

CONTINENTAL AIRLINES INC /DE/
Form 10-Q
October 21, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2009

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File Number 1-10323

CONTINENTAL AIRLINES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

74-2099724
(I.R.S. 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)

Indicate by check mark whether registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of October 20, 2009, 138,452,052 shares of Class B common stock of the registrant were outstanding.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

CONTINENTAL AIRLINES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share data) (Unaudited)
(2008 As Adjusted (Note 1))

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Operating Revenue:				
Passenger (excluding fees and taxes of \$397, \$402, \$1,121, and \$1,186, respectively)	\$2,947	\$3,760	\$8,331	\$10,633
Cargo	92	129	259	383
Other	278	267	814	755
Total Operating Revenue	3,317	4,156	9,404	11,771
Operating Expenses:				
Aircraft fuel and related taxes	881	1,807	2,507	4,722
Wages, salaries and related costs	794	765	2,358	2,197
Aircraft rentals	233	244	705	736
Landing fees and other rentals	222	225	647	643
Regional capacity purchase, net	211	247	641	838
Distribution costs	160	182	467	558
Maintenance, materials and repairs	159	152	473	478
Depreciation and amortization	124	112	353	327
Passenger services	99	113	282	315
Special charges	20	91	68	141
Other	353	370	1,050	1,105
Total Operating Expenses	3,256	4,308	9,551	12,060
Operating Income (Loss)	61	(152)	(147)	(289)
Nonoperating Income (Expense):				
Interest expense	(91)	(95)	(274)	(279)
Interest capitalized	8	8	25	25
Interest income	2	16	10	56
Gain on sale of investments	-	-	-	78
Other-than-temporary impairment losses on investments	-	-	-	(29)
Other, net	2	(27)	19	11
Total Nonoperating Income (Expense)	(79)	(98)	(220)	(138)
Loss before Income Taxes	(18)	(250)	(367)	(427)

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Income Tax Benefit	-	20	-	110
Net Loss	\$(18)	\$(230)	\$(367)	\$(317)
Basic and Diluted Loss per Share	\$(0.14)	\$(2.09)	\$(2.91)	\$(3.08)
Shares Used for Basic and Diluted Computation	132	110	126	103

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

CONTINENTAL AIRLINES, INC.
CONSOLIDATED BALANCE SHEETS
(In millions, except for share data)
(2008 As Adjusted (Note 1))

ASSETS	September 30, 2009 (Unaudited)	December 31, 2008	September 30, 2008 (Unaudited)
Current Assets:			
Cash and cash equivalents	\$ 2,313	\$ 2,165	\$ 2,411
Short-term investments	229	478	475
Total unrestricted cash, cash equivalents and short-term investments	2,542	2,643	2,886
Restricted cash, cash equivalents and short-term investments	164	190	164
Accounts receivable, net	549	453	652
Spare parts and supplies, net	245	235	311
Deferred income taxes	180	216	217
Prepayments and other	435	610	483
Total current assets	4,115	4,347	4,713
Property and Equipment:			
Owned property and equipment:			
Flight equipment	8,807	8,446	8,170
Other	1,755	1,694	1,673
Flight equipment and other	10,562	10,140	9,843
Less: Accumulated depreciation	3,444	3,229	3,061
Owned property and equipment, net	7,118	6,911	6,782
Purchase deposits for flight equipment	226	275	319
Capital leases	195	194	190
Less: Accumulated amortization	60	53	51
Capital leases, net	135	141	139
Total property and equipment, net	7,479	7,327	7,240
Routes and airport operating rights, net	794	804	785
Investment in student loan-related auction rate securities, long-term	-	-	130
Other assets, net	208	208	194
Total Assets	\$ 12,596	\$ 12,686	\$ 13,062

(continued on next page)

CONTINENTAL AIRLINES, INC.
CONSOLIDATED BALANCE SHEETS
(In millions, except for share data)
(2008 As Adjusted (Note 1))

LIABILITIES AND STOCKHOLDERS' EQUITY	September 30, 2009 (Unaudited)	December 31, 2008 (Unaudited)	September 30, 2008 (Unaudited)
Current Liabilities:			
Current maturities of long-term debt and capital leases	\$ 734	\$ 519	\$ 717
Accounts payable	911	1,021	945
Air traffic and frequent flyer liability	1,936	1,881	2,374
Accrued payroll	405	345	380
Accrued other liabilities	279	708	499
Total current liabilities	4,265	4,474	4,915
Long-Term Debt and Capital Leases	5,290	5,353	5,160
Deferred Income Taxes	180	216	217
Accrued Pension Liability	1,368	1,417	564
Accrued Retiree Medical Benefits	241	234	246
Other Liabilities	806	869	849
Commitments and Contingencies			
Stockholders' Equity:			
Class B common stock - \$.01 par, 400,000,000 shares authorized; 138,117,042, 123,264,534 and 110,243,176 issued	1	1	1
Additional paid-in capital	2,210	2,038	1,836
Retained earnings (accumulated deficit)	(527)	(160)	109
Accumulated other comprehensive loss	(1,238)	(1,756)	(835)
Total stockholders' equity	446	123	1,111
Total Liabilities and Stockholders' Equity	\$ 12,596	\$ 12,686	\$ 13,062

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

CONTINENTAL AIRLINES, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (In millions)
 (2008 As Adjusted (Note 1))

Nine Months Ended
 September 30,
 2009 2008
 (Unaudited)

Cash Flows from Operating Activities:

Net loss	\$(367)	\$(317)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	353	327
Special charges	68	141
Gain on sale of investments	-	(78)
Other-than-temporary impairment losses on investments	-	29
Stock-based compensation related to equity awards	7	13
Deferred income tax benefit	-	(110)
Other adjustments, net	35	20
Changes in operating assets and liabilities	91	(22)
Net cash provided by operating activities	187	3

Cash Flows from Investing Activities:

Capital expenditures	(301)	(281)
Aircraft purchase deposits refunded, net	42	61
Proceeds from sales of short-term investments, net	256	93
Proceeds from sales of property and equipment	46	76
Decrease (increase) in restricted cash, cash equivalents and short-term investments	26	(62)
Proceeds from sale of Copa Holdings, S.A. stock	-	149
Proceeds from sales of other long-term investments	-	22
Expenditures for airport operating rights	(22)	(109)
Other cash flows from investing activities	(3)	-
Net cash provided by (used in) investing activities	44	(51)

Cash Flows from Financing Activities:

Payments on long-term debt and capital lease obligations	(542)	(341)
Proceeds from issuance of long-term debt	295	497
Proceeds from public offering of common stock	158	162
Proceeds from issuance of common stock pursuant to stock plans	6	13
Net cash (used in) provided by financing activities	(83)	331

Net Increase in Cash and Cash Equivalents	148	
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