

Continental Airlines Chooses Not to Merge

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Continental Airlines (NYSE:CAL) released the following message to its more than 45,000 employees from Larry Kellner, Chairman and Chief Executive Officer, and Jeff Smisek, President.

Dear Co-worker,

We want you to know that our Board of Directors met today and has unanimously supported management's recommendation that, in the current industry environment, the best course for Continental is to not merge with another airline at this time.

Our recommendation, and the Board's careful and considered decision, followed a comprehensive review of our strategic alternatives, assisted by our senior officers and advised by Continental's outside financial and legal advisors. The Board very carefully considered all the risks and benefits of a merger with another airline, and determined that the risks of a merger at this time outweigh the potential rewards, as compared to Continental's prospects on a standalone basis.

We have significant cultural, operational and financial strengths compared to the rest of the industry, and we want to protect and enhance those strengths -- which we believe would be placed at risk in a merger with another carrier in today's environment. We will, however, continue to review potential alliances and our membership in SkyTeam. We are considering alternatives to SkyTeam as we carefully evaluate which major global alliance will be best for Continental over the long term.

While some would prefer to see Continental pursue a merger, we strongly believe we have made the right decision -- one that is in the best interests of our stockholders, co-workers, customers and the communities we serve.

Every U.S. carrier, including Continental, is under enormous pressure from record high fuel prices, a slowing U.S. economy and a weak dollar. In today's harsh environment, we must continue to adjust our business model to ensure we successfully navigate through these difficult times, so that in the future we can once again grow and prosper. As we take actions, we will communicate them to you as soon as possible. In the meantime, we must all continue to concentrate on what we do so well: delivering clean, safe and reliable air transportation every day.

Even in these tough times, we have great strengths. We have an enviable position in the New York market, a powerful hub in Houston, and hubs in Cleveland and Guam. We have a solid trans-Atlantic route network, which has recently been enhanced by our access to London Heathrow. We also have a great Latin American network and a growing portfolio of routes to India and Asia. We fly the youngest, most fuel-efficient fleet and have the best new aircraft order book among the major network carriers.

Most importantly, we have our Working Together culture, and we will ensure it remains intact. We've achieved our industry-leading customer service reputation because of you -- our co-workers. We will all work together to get through these tough times.

We are both proud to be on your team.

Larry

Jeff

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