

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):

July 17, 2003

CONTINENTAL AIRLINES, INC.

(Exact name of registrant as specified in its charter)

Delaware	1-10323	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 9. Regulation FD Disclosure (including Item 12 information).

On July 17, 2003, we issued a press release announcing our financial results for the second quarter of 2003 and provided a letter to investors and analysts presenting information relating to our financial and operational outlook for the remainder of 2003. The press release and letter are furnished herewith as Exhibits 99.1 and 99.2, respectively, and are incorporated herein by reference.

Pursuant to the interim guidance contained in SEC Release 34-47583, the information required by Item 12 of this report is being furnished under this Item 9.

Item 12. Results of Operations and Financial Condition.

The press release discussed under Item 9 of this report and filed as Exhibit 99.1 hereto is hereby incorporated herein by reference.

Item 7. Financial Statements and Exhibits.

a. Exhibits

1. Press Release
2. Letter to Investors and Analysts

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.

July 17, 2003

By /s/ Jennifer L. Vogel_____

Jennifer L. Vogel

Vice President, General Counsel and Secretary

EXHIBIT INDEX

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| 99.1 | Press Release |
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News Release

Contact: Corporate Communications

Houston: 713.324.5080

Email: corpcomm@coair.com

News archive: continental.com/news **Address:** P.O. Box 4607, Houston, TX 77210-4607

CONTINENTAL AIRLINES REPORTS SECOND QUARTER RESULTS

Operating income improves

HOUSTON, July 17, 2003 -- Continental Airlines (NYSE: CAL) today reported second quarter net income of \$79 million (\$1.10 diluted earnings per share) including a security fee reimbursement of \$111 million, and a special charge of \$8 million, both net of taxes. First Call consensus for the quarter, adjusted to include the security fee reimbursement and special charge, is \$.69 earnings per share.

Second quarter results were adversely impacted by the war in Iraq and Severe Acute Respiratory Syndrome (SARS), and higher year-over-year fuel costs.

Operating income for the second quarter of 2003 was \$238 million including the security fee reimbursement of \$176 million (\$111 million after taxes) and a \$14 million (\$8 million after taxes) special charge associated with the recently announced deferral of aircraft deliveries. In the second quarter of 2002, the company reported an operating loss of \$115 million that included special charges of \$164 million.

"We've improved our operating income compared to last year in spite of higher fuel costs and lower passenger revenue," said Gordon Bethune, chairman and CEO. "I believe we're doing the right things to be a survivor."

Second Quarter Revenue and Capacity Results

Second quarter passenger revenue was \$2.0 billion, 1.7 percent lower than the same period last year. The airline's second quarter mainline capacity decreased 6.8 percent compared to the second quarter of 2002, largely due to the suspension of many international flights driven by decreased demand due to the war in Iraq and SARS.

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Continental's mainline load factor in the second quarter of 2003 increased 1.2 points to 76.5 percent, compared to the same period in 2002. In June, Continental reported an all-time record mainline load factor of 81.0 percent, 2.3 points above last year's June load factor and 0.6 points above the previous record set in July 2000.

Revenue passenger miles for Continental's regional operations (Continental Express) were up 45.2 percent on a capacity increase of 35.2 percent during the second quarter of 2003, helping to offset mainline revenue decreases. Regional load factors hit an all-time record of 70.2 percent in the second quarter of 2003, up 4.8 points over the same period last year.

Continental maintained its domestic length-of-haul adjusted yield and revenue per available seat mile (RASM) premiums to the industry during the second quarter, and reported an increase in mainline RASM of 0.5 percent year-over-year. Period to period comparisons of passenger revenue, RASM and available seat miles (ASMs) by geographic region for the company's mainline and regional operations are shown below:

Increase (Decrease) in Second Quarter 2003 vs. Second Quarter 2002

Passenger Revenue RASM ASMs

Domestic (4.2)% 1.0% (5.2)%

Latin America (1.7)% 1.3% (2.9)%

Trans-Atlantic (6.7)% 2.2% (8.7)%

Pacific (31.3)% (13.9)% (20.3)%

Total Mainline (6.3)% 0.5% (6.8)%

Regional 32.2% (2.3)% 35.2%

Operational Results

For the second quarter of 2003, Continental reported a U.S. Department of Transportation (DOT) on-time arrival rate of 85.4 percent and a completion factor of 99.8 percent. Continental reported 31 days without a single flight cancellation during the quarter. During the quarter the airline broke 10 of 12 operational records and in May, also set a new all-time record for baggage performance, with a ratio of only 3.65 mishandled bags per 1,000 enplanements.

