplemental Agreement 33 shall go into effect from March 1, 2005 to March 31, 2005.

Boeing and Buyer understand that certain information contained in this Letter Agreement is considered by both parties to be confidential. Boeing and Buyer agree that each party will treat this Letter Agreement and the information contained herein as confidential and will not, without the other party's prior written consent, disclose this Letter Agreement or any information contained herein to any other person or entity except as may be required by applicable law or governmental regulations.

If the foregoing accurately reflects your understanding of the matters treated herein, please so indicate by signature below.

Very truly yours,

THE BOEING COMPANY

By /s/ Michael S. AndersonIts Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: February 28, 2005

CONTINENTAL AIRLINES, INC.

By /s/ Jacques LapointeIts Vice President Finance

Gerry Laderman

Continental Airlines

Page 1

February 28, 2005

Gerry Laderman

Senior Vice President Finance and Treasurer

Continental Airlines, Inc.

1600 Smith Street

Houston, TX 77002

Dear Gerry:

At the request of Continental Airlines, Inc. ("Continental"), Boeing Capital Corporation ("BCC") is willing to enter into the following amendment (the "Amendment") to the December 29, 2004 proposal (the "Proposal") relating to the lease of not less than eight (8) or more than (12) used Boeing 757-300 aircraft (the "Aircraft") to extend the date by which the Board of Directors of Continental approves the transactions contemplated by the Proposal (including the satisfaction of the conditions to the approval of Continental's Board). Initially capitalized terms used in this Amendment but not defined herein shall have the meanings given to those terms in the Proposal.

Continental has informed BCC that Continental's Board of Directors approved the transaction contemplated by the Proposal at the November 30, 2004 meeting of the Board of Directors, subject to the condition that the Company obtains **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** wage and benefit cost reductions by February 28, 2005. Continental has not yet obtained such reductions but is hopeful they can be obtained by March 31, 2005.

Now therefore, for good and valuable consideration, Continental and BCC agree to amend the Proposal as follows:

1. In accordance with the Proposal, prior to the close of business on March 1, 2005, Continental shall pay to BCC a total of **[\$[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] (\$[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] per Aircraft)** (the "Extension Fee") to BCC's account listed below, and in return BCC hereby agrees that the Proposal shall remain effective and the Aircraft shall remain available to Continental until April 1, 2005, by which time the condition to the approval by Continental's Board of the transactions contemplated by the Proposal shall be met (as that condition might be modified by subsequent action by Continental's Board) ("Effective Continental Board Approval").

Account Name: **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**
 Account Number: **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**
 Bank Name: **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**
 Bank ABA: **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**
 Bank Address:
 Ref:

2. If Effective Continental Board Approval is achieved prior to April 1, 2005, the Extension Fee, **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** shall be applied to any rent due or outstanding for each of the Aircraft under the lease agreements to be entered into covering the Aircraft.
3. If Effective Continental Board Approval is not achieved prior to April 1, 2005, (a) BCC shall retain the Extension Fee (together with any interest accrued thereon), (b) Continental shall pay BCC an additional **[\$[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] (\$[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] per Aircraft)** on April 1, 2005 under clause (2) of Section 21 of the Proposal, which shall be deemed modified accordingly, (c) Continental shall have no obligation to lease the Aircraft and (d) BCC shall be free to remarket the Aircraft without obligation to Continental.
4. For the avoidance of doubt and give effect to the foregoing, the following provisions in the Proposal shall be modified as follows:
 - a. Section 21 - Prior Disposition. The reference in the first paragraph to February 28, 2005 shall be changed to March 31, 2005, and the reference in the first paragraph to March 1, 2005 shall be changed to April 1, 2005.
 - b. Section 22 (b) - Lessor Conditions Precedent. The reference to February 28, 2005 shall be changed to March 31, 2005.
 - c. Section 23 (a) - Lessee Conditions Precedent. The reference to February 28, 2005 shall be changed to March 31, 2005.

To the extent any other provision in the Proposal is inconsistent with the foregoing, such inconsistent provisions shall be deemed to be modified to be consistent with this Amendment.

In addition, as between Continental and BCC, the references to February 28, 2005 contained in the Summary of Agreements Letter Agreement 6-1162-MSA-559 dated December 29, 2004 among Continental, BCC and The Boeing Company shall be amended to read March 31, 2005.

This Amendment shall be governed by the laws of the State of New York and shall become effective when it is fully signed by both parties and we have exchanged signature pages. This Amendment may be signed in counterparts.

If you have any questions, please do not hesitate to call the undersigned at (425) 965-4052.

Best regards,

Boeing Capital Corporation

By /s/ Jordan Weltman

Its: Managing Director, Aircraft Financial Services

AGREED AND ACCEPTED:

Continental Airlines, Inc.

By: /s/ Jeffrey J. Misner

Its: EVP & CFO

Date: 2-28-05

Boeing Capital Corporation
P.O. Box 3707
Seattle, WA 98124-2207

March 31, 2005

Gerry Laderman

Senior Vice President Finance and Treasurer

Continental Airlines, Inc.

1600 Smith Street

Houston, TX 77002

Dear Gerry:

At the request of Continental Airlines, Inc. ("Continental"), Boeing Capital Corporation ("BCC") is willing to enter into the following amendment (the "Amendment") to the December 29, 2004 proposal (as previously amended on February 28, 2005, the "Proposal") relating to the lease of not less than eight (8) or more than (12) used

Boeing 757-300 aircraft (the "Aircraft") to extend the date by which the transaction documentation must be completed. Initially capitalized terms used in this Amendment but not defined herein shall have the meanings given to those terms in the Proposal.

Continental has informed BCC that Continental's Board of Directors has approved the transaction contemplated by the Proposal, notwithstanding that the Company has not reached an agreement with its flight attendants for wage and benefit cost reductions. However, Continental and BCC require additional time to negotiate the transaction documentation.

Now therefore, for good and valuable consideration, Continental and BCC agree to amend the Proposal as follows:

a. Section 22 (b) - Lessor Conditions Precedent. The reference to March 31,

2005 shall be changed to April 22, 2005.

b. Section 23 (a) - Lessee Conditions Precedent. The reference to March 31,

2005 shall be changed to April 22, 2005.

To the extent any other provision in the Proposal is inconsistent with the foregoing, such inconsistent provisions shall be deemed to be modified to be consistent with this Amendment.

This Amendment shall be governed by the laws of the State of New York and shall become effective when it is fully signed by both parties and we have exchanged signature pages. This Amendment may be signed in counterparts.

If you have any questions, please do not hesitate to call the undersigned at (425) 965-4052.

Best regards,

Boeing Capital Corporation

By /s/ Jordan Weltman

Its: Managing Director, Aircraft Financial Services

AGREED AND ACCEPTED:

Continental Airlines, Inc.

