

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): **October 19, 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)

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(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)) |

Item 2.02 Results of Operations and Financial Condition

On October 19, 2004, we issued a press release announcing our financial results for the third quarter of 2004. The press release is furnished herewith as Exhibit 99.1 and is incorporated herein by reference.

Item 7.01 Regulation FD Disclosure

On October 19, 2004, we provided an update for investors presenting information relating to our financial and operational results for the third quarter of 2004 and other information. The update is furnished herewith as Exhibit 99.2 and is incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

a. Exhibits

- 99.1 Third Quarter Earnings Press Release
- 99.2 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.

October 19, 2004

By /s/ Jennifer L. Vogel

Jennifer L. Vogel

Senior Vice President, General Counsel  
and Secretary

EXHIBIT INDEX

- 99.1 Third Quarter Earnings Press Release
- 99.2 Investor Update



## News Release

**Contact:** Corporate Communications

**Houston:** 713.324.5080

**Email:** corpcomm@coair.com

**News archive:** [continental.com/news/](http://continental.com/news/) **Address:** P.O. Box 4607, Houston, TX 77210-4607

### CONTINENTAL AIRLINES ANNOUNCES THIRD QUARTER RESULTS

#### *Special charges result in quarterly loss*

HOUSTON, Oct. 19, 2004 -- Continental Airlines (NYSE: CAL) today reported a third quarter net loss of \$16 million (\$0.24 loss per share). The net loss includes special charges of \$22 million primarily due to the retirement of leased MD-80 aircraft.

Excluding the special charges, Continental recorded net income of \$6 million (\$0.08 per share) for the quarter, which compares favorably to the First Call mean estimate of \$0.17 loss per share. Net income includes a \$15 million mark-to-market gain relating to the company's Orbitz holdings during the quarter.

In September, Continental identified approximately \$200 million of additional annual pre-tax cost savings, including staff reductions, in an attempt to reduce the gap between revenue and expenses. Coupled with the carrier's previously announced revenue and cost savings initiatives, these efforts are expected to result in approximately \$1.1 billion in annual run-rate benefits. Nonetheless, Continental expects to report a significant loss for 2004, and unless the current environment improves, expects to record

a significant loss in 2005 as well.

"With oil at stratospheric prices and the government siphoning off more than \$1 billion annually in fees and non-income related taxes, it's amazing that we were able to produce these modest results for the quarter," said Gordon Bethune, Continental Airlines chairman and chief executive officer. "My hat is off to the thousands of professional men and women who continue to outperform our competitors day in and day out."

#### **Third Quarter Revenue and Capacity**

Passenger revenue for the quarter was \$2.4 billion, 8.7 percent higher than the same period in 2003, due to increased revenue from international flights and more regional flying. Revenue from international mainline service accounted for 43 percent of the total mainline passenger revenue of \$2.0 billion during the third quarter. Mainline yields during the quarter declined 1.6 percent year-over-year due to heavy competition with low cost carriers in domestic and Caribbean markets.

Mainline revenue passenger miles (RPMs) increased 9.0 percent over the third quarter 2003 on a capacity increase of 7.0 percent. Mainline load factor for the quarter was a record 81.5 percent, an increase of 1.5 points year-over-year, while consolidated load factor was 80.7 percent, 1.6 points higher than the third quarter 2003. Continued record high fuel prices and declines in domestic yield from industry fare discounting were partially responsible for the 11.6 point increase in Continental's consolidated breakeven load factor of 81.4 percent for the quarter compared to the third quarter of 2003.

Regional RPMs in the third quarter were up 24.5 percent on an increased capacity

of 18.8 percent versus the same period in 2003. Regional load factor in the third quarter increased 3.4 points over the same period 2003, to 74.2 percent, a quarterly record. Regional revenue per available seat mile (RASM), however,

declined 2.1 percent year- over-year.

Despite weak domestic yields, Continental continued to enjoy domestic length-of-haul adjusted yield and RASM premiums to the industry. The four major hurricanes that hit Florida, the East Coast and the Caribbean during the quarter had a minimal effect on Continental's domestic mainline RASM, costing the company an estimated \$10 million in lost revenue.

Passenger revenue for the third quarter 2004 and period to period comparisons of related statistics by geographic region for the company's mainline and regional operations are as follows:

|                | Passenger<br>Revenue<br>(in millions) | Percentage Increase (Decrease) in Third<br>Quarter 2004 vs. Third Quarter 2003 |        |       |
|----------------|---------------------------------------|--|--------|-------|
|                |                                       | Passenger<br>Revenue   | RASM   | ASMs  |
| Domestic       | \$1,116                               | (0.5)%   | (0.5)% | 0.0%  |
| Transatlantic  | 433                                   | 26.6 %   | 0.8 %  | 25.6% |
| Latin America  | 253                                   | 8.8 %  | (4.7)% | 14.1% |
| Pacific        | 170                                   | 19.9 %   | 15.0 % | 4.3%  |
| Total Mainline | \$1,972                               | 7.3 %  | 0.3 %  | 7.0%  |
| Regional       | \$ 405                                | 16.4 %   | (2.1)% | 18.8% |
| Total System   | \$2,377                               | 8.7 %  | 0.5 %  | 8.1%  |

Continental continues to suffer the unrelenting and ever growing burden of excessive fees and non-income related taxes. The company incurred \$280 million in fees

and non-income related taxes charged on passenger tickets by various governmental entities in the third quarter. For the first nine months of 2004, those fees and taxes totaled \$787 million. The company expects to incur over \$1 billion of those fees and taxes for the full year 2004, all while incurring a significant loss.

### Operational Accomplishments

Continental overcame operational challenges posed by four hurricanes and a runway closure at Newark Liberty International Airport to finish the quarter with an excellent operational record. Despite these challenges, the carrier's on-time performance for the quarter, as reported to the Department of Transportation, was 81.1 percent. Continental had relatively few flight cancellations, operating 24 days without a single mainline flight cancellation, and finished the quarter with a mainline completion factor of 99.3 percent.

"In spite of severe weather and some of the heaviest passenger loads in the company's history, Continental ran a truly stellar operation," said Larry Kellner, Continental's president and chief operating officer. "Our co-workers worked under difficult conditions to overcome incredible challenges and once again, prove that they are the best in the business."

