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):

January 20, 2004

## 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 12. Results of Operations and Financial Condition.

On January 20, 2004, we issued a press release announcing our financial results for the fourth quarter and the full year 2003. The press release is furnished herewith as Exhibit 99.1 and is incorporated herein by reference.

Item 9. Regulation FD Disclosure.

On January 20, 2004, we provided an update for investors and analysts presenting information relating to our financial and operational results for 2003 and our outlook for 2004. The update is furnished herewith as Exhibit 99.2 and is incorporated herein by reference.

Item 7. Financial Statements and Exhibits.

a. Exhibits

1. Press Release.

2. Update for 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.

| | |
|---|---|
| January 20, 2004 | By: /s/ Jennifer L. Vogel |
| | Jennifer L. Vogel |
| | Senior Vice President, General Counsel and Secretary |

EXHIBIT INDEX

| | |
|---|---|
| 99.1 | Press Release |
| 99.2 | Update for Investors and Analysts |

Continental Airlines

# News Release

**Contact:** Corporate Communications

**Houston:** 713.324.5080

**Email:** corpcomm@coair.com

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

## CONTINENTAL AIRLINES REPORTS

## FOURTH QUARTER AND FULL YEAR RESULTS

*Company well positioned for 2004; high fuel prices remain a challenge*

HOUSTON, Jan. 20, 2004 -- Continental Airlines (NYSE: CAL) today reported fourth quarter net income of $47 million ($0.67 diluted earnings per share). These results include additional net income of $85 million relating to special items, primarily driven by the sale of interests in Hotwire and Orbitz, as outlined in the attached table, "Summary of Special Items."

Excluding the special items, Continental's loss per share was $0.58 for the quarter, which compares favorably to the First Call mean estimate of $ 0.81 loss per share. The results, excluding special items, are a 65 percent improvement over the fourth quarter 2002 loss per share of $1.67.

Continental's net income for the full year was $38 million ($0.58 diluted earnings per share). Excluding special items ($136 million after taxes) and the government security fee reimbursement ($111 million after taxes), the net loss for the year would have been $209 million.

"Our cost reduction efforts have successfully prepared us for a tough revenue environment in 2004," said Continental's Chairman and CEO Gordon Bethune. "However, it's going to be a struggle to break even this year with persistently high fuel prices."

### Fourth Quarter Revenue and Capacity

Passenger revenue for the quarter was $2.1 billion, 8.4 percent higher than the same period last year as a result of record mainline and regional load factors. Continental's mainline load factor in the fourth quarter of 2003 was 75.5 percent, up 4.4 points over the same period in 2002. Mainline revenue passenger miles increased 6.3 percent on flat capacity compared to the fourth quarter of 2002. Mainline yields continued to be weak during the quarter, decreasing 2.1 percent year-over-year.

Revenue passenger miles for Continental's regional operations were up 51.3 percent on a capacity increase of 39.3 percent during the fourth quarter of 2003, compared to the fourth quarter of 2002. The airline's regional load factor was 70.4 percent in the fourth quarter, a 5.7 point increase over the same period in 2002.

Continental recorded an increase in mainline revenue per available seat mile (RASM) of 3.8 percent in the fourth quarter of 2003 over the same period last year, maintaining its domestic length-of-haul adjusted yield and RASM premiums to the industry. Pacific load factors in the fourth quarter improved more than 10 points year-over-year due to the negative impact last December of supertyphoon Pongsona on Micronesia results, and improved year-over-year Trans-Pacific bookings. 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 Fourth Quarter 2003 vs. Fourth Quarter 2002

| | Passenger Revenue | RASM | ASMs |
|---|---|---|---|
| Domestic | 2.4% | 2.6% | (0.2)% |
| Latin America | 1.4% | 4.5% | (3.0)% |
| Trans-Atlantic | 9.3% | 5.6% | 3.5% |
| Pacific | 12.1% | 11.6% | 0.5% |
| Total Mainline | 4.0% | 3.8% | 0.1% |
| Regional | 36.4% | (2.0)% | 39.3% |

Other revenue for the quarter includes $24 million of additional income due to a change in the expected redemption of frequent flyer mileage credits sold versus original estimates. Revenue from the sale of mileage credits is deferred and recognized when transportation is likely to be taken, based on estimates of the fair value of tickets to be redeemed.

## Operational Results

Continental continued its outstanding operational performance in 2003, with the airline reporting a record 104 days without a single flight cancellation. With passenger traffic at record levels, Continental recorded a U.S. Department of Transportation (DOT) on-time arrival rate of 82.0 percent and a completion factor of 99.2 percent for the year.

"In spite of two blizzards and record load factors, our team did an excellent job to ensure our customers had a great holiday travel experience," said Larry Kellner, Continental's president and chief operating officer. "Over the 12 day December holiday period, Continental cancelled only five of 11,982 flights."