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"Despite the war in Iraq and SARS distractions, our team of professional employees continued to work together to deliver our customers the very best service in the industry," said Larry Kellner, president and chief operating officer. "Our long-term reliability continues to provide us with a revenue premium to the industry."

Continental, Delta and Northwest launched a new alliance in June, giving customers the ability to take advantage of frequent flyer programs and lounge benefits on all three carriers. In addition, Continental extended the duration and expanded the scope of its cooperative marketing agreement with KLM Royal Dutch Airlines, its primary European partner.

In June, Continental opened the first phase of its new 23-gate "Terminal E" at its largest hub, Bush Intercontinental Airport in Houston. The new facility features a spacious, modern design and conveniences for travelers, including a new selection of restaurants and shops, while giving Continental a platform for growing domestic and international service.

Continental continued to rack up multiple, record daily sales at its Web site, continental.com, as customers increasingly turn to the internet to purchase tickets, check in for flights and redeem OnePass rewards. Continental.com sales in the first half of 2003 were 70 percent higher than the first half of 2002, and are expected to exceed \$1 billion for the full year.

Continental successfully began daily nonstop service between its Houston hub and Maui, Hawaii, Ft. Walton Beach, Florida, Morelia, Mexico and Edmonton, Canada.

Second Quarter Financial Results

Continental's mainline cost per available seat mile (CASM) decreased 12.5 percent (15.1 percent decrease holding fuel rate constant) in the second quarter over the same period last year. Excluding the security fee reimbursement and fleet impairment losses and other special charges, Continental's mainline CASM holding fuel rate constant increased 1.2 percent on 6.8 percent fewer ASMs in the second quarter of 2003 compared

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to the second quarter of 2002. CASM holding fuel rate constant and excluding the security fee reimbursement, fleet impairment losses and other special charges, provides management and investors the ability to measure and monitor Continental's cost performance on a consistent basis.

Continental continues to make progress on its cost saving initiatives. The company has identified a significant portion of its \$500 million pre-tax benefits goal for 2004 and expects to realize more than \$150 million of these benefits in 2003 as its initiatives are implemented more rapidly than planned.

"We continue to focus on achieving efficiencies and savings that will result in a stable, long-term competitive cost structure," said Jeff Misner, Continental's senior vice president and chief financial officer. "Every member of the Continental team is helping to ensure the survival of our company."

Continental, in cooperation with its business partner, The Boeing Company, recently announced that it will defer firm deliveries of 36 Boeing 737 aircraft originally scheduled for delivery in 2005, 2006 and 2007, in response to continued weakness in the airline industry. As a result, Continental expects its mainline fleet to decline slightly through 2007. The airline also said that it is in discussions with Boeing regarding the terms of delivery of the 11 remaining 757-300 aircraft that Continental has on order.

Continental ended the second quarter with a record cash and short-term investments balance of more than \$1.6 billion, of which \$129 million is restricted. The company received proceeds of approximately \$400 million from five financing transactions during the quarter, including its sale of \$175 million of 5% Convertible Notes due 2023.

Corporate Background

Continental Airlines is the world's seventh-largest airline with 2,300 daily departures to 134 domestic and 92 international destinations. Continental has the broadest global route network of any U.S. airline, including extensive service throughout

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the Americas, Europe and Asia. Continental has hubs serving New York, Houston, Cleveland and Guam, and carries approximately 41 million passengers per year on the newest jet fleet among major U.S. airlines.