In the third quarter, Continental became a member of SkyTeam, now the world's premier airline alliance. SkyTeam gives Continental's global travelers a broad choice of 658 global destinations in more than 130 countries. Passengers are now able to accrue and redeem frequent flyer miles on all of the nine member airlines; Continental, Aeroméxico, Air France, Alitalia, CSA Czech Airlines, Delta Air Lines, KLM Royal

Dutch Airlines, Korean Air and Northwest Airlines.

In September, Continental began charging a \$5 service fee for tickets booked via its reservations centers and a \$10 fee for tickets booked at airport ticket counters in the United States. Continental does not charge a fee for booking and ticketing on continental.com or at airport self-service kiosks.

Continental signed an unprecedented partnership accord with its pilots union, the Air Line Pilots Association (ALPA), to codify key aspects of its labor/management relations. It was through this ongoing commitment to work together that the airline will be able to recall 328 pilots from furlough by the middle of next spring. These recalls are in addition to 197 pilots recalled by the carrier since January 2004.

Continental applied to begin two routes to China from its New York hub at Newark Liberty International Airport. In a filing with the U.S. Department of Transportation, the carrier requested permission to inaugurate service to Beijing in the spring of 2005 and to Shanghai in the spring of 2006, subject to government approval. The company also recently announced new service between New York/Liberty and Bristol, Belfast, Berlin and Hamburg (subject to government approval).

Continental added several new routes to its systemwide network in the third quarter, including flights from its hub at Bush Intercontinental Airport at Houston to Boise, Idaho and Durango, Mexico; from Houston Hobby Airport to Cleveland and New York/Liberty; between Birmingham, Alabama, and Cleveland; and between Tucson and New York/Liberty.

### **Third Quarter Financial Results**

Continental's mainline cost per available seat mile (CASM) increased 4.9 percent (CASM decreased 2.1 percent excluding special charges and holding fuel rate constant) in the third quarter compared to the same period last year, primarily due to record high fuel prices.

West Texas Intermediate crude oil continues to sell at record prices, closing on Oct. 18, 2004 at \$53.67 per barrel after reaching an all-time high of \$55.33. The company has hedged approximately 46 percent of its remaining 2004 fuel requirements with petroleum call options at an average strike price of approximately \$36.50 per barrel.

"In the third quarter, we added another \$200 million of cost savings initiatives in a further effort to avoid asking our employees for wage reductions and work rule changes," said executive vice president and chief financial officer Jeff Misner. "Despite all our efforts, we remain in an uphill battle against a weak revenue environment and skyrocketing fuel prices."

Continental expects to receive approximately \$80 million from the disposition of its Orbitz holdings in the fourth quarter 2004.

The \$22 million special charge recorded in the third quarter is principally for future obligations for rent and return conditions related to three leased MD-80 aircraft that were retired during the quarter. The company also reduced approximately 675 positions during the quarter, the majority of which involved management, clerical and reservation agent positions.

Continental's seven remaining MD-80 aircraft will be retired over the next three

months, and as a result, Continental will incur a \$17 million special charge in the fourth quarter.

Continental continues to enhance its fuel efficient fleet, taking delivery of three Boeing 737-800s and installing blended winglets on 10 of its 737-800 aircraft in the third quarter. The company expects to take delivery of two additional Boeing 737-800s in the last quarter of 2004.

The airline ended the third quarter with \$1.54 billion in unrestricted cash and short-term investments.

### **Corporate Background**

Continental Airlines, the official airline of the Houston Astros and New York Yankees, is the world's sixth-largest airline with more than 3,000 daily departures throughout the Americas, Europe and Asia. Continental serves 151 domestic and 120 international destinations - more than any other airline in the world - and nearly 400 additional

points are served via SkyTeam alliance airlines. With more than 41,000 employees, the airline has hubs serving New York, Houston, Cleveland and Guam, and carries approximately 51 million passengers per year. In 2004, Continental has earned awards and critical acclaim for both its operation and its corporate culture. *FORTUNE* ranks Continental one of the 100 Best Companies to Work For in America, an honor it has earned for six consecutive years, and also ranks Continental as the top airline in its Most Admired Global Companies in 2004. The carrier won major awards at the 2004 OAG Airline of the Year Awards including "Airline of the Year," "Best Airline Based in North America" and "Best Executive/Business Class." For more company information,

visit [continental.com](http://continental.com).

Continental Airlines will conduct a regular quarterly telephone briefing today to discuss these results and the company's financial and operating outlook with the financial

community and news media at 9:30 a.m. CT/10:30 a.m. ET. To listen to a live broadcast of this briefing, go to [continental.com/company](http://continental.com/company).

This press release may contain 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 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 2003 10-K and its 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 growth of low cost carriers, 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 revenue-generating and cost-reducing initiatives discussed in this press release, some of which will depend, among other matters, on customer acceptance and competitor actions. 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.

The financial statement deconsolidation of ExpressJet in November 2003 affects the comparability of quarter-to-quarter financial results in all line items except passenger revenue. Post-deconsolidation, Continental's proportionate share of ExpressJet's net income is reflected in equity in the income of affiliates. Payments made to ExpressJet under Continental's capacity purchase agreement, previously eliminated in consolidation, are reported in ExpressJet capacity purchase, net, in 2004. See the attached table "ExpressJet Deconsolidation Impact" for a year-over-year comparison of individual items excluding the impact of ExpressJet deconsolidation.

-tables attached-

## CONTINENTAL AIRLINES, INC. AND SUBSIDIARIES

### FINANCIAL SUMMARY

(In millions of dollars, except per share data)

