

Working Capital Management Project and Report

Continental Airlines
Erica Blanco

Dr. Amitava Chatterjee
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Jesse H. Jones School of Business

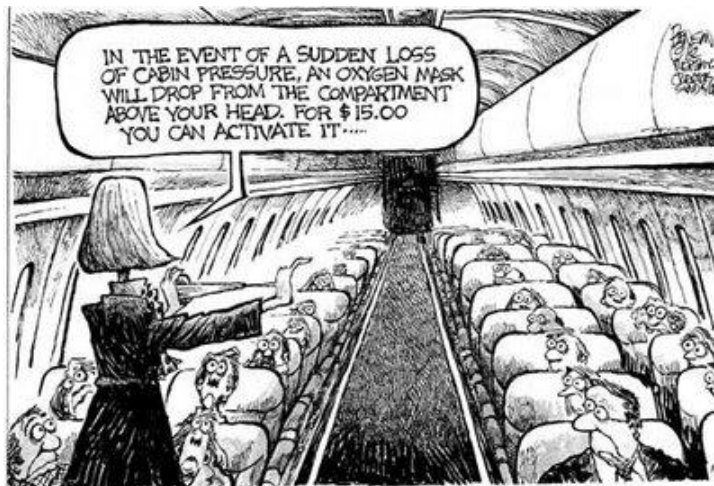
“Work Hard, Fly Right”

Abstract



The airline industry has been through several structural transformations in the past years than most industries. The economic crisis of 2008 has hit many businesses, especially the airline industry. Although Continental has been profitable, there are factors that are pressuring operations, financial results, operations, and liquidity. We will discuss research on Continental's working capital management issues based on five years of financial statements. Certain financial topics will be reviewed to analyze short-term financial issues.

Introduction



Continental is the world's fifth largest airlines when it comes to revenue per passenger miles. The business consists of transportation of passengers, cargo, and mail. Servicing since 1934 and incorporated in 1980, it has proven to maintain a strong competitor in domestic and international operations. With its well recognized name and customer service, it is able to lure customers in the recent economic crisis. The airline industry competitors are scrambling to stay afloat. Continental has announced job cuts, decreases in salaries, reduction and retirement in aircraft capacity. Since 2006, rumors that Continental and United Airlines would merge were finally realized in 2008 but Continental has since backed out of the discussions. Fuel prices have shown to have a material unfavorable effect on the industry. Fuel expenditures are airline carriers' largest cost. Continental has partnered with Boeing to become the first to try bio-jet fuel. This is an effort in the industry to find alternative fuel solutions just as other industries are researching wind, solar, and nuclear alternatives. The company has committed to capital expenditures that include new aircraft. They are advertising the newest fleet but at the same time have a high proportion of debts compared to capital. They are also at risk for credit ratings and possibility of breaching financial agreements that ultimately would affect liquidity. The company has been heavily reliant on previous years' net operating loss carryforwards that have helped them in tax purposes. However, the company will begin recording income tax expenses for 2008 which it had not done so. Continental is also under pressure due to high competition and price discounting. Competitors such as Southwest Airlines have hedged against fuel price increases and increased their financial resources. Others such as US Airways and United Airlines have recently filed for bankruptcy but have come out with lower costs than Continental. In October 2008, both Delta and Northwest Airlines legally merged and resulted in the formation of a large market share in the industry. Many economists believe that we have not reached the bottom of this recession. With the US economy slowing, Continental is in distress with consumers reducing the demand for air travel. Continental reported a third quarter 2008 net loss of \$236M. It has blamed Hurricane Ike for \$50M of this loss. Another \$63M was due to fuel hedging losses during the quarter. Continental has been able to recognize a total of \$78M in fuel hedging gains for 2008 so far. Their credit ratings by Standard & Poor's show to be a CCC+ which can harm borrowing costs and reduce financing in the future. Continental has cut 3,000 jobs this year alone and reported a third quarter net loss of \$236 million. It expects to take in more revenues now that oil prices have plummeted and see a positive outlook for forth quarter. Overall, the airlines industry's economic troubles recently have been left with an unexpectedly strong position for the forth quarter. U.S. airlines took necessary steps to cope with high jet fuel costs- charging for bags, cutting capacity, and cutbacks in flights. Now that crude oil prices have dropped more than 50%, airlines are expecting a stronger position.

Company Analysis

Ernst and Young has audited the company in accordance with the standards of PCAOB and expressed an unqualified opinion on Continental's financial reporting in 2007.



CAL-CONTINENTAL AIRLINES

As Reported Annual Balance Sheet

	12/31/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2003
Currency	USD	USD	USD	USD	USD
Auditor Status	Not Qualified	Not Qualified	Not Qualified	Not Qualified	Not Qualified
Consolidated	No	No	No	No	No
Scale	Millions	Millions	Millions	Millions	Millions
Cash & cash equivalents	2,128	2,123	1,723	1,055	999
Restricted cash	-	265	241	-	-
Restricted cash & cash equivalents	-	-	-	211	170
Short-term investments	675	361	234	403	431
Total cash, cash equivalents & short-term investments	2,803	2,749	2,198	1,669	1,600
Restricted cash	179	-	-	-	-
Accounts receivable, gross	613	589	530	494	422
Less allowance for doubtful receivables	7	7	15	22	19
Accounts receivable, net	606	582	515	472	403
Spare parts & supplies, gross	351	287	296	307	289
Less allowance for obsolescence	80	70	95	93	98
Spare parts & supplies, net	271	217	201	214	191
Deferred income taxes	259	165	154	170	157
Note receivable from ExpressJet Holdings, Inc.	-	-	18	81	67
Prepayments & other current assets	443	416	341	222	168
Total current assets	4,561	4,129	3,427	2,828	2,586
Flight equipment	7,182	6,973	6,706	6,744	6,574
Other owned property & equipment	1,548	1,430	1,372	1,262	1,195
Owned property & equipment, gross	8,730	8,403	8,078	8,006	7,769
Less: Accumulated depreciation	2,790	2,539	2,328	2,023	1,784
Owned property & equipment, net	5,940	5,864	5,750	5,983	5,985
Purchase deposits for flight equipment	414	183	101	105	225
Flight equipment - capital leases	-	-	-	-	107
Other - capital leases	-	-	-	-	297
Capital leases, gross	297	303	344	396	404

Less: Accumulated amortization	93	87	109	140	126
Capital leases, net	204	216	235	256	278
Total property & equipment, net	6,558	6,263	6,086	6,344	6,488
Routes	484	484	484	615	615
Airport operating rights, gross	584	468	468	552	552
Less: accumulated amortization - airport operating rights	362	348	335	316	293
Airport operating rights, net	222	120	133	236	259
Intangible pension asset	-	-	60	108	124
Income from other companies	69	81	112	156	173
Note receivable from ExpressJet Holdings, Inc.	-	-	-	18	126
Other assets, net	211	231	227	240	278
Total assets	12,105	11,308	10,529	10,545	10,649
Current maturities of long-term debt & capital leases	652	574	546	670	422
Accounts payable	1,013	1,076	846	766	840
Air traffic & frequent flyer liability	1,967	1,712	1,475	1,157	957
Accrued payroll	545	233	234	281	281
Accrued other liabilities	272	360	298	385	366
Total current liabilities	4,449	3,955	3,399	3,259	2,866
Secured notes	4,041	4,173	4,595	4,599	4,719
Other secured debt	38	83	-	-	-
Convertible junior subordinated debentures	248	248	248	248	-
Convertible notes	175	375	375	375	-
Unsecured notes payable	289	312	112	112	-
Unsecured senior notes payable	-	-	-	195	-
Unsecured debt	-	-	-	-	938
Capital leases	195	226	251	272	323
Other long-term debt	-	-	-	8	-
Long-term debt, including current portion	4,986	5,417	5,581	5,809	5,980
Less: Current maturities	620	558	524	642	422
Long-term debt & capital leases	4,366	4,859	5,057	5,167	5,558
Deferred income taxes	359	165	154	382	446
Accrued pension liability	534	1,149	1,078	1,132	678
Accrued retiree medical benefits	235	-	-	-	-
Other long-term liabilities	612	833	615	339	309
Class B common stock	1	1	1	1	1
Additional paid-in capital	1,606	1,370	1,635	1,408	1,401
Retained earnings (accumulated deficit)	448	(11)	406	585	948
Minimum pension liability	-	-	(680)	(584)	(408)
Unrecognized prior service cost	(225)	(237)	-	-	-
Unrecognized actuarial gains (losses)	(309)	(760)	-	-	-
Unrealized gain (loss) on derivative instruments	29	(16)	5	(3)	(9)
Accumulated other comprehensive income (loss)	(505)	(1,013)	(675)	(587)	(417)
Treasury stock, at cost	-	-	1,141	1,141	1,141
Total stockholders' equity (deficiency)	1,550	347	226	266	792

As Reported Annual Income Statement

	12/31/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2003
Currency	USD	USD	USD	USD	USD
Auditor Status	Not Qualified	Not Qualified	Not Qualified	Not Qualified	Not Qualified
Consolidated	No	No	No	No	No
Scale	Millions	Millions	Millions	Millions	Millions
Passenger revenues	12,995	12,003	10,235	8,984	8,135
Cargo revenues	453	457	-	-	-
Other operating revenues	784	668	-	-	-
Cargo, mail & other revenues	-	-	973	760	735
Total operating revenues	14,232	13,128	11,208	9,744	8,870
Aircraft fuel expenses	-	-	-	-	1,255
Aircraft fuel & related taxes	3,354	3,034	2,443	1,587	-