Sales at continental.com continued on a record pace, increasing 94 percent in the fourth quarter 2003 over the same period last year. Online sales, including third party sites, accounted for 33 percent of the total segments flown in the fourth quarter.

Continental entered into alliance agreements with AeroMexico and Maersk Air of Denmark during the fourth quarter. The codeshare flights, beginning in the first quarter of 2004, will simplify travel by facilitating connections between Continental and each of the two carriers, providing greater choice and convenience to passengers.

Continental began interline electronic ticketing with KLM Royal Dutch Airlines and AeroMexico, allowing customers to use a single electronic ticket when their itineraries include both carriers. These two airlines join the growing list of successful interline electronic ticketing agreements Continental has with 19 airlines, including Northwest, Delta, American, United, US Airways, Alaska, Aloha and America West.

Continental received the highest overall score of all airlines surveyed in the 2003 Business Travel News Annual Airlines Survey. Continental garnered top marks in five of the 10 categories, including services/amenities, special VIP services, quality of airline communication, value of its sales manager visits and empowerment of Continental's sales representatives.

During the fourth quarter, Continental began daily nonstop service between Houston and Ciudad del Carmen, Mexico; Houston and Manzanillo, Mexico; and New York to Bridgetown, Barbados. In addition, Continental increased the frequency of its nonstop service between New York and Hong Kong, and announced that it will resume its second daily non-stop service between New York and Tel Aviv, Israel in March 2004. Continental's regional operator, Continental Express, began twice daily nonstop service linking New York with Huntsville, Alabama, and daily nonstop flights between New York and Tulsa, Oklahoma.

## Fourth Quarter Financial Results

Continental's mainline cost per available seat mile (CASM) increased 2.6 percent (0.3 percent increase holding fuel rate constant and excluding the MD-80 aircraft charge) in the fourth quarter over the same period last year. For the full year, Continental's CASM decreased 1.8 percent (0.5 percent holding fuel rate constant and excluding the security fee reimbursement and special charges) compared to 2002.

"With 2003 behind us, we've turned our focus on achieving the full $500 million of cost savings in 2004," said Jeff Misner, Continental's senior vice president and chief financial officer. "With the continued efforts of every member of the Continental team, we are confident we will be successful in aligning our costs to meet a very tough revenue environment."

Continental ceased consolidating the financial results of ExpressJet Holdings, Inc. in its financial statements as of Nov. 12, 2003 as detailed in "ExpressJet Deconsolidation Summary" on page 10.

Continental obtained financing for four 737-800 aircraft delivered in the fourth quarter 2003 and six 737-800 aircraft scheduled for delivery in 2004. Financing for five 757-300 aircraft scheduled for delivery in 2004 has also been obtained.

In conjunction with the IPO of ExpressJet, Continental and ExpressJet entered into a tax sharing agreement whereby ExpressJet may be obligated to pay Continental a portion of the tax savings associated with ExpressJet's asset step-up in basis effected with the IPO transaction. Post-deconsolidation, payments received from ExpressJet ($17 million in the fourth quarter) under the tax sharing agreement are included in other nonoperating income.

Continental ended the fourth quarter with $1.6 billion in cash and short-term investments, of which $170 million is restricted.

**2003 Achievements**

Continental's superior customer service and excellent employee relations continued to distinguish the airline from its competitors in 2003.

- For the sixth consecutive year, Continental was named one of the "100 Best Companies to Work For" by *Fortune* magazine in an independent study conducted in conjunction with the Great Place to Work Institute of San Francisco, and was again the only passenger airline on the list.
- Continental, Delta and Northwest launched a new alliance, giving customers more flights to more destinations, and reciprocal frequent flyer and lounge benefits.
- Continental reached its 2003 goal of $400 million in cost savings and revenue generating initiatives. The company also realized more than $200 million in savings related to an additional $500 million savings goal set for 2004.
- Continental completed 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. With Terminal E in full operation, Continental now has more than 100 gates at Bush Intercontinental Airport to grow its schedule of over 555 daily departures.
- During the year, Continental launched a package of special services and benefits for premium flyers including Elite Access, Elite for the Day, and No Middle Seat Guarantee. These services include "head of the line" boarding at any time during the boarding process, first-to-the carousel baggage delivery, space available first-class upgrades and guaranteed window or aisle seating.
- continental.com generated more than $1 billion in sales in 2003, an increase of 81 percent over 2002, and implemented web check-in up to 30 hours prior to flight departure for eTicketed customers traveling throughout the United States.
- Continental contributed $272 million in cash and $100 million in ExpressJet Holdings common stock to its defined benefit pension plan, exceeding its minimum pension obligation for 2003 by $283 million and bringing the plan funding to approximately 90 percent of the company's current liability.

- Continental completed the installation of eService Center self-check-in kiosks at all airports it serves in the U.S. The airline now operates 779 eService Centers in 130 U.S. airports. More than 70 percent of eligible customers bypass conventional ticket counters to use eService Centers, continental.com or curbside kiosks to check in for their flights.