(Unaudited)

|  | Three Months<br>Ended September 30, |              | Increase/<br>(Decrease) |
|--|-------------------------------------|--------------|-------------------------|
|  | <u>2004</u>                         | <u>2003</u>  | <u>(Decrease)</u>       |
| Operating Revenue:   |                                     |              |                         |
| Passenger (excluding fees and taxes of \$280 and \$228) (a)                  | \$2,377                             | \$2,186      | 8.7 %                   |
| Cargo, mail and other  | <u>187</u>                          | <u>179</u>   | 4.5 %                   |
|  | <u>2,564</u>                        | <u>2,365</u> | 8.4 %                   |
| Operating Expenses:  |                                     |              |                         |
| Wages, salaries and related costs  | 703                                 | 778          | (9.6)%                  |
| Aircraft fuel and related taxes  | 414                                 | 333          | 24.3 %                  |
| ExpressJet capacity purchase, net  | 347                                 | -            | NM                      |
| Aircraft rentals   | 224                                 | 225          | (0.4)%                  |
| Landing fees and other rentals   | 169                                 | 165          | 2.4 %                   |
| Commissions, booking fees, credit card discount and other distribution costs | 139                                 | 131          | 6.1 %                   |
| Maintenance, materials and repairs   | 107                                 | 135          | (20.7)%                 |
| Depreciation and amortization  | 104                                 | 110          | (5.5)%                  |
| Passenger servicing  | 84                                  | 81           | 3.7 %                   |
| Special charges (b)  | 22                                  | -            | NM                      |
| Other  | <u>227</u>                          | <u>233</u>   | (2.6)%                  |
|  | <u>2,540</u>                        | <u>2,191</u> | 15.9 %                  |
| Operating Income   | <u>24</u>                           | <u>174</u>   | (86.2)%                 |
| Nonoperating Income (Expense):   |                                     |              |                         |
| Interest expense   | (97)                                | (100)        | (3.0)%                  |
| Interest capitalized   | 3                                   | 6            | (50.0)%                 |
| Interest income  | 8                                   | 5            | 60.0 %                  |
| Equity in the income of affiliates   | 15                                  | 4            | NM                      |
| Gain on dispositions of ExpressJet Holdings shares                           | -                                   | 173          | NM                      |
| Other, net   | <u>31</u>                           | <u>(1)</u>   | NM                      |
|  | <u>(40)</u>                         | <u>87</u>    | NM                      |
| Income (Loss) before Income Taxes and Minority Interest                      | (16)                                | 261          | NM                      |
| Income Tax Expense (c)   | -                                   | (113)        | NM                      |

|                                   |                 |                |         |
|-----------------------------------|-----------------|----------------|---------|
| Minority Interest                 | <u>—</u>        | <u>—(15)</u>   | NM      |
| Net Income (Loss)                 | <u>\$_(16)</u>  | <u>\$ 133</u>  | NM      |
| Basic Earnings (Loss) per Share   | <u>\$(0.24)</u> | <u>\$ 2.04</u> | NM      |
| Diluted Earnings (Loss) per Share | <u>\$(0.24)</u> | <u>\$ 1.83</u> | NM      |
| Shares used for computation:      |                 |                |         |
| Basic                             | 66.3            | 65.4           | 1.4 %   |
| Diluted                           | 66.3            | 74.6           | (11.1)% |

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

b. During the third quarter of 2004, the company recorded special charges of \$22 million primarily related to the retirement of three leased MD-80 aircraft.

c. Due to continued losses, the company was required to provide valuation allowances on deferred tax assets recorded on losses beginning with the third quarter of 2004. As a result, the company's third quarter net loss was not reduced by any tax benefits.

Note: 2003 amounts include the consolidation of ExpressJet while 2004 does not.

## CONTINENTAL AIRLINES, INC. AND SUBSIDIARIES

### FINANCIAL SUMMARY

(In millions of dollars, except per share data)

(Unaudited)

|  | Nine Months<br>Ended September 30, |              | Increase/<br>(Decrease) |
|--|------------------------------------|--------------|-------------------------|
|  | <u>2004</u>                        | <u>2003</u>  |                         |
| Operating Revenue:   |                                    |              |                         |
| Passenger (excluding fees and taxes of \$787 and \$677) (a)                  | \$6,795                            | \$6,083      | 11.7 %                  |
| Cargo, mail and other  | <u>552</u>                         | <u>539</u>   | 2.4 %                   |
|  | <u>7,347</u>                       | <u>6,622</u> | 10.9 %                  |
| Operating Expenses:  |                                    |              |                         |
| Wages, salaries and related costs  | 2,102                              | 2,319        | (9.4)%                  |
| Aircraft fuel and related taxes  | 1,134                              | 1,013        | 11.9 %                  |
| ExpressJet capacity purchase, net  | 992                                | -            | NM                      |
| Aircraft rentals   | 666                                | 671          | (0.7)%                  |
| Landing fees and other rentals   | 488                                | 469          | 4.1 %                   |
| Commissions, booking fees, credit card discount and other distribution costs | 416                                | 396          | 5.1 %                   |
| Maintenance, materials and repairs   | 321                                | 395          | (18.7)%                 |
| Depreciation and amortization  | 312                                | 336          | (7.1)%                  |
| Passenger servicing  | 229                                | 224          | 2.2 %                   |
| Security fee reimbursement (b)   | -                                  | (176)        | NM                      |
| Special charges (c)  | 107                                | 79           | 35.4 %                  |

|   |                  |                  |         |
|---|------------------|------------------|---------|
| Other   | <u>648</u>       | <u>708</u>       | (8.5)%  |
|   | <u>7,415</u>     | <u>6,434</u>     | 15.2 %  |
| Operating Income (Loss)                                 | <u>(68)</u>      | <u>188</u>       | NM      |
| Nonoperating Income (Expense):                          |                  |                  |         |
| Interest expense  | (292)            | (296)            | (1.4)%  |
| Interest capitalized                                    | 11               | 19               | (42.1)% |
| Interest income   | 19               | 13               | 46.2 %  |
| Equity in the income of affiliates                      | 46               | 10               | NM      |
| Gain on dispositions of ExpressJet Holdings shares      | -                | 173              | NM      |
| Other, net  | <u>50</u>        | <u>(1)</u>       | NM      |
|   | <u>(166)</u>     | <u>(82)</u>      | NM      |
| Income (Loss) before Income Taxes and Minority Interest | (234)            | 106              | NM      |
| Income Tax Benefit (Expense)                            | 77               | (75)             | NM      |
| Minority Interest                                       | <u>-</u>         | <u>(40)</u>      | NM      |
| Net Loss  | <u>\$ (157)</u>  | <u>\$ (9)</u>    | NM      |
| Basic and Diluted Loss per Share                        | <u>\$ (2.38)</u> | <u>\$ (0.14)</u> | NM      |
| Shares used for Basic and Diluted computation           | 66.1             | 65.4             | 1.1 %   |

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

b. The Company received \$176 million for the reimbursement of security fees in the second quarter of 2003.

c. In the first nine months of 2004, the company recorded special charges of \$107 million primarily related to the retirement of twelve leased MD-80 aircraft and the termination of a services agreement. In the first nine months of 2003, the company recorded a \$65 million impairment charge associated with MD-80 fleet and spare parts associated with retired aircraft and \$14 million of expenses associated with the deferral of Boeing 737 aircraft deliveries.

