

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported):

September 2, 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 5. Other Events.

On September 2, 2003, we issued a press release announcing our August performance and our estimated consolidated breakeven load factor for September. On September 3, 2003, we 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 filed herewith as Exhibits 99.1 and 99.2, respectively, and are 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.

September 3, 2003

By /s/ Jennifer L. Vogel

Jennifer L. Vogel

Vice President, General Counsel

and Secretary

EXHIBIT INDEX

- | | |
|------|----------------------------------|
| 99.1 | Press Release |
| 99.2 | Letter to Investors and Analysts |



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

OPERATIONAL PERFORMANCE FOR AUGUST 2003

HOUSTON, Sept. 2, 2003 - Continental Airlines (NYSE: CAL) today reported a record August systemwide mainline load factor of 82.2 percent for August 2003, 3.1 points above last year's August load factor. In addition, the airline had a record August domestic mainline load factor of 82.2 percent, 3.6 points above August 2002, and an international mainline load factor of 82.3 percent, 2.5 points above August 2002.

During the month, Continental recorded a U.S. Department of Transportation on-time arrival rate of 79.8 percent and a systemwide completion factor of 99.7 percent for its mainline operations. Continental maintained strong reliability during the blackout, canceling only 30 flights for a 97.5 percent completion factor on Thursday, Aug. 14, and canceling only 15 flights for a 98.9 percent completion factor on Friday, Aug. 15.

"These operational results are outstanding by any standard, but our employees deserve special recognition for this performance in light of the massive power outages experienced in the northeastern United States and southeastern Canada last month," said President and COO Larry Kellner. "Our employees responded decisively to the power outages to keep Continental flying during the disruption and minimize the impact for our customers," said Kellner.

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OPERATIONAL PERFORMANCE FOR AUGUST 2003/Page 2

In August 2003, Continental flew 5.9 billion mainline revenue passenger miles (RPMs) and 7.1 billion mainline available seat miles (ASMs) systemwide, resulting in a traffic increase of 1.7 percent and a capacity decrease of 2.3 percent as compared to August 2002. Domestic mainline traffic was 3.5 billion RPMs in August 2003, up 1.9 percent from August 2002, and domestic mainline capacity was 4.2 billion ASMs, down 2.5 percent from August 2002.

Systemwide August 2003 mainline passenger revenue per available seat mile

(RASM) is estimated to have increased between 4 and 5 percent compared to August 2002. For July 2003, systemwide mainline passenger RASM increased 4.8 percent as compared to July 2002.

Continental's regional operations (Continental Express) set a record August load factor of 70.7 percent for the month, 4.3 points above last year's August load factor. Regional RPMs were 536.3 million and regional ASMs were 758.5 million in August 2003, resulting in a traffic increase of 46.3 percent and a capacity increase of 37.4 percent versus August 2002.

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 materially from those in the forward-looking statements. For examples of such risks and uncertainties, please see the risk factors set forth in the company's 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, regulatory matters and industry conditions, including the demand for air travel, the airline pricing environment and

industry capacity decisions. The company undertakes no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this press release.

OPERATIONAL PERFORMANCE FOR AUGUST 2003/Page 3

PRELIMINARY TRAFFIC RESULTS

AUGUST	2003	2002	Change
REVENUE PASSENGER MILES (000)			
Domestic	3,491,835	3,425,357	1.9 Percent
International	2,362,036	2,333,339	1.2 Percent
Transatlantic	1,118,736	1,103,642	1.4 Percent
Latin America	762,357	714,380	6.7 Percent
Pacific	480,944	515,317	(6.7) Percent
Mainline	5,853,871	5,758,696	1.7 Percent
Regional	536,251	366,568	46.3 Percent
AVAILABLE SEAT MILES (000)			
Domestic	4,249,634	4,358,739	(2.5) Percent
International	2,868,608	2,923,543	(1.9) Percent
Transatlantic	1,303,857	1,333,198	(2.2) Percent
Latin America	928,334	932,302	(0.4) Percent
Pacific	636,417	658,043	(3.3) Percent
Mainline	7,118,242	7,282,282	(2.3) Percent
Regional	758,480	551,865	37.4 Percent
PASSENGER LOAD FACTOR			
Domestic	82.2 Percent	78.6 Percent	3.6 Points
International	82.3 Percent	79.8 Percent	2.5 Points
Transatlantic	85.8 Percent	82.8 Percent	3.0 Points

Latin America	82.1 Percent	76.6 Percent	5.5 Points
Pacific	75.6 Percent	78.3 Percent	(2.7) Points
Mainline	82.2 Percent	79.1 Percent	3.1 Points
Regional	70.7 Percent	66.4 Percent	4.3 Points

CARGO REVENUE TON MILES (000)

Total	73,128	76,599	(4.5) Percent
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(more)