- Conde Nast Traveler once again ranked Continental's premium class service above all other U.S. airlines surveyed for comfort and value in its 2003 Business Traveler Awards. The airline's BusinessFirst service has outranked all other U.S. airlines surveyed for each of the six years that Conde Nast Traveler readers have completed the survey.

## Corporate Background

Continental Airlines is the world's seventh-largest airline and has more than 2,300 daily departures. With 126 domestic and 101 international destinations, Continental has extensive service throughout the Americas, Europe and Asia. Continental has hubs serving New York, Houston, Cleveland and Guam, and carries approximately 51 million passengers per year. With 42,000 employees, Continental is one of the 100 Best Companies to Work For in America as ranked by *Fortune* magazine for the last six years. In 2003, *Fortune* ranked Continental highest among major U.S. carriers in the quality of its service and products, and No. 2 on its list of Most Admired Global Airlines. For more company information, visit 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.

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/A 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-reducin g 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-

## CONTINENTAL AIRLINES, INC. AND SUBSIDIARIES

**SUMMARY OF SPECIAL ITEMS**

**(In millions of dollars)**

| **Fourth Quarter 2003** | Income (Expense) | |
|---|---|---|
| | Pre Tax | After Tax |
| Gain on Hotwire and Orbitz investments (after related compensation expense and including adjustment to fair value of remaining investment in Orbitz) | $ 132 | $ 83 |
| Revenue adjustment for change in expected redemption of frequent flyer mileage credits sold | 24 | 15 |
| Lease exit costs for permanently grounded MD-80 aircraft | (21) | (13) |
| | $ 135 | $ 85 |

| **Full Year 2003** | Income (Expense) | |
|---|---|---|
| | Pre Tax | After Tax |

| | | |
|---|---|---|
| Gain on the sale of ExpressJet stock | $ 173 | $ 100 |
| Gain on Hotwire and Orbitz investments (after related compensation expense and including adjustment to fair value of remaining investment in Orbitz) | 132 | 83 |
| MD-80 fleet impairment loss | (65) | (41) |
| Revenue adjustment for change in expected redemption of frequent flyer mileage credits sold | 24 | 15 |
| Lease exit costs for permanently grounded MD-80 aircraft | (21) | (13) |
| Boeing 737 aircraft delivery deferral | (14) | (8) |
| | $ 229 | $ 136 |

| **Full Year 2002** | Income (Expense) | |
|---|---|---|
| | Pre Tax | After Tax |
| Lease exit costs for DC10-30, MD-80 and turboprop aircraft | $(149) | $ (94) |
| Impairment of MD-80 and turboprop aircraft | (93) | (59) |
| Write-down of U.S. government Air Transportation Safety and System Stabilization Act receivable | (12) | (8) |
| | $ (254) | $(161) |

**EXPRESSJET DECONSOLIDATION SUMMARY**

Continental ceased consolidating the financial results of ExpressJet Holdings, Inc. in its financial statements as of Nov. 12, 2003, when the combined interest held by Continental's pension plan and Continental fell below the 41 percent threshold determined in accordance with FASB Interpretation No. 46, "Consolidation of Variable Interest Entities." The deconsolidation does not affect the amount of net income reported by Continental, however, the presentation of several line items is different. Revenue, aircraft rentals, booking fees, credit card discount and sales, passenger servicing and commissions are unaffected by deconsolidation as Continental is responsible for all ticket sales and marketing of ExpressJet flights. The remaining operating expense line items and minority interest include ExpressJet amounts for the period through Nov. 12, 2003.

Post-deconsolidation, Continental's 31 percent proportionate share of ExpressJet's net income is reflected in "Equity in the income (loss) of affiliates." Payments made to ExpressJet under Continental's capacity purchase agreement are reported as "Regional capacity purchases, net."

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# CONTINENTAL AIRLINES, INC. AND SUBSIDIARIES

**FINANCIAL SUMMARY**

**(In millions of dollars, except per share data)**

**(Unaudited)**

| | Three Months Ended December 31, | | Increase/ |
|---|---|---|---|
| | 2003 | 2002 | (Decrease) |
| Operating Revenue: | | | |
| Passenger | $2,051 | $1,892 | 8.4 % |
| Cargo, mail and other (a) | 197 | 146 | 34.9 % |
| | 2,248 | 2,038 | 10.3 % |