Note: 2003 amounts include the consolidation of ExpressJet while 2004 does not.

## CONTINENTAL AIRLINES, INC. AND SUBSIDIARIES

### STATISTICS

|                                    | Three Months        |             | Increase/<br>(Decrease) |
|------------------------------------|---------------------|-------------|-------------------------|
|                                    | Ended September 30, |             |                         |
|                                    | <u>2004</u>         | <u>2003</u> |                         |
| <b>Mainline Operations:</b>        |                     |             |                         |
| Onboard passengers (thousands) (a) | 11,182              | 10,826      | 3.3 %                   |
| Revenue passenger miles (millions) | 17,923              | 16,436      | 9.0 %                   |
| Available seat miles (millions)    | 21,979              | 20,550      | 7.0 %                   |
| Cargo ton miles (millions)         | 250                 | 221         | 13.1 %                  |

|  |        |       |          |
|--|--------|-------|----------|
| <b>Passenger load factor:</b>  |        |       |          |
| Mainline   | 81.5%  | 80.0% | 1.5 pts. |
| Domestic   | 81.3%  | 80.1% | 1.2 pts. |
| International  | 81.8%  | 79.8% | 2.0 pts. |
|  |        |       |          |
| Passenger revenue per available seat mile (cents)                    | 8.97   | 8.94  | 0.3 %    |
| Total revenue per available seat mile (cents)                        | 9.83   | 9.79  | 0.4 %    |
| Average yield per revenue passenger mile (cents)                     | 11.00  | 11.18 | (1.6)%   |
|  |        |       |          |
| Cost per available seat mile (cents) (b)                             | 9.45   | 9.01  | 4.9 %    |
| Special charge expense per available seat mile (cents)               | 0.10   | -     | NM       |
| Cost per available seat mile, holding fuel rate constant (cents) (b) | 8.92   | 9.01  | (1.0)%   |
|  |        |       |          |
| Average price per gallon of fuel, excluding fuel taxes (cents)       | 115.78 | 81.52 | 42.0 %   |
| Average price per gallon of fuel, including fuel taxes (cents)       | 119.85 | 85.65 | 39.9 %   |
| Fuel gallons consumed (millions)                                     | 345    | 330   | 4.5 %    |
|  |        |       |          |
| Actual aircraft in fleet at end of period                            | 352    | 352   | -        |
| Average length of aircraft flight (miles)                            | 1,358  | 1,299 | 4.5 %    |
| Average daily utilization of each aircraft (hours)                   | 10:05  | 9:38  | 4.7 %    |

**Regional Operations:**

|   |       |       |          |
|---|-------|-------|----------|
| Onboard passengers (thousands) (a)                | 3,680 | 3,133 | 17.5 %   |
| Revenue passenger miles (millions)                | 1,999 | 1,605 | 24.5 %   |
| Available seat miles (millions)                   | 2,695 | 2,269 | 18.8 %   |
| Passenger load factor                             | 74.2% | 70.8% | 3.4 pts. |
| Passenger revenue per available seat mile (cents) | 15.01 | 15.33 | (2.1)%   |
| Actual aircraft in fleet at end of period         | 240   | 218   | 10.1 %   |

**Consolidated Statistics (Mainline and Regional):**

|   |        |        |           |
|---|--------|--------|-----------|
| Onboard passengers (thousands) (a)                | 14,862 | 13,959 | 6.5 %     |
| Passenger load factor                             | 80.7%  | 79.1%  | 1.6 pts.  |
| Breakeven passenger load factor (c)               | 81.4%  | 69.8%  | 11.6 pts. |
| Passenger revenue per available seat mile (cents) | 9.63   | 9.58   | 0.5 %     |

a. Revenue passengers measured by each flight segment flown.

b. Includes impact of special charges.

c. The percentage of seats that must be occupied by revenue passengers in order for us to breakeven on a net income basis. Special charges of \$22 million in the third quarter 2004 and the gain on the dispositions of ExpressJet Holdings shares of \$173 million included in the third quarter 2003 resulted in an increase (decrease) in the consolidated breakeven load factor of 0.9 and (7.3) percentage points, respectively.

## CONTINENTAL AIRLINES, INC. AND SUBSIDIARIES

### STATISTICS

|  | Nine Months<br>Ended September 30, |             | Increase/<br>(Decrease) |
|--|------------------------------------|-------------|-------------------------|
|  | <u>2004</u>                        | <u>2003</u> |                         |
| <b>Mainline Operations:</b>  |                                    |             |                         |
| Onboard passengers (thousands) (a)   | 32,119                             | 30,560      | 5.1 %                   |
| Revenue passenger miles (millions)   | 49,466                             | 44,383      | 11.5 %                  |
| Available seat miles (millions)  | 63,796                             | 58,794      | 8.5 %                   |
| Cargo ton miles (millions)   | 748                                | 679         | 10.2 %                  |
| <b>Passenger load factor:</b>  |                                    |             |                         |
| Mainline   | 77.5%                              | 75.5%       | 2.0 pts.                |
| Domestic   | 77.3%                              | 76.6%       | 0.7 pts.                |
| International  | 77.9%                              | 73.8%       | 4.1 pts.                |
| Passenger revenue per available seat mile (cents)  | 8.81                               | 8.76        | 0.6 %                   |
| Total revenue per available seat mile (cents)  | 9.68                               | 9.64        | 0.4 %                   |
| Average yield per revenue passenger mile (cents)   | 11.37                              | 11.60       | (2.0)%                  |
| Cost per available seat mile (cents) (b)   | 9.54                               | 9.30        | 2.6 %                   |
| Security fee reimbursement and fleet impairment losses and other special charges per available seat mile (cents) | 0.17                               | (0.16)      | NM                      |
| Cost per available seat mile, holding fuel rate constant (cents) (b)   | 9.21                               | 9.30        | (1.0)%                  |
| Average price per gallon of fuel, excluding fuel taxes (cents)   | 108.57                             | 87.80       | 23.7 %                  |
| Average price per gallon of fuel, including fuel taxes (cents)   | 112.64                             | 92.01       | 22.4 %                  |
| Fuel gallons consumed (millions)   | 1,007                              | 943         | 6.8 %                   |
| Actual aircraft in fleet at end of period  | 352                                | 352         | -                       |
| Average length of aircraft flight (miles)  | 1,326                              | 1,269       | 4.5 %                   |
| Average daily utilization of each aircraft (hours)   | 9:58                               | 9:20        | 6.8 %                   |
| <b>Regional Operations:</b>  |                                    |             |                         |
| Onboard passengers (thousands) (a)   | 10,110                             | 8,368       | 20.8 %                  |
| Revenue passenger miles (millions)   | 5,447                              | 4,139       | 31.6 %                  |