Wages, salaries & related costs	3,127	2,875	2,649	2,819	3,056
ExpressJet capacity purchase, net	-	-	1,572	1,351	-
Regional capacity purchase, net	1,793	1,791	-	-	-
Aircraft rentals expense	994	990	928	891	896
Landing fees & other rentals expense	790	764	708	646	620
Booking fees, credit card discount & sales expenses	-	-	-	-	377
Commission, booking, credit card & other distributions	-	-	-	552	-
Distribution costs	682	650	588	-	-
Maintenance, materials & repairs expense	621	547	455	414	509
Depreciation & amortization expenses	413	391	389	414	444
Passenger services expenses	389	356	332	306	297
Regional capacity purchase, net	-	-	-	-	153
Commissions expenses	-	-	-	-	148
Security fee reimbursement expenses	-	-	-	-	(176)
Special charges	13	27	67	121	-
Other operating expenses	1,369	1,235	1,116	872	988
Fleet impairment losses & other special charges	-	-	-	-	100
Total operating expenses	13,545	12,660	11,247	9,973	8,667
Operating income (loss)	687	468	(39)	(229)	203
Interest expense	383	401	410	389	393
Interest capitalized	27	18	12	14	24
Interest income	160	131	72	29	19
Income from other companies	18	61	90	118	23
Gain on sale of Copa Holdings, S.A. shares	37	92	106	-	-
Gain on dispositions of ExpressJet Holdings, Inc. shares	-	-	98	-	173
Other income (expense), net	20	-	3	17	152
Total nonoperating income (expense)	(121)	(99)	(29)	(211)	(2)
Income (loss) before income taxes	566	369	(68)	(440)	201
Federal income taxes expense (benefit) - current	3	1	-	-	7
Federal income taxes expense (benefit) - deferred	198	132	5	(143)	94
State income taxes expense (benefit) - current	2	(2)	-	-	5
State income taxes expense (benefit) - deferred	17	10	3	(13)	7
Foreign income taxes expense (benefit) - current	1	1	-	-	1
Foreign income taxes expense (benefit) - deferred	-	-	1	-	-
Valuation allowance	(114)	(142)	(9)	79	-
Income taxes	107	-	-	(77)	114
Minority interest	-	-	-	-	49
Income (loss) before accounting change	459	369	-	-	-
Cumulative effect of change in accounting principle	-	(26)	-	-	-
Net income (loss)	459	343	(68)	(363)	38
Weighted average shares outstanding-basic	97	89	70.3	66.1	65.4
Weighted average shares outstanding-diluted	114	111.4	70.3	66.1	65.6
Year end shares outstanding	98.209	91.816	86.202	66.462	66.035
Earnings (loss) per share-continuing operations-basic	4.73	4.15	-	-	-
Earnings (loss) per share-accounting change-basic	-	(0.29)	-	-	-
Net earnings (loss) per share-basic	4.73	3.86	(0.96)	(5.49)	0.58
Earnings (loss) per share-continuing operations-diluted	4.18	3.53	-	-	-
Earnings (loss) per share-accounting change-diluted	-	(0.23)	-	-	-
Net earnings (loss) per share-diluted	4.18	3.3	(0.97)	(5.55)	0.58
Number of full time employees	42,370	41,090	39,530	38,255	37,680
Number of class B common stockholders	19,510	19,969	20,594	21,547	21,706

As Reported Annual Retained Earnings	12/31/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2003
Currency	USD	USD	USD	USD	USD
Auditor Status	Not Qualified	Not Qualified	Not Qualified	Not Qualified	Not Qualified
Consolidated	No	No	No	No	No
Scale	Millions	Millions	Millions	Millions	Millions

Previous retained earnings (accumulated deficit)	(11)	406	474	948	910
Retirement of treasury stock	-	760	-	-	-
Retained earnings (accumulated deficit)	448	(11)	406	585	948
As Reported Annual Cash Flow					
Currency	12/31/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2003
	USD	USD	USD	USD	USD
Auditor Status	Not Qualified	Not Qualified	Not Qualified	Not Qualified	Not Qualified
Consolidated	No	No	No	No	No
Scale	Millions	Millions	Millions	Millions	Millions
Net income (loss)	459	343	(68)	(363)	38
Deferred income taxes	-	-	-	(77)	101
Depreciation & amortization	413	391	389	414	444
Special charges	13	27	67	121	-
Gains on dispositions of investments	(37)	(92)	(204)	-	(305)
Undistributed equity in the loss (income) of other companies	(18)	(36)	(62)	(66)	(23)
Fleet disposition/impairment losses	-	-	-	-	100
Cumulative effect of change in accounting principle	-	26	-	-	-
Stock-based compensation	-	34	-	-	-
Stock-based compensation related to equity awards	27	-	-	-	-
Deferred income taxes (cash flows)	101	-	-	-	-
Other adjustments, net	48	26	(18)	(73)	(36)
Accounts receivable	(29)	(70)	(56)	(76)	(25)
Spare parts & supplies	(66)	(26)	(7)	(37)	4
Prepayments & other current assets	16	(56)	(59)	-	-
Accounts payable	71	230	80	(74)	(19)
Air traffic & frequent flyer liability	255	237	318	200	75
Accrued pension liability & other liabilities	(120)	24	77	404	-
Other liabilities	-	-	-	-	(12)
Net cash flows from operating activities	1,133	1,058	457	373	342
Capital expenditures	(445)	(300)	(185)	(162)	(205)
Purchase deposits paid in connection with aircraft deliveries, net	-	-	-	(33)	(29)
Purchase deposits refund in connection with aircraft deliveries, net	-	-	-	144	81
Purchase deposits refunded (paid) in connection with aircraft deliveries, net	(219)	(81)	(3)	-	-
Sale (purchase) of short-term investments, net	(314)	(127)	46	28	(134)
Proceeds from sale of Copa Holdings, S.A, net	65	156	172	-	-
Proceeds from sales of ExpressJet Holdings, net	-	-	-	-	134
Proceeds from sales of Internet-related investments	-	-	-	98	76
Proceeds from dispositions of property & equipment	67	10	53	16	16
Increase in restricted cash	86	(24)	(30)	-	-
Other investing activities	-	-	(2)	(3)	53
Net cash flows from investing activities	(760)	(366)	51	88	(8)
Payments of long-term debt & capital lease obligations	(429)	(948)	(662)	(447)	(549)
Proceeds from issuance of long-term debt	26	574	436	67	559
Proceeds from issuance of common stock	35	82	227	5	5
Increase in restricted cash	-	-	-	(41)	(108)
Other financing activities	-	-	36	11	-
Net cash flows from financing activities	(368)	(292)	37	(405)	(93)
Impact of cash of ExpressJet deconsolidation	-	-	-	-	(225)
Net increase (decrease) in cash & cash equivalents	5	400	545	56	16
Cash & cash equivalents, beginning of period	2,123	1,723	1,178	999	983
Cash & cash equivalents, end of period	2,128	2,123	1,723	1,055	999
Interest paid	383	382	385	372	374
Income taxes paid (refunded)	2	(1)	2	(4)	13

CAL- CONTINENTAL AIRLINES
Profitability Ratios

	12/31/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2003
ROA % (Net)	3.92	3.14	(0.65)	(3.42)	0.36
ROE % (Net)	48.39	119.72	(27.64)	(68.43)	4.87
ROI % (Operating)	11.13	8.06	(0.65)	(3.55)	3.06
EBITDA Margin %	5.65	5.04	2.72	3.28	11.22
Calculated Tax Rate %	18.9	0	EBT<0	EBT<0	56.72
Revenue per Employee	335,898	319,494	283,531	254,016	235,403

Liquidity Indicators

	12/31/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2003
Quick Ratio	0.61	0.68	0.66	0.47	0.49
Current Ratio	1.03	1.04	1.01	0.87	0.9
Net Current Assets % TA	0.93	1.54	0.27	(4.09)	(2.63)

Debt Management

	12/31/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2003
LT Debt to Equity	2.82	14	22.38	19.42	7.02
Total Debt to Equity	3.24	15.66	24.79	21.94	7.55
Interest Coverage	3.51	1.86	-	-	0.58

Asset Management

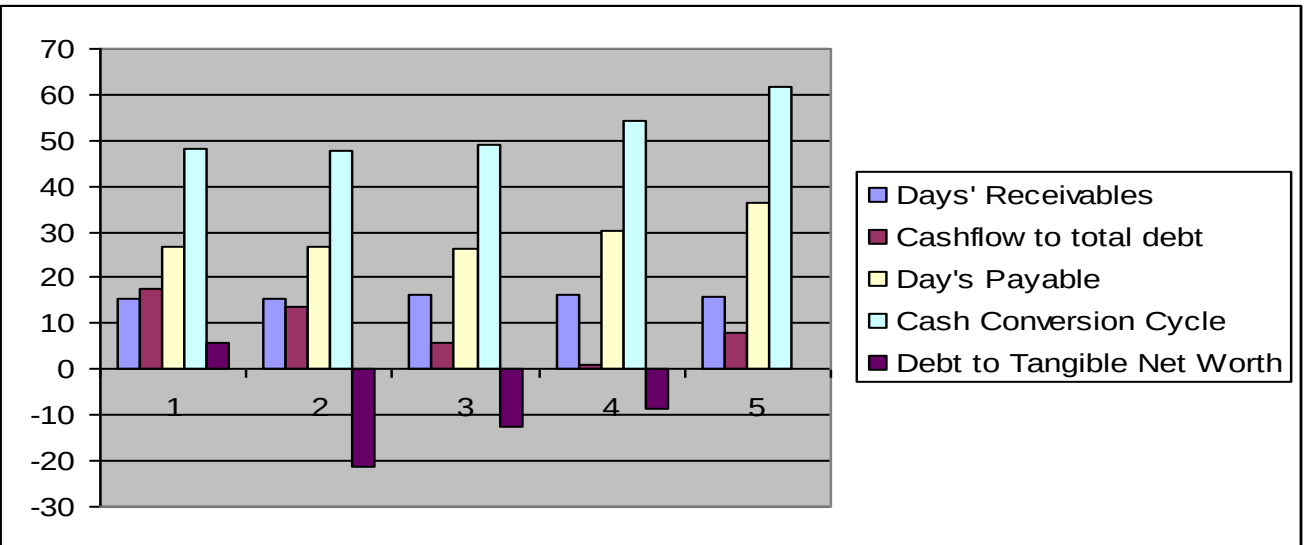
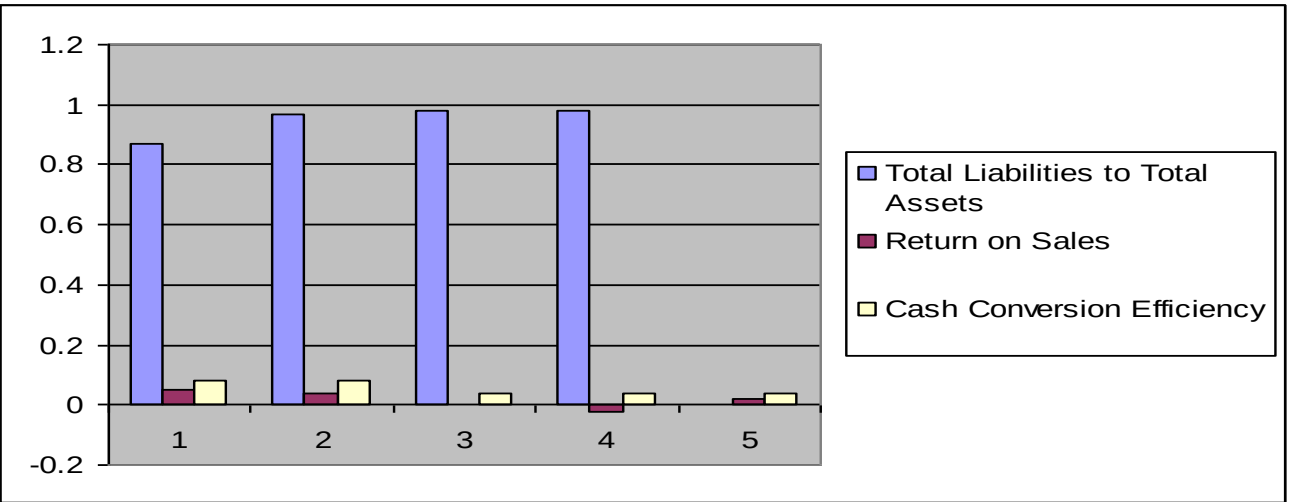
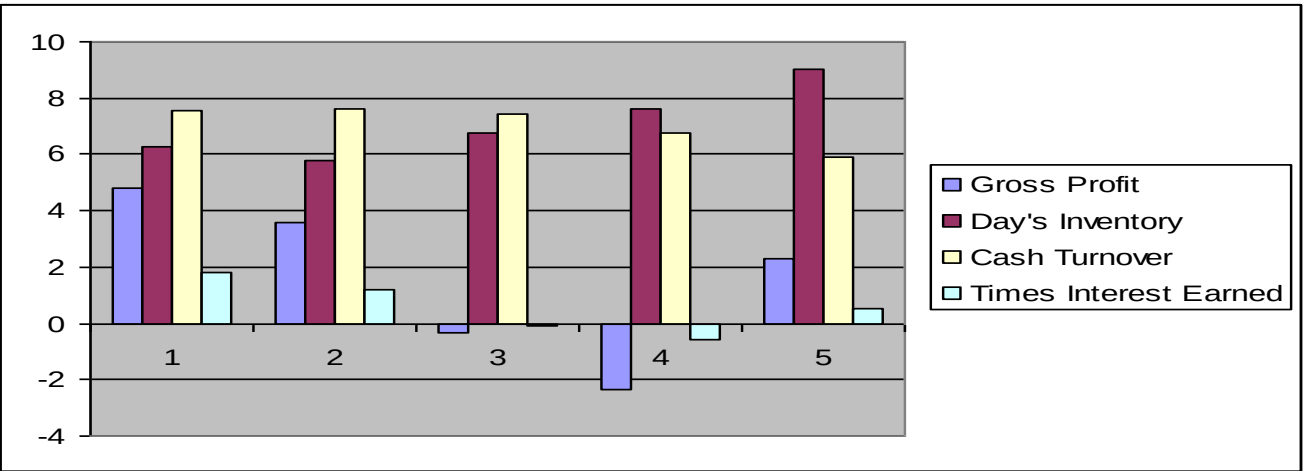
	12/31/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2003
Total Asset Turnover	1.22	1.2	1.06	0.92	0.83
Receivables Turnover	23.96	23.93	22.71	22.21	22.74
Inventory Turnover	58.33	62.81	54.01	47.99	40.41
Accounts Payable Turnover	13.63	13.66	13.91	12.1	10.02
Accrued Expenses Turnover	20.19	23.34	18.71	14.8	13.99
Fixed Asset Turnover	2.22	2.13	1.8	1.51	1.32
Cash & Equivalents Turnover	6.7	6.83	8.07	9.46	7.98