| | | | |
|---|---|---|---|
| Operating Expenses: | | | |
| Wages, salaries and related costs | 738 | 739 | (0.1)% |
| Aircraft fuel | 290 | 285 | 1.8 % |
| Aircraft rentals | 225 | 215 | 4.7 % |
| Regional capacity purchase, net (b) | 153 | - | NM |
| Landing fees and other rentals | 151 | 149 | 1.3 % |
| Maintenance, materials and repairs | 114 | 125 | (8.8)% |
| Depreciation and amortization | 108 | 115 | (6.1)% |
| Booking fees, credit card discount and sales | 91 | 86 | 5.8 % |
| Passenger servicing | 73 | 68 | 7.4 % |
| Commissions | 38 | 37 | 2.7 % |
| Other | 230 | 275 | (16.4)% |
| Fleet impairment losses and other special charges (c) | 21 | - | NM |
| | 2,232 | 2,094 | 6.6 % |
| Operating Income (Loss) | 16 | (56) | NM |
| Nonoperating Income (Expense): | | | |
| Interest expense | (98) | (95) | 3.2 % |
| Interest capitalized | 5 | 8 | (37.5)% |
| Interest income | 6 | 6 | - |
| Equity in the income (loss) of affiliates | 13 | 4 | NM |
| Other, net (d) | 154 | (11) | NM |
| | 80 | (88) | NM |
| Income (Loss) before Income Taxes and Minority Interest | 96 | (144) | NM |
| Income Tax Benefit (Provision) | (40) | 46 | NM |
| Minority Interest | (9) | (11) | (18.2)% |
| Net Income (Loss) | $ 47 | $ (109) | NM |
| Basic Earnings (Loss) per Share | $ 0.72 | $(1.67) | NM |
| Diluted Earnings (Loss) per Share | $ 0.67 | $(1.67) | NM |
| Shares used for computation: | | | |
| Basic | 65.7 | 65.2 | 0.8 % |
| Diluted | 75.3 | 65.2 | 15.5 % |

(a) Includes $24 million of additional income for a change in the expected redemption of frequent flyer mileage credits sold.

(b) Continental ceased consolidating the financial results of ExpressJet Holdings, Inc. in its financial statements as of November 12, 2003. Payments made to ExpressJet under Continental's capacity purchase agreement, previously eliminated in consolidation, are reported in the Regional capacity purchase, net line as of November 13, 2003.

(c) Lease exit costs for permanently grounded MD-80 aircraft.

(d) Includes $132 million of gains related to sale of investments in Hotwire and Orbitz (after related compensation expense and including adjustment to fair value of remaining investment in Orbitz).

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# CONTINENTAL AIRLINES, INC. AND SUBSIDIARIES

**FINANCIAL SUMMARY**

**(In millions of dollars, except per share data)**

| | Year Ended December 31, 2003 | 2002 | Increase/ (Decrease) |
|---|---|---|---|
| Operating Revenue: | | | |
| Passenger | $8,135 | $7,862 | 3.5 % |
| Cargo, mail and other (a) | 735 | 540 | 36.1 % |
| | 8,870 | 8,402 | 5.6 % |
| Operating Expenses: | | | |
| Wages, salaries and related costs | 3,056 | 2,959 | 3.3 % |
| Aircraft fuel | 1,255 | 1,023 | 22.7 % |
| Aircraft rentals | 896 | 902 | (0.7)% |
| Landing fees and other rentals | 620 | 633 | (2.1)% |
| Maintenance, materials and repairs | 509 | 476 | 6.9 % |
| Depreciation and amortization | 444 | 444 | - |
| Booking fees, credit card discount and sales | 377 | 380 | (0.8)% |
| Passenger servicing | 297 | 296 | 0.3 % |
| Regional capacity purchase, net (b) | 153 | - | NM |
| Commissions | 148 | 212 | (30.2)% |
| Security fee reimbursement (c) | (176) | - | NM |
| Other | 988 | 1,135 | (13.0)% |
| Fleet impairment losses and other special charges (d) | 100 | 254 | (60.6)% |
| | 8,667 | 8,714 | (0.5)% |
| Operating Income (Loss) | 203 | (312) | NM |
| Nonoperating Income (Expense): | | | |
| Interest expense | (393) | (372) | 5.6 % |
| Interest capitalized | 24 | 36 | (33.3)% |

| | | | |
|---|---|---|---|
| Interest income | 19 | 24 | (20.8)% |
| Gain on dispositions of ExpressJet Holdings shares | 173 | - | NM |
| Equity in the income (loss) of affiliates | 23 | 8 | NM |
| Other, net (e) | 152 | (15) | NM |
| | (2) | (319) | NM |
| Income (Loss) before Income Taxes and Minority Interest | 201 | (631) | NM |
| Income Tax Benefit (Provision) | (114) | 208 | NM |
| Minority Interest | (49) | (28) | 75.0% |
| Net Income (Loss) | $ 38 | $ (451) | NM |
| Basic and Diluted Earnings (Loss) per Share | $ 0.58 | $ (7.02) | NM |
| Shares used for computation: | | | |
| Basic | 65.4 | 64.2 | 1.9 % |
| Diluted | 65.6 | 64.2 | 2.2 % |

a. Includes $24 million of additional income for a change in the expected redemption of frequent flyer mileage credits sold.
b. Continental ceased consolidating the financial results of ExpressJet Holdings, Inc. in its financial statements as of November 12, 2003. Payments made to ExpressJet under Continental's capacity purchase agreement, previously eliminated in consolidation, are reported in the Regional capacity purchase, net line as of November 13, 2003.