|   |       |       |          |
|---|-------|-------|----------|
| Available seat miles (millions)                   | 7,697 | 6,109 | 26.0 %   |
| Passenger load factor                             | 70.8% | 67.8% | 3.0 pts. |
| Passenger revenue per available seat mile (cents) | 15.22 | 15.31 | (0.6)%   |
| Actual aircraft in fleet at end of period         | 240   | 218   | 10.1 %   |

**Consolidated Statistics (Mainline and Regional):**

|   |        |        |          |
|---|--------|--------|----------|
| Onboard passengers (thousands) (a)                | 42,229 | 38,928 | 8.5 %    |
| Passenger load factor                             | 76.8%  | 74.8%  | 2.0 pts. |
| Breakeven passenger load factor (c)               | 80.0%  | 75.0%  | 5.0 pts. |
| Passenger revenue per available seat mile (cents) | 9.50   | 9.37   | 1.4 %    |

a. Revenue passengers measured by each flight segment flown.

b. Includes impact of special charges and security fee reimbursement.

c. The percentage of seats that must be occupied by revenue passengers in order for us to breakeven on a net income basis. Special charges of \$107 million in 2004 and the security fee reimbursement of \$176 million, fleet impairment losses and other special charges of \$79 million and the \$173 million gain on dispositions of ExpressJet Holdings shares in 2003 resulted in an increase (decrease) in the consolidated breakeven load factor of 1.4 and (4.2) percentage points, respectively.

- more -

**CONTINENTAL AIRLINES, INC. AND SUBSIDIARIES**

**EXPRESSJET DECONSOLIDATION IMPACT**

(In millions of dollars)

|  | <u>Components of Increase (Decrease)</u>                  |              |  |                                     |  |
|--|---|--------------|--|-------------------------------------|--|
|  | <u>As Reported</u><br>Three Months<br>Ended September 30, |              | Increase<br>(Decrease)<br>related to<br>ExpressJet | All Other<br>Increase<br>(Decrease) | % Increase/<br>(Decrease)<br>Excluding<br>ExpressJet |
|  | <u>2004</u>   | <u>2003</u>  |  |                                     |  |
| Operating Revenue:   |   |              |  |                                     |  |
| Passenger  | \$2,377   | \$2,186      | \$ -   | \$191                               | 8.7 %  |
| Cargo, mail and other  | <u>187</u>  | <u>179</u>   | <u>(1)</u>   | <u>9</u>                            | 5.1 %  |
|  | <u>2,564</u>  | <u>2,365</u> | <u>(1)</u>   | <u>200</u>                          | 8.5 %  |
| Operating Expenses:  |   |              |  |                                     |  |
| Wages, salaries and related costs  | 703   | 778          | (92)   | 17                                  | 2.5 %  |
| Aircraft fuel and related taxes  | 414   | 333          | (50)   | 131                                 | 46.3 %   |
| ExpressJet capacity purchase, net  | 347   | -            | 288  | 59                                  | 20.5 %   |
| Aircraft rentals   | 224   | 225          | -  | (1)                                 | (0.4)%   |
| Landing fees and other rentals   | 169   | 165          | (28)   | 32                                  | 23.4 %   |
| Commissions, bookings fees, credit card discounts and other distribution costs | 139   | 131          | -  | 8                                   | 6.1 %  |
| Maintenance, materials and repairs   | 107   | 135          | (33)   | 5                                   | 4.9 %  |
| Depreciation and amortization  | 104   | 110          | (5)  | (1)                                 | (1.0)%   |

|   |                |               |             |                 |         |
|---|----------------|---------------|-------------|-----------------|---------|
| Passenger servicing                                     | 84             | 81            | (3)         | 6               | 7.7 %   |
| Special charges   | 22             | -             | -           | 22              | NM      |
| Other   | <u>227</u>     | <u>233</u>    | <u>(31)</u> | <u>25</u>       | 12.4 %  |
|   | <u>2,540</u>   | <u>2,191</u>  | <u>46</u>   | <u>303</u>      | 13.5 %  |
| Operating Income  | <u>24</u>      | <u>174</u>    | <u>(47)</u> | <u>(103)</u>    | (81.1)% |
| Nonoperating Income (Expense)                           | <u>(40)</u>    | <u>87</u>     | <u>15</u>   | <u>(142)</u>    | NM      |
| Income (Loss) before Income Taxes and Minority Interest | (16)           | 261           | (32)        | (245)           | NM      |
| Income Tax Benefit (Expense)                            | -              | (113)         | 17          | 96              | NM      |
| Minority Interest                                       | <u>-</u>       | <u>(15)</u>   | <u>15</u>   | <u>-</u>        | NM      |
| Net Income (Loss)                                       | \$ <u>(16)</u> | \$ <u>133</u> | \$ <u>-</u> | \$ <u>(149)</u> | NM      |

a. Represents increase (decrease) in amounts had ExpressJet been deconsolidated in 2003 and reported using the equity method of accounting at the 53.1% ownership interest in effect at that time.