By: /s/ Gerald Laderman

Its: Gerald Laderman

Date: Senior Vice President -

Finance and Treasurer

ExpressJet Holdings, Inc.
 XJT Holdings, Inc.
 ExpressJet Airlines, Inc.
 Attn.: Frederick S. Cromer
 Chief Financial Officer
 1600 Smith Street, HQSCE
 Houston, TX 77002

Fourth Amendment to the Capacity Purchase Agreement

Ladies and Gentlemen:

As you are aware, ExpressJet Holdings, Inc., XJT Holdings, Inc. and ExpressJet Airlines, Inc. (collectively, "Contractor") and Continental Airlines, Inc. ("Continental"), are each parties to an Amended and Restated Capacity Purchase Agreement dated as of April 17, 2002, as amended by the first, second and third amendments thereto, dated March 27, 2003, December 9, 2003, and September 28, 2004, respectively (as so amended, the "CPA"). This Fourth Amendment to the CPA is dated March 11, 2005 but shall be effective January 1, 2005.

Continental and Contractor each desire to amend the CPA as follows:

- Article 1 of the CPA is hereby amended by replacing the definition of "Prevailing Margin" set forth in Exhibit A so as to read in its entirety as follows:

"Prevailing Margin - means, for any Performance Period, the decimal fraction (in any event not less than zero) equal to (i) Contractor's earnings before interest, taxes and extraordinary items derived from the Scheduled Flights and Charter Flying (as determined by the separate books maintained by Contractor for Regional Airline Services pursuant to Section 3.05(a)), divided by (ii) Contractor's aggregate revenues allocable to Scheduled Flights and Charter Flying, in each of clauses (i) and (ii) above as reflected on the books and records of Contractor after giving effect to the provisions of Section 3.06(b), except for any reconciliation pursuant to Paragraph B(9)(d) of Schedule 3. In making the calculation described in clause (i) of the immediately preceding sentence, (a) Excluded Revenues shall be excluded from the revenues of Contractor and (b) Excluded Costs shall be excluded from the expenses of Contractor. In making the calculation described in clause (ii) of this definition, Excluded Revenue shall be excluded from the revenues of Contractor."

- Article 1 of the CPA is hereby amended by replacing the definition of "Excluded Costs" set forth in Exhibit A so as to read in its entirety as follows:

"Excluded Costs - means, for any Performance Period, (i) all costs allocable to Scheduled Flights cancelled during such period as a result of strikes and other labor actions, disputes or interruptions, and other costs incurred during such period outside of the ordinary course of business in connection with such events, (ii) all costs allocable to Scheduled Flights cancelled during such period as a result of an event constituting Cause, and other costs incurred during such period outside of the ordinary course of business in connection with such event, (iii) costs of litigation and threatened litigation (including investigations, attorneys fees, adverse judgments and settlements not covered by insurance) incurred during such period to the extent that the total of all such costs exceeds an annual threshold equal to **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**% of Contractor's expenses associated with Regional Airline Services implicit in Section 3.02 for such year, (iv) adjustments resulting from the physical inventory loss of any of Contractor's spare parts inventory, (including but not limited to any spare engines, rotatable parts, repairable parts and expendable parts) ("Spare Parts Inventory") that deviate from Contractor's historical practice, (v) expenses associated with any accounting write-ups or write-downs of any of Contractor's Spare Parts Inventory as a result of any business practice or decision in respect of Contractor's Spare Parts Inventory that deviates from Contractor's historical practice, (vi) other expenses incurred during such period that do not comprise a portion of the Block Hour Rates reflected in Schedule 3 and are not reasonable and customary in the industry, or were not otherwise approved in advance by Continental (it being understood that the expenses reimbursed pursuant to reconciliation provisions of Schedule 3 constitute expenses that comprise a portion of the Block Hour Rates reflected in Schedule 3), and, (vii) labor costs (including all wages, salaries, profit sharing and other benefits to all Contractor officers and other employees, including contract employees) incurred in such period in excess of the sum of (a) those for which Contractor is entitled to reimbursement pursuant to the Block Hour Rates then in effect, plus (b) the amounts resulting from the labor cost reconciliation provisions of Schedule 3, but only to the extent that excluding such excess results in a Prevailing Margin equal to or less than the Margin Floor prior to any reconciliation pursuant to Paragraph B(9)(d) of Schedule 3."

- Article 1 of the CPA is hereby amended by deleting the definition of "Deemed Costs" in Exhibit A, and by adding thereto the following definitions:

"Accrual - means, (a) incurred and estimated liabilities that Contractor has accrued but not yet realized and (b) unestimated liabilities actually realized by Contractor for which no accrual had been made, and in both (a) and (b) the liabilities relate to a Transaction or Year-End Target. Accrual excludes those liabilities that relate to expenses cited within Schedule 3 sections (B)(2), (B)(3), (B)(8), (B)(9)(a), (B)(9)(g) and (B)(9)(h) as well as fees associated with outside legal counsel."

"Margin Cap - means, for any Performance Period, a Prevailing Margin equal to 10.0%."

"Margin Floor - means, for any Performance Period, a Prevailing Margin equal to 8.5%."

"Eligible Performance Period - means, a Performance Period for which Contractor's Prevailing Margin is less than the Margin Cap and greater than the Margin Floor."

"Preceding Performance Period - means, the Performance Period immediately preceding an Eligible Performance Period."

"Transaction - means, any item included within the accounts set forth in Appendix 26 that is not a Year-End Target. Continental and Contractor agree that any changes from current accounting practices that affect Appendix 26 shall be communicated in writing to Continental and Appendix 26 shall be modified accordingly from time to time."

"Year-End Target - means, an estimate included within the accounts set forth in Appendix 26 for which the actual cost realized is only known in the first Performance Period after each fiscal year. Continental and Contractor agree that any changes from current accounting practices that affect Appendix 26 shall be communicated in writing to Continental and Appendix 26 shall be modified accordingly from time to time."