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(c) The Company received $176 million for the reimbursement of security fees in the second quarter of 2003.

(d) The Company recorded a $65 million impairment charge in the first quarter of 2003 for its MD-80 fleet and spare parts associated with grounded aircraft, a $14 million charge in the second quarter of 2003 for expense associated with the deferral of Boeing 737 aircraft deliveries and a $21 million charge in the fourth quarter of 2003 for lease exit costs for permanently grounded MD-80 aircraft. In 2002, the Company recorded $149 million of lease exit costs for DC10-30, MD-80 and turboprop aircraft, $93 million for impairment of MD-80 and turboprop aircraft, and $12 million 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.

(e) Includes $132 million of gains related to sale of investments in Hotwire and Orbitz (after related compensation expense and including adjustment to fair value of remaining investment in Orbitz).

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## CONTINENTAL AIRLINES, INC. AND SUBSIDIARIES

**STATISTICS**

| | Three Months Ended December 31, | | Increase/ |
|---|---|---|---|
| | 2003 | 2002 | (Decrease) |

**Mainline Operations (except as noted):**

| | | | |
|---|---|---|---|
| **Mainline Operations (except as noted):** | | | |
| Revenue passengers (thousands) | 9,884 | 9,651 | 2.4 % |
| Revenue passenger miles (millions) | 14,782 | 13,908 | 6.3 % |
| Available seat miles (millions) | 19,591 | 19,571 | 0.1 % |
| Cargo ton miles (millions) | 239 | 244 | (2.0)% |
| | | | |
| Passenger load factor: | | | |
| Mainline | 75.5% | 71.1% | 4.4 pts. |
| Domestic | 75.2% | 71.9% | 3.3 pts. |
| International | 75.9% | 69.7% | 6.2 pts. |
| Consolidated (a) | 74.9% | 70.6% | 4.3 pts. |
| Consolidated breakeven passenger load factor (a)(b) | 71.6% | 79.5% | (7.9) pts. |
| | | | |
| Passenger revenue per available seat mile (cents) | 8.66 | 8.34 | 3.8 % |
| Total revenue per available seat mile (cents) | 9.66 | 9.07 | 6.5 % |
| Average yield per revenue passenger mile (cents) | 11.48 | 11.73 | (2.1)% |
| | | | |
| Cost per available seat mile (cents) | 9.53 | 9.29 | 2.6 % |
| Cost per available seat mile, holding fuel rate constant (cents) (c) | 9.43 | 9.29 | 1.5 % |
| Cost per available seat mile, holding fuel rate constant and excluding special charges (cents) (c) | 9.32 | 9.29 | 0.3 % |
| | | | |
| Average price per gallon of fuel, excluding fuel taxes (cents) | 85.32 | 79.11 | 7.8 % |
| Average price per gallon of fuel, including fuel taxes (cents) | 89.57 | 83.05 | 7.9 % |
| Fuel gallons consumed (millions) | 314 | 316 | (0.6)% |
| | | | |
| Aircraft in fleet at end of period | 355 | 366 | (3.0)% |
| Average stage length | 1,274 | 1,236 | 3.1 % |
| Average utilization (hours) | 9:15 | 9:08 | 1.3 % |
| | | | |
| **Regional Operations:** | | | |
| Revenue passenger miles (millions) | 1,630 | 1,077 | 51.3 % |
| Available seat miles (millions) | 2,316 | 1,663 | 39.3 % |
| Passenger load factor | 70.4% | 64.7% | 5.7 pts. |
| Aircraft in fleet at end of period | 224 | 188 | 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 $85 million of income (detailed in the special items table above) included in the fourth quarter 2003 consolidated breakeven load factor accounted for a decrease of 6.0 percentage points.
c. Cost per available seat mile holding fuel rate constant is computed by dividing operating cost (excluding special charges, where applicable) 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**