## CONTINENTAL AIRLINES, INC. AND SUBSIDIARIES

### EXPRESSJET DECONSOLIDATION IMPACT

(In millions of dollars)

|                                   | <u>Components of Increase (Decrease)</u> |                            |   |                                     |  |
|-----------------------------------|--|----------------------------|---|-------------------------------------|--|
|                                   | <u>As Reported</u>                       |                            | Increase<br>(Decrease)<br>related to<br>ExpressJet<br>Deconsolidation (a) | All Other<br>Increase<br>(Decrease) | % Increase/<br>(Decrease)<br>Excluding<br>ExpressJet |
|                                   | <u>Nine Months</u>                       | <u>Ended September 30,</u> |   |                                     |  |
|                                   | <u>2004</u>                              | <u>2003</u>                |   |                                     |  |
| Operating Revenue:                |  |                            |   |                                     |  |
| Passenger                         | \$6,795                                  | \$6,083                    | \$ -  | \$712                               | 11.7 %   |
| Cargo, mail and other             | <u>552</u>                               | <u>539</u>                 | <u>(3)</u>  | <u>16</u>                           | 3.0 %  |
|                                   | <u>7,347</u>                             | <u>6,622</u>               | <u>(3)</u>  | <u>728</u>                          | 11.0 %   |
| Operating Expenses:               |  |                            |   |                                     |  |
| Wages, salaries and related costs | 2,102                                    | 2,319                      | (261)   | 44                                  | 2.1 %  |
| Aircraft fuel and related taxes   | 1,134                                    | 1,013                      | (145)   | 266                                 | 30.6 %   |
| Depreciation and amortization     | 888                                      | 881                        | (7)   | 151                                 | 17.0 %   |
| Other                             | 1,000                                    | 1,000                      | 0   | 151                                 | 15.1 %   |
|                                   | <u>5,124</u>                             | <u>5,213</u>               | <u>(89)</u>   | <u>352</u>                          | 6.8 %  |
|                                   | <u>2,223</u>                             | <u>1,409</u>               | <u>(814)</u>  | <u>376</u>                          | 26.7 %   |

|  |                |              |              |                |        |
|--|----------------|--------------|--------------|----------------|--------|
| ExpressJet capacity purchase, net  | 992            | -            | 821          | 171            | 20.8 % |
| Aircraft rentals   | 666            | 671          | -            | (5)            | (0.7)% |
| Landing fees and other rentals   | 488            | 469          | (75)         | 94             | 23.9 % |
| Commissions, bookings fees, credit card discounts and other distribution costs | 416            | 396          | --           | 20             | 5.1 %  |
| Maintenance, materials and repairs   | 321            | 395          | (97)         | 23             | 7.7 %  |
| Depreciation and amortization  | 312            | 336          | (15)         | (9)            | (2.8)% |
| Passenger servicing  | 229            | 224          | (9)          | 14             | 6.5 %  |
| Security fee reimbursement   | -              | (176)        | 3            | 173            | NM     |
| Special charges  | 107            | 79           | -            | 28             | 35.4 % |
| Other  | <u>648</u>     | <u>708</u>   | <u>(90)</u>  | <u>30</u>      | 4.9 %  |
|  | <u>7,415</u>   | <u>6,434</u> | <u>132</u>   | <u>849</u>     | NM     |
| Operating Income (Loss)  | <u>(68)</u>    | <u>188</u>   | <u>(135)</u> | <u>(121)</u>   | NM     |
| Nonoperating Income (Expense)  | <u>(166)</u>   | <u>(82)</u>  | <u>45</u>    | <u>(129)</u>   | NM     |
| Income (Loss) before Income Taxes and Minority Interest                        | (234)          | 106          | (90)         | (250)          | NM     |
| Income Tax Benefit (Expense)   | 77             | (75)         | 50           | 102            | NM     |
| Minority Interest  | <u>-</u>       | <u>(40)</u>  | <u>40</u>    | <u>-</u>       | NM     |
| Net Loss   | <u>\$(157)</u> | <u>\$(9)</u> | <u>\$-</u>   | <u>\$(148)</u> | NM     |

a. Represents increase (decrease) in amounts had ExpressJet been deconsolidated in 2003 and reported using the equity method of accounting at the 53.1% ownership interest in effect at that time.

## CONTINENTAL AIRLINES, INC. AND SUBSIDIARIES

### NON-GAAP FINANCIAL MEASURES

| Net Income (Loss) (in millions of dollars) | Three Months Ended |             |
|--|--------------------|-------------|
|  | September 30, 2004 |             |
| Net income (loss)                          |                    | \$(16)      |
| Adjustment for special charges             |                    | <u>22</u>   |
| Net income excluding special charges (a)   |                    | <u>\$ 6</u> |

|  |               |  |  |                        |
|--|---------------|--|--|------------------------|
|  |               |  |  |                        |
| <b>Earnings (Loss) per Share</b>   |               | <b>Three Months Ended<br/>September 30, 2004</b> |  |                        |
|  |               |  |  |                        |
| Diluted loss per share   |               | \$ <u>(0.24)</u>                                 |  |                        |
|  |               |  |  |                        |
| Adjustment for special charges per share   |               | <u>0.32</u>                                      |  |                        |
|  |               |  |  |                        |
| Diluted earnings per share, excluding special charges (a)                                |               | \$ <u>0.08</u>                                   |  |                        |
|  |               |  |  |                        |
|  |               | <b>Three Months Ended<br/>September 30,</b>      |  | <b>%<br/>Increase/</b> |
| <b>CASM Mainline Operations</b>  | <u>2004</u>   | <u>2003</u>                                      |  | <b>(Decrease)</b>      |
|  |               |  |  |                        |
| Cost per available seat mile (CASM) (cents)  | 9.45          | 9.01   |  | 4.9 %                  |
|  |               |  |  |                        |
| Adjustment for special charges (cents)   | <u>(0.10)</u> | <u>-</u>   |  |                        |
|  |               |  |  |                        |
| CASM excluding special charges (cents) (a)   | 9.35          | 9.01   |  | 3.8 %                  |
|  |               |  |  |                        |
| Less: Current year fuel cost per available seat mile (cents) (b)                         | (1.88)        | -  |  |                        |
| Add: Current year fuel cost at prior year fuel price per available seat mile (cents) (b) | <u>1.35</u>   | <u>-</u>   |  |                        |
|  |               |  |  |                        |
| CASM excluding special charges and holding fuel rate constant (cents) (a) (b)            | <u>8.82</u>   | <u>9.01</u>                                      |  | (2.1)%                 |
|  |               |  |  |                        |
|  |               | <b>Nine Months Ended<br/>September 30,</b>       |  | <b>%<br/>Increase/</b> |
| <b>CASM Mainline Operations</b>  | <u>2004</u>   | <u>2003</u>                                      |  | <b>(Decrease)</b>      |
|  |               |  |  |                        |
| Cost per available seat mile (CASM) (cents)  | 9.54          | 9.30   |  | 2.6 %                  |
|  |               |  |  |                        |
| Less: Current year fuel cost per available seat mile (cents) (b)                         | (1.78)        | -  |  |                        |
| Add: Current year fuel cost at prior year fuel price per available seat mile (cents) (b) | <u>1.45</u>   | <u>-</u>   |  |                        |
|  |               |  |  |                        |
| CASM holding fuel rate constant (cents) (a)  | <u>9.21</u>   | <u>9.30</u>                                      |  | (1.0)%                 |
|  |               |  |  |                        |

- |  |  |  |
|--|--|--|
|  |  |  |
|--|--|--|
- a. These financial measures provide management and investors the ability to measure and monitor Continental's performance on a consistent basis.
  - b. Both the cost and availability of fuel are subject to many economic and political factors and are therefore beyond our control, therefore these financial measures provide management and investors the ability to measure and monitor Continental's performance on a consistent basis.