Per Share

	12/31/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2003
Cash Flow per Share	11.68	11.89	6.5	5.63	5.23
Book Value per Share	15.78	3.78	2.62	4	11.99

CONTINENTAL AIRLINES

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Gross Profit	4.83	3.56	(0.35)	(2.35)	2.29
Days' Receivables	15.23	15.25	16.07	16.43	16.05
Cashflow to total debt	17.49	13.55	5.75	0.88	8.06
Day's Inventory	6.26	5.81	6.76	7.61	9.03
Day's Payable	26.78	26.72	26.24	30.17	36.43
Cash Conversion Cycle	48.27	47.78	49.07	54.21	61.51
Cash Turnover	7.56	7.64	7.44	6.73	5.93
Times Interest Earned	1.79	1.17	(0.10)	(0.59)	0.52
Return on Sales	0.05	0.04	(0.00)	(0.02)	0.02
Cash Conversion Efficiency	0.08	0.08	0.04	0.04	0.04
Working Capital Turnover	127.07	75.45	400.29	(22.61)	(31.68)
Total Liabilities to Total Assets	0.87	0.97	0.98	0.98	unavailable
Debt to Tangible Net Worth	5.95	(21.14)	(12.42)	(8.42)	unavailable



AMR- AMERICAN AIRLINES**Profitability Ratios** **12/31/2007** **12/31/2006** **12/31/2005** **12/31/2004** **12/31/2003**

ROA % (Net)	1.75	0.79	(2.96)	(2.61)	(4.12)
ROE % (Net)	19.0	(38.1)	59.9	129.3	(244.87)
ROI % (Operating)	7.26	8.15	(0.69)	(1.04)	(6)
EBITDA Margin %	9.87	9.35	5.05	6.74	3.7
Calculated Tax Rate %	-	-	EBT<0	EBT<0	EBT<0
Revenue per Employee	268,246	260,543	234,299	201,890	180,913

Liquidity Indicators **12/31/2007** **12/31/2006** **12/31/2005** **12/31/2004** **12/31/2003**

Quick Ratio	0.19	0.19	0.2	0.2	0.22
Current Ratio	0.85	0.81	0.74	0.71	0.71
Net Current Assets % TA	(4.39)	(5.5)	(7.31)	(7.11)	(6.4)

Debt Management **12/31/2007** **12/31/2006** **12/31/2005** **12/31/2004** **12/31/2003**

LT Debt to Equity	3.8	undefined	undefined	undefined	285.35
Total Debt to Equity	4.19	(22.10)	(10.28)	(24.66)	302.83
Interest Coverage	1.73	1.47	-	-	-

Asset Management **12/31/2007** **12/31/2006** **12/31/2005** **12/31/2004** **12/31/2003**

Total Asset Turnover	0.79	0.77	0.71	0.64	0.59
Receivables Turnover	22.76	22.8	22.67	22.79	21.09
Inventory Turnover	41.44	44.2	41.3	37.04	30.52
Accounts Payable Turnover	20.34	20.98	19.91	18.88	16.11
Accrued Expenses Turnover	10.04	9.62	9.38	9.26	7.67
Fixed Asset Turnover	1.3	1.24	1.1	0.96	0.89
Cash & Equivalents Turnover	39.37	36.48	33.25	29.87	22.74

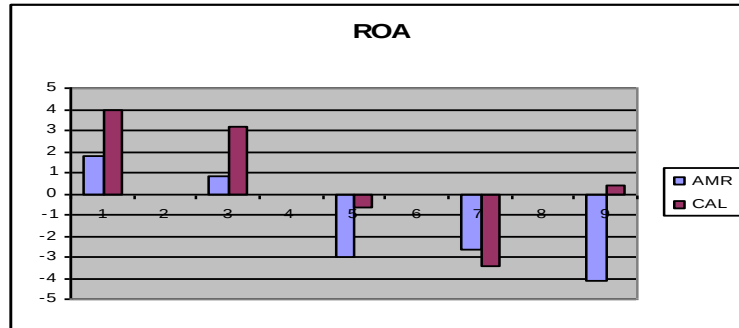
Per Share **12/31/2007** **12/31/2006** **12/31/2005** **12/31/2004** **12/31/2003**

Cash Flow per Share	7.9	9.46	6.21	4.44	3.8
Book Value per Share	10.65	(2.73)	(8.09)	(3.61)	0.29

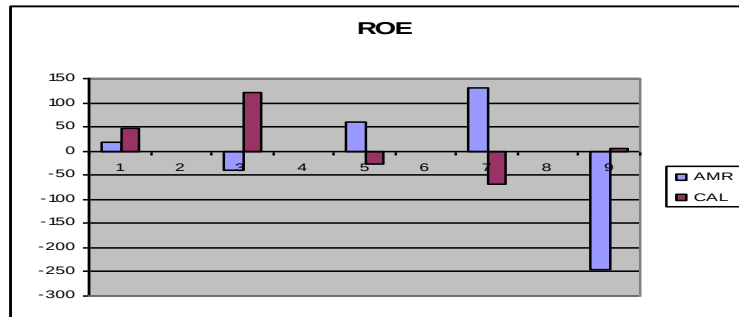


Comparison of CAL and AMR Ratios

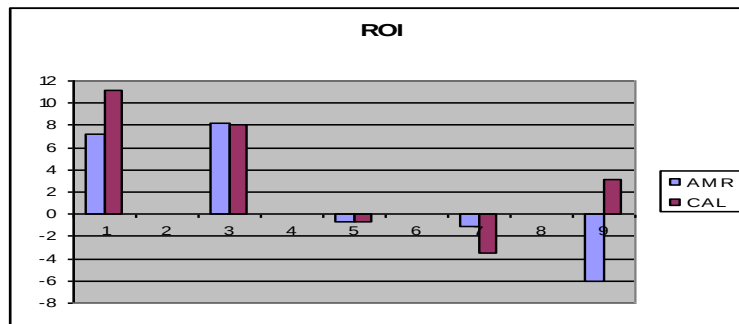
Profitability Ratios Comparison



In comparison CAL for the recent three years has outperformed AMR. It has been able to outdo AMR with the amount of earnings it receives from each dollar of assets it holds. CAL is managing its assets more effectively in order to generate earnings.

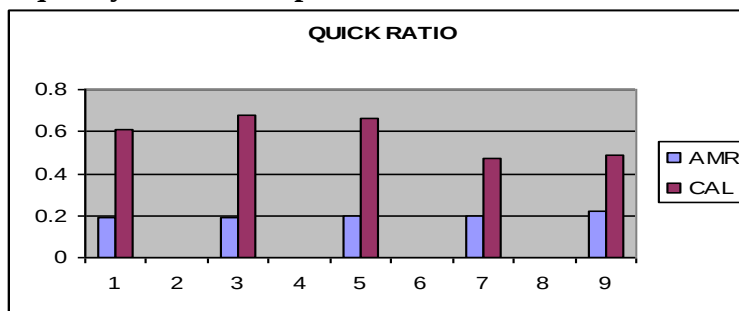


In comparison ROE for both CAL and AMR has not been stable for the past five years. However, for the past two years CAL has been able to better generate profit with money that shareholders invest. Shareholders are interested in high ROE hope to be repaid properly.



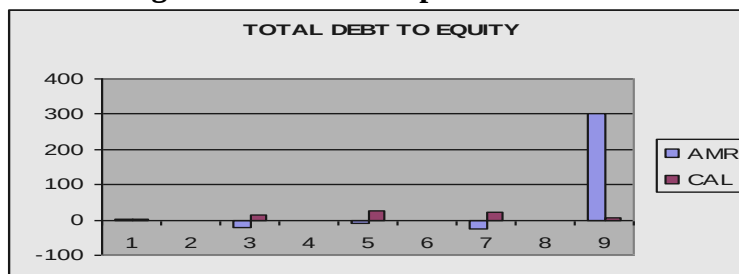
In comparison CAL for the last two years has better invested its capital to generate profits than AMR. With ROI being the most common profitability ratio, potential investors can see that CAL is capable of investing money into itself and realizing a better return on that money.