| | Year Ended December 31, 2003 | Year Ended December 31, 2002 | Increase/ (Decrease) |
|---|---|---|---|
| **Mainline Operations (except as noted):** | | | |
| Revenue passengers (thousands) | 39,861 | 41,016 | (2.8)% |
| Revenue passenger miles (millions) | 59,165 | 59,349 | (0.3)% |
| Available seat miles (millions) | 78,385 | 80,122 | (2.2)% |
| Cargo ton miles (millions) | 917 | 908 | 1.0 % |
| Passenger load factor: | | | |
| Mainline | 75.5% | 74.1% | 1.4 pts. |
| Domestic | 76.2% | 73.8% | 2.4 pts. |
| International | 74.3% | 74.5% | (0.2) pts. |
| Consolidated (a) | 74.8% | 73.3% | 1.5 pts. |
| Consolidated breakeven passenger load factor (a)(b) | 73.7% | 82.5% | (8.8) pts. |
| Passenger revenue per available seat mile (cents) | 8.73 | 8.61 | 1.4 % |
| Total revenue per available seat mile (cents) | 9.64 | 9.27 | 4.0 % |
| Average yield per revenue passenger mile (cents) | 11.57 | 11.63 | (0.5)% |
| Cost per available seat mile (cents) | 9.36 | 9.53 | (1.8)% |
| Cost per available seat mile, holding fuel rate constant (cents) (c) | 9.08 | 9.53 | (4.7)% |
| Cost per available seat mile, holding fuel rate constant and excluding security fee reimbursement and special charges (cents) (c) | (0.16) 9.17 | 9.22 | (0.5)% |
| Average price per gallon of fuel, excluding fuel taxes (cents) | 87.18 | 69.97 | 24.6 % |
| Average price per gallon of fuel, including fuel taxes (cents) | 91.40 | 74.01 | 23.5 % |
| Fuel gallons consumed (millions) | 1,257 | 1,296 | (3.0)% |
| Aircraft in fleet at end of period | 355 | 366 | (3.0)% |
| Average stage length | 1,270 | 1,225 | 3.7 % |

| | | | |
|---|---|---|---|
| Average daily utilization (hours) | 9:19 | 9:31 | (2.1)% |
| **Regional Operations:** | | | |
| Revenue passenger miles (millions) | 5,769 | 3,952 | 46.0 % |
| Available seat miles (millions) | 8,425 | 6,219 | 35.5 % |
| Passenger load factor | 68.5% | 63.5% | 5.0 pts. |
| Aircraft in fleet at end of period | 224 | 188 | 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 $111 million and special items of $136 million in 2003 and $161 million in 2002 (detailed in the table above), included in the consolidated breakeven load factor account for a decrease of 4.5 percentage points and an increase of 3.4 percentage points, respectively.
c. Cost per available seat mile holding fuel rate constant is computed by dividing operating cost (excluding security fee reimbursement and special charges, where applicable) 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**

| | Actual | First Call |
|---|---|---|
| **EPS - Fourth Quarter 2003** | Results | Mean |
| | | |
| Diluted earnings per share | $ 0.67 | $ 0.47 |
| Adjustments: | | |
| Less: Gain on investments in Orbitz and Hotwire (after related compensation expense and including adjustment to fair value of remaining investment in Orbitz) | (1.27) | (1.27) |
| Less: Revenue adjustment for change in expected redemption of frequent flyer mileage credits sold | (0.23) | (0.23) |
| Add: Lease exit costs for permanently grounded MD-80s | 0.20 | 0.20 |
| Add: Dilutive effect of convertible securities (a) | 0.05 | 0.02 |
| | | |
| Diluted loss per share, excluding special items (b) | $(0.58) | $(0.81) |

| | Year Ended |
|---|---|
| **Net Income (in millions of dollars)** | December 31, 2003 |
| | |
| Net income | $ 38 |

| | | |
|---|---|---|
| | | |
| Adjustments (net of taxes): | | |
| Less: Government security fee reimbursement | (111) | |
| Less: Gain on the sale of ExpressJet stock | (100) | |
| Less: Gain on investments in Orbitz and Hotwire (after related compensation expense and including adjustment to fair value of remaining investment in Orbitz) | (83) | |
| Less: Revenue adjustment for change in expected redemption of frequent flyer mileage credits sold | (15) | |
| Add: MD-80 fleet impairment loss | 41 | |
| Add: Lease exit costs for permanently grounded MD-80 aircraft | 13 | |
| Add: Boeing 737 aircraft delivery deferral charge | 8 | |
| | | |
| Net income excluding government security fee reimbursement and special items (b) | $(209) | |

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## CONTINENTAL AIRLINES, INC. AND SUBSIDIARIES

**NON-GAAP FINANCIAL MEASURES (cont'd)**

| | Three Months Ended December 31, | | | | Increase/ | |
|---|---|---|---|---|---|---|
| **CASM Mainline Operations** | 2003 | | 2002 | | (Decrease) | |
| | | | | | | |
| Cost per available seat mile (CASM) (cents) | 9.53 | | 9.29 | | 2.6 % | |
| Adjustments: | | | | | | |

| | | | |
|---|---|---|---|
| Less: Lease exit costs for permanently grounded MD-80s | (0.11) | - | |
| Less: Current year fuel cost per available seat mile (cents) (c) | (1.37) | - | |
| Add: Current year fuel cost at prior year fuel price per available seat mile (cents) (c) | 1.27 | - | |
| | | | |
| CASM holding fuel rate constant and excluding special charges (cents) (b) | 9.32 | 9.29 | 0.3 % |
| | | | |

