

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): **September 8, 2005**

**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 September 8, 2005, we provided an update for investors presenting information relating to our financial and operational outlook for the third quarter and full year 2005. 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.

September 8, 2005

By /s/ Jennifer L. Vogel

Jennifer L. Vogel

Senior Vice President, General Counsel  
and Secretary

EXHIBIT INDEX

99.1 Investor Update

## Investor Update

Issue Date: September 8, 2005

*This update contains forward-looking statements that are not limited to historical facts, but reflect the company's 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 the company's 2004 10-K/A and its other securities filings, including any amendments thereto, which identify important matters such as the consequences of its 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. In addition to the foregoing risks, there can be no assurance that the company will be able to obtain the needed pay and benefit reductions from its 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. The company undertakes no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this update.*

### **Current News**

The Company recently announced an order for two additional new Boeing 777-200ER widebody aircraft to support its continuing international expansion. The aircraft are scheduled for delivery in the first quarter 2007. The Boeing Company has agreed to provide backstop financing for the aircraft.

Despite the continued improvement in revenue trends, the Company expects to record a significant loss for 2005 due to record high fuel prices.

**Pay and Benefit Reductions:** The Company expects to achieve approximately \$300 million of savings in 2005 from pay and benefit reductions that have been achieved for most work groups and approximately \$418 million of savings on an annualized basis when fully implemented.

**Cargo, Mail and Other Revenue:** Continental estimates cargo, mail and other revenue will be approximately \$230 million for the third quarter 2005.

**Debt and Capital Leases:** Debt principal and capital lease payments for the third quarter 2005 are estimated to be approximately \$74 million.

### **2005 Pension Expense and Contributions**

Continental estimates its contributions during 2005 to its pension plans, net of estimated pension expense, will be approximately \$63 million. This amount includes non-cash pension expense of approximately \$241 million and estimated contributions of approximately \$304 million. To date, the company has contributed \$220 million to its pension plans which consists of 12.1 million shares of ExpressJet stock valued at \$130 million during the first half of 2005, \$50 million of cash in the second quarter of 2005 and an additional \$40 million of cash in July 2005.

The \$241 million estimated pension expense for 2005 includes the first quarter curtailment charge of \$43 million related to the freezing of the pilots' portion of the company's defined benefit pension plan.

### **Fuel Hedges**

Continental does not currently have any fuel hedges.

### **Income from Affiliates / Tax Sharing Agreement with ExpressJet Holdings, Inc.**

Continental expects Income from Affiliates for the third quarter 2005 to be between \$20 and \$25 million. Also included in this range is approximately \$7 million related to the tax-sharing agreement with ExpressJet. For more information regarding this tax-sharing agreement, please see our 2004 Form 10-K/A.

### **Targeted Cash Balance**

Continental anticipates ending the third quarter of 2005 with an unrestricted cash and short-term investments balance between \$1.9 and \$2.0 billion. Continental expects to end the year 2005 with an unrestricted cash and short-term investments balance of approximately \$1.5 billion. These targets do not include any additional financings other than aircraft financings.

### **Advanced Bookings - Six Week Outlook**

Domestic advanced bookings through mid-October are slightly ahead compared to last year at this time. International advanced bookings are running slightly behind the same period last year on a year-over-year ("yoy") capacity increase of approximately 16%. The company is comfortable that the mainline load factor for the third quarter will be flat to up

slightly. Continental is seeing a trend toward booking closer to the date of travel, as pricing has made fares closer to the travel date more attractive than in prior periods.

Continental expects mainline Domestic third quarter load factor will be up about 2 points yoy on about 3% more capacity yoy. Domestic mainline yields are expected to see a slight yoy improvement in the third quarter.

For the third quarter, the mainline Transatlantic load factor is expected to be flat to down slightly yoy on a capacity increase of about 15.5% yoy, with solid yoy yield improvements expected.

Mainline Latin load factor for the third quarter is expected to be down 2-3 points yoy on a capacity increase of about 6.5%, with solid yoy yield improvements expected.

Mainline Pacific third quarter load factor is expected to be down about 4 points yoy on a capacity increase of about 31% yoy, mainly attributable to our new EWR-Beijing route. Pacific yields are expected to improve modestly for the third quarter yoy.

<b>ASMs (Available Seat Miles)</b>	2005 Estimated Year-over-Year %Change	
	<u>3<sup>rd</sup> Qtr.(E)</u>	<u>Full Year(E)</u>
Domestic	3.0%	0.7%
Latin America	6.5%	4.5%
Transatlantic	15.5%	16.5%
Pacific	31.0%	20.5%
Total Mainline	8.7%	6.1%
Regional	18.0%	15.6%
Consolidated	9.7%	7.1%

For the full year 2006, Continental expects to grow its mainline capacity by approximately 5-7% yoy.

<b>Load Factor</b>	2005 Estimate	
	<u>3<sup>rd</sup> Qtr.(E)</u>	<u>Full Year(E)</u>
Continental	81 - 82%	80 - 81%
Regional	76 - 77%	74 - 75%

<b>Mainline Operating Statistics</b>	2005 Estimate (cents)	
	<u>3<sup>rd</sup> Qtr.(E)</u>	<u>Full Year(E)</u>
CASM	9.91 - 9.96	10.18 - 10.23
Special items per ASM (a)	- -	0.05
CASM Less Special Items (b)	9.91 - 9.96	10.13 - 10.18
Aircraft Fuel & Related Taxes per ASM	2.89	2.69
CASM Less Special Items and Aircraft Fuel & Related Taxes (c)	7.02 - 7.07	7.44 - 7.49

<b>Consolidated Operating Statistics*</b>	2005 Estimate (cents)	
	<u>3<sup>rd</sup> Qtr.(E)</u>	<u>Full Year(E)</u>
CASM	10.75 - 10.80	11.01 - 11.06
Special items per ASM (a)	- -	0.04
CASM Less Special Items (b)	10.75 - 10.80	10.97 - 11.02
Aircraft Fuel & Related Taxes per ASM	3.10	2.89
CASM Less Special Items and Aircraft Fuel & Related Taxes (c)	7.65 - 7.70	8.08 - 8.13

\*Consolidated is defined as mainline plus regional.