Liquidity Ratios Comparison



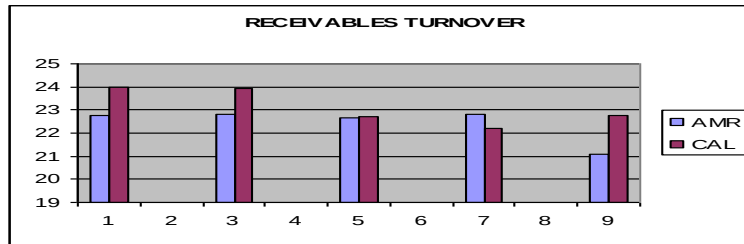
In comparison CAL is clearly outperforming AMR. The high quick ratio (that excludes inventory) shows that CAL has a much larger margin of safety to pay off short-term debt obligations. This strict ratio suggests that Cal would be better able to endure any downward spiral in business.

Debt Management Ratios Comparison

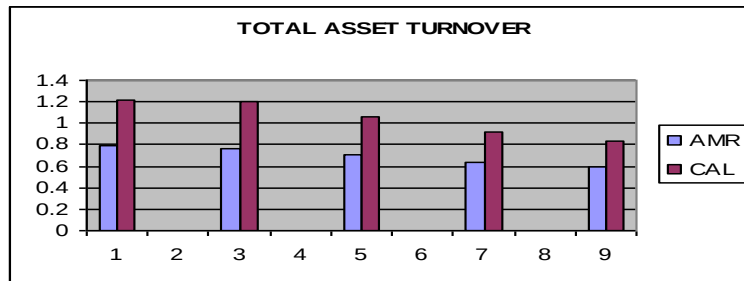


In comparison This ratio indicates how much debt a company funds operations rather than equity. It shows the ability to borrow and repay money. CAL is more aggressive in financing growth through debt. Creditors and investors should be cautious of this risk.

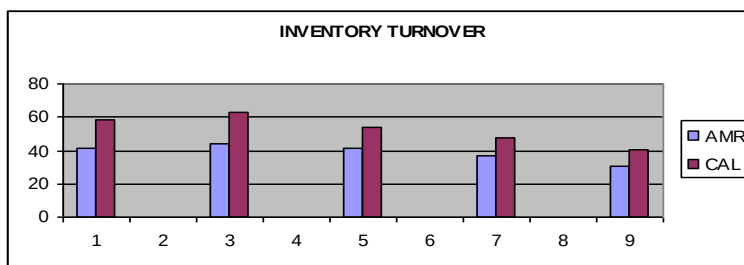
Asset Management Ratios Comparison



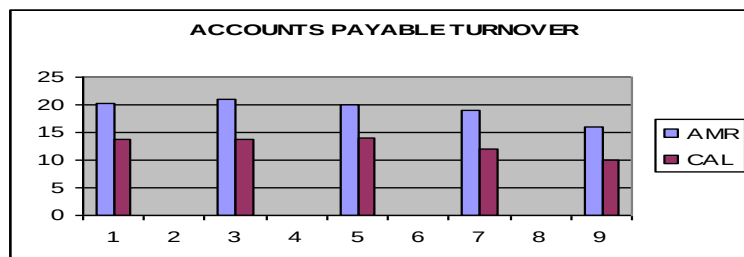
In comparison
CAL outperforms AMR with its ability to better generate sales for every dollar worth of assets. Low profit margins usually have a high asset turnover. CAL is able to sell more products, cheaper.



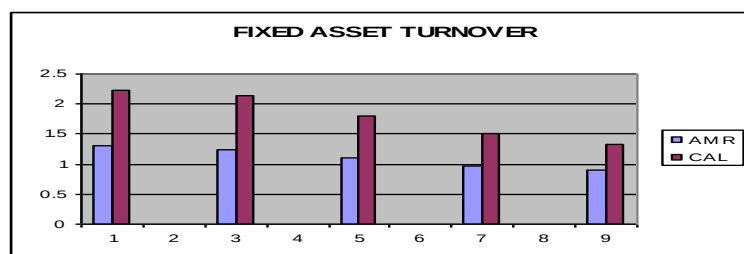
In comparison
CAL's higher turnover shows that the business is faster at collecting receivables. This ratio shows how many times on average a firm collects its receivables. AMR should re-assess its credit policies and collections.



In comparison
CAL has the capacity to sell and replace its inventory faster than AMR. High turnover may suggest that CAL is able to sell faster or it may suggest that CAL has inventory shortages. This could mean lost opportunities of sales.



In comparison
CAL's higher ratios indicate that holds on to money longer or that it is having difficulty paying creditors. CAL has steadily shown to be able to repay its suppliers but not as quickly as AMR.



In comparison
CAL has shown not only to do better than AMR in using fixed assets to generate sales, but CAL has also shown impressive growth. This suggests it is becoming more efficient in using plant,

Working Capital Analysis



Working Capital Investment and Short-Term Credit

“Working Capital Management refers to the decisions and strategies concerning the amounts and types of investments for Current Assets as well as the amounts and types of financing for Current Liabilities”. A company must decide on the best way to combine debt and equity. This capital structure needs to minimize cost of funds and at the same time conserve financial flexibility. Short-term credit sources a company may use are accounts payable, short term bank loans, asset based loans, and commercial paper. Continental invests in commercial paper, money market securities, asset-backed securities (\$398M principal), auction rate securities(\$387M student loan-related auction rate securities), and US government agency securities. Continental has several bank-issued credit card processing agreements that it must stay in compliance with to avoid harming their liquidity.

Inventory and Accounts Receivables Management

“Accounts Receivables represents an asset of the company that arises from the extension of trade credit to customers”. A company must be able to ensure prompt and accurate billing to its client. Continental’s day’s inventory has decreased in the past five years. This is an indication that it has become more efficient in the number of days inventory is held by selling it quicker. Days payable has shown to have slightly decreased over the years indicating it is taking them a tad longer to pay its creditors. Day’s receivables have minimized very little over the years but this suggests that the company is efficient in collecting money owed by its customers. Continentals’ cash conversion efficiency has doubled within the past five years. This measure illustrates that the cash conversion cycle has been affected and it is taking Continental longer to convert its resources into cash.

Credit and Accounts Payable Management

Efficient credit management deals with the ability to establish and communicate a company's credit policies. The company must be able to set terms of sales that are invariable with its objectives. It is particularly important that the creditworthiness of a client is satisfactory in order to permit credit. Even though days payable ratios show Continental do have decreased somewhat, overall it has proved to be steady when paying creditors.

Payment Methods Practiced By The Company

In December 2007 Continental had \$170million of restricted cash which lessened from \$265million in 2006. This restricted cash is for anticipated future assurance of payments for collateral for workers' compensation claims, performance bonds, letters of credit, and credit card processing contracts. Continental has \$1.8 billion of variable-rate debt. Its operations are at risk as fluctuations in interest rates could affect their interest expenses.

Cash Positioning and Cash Management System of the Company

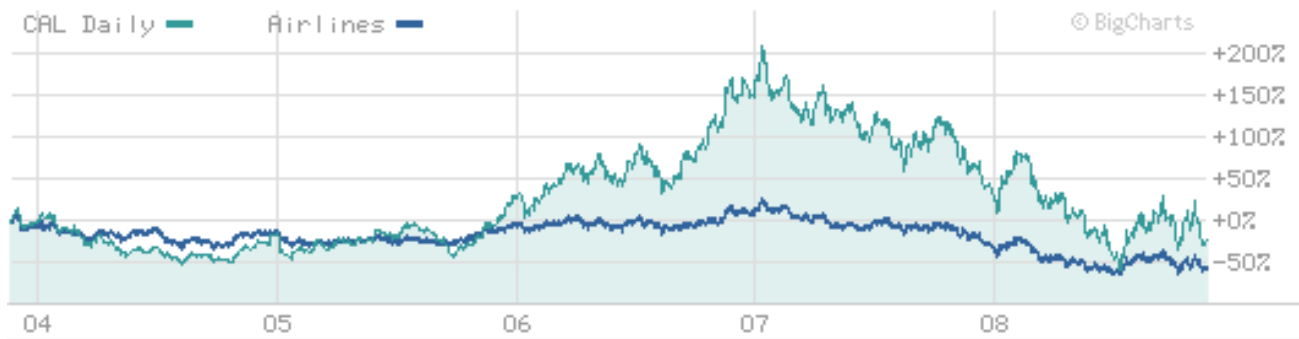
Cash flows provided by operations in 2007 increased \$75 million from 2006. Cash flows provided by investing activities in 2007 decreased by \$394 million from 2006. This was mainly due to purchases paid in association with forthcoming aircraft deliveries, capital expenditures, and short-term investments. Cash flows used in financing activities in 2007 increased by \$76 million from 2006. This was mainly due to lower issuances of debt and offset by lower payments on long-term debt and capital lease obligations in 2007.

Liquidity Management

Liquidity ratios provide information on how a company meets its short-term debt obligations. Short-term creditors want a high current ratio. As of December 2007, Continental had \$2.8 billion of current assets in unrestricted cash, cash equivalents, and short-term investments. This was \$319 million more than 2006. The quick ratio is a tough test of liquidity as it eliminates inventory and prepaid expenses that are harder to convert into cash. Continental has clearly outperformed its competitor American Airlines proving it is much more liquid.