OPERATIONAL PERFORMANCE FOR AUGUST 2003/Page 4

YEAR-TO-DATE	2003	2002	Change
REVENUE PASSENGER MILES (000)			
Domestic	24,505,218	24,850,301	(1.4) Percent
International	15,317,535	16,129,981	(5.0) Percent
Transatlantic	6,914,839	7,130,375	(3.0) Percent
Latin America	5,447,516	5,355,733	1.7 Percent
Pacific	2,955,180	3,643,873	(18.9) Percent
Mainline	39,822,753	40,980,282	(2.8) Percent
Regional	3,655,937	2,567,220	42.4 Percent

AVAILABLE SEAT MILES (000)

Domestic	31,725,669	32,962,873	(3.8) Percent
International	20,765,562	21,021,609	(1.2) Percent
Transatlantic	9,104,469	9,018,338	1.0 Percent
Latin America	7,245,028	7,237,254	0.1 Percent
Pacific	4,416,065	4,766,017	(7.3) Percent

Mainline	52,491,231	53,984,482	(2.8) Percent
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Regional	5,385,731	4,046,647	33.1 Percent
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PASSENGER LOAD FACTOR

Domestic	77.2 Percent	75.4 Percent	1.8 Points
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International	73.8 Percent	76.7 Percent	(2.9) Points
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Transatlantic	75.9 Percent	79.1 Percent	(3.2) Points
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Latin America	75.2 Percent	74.0 Percent	1.2 Points
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Pacific	66.9 Percent	76.5 Percent	(9.6) Points
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Mainline	75.9 Percent	75.9 Percent	- Points
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Regional	67.9 Percent	63.4 Percent	4.5 Points
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CARGO REVENUE TON MILES (000)

Total	607,100	587,701	3.3 Percent
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(more)

OPERATIONAL PERFORMANCE FOR AUGUST 2003/Page 5

PRELIMINARY OPERATIONAL AND FINANCIAL RESULTS

AUGUST	2003	2002	Change
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On-Time Performance ¹	79.8%	83.3%	(3.5) Points
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Completion Factor ²	99.7%	99.9%	(0.2) Points
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YEAR-TO-DATE	2003	2002	Change
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On-Time Performance ¹	82.8%	84.6%	(1.8) Points
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Completion Factor ²	99.4%	99.8%	(0.4) Points
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July 2003 consolidated breakeven load factor³			76.4 Percent
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August 2003 estimated year-over-year RASM change **4-5 Percent**

August 2003 estimated average price per gallon of fuel,
excluding fuel taxes **82 Cents**

August 2003 estimated consolidated breakeven load factor³ **74 Percent**

August 2003 actual consolidated load factor⁴ **81.1 Percent**

September 2003 estimated consolidated breakeven load factor³ **78 Percent**

YEAR-OVER-YEAR RASM⁵	2002 vs. 2001	2002 vs. 2000
May	(6.3) Percent	(15.1) Percent
June	(5.5) Percent	(15.5) Percent
July	(4.0) Percent	(13.5) Percent
August	(2.7) Percent	(15.2) Percent
September	10.8 Percent	(17.6) Percent
October	9.3 Percent	(15.7) Percent
November	(1.7) Percent	(18.4) Percent
December	10.1 Percent	(5.7) Percent
	2003 vs. 2002	2003 vs. 2001
January	3.6 Percent	(10.9) Percent
February	(0.4) Percent	(11.3) Percent
March	(11.8) Percent	(17.4) Percent
April	(1.1) Percent	(11.3) Percent
May	2.0 Percent	(4.4) Percent
June	0.4 Percent	(5.1) Percent
July	4.8 Percent	0.6 Percent
August (estimated)	4-5 Percent	1-2 Percent

¹ Department of Transportation Arrivals within 14 minutes

² System Mileage Completion Percentage

³ Consolidated load factor (including Continental Airlines and Continental Express) needed to break even on a consolidated net income basis. Actual consolidated breakeven load factor may vary significantly from estimates depending on actual passenger revenue yields, fuel price and other factors. Month-to-date consolidated load factor information can be found on Continental's website at continental.com in the Investor Relations-Financial/Traffic Releases section.

⁴ Includes Continental Airlines and Continental Express

⁵ CAL has been releasing RASM data since May 2001

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

September 3, 2003

Dear Investors and Analysts:

Attached are updated current expectations for several operating and financial statistics for third quarter and full year 2003 (Attachment A). Please note that we have added consolidated cost per available seat mile ("CASM") to our list of forward-looking financial statistics. In addition, going forward we will report the interest paid on our 6% Convertible Preferred securities (Term Income Deferrable Equity Securities) as Interest Expense rather than Preferred Dividends of Trust due to an accounting rule change (FIN 46). We have adjusted our guidance for Net Interest Expense accordingly.