| | Year Ended December 31, | | Increase/ |
|---|---|---|---|
| **CASM Mainline Operations** | 2003 | 2002 | (Decrease) |
| | | | |
| Cost per available seat mile (CASM) (cents) | 9.36 | 9.53 | (1.8)% |
| Adjustments: | | | |
| Add (Less): Security fee reimbursement and fleet impairment losses and other special charges per available seat mile (cents) | 0.09 | (0.31) | |
| Less: Current year fuel cost per available seat mile (cents) (c) | (1.40) | - | |
| Add: Current year fuel cost at prior year fuel price per available seat mile (cents) (c) | 1.12 | - | |
| | | | |
| CASM holding fuel rate constant and excluding security fee reimbursement and special charges (cents) (b) | 9.17 | 9.22 | (0.5)% |
| | | | |
| | | | |

a. The diluted loss per share calculation excluding special items 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. These financial measures provide management and investors the ability to measure and monitor Continental's performance on a consistent basis.
c. 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

Sarah Zaozirny
Director - Investor Relations

## Investor Update    Issue Date: January 20, 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 2002 10-K/A and our 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 previously, 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.*

**Current News**

Fourth Quarter 2003 Results: Today Continental reported fourth quarter net income of $47 million ($0.67 diluted earnings per share). These results include additional net income of $85 million relating to special items as outlined in the table below. Excluding these items, Continental would have reported a net loss of $38 million for the fourth quarter or a loss per share of $0.58.

Debt and Capital Leases: At year-end 2003 our total Debt and Capital Leases were $6.0 billion, of which $5.7 billion is debt. Of the $5.7 billion in debt, $397 million is current.

2004 Non-Cash Pension Expense Estimate: $280 million

Continental/Delta Alliance: Our alliance with Delta is ramping up quicker than anticipated and delivering benefits in excess of our original estimates. We estimate that the incremental contribution from the Delta alliance for 2003 was approximately $30M.

| Summary of Special Items | 4th Qtr 2003 |
|---|---|
| (in millions except per share data) | Net Income/(Loss) |
| GAAP Income/(Loss) | $ 47 |
| Items Excluded (After Tax): | |
| Gain on Hotwire and Orbitz investments, net | 83 |
| Revenue adjustment for change in expected redemption of frequent flyer mileage credits sold | 15 |
| Lease exit costs for permanently grounded MD-80 aircraft | (13) |
| Non-GAAP Income/(Loss) | $ (38) |
| Shares Used for Computation: | 65.7 |
| Earnings (Loss) per Share excluding above items | $(0.58) |

**Tax Sharing Agreement with ExpressJet Holding, Inc.**
In conjunction with the IPO of ExpressJet, we entered into a tax-sharing agreement whereby ExpressJet will make payments to us for tax savings it may realize over a period of fifteen years attributable to certain deductions generated as a result of the structuring of its IPO. Due to the uncertainty of realization, payments received from ExpressJet are not recorded as income until received. In the fourth quarter, Continental received $17 million related to this agreement, which is included in Other Non-Operating Income or Loss on the Income Statement. Continental expects to receive approximately $40 million in 2004 and $20 million in 2005 related to the agreement.

**Targeted Cash Balance**

Continental ended the year 2003 with a cash and short-term investments balance of approximately $1.6 billion, including $170 million of restricted cash. Continental anticipates ending the first quarter 2004 with a cash and short-term investments balance of approximately $1.5 billion, including approximately $175 million of restricted cash.

**Advanced Bookings - Six Week Outlook**

Domestic bookings through February are running a point or so behind last year on about the same capacity. Despite the slight booking weakness, we expect load factors will continue to be strong, most likely in the range of 1-2 pts higher than last year in January and February. We still continue to see negative pressure on yields. Domestic yields for January and February are likely to be down slightly. March yields should be slightly up versus March 2003 which was negatively impacted by the beginning of war in Iraq. For the quarter we expect domestic yields to be about flat.

All the international regions are booked ahead or are expected to finish ahead of last year for most weeks and we expect first quarter load factors in the Transatlantic, Pacific and Latin regions to be up significantly year-over-year as last year which was negatively impacted by the countdown to, and beginning of, the war in Iraq.

| ASMs | 1st Qtr.(E) | 2nd Qtr.(E) | 3rd Qtr.(E) | 4th Qtr.(E) | Full Year(E) |
|---|---|---|---|---|---|
| | 2004 Estimated Year-over-Year %Change | | | | |
| Domestic | 6.0% | 5.0% | 2.0% | (1.0)% | 3.0% |
| Latin America | 8.0% | 9.5% | 11.0% | 7.5% | 9.0% |
| Transatlantic | 3.0% | 30.0% | 19.5% | 14.5% | 17.0% |
| Pacific | 5.0% | 24.0% | 3.0% | 1.0% | 7.5% |
| Total Mainline System | 6.0% | 11.0% | 6.5% | 3.0% | 6.5% |
| Regional | 35.5% | 26.0% | 20.0% | 17.5% | 24.0% |