Conclusion

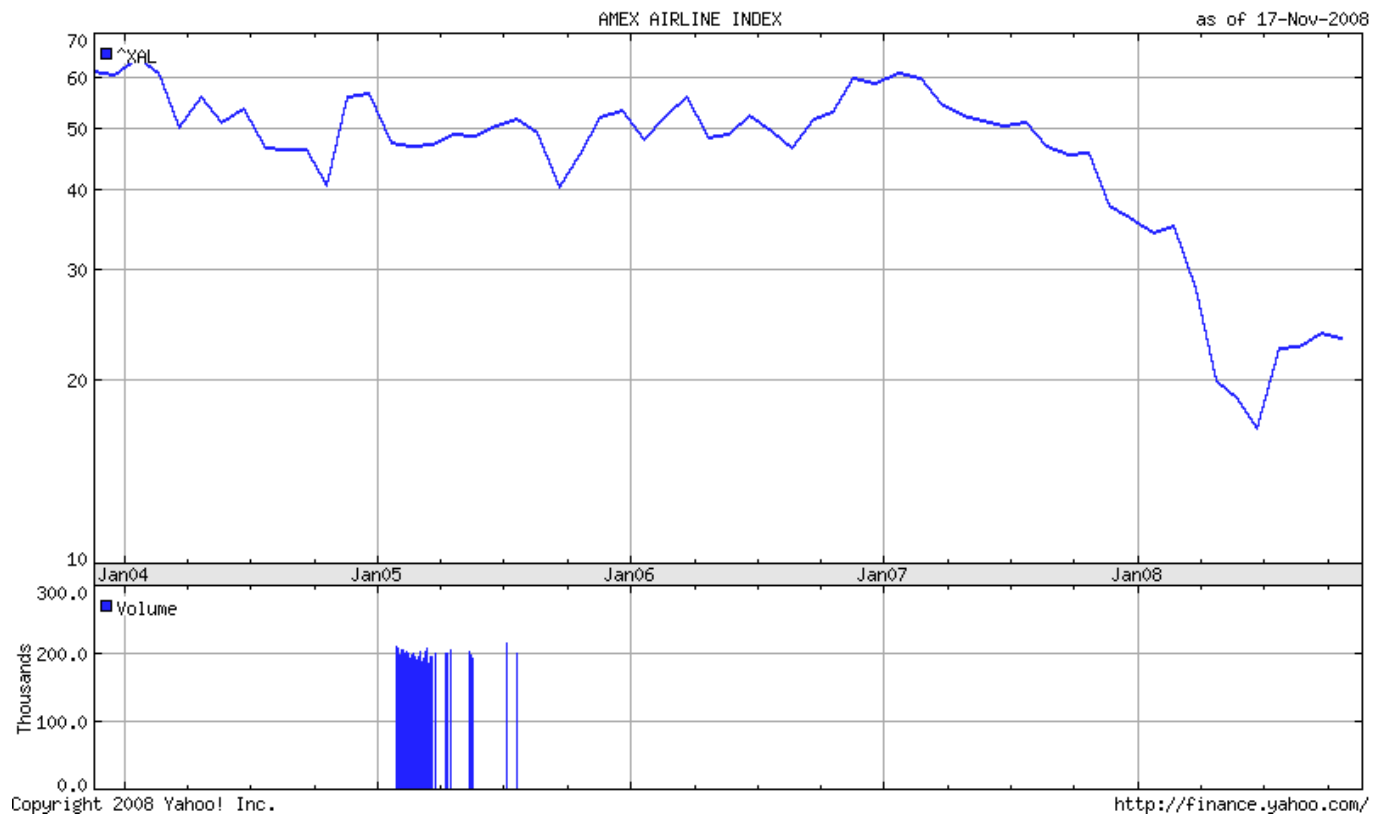
Continental Airlines vs. All Airlines



This graph illustrates how Continental Airlines has stacked up against all the airlines in the industry globally. Many airlines have not been able to survive the immense competition and others have not been able to successfully enter due to strong barriers. Continental has been fortunate enough to exhibit effective treasury management skills in order to stay in the game.

The major AMEX Airline Index constituents are the following:

Company Name	Ticker
Alaska Air Group Inc.	(ALK)
America West Holding Corporation CLB	(AWA)
AMR Corporation	(AMR)
Continental Airlines Inc.	(CAL)
Delta Air Lines Inc.	(DAL)
KLM Royal Dutch Airlines NV	(KLM)
Norwest Airlines Corp.	(NWAC)
Southwest Airlines Co.	(LUV)
UAL Corp.	(UAL)
US Airways Group Inc.	(U)



This graph reveals that the index over the last five years has declined. The 2007 and 2008 drop indicate the financial crisis affecting not only the index but all industries as well.

Even though Continental has filed for chapter 11 bankruptcy twice, so have others in the industry. Continental has not stated it has any intentions of attempting a third time. Labor costs were the number one cost according to the Air Transportation Association. However, others argue different believing that now jet fuel has made up a significant portion of total costs. Continental's past few years have shown some financial distresses, however they have early on forecasted well enough to identify their areas needing attention. Jet fuel costs have harmed many airlines this year but they predict better forth quarter results now that oil has plummeted. All forward looking statements contain risk and uncertainties that may cause actual results to materially vary from those forecasted. Continental's steadily rising gross profit helps cushion itself. Return on sales for this company show to need improvement so that they increase their working capital. Continental noted revenues of \$14,232 M during 2007, an increase of 8.4% over 2006. The increase was due to more flights, higher load factors, and increased domestic and international yields. In 2007 the operating profit of the company was \$687M, an increase of 46.8% from 2006. The net profit in 2007 increased 33.8% to \$459 M. No mergers or acquisitions are in the foreseeable years to come for Continental as it has shown to outdo its competitor American Airlines in the areas of profitability, liquidity, and debt and asset management. Air travel in today's fast paced world has become a necessity to businesses and families. Life without it would be hard to imagine.

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AMR Corp. (DE) (NYS: AMR)

Standardized Annual Income Statement	12/31/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2003
Currency	USD	USD	USD	USD	USD
Auditor Status	Not Qualified	Not Qualified	Not Qualified	Not Qualified	Not Qualified
Consolidated	No	No	No	No	No
Scale	Millions	Millions	Thousands	Thousands	Thousands
Sales Revenue	22,935	22,563	20,712,000	18,645,000	17,440,000
Total Revenue	22,935	22,563	20,712,000	18,645,000	17,440,000
Direct Costs	12,970	12,457	11,773,000	9,660,000	8,531,000
Gross Profit	9,965	10,106	8,939,000	8,985,000	8,909,000
Selling General & Admin	6,770	6,813	6,755,000	6,719,000	7,264,000
Depreciation & Amortization	1,202	1,157	1,164,000	1,292,000	1,377,000
Other Operating Expense	1,028	1,076	1,113,000	1,118,000	1,112,000
Total Indirect Operating Costs	9,000	9,046	9,032,000	9,129,000	9,753,000
Operating Income	965	1,060	-93,000	-144,000	-844,000
Interest Income	-557	-722	-743,000	-725,000	-577,000
Other Non-Operating Income	96	-107	-25,000	108,000	113,000
Total Non-Operating Income	-461	-829	-768,000	-617,000	-464,000
Earnings Before Tax	504	231	-861,000	-761,000	-1,308,000
Taxation	-	-	-	-	-80,000
Extraordinary Items	0	0	0	0	0
Accounting Changes	0	0	0	0	0
Net Income	504	231	-861,000	-761,000	-1,228,000
Preference Dividends & Similar	0	0	0	0	0
Net Income to Common	504	231	-861,000	-761,000	-1,228,000
Average Shares Basic	245,000,000	205,000,000	165,000,000	161,000,000	158,000,000
EPS Net Basic	2.06	1.13	-5.21	-4.74	-7.76
EPS Continuing Basic	2.06	1.13	-5.21	-4.74	-7.76

Average Shares Diluted	299,000,000	264,000,000	165,000,000	161,000,000	158,000,000
EPS Net Diluted	1.78	0.98	-5.21	-4.74	-7.76
EPS Continuing Diluted	1.78	0.98	-5.21	-4.74	-7.76
Shares Outstanding	249,398,032	222,224,422	182,732,351	161,155,947	159,582,232

Standardized Annual Balance Sheet	12/31/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2003
Currency	USD	USD	USD	USD	USD
Auditor Status	Not Qualified	Not Qualified	Not Qualified	Not Qualified	Not Qualified
Consolidated	No	No	No	No	No
Scale	Millions	Millions	Thousands	Thousands	Thousands
Cash & Equivalents	576	589	648,000	598,000	647,000
Short Term Investments	4,387	4,594	3,676,000	2,809,000	2,486,000
Cash & Equivs & ST Investments	4,963	5,183	4,324,000	3,407,000	3,133,000
Receivables (ST)	1,027	988	991,000	836,000	796,000
Inventories	601	506	515,000	488,000	516,000
Other Current Assets	638	225	334,000	240,000	237,000
Total Current Assets	7,229	6,902	6,164,000	4,971,000	4,682,000
Gross Property Plant & Equip	30,400	30,149	30,005,000	29,708,000	29,003,000
Accumulated Depreciation	13,006	12,208	11,459,000	10,571,000	9,543,000
Net Property Plant & Equip	17,394	17,941	18,546,000	19,137,000	19,460,000
Intangible Assets	1,156	1,167	1,194,000	1,223,000	1,253,000
Other Assets	2,792	3,135	3,591,000	3,442,000	3,935,000
Total Assets	28,571	29,145	29,495,000	28,773,000	29,330,000
Accounts Payable	1,182	1,073	1,078,000	1,003,000	967,000
Accrued Expenses	2,267	2,301	2,388,000	2,026,000	1,989,000
Current Debt	902	1,246	1,077,000	659,000	603,000

Current Lease Obligations	147	103	162,000	147,000	201,000
Other Current Liabilities	3,985	3,782	3,615,000	3,183,000	2,799,000
Total Current Liabilities	8,483	8,505	8,320,000	7,018,000	6,559,000
LT Debt & Leases	10,093	12,041	13,456,000	13,524,000	13,126,000
Deferred LT Liabilities	320	372	421,000	470,000	520,000
Other Liabilities	7,018	8,833	8,776,000	8,342,000	9,079,000
Total Liabilities	25,914	29,751	30,973,000	29,354,000	29,284,000
Common Share Capital	255	228	195,000	182,000	182,000
Additional Paid-In Capital	3,489	2,718	2,258,000	2,521,000	2,605,000
Retained Earnings	-1,390	-1,894	-2,173,000	-1,312,000	-551,000
Accum Other Comprehensive Income	670	-1,291	-979,000	-664,000	-785,000
Other Equity	-734	-734	-1,558,000	-2,616,000	-2,810,000
Total Equity	2,657	-606	-1,478,000	-581,000	46,000
Total Liabilities & Equity	28,571	29,145	29,495,000	28,773,000	29,330,000

Standardized Annual Cash Flow	12/31/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2003
Currency	USD	USD	USD	USD	USD
Auditor Status	Not Qualified	Not Qualified	Not Qualified	Not Qualified	Not Qualified
Consolidated	No	No	No	No	No
Scale	Millions	Millions	Thousands	Thousands	Thousands
Net Income	504	231	-861,000	-761,000	-1,228,000
Adjustments from Inc to Cash	1,431	1,708	1,885,000	1,478,000	1,829,000
Change in Working Capital	311	416	664,000	301,000	977,000
Other Operating Cash Flows	1,120	1,292	1,221,000	1,177,000	852,000
Cash Flow from Operations	1,935	1,939	1,024,000	717,000	601,000
Purchase of Pty Plant & Equip	-714	-530	-681,000	-1,027,000	-680,000

Other Investing Cash Flows	480	-835	-858,000	-21,000	35,000
Cash Flow from Investing	-234	-1,365	-1,539,000	-1,048,000	-645,000
Change in LT Debt	-2,321	-1,366	121,000	324,000	59,000
Change in Equity	587	630	279,000	7,000	1,000
Other Financing Cash Flows	59	145	133,000	0	0
Cash Flow from Financing	-1,675	-591	533,000	331,000	60,000
Change in Cash	27	-17	18,000	-	16,000
Opening Cash	121	138	120,000	120,000	104,000
Closing Cash	148	121	138,000	120,000	120,000
Depn & Amortn (CF)	1,202	1,157	1,164,000	1,292,000	1,377,000
Net Purch of Pty Plant & Equip	-714	-530	-681,000	-1,027,000	-680,000

