

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):

August 9, 2001

CONTINENTAL AIRLINES, INC.

(Exact name of registrant as specified in its charter)

Delaware

0-09781

74-2099724

(State or other jurisdiction  
of incorporation)

(Commission File Number)

(IRS Employer  
Identification No.)

1600 Smith Street, Dept. HQSEO, Houston, Texas

77002

(Address of principal executive offices)

(Zip Code)

(713) 324-2950

(Registrant's telephone number, including area code)

Item 5. Other Events.

On July 10, 2001, the Company issued a press release which included unaudited pro forma consolidated condensed financial statements for the 2001 first quarter and full year 2000 that gave effect to the anticipated prepayment of certain debt by the Company and to a spin-off of one of the Company's subsidiaries and related matters. The Company is filing herewith unaudited pro forma consolidated condensed financial statements which include information through the 2001 second quarter.

Item 7. Financial Statements and Exhibits.

a. Exhibits

1. Pro Forma Financial Information

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.

By /s/ Jennifer L. Vogel \_\_\_\_\_

Jennifer L. Vogel

Vice President and General Counsel

August 9, 2001

EXHIBIT INDEX

1. Pro Forma Financial Information

**UNAUDITED PRO FORMA CONSOLIDATED  
CONDENSED FINANCIAL STATEMENTS**

The following unaudited pro forma consolidated condensed financial statements of Continental Airlines, Inc. are derived from the application of pro forma adjustments to our historical financial statements:

- The unaudited pro forma consolidated condensed statement of operations for the six months ended June 30, 2001 give effect to (1) the retirement of \$150 million in debt in connection with the planned initial public offering of Class A common stock of our wholly owned subsidiary, ExpressJet Holdings, Inc. (which we refer to as "Holdings"), the holder of all the capital stock of ExpressJet Airlines, Inc. (formerly known as Continental Express, Inc., which we refer to as "Express"), and (2) the subsequent 100% spin-off of Holdings, as if each of these transactions had been effective as of January 1, 2001.
- The unaudited pro forma consolidated condensed statement of operations for the year ended December 31, 2000 gives effect to (1) the retirement of \$150 million in debt in connection with the planned initial public offering of Class A common stock of Holdings, (2) the subsequent 100% spin-off of Holdings and (3) the capacity purchase arrangement which replaced our previous revenue sharing arrangement with Express and went into effect on January 1, 2001, as if each of these transactions had been effective as of January 1, 2000.
- The unaudited pro forma consolidated condensed balance sheet at June 30, 2001 has been prepared as if (1) the retirement of \$150 million in debt in connection with the planned initial public offering of Class A common stock of Holdings and (2) the subsequent 100% spin-off of Holdings had occurred on June 30, 2001.

The total net proceeds from the planned initial public offering are not currently known. Consequently, that portion of the total net proceeds in excess of the amount to be used to retire at least \$150 million of debt described above is not reflected in any of the following pro forma information.

The pro forma information is presented for illustrative purposes only and is not necessarily indicative of the operating results or financial position that would have occurred if the transactions had been consummated at the assumed dates, nor is it necessarily indicative of future results of operations.

These unaudited pro forma consolidated condensed financial statements should be read in conjunction with our audited historical financial statements and the related notes thereto, and the other information about our company filed with the Securities and Exchange Commission.

	Six Months Ended June 30, 2001				
	(in millions, except per share data)				
	<u>Actual</u>	As <u>Adjusted (A)</u>	Capacity Purchase and Other <u>Adjustments</u>		<u>Pro Forma</u>
<b>Pro Forma Consolidated Condensed Statement of Operations:</b>					
Operating revenue	\$5,008	\$4,503	\$_(98)	(B)	\$4,405
Operating expenses:					

Wages, salaries and related costs	1,558	1,457	(7) (37)	(C) (B)	1,413
Aircraft fuel	694	636	(3)	(B)	633
Aircraft rent	437	356			356
Maintenance, materials and repairs	322	253			253
Other rentals and landing fees	294	256	(1)	(B)	255
Commissions	220	220	(21)	(B)	199
Reservations and sales	252	252	(26)	(B)	226
Depreciation and amortization	216	205			205
Passenger servicing	187	180	(4)	(B)	176
Other	<u>615</u>	<u>529</u>	<u>(5)</u>	(B)	<u>524</u>
	<u>4,795</u>	<u>4,344</u>	<u>(104)</u>		<u>4,240</u>
Operating income	213	159	6		165
Interest income (expense), net	(86)	(75)	7	(D)	(68)
Other non-operating income (expense)	<u>(28)</u>	<u>(28)</u>	<u>1</u>	(B)	<u>(27)</u>
Income before income taxes	99	56	14		70
Income tax expense	(44)	(27)	(5)	(E)	(32)
Distribution on preferred securities	<u>(4)</u>	<u>(4)</u>	<u>-</u>		<u>(4)</u>
Net income	<u>\$ 51</u>	<u>\$ 25</u>	<u>\$ 9</u>		<u>\$ 34</u>
Basic earnings per share	<u>\$ 0.93</u>				<u>\$ 0.62</u>
Diluted earnings per share	<u>\$ 0.91</u>				<u>\$ 0.61</u>
Shares used in computing basic earnings per share	<u>54.6</u>				<u>54.6</u>