# # #



AS FILED WITH THE SEC  
Sarah Zaozirny  
Director - Investor Relations

## Investor Update

Issue Date:

October 19, 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

**Third Quarter 2004 Results:** Today Continental reported a third quarter net loss of \$16 million (\$0.24 loss per share). These results include special charges of \$22 million principally due to the retirement of three leased MD-80 aircraft during the quarter. Excluding the aircraft retirement charge, Continental achieved a net profit of \$6 million (\$0.08 earnings per share). Net income includes a \$15 million mark-to-market gain relating to the company's Orbitz holdings during the quarter.

Continental expects to report a significant loss for 2004, and unless the current environment improves, expects to record a significant loss in 2005 as well.

**\$500 Million Cost Savings Initiative Update:** Year-to-date 9/30/04 we have realized approximately \$370 million of savings related to these initiatives and are on-target to reach our goal of \$500 million set for this year.

**\$200 Million Cost Savings Initiative:** During the quarter we announced additional cost savings initiatives in an attempt to reduce the gap between revenue and expenses. These initiatives are expected to provide approximately \$125 million of pre-tax benefits in 2005 and, when fully implemented by 2007, a run-rate annual pre-tax benefit of approximately \$200 million.

**Debt and Capital Leases:** For the quarter ending 9/30/04, total Debt and Capital Leases were \$5.8 billion, of which \$5.5 billion is debt. Of the \$5.5 billion in debt, \$356 million is current.

**Fees and Taxes Remitted to Governmental Entities:** Continental supplementally discloses all fees and non-income based taxes remitted to various governmental entities that are charged on passenger tickets. Those fees and taxes totaled \$280 million in the third quarter and \$787 million for the first nine months of 2004. In the current competitive environment, substantially all of these fees and taxes are absorbed by Continental.

### Tax Sharing Agreement with ExpressJet Holdings, Inc.

During the third quarter, Continental recorded approximately \$14 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 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 the end of November is as follows:

Domestic bookings through November are averaging a couple of points ahead of last year. We expect fourth quarter domestic load factor will be up 2-3 points year-over-year (yoy).

TransAtlantic advanced bookings through the end of November are averaging several points ahead of last year. For the fourth quarter we expect load factor to be up about a point yoy on a capacity increase of about 22.5%.

Latin bookings through November are about flat with last year. We continue to see large increases in Caribbean capacity that are putting a lot of negative pressure on yields in this region. However, load factors continue to be strong and we expect our fourth quarter load factor will be up 1- 2 points yoy.

Pacific bookings outlook through November looks very strong. We expect fourth quarter load factor will improve yoy by approximately 2 pts.

Systemwide, for the fourth quarter, we currently believe we will continue to see lower yields on very strong traffic. We expect system yield will be down approximately 5% yoy for the quarter.

|   | 2004 Estimated<br><u>Year-over-Year %Change</u> |
|---|---|
| <b><u>ASMs (Available Seat Miles)</u></b> | <u>4<sup>th</sup> Qtr.(E)</u>                   |
| Domestic                                  | 0.1%  |
| Latin America                             | 9.5%  |
| Transatlantic                             | 22.5%   |
| Pacific                                   | 8.5%  |
| Total Mainline System                     | 5.9%  |
| Regional                                  | 18.0%   |
| Consolidated System                       | 7.1%  |

|   | 2005 Estimated<br><u>Year-over-Year %Change</u> |
|---|---|
| <b><u>ASMs (Available Seat Miles)</u></b> | <u>Full Year(E)</u>                             |
| Domestic                                  | 0.5%  |
| International                             | 10.5%   |
| Total Mainline System                     | 4.5%  |
| Regional                                  | 9.0%  |
| Consolidated System                       | 5.0%  |

|                           | 2004 Estimate                 |
|---------------------------|-------------------------------|
| <b><u>Load Factor</u></b> | <u>4<sup>th</sup> Qtr.(E)</u> |
| Mainline                  | 77 - 78%                      |
| Regional                  | 74 - 75%                      |

|   | <u>2004 Estimate (cents)</u>  |
|---|-------------------------------|
| <b><u>Mainline Operating Statistics</u></b>     | <u>4<sup>th</sup> Qtr.(E)</u> |
| CASM (Cost per Available Seat Mile)             | 10.01 - 10.06                 |
| Less:   |                               |
| Special items per ASM                           | 0.08                          |
| CASM Less Special Items                         | 9.93 - 9.98                   |
| Fuel Cost & Fuel Taxes per ASM                  | 2.06                          |
| CASM Less Fuel, Fuel Taxes & Special Items      | 7.87 - 7.92                   |
|   | <u>2004 Estimate (cents)</u>  |
| <b><u>Consolidated Operating Statistics</u></b> | <u>4<sup>th</sup> Qtr.(E)</u> |
| CASM  | 10.87 - 10.92                 |
| Less:   |                               |
| Special items per ASM                           | 0.07                          |
| CASM Less Special Items                         | 10.80 - 10.85                 |
| Fuel Cost & Fuel Taxes per ASM                  | 2.21                          |
| CASM less Fuel, Fuel Taxes & Special Items      | 8.59 - 8.64                   |

Consolidated is defined as mainline plus regional.

|                                     | <u>2004 Estimate</u>          |
|-------------------------------------|-------------------------------|
| <b><u>Fuel Gallons Consumed</u></b> | <u>4<sup>th</sup> Qtr.(E)</u> |

|          |             |
|----------|-------------|
| Mainline | 324 Million |
| Regional | 69 Million  |