Profitability Ratios	12/31/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2003
ROA % (Net)	1.75	0.79	-2.96	-2.61	-4.12
ROE % (Net)	49.15	AvgEqty<0	AvgEqty<0	AvgEqty<0	-244.87
ROI % (Operating)	7.26	8.15	-0.69	-1.04	-6
EBITDA Margin %	9.87	9.35	5.05	6.74	3.7
Calculated Tax Rate %	-	-	EBT<0	EBT<0	EBT<0
Revenue per Employee	268,246	260,543	234,299	201,890	180,913

Liquidity Indicators	12/31/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2003
Quick Ratio	0.19	0.19	0.2	0.2	0.22
Current Ratio	0.85	0.81	0.74	0.71	0.71
Net Current Assets % TA	-4.39	-5.5	-7.31	-7.11	-6.4

Debt Management	12/31/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2003
LT Debt to Equity	3.8	undefined	undefined	undefined	285.35
Total Debt to Equity	4.19	undefined	undefined	undefined	302.83
Interest Coverage	1.73	1.47	-	-	-

Asset Management	12/31/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2003
Total Asset Turnover	0.79	0.77	0.71	0.64	0.59
Receivables Turnover	22.76	22.8	22.67	22.79	21.09
Inventory Turnover	41.44	44.2	41.3	37.04	30.52
Accounts Payable Turnover	20.34	20.98	19.91	18.88	16.11
Accrued Expenses Turnover	10.04	9.62	9.38	9.26	7.67
Property Plant & Equip Turnover	1.3	1.24	1.1	0.96	0.89
Cash & Equivalents Turnover	39.37	36.48	33.25	29.87	22.74

Per Share	12/31/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2003
Cash Flow per Share	7.9	9.46	6.21	4.44	3.8
Book Value per Share	10.65	-2.73	-8.09	-3.61	0.29

Continental Airlines Inc (NYS: CAL)

Standardized Annual Income Statement	12/31/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2003
Currency	USD	USD	USD	USD	USD
Auditor Status	Not Qualified	Not Qualified	Not Qualified	Not Qualified	Not Qualified
Consolidated	No	No	No	No	No
Scale	Millions	Millions	Millions	Millions	Millions
Sales Revenue	13,448	12,460	10,235	8,984	8,135

Other Revenue	784	668	973	760	735
Total Revenue	14,232	13,128	11,208	9,744	8,870
Direct Costs	6,148	5,691	4,866	3,844	3,577
Gross Profit	8,084	7,437	6,342	5,900	5,293
Selling General & Admin	3,127	2,875	2,649	2,819	3,204
Depreciation & Amortization	413	391	389	414	444
Other Operating Expense	3,857	3,703	3,343	2,896	1,442
Total Indirect Operating Costs	7,397	6,969	6,381	6,129	5,090
Operating Income	687	468	-39	-229	203
Interest Income	-196	-252	-326	-346	-350
Gains on Sale of Assets	37	92	204	-	173
Other Non-Operating Income	38	61	93	135	175
Total Non-Operating Income	-121	-99	-29	-211	-2
Earnings Before Tax	566	369	-68	-440	201
Taxation	107	0	0	-77	114
Minority Interests	-	-	-	-	49
Extraordinary Items	0	0	0	0	0
Accounting Changes	0	-26	0	0	0
Net Income	459	343	-68	-363	38
Preference Dividends & Similar	0	0	0	0	0
Net Income to Common	459	343	-68	-363	38
Average Shares Basic	97,000,000	89,000,000	70,300,000	66,100,000	65,400,000
EPS Net Basic	4.73	3.86	-0.96	-5.49	0.58
EPS Continuing Basic	4.73	4.15	-0.96	-5.49	0.58
Average Shares Diluted	114,000,000	111,400,000	70,300,000	66,100,000	65,600,000
EPS Net Diluted	4.18	3.3	-0.97	-5.55	0.58
EPS Continuing Diluted	4.18	3.53	-0.97	-5.55	0.58
Shares Outstanding	98,208,888	91,816,121	86,201,652	66,461,935	66,035,311

Standardized Annual Balance Sheet	12/31/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2003
Currency	USD	USD	USD	USD	USD
Auditor Status	Not Qualified	Not Qualified	Not Qualified	Not Qualified	Not Qualified
Consolidated	No	No	No	No	No
Scale	Millions	Millions	Millions	Millions	Millions
Cash & Equivalents	2,128	2,123	1,723	1,055	999
Short Term Investments	675	361	234	403	431
Cash & Equivs & ST Investments	2,803	2,484	1,957	1,458	1,430
Receivables (ST)	606	582	515	472	403
Related Parties (ST Asset)	-	-	18	81	67
Inventories	271	217	201	214	191
Current Tax Assets	259	165	154	170	157
Other Current Assets	622	681	582	433	338
Total Current Assets	4,561	4,129	3,427	2,828	2,586
Gross Property Plant & Equip	9,441	8,889	8,523	8,507	8,398
Accumulated Depreciation	2,883	2,626	2,437	2,163	1,910
Net Property Plant & Equip	6,558	6,263	6,086	6,344	6,488
Related Parties (LT Asset)	-	-	-	18	126
Long Term Investments	69	81	112	156	173
Intangible Assets	706	604	677	959	998
Other Assets	211	231	227	240	278
Total Assets	12,105	11,308	10,529	10,545	10,649
Accounts Payable	1,013	1,076	846	766	840
Accrued Expenses	817	593	532	666	647
Current Debt	652	574	546	670	422
Other Current Liabilities	1,967	1,712	1,475	1,157	957
Total Current Liabilities	4,449	3,955	3,399	3,259	2,866
LT Debt & Leases	4,366	4,859	5,057	5,167	5,558

Pensions & OPEB	769	1,149	1,078	1,132	678
Deferred LT Liabilities	359	165	154	382	446
Other Liabilities	612	833	615	339	309
Total Liabilities	10,555	10,961	10,303	10,279	9,857
Common Share Capital	1	1	1	1	1
Additional Paid-In Capital	1,606	1,370	1,635	1,408	1,401
Retained Earnings	448	-11	406	585	948
Accum Other Comprehensive Income	-505	-1,013	-675	-587	-417
Other Equity	0	0	-2,282	-2,282	-2,282
Total Equity	1,550	347	226	266	792
Total Liabilities & Equity	12,105	11,308	10,529	10,545	10,649

Standardized Annual Cash Flow	12/31/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2003
Currency	USD	USD	USD	USD	USD
Auditor Status	Not Qualified	Not Qualified	Not Qualified	Not Qualified	Not Qualified
Consolidated	No	No	No	No	No
Scale	Millions	Millions	Millions	Millions	Millions
Net Income	459	343	-68	-363	38
Adjustments from Inc to Cash	674	715	525	736	304
Change in Working Capital	127	339	353	417	23
Other Operating Cash Flows	547	376	172	319	281
Cash Flow from Operations	1,133	1,058	457	373	342
Purchase of Pty Plant & Equip	-445	-300	-185	-162	-205
Proceeds from Pty Plant & Equip	67	10	53	16	16
Change in Business Activities	65	156	172	-	134
Other Investing Cash Flows	-447	-232	11	234	47

Cash Flow from Investing	-760	-366	51	88	-8
Change in LT Debt	-403	-374	-226	-380	10
Change in Equity	35	82	227	5	5
Other Financing Cash Flows	0	0	36	-30	-108
Cash Flow from Financing	-368	-292	37	-405	-93
Change in Cash	5	400	545	56	16
Opening Cash	2,123	1,723	1,178	999	983
Closing Cash	2,128	2,123	1,723	1,055	999
Depn & Amortn (CF)	413	391	389	414	444
Net Purch of Pty Plant & Equip	-378	-290	-132	-146	-189

Profitability Ratios	12/31/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2003
ROA % (Net)	3.92	3.14	-0.65	-3.42	0.36
ROE % (Net)	48.39	119.72	-27.64	-68.43	4.87
ROI % (Operating)	11.13	8.06	-0.65	-3.55	3.06
EBITDA Margin %	5.65	5.04	2.72	3.28	11.22
Calculated Tax Rate %	18.9	0	EBT<0	EBT<0	56.72
Revenue per Employee	335,898	319,494	283,531	254,016	235,403

Liquidity Indicators	12/31/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2003
Quick Ratio	0.61	0.68	0.66	0.47	0.49
Current Ratio	1.03	1.04	1.01	0.87	0.9
Net Current Assets % TA	0.93	1.54	0.27	-4.09	-2.63

Debt Management	12/31/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2003
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LT Debt to Equity	2.82	14	22.38	19.42	7.02
Total Debt to Equity	3.24	15.66	24.79	21.94	7.55
Interest Coverage	3.51	1.86	-	-	0.58

Asset Management	12/31/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2003
Total Asset Turnover	1.22	1.2	1.06	0.92	0.83
Receivables Turnover	23.96	23.93	22.71	22.21	22.74
Inventory Turnover	58.33	62.81	54.01	47.99	40.41
Accounts Payable Turnover	13.63	13.66	13.91	12.1	10.02
Accrued Expenses Turnover	20.19	23.34	18.71	14.8	13.99
Property Plant & Equip Turnover	2.22	2.13	1.8	1.51	1.32
Cash & Equivalents Turnover	6.7	6.83	8.07	9.46	7.98

Per Share	12/31/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2003
Cash Flow per Share	11.68	11.89	6.5	5.63	5.23
Book Value per Share	15.78	3.78	2.62	4	11.99

Continental Airlines Inc

As Reported Annual Balance Sheet

Currency	USD	12/31/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2003
Auditor Status	Not Qualified	Not Qualified	Not Qualified	Not Qualified	Not Qualified	Not Qualified
Consolidated	No	No	No	No	No	No
Scale	Millions	Millions	Millions	Millions	Millions	Millions
Cash & cash equivalents		2,128	2,123	1,723	1,055	999
Restricted cash	-		265	241	-	
Restricted cash & cash equivalents	-	-	-		211	170
Short-term investments		675	361	234	403	431
Total cash, cash equivalents & short-term investments		2,803	2,749	2,198	1,669	1,600
Restricted cash		179	-	-	-	
Accounts receivable, gross		613	589	530	494	422
Less allowance for doubtful receivables		7	7	15	22	19
Accounts receivable, net		606	582	515	472	403
Spare parts & supplies, gross		351	287	296	307	289
Less allowance for obsolescence		80	70	95	93	98
Spare parts & supplies, net		271	217	201	214	191
Deferred income taxes		259	165	154	170	157
Note receivable from ExpressJet Holdings, Inc.	-	-		18	81	67
Prepayments & other current assets		443	416	341	222	168
Total current assets		4,561	4,129	3,427	2,828	2,586
Flight equipment		7,182	6,973	6,706	6,744	6,574
Other owned property & equipment		1,548	1,430	1,372	1,262	1,195
Owned property & equipment, gross		8,730	8,403	8,078	8,006	7,769
Less: Accumulated depreciation		2,790	2,539	2,328	2,023	1,784
Owned property & equipment, net		5,940	5,864	5,750	5,983	5,985
Purchase deposits for flight equipment		414	183	101	105	225
Flight equipment - capital leases	-	-	-	-		107
Other - capital leases	-	-	-	-		297

