

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

FORM 8-K

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

Date of Report (Date of earliest event reported): **December 2, 2004**

CONTINENTAL AIRLINES, INC.

(Exact Name of Registrant as Specified in Its Charter)

DELAWARE

(State or Other Jurisdiction of Incorporation)

1-10323

(Commission File Number)

74-2099724

(IRS Employer Identification No.)

1600 Smith Street, Dept. HQSEO, Houston, Texas

(Address of Principal Executive Offices)

77002

(Zip Code)

(713) 324-2950

(Registrant's Telephone Number, Including Area Code)

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

<input type="checkbox"/>	Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
<input type="checkbox"/>	Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
<input type="checkbox"/>	Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
<input type="checkbox"/>	Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

On December 2, 2004, we provided an update for investors presenting information relating to our financial and operational outlook for the fourth quarter and full year 2004. The letter is furnished herewith as Exhibit 99.1 and is incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

a. Exhibits

99.1 Investor Update

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, Continental Airlines, Inc. has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CONTINENTAL AIRLINES, INC.

December 2, 2004

By /s/ Chris Kenny

Chris Kenny

Vice President and Controller

EXHIBIT INDEX

99.1 Investor Update

Investor Update

Issue Date:

December 2, 2004

This report contains forward-looking statements that are not limited to historical facts, but reflect our current beliefs, expectations or intentions regarding future events. All forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. For examples of such risks and uncertainties, please see the risk factors set forth in our 2003 10-K and our other securities filings, which identify important matters such as terrorist attacks and international hostilities, domestic and international economic conditions, the significant cost of aircraft fuel, labor costs, competition and industry conditions including the demand for air travel, airline pricing environment and industry capacity decisions, regulatory matters and the seasonal nature of the airline business. In addition to the foregoing risks, there can be no assurance that the company will be able to achieve the pre-tax benefits from the cost-reducing initiatives discussed, some of which will depend, among other matters, on our ability to implement such initiatives. 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.

Current News

Last month, Continental announced that it needs an annual \$500 million reduction in payroll and benefit costs. This reduction is necessary because the company has lost hundreds of millions of dollars since 2001, and expects to lose hundreds of million of dollars in 2004. Continental must adjust its costs to a level that will let it survive and grow; otherwise, it will have no prospect of returning to profitability under prevailing market conditions. Continental plans to implement the reductions on Feb. 28, 2005. The savings will come from a combination of productivity enhancements, benefit changes and wage reductions, with approximately half the savings expected to come from productivity and benefit changes.

As announced previously, Continental has elected Jeff Smisek, executive vice president and president-elect of Continental Airlines, Inc., to its board of directors. Smisek will join the board upon the retirement of Gordon Bethune filling the vacancy on the board created by Bethune's resignation as a board member, expected to occur Dec. 30, 2004. In addition, Smisek will serve on the board's finance committee.

Fourth Quarter 2004 results are expected to include pre-tax charges of approximately \$19 million primarily related to future lease payments and return conditions in connection with MD80 aircraft retirements in the fourth quarter.

Tax Sharing Agreement with ExpressJet Holdings, Inc.

During the fourth quarter, Continental expects to receive approximately \$13 million related to the tax-sharing agreement with ExpressJet. Continental expects to receive a total of approximately \$51 million for the full year 2004 and \$25 million to be recorded ratably in 2005 related to this agreement. For more information regarding this tax-sharing agreement, please see our 2003 10-K.

Targeted Cash Balance

Continental anticipates ending the fourth quarter of 2004 with an unrestricted cash and short-term investments balance between \$1.4 and \$1.5 billion.

Debt & Capital Lease Payments

Debt principal & Capital Lease payments for the fourth quarter 2004 are estimated to be approximately \$80 million.

Advanced Bookings - Six Week Outlook

Advanced bookings outlook by region through mid-January 2005 is as follows:

Domestic bookings through mid-January are running slightly behind last year's booked seat factor. However, bookings are rapidly recovering for the couple of weeks that are behind, and we expect fourth quarter domestic load factor will end up 2-3 points year-over-year (yoy). Despite the strength in load factors, there is considerable downward pressure on domestic yields.

Transatlantic advanced bookings through mid-January are currently averaging moderately behind last year but we expect fourth quarter load factor to end up about 2 points ahead of last year.

Latin bookings through mid-January are also running moderately behind last year's bookings. Large industry increases in Caribbean capacity continue to put downward pressure on yields in this region. However, load factors continue to be strong and we expect our fourth quarter load factor will be up about a point yoy.

Pacific bookings through mid-January look strong. We expect fourth quarter load factor will improve yoy by 2-3 points.

	2004 Estimated <u>Year-over-Year %Change</u>
<u>ASMs (Available Seat Miles)</u>	<u>4th Qtr.(E)</u>
Domestic	1.0%
Latin America	8.5%
Transatlantic	23.5%

Pacific	8.5%
Total Mainline System	6.4%
Regional	18.0%
Consolidated System	7.6%

	2005 Estimated <u>Year-over-Year %Change</u>
<u>ASMs (Available Seat Miles)</u>	<u>Full Year(E)</u>
Domestic	0.5%
Latin America	0.5%
Transatlantic	16.5%
Pacific	11.0%
Total Mainline System	4.5%
Regional	9.0%
Consolidated System	5.0%