- Paragraph B(9)(d) of Schedule 3 is hereby amended by deleting such subparagraph in its entirety and replacing it with the following:

"d. At any time that Contractor or Continental reasonably believes that the Prevailing Margin for the current or next Performance Period will be greater than the Margin Cap for such Performance Period or less than the Margin Floor for such Performance Period, then Continental and Contractor will meet and will adjust the Base Compensation for such Performance Period; provided that in no event will such calculation reduce the Base Compensation below an amount necessary so as to achieve a Prevailing Margin for such Performance Period equal to the Margin Cap for such Performance Period or increase Base Compensation above an amount necessary so as to achieve a Prevailing Margin for such Performance Period equal to the Margin Floor for such Performance Period. At the end of each Performance Period in respect of which adjustments were in effect, a calculation shall be made by Contractor not later than the sixth Business Day of the immediately succeeding month to calculate the Prevailing Margin for the previous Performance Period. For adjustments made as a result of a Prevailing Margin expected to exceed the Margin Cap: (i) if the actual resulting Prevailing Margin for such Performance Period was greater than the Margin Cap for such Performance Period, then the Base Compensation for such Performance Period will be further decreased to the extent required to lower the actual Prevailing Margin for such Performance Period to the Margin Cap for such Performance Period and Contractor shall make a payment to

Continental in an amount equal to such reduction in Base Compensation within five Business Days of such calculation and (ii) if the actual resulting Prevailing Margin for such Performance Period was less than the Margin Cap for such Performance Period, then the Base Compensation for such Performance Period will be increased (but only up to the Base Compensation in effect prior to its adjustment pursuant to the first sentence of this Paragraph B(9)(d) of Schedule 3) to the extent required to raise the actual Prevailing Margin for such Performance Period to the Margin Cap for such Performance Period and Continental shall make a payment to Contractor in an amount equal to such increase in Base Compensation within five Business Days of such calculation. For adjustments made as a result of a Prevailing Margin expected to be less than the Margin Floor: (i) if the actual resulting Prevailing Margin for such Performance Period was less than the Margin Floor for such Performance Period, then the Base Compensation for such Performance Period will be further increased to the extent required to raise the actual Prevailing Margin for such Performance Period to the Margin Floor for such Performance Period and Continental shall make a payment to Contractor in an amount equal to such increase in Base Compensation within five Business Days of such calculation and (ii) if the Prevailing Margin for such Performance Period was greater than the Margin Floor for such Performance Period, then the Base Compensation for such Performance Period will be decreased (but only down to the Base Compensation in effect prior to its adjustment pursuant to the first sentence of this Paragraph B(9)(d) of Schedule 3) to the extent required to lower the actual Prevailing Margin for such Performance Period to the Margin Floor for such Performance Period and Contractor shall make a payment to Continental in an amount equal to such reduction in Base Compensation within five Business Days of such calculation."

5. Schedule 3 of the CPA is hereby amended by adding the following thereto as Paragraph B(9)(i):

"i. Subsequent to an Eligible Performance Period, in respect of any one or more of Contractor's costs that do not constitute Excluded Costs, if Contractor has in place any Accruals at the end of the Preceding Performance Period then in the Performance Period following such Eligible Performance Period, Contractor will reconcile the Accruals, other than those related to a Year-End Target, in place at the end of the Preceding Performance Period for differences between (1) the actual cost realized plus any associated Accrual during the Eligible Performance Period and (2) the associated Accrual in place at the end of the Preceding Performance Period. If the absolute difference between (1) the actual cost realized plus any associated Accrual during the Eligible Performance Period and (2) the associated Accrual in place at the end of the Preceding Performance Period is greater than \$[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT], then the following reconciliation will occur:

- a. If (1) the Accrual in place at the end of the Preceding Performance Period is greater than (2) the associated actual cost realized plus any associated Accrual during the Eligible Performance Period and the Accrual relates to any Performance Period prior to the Eligible Performance Period in which the Prevailing Margin exceeded the Margin Cap, prior to any reconciliation pursuant to Paragraph B(9)(d) of Schedule 3, then Contractor will pay Continental an amount equal to the difference between (1) and (2) divided by the Cost Difference set forth in Appendix 23.
- b. If (1) the actual cost realized plus any associated Accrual during the Eligible Performance Period is greater than (2) the associated Accrual in place at the end of the Preceding Performance Period and the Accrual relates to any Performance Period prior to the Eligible Performance Period in which the Prevailing Margin exceeded the Margin Cap, prior to any reconciliation pursuant to Paragraph B(9)(d) of Schedule 3, then Continental will pay Contractor an amount equal to the difference between (1) and (2) divided by the Cost Difference set forth in Appendix 23.
- c. If (1) the Accrual in place at the end of the Preceding Performance Period is greater than (2) the associated actual cost realized plus any associated Accrual during the Eligible Performance Period and the Accrual relates to any Performance Period prior to the Eligible Performance Period in which the Prevailing Margin was less than the Margin Floor, prior to any reconciliation pursuant to Paragraph B(9)(d) of Schedule 3, then Contractor will pay Continental an amount equal to the difference between (1) and (2) divided by the Cost Difference set forth in Appendix 23.
- d. If (1) the actual cost realized plus any associated Accrual during the Eligible Performance Period is greater than (2) the associated Accrual in place at the end of the Preceding Performance Period and the Accrual relates to any Performance Period prior to the Eligible Performance Period in which the Prevailing Margin was less than the Margin Floor, prior to any reconciliation pursuant to Paragraph B(9)(d) of Schedule 3, then Continental will pay Contractor an amount equal to the difference between (1) and (2) divided by the Cost Difference set forth in Appendix 23.
- e. If the Accrual relates to any Performance Period in which the Prevailing Margin was between the Margin Cap and the Margin Floor, prior to any reconciliation pursuant to Paragraph B(9)(d) of Schedule 3, then no reconciliation will occur."

1. Schedule 3 of the CPA is hereby amended by adding the following thereto as Paragraph B(9)(j):

"j. Accruals that are Year-End Targets will be reconciled in the second Performance Period after each fiscal year. The actual cost realized for an applicable Year-End Target will be divided by the number of Performance Periods the associated Year-End Target is related to and compared to the associated Accrual made during each applicable Performance Period of the previous fiscal year. The reconciliation will only occur for the following scenarios:

- a. If the first Performance Period after the previous fiscal year is an Eligible Performance Period, then for each Performance Period during the previous fiscal year that was not an Eligible Performance Period, if (1) the Accrual with respect to any such Performance Period is greater than (2) the prorated portion of the actual cost realized related to the Year-End Target by at least \$[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT], Contractor will pay Continental, for each Performance Period meeting the foregoing criteria, an amount equal to the difference between (1) and (2) divided by the Cost Difference set forth in Appendix 23.
- b. If the first Performance Period after the previous fiscal year is an Eligible Performance Period, then for each Performance Period during the previous fiscal year that was not an Eligible Performance Period, if (1) the prorated portion of the actual cost realized related to the Year-End Target is greater than (2) the Accrual with respect to any such Performance Period by at least \$[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT], Continental will pay Contractor, for each Performance Period meeting the foregoing criteria, an amount equal to the difference between (1) and (2) divided by the Cost Difference set forth in Appendix 23.
- c. If the first Performance Period after the previous fiscal year is not an Eligible Performance Period, then for each Performance Period during the previous fiscal year that was an Eligible Performance Period, if (1) the Accrual with respect to any such Performance Period is greater than (2) the prorated portion of the actual cost realized related to the Year-End Target by at least \$[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT], Continental will pay Contractor, for each Performance Period meeting the foregoing criteria, an amount equal to the difference between (1) and (2) divided by the Cost Difference set forth in Appendix 23.
- d. If the first Performance Period after the previous fiscal year is not an Eligible Performance Period, then for each Performance Period during the previous fiscal year that was an Eligible Performance Period, if (1) the prorated portion of the actual cost realized related to the Year-End Target is greater than (2) the Accrual with respect to any such Performance Period by at least \$[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST

1. Paragraph B(9)(a)(iii) of Schedule 3 is hereby amended by deleting such clause in its entirety and replacing it with the following:

"(iii) all employer-matching payments made by Contractor pursuant to any Contractor 401(K) (provided that Continental shall not be required to reconcile any such payments made by Contractor to the extent that such payments are attributable to a change in the Contractor's 401(K) or the Contractor's company-match after the periodic adjustment of base compensation as described in Section 3.02 for the applicable year)."

2. Paragraph B(9)(a)(ix) of Schedule 3 is hereby amended by deleting such clause in its entirety and replacing it with the following:

"(ix) payments by Contractor to employees in respect of any profit-sharing and on-time performance plans of Contractor (provided that Continental shall not be required to reconcile actual profit-sharing and on-time performance expenses to the extent that such additional expenses are attributable to a Contractor-initiated change in target benchmarks or payment rates under such plans after the periodic adjustment of base compensation as described in Section 3.02 for the applicable year, and *provided further* that reconciliation for profit-sharing plans shall only occur after the end of each fiscal year, which reconciliation shall be for the full fiscal year, rather than on a month-to-month basis and *provided further* that reconciliation for actual costs of Contractor associated with profit sharing plans is capped at the level contemplated in the rates)."

3. Paragraph B(9)(a)(xiv) of Schedule 3 is hereby amended by deleting such clause in its entirety and replacing it with the following:

"(xiv) depreciation expense, excluding any expenditure not specifically approved by Continental or otherwise contemplated by a capital expenditure plan agreed to by Contractor and Continental;"

4. Paragraph B(6)(d) of Schedule 3 is hereby amended by deleting such subparagraph in its entirety and replacing it with the following:

"d. If (A) the actual Controllable Cancellation Rate for a particular aircraft type is equal to or greater than .005 and (B) the product of the actual Controllable Cancellation Rate and the total number of Scheduled Flights for a particular aircraft type in a calendar month as set forth in the Final Monthly Schedule exceeds the product of the total number of Scheduled Flights as set forth in the Final Monthly Schedule for such aircraft type during such calendar month multiplied by .005 (such excess number of flights of such aircraft type being the "Fourth Cancellation Number" for such aircraft type), then the reconciliation for such period shall include a payment by Contractor to Continental in an amount equal to the product of (i) the Third Incremental Cost Rate for such aircraft type multiplied by (ii) the Fourth Cancellation Number, multiplied by (iii) the scheduled block hours per departure for such aircraft type for such calendar month as set forth in the Final Monthly Schedule, multiplied by (iv) the sum of 1 and the Overfly Rate for such aircraft type for such calendar month."

5. Paragraph B(8)(f) of Schedule 3 is hereby amended by deleting such subparagraph in its entirety and replacing it with the following:

"f. *Airport Agent Volume Reconciliation*. Included in the Appendix 1 Expenses is an assumed cost associated with an assumed number of Agent Paid Hours. If the lower of the Staffing Model Agent Paid Hours or actual number of Agent Paid Hours for a particular month exceeds the assumed number of Agent Paid Hours as set forth in Appendix 21, then Continental shall pay an amount to Contractor equal to the quotient of (a) the product of (i) the difference between (1) the lower of such Staffing Model Agent Paid Hours or such actual number of Agent Paid Hours during such month and (2) such assumed Agent Paid Hours during such month, multiplied by (ii) the assumed amount payable per Agent Paid Hour as set forth in Appendix 21, multiplied by (iii) the rate set forth in Appendix 25 B, divided by (b) the Cost Difference set forth on Appendix 23. If the lower of the Staffing Model Agent Paid Hours or actual number of Agent Paid Hours for a particular month is less than the assumed number of Agent Paid Hours as set forth in Appendix 21, then Contractor shall pay an amount to Continental equal to the quotient of (a) the product of (i) the difference between (1) such assumed Agent Paid Hours during such month and (2) the lower of such Staffing Model Agent Paid Hours or such actual number of Agent Paid Hours during such month, multiplied by (ii) the assumed amount payable per Agent Paid Hour as set forth in Appendix 21, multiplied by (iii) the rate set forth in Appendix 25 B, divided by (b) the Cost Difference set forth on Appendix 23."

6. Paragraph B(9)(f)(I) of Schedule 3 is hereby amended by deleting such subparagraph in its entirety and replacing it with the following:

"I. The amount of assumed employer-matching payments referred to in clause (iii) of the second sentence of Paragraph B(9)(a) included in the Base Compensation for any particular month will be equal to the product of (1) the sum of (a) the aggregate sum of the following products for each aircraft type set forth in the Final Monthly Schedule: (i) the First Implied Rate for such month for each aircraft type set forth on Appendix 22a, multiplied by (ii) the scheduled block hours for such month and aircraft type as set forth on the Final Monthly Schedule multiplied by the First Benchmark Factor for such month, (b) the aggregate sum of the following products for each aircraft type set forth in the Final Monthly Schedule: (i) the Second Implied Rate for such month for each aircraft type set forth on Appendix 22a, multiplied by (ii) the Appendix 7 Block Hours for such aircraft type set forth on Appendix 7, multiplied by (iii) the scheduled departures for such month and aircraft type as set forth on the Final Monthly Schedule multiplied by the First Benchmark Factor for such month, plus (c) the product of (i) the Third Implied Expenses for such month set forth in Appendix 22a, multiplied by (ii) 1000, multiplied by (2) the rate set forth in Appendix 25A."

7. Paragraph (B)(8)(b) of Schedule 3 is hereby amended by deleting such subparagraph in its entirety.

14. Paragraph (B)(8)(e) of Schedule 3 is hereby amended by deleting such subparagraph in its entirety.

15. Pursuant to Section 3.02 of the CPA, Block Hour Rates and the compensation described in paragraphs A(1) and A(2)(c) of Schedule 3 are hereby adjusted as described in the revised Appendices to Schedule 3 attached hereto.

Capitalized terms not defined herein shall be defined as provided in the CPA. Except as specifically amended or modified hereby, the CPA shall remain in effect as written. This Amendment may be signed in counterparts.