Capital leases, gross	297	303	344	396	404
Less: Accumulated amortization	93	87	109	140	126
Capital leases, net	204	216	235	256	278
Total property & equipment, net	6,558	6,263	6,086	6,344	6,488
Routes	484	484	484	615	615
Airport operating rights, gross	584	468	468	552	552
Less: accumulated amortization - airport operating rights	362	348	335	316	293
Airport operating rights, net	222	120	133	236	259
Intangible pension asset	-	-	60	108	124
Income from other companies	69	81	112	156	173
Note receivable from ExpressJet Holdings, Inc.	-	-	-	18	126
Other assets, net	211	231	227	240	278
Total assets	12,105	11,308	10,529	10,545	10,649
Current maturities of long-term debt & capital leases	652	574	546	670	422
Accounts payable	1,013	1,076	846	766	840
Air traffic & frequent flyer liability	1,967	1,712	1,475	1,157	957
Accrued payroll	545	233	234	281	281
Accrued other liabilities	272	360	298	385	366
Total current liabilities	4,449	3,955	3,399	3,259	2,866
Secured notes	4,041	4,173	4,595	4,599	4,719
Other secured debt	38	83	-	-	-
Convertible junior subordinated debentures	248	248	248	248	-
Convertible notes	175	375	375	375	-
Unsecured notes payable	289	312	112	112	-
Unsecured senior notes payable	-	-	-	195	-
Unsecured debt	-	-	-	-	938
Capital leases	195	226	251	272	323
Other long-term debt	-	-	-	8	-
Long-term debt, including current portion	4,986	5,417	5,581	5,809	5,980
Less: Current maturities	620	558	524	642	422
Long-term debt & capital leases	4,366	4,859	5,057	5,167	5,558
Deferred income taxes	359	165	154	382	446
Accrued pension liability	534	1,149	1,078	1,132	678
Accrued retiree medical benefits	235	-	-	-	-

Other long-term liabilities	612	833	615	339	309
Class B common stock	1	1	1	1	1
Additional paid-in capital	1,606	1,370	1,635	1,408	1,401
Retained earnings (accumulated deficit)	448	-11	406	585	948
Minimum pension liability	-	-	-680	-584	-408
Unrecognized prior service cost	-225	-237	-	-	-
Unrecognized actuarial gains (losses)	-309	-760	-	-	-
Unrealized gain (loss) on derivative instruments	29	-16	5	-3	-9
Accumulated other comprehensive income (loss)	-505	-1,013	-675	-587	-417
Treasury stock, at cost	-	-	1,141	1,141	1,141
Total stockholders' equity (deficiency)	1,550	347	226	266	792

Continental Airlines Inc

As Reported Annual Income Statement

		12/31/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2003
Currency	USD		USD	USD	USD	USD
Auditor Status	Not Qualified		Not Qualified	Not Qualified	Not Qualified	Not Qualified
Consolidated	No		No	No	No	No
Scale	Millions		Millions	Millions	Millions	Millions
Passenger revenues		12,995	12,003	10,235	8,984	8,135
Cargo revenues		453	457	-	-	-
Other operating revenues		784	668	-	-	-
Cargo, mail & other revenues	-	-	-	973	760	735
Total operating revenues		14,232	13,128	11,208	9,744	8,870
Aircraft fuel expenses	-	-	-	-	-	1,255
Aircraft fuel & related taxes		3,354	3,034	2,443	1,587	-
Wages, salaries & related costs		3,127	2,875	2,649	2,819	3,056
ExpressJet capacity purchase, net	-	-	-	1,572	1,351	-
Regional capacity purchase, net		1,793	1,791	-	-	-
Aircraft rentals expense		994	990	928	891	896
Landing fees & other rentals expense		790	764	708	646	620
Booking fees, credit card discount & sales expenses	-	-	-	-	-	377

Commission, booking, credit card & other distributions	-	-	-	552	-
Distribution costs		682	650	588	-
Maintenance, materials & repairs expense		621	547	455	414
Depreciation & amortization expenses		413	391	389	414
Passenger services expenses		389	356	332	306
Regional capacity purchase, net	-	-	-	-	153
Commissions expenses	-	-	-	-	148
Security fee reimbursement expenses	-	-	-	-	-176
Special charges		13	27	67	121
Other operating expenses		1,369	1,235	1,116	872
Fleet impairment losses & other special charges	-	-	-	-	100
Total operating expenses		13,545	12,660	11,247	9,973
Operating income (loss)		687	468	-39	-229
Interest expense		383	401	410	389
Interest capitalized		27	18	12	14
Interest income		160	131	72	29
Income from other companies		18	61	90	118
Gain on sale of Copa Holdings, S.A. shares		37	92	106	-
Gain on dispositions of ExpressJet Holdings, Inc. shares	-	-	-	98	-
Other income (expense), net		20	-	3	17
Total nonoperating income (expense)		-121	-99	-29	-211
Income (loss) before income taxes		566	369	-68	-440
Federal income taxes expense (benefit) - current		3	1	-	7
Federal income taxes expense (benefit) - deferred		198	132	5	-143
State income taxes expense (benefit) - current		2	-2	-	5
State income taxes expense (benefit) - deferred		17	10	3	-13
Foreign income taxes expense (benefit) - current		1	1	-	1
Foreign income taxes expense (benefit) - deferred	-	-	-	1	-
Valuation allowance		-114	-142	-9	79
Income taxes		107	-	-	-77
Minority interest	-	-	-	-	49
Income (loss) before accounting change		459	369	-	-
Cumulative effect of change in accounting principle	-	-	-26	-	-
Net income (loss)		459	343	-68	-363

Weighted average shares outstanding-basic	97	89	70.3	66.1	65.4
Weighted average shares outstanding-diluted	114	111.4	70.3	66.1	65.6
Year end shares outstanding	98,209	91,816	86,202	66,462	66,035
Earnings (loss) per share-continuing operations-basic	4.73	4.15	-	-	-
Earnings (loss) per share-accounting change-basic	-	-0.29	-	-	-
Net earnings (loss) per share-basic	4.73	3.86	-0.96	-5.49	0.58
Earnings (loss) per share-continuing operations-diluted	4.18	3.53	-	-	-
Earnings (loss) per share-accounting change-diluted	-	-0.23	-	-	-
Net earnings (loss) per share-diluted	4.18	3.3	-0.97	-5.55	0.58
Number of full time employees	42,370	41,090	39,530	38,255	37,680
Number of class B common stockholders	19,510	19,969	20,594	21,547	21,706

Continental Airlines Inc

As Reported	Annual Retained Earnings	12/31/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2003
Currency	USD	USD	USD	USD	USD	USD
Auditor Status	Not Qualified	Not Qualified	Not Qualified	Not Qualified	Not Qualified	Not Qualified
Consolidated	No	No	No	No	No	No
Scale	Millions	Millions	Millions	Millions	Millions	Millions
Previous retained earnings (accumulated deficit)		-11	406	474	948	910
Retirement of treasury stock	-		760	-	-	-
Retained earnings (accumulated deficit)		448	-11	406	585	948

Continental Airlines Inc

As Reported	Annual Cash Flow	12/31/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2003
Currency	USD	USD	USD	USD	USD	USD
Auditor Status	Not Qualified	Not Qualified	Not Qualified	Not Qualified	Not Qualified	Not Qualified
Consolidated	No	No	No	No	No	No
Scale	Millions	Millions	Millions	Millions	Millions	Millions
Net income (loss)		459	343	-68	-363	38

Deferred income taxes	-	-	-	-77	101
Depreciation & amortization		413	391	389	414
Special charges		13	27	67	121
Gains on dispositions of investments		-37	-92	-204	-305
Undistributed equity in the loss (income) of other companies		-18	-36	-62	-66
Fleet disposition/impairment losses	-	-	-	-	100
Cumulative effect of change in accounting principle	-		26	-	-
Stock-based compensation	-		34	-	-
Stock-based compensation related to equity awards		27	-	-	-
Deferred income taxes (cash flows)		101	-	-	-
Other adjustments, net		48	26	-18	-73
Accounts receivable		-29	-70	-56	-76
Spare parts & supplies		-66	-26	-7	-37
Prepayments & other current assets		16	-56	-59	-
Accounts payable		71	230	80	-74
Air traffic & frequent flyer liability		255	237	318	200
Accrued pension liability & other liabilities		-120	24	77	404
Other liabilities	-	-	-	-	-12
Net cash flows from operating activities		1,133	1,058	457	373
Capital expenditures		-445	-300	-185	-162
Purchase deposits paid in connection with aircraft deliveries, net	-	-	-	-33	-29
Purchase deposits refund in connection with aircraft deliveries, net	-	-	-	144	81
Purchase deposits refunded (paid) in connection with aircraft deliveries, net		-219	-81	-3	-
Sale (purchase) of short-term investments, net		-314	-127	46	28
Proceeds from sale of Copa Holdings, S.A, net		65	156	172	-
Proceeds from sales of ExpressJet Holdings, net	-	-	-	-	134
Proceeds from sales of Internet-related investments	-	-	-	98	76
Proceeds from dispositions of property & equipment		67	10	53	16
Increase in restricted cash		86	-24	-30	-
Other investing activities	-	-	-	-2	-3
Net cash flows from investing activities		-760	-366	51	88
Payments of long-term debt & capital lease obligations		-429	-948	-662	-447
Proceeds from issuance of long-term debt		26	574	436	67

Proceeds from issuance of common stock	35	82	227	5	5
Increase in restricted cash	-	-		-41	-108
Other financing activities	-	-	36	11	-
Net cash flows from financing activities	-368	-292	37	-405	-93
Impact of cash of ExpressJet deconsolidation	-	-	-		-225
Net increase (decrease) in cash & cash equivalents	5	400	545	56	16
Cash & cash equivalents, beginning of period	2,123	1,723	1,178	999	983
Cash & cash equivalents, end of period	2,128	2,123	1,723	1,055	999
Interest paid	383	382	385	372	374
Income taxes paid (refunded)	2	-1	2	-4	13

annual sales	14519.76	13927.26	11695.65	10483.12	9164.22
(ar*365)/day's receivables					

total liabilities	10555	10961	10303	10356
Total debt	5018	5433	5603	5837
Intangibles	706	604	677	959

CONTINENTAL AIRLINES	2007	2006	2005	2004	2003
1 Gross Profit	4.83	3.56	-0.35	-2.35	2.29
2 Days' Receivables	15.23	15.25	16.07	16.43	16.05
3 Cashflow to total debt	17.49	13.55	5.75	0.88	8.06
4 Day's Inventory	6.26	5.81	6.76	7.61	9.03
5 Day's Payable	26.78	26.72	26.24	30.17	36.43
6 Cash Conversion Cycle	48.27	47.78	49.07	54.21	61.51
7 Cash Turnover	7.56	7.64	7.44	6.73	5.93
8 Times Interest Earned	1.79	1.17	-0.1	-0.59	0.52
9 Return on Sales	0.05	0.04	0	-0.02	0.02
10 Cash Conversion Efficiency	0.08	0.08	0.04	0.04	0.04