| | 2004 Estimate | |
|---|---|---|
| **Load Factor** | 1st Qtr.(E) | Full Year(E) |
| Continental | 73 - 74% | 76 - 77% |
| Regional | 64 - 65% | 71 - 72% |

| | 2004 Estimate (cents) | |
|---|---|---|
| **Mainline Operating Statistics** | 1st Qtr.(E) | Full Year(E) |
| CASM | 9.58 - 9.63 | 9.30 - 9.35 |
| CASM Ex-Mainline Fuel | 8.01 - 8.06 | 7.84 -7.89 |

| | 2004 Estimate (cents) | |
|---|---|---|
| **Consolidated Operating Statistics** | 1st Qtr.(E) | Full Year(E) |
| CASM | 10.42 - 10.47 | 10.14 - 10.19 |
| CASM Ex- Mainline and Regional Fuel | 8.76 - 8.81 | 8.58 - 8.63 |

| | 2004 Estimate | |
|---|---|---|
| **Fuel Gallons Consumed** | 1st Qtr.(E) | Full Year(E) |
| Mainline | 320 Million | 1,320 Million |
| Regional | 60 Million | 265 Million |
| **Fuel Price (excluding fuel taxes)** | $0.99 - $1.01 | $0.91 - $0.95 |

**Fuel Hedges**

No fuel hedges currently in place

| | 2004 Estimated Amounts ($Millions) | |
|---|---|---|
| **Selected Expense Amounts** | 1st Qtr.(E) | Full Year(E) |
| Aircraft Rent | $220 | $905 |
| Landing Fees & Other Rentals | $155 | $635 |
| Depreciation & Amortization | $105 | $425 |
| Net Interest Expense | $85 | $345 |

| **Cash Capital Expenditures** | 2003 ($Millions) | 2004 Estimate ($Millions) |
|---|---|---|
| Fleet & Fleet Related | $93 | $90 |
| Non-Fleet | 76 | 125 |
| Rotable Parts & Capitalized Interest | 36 | 55 |
| Total | $205 | $270 |
| Net Purchase Deposits | (52) | (115) |
| | $153 | $155 |

**EPS Estimated Share Count**

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

**First Quarter 2004 (Millions)**

| Quarterly Earnings Level | Number of Shares Basic | Diluted | Interest Addback |
|---|---|---|---|
| Over $36 | 65.9 | 75.5 | $3.6 |
| Between $19 - $36 | 65.9 | 71.4 | $1.4 |

| | | | |
|---|---|---|---|
| Between $0 - $19 | 65.9 | 66.4 | - -- |
| Net Loss | 65.9 | 65.9 | - -- |

**Full Year 2004 (Millions)**

| Year-to-date | Number of Shares | | |
|---|---|---|---|
| Earnings Level | Basic | Diluted | Interest Addback |
| Over $143 | 66.1 | 76.1 | $14.2 |
| Between $76 - $143 | 66.1 | 71.9 | $5.7 |
| Between $0 - $76 | 66.1 | 66.9 | - -- |
| 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.

Proforma Expenses

The table below illustrates how operating expenses would have been reported for the fourth quarter and full year of 2003 had we deconsolidated ExpressJet financials for the entire period. We have included this information to assist in modeling Continental's 2004 financials. Please note, however, that since we owned a sufficient amount of shares to consolidate ExpressJet through November 12, 2003, we were required to consolidate the results of ExpressJet through November 12, 2003 and will not be allowed to restate prior periods in future financial statements.

| Pro Forma Expenses ($Millions) | Quarter Ending Dec 31, 2003 | Full Year 2003 |
|---|---|---|
| Wages, salaries and related costs | $694 | $2,752 |
| Aircraft fuel | 268 | 1,096 |
| Regional capacity purchase, net | 285 | 1,106 |
| Aircraft rentals | 225 | 896 |
| Landing fees and other rentals | 138 | 532 |
| Maintenance, materials and repairs | 100 | 398 |
| Depreciation and amortization | 106 | 427 |
| Booking fees, credit card discount and sales | 91 | 377 |
| Passenger servicing | 71 | 286 |
| Commissions | 38 | 148 |
| Other | 217 | 875 |

**Fleet News**

## Continental Airlines Fleet Plan
## Includes Continental, Continental Micronesia and Continental Express
## January 20, 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 | (19) | (4) | - - |
| 737-700 | 36 | - - | - - | 36 |
| 737-300 | 51 | (1) | (6) | 44 |
| 737-500 | 63 | - - | - - | 63 |
| **Total** | **355** | **(4)** | **(3)** | **348** |
| | | | | |
| Regional | | | | |
| ERJ-145XR | 54 | 21 | 21 | 96 |
| ERJ-145 | 140 | - - | - - | 140 |
| ERJ-135 | 30 | - - | - - | 30 |
| **Total** | **224** | **21** | **21** | **266** |
| | | | | |
| **Total Count** | **579** | **17** | **18** | **614** |