**Fuel Price per Gallon (including fuel taxes)** \$1.32

|                      |               |                             |
|----------------------|---------------|-----------------------------|
|                      | % of Volume   | Wtd. Average                |
| <b>Fuel Hedges</b>   | <u>Hedged</u> | <u>Strike Price of Caps</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).

|                                 |                               |
|---------------------------------|-------------------------------|
| <b>Selected Expense Amounts</b> | <u>4<sup>th</sup> Qtr.(E)</u> |
| Aircraft Rent                   | \$225                         |
| Landing Fees & Other Rentals    | \$170                         |
| 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       | 2005 Estimate       |
| <b>Cash Capital Expenditures</b>     | <u>(\$Millions)</u> | <u>(\$Millions)</u> |
| Fleet & Fleet Related                | \$64                | \$50                |
| Non-Fleet                            | 85                  | 125                 |
| Rotable Parts & Capitalized Interest | <u>42</u>           | <u>35</u>           |
| Total                                | \$191               | \$210               |
| Net Purchase Deposits                | <u>(109)</u>        | <u>(40)</u>         |
| Total Cash Capital Expenditures      | \$82                | \$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             | Number of Shares |                |                         |
| <u>Earnings Level</u> | <u>Basic</u>     | <u>Diluted</u> | <u>Interest Addback</u> |
| 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          | Number of Shares |                |                         |
| <u>Earnings Level</u> | <u>Basic</u>     | <u>Diluted</u> | <u>Interest Addback</u> |
| 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.

**Fleet News**

**Continental Airlines Fleet Plan  
Includes Continental, Continental Micronesia and Continental Express  
October 19, 2004**

|   |         |                          |       |          |
|---|---------|--------------------------|-------|----------|
| Firm Commitments Less Planned Retirements |         |                          |       |          |
|   | Total   | Net Inductions and Exits |       | Total    |
| Mainline                                  | YE 2003 | 2004E                    | 2005E | YE 2005E |
| 777-200ER                                 | 18      | -                        | -     | 18       |
| 767-400ER                                 | 16      | --                       | --    | 16       |
| 767-200ER                                 | 10      | --                       | --    | 10       |

|                    |            |            |           |            |
|--------------------|------------|------------|-----------|------------|
| 757-300            | 4          | 5          | --        | 9          |
| 757-200            | 41         | --         | --        | 41         |
| 737-900            | 12         | --         | --        | 12         |
| 737-800            | 81         | 11         | 7         | 99         |
| MD-80              | 23         | (21)       | (2)       | --         |
| 737-700            | 36         | --         | --        | 36         |
| 737-300            | 51         | --         | --        | 51         |
| 737-500            | 63         | --         | --        | 63         |
| <b>Total</b>       | <b>355</b> | <b>(5)</b> | <b>5</b>  | <b>355</b> |
|                    |            |            |           |            |
| <b>Regional</b>    |            |            |           |            |
| ERJ-145XR          | 54         | 21         | 21        | 96         |
| ERJ-145            | 140        | --         | --        | 140        |
| ERJ-135            | 30         | --         | --        | 30         |
| <b>Total</b>       | <b>224</b> | <b>21</b>  | <b>21</b> | <b>266</b> |
|                    |            |            |           |            |
| <b>Total Count</b> | <b>579</b> | <b>16</b>  | <b>26</b> | <b>621</b> |

### **Reconciliation of GAAP to Non-GAAP Financial Information**

| Net Income and Diluted Earnings Per Share                | 3 <sup>rd</sup> Qtr 2004 |  |
|--|--------------------------|--|
| (in millions except per share data)                      | <u>Net Income (Loss)</u> |  |
| Net Income (Loss)  | \$ (16)                  |  |
| Items excluded:  |                          |  |
| Fleet impairment and other special charges               | <u>22</u>                |  |
| Net Income Excluding Above Items (a)                     | \$6                      |  |
| Shares   | 66.3                     |  |
| Diluted Earnings per Share,<br>Excluding Above Items (a) | \$0.08                   |  |

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

|   |                           |                 |
|---|---------------------------|-----------------|
| <b>Mainline</b>   | <u>4th Qtr. Range(E).</u> |                 |
| Operating Expenses - GAAP   | \$ 2,077                  | \$ 2,087        |
| Items Excluded  |                           |                 |
| Special Items (b)   | <u>\$ (17)</u>            | <u>\$ (17)</u>  |
| Operating Expenses - Non-GAAP   | \$ 2,060                  | \$ 2,070        |
| Aircraft Fuel & Related Taxes   | <u>\$ (428)</u>           | <u>\$ (428)</u> |
| Operating Expenses - Non GAAP   | \$ 1,632                  | \$ 1,642        |
| ASMs (millions)   | 20,747                    | 20,747          |
| CASM-GAAP (cents)   | 10.01                     | 10.06           |
| CASM Excluding Special Items (c)  | 9.93                      | 9.98            |
| CASM Excluding Fuel, Fuel Taxes & Special Items<br>- Non-GAAP (cents) (d) | 7.87                      | 7.92            |

|  |                           |                |
|--|---------------------------|----------------|
| <b>Consolidated (Mainline plus Regional)</b> | <u>4th Qtr. Range(E).</u> |                |
| Operating Expenses - GAAP                    | \$ 2,552                  | \$ 2,564       |
| Items Excluded                               |                           |                |
| Special Items (b)                            | <u>\$ (17)</u>            | <u>\$ (17)</u> |
| Operating Expenses - Non-GAAP                | \$ 2,535                  | \$ 2,547       |

|                               |                 |                 |
|-------------------------------|-----------------|-----------------|
| Aircraft Fuel & Related Taxes | <u>\$ (519)</u> | <u>\$ (519)</u> |
| Operating Expenses - Non GAAP | \$ 2,016        | \$ 2,028        |

|   |        |        |
|---|--------|--------|
| ASMs (millions)   | 23,477 | 23,477 |
| CASM-Non-GAAP (cents)   | 10.87  | 10.92  |
| CASM Excluding Special Items (c)  | 10.80  | 10.85  |
| CASM Excluding Fuel, Fuel Taxes & Special Items<br>- Non-GAAP (cents) (d) | 8.59   | 8.64   |

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

(b) Special items include \$17 million of charges during the fourth quarter of 2004 primarily relating to MD80 aircraft retirements.

(c) 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.

(d) 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 fuel price volatility. Both the cost and availability of fuel are subject to many economic and political factors and therefore are beyond our control.