11 Working Capital Turnover	127.07	75.45	400.29	-22.61	-31.68
12 Total Liabilities to Total Assets	0.87	0.97	0.98	0.98	unavailab
13 Debt to Tangible Net Worth	5.95	-21.14	-12.42	-8.42	le unavailab

CONTINENTAL AIRLINES	2007	2006	2005	2004	2003
Days' Receivables	15.23	15.25	16.07	16.43	16.05
Cashflow to total debt	17.49	13.55	5.75	0.88	8.06
Day's Payable	26.78	26.72	26.24	30.17	36.43
Cash Conversion Cycle	48.27	47.78	49.07	54.21	61.51
Debt to Tangible Net Worth	5.95	-21.14	-12.42	-8.42	
Total Liabilities to Total Assets	0.87	0.97	0.98	0.98	
Return on Sales	0.05	0.04	0	-0.02	0.02
Cash Conversion Efficiency	0.08	0.08	0.04	0.04	0.04
Working Capital Turnover	127.07	75.45	400.29	-22.61	-31.68
Gross Profit	4.83	3.56	-0.35	-2.35	2.29
Day's Inventory	6.26	5.81	6.76	7.61	9.03
Cash Turnover	7.56	7.64	7.44	6.73	5.93
Times Interest Earned	1.79	1.17	-0.1	-0.59	0.52

AMR Corp. (DE) (NYS: AMR)

Profitability Ratios	12/31/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2003
ROA % (Net)	1.75	0.79	-2.96	-2.61	-4.12
ROE % (Net)	19	-38.1	59.9	129.3	-244.87
ROI % (Operating)	7.26	8.15	-0.69	-1.04	-6
EBITDA Margin %	9.87	9.35	5.05	6.74	3.7
Calculated Tax Rate %	-	-	EBT<0	EBT<0	EBT<0
Revenue per Employee	268,246	260,543	234,299	201,890	180,913
Liquidity Indicators	12/31/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2003
Quick Ratio	0.19	0.19	0.2	0.2	0.22
Current Ratio	0.85	0.81	0.74	0.71	0.71
Net Current Assets % TA	-4.39	-5.5	-7.31	-7.11	-6.4
Debt Management	12/31/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2003
LT Debt to Equity	3.8	undefined	undefined	undefined	285.35
Total Debt to Equity	4.19	-22.1	-10.28	-24.66	302.83
Interest Coverage	1.73	1.47	-	-	-
Asset Management	12/31/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2003
Total Asset Turnover	0.79	0.77	0.71	0.64	0.59
Receivables Turnover	22.76	22.8	22.67	22.79	21.09
Inventory Turnover	41.44	44.2	41.3	37.04	30.52
Accounts Payable Turnover	20.34	20.98	19.91	18.88	16.11
Accrued Expenses Turnover	10.04	9.62	9.38	9.26	7.67

Property Plant & Equip Turnover	1.3	1.24	1.1	0.96	0.89
Cash & Equivalents Turnover	39.37	36.48	33.25	29.87	22.74

Per Share	12/31/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2003
Cash Flow per Share	7.9	9.46	6.21	4.44	3.8
Book Value per Share	10.65	-2.73	-8.09	-3.61	0.29

Continental Airlines Inc (NYS: CAL)

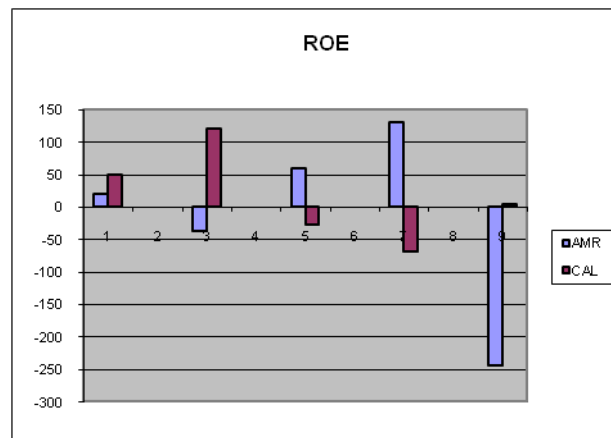
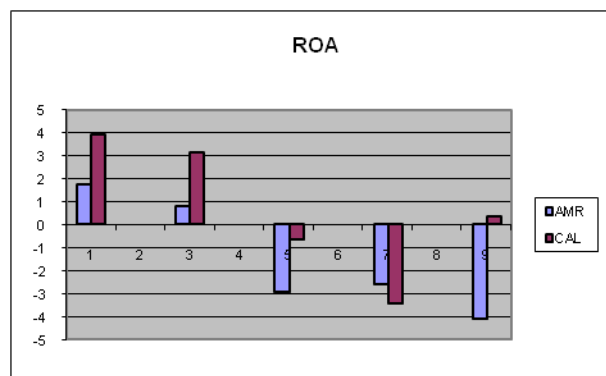
Profitability Ratios	12/31/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2003
ROA % (Net)	3.92	3.14	-0.65	-3.42	0.36
ROE % (Net)	48.39	119.72	-27.64	-68.43	4.87
ROI % (Operating)	11.13	8.06	-0.65	-3.55	3.06
EBITDA Margin %	5.65	5.04	2.72	3.28	11.22
Calculated Tax Rate %	18.9	0	EBT<0	EBT<0	56.72
Revenue per Employee	335,898	319,494	283,531	254,016	235,403

Liquidity Indicators	12/31/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2003
Quick Ratio	0.61	0.68	0.66	0.47	0.49
Current Ratio	1.03	1.04	1.01	0.87	0.9
Net Current Assets % TA	0.93	1.54	0.27	-4.09	-2.63

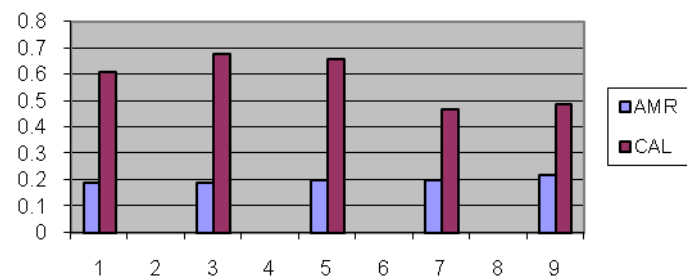
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Interest Coverage	3.51	1.86	-	-	0.58

Asset Management	12/31/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2003
Total Asset Turnover	1.22	1.2	1.06	0.92	0.83
Receivables Turnover	23.96	23.93	22.71	22.21	22.74
Inventory Turnover	58.33	62.81	54.01	47.99	40.41
Accounts Payable Turnover	13.63	13.66	13.91	12.1	10.02
Accrued Expenses Turnover	20.19	23.34	18.71	14.8	13.99
Property Plant & Equip Turnover	2.22	2.13	1.8	1.51	1.32
Cash & Equivalents Turnover	6.7	6.83	8.07	9.46	7.98

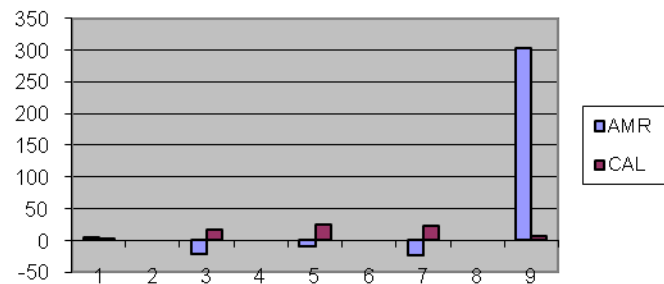
Per Share	12/31/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2003
Cash Flow per Share	11.68	11.89	6.5	5.63	5.23
Book Value per Share	15.78	3.78	2.62	4	11.99



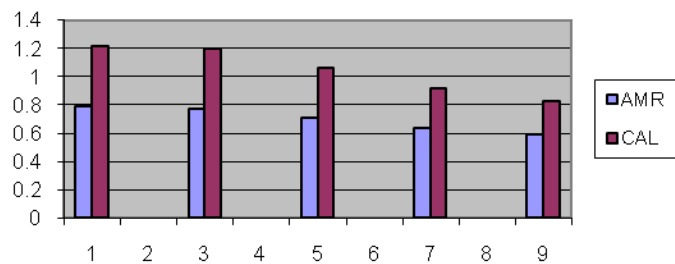
QUICK RATIO



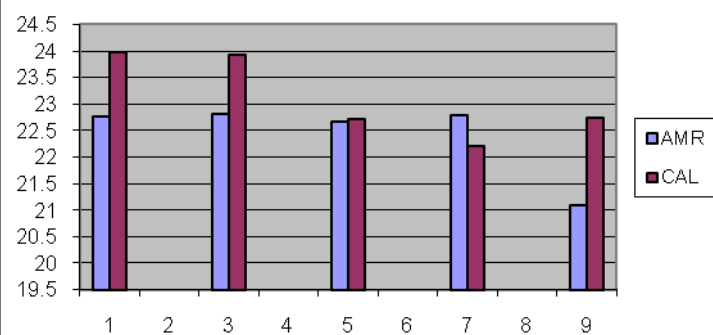
TOTAL DEBT TO EQUITY



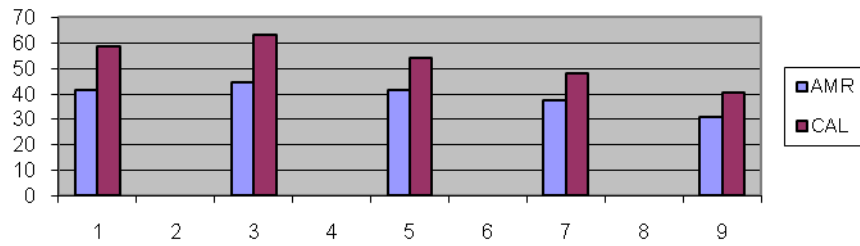
TOTAL ASSET TURNOVER



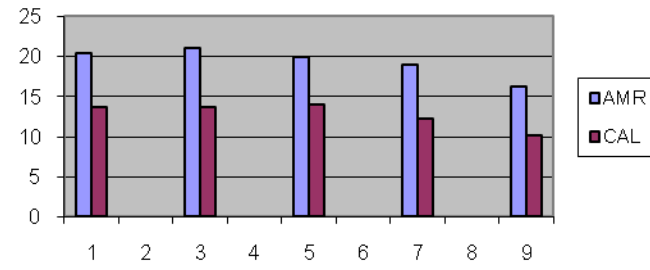
RECEIVABLES TURNOVER



INVENTORY TURNOVER



ACCOUNTS PAYABLE TURNOVER



FIXED ASSET TURNOVER