If Contractor is in agreement with the above Fourth Amendment to the CPA, please indicate its agreement by having an authorized representative sign below in the space provided and return a signed copy of this Amendment to the undersigned at the address above.

Oct-05 XXX XXX XXX XXX XXX
Nov-05 XXX XXX XXX XXX XXX
Dec-05 XXX XXX XXX XXX XXX

2004 ACTUAL RATES

FIRST FIRST SECOND HEADSTART ONTIME BAGGAGE HANDLING
DATE BENCHMARK FACTOR CANCELLATION RATE CANCELLATION RATE BENCHMARK BENCHMARK

Jan-04 XXX XXX XXX XXX XXX
Feb-04 XXX XXX XXX XXX XXX
Mar-04 XXX XXX XXX XXX XXX
Apr-04 XXX XXX XXX XXX XXX
May-04 XXX XXX XXX XXX XXX
Jun-04 XXX XXX XXX XXX XXX
Jul-04 XXX XXX XXX XXX XXX
Aug-04 XXX XXX XXX XXX XXX
Sep-04 XXX XXX XXX XXX XXX
Oct-04 XXX XXX XXX XXX XXX
Nov-04 XXX XXX XXX XXX XXX
Dec-04 XXX XXX XXX XXX XXX

2003 ACTUAL RATES

FIRST FIRST SECOND HEADSTART ONTIME BAGGAGE HANDLING
DATE BENCHMARK FACTOR CANCELLATION RATE CANCELLATION RATE BENCHMARK BENCHMARK

Jan-03 XXX XXX XXX XXX XXX
Feb-03 XXX XXX XXX XXX XXX
Mar-03 XXX XXX XXX XXX XXX
Apr-03 XXX XXX XXX XXX XXX
May-03 XXX XXX XXX XXX XXX
Jun-03 XXX XXX XXX XXX XXX
Jul-03 XXX XXX XXX XXX XXX
Aug-03 XXX XXX XXX XXX XXX
Sep-03 XXX XXX XXX XXX XXX
Oct-03 XXX XXX XXX XXX XXX
Nov-03 XXX XXX XXX XXX XXX
Dec-03 XXX XXX XXX XXX XXX

XXX REPRESENTS CONFIDENTIAL INFORMATION OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

APPENDIX 2

2002 ACTUAL RATES

FIRST FIRST SECOND HEADSTART ONTIME BAGGAGE HANDLING
DATE BENCHMARK FACTOR CANCELLATION RATE CANCELLATION RATE BENCHMARK BENCHMARK

Jan-02 XXX XXX XXX XXX XXX
Feb-02 XXX XXX XXX XXX XXX
Mar-02 XXX XXX XXX XXX XXX
Apr-02 XXX XXX XXX XXX XXX
May-02 XXX XXX XXX XXX XXX
Jun-02 XXX XXX XXX XXX XXX
Jul-02 XXX XXX XXX XXX XXX
Aug-02 XXX XXX XXX XXX XXX
Sep-02 XXX XXX XXX XXX XXX
Oct-02 XXX XXX XXX XXX XXX
Nov-02 XXX XXX XXX XXX XXX
Dec-02 XXX XXX XXX XXX XXX

2001 ACTUAL RATES

FIRST FIRST SECOND HEADSTART ONTIME BAGGAGE HANDLING
DATE BENCHMARK FACTOR CANCELLATION RATE CANCELLATION RATE BENCHMARK BENCHMARK

Jan-01 XXX XXX XXX XXX XXX
Feb-01 XXX XXX XXX XXX XXX
Mar-01 XXX XXX XXX XXX XXX
Apr-01 XXX XXX XXX XXX XXX
May-01 XXX XXX XXX XXX XXX

Jun-01 XXX XXX XXX XXX XXX
Jul-01 XXX XXX XXX XXX XXX
Aug-01 XXX XXX XXX XXX XXX
Sep-01 XXX XXX XXX XXX XXX
Oct-01 XXX XXX XXX XXX XXX
Nov-01 XXX XXX XXX XXX XXX
Dec-01 XXX XXX XXX XXX XXX

2000 ACTUAL RATES

FIRST FIRST SECOND HEADSTART ONTIME BAGGAGE HANDLING

DATE BENCHMARK FACTOR CANCELLATION RATE CANCELLATION RATE BENCHMARK BENCHMARK

Jan-00 XXX XXX XXX XXX XXX
Feb-00 XXX XXX XXX XXX XXX
Mar-00 XXX XXX XXX XXX XXX
Apr-00 XXX XXX XXX XXX XXX
May-00 XXX XXX XXX XXX XXX
Jun-00 XXX XXX XXX XXX XXX
Jul-00 XXX XXX XXX XXX XXX
Aug-00 XXX XXX XXX XXX XXX
Sep-00 XXX XXX XXX XXX XXX
Oct-00 XXX XXX XXX XXX XXX
Nov-00 XXX XXX XXX XXX XXX
Dec-00 XXX XXX XXX XXX XXX

XXX REPRESENTS CONFIDENTIAL INFORMATION OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

APPENDIX 3

APPENDIX 3 BLOCK HOUR RATES

DATE RJ135 RJ145

BENCHMARK SL XXX XXX

Jan-05 XXX XXX
Feb-05 XXX XXX
Mar-05 XXX XXX
Apr-05 XXX XXX
May-05 XXX XXX
Jun-05 XXX XXX
Jul-05 XXX XXX
Aug-05 XXX XXX
Sep-05 XXX XXX
Oct-05 XXX XXX
Nov-05 XXX XXX
Dec-05 XXX XXX

XXX REPRESENTS CONFIDENTIAL INFORMATION OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

APPENDIX 4

APPENDIX 4 BLOCK HOUR RATES

DATE RJ135 RJ145

Jan-05 XXX XXX
Feb-05 XXX XXX
Mar-05 XXX XXX
Apr-05 XXX XXX
May-05 XXX XXX
Jun-05 XXX XXX
Jul-05 XXX XXX
Aug-05 XXX XXX
Sep-05 XXX XXX
Oct-05 XXX XXX
Nov-05 XXX XXX
Dec-05 XXX XXX

XXX REPRESENTS CONFIDENTIAL INFORMATION OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

APPENDIX 5

Appendix 5 Block Hour Rates GH Variable Block Hour Variable Pool Expense Block Hour