	2004 Estimate
<u>Load Factor</u>	<u>4th Qtr.(E)</u>
Mainline	77 - 78%
Regional	73 - 74%

	2004 Estimate (cents)
<u>Mainline Operating Statistics</u>	<u>4th Qtr.(E)</u>
CASM (Cost per Available Seat Mile)	10.05 - 10.10
Less:	
Special items per ASM	0.09
CASM Less Special Items	9.96 - 10.01
Fuel Cost & Fuel Taxes per ASM	2.14
CASM Less Fuel, Fuel Taxes & Special Items	7.82 - 7.87
	<u>2004 Estimate (cents)</u>
<u>Consolidated Operating Statistics</u>	<u>4th Qtr.(E)</u>
CASM	10.92 - 10.97
Less:	
Special items per ASM	0.08
CASM Less Special Items	10.84 - 10.89
Fuel Cost & Fuel Taxes per ASM	2.29
CASM less Fuel, Fuel Taxes & Special Items	8.55 - 8.60

Consolidated is defined as mainline plus regional.

	2004 Estimate
<u>Fuel Gallons Consumed</u>	<u>4th Qtr.(E)</u>
Mainline	327 Million
Regional	69 Million

Fuel Price per Gallon (including fuel taxes) \$1.36

	% of Volume <u>Hedged</u>	Wtd. Average <u>Strike Price of Caps</u>
<u>Fuel Hedges</u>		
Fourth Quarter	20%	\$32.00/Barrel
	<u>26%</u>	<u>\$40.00/Barrel</u>
Fourth Quarter Total	46%	\$36.50/Barrel

	2004 Estimated Amounts (\$Millions)
<u>Selected Expense Amounts</u>	<u>4th Qtr.(E)</u>

Aircraft Rent	\$225
Landing Fees & Other Rentals	\$165
Depreciation & Amortization	\$105
Net Interest Expense	\$85

Continental Airlines, Inc. Tax Computation

Due to accumulated losses, Continental has stopped recording income tax benefit on current and future book losses.

	2004 Estimate (\$Millions)	2005 Estimate (\$Millions)
Cash Capital Expenditures		
Fleet & Fleet Related	\$62	\$50
Non-Fleet	85	135
Rotable Parts & Capitalized Interest	<u>41</u>	<u>35</u>
Total	\$188	\$220
Net Purchase Deposits	<u>(115)</u>	<u>(50)</u>
Total Cash Capital Expenditures	\$73	\$170

EPS Estimated Share Count

Share count estimates for calculating basic and diluted earnings per share at different income levels are as follows:

Fourth Quarter 2004 (Millions)

Quarterly Earnings Level	Number of Shares		
	Basic	Diluted	Interest Addback
Over \$36	66.3	75.5	\$3.6
Between \$19 - \$36	66.3	71.4	\$1.4
Between \$0 - \$19	66.3	66.4	--
Net Loss	66.3	66.3	--

Full Year 2004 (Millions)

Year-to-date Earnings Level	Number of Shares		
	Basic	Diluted	Interest Addback
Over \$141	66.1	75.3	\$14.2
Between \$75 - \$141	66.1	71.2	\$5.7
Between \$0 - \$75	66.1	66.2	--
Net Loss	66.1	66.1	--

These share count charts are based upon several assumptions including market stock price and number of shares outstanding. The number of shares used in the actual EPS calculation will likely be different from those set forth above.

Reconciliation of GAAP to Non-GAAP Financial Information (millions except CASM data)

Mainline	4th Qtr. Range(E)	
Operating Expenses - GAAP	\$ 2,095	\$ 2,105
Items Excluded		
Special Items (a)	(19)	(19)
Operating Expenses - Non-GAAP	\$ 2,076	\$ 2,086
Aircraft Fuel & Related Taxes	(445)	(445)
Operating Expenses - Non GAAP	\$ 1,631	\$ 1,642
ASMs (millions)	20,845	20,845
CASM-GAAP (cents)	10.05	10.10
CASM Excluding Special Items (cents) (b)	9.96	10.01
CASM Excluding Fuel, Fuel Taxes & Special Items - Non-GAAP (cents) (c)	7.82	7.87

Consolidated (Mainline plus Regional)

	4th Qtr. Range(E)	
Operating Expenses - GAAP	\$ 2,574	\$ 2,586
Items Excluded		
Special Items (a)	(19)	(19)
Operating Expenses - Non-GAAP	\$ 2,555	\$ 2,567

Operating Expenses - Non-GAAP	\$ 2,555	\$ 2,567
Aircraft Fuel & Related Taxes	(539)	(539)
Operating Expenses - Non GAAP	\$ 2,017	\$ 2,028
ASMs (millions)	23,575	23,575
CASM-Non-GAAP (cents)	10.92	10.97
CASM Excluding Special Items (cents) (b)	10.84	10.89
CASM Excluding Fuel, Fuel Taxes & Special Items - Non-GAAP (cents) (c)	8.55	8.60

(a) Special items include \$19 million of expected charges during the fourth quarter of 2004 primarily relating to MD80 aircraft retirements.

(b) Cost per available seat mile excluding special items is computed by subtracting special items from operating expenses and dividing by available seat miles. This statistic provides management and investors the ability to measure and monitor Continental's cost performance on a consistent basis.

(c) Cost per available seat mile excluding fuel, fuel taxes and special items is computed by multiplying fuel price per gallon, including fuel taxes, by fuel gallons consumed and subtracting that amount and special items from operating expenses then dividing by available seat miles. This statistic provides management and investors the ability to measure and monitor Continental's cost performance absent special items and fuel price volatility. Both the cost and availability of fuel are subject to many economic and political factors and therefore are beyond our control.