<b>Fuel Gallons Consumed</b>	2005 Estimate	
	<u>3<sup>rd</sup> Qtr.(E)</u>	<u>Full Year(E)</u>
Mainline	365 Million	1 376 Million

Regional	80 Million	298 Million
<b>Fuel Price per Gallon (including fuel taxes)</b>	\$1.89	\$1.76

<b>Selected Expense Amounts</b>	<u>2005 Estimated Amounts (\$Millions)</u>	
	<u>3<sup>rd</sup> Qtr.(E)</u>	<u>Full Year(E)</u>
Aircraft Rent	\$234	\$932
Landing Fees & Other Rentals	\$187	\$726
Depreciation & Amortization	\$97	\$391
Net Interest Expense	\$83	\$330

### **Continental Airlines, Inc. Tax Computation**

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

<b>Cash Capital Expenditures</b>	<u>2005 Estimate (\$Millions)</u>
Fleet Related	\$80
Non-Fleet	120
Rotable Parts & Capitalized Interest	<u>35</u>
Total	\$235
Net Purchase Deposits	<u>1</u>
Total Cash Capital Expenditures	\$236

### **EPS Estimated Share Count**

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

#### **Third Quarter 2005 (Millions)**

<u>Quarterly Earnings Level</u>	<u>Number of Shares</u>		<u>Interest Addback</u>
	<u>Basic</u>	<u>Diluted</u>	
Over \$71	67.0	86.3	\$8.6
Between \$38 - \$71	67.0	82.2	\$4.8
Between \$18 - \$37	67.0	77.2	\$2.3
Under \$18	67.0	68.4	--
Net Loss	67.0	67.0	--

#### **Full Year 2005 Basic Share Count (Millions)**

<u>Year-to-Date Earnings Level</u>	<u>Number of Shares</u>		<u>Interest Addback</u>
	<u>Basic</u>	<u>Diluted</u>	
Over \$188	66.9	85.4	\$23.1
Between \$98 - \$188	66.9	81.3	\$12.9
Between \$48 - \$97	66.9	76.3	\$6.1
Under \$48	66.9	67.5	--
Net Loss	66.9	66.9	--

These share counts 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)

<b>Mainline</b>	<u>3rd Qtr. Range(E)</u>		<u>Full Year Range(E)</u>	
Operating Expenses - GAAP	\$ 2,367	\$ 2,379	\$ 9,144	\$ 9,189
Special Items (a)	-	-	(43)	(43)
Operating Expenses Excluding Special	\$ 2,367	\$ 2,379	\$ 9,100	\$ 9,145

Items - Non-GAAP (b)

Aircraft Fuel & Related Taxes	(690)	(690)	(2,422)	(2,422)
Operating Expenses Excluding Special Items and Aircraft Fuel & Related Taxes - Non-GAAP (c)	\$ 1,677	\$ 1,689	\$ 6,678	\$ 6,723
ASMs (millions)	23,890	23,890	89,820	89,820

Mainline CASM (cents)

CASM-GAAP	9.91	9.96	10.18	10.23
Special Items per ASM (a)	-	-	0.05	0.05
CASM Excluding Special Items - Non-GAAP (b)	9.91	9.96	10.13	10.18
Aircraft Fuel & Related Taxes per ASM	2.89	2.89	2.69	2.69
CASM Excluding Special Items and Aircraft Fuel & Related Taxes - Non-GAAP (c)	7.02	7.07	7.44	7.49

**Consolidated (Mainline plus Regional)**

	<u>3rd Qtr. Range(E)</u>		<u>Full Year Range(E)</u>	
Operating Expenses - GAAP	\$ 2,910	\$ 2,924	\$ 11,214	\$ 11,265
Special Items (a)	=	=	(43)	(43)
Operating Expenses Excluding Special Items - Non-GAAP (b)	\$ 2,910	\$ 2,924	\$ 11,171	\$ 11,222
Aircraft Fuel & Related Taxes	(840)	(840)	(2,946)	(2,946)
Operating Expenses Excluding Special Items and Aircraft Fuel & Related Taxes - Non-GAAP (c)	\$ 2,070	\$ 2,084	\$ 8,225	\$ 8,276
ASMs (millions)	27,070	27,070	101,850	101,850

Consolidated CASM (cents)

CASM-GAAP	10.75	10.80	11.01	11.06
Special Items per ASM (a)	-	-	0.04	0.04
CASM Excluding Special Items - Non-GAAP (b)	10.75	10.80	10.97	11.02
Aircraft Fuel & Related Taxes per ASM	3.10	3.10	2.89	2.89
CASM Excluding Special Items and Aircraft Fuel & Related Taxes - Non-GAAP (c)	7.65	7.70	8.08	8.13

(a) Special items include a \$43 million curtailment charge related to the company's defined benefit pension plan.

(b) These financial measures provide management and investors the ability to measure and monitor Continental's performance on a consistent basis.

(c) Cost per available seat mile excluding fuel, related taxes and special items is computed by multiplying fuel price per gallon, including fuel taxes, by fuel gallons consumed and subtracting that amount 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.