Date RJ135 RJ145 DATE RJ135 RJ145 Date RJ135 RJ145

Jan-05 XXX XXX Jan-05 XXX XXX Jan-05 XXX XXX
Feb-05 XXX XXX Feb-05 XXX XXX Feb-05 XXX XXX
Mar-05 XXX XXX Mar-05 XXX XXX Mar-05 XXX XXX
Apr-05 XXX XXX Apr-05 XXX XXX Apr-05 XXX XXX
May-05 XXX XXX May-05 XXX XXX May-05 XXX XXX
Jun-05 XXX XXX Jun-05 XXX XXX Jun-05 XXX XXX
Jul-05 XXX XXX Jul-05 XXX XXX Jul-05 XXX XXX
Aug-05 XXX XXX Aug-05 XXX XXX Aug-05 XXX XXX
Sep-05 XXX XXX Sep-05 XXX XXX Sep-05 XXX XXX
Oct-05 XXX XXX Oct-05 XXX XXX Oct-05 XXX XXX
Nov-05 XXX XXX Nov-05 XXX XXX Nov-05 XXX XXX
Dec-05 XXX XXX Dec-05 XXX XXX Dec-05 XXX XXX

XXX REPRESENTS CONFIDENTIAL INFORMATION OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

APPENDIX 6

APPENDIX 6 BLOCK HOUR RATES

DATE RJ135 RJ145

Jan-05 XXX XXX
Feb-05 XXX XXX
Mar-05 XXX XXX
Apr-05 XXX XXX
May-05 XXX XXX
Jun-05 XXX XXX
Jul-05 XXX XXX
Aug-05 XXX XXX
Sep-05 XXX XXX
Oct-05 XXX XXX
Nov-05 XXX XXX
Dec-05 XXX XXX

XXX REPRESENTS CONFIDENTIAL INFORMATION OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

APPENDIX 7

APPENDIX 7 BLOCK HOURS

DATE RJ135 RJ145

Row 1 XXX XXX
Row 2 XXX XXX
Row 3 XXX XXX

Appendix 7 Block Hours XXX XXX

XXX REPRESENTS CONFIDENTIAL INFORMATION OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

APPENDIX 8

FIRST FORECAST FIRST FORECAST FIRST FORECAST

DATE RATES RATE - COMPONENT 1 RATE - COMPONENT 2

Mar-05 XXX XXX
Apr-05 XXX XXX
May-05 XXX XXX
Jun-05 XXX XXX
Jul-05 XXX XXX
Aug-05 XXX XXX
Sep-05 XXX XXX
Oct-05 XXX XXX
Nov-05 XXX XXX
Dec-05 XXX XXX

XXX REPRESENTS CONFIDENTIAL INFORMATION OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

APPENDIX 11

FIRST INCREMENTAL COST RATES

DATE RJ135 RJ145

Jan-05 XXX XXX
Feb-05 XXX XXX
Mar-05 XXX XXX
Apr-05 XXX XXX
May-05 XXX XXX
Jun-05 XXX XXX
Jul-05 XXX XXX
Aug-05 XXX XXX
Sep-05 XXX XXX
Oct-05 XXX XXX
Nov-05 XXX XXX
Dec-05 XXX XXX

XXX REPRESENTS CONFIDENTIAL INFORMATION OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

APPENDIX 12

SECOND INCREMENTAL COST RATES

DATE RJ135 RJ145

Jan-05 XXX XXX
Feb-05 XXX XXX
Mar-05 XXX XXX
Apr-05 XXX XXX
May-05 XXX XXX
Jun-05 XXX XXX
Jul-05 XXX XXX
Aug-05 XXX XXX
Sep-05 XXX XXX
Oct-05 XXX XXX
Nov-05 XXX XXX
Dec-05 XXX XXX

XXX REPRESENTS CONFIDENTIAL INFORMATION OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

APPENDIX 13

APPENDIX 13 INCREMENTAL COST RATES

DATE RJ135 RJ145

Jan-05 XXX XXX
Feb-05 XXX XXX
Mar-05 XXX XXX
Apr-05 XXX XXX
May-05 XXX XXX
Jun-05 XXX XXX

Jul-05 XXX XXX
Aug-05 XXX XXX
Sep-05 XXX XXX
Oct-05 XXX XXX
Nov-05 XXX XXX
Dec-05 XXX XXX

XXX REPRESENTS CONFIDENTIAL INFORMATION OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

APPENDIX 14

APPENDIX 14 BLOCK HOUR RATES

DATE RJ135 RJ145

BENCHMARK SL XXX XXX

Jan-05 XXX XXX
Feb-05 XXX XXX
Mar-05 XXX XXX
Apr-05 XXX XXX
May-05 XXX XXX
Jun-05 XXX XXX
Jul-05 XXX XXX
Aug-05 XXX XXX
Sep-05 XXX XXX
Oct-05 XXX XXX
Nov-05 XXX XXX
Dec-05 XXX XXX

XXX REPRESENTS CONFIDENTIAL INFORMATION OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

APPENDIX 15

FIFTH INCREMENTAL COST RATE ALLOCATION

EXPENSE ALLOCATION METHODOLOGY

Aircraft Rent XXX
Maintenance Overhead XXX
Hull Insurance XXX
Employee Incentives XXX
Property Taxes XXX
Depreciation XXX
Management Fee XXX
General & Administrative XXX
Airport Overhead XXX
CAL Fixed Pool of Expenses XXX
Glycol XXX
Snow Removal XXX
De-icing XXX
Airport Facility Rent XXX
3rd Party Ground Handling XXX

XXX REPRESENTS CONFIDENTIAL INFORMATION OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

APPENDIX 16a

PILOT HOTEL VOLUME

COST PER CONTRACT CONTRACT HOTEL STAYS PER RATE PER BLOCK HOUR FOR

DATE HOTEL STAY SCHEDULED BLOCK HOUR EXTRAORDINARY HOTEL STAYS

Jan-05 XXX XXX XXX
Feb-05 XXX XXX XXX
Mar-05 XXX XXX XXX

Apr-05 XXX XXX XXX
May-05 XXX XXX XXX
Jun-05 XXX XXX XXX
Jul-05 XXX XXX XXX
Aug-05 XXX XXX XXX
Sep-05 XXX XXX XXX
Oct-05 XXX XXX XXX
Nov-05 XXX XXX XXX
Dec-05 XXX XXX XXX

XXX REPRESENTS CONFIDENTIAL INFORMATION OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

APPENDIX 16b

FLIGHT ATTENDANT HOTEL VOLUME

COST PER CONTRACT CONTRACT HOTEL STAYS PER RATE PER BLOCK HOUR FOR
DATE HOTEL STAY SCHEDULED BLOCK HOUR EXTRAORDINARY HOTEL STAYS

Jan-05 XXX XXX XXX
Feb-05 XXX XXX XXX
Mar-05 XXX XXX XXX
Apr-05 XXX XXX XXX
May-05 XXX XXX XXX
Jun-05 XXX XXX XXX
Jul-05 XXX XXX XXX
Aug-05 XXX XXX XXX
Sep-05 XXX XXX XXX
Oct-05 XXX XXX XXX
Nov-05 XXX XXX XXX
Dec-05 XXX XXX XXX