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 8:00 a.m. CT/9:00 a.m. ET. To listen to a live broadcast of this briefing, go to continental.com/company.

This press release 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 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 2002 10-K and its other securities filings, which identify important matters such as 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, 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.

-tables attached-

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CONTINENTAL AIRLINES, INC. AND SUBSIDIARIES

FINANCIAL SUMMARY

(In millions of dollars, except per share data)

(Unaudited)

	Three Months		Increase/
	Ended June 30,		
	<u>2003</u>	<u>2002</u>	<u>(Decrease)</u>
Operating Revenue:			
Passenger	\$2,026	\$2,062	(1.7)%
Cargo, mail and other	<u>190</u>	<u>130</u>	46.2 %
	<u>2,216</u>	<u>2,192</u>	1.1 %
Operating Expenses:			
Wages, salaries and related costs	762	746	2.1 %
Aircraft fuel	302	254	18.9 %
Aircraft rentals	224	231	(3.0)%
Landing fees and other rentals	152	160	(5.0)%
Maintenance, materials and repairs	126	119	5.9 %
Depreciation and amortization	110	112	(1.8)%
Reservations and sales	102	101	1.0 %
Passenger servicing	73	73	-
Commissions	36	57	(36.8)%
Security fee reimbursement (a)	(176)	-	NM
Fleet impairment losses and other special charges (b)	14	164	(91.5)%
Other	<u>253</u>	<u>290</u>	(12.8)%

	<u>1,978</u>	<u>2,307</u>	(14.3)%
Operating Income (Loss)	<u>238</u>	<u>(115)</u>	NM
Nonoperating Income (Expense):			
Interest expense	(93)	(91)	2.2 %
Interest capitalized	6	9	(33.3)%
Interest income	3	6	(50.0)%
Other, net	<u>8</u>	<u>(3)</u>	NM
	<u>(76)</u>	<u>(79)</u>	(3.8)%
Income (Loss) before Income Taxes and Minority Interest	162	(194)	NM
Income Tax Benefit (Provision)	(68)	65	NM
Minority Interest	(13)	(8)	62.5 %
Distributions on Preferred Securities of Trust, net of tax	<u>(2)</u>	<u>(2)</u>	-
Net Income (Loss)	<u>\$ 79</u>	<u>\$(139)</u>	NM
Basic Earnings (Loss) per Share	<u>\$1.20</u>	<u>\$(2.18)</u>	NM
Diluted Earnings (Loss) per Share	<u>\$1.10</u>	<u>\$(2.18)</u>	NM
Shares Used for Computation:			
Basic	65.4	63.8	2.5%
Diluted	74.5	63.8	16.8%

a. The Company received \$176 million associated with the reimbursement of security fees in the second quarter of 2003.

b. The second quarter of 2003 includes \$14 million of expense associated with the recently announced deferral of Boeing 737 aircraft deliveries. During the second quarter of 2002, the Company recorded fleet disposition/ impairment losses of \$152 million primarily related to the impairment and accrual of lease exit costs of its MD-80 and turboprop fleet. The Company also recorded a \$12 million charge to write down its receivable from the U.S. government related to the finalization of its grant application under the Air Transportation Safety and System Stabilization Act in the second quarter of 2002.

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CONTINENTAL AIRLINES, INC. AND SUBSIDIARIES

FINANCIAL SUMMARY

(In millions of dollars, except per share data)

(Unaudited)

	Six Months		Increase/
	Ended June 30,		
	<u>2003</u>	<u>2002</u>	<u>(Decrease)</u>
Operating Revenue:			
Passenger	\$3,898	\$3,934	(0.9)%
Cargo, mail and other	<u>360</u>	<u>252</u>	42.9 %