Shares used in computing diluted earnings per share	<u>59.9</u>				<u>55.7</u>
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	Year Ended December 31, 2000				
	(in millions, except per share data)				
	<u>Actual</u>	As <u>Adjusted (A)</u>	Capacity Purchase and Other <u>Adjustments</u>		<u>Pro Forma</u>
<b>Pro Forma Consolidated Condensed Statement of Operations:</b>					
Operating revenue	\$ <u>9,899</u>	\$ <u>9,055</u>	\$ <u>(119)</u>	(B)	\$ <u>8,936</u>
Operating expenses:					
Wages, salaries and related costs	2,875	2,719	(4)	(C)	2,715
Aircraft fuel	1,393	1,287			1,287
Aircraft rent	844	697			697
Maintenance, materials and repairs	646	530			530
Other rentals and landing fees	532	474			474
Commissions	526	489			489
Reservations and sales	455	392			392
Depreciation and amortization	402	379			379
Passenger servicing	362	339			339
Other	<u>1,135</u>	<u>985</u>	—		<u>985</u>
	<u>9,170</u>	<u>8,291</u>	<u>—(4)</u>		<u>8,287</u>
Operating income (loss)	729	764	(115)		649
Interest income (expense), net	(107)	(83)	16	(D)	(67)
Other non-operating income	<u>—(51)</u>	<u>—(51)</u>	—		<u>—(51)</u>

(expense)					
Income (loss) before income taxes	571	630	(99)		531
Income tax (expense) benefit	(222)	(242)	36	(E)	(206)
Distribution on preferred securities	___(1)	___(1)	___		___(1)
Income (loss) before extraordinary charge	348	387	(63)		324
Extraordinary charge	___(6)	___(6)	___		___(6)
Net income (loss)	\$ <u>342</u>	\$ <u>381</u>	\$ <u>(63)</u>		\$ <u>318</u>
Basic earnings per share	\$ <u>5.62</u>				\$ <u>5.24</u>
Diluted earnings per share	\$ <u>5.45</u>				\$ <u>5.08</u>
Shares used in computing basic earnings per share	<u>60.7</u>				<u>60.7</u>
Shares used in computing diluted earnings per share	<u>62.8</u>				<u>62.8</u>

#### Notes to Pro Forma Consolidated Condensed Statements of Operations:

- A. As adjusted amounts, reflect the removal of the historical consolidated financial results of Holdings and its wholly owned subsidiary, Express, as a result of the planned initial public offering and spin-off.
- B. Reflects the restatement of revenues from the historical revenue sharing arrangement between Continental Airlines and Express, which was based on a proration formula, to a fixed-fee capacity purchase arrangement whereby Continental Airlines pays fixed rates for each scheduled block hour of flight by aircraft operated by Express. These rates vary depending on the average length of Express's scheduled flights, Express's aggregate number of flights and the type of aircraft provided, and are otherwise subject to certain adjustments. The fixed rates used to determine the 2000 pro forma revenue were based on historical and expected operating costs, which had been set to provide Express with the capacity purchase arrangement's targeted margin on earnings before interest and taxes. Adjustments to expenses reflect the reclassification of certain items associated with Express's operations to revenue where the capacity purchase expenses are recorded. All amounts associated with the capacity purchase arrangement including the fixed fee payments, the revenue associated with passengers traveling a portion of their trip on Express and the expenses associated with these passengers are reflected together in revenue.
- C. Reflects the adjustment to profit sharing expense based on the pro forma, as adjusted income.
- D. Reflects the reduction in interest expense associated with the \$150 million reduction in debt and additional interest income associated with the receivable from Express.

E. Reflects the income tax effects of the pro forma adjustments.

	June 30, 2001			
	(in millions of dollars)			
	<u>Actual</u>	As <u>Adjusted (A)</u>	Other <u>Adjustments</u>	<u>Pro Forma</u>
<b>Pro Forma Consolidated</b>				
<b>Condensed Balance Sheet:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$1,008	\$ 940	\$ -	\$ 940
Accounts receivable, net	570	566		566
Spare parts and supplies, net	293	250		250
Deferred income taxes	142	76		76
Prepayments and other	<u>203</u>	<u>203</u>	—	<u>203</u>
Total current assets	2,216	2,035	-	2,035
Total property and equipment, net	5,750	5,536		5,536
Routes, gates and slots	1,056	1,043		1,043
Receivable from Express	-	552		552
Other assets	<u>474</u>	<u>473</u>	—	<u>473</u>
Total assets	<u>\$9,496</u>	<u>\$9,639</u>	\$ -	<u>\$9,639</u>
<b>Liabilities:</b>				
Current maturities of long-term debt and capital leases	\$ 372	\$ 370	\$ -	\$ 370
Accounts payable	946	928		928
Air traffic liability	1,369	1,369		1,369
Accrued other liabilities	<u>530</u>	<u>468</u>	—	<u>468</u>
Total current liabilities	3,217	3,135	-	3,135
Long-term debt and capital leases	3,724	3,716	(150) (B)	3,566
Deferred income taxes	837	837	53 (B)	890
Other long-term liabilities	224	220		220

Continental-Obigated mandatory Redeemable Preferred Securities of Subsidiary Trust Holding Solely Convertible Subordinated Debentures	243	243		243
<b>Stockholders' Equity:</b>				
Common stock	1	1		1
Additional paid-in capital	868	853		853
Retained earnings (accumulated deficit)	1,507	1,759	97 (B)	1,856
Other	(1,125)	(1,125)	—	(1,125)
Total stockholders' equity	<u>1,251</u>	<u>1,488</u>	<u>97</u>	<u>1,585</u>
Total liabilities and stockholders' equity	<u>\$9,496</u>	<u>\$9,639</u>	<u>\$ -</u>	<u>\$9,639</u>

**Notes to Pro Forma Consolidated Condensed Balance Sheet:**

- A. As adjusted amounts reflect the removal of the financial results of Holdings and its wholly owned subsidiary, Express, as a result of the planned initial public offering and spin-off.
- B. Reflects the reduction of debt associated with the proceeds from the planned initial public offering of Holdings and the related income tax effect.