XXX REPRESENTS CONFIDENTIAL INFORMATION OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

APPENDIX 17a

ASSUMED PILOT TRAINING COST PER CYCLE

TRAINING CYCLE 2005

RJ
Transitional XXX
Upgrade XXX
New Hire XXX
Recur Ground XXX
Recur Flight XXX
 Hybrid XXX
ATR
Transitional XXX
Upgrade XXX
New Hire XXX
Recur Ground XXX
Recur Flight XXX
Total
Transitional XXX
Upgrade XXX
New Hire XXX
Recur Ground XXX
Recur Flight XXX
 Hybrid XXX

XXX REPRESENTS CONFIDENTIAL INFORMATION OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

APPENDIX 17b

PILOT NEW HIRE TRAINING CYCLES

DATE RJ

---- ---
Jan-05 XXX
Feb-05 XXX
Mar-05 XXX
Apr-05 XXX
May-05 XXX
Jun-05 XXX
Jul-05 XXX
Aug-05 XXX
Sep-05 XXX
Oct-05 XXX
Nov-05 XXX
Dec-05 XXX

XXX REPRESENTS CONFIDENTIAL INFORMATION OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

APPENDIX 17c

PILOT TRANSITIONAL TRAINING CYCLES

DATE RJ

---- --
Jan-05 XXX
Feb-05 XXX
Mar-05 XXX
Apr-05 XXX
May-05 XXX
Jun-05 XXX
Jul-05 XXX
Aug-05 XXX
Sep-05 XXX
Oct-05 XXX
Nov-05 XXX
Dec-05 XXX

XXX REPRESENTS CONFIDENTIAL INFORMATION OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

APPENDIX 17d

PILOT UPGRADE TRAINING CYCLES

DATE RJ

---- --
Jan-05 XXX
Feb-05 XXX
Mar-05 XXX
Apr-05 XXX
May-05 XXX
Jun-05 XXX
Jul-05 XXX
Aug-05 XXX
Sep-05 XXX
Oct-05 XXX
Nov-05 XXX
Dec-05 XXX

XXX REPRESENTS CONFIDENTIAL INFORMATION OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

APPENDIX 17e

PILOT RECURRENT FLIGHT TRAINING CYCLES

DATE RJ

---- --
Jan-05 XXX
Feb-05 XXX
Mar-05 XXX
Apr-05 XXX
May-05 XXX
Jun-05 XXX
Jul-05 XXX
Aug-05 XXX
Sep-05 XXX
Oct-05 XXX
Nov-05 XXX
Dec-05 XXX

XXX REPRESENTS CONFIDENTIAL INFORMATION OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

APPENDIX 17f

PILOT RECURRENT GROUND TRAINING CYCLES

DATE RJ

---- --
Jan-05 XXX
Feb-05 XXX
Mar-05 XXX
Apr-05 XXX
May-05 XXX
Jun-05 XXX
Jul-05 XXX
Aug-05 XXX
Sep-05 XXX
Oct-05 XXX
Nov-05 XXX
Dec-05 XXX

XXX REPRESENTS CONFIDENTIAL INFORMATION OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

APPENDIX 18a

PILOT PER DIEM

AMOUNT PAYABLE PER DIEM HOURS PER

DATE PER DIEM HOUR SCHEDULED BLOCK HOUR

Jan-05 XXX XXX
Feb-05 XXX XXX
Mar-05 XXX XXX
Apr-05 XXX XXX
May-05 XXX XXX
Jun-05 XXX XXX
Jul-05 XXX XXX
Aug-05 XXX XXX
Sep-05 XXX XXX
Oct-05 XXX XXX
Nov-05 XXX XXX
Dec-05 XXX XXX

XXX REPRESENTS CONFIDENTIAL INFORMATION OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

APPENDIX 18b

FLIGHT ATTENDANT PER DIEM

AMOUNT PAYABLE PER DIEM HOURS PER

DATE PER DIEM HOUR SCHEDULED BLOCK HOUR

Jan-05 XXX XXX

Feb-05 XXX XXX
Mar-05 XXX XXX
Apr-05 XXX XXX
May-05 XXX XXX
Jun-05 XXX XXX
Jul-05 XXX XXX
Aug-05 XXX XXX
Sep-05 XXX XXX
Oct-05 XXX XXX
Nov-05 XXX XXX
Dec-05 XXX XXX

XXX REPRESENTS CONFIDENTIAL INFORMATION OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

APPENDIX 19

PILOT SOFT TIME RECONCILIATION

AMOUNT PAYABLE PER FLIGHT PAID HOURS PER SCHEDULED
DATE FLIGHT PAID HOUR PILOT BLOCK HOUR

Jan-05 XXX XXX
Feb-05 XXX XXX
Mar-05 XXX XXX
Apr-05 XXX XXX
May-05 XXX XXX
Jun-05 XXX XXX
Jul-05 XXX XXX
Aug-05 XXX XXX
Sep-05 XXX XXX
Oct-05 XXX XXX
Nov-05 XXX XXX
Dec-05 XXX XXX

XXX REPRESENTS CONFIDENTIAL INFORMATION OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

APPENDIX 20

PILOT SENIORITY RECONCILIATION

AGGREGATE CONTINENTAL PILOTS AMOUNT PAYABLE PER AGGREGATE
DATE TERMINATED BY CONTRACTOR CONTINENTAL PILOT TERMINATED

Jan-05 XXX XXX
Feb-05 XXX XXX
Mar-05 XXX XXX
Apr-05 XXX XXX
May-05 XXX XXX
Jun-05 XXX XXX
Jul-05 XXX XXX
Aug-05 XXX XXX
Sep-05 XXX XXX
Oct-05 XXX XXX
Nov-05 XXX XXX
Dec-05 XXX XXX

XXX REPRESENTS CONFIDENTIAL INFORMATION OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

APPENDIX 21

AIRPORT AGENT VOLUME RECONCILIATION

AMOUNT PAYABLE PER AGENT IMPLIED IMPLIED IMPLIED IMPLIED
DATE AGENT PAID HOUR PAID HOURS SICK TIME % OVERTIME % HOLIDAY % VACATION %

Jan-05 XXX XXX XXX XXX XXX XXX
Feb-05 XXX XXX XXX XXX XXX XXX
Mar-05 XXX XXX XXX XXX XXX XXX
Apr-05 XXX XXX XXX XXX XXX XXX
May-05 XXX XXX XXX XXX XXX XXX
Jun-05 XXX XXX XXX XXX XXX XXX
Jul-05 XXX XXX XXX XXX XXX XXX
Aug-05 XXX XXX XXX XXX XXX XXX
Sep-05 XXX XXX XXX XXX XXX XXX
Oct-05 XXX XXX XXX XXX XXX XXX
Nov-05 XXX XXX XXX XXX XXX XXX
Dec-05 XXX XXX XXX XXX XXX XXX