As we enter the fall, we remain cautious about the outlook for the industry. We have seen some recovery in demand, and the industry fall fare sales thus far have been less aggressive than in prior years. However, despite these improvements, excess industry capacity relative to seasonal demand and the growth of low-cost carriers are keeping downward pressure on yields. While we anticipate some year-over-year ("yoy") revenue per available seat mile ("RASM") improvement, we still expect that it will be another challenging fall and winter season.

Domestic advanced bookings for September continue to be strong and we expect load factors for the month to be up about 3 points over last year. The October domestic bookings trend indicates load factors yoy will be up about 2 points. Trans-Atlantic and Latin bookings also continue to show some strength. September/October load factors for Trans-Atlantic are expected to be up 1-2 points yoy with Latin load factors up 3-4 points yoy. Micronesia is still suffering from continued regional economic weakness and the destruction of typhoon Pongsona that hit early this year. Pacific bookings through the rest of the month indicate we should see some load factor improvements yoy in September and October.

Also of note, ExpressJet recently issued \$137.2 million of convertible debt. ExpressJet used the net proceeds to purchase 9.8 million shares of its stock from Continental thereby reducing Continental's ownership of ExpressJet from 53.1% to 44.6% (includes \$12.2 million over-allotment). Continental has contributed approximately \$127 million of the proceeds from this transaction to its employee pension plan. Year-to-date we have contributed approximately \$169 million to the pension plan, more than satisfying our minimum cash contribution due this year.

Under Financial Accounting Standards Board ("FASB") Interpretation 46, "Consolidation of Variable Interest Entities" ("FIN 46"), if an entity is determined to be a "variable interest entity", the entity must be consolidated by the "primary beneficiary". We are continuing to evaluate the impact of FIN 46. After our preliminary review, we believe that ExpressJet meets the definition of a variable interest entity and that Continental remains the primary beneficiary despite our ownership interest falling below 50%. As a result, ExpressJet will remain consolidated in Continental's financial statements with the percentage ownership change reflected in Minority Interest on the balance sheet and income statement.

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

matters and the seasonal nature of the airline business. 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)%	(1.0)%	(3.0)%
Latin America	(3.0)%	(5.5)%	(2.0)%
Trans-Atlantic	(1.0)%	2.5%	1.5 %
Pacific	(7.0)%	(0.5)%	(5.5)%
Total Mainline	(2.3)%	(1.0)%	(2.5)%
Regional	42.0%	40.5%	36.0%

2003 Estimate

Load Factor	<u>3rd Qtr.(E)</u>	<u>Full Year(E)</u>
Mainline	79 - 80%	74 - 75%
Regional	70 - 71%	67 - 68%

2003 Estimated (cents)

Mainline Operating Statistics	<u>3rd Qtr.(E)</u>	<u>Full Year(E)</u>
CASM (including special items)	9.00 - 9.05	9.37 - 9.42
Special items per ASM (a)	- -	(0.12)
CASM Holding Fuel Price Constant (including special items)(b)	8.82 - 8.87	9.08 - 9.13

2003 Estimated (cents)

Consolidated Operating Statistics	<u>3rd Qtr.(E)</u>	<u>Full Year(E)</u>
CASM (including special items)	9.58 - 9.63	9.98 - 10.03
Special items per ASM (a)	- -	(0.11)

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)	83 - 84 cents	86 - 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 (\$Millions)

Selected Expense Amounts	<u>3rd Qtr.(E)</u>	<u>Full Year(E)</u>
Aircraft Rent	\$225	\$895
Landing Fees & Other Rentals	\$165	\$635
Depreciation & Amortization	\$110	\$447
Net Interest Expense	\$90	\$345
Dividends on Preferred Stock of Trust	\$0.0	\$4.8

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	(50)
	\$210

Continental Airlines, Inc. Quarterly Tax Computation

Taxes on Consolidated Profit/(Loss)

Tax Rate of 26.8% Debit/(Credit)

Taxes on Consolidated Profit (Loss)	Tax Rate of 30.0%	Debit / (Credit)
Tax Related to XJT Minority Interest*	XJT NI x Ownership 47.6% x 36.8%	Debit
Permanent Tax Differences	\$ 3 Million	Debit
Total Tax	Sum of the Above	

*Assumes 53.1% ownership in July, 45.1% ownership in August and 44.6% ownership in September.

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)

Quarterly <u>Earnings Level</u>	Number of Shares		<u>Interest Addback</u>
	<u>Basic</u>	<u>Diluted</u>	
Over \$35	65.4	74.6	\$3.6
Between \$19 - \$35	65.4	70.5	\$1.4
Under \$19	65.4	65.4	- --

Full Year 2003 (Millions)

Year-to-date <u>Earnings Level</u>	Number of Shares		<u>Interest Addback</u>
	<u>Basic</u>	<u>Diluted</u>	
Over \$140	65.4	74.5	\$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.

- Special items include a \$65 million charge during the first quarter of 2003 and a security fee reimbursement (\$173 million related to mainline operations and an additional \$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.