	<u>4,258</u>	<u>4,186</u>	1.7 %
Operating Expenses:			
Wages, salaries and related costs	1,541	1,478	4.3 %
Aircraft fuel	649	462	40.5 %
Aircraft rentals	446	459	(2.8)%
Landing fees and other rentals	304	321	(5.3)%
Maintenance, materials and repairs	260	232	12.1 %
Depreciation and amortization	226	218	3.7 %
Reservations and sales	193	203	(4.9)%
Passenger servicing	143	150	(4.7)%
Commissions	72	128	(43.8)%
Security fee reimbursement (a)	(176)	-	NM
Fleet impairment losses and other special charges (b)	79	254	(68.9)%
Other	<u>508</u>	<u>582</u>	(12.7)%
	<u>4,245</u>	<u>4,487</u>	(5.4)%
Operating Income (Loss)	<u>13</u>	<u>(301)</u>	NM
Nonoperating Income (Expense):			
Interest expense	(188)	(173)	8.7 %
Interest capitalized	13	20	(35.0)%
Interest income	8	11	(27.3)%
Other, net	<u>6</u>	<u>(4)</u>	NM
	<u>(161)</u>	<u>(146)</u>	10.3 %
Loss before Income Taxes and Minority Interest	(148)	(447)	(66.9)%
Income Tax Benefit	36	155	(76.8)%
Minority Interest	(25)	(8)	NM
Distributions on Preferred Securities of Trust, net	<u>(5)</u>	<u>(5)</u>	-
Net Loss	<u>\$(142)</u>	<u>\$(305)</u>	(53.4)%
Basic and Diluted Loss per Share	<u>\$(2.18)</u>	<u>\$(4.79)</u>	(54.5)%
Shares used for basic and diluted computation	65.3	63.7	2.5 %

a. The Company received \$176 million associated with the reimbursement of security fees in the second quarter of 2003.

b. The second quarter of 2003 includes \$14 million of expense associated with the recently announced deferral of Boeing 737 aircraft deliveries. In the first quarter of 2003, the Company recorded a \$65 million impairment charge associated with MD80 fleet and spare parts associated with grounded aircraft. The Company recorded fleet disposition/impairment losses of \$90 million during the first quarter of 2002 for the permanent grounding of its DC10-30 fleet and \$152 million during the second quarter of 2002 primarily related to the impairment and accrual of lease exit costs of its MD-80 and turboprop fleet. The Company also recorded a \$12 million charge to write down its receivable from the U.S. government related to the finalization of its grant application under the Air Transportation Safety and System Stabilization Act in the second quarter of 2002.

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CONTINENTAL AIRLINES, INC. AND SUBSIDIARIES

STATISTICS

	Three Months		Increase/
	Ended June 30,		
	<u>2003</u>	<u>2002</u>	<u>(Decrease)</u>
Mainline Operations (except as noted):			
Revenue passengers (thousands)	10,120	10,727	(5.7)%
Revenue passenger miles (millions)	14,673	15,486	(5.2)%
Available seat miles (millions)	19,168	20,573	(6.8)%
Cargo ton miles (millions)	225	224	0.4 %
Passenger load factor:			
Mainline	76.5%	75.3%	1.2 pts.
Domestic	78.3%	75.8%	2.5 pts.
International	73.8%	74.5%	(0.7) pts.
Consolidated (a)	75.9%	74.6%	1.3 pts.
Consolidated breakeven passenger load factor (a)(b)	70.1%	85.7%	(15.6) pts.
Passenger revenue per available seat mile (cents)	8.86	8.82	0.5 %
Total revenue per available seat mile (cents)	9.81	9.44	3.9 %
Average yield per revenue passenger mile (cents)	11.58	11.71	(1.1)%
Cost per available seat mile (cents)	8.67	9.91	(12.5)%
Security fee reimbursement and fleet impairment losses and other special charges per available seat mile (cents)	(0.83)	0.78	NM
Cost per available seat mile, holding fuel rate constant (cents) (c)	8.41	9.91	(15.1)%
Average price per gallon of fuel, excluding fuel taxes (cents)	83.90	68.27	22.9 %
Average price per gallon of fuel, including fuel taxes (cents)	88.10	72.34	21.8 %
Fuel gallons consumed (millions)	308	332	(7.2)%
Aircraft in fleet at end of period	358	374	(4.3)%
Average stage length	1,252	1,230	1.8 %
Regional Operations:			
Revenue passenger miles (millions)	1,456	1,003	45.2 %