XXX REPRESENTS CONFIDENTIAL INFORMATION OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

APPENDIX 22

RECONCILIATION OF EXPENSES (000'S)

B(9)(a)
DATE (i) (ii) (iii) (iv) (v) (vi) (vii) (viii) (viii) (viii) (ix)

Jan-05 XXX
Feb-05 XXX
Mar-05 XXX
Apr-05 XXX
May-05 XXX
Jun-05 XXX
Jul-05 XXX
Aug-05 XXX
Sep-05 XXX
Oct-05 XXX
Nov-05 XXX
Dec-05 XXX XXX

RECONCILIATION OF EXPENSES (000'S)

B(9)(a) B(9)(a) B(9)(a) B(9)(a) B(9)(a) B(9)(a)
DATE (x) (xi) (xii) (xiv) (xv) (xvi)

Jan-05 XXX XXX XXX XXX XXX XXX
Feb-05 XXX XXX XXX XXX XXX XXX
Mar-05 XXX XXX XXX XXX XXX XXX
Apr-05 XXX XXX XXX XXX XXX XXX
May-05 XXX XXX XXX XXX XXX XXX
Jun-05 XXX XXX XXX XXX XXX XXX
Jul-05 XXX XXX XXX XXX XXX XXX
Aug-05 XXX XXX XXX XXX XXX XXX
Sep-05 XXX XXX XXX XXX XXX XXX
Oct-05 XXX XXX XXX XXX XXX XXX
Nov-05 XXX XXX XXX XXX XXX XXX
Dec-05 XXX XXX XXX XXX XXX XXX

XXX REPRESENTS CONFIDENTIAL INFORMATION OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

APPENDIX 22A

FIRST IMPLIED RATES

DATE RJ135 RJ145

Jan-05 XXX XXX
Feb-05 XXX XXX
Mar-05 XXX XXX
Apr-05 XXX XXX
May-05 XXX XXX
Jun-05 XXX XXX
Jul-05 XXX XXX
Aug-05 XXX XXX
Sep-05 XXX XXX

Oct-05 XXX XXX

Nov-05 XXX XXX

Dec-05 XXX XXX

SECOND IMPLIED RATES THIRD IMPLIED

DATE RJ135 RJ145 EXPENSES (000'S)

Jan-05 XXX XXX XXX

Feb-05 XXX XXX XXX

Mar-05 XXX XXX XXX

Apr-05 XXX XXX XXX

May-05 XXX XXX XXX

Jun-05 XXX XXX XXX

Jul-05 XXX XXX XXX

Aug-05 XXX XXX XXX

Sep-05 XXX XXX XXX

Oct-05 XXX XXX XXX

Nov-05 XXX XXX XXX

Dec-05 XXX XXX XXX

XXX REPRESENTS CONFIDENTIAL INFORMATION OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

APPENDIX 22b

FOURTH IMPLIED RATES

DATE RJ135 RJ145

BENCHMARK SL XXX XXX

Jan-05 XXX XXX

Feb-05 XXX XXX

Mar-05 XXX XXX

Apr-05 XXX XXX

May-05 XXX XXX

Jun-05 XXX XXX

Jul-05 XXX XXX

Aug-05 XXX XXX

Sep-05 XXX XXX

Oct-05 XXX XXX

Nov-05 XXX XXX

Dec-05 XXX XXX

XXX REPRESENTS CONFIDENTIAL INFORMATION OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

APPENDIX 22c

FIFTH IMPLIED RATES

DATE RJ135 RJ145

BENCHMARK SL XXX XXX

Jan-05 XXX XXX

Feb-05 XXX XXX

Mar-05 XXX XXX

Apr-05 XXX XXX

May-05 XXX XXX

Jun-05 XXX XXX

Jul-05 XXX XXX

Aug-05 XXX XXX

Sep-05 XXX XXX

Oct-05 XXX XXX

Nov-05 XXX XXX

Dec-05 XXX XXX

XXX REPRESENTS CONFIDENTIAL INFORMATION OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

APPENDIX 22d

SIXTH IMPLIED RATES

DATE RJ135 RJ145

Jan-05 XXX XXX
Feb-05 XXX XXX
Mar-05 XXX XXX
Apr-05 XXX XXX
May-05 XXX XXX
Jun-05 XXX XXX
Jul-05 XXX XXX
Aug-05 XXX XXX
Sep-05 XXX XXX
Oct-05 XXX XXX
Nov-05 XXX XXX
Dec-05 XXX XXX

XXX REPRESENTS CONFIDENTIAL INFORMATION OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

APPENDIX 23

COST DIFFERENCE = XXX

XXX REPRESENTS CONFIDENTIAL INFORMATION OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

APPENDIX 24

CHARTER FLYING

DATE RJ135 RJ145

Jan-05 XXX XXX
Feb-05 XXX XXX
Mar-05 XXX XXX
Apr-05 XXX XXX
May-05 XXX XXX
Jun-05 XXX XXX
Jul-05 XXX XXX
Aug-05 XXX XXX
Sep-05 XXX XXX
Oct-05 XXX XXX
Nov-05 XXX XXX
Dec-05 XXX XXX

XXX REPRESENTS CONFIDENTIAL INFORMATION OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

APPENDIX 25

APPENDIX 25 RATES

A B

XXX XXX

XXX REPRESENTS CONFIDENTIAL INFORMATION OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

APPENDIX 26

APPENDIX 26 RATES

PERFORMANCE PERIOD GENERAL LEDGER ACCOUNTS

Account # XJT Account Name

1 2021294000 XXX
2 2191030000 XXX
3 2190800000 XXX
4 2190900000 XXX
5 2190900200 XXX
6 2191900000 XXX
7 2192600000 XXX
8 2192700500 XXX
9 2192700600 XXX
10 2193100000 XXX
11 2395000000 XXX

CERTIFICATION

I, Lawrence W. Kellner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Continental Airlines, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 20, 2005

/s/ Lawrence W. Kellner

Lawrence W. Kellner

Chairman of the Board and

Chief Executive Officer

CERTIFICATION

I, Jeffrey J. Misner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Continental Airlines, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 20, 2005

/s/ Jeffrey J. Misner

Jeffrey J. Misner

Executive Vice President and

Chief Financial Officer

Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Continental Airlines, Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2005 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to Continental Airlines, Inc. and will be retained by Continental Airlines, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Dated: April 20, 2005

/s/ Lawrence W. Kellner

Lawrence W. Kellner

Chairman of the Board and

Chief Executive Officer

/s/ Jeffrey J. Misner

Jeffrey J. Misner

Executive Vice President and

Chief Financial Officer