Available seat miles (millions)	2,073	1,533	35.2 %
Passenger load factor	70.2%	65.4%	4.8 pts.
Aircraft in fleet at end of period	212	178	19.1 %

a. Includes regional operations.

b. The percentage of seats that must be occupied by revenue passengers in order for us to breakeven on a net income basis. The security fee reimbursement of \$176 million and fleet impairment losses and other special charges of \$14 million in the second quarter of 2003 and special charges of \$164 million in the second quarter of 2002 included in the consolidated breakeven load factor account for a decrease of 7.4 and an increase of 8.3 percentage points, respectively.

c. Cost per available seat mile holding fuel rate constant is computed by dividing operating cost by available seat miles, adjusting average fuel price per gallon for the most recent period to equal the average fuel price per gallon for the corresponding period in the prior year. This statistic provides management and investors the ability to measure and monitor Continental's cost performance on a consistent basis. Both the cost and availability of fuel are subject to many economic and political factors and are therefore beyond our control.

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CONTINENTAL AIRLINES, INC. AND SUBSIDIARIES

STATISTICS

	Six Months		Increase/
	Ended June 30,		
	<u>2003</u>	<u>2002</u>	<u>(Decrease)</u>
Mainline Operations (except as noted):			
Revenue passengers (thousands)	19,365	20,784	(6.8)%
Revenue passenger miles (millions)	27,947	29,518	(5.3)%
Available seat miles (millions)	38,244	39,525	(3.2)%
Cargo ton miles (millions)	458	432	6.0 %
Passenger load factor:			
Mainline	73.1%	74.7%	(1.6) pts.
Domestic	74.7%	74.1%	0.6 pts.
International	70.5%	75.5%	(5.0) pts.
Consolidated (a)	72.4%	73.8%	(1.4) pts.
Consolidated breakeven passenger load factor (a)(b)	77.2%	86.4%	(9.2) pts.
Passenger revenue per available seat mile (cents)	8.66	8.79	(1.5)%
Total revenue per available seat mile (cents)	9.56	9.42	1.5 %
Average yield per revenue passenger mile (cents)	11.84	11.77	0.6 %
Cost per available seat mile (cents)	9.46	10.00	(5.4)%
Security fee reimbursement and fleet impairment losses and other special charges per available seat mile (cents)	(0.24)	0.64	NM

Cost per available seat mile, holding fuel rate constant (cents) (c)	9.02	10.00	(9.8)%
Average price per gallon of fuel, excluding fuel taxes (cents)	91.17	64.37	41.6 %
Average price per gallon of fuel, including fuel taxes (cents)	95.44	68.51	39.3 %
Fuel gallons consumed (millions)	613	640	(4.2)%
Aircraft in fleet at end of period	358	374	(4.3)%
Average stage length	1,254	1,203	4.2 %

Regional Operations:

Revenue passenger miles (millions)	2,534	1,838	37.9 %
Available seat miles (millions)	3,840	2,956	29.9 %
Passenger load factor	66.0%	62.2%	3.8 pts.
Aircraft in fleet at end of period	212	178	19.1 %

a. Includes regional operations.

b. The percentage of seats that must be occupied by revenue passengers in order for us to breakeven on a net income basis. The security fee reimbursement of \$176 million and fleet impairment losses and other special charges of \$14 million in 2003 and special charges of \$254 million in 2002 included in the consolidated breakeven load factor account for a decrease of 2.3 and an increase of 6.6 percentage points, respectively.

c. Cost per available seat mile holding fuel rate constant is computed by dividing operating cost by available seat miles, adjusting average fuel price per gallon for the most recent period to equal the average fuel price per gallon for the corresponding period in the prior year. This statistic provides management and investors the ability to measure and monitor Continental's cost performance on a consistent basis. Both the cost and availability of fuel are subject to many economic and political factors and are therefore beyond our control.

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CONTINENTAL AIRLINES, INC. AND SUBSIDIARIES

NON-GAAP FINANCIAL MEASURES

	First Call	Actual	
Three Months Ended June 30, 2003:	<u>Consensus</u>	<u>Results</u>	
Diluted loss per share, excluding security fee reimbursement and fleet impairment losses and other special charges (c)	\$(0.83)	\$(0.37)	
Adjustments:			
Add: Security fee reimbursement per share	1.70	1.70	
Less: Fleet impairment losses and other special charges per share	0.13	0.13	
Less: Dilutive effect of convertible securities per share (a)	<u>0.05</u>	<u>0.10</u>	
Diluted earnings per share, including security fee reimbursement and fleet impairment losses and other special charges	\$0.69	\$1.10	

	Three Months Ended June 30,		Increase/ (Decrease)
Mainline Operations	<u>2003</u>	<u>2002</u>	(Decrease)
Cost per available seat mile (CASM) (cents)	8.67	9.91	(12.5)%
Adjustments:			
Add: Security fee reimbursement per available seat mile (cents)	0.90	-	NM
Less: Fleet impairment losses and other special charges per available seat mile (cents)	0.07	0.78	NM
Less: Current year fuel cost per available seat mile (cents) (b)	1.35	-	NM
Add: Current year fuel cost at prior year fuel price per available seat mile (cents) (b)	<u>1.09</u>	<u>-</u>	NM
CASM holding fuel rate constant and excluding security fee reimbursement and other special charges (cents) (c)	9.24	9.13	1.2%
	Six Months Ended June 30,		Increase/ (Decrease)
Mainline Operations	<u>2003</u>	<u>2002</u>	(Decrease)
Cost per available seat mile (CASM) (cents)	9.46	10.00	(5.4)%
Adjustments:			
Add: Security fee reimbursement per available seat mile (cents)	0.45	-	NM
Less: Fleet impairment losses and other special charges per available seat mile	0.21	0.64	NM
Less: Current year fuel cost per available seat mile (cents) (b)	1.47	-	NM
Add: Current year fuel cost at prior year fuel price per available seat mile (cents) (b)	<u>1.03</u>	<u>-</u>	NM
CASM holding fuel rate constant and excluding security fee reimbursement and other special charges (cents) (c)	9.26	9.36	(1.1)%

a. The loss per share calculation does not include potentially dilutive securities, as including them would be anti-dilutive. This adjustment includes the impact of using the diluted share count including potentially dilutive securities, and adjusting net income for the assumed conversion of convertible securities, as including these in an earnings per share situation is dilutive.

b. Both the cost and availability of fuel are subject to many economic and political factors and are therefore beyond our control.

c. These financial measures which exclude the security fee reimbursement and fleet impairment losses and other special charges provides management and investors the ability to measure and monitor Continental's cost performance on a consistent basis.

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**Sarah Zaozirny**

Director - Investor Relations
1600 Smith Street, HQSII
Houston, Texas 77002

July 17, 2003

Dear Investors and Analysts:

Today Continental reported second quarter net income of \$79 million (\$1.10 diluted earnings per share). These results include the government security fee reimbursement of \$111 million and a special charge of \$8 million, both net of tax. Excluding these items, Continental would have reported a net loss of \$24 million or a loss per share of \$0.37, which compares favorably to the First Call consensus loss per share of \$0.83.

On a pre-tax basis, Continental reported income of \$162 million including the government security fee reimbursement and special charge. Excluding both of these items, Continental achieved break-even results on a pre-tax basis for the quarter.

Continental ended the second quarter with approximately \$1.6 billion in cash and short-term investments, including \$129 million of restricted cash -- a record high quarter-end cash and short-term investment balance. We anticipate that we will also end third quarter 2003 with a cash and short-term investment balance of approximately \$1.6 billion.

During the second quarter 2003, Continental realized approximately \$100 million in pre-tax benefits from the announced \$400 million cost savings and revenue enhancements goal for 2003. The Company is on target to achieve the \$400 million goal for the year. In addition, Continental expects to realize more than approximately \$150 million in pre-tax benefits in 2003 related to the \$500 million pre-tax benefits goal for 2004.

Cargo, mail and other revenue came in higher than expected during the second quarter mainly due to military charter revenue. With most of the war-related operations concluded, we anticipate cargo, mail and other revenue will run about \$165-\$180 million per quarter going forward.

Domestic advanced bookings for July and August are running 3-6 points ahead of last year with capacity about flat for July/August. Trans-Atlantic bookings have come back quite strongly and we expect load factors through August will be slightly ahead of last year. With about 20% less capacity, the Pacific region continues to improve following the SARS outbreak. Latin continues to perform well with advanced bookings through August up almost 5 points year-over-year. However, while there has been some recovery in demand, there is still a lot of excess industry capacity putting pressure on yield.

Attached are updated current expectations for several operating and financial statistics for third quarter and full year 2003, including GAAP to non-GAAP reconciliations (Attachment A), as well as a copy of our current fleet plan (Attachment B).

For other information regarding Continental Airlines, please visit our website at continental.com. If you have any questions regarding this information, please do not hesitate to contact us.

Sincerely,

Sarah Zaozirny

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 revenue-generating and cost-reducing initiatives discussed herein, 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 letter.

Continental Airlines' Quarterly Update

2003 Estimated Year-over-Year %Change

ASMs	<u>3rd Qtr.(E)</u>	<u>4th Qtr.(E)</u>	<u>Full Year(E)</u>
Domestic	(2.0)%	(4.5)%	(4.0)%
Latin America	(4.0)%	(6.0)%	(2.0)%
Trans-Atlantic	(1.0)%	5.0%	1.5 %
Pacific	(6.0)%	2.0%	(4.5)%
Total Mainline	(2.3)%	(2.5)%	(2.8)%
Regional	43.0%	36.0%	35.0%

2003 Estimate

Load Factor	<u>3rd Qtr.(E)</u>	<u>Full Year(E)</u>
Mainline	80 - 81%	74 - 75%
Regional	70 - 71%	68 - 69%

2003 Estimated (cents)

Mainline Jet Operating Statistics	<u>3rd Qtr.(E)</u>	<u>Full Year(E)</u>
CASM (including special items)	9.17 - 9.26	9.40 - 9.46
Special items per ASM (a)	--	(0.12)
CASM Holding Fuel Price Constant (including special items)(b)	9.01 - 9.08	9.15 - 9.25

2003 Estimate

Fuel Gallons Consumed	<u>3rd Qtr.(E)</u>	<u>Full Year(E)</u>
Mainline	330 Million	1,250 Million
Regional	58 Million	215 Million

Fuel Price (excluding fuel taxes)	81 - 84 cents	85 - 89 cents
	% of Volume	Wtd. Average

Fuel Hedges	<u>Hedged</u>	<u>Strike Price of Caps</u>
Third Quarter	25%	\$27/Barrel
Fourth Quarter	25%	\$27/Barrel

2003 Estimated Amounts

Selected Expense Amounts	<u>3rd Qtr.(E)</u>	<u>Full Year(E)</u>
Aircraft Rent	\$225 Million	\$895 Million
Landing Fees & Other Rentals	\$165 Million	\$640 Million
Depreciation & Amortization	\$110 Million	\$450 Million
Net Interest Expense	\$85 Million	\$335 Million
Dividends on Preferred Stock of Trust	\$2.4 Million	\$9.6 Million

2003 Estimated Amounts

Cash Capital Expenditures	<u>(\$Millions)</u>
Fleet & Fleet Related	\$90
Non-Fleet	100
Rotable Parts & Capitalized Interest	<u>70</u>
Total	\$260
Net Purchase Deposits	<u>(50)</u>
	\$210

Continental Airlines, Inc. Quarterly Tax Computation

Taxes on Consolidated Profit/(Loss)	Tax Rate of 36.8%	Debit /(Credit)
Tax Related to XJT Minority Interest	XJT NI x Ownership 53% x 36.8%	Debit
Permanent Tax Differences	<u>\$ 3 Million</u>	Debit
Total Tax	Sum of the Above	

Permanent tax differences are primarily related to non-deductible per diems, meals and entertainment.

EPS Estimated Share Count

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

Third Quarter 2003 (Millions)

<u>Quarterly Earnings Level</u>	<u>Number of Shares</u>		<u>Interest Addback</u>
	<u>Basic</u>	<u>Diluted</u>	
Over \$36	65.4	74.8	\$3.6
Between \$19 - \$36	65.4	70.6	\$1.4
Between \$0 - \$19	65.4	65.6	--
Under \$0	65.4	65.4	--

Full Year 2003 (Millions)

<u>Year-to-date Earnings Level</u>	<u>Number of Shares</u>		<u>Interest Addback</u>
	<u>Basic</u>	<u>Diluted</u>	
Over \$140	65.4	74.6	\$14.2
Between \$74 - \$140	65.4	70.4	\$5.7
Under \$74	65.4	65.4	--

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

<u>(in millions except per share data)</u>	<u>2nd Qtr 2003</u>	
	<u>Net Income (Loss)</u>	<u>Net Income (Loss) before Income Taxes and Minority Interest</u>
GAAP	\$ 79	\$ 162
Items Excluded:		
Security Fee Reimbursement	(111)	(176)
Fleet Impairment Losses and Other Special Charges	8	14
Non-GAAP	\$ (24)	\$ -
Shares Used for Computation:		
Basic	65.4	
Earnings (Loss) per Share excluding Security Fee Reimbursement and Fleet Impairment Losses and Other Special Charges:	\$ (0.37)	

- Special items include a \$65 million charge during the first quarter of 2003 and a security fee reimbursement of \$173 million (excludes \$3 million related to regional operations) and a \$14 million charge associated with the deferral of aircraft deliveries in the second quarter 2003.
- Cost per available seat mile holding fuel rate constant is computed by dividing operating cost by available seat miles, adjusting average fuel price per gallon for the most recent period to equal the average fuel price per gallon for the corresponding period in the prior year. 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.

Continental Airlines Fleet Plan
Includes Continental, Continental Micronesia and Continental Express
July 17, 2003
Current Fleet Plan
(Firm Commitments Less Planned Retirements)

	Total	Net Inductions and Exits		Total
Jet	6/30/03	3Q03-4Q03E	2004E	YE 2004E
777-200ER	18	-	-	18
767-400ER	16	--	-	16
767-200ER	10	--	-	10
757-300	4	--	6 ¹	10
757-200	41	--	-	41
737-900	12	--	-	12
737-800	77	4	12	93
MD-80	25	(3)	(15)	7
737-700	36	--	-	36
737-300	56	(6)	-	50
737-500	63	--	-	63
Total	358	(5)	3	356
Regional Jet				
ERJ-145XR	42	12	21	75
ERJ-145	140	--	--	140
ERJ-135	30	--	--	30
Total	212	12	21	245
Total Count	570	7	24	601

Firm Commitments Less Planned Retirements and Other Lease Expirations

	Total	Net Inductions and Exits		Total
Jet	6/30/03	3Q03-4Q03E	2004E	YE 2004E
777-200ER	18	-	-	18
767-400ER	16	--	--	16
767-200ER	10	--	--	10
757-300	4	--	6	10
757-200	41	--	--	41
737-900	12	--	--	12
737-800	77	4	12	93
MD-80	25	(3)	(15)	7
737-700	36	--	--	36
737-300	56	(9)	(12)	35
737-500	63	--	--	63
Total	358	(8)	(9)	341
Regional Jet				
ERJ-145XR	42	12	21	75
ERJ-145	140	--	--	140
ERJ-135	30	--	--	30
Total	212	12	21	245
Total Count	570	4	12	586

¹Continental is currently in discussions with The Boeing Company regarding the terms of delivery of the 757-300 aircraft